

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023

H.B. 430
Mar 21, 2023
HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH10207-MHfa-93B

Short Title: Governor's Budget. (Public)

Sponsors: Representative Lambeth.

Referred to:

A BILL TO BE ENTITLED
AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS
OF STATE AGENCIES, DEPARTMENTS, AND INSTITUTIONS.
The General Assembly of North Carolina enacts:

PART I. TITLE AND INTRODUCTION

TITLE OF ACT

SECTION 1.1. This act shall be known as the "Current Operations Appropriations Act of 2023."

INTRODUCTION

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

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

GENERAL FUND APPROPRIATIONS

SECTION 2.1.(a) Appropriations from the General Fund for the budgets of the State departments, institutions, and agencies, and for other purposes as enumerated, are made for each year of the 2023-2025 fiscal biennium, according to the following schedule:

Current Operations – General Fund	FY 2023-2024	FY 2024-2025
EDUCATION		
Community College System	1,593,867,202	1,596,283,053
Public Instruction	13,413,370,088	14,284,695,040
Appalachian State University	184,193,982	184,193,982
East Carolina University		
Academic Affairs	266,602,993	266,607,048



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1	Health Affairs	96,525,963	100,446,390
2	Elizabeth City State University	46,160,370	46,160,370
3	Fayetteville State	78,937,840	78,937,840
4	NC A&T State University	150,219,848	145,719,848
5	NC Central University	91,623,233	91,623,233
6	NC State University		
7	Academic Affairs	499,416,715	499,416,715
8	Agricultural Extension	44,109,008	44,109,008
9	Agricultural Research	58,953,248	58,953,248
10	UNC-Asheville	50,651,165	50,651,165
11	UNC-Chapel Hill		
12	Academic Affairs	329,373,589	329,373,589
13	Health Affairs	230,809,848	230,809,848
14	AHEC	55,271,874	55,271,874
15	UNC-Charlotte	301,689,831	301,689,831
16	UNC-Greensboro	201,202,978	201,202,978
17	UNC-Pembroke	99,181,856	99,181,856
18	UNC-School of the Arts	40,089,624	40,089,624
19	UNC-Wilmington	190,447,266	190,447,266
20	Western Carolina University	152,710,156	152,683,380
21	Winston-Salem State University	69,510,370	69,510,370
22	General Administration	63,231,861	55,397,861
23	University Institutional Programs	484,246,765	554,790,360
24	Related Educational Programs	468,464,708	505,664,708
25	NC School of Science and Math	41,539,395	41,539,395
26	Aid to Private Institutions	16,209,300	6,209,300
27	Total – University of North Carolina	4,311,373,786	4,400,681,087
28			
29	HEALTH AND HUMAN SERVICES		
30	Department of Health and Human Services		
31	Aging and Adult Services	53,990,792	54,117,772
32	Central Management and Support	297,632,120	274,525,753
33	Child Development and Early Education	661,823,553	888,953,961
34	Child and Family Well Being	77,670,941	83,322,027
35	Health Benefits	5,637,108,251	5,973,987,872
36	Health Services Regulation	27,338,777	28,058,476
37	Mental Hlth/Dev. Disabl./Subs. Abuse Serv.	831,031,029	847,367,050
38	Public Health	123,381,254	124,804,544
39	Services for the Blind, Deaf and Hard of Hearing	9,379,618	9,560,820
40	Social Services	225,505,445	227,636,990
41	Vocational Rehabilitation	43,225,441	43,960,547
42	Total Health and Human Services	7,988,087,221	8,556,295,812
43			
44	AGRICULTURE, NATURAL, AND ECONOMIC RESOURCES		
45	Agriculture and Consumer Services	208,991,963	180,456,953
46			
47	Department of Commerce		
48	Commerce	20,010,727	17,372,421
49	General State Aid	26,655,810	20,655,810
50	Economic Development	187,000,660	187,000,660
51			

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1	Environmental Quality	124,725,731	119,905,697
2			
3	Labor	27,288,827	28,003,313
4			
5	Department of Natural and Cultural Resources		
6	Natural and Cultural Resources	363,123,665	276,679,880
7	Roanoke Island	0	0
8			
9	Wildlife Resources Commission	20,234,536	21,042,374
10			
11	JUSTICE AND PUBLIC SAFETY		
12	Judicial Department	764,505,014	777,037,776
13			
14	Judicial Department – Indigent Defense Services	159,589,514	164,148,853
15			
16	Department of Justice	71,629,203	73,099,975
17			
18	Department of Public Safety	726,436,123	711,487,513
19			
20	Department of Adult Correction	2,110,762,409	2,107,009,313
21			
22			
23	GENERAL GOVERNMENT		
24			
25	Department of Administration	68,522,026	69,034,955
26			
27	Office of Administrative Hearings	8,218,385	8,386,295
28			
29	State Board of Elections	11,324,110	10,759,290
30			
31	Office of State Auditor	19,865,249	20,400,899
32			
33	Office of State Controller	35,739,681	36,354,328
34			
35	General Assembly	95,188,112	96,633,139
36			
37	Office of the Governor	6,553,601	6,685,016
38			
39	Office of State Budget and Management		
40	Office of State Budget and Management	12,946,174	13,054,490
41	OSBM – Reserve for Special Appropriations	13,000,000	12,000,000
42			
43	Housing Finance Agency	40,660,000	40,660,000
44			
45	Office of State Human Resource	13,953,519	11,937,954
46			
47	Department of Insurance		
48	Insurance	72,314,798	75,406,059
49	Insurance – Industrial Commission	13,033,752	13,298,365
50			
51	Office of Lieutenant Governor	1,348,734	1,364,973

Department of Military and Veterans Affairs	14,965,824	15,038,969
Department of Revenue	131,569,639	130,873,680
Department of Secretary of State	21,074,593	21,074,235
Department of State Treasurer		
Treasurer	7,538,138	6,933,160
Treasurer – Retirement for Fire and		
Rescue Squad Workers	33,255,423	33,255,423
Information Technology	125,327,503	87,433,005

RESERVES, DEBT, AND OTHER BUDGETS

Statewide Reserves	54,282,000	-2,934,000
Total Net Appropriation	32,950,036,207	34,233,756,565

SECTION 2.1.(b) For purposes of this act, the requirements set forth in this section represent the total amount of funds, including agency receipts, appropriated to an agency, department, or institution.

GENERAL FUND AVAILABILITY

SECTION 2.2.(a) The General Fund availability derived from State tax revenue, nontax revenue, and other adjustments used in developing the budget for each year of the 2023-2025 fiscal biennium is as follows:

	FY 2023-2024	FY 2024-2025
Unappropriated Balance from Prior Fiscal Year	666,806,816	1,015,671,341
Projected Over Collections FY 2022-23	3,250,300,000	-
Public Instruction Reversion FY 2021-22 Funds	151,524,307	-
Anticipated Reversions FY 2022-23	425,000,000	-
Medicaid Expansion Bonus – assumes June 1 enrollment date		
	194,100,000	-
Comprehensive Remedial Plan Court Order for Years 2 and 3		
	(677,801,707)	-
Total, Current Beginning Unreserved Balance	4,009,929,416	1,015,671,341
Statutorily Required Reservations of Revenue		
State Capital and Infrastructure Fund	(1,412,592,500)	(1,461,333,238)
Unfunded Liability Solvency Reserve	(29,280,000)	(87,795,000)
Subtotal	(1,441,872,500)	(1,549,128,238)
Investments to Reserves		
\$1.25 Billion IHOPE Fund (Medicaid Expansion Bonus)	(1,055,000,000)	(195,000,000)
Capital Improvements	(1,415,000,000)	(405,000,000)
Medicaid Contingency Reserve	(391,217,272)	-
Federal Infrastructure Match Reserve	(225,000,000)	-
Economic Development Project Reserve	(325,000,000)	-

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1	Information Technology Project Reserve	(180,000,000)	—
2	Housing Reserve	(160,000,000)	—
3	Transportation Reserve	(78,000,000)	(78,000,000)
4	Contingency and Emergency Fund	(5,000,000)	(5,000,000)
5	Child Care Stabilization Grants	200,000,000	300,000,000
6	Subtotal, Investments to Reserves	(3,634,217,272)	(383,000,000)
7			
8	Tax Revenues		
9	Personal Income	16,610,100,000	16,818,000,000
10	Sales and Use	10,664,600,000	10,690,700,000
11	Corporate Income	1,680,700,000	1,633,500,000
12	Franchise	726,500,000	738,600,000
13	Insurance	1,270,000,000	1,271,700,000
14	Alcoholic Beverage	556,000,000	578,500,000
15	Tobacco Products	280,900,000	276,600,000
16	Other Tax Revenue	158,100,000	165,200,000
17	Subtotal, Tax Revenues	31,946,900,000	32,172,800,000
18			
19	Non-tax Revenues		
20	Judicial Fees	220,800,000	219,800,000
21	Investment Income	856,300,000	645,100,000
22	Disproportionate Share	164,500,000	88,400,000
23	Master Settlement Agreement	150,200,000	149,100,000
24	Insurance	114,900,000	117,800,000
25	Other Non-tax Revenues	252,800,000	255,300,000
26	Subtotal, Non-tax Revenue	1,759,500,000	1,475,500,000
27			
28	Total, Net Revenues	33,706,400,000	33,648,300,000
29			
30	Adjustments to Revenues:		
31	Individual Income Tax Fairness, rate remains at 4.75% for income >\$200K/100K		
32	(MFJ/single)	69,000,000	222,000,000
33	Maintain Lowest Corporate Tax Rate at 2.5%	-	65,000,000
34	Maintain General Fund Sales Tax Transfer to DOT at 2%	210,000,000	429,000,000
35	PHP New Revenue from HASP	162,400,000	84,800,000
36	Medicaid Expansion Bonus – assumes June 1 enrollment date		
37		860,900,000	686,400,000
38	Subtotal, Adjustments to Tax Revenue	1,302,300,000	1,487,200,000
39			
40	Other Adjustments to Availability		
41	Golden Leaf	(2,500,000)	(2,500,000)
42	Adjustment to Transfer from Department of Insurance	23,395,558	26,486,819
43	Adjustment to Transfer from State Treasurer	2,272,346	1,667,368
44	Subtotal, Other Adjustments	23,167,904	25,654,187
45			
46	Revised Total Net General Fund Availability	33,965,707,548	34,244,697,290
47			
48	Less General Fund Net Appropriations	(32,950,036,207)	(34,233,756,565)
49			
50	Unappropriated Balance Remaining	1,015,671,341	10,940,725
51			

SECTION 2.2.(b) In addition to the amount required under G.S. 143C-4-3.1 the State Controller shall transfer to the State Capital and Infrastructure Fund established under G.S. 143C43.1 the sum of one billion four hundred fifteen million dollars (\$1,415,000,000) in nonrecurring funds in the 2023-24 fiscal year and the sum of four hundred five million dollars (\$405,000,000) in nonrecurring funds in the 2024-25 fiscal year. Funds transferred under this subsection are appropriated for the fiscal year in which they were transferred and shall be used in accordance with Part 40 of this act.

SECTION 2.2(b1) G.S. 143C-4-3-1(b)(1)(e) and G.S. 143C-4-3-1(b)(1)(f) are repealed.

SECTION 2.2.(c) As required by G.S. 143-4-2 subsections (i) and (j), the State Controller shall reserve from funds available in the General Fund the sum of twenty-nine million two hundred eighty thousand dollars (\$29,280,000) in nonrecurring funds in the 2023-24 fiscal year and eighty-seven million seven hundred ninety-five thousand dollars (\$87,795,000) in nonrecurring funds in the 2024-25 fiscal year to the Unfunded Liability Solvency Reserve. Of the funds reserved in the Unfunded Liability Solvency Reserve, the State Controller shall transfer the sum of ten million dollars (\$10,000,000) in nonrecurring funds in the 2023-24 fiscal year and the sum of twenty-nine million two hundred eighty thousand (\$29,280,000) in nonrecurring funds in the 2024-25 fiscal year to the Health Benefit Fund and the Retirement System pursuant to G.S. 143C-4-10. The funds in this subsection are appropriated in the year in which they are transferred.

SECTION 2.2.(d) There is established the Improving Health Outcomes for People Everywhere (IHOPE) Fund as a special fund at the Department of Health and Human Services. The State Controller shall transfer the sum of one billion fifty-five million dollars (\$1,055,000,000) in nonrecurring funds in the 2023-24 fiscal year and one hundred ninety-five million dollars (\$195,000,000) from the unreserved fund balance in the General Fund to the IHOPE Fund. This section becomes effective June 30, 2023. Funds transferred under this section to the IHOPE Fund are appropriated in the fiscal year in which they are transferred and shall be used in accordance with this act.

SECTION 2.2.(e) The State Controller shall transfer the sum of one hundred fifty-five million six hundred forty-two thousand one hundred seventy dollars (\$155,642,170) for the 2023-24 fiscal year from funds available in the Medicaid Transformation Reserve in the General Fund to the Medicaid Transformation Fund established under Section 12H.29 of S.L. 2015-241. Funds transferred under this section to the Medicaid Transformation Fund are appropriated for the 2023-24 fiscal year and shall be used in accordance with this act.

SECTION 2.2.(f) The State Controller shall reserve to the Medicaid Contingency Reserve from funds available in the General Fund the sum of three hundred ninety-one million two hundred seventeen thousand two hundred and seventy-two dollars (\$391,217,272) in nonrecurring funds for the 2023-24 fiscal year. Funds reserved in the Medicaid Contingency Reserve do not constitute an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution.

SECTION 2.2.(g) The State Controller shall reserve to the Federal Infrastructure Match Reserve from funds available in the General Fund the sum of two hundred twenty-five million dollars (\$225,000,000) in nonrecurring funds for the 2023-2024 fiscal year. Except as otherwise provided in this act, federal funds received by the State under the Infrastructure Investment and Jobs Act (117-58), the CHIPS and Science Act of 2022 (P.L. 117-167), the Inflation Reduction Act of 2022 (117-169), and any other federal legislation that makes significant funding available to states are appropriated upon transfer in the amounts provided in the notification of award from the federal government or any entity acting on behalf of the federal government to administer the federal funds. The State Controller with the approval of the Director of the Budget shall transfer state matching funds available in the Federal Infrastructure Match Reserve as needed to draw down federal funds in accordance with the notification of

award from the federal government or any entity acting on behalf of the federal government to administer the federal funds, and the funds are appropriated in the year in which they are transferred. State agencies may, with approval of the Director of the Budget, spend these funds received from state matching funds, federal receipts, and federal grants.

SECTION 2.2.(g)(1) Section 2.2(m) of S.L. 2022-74 reads as rewritten:

"SECTION 2.2.(m) There is established in the General Fund the Federal Infrastructure Match Reserve that shall make funds available to State agencies and departments to use for State match requirements when procuring federal aid made available under the federal Infrastructure Investment and Jobs Act (P.L. ~~447-58~~), 117-58), the CHIPS and Science Act of 2022 (P.L. 117-167), the Inflation Reduction Act of 2022 (117-169), and any other federal legislation that makes significant funding available to states. The State Controller with approval of the Director of the Budget shall transfer state matching funds available in the Federal Infrastructure Match Reserve as needed to draw down federal funds in accordance with the notification of award from the federal government or any entity acting on behalf of the federal government to administer the federal funds, and the funds are appropriated in the year in which they are transferred. State agencies may, with approval of the Director of the Budget, spend these funds received from state matching funds, federal receipts, and federal grants. The State Controller shall reserve to the Federal Infrastructure Match Reserve from funds available in the General Fund the sum of one hundred six million dollars (\$106,000,000) in nonrecurring funds for the 2022-23 fiscal year. The State Controller shall transfer funds available in the Federal Infrastructure Match Reserve to the Department of Environmental Quality (DEQ) and the Department of Information Technology (DIT) as needed to draw down federal funds in accordance with the following schedule, and the funds transferred are appropriated for the 2022-23 fiscal year:

..."

SECTION 2.2.(h) The State Controller shall reserve to the Economic Development Project Reserve from funds available in the General Fund the sum of three hundred twenty-five million dollars (\$325,000,000) in nonrecurring funds for the 2023-24 fiscal year. Funds reserved in the Economic Development Project Reserve pursuant to this subsection may be used only for projects as specifically provided in this act notwithstanding whether such projects meet or exceed high-yield project metrics, as defined in G.S. 143B-437.51. The State Controller shall transfer three hundred fifteen million dollars (\$315,000,000) in the 2023-24 fiscal year and ten million dollars (\$10,000,000) in 2024-25 fiscal year from the Economic Development Project Reserve to the Department of Commerce. The funds transferred in this subsection to the Department of Commerce are appropriated in the fiscal year in which they are transferred.

SECTION 2.2.(i) The State Controller shall transfer the sum of one hundred eighty million dollars (\$180,000,000) from the unreserved fund balance in the General Fund to the Information Technology Project Reserve. The following information technology projects are funded from the Information Technology Project Reserve:

- (1) ERP 2.0 pursuant to Section 5.10 of this act.
- (2) The Integrated Tax Administration System pursuant to Section 5.11 of this act.
- (3) The State Board of Elections for system modernization planning.
- (4) IT Contingency and Planning Funds.
- (5) The Department of Health and Human Services' County Reimbursement System.
- (6) The Department of Health and Human Services' Automated Collection and Tracking System.
- (7) The Department of Public Instruction's Online Licensure System.
- (8) The Department of Environmental Quality's Permit Transformation Project.
- (9) The Department of Administration's Financial System Integration.

Funds appropriated to the Information Technology Project Reserve shall be allocated by the Director of the State Budget in consultation with the State Chief Information Officer and the head of the department with primary ownership over the information technology project. Funds shall be allocated based on documented needs. Funds transferred under this section to Information Technology Reserve are appropriated in the year in which they are transferred and shall be used in accordance with this act.

SECTION 2.2.(j) The State Controller shall reserve to the Housing Reserve from funds available in the General Fund the sum of one hundred sixty million dollars (\$160,000,000) in nonrecurring funds for the 2023-24 fiscal year. The State Controller shall transfer the sum of one hundred sixty million dollars (\$160,000,000) from the Housing Reserve to the Housing Finance Agency in accordance with this act and the funds are appropriated in the 2023-24 fiscal year.

SECTION 2.2.(k) There is established in the General Fund a Transportation Reserve which shall make funds available for expenditure only upon an act of appropriation by the General Assembly. The State Controller shall reserve to the Transportation Reserve the sum of seventy-eight million dollars (\$78,000,000) in nonrecurring funds for the 2023-24 fiscal year and seventy-eight million dollars (\$78,000,000) in nonrecurring funds for the 2024-25 fiscal year. The State Controller shall transfer the sum of seventy-eight million dollars (\$78,000,000) in the 2023-24 fiscal year and the sum of seventy-eight million dollars (\$78,000,000) in the 2024-25 fiscal year to the Department of Transportation. Funds transferred under this section to the Department of Transportation are appropriated in the year in which they are transferred and shall be used in accordance with this act.

SECTION 2.2.(l) Notwithstanding G.S. 143C-4-2, the State Controller shall reserve from funds available in the General Fund the sum of five million dollars (\$5,000,000) in nonrecurring funds for the 2023-24 fiscal year and five million dollars (\$5,000,000) in nonrecurring funds for the 2024-25 fiscal year to Contingency and Emergency Fund in the General Fund. Funds under this section are appropriated in the year in which they are reserved.

SECTION 2.2.(m) Notwithstanding G.S. 143C-4-2, the State Controller shall transfer the sum of two hundred million dollars (\$200,000,000) in nonrecurring funds for the 2023-2024 fiscal year and the sum of three hundred million dollars (\$300,000,000) in nonrecurring funds for the 2024-25 fiscal year from the Savings Reserve to the Department of Health and Human Services. Funds transferred under this section to the Department of Health and Human Services are appropriated in the year in which they are transferred and shall be used in accordance with this act.

SECTION 2.2.(n) The State Controller shall transfer the sum of two hundred nine million seven hundred two thousand five hundred dollars (\$209,702,500) in nonrecurring funds for the 2023-2024 fiscal year from funds available in the State Emergency Response and Disaster Relief Reserve, to be used in accordance with Sections 5.7, 5.8 and 5.9 of this act, and the funds transferred are appropriated for the fiscal year in which they are transferred.

SECTION 2.2.(o) The State Controller shall transfer the sum of twenty-five million dollars (\$25,000,000) in nonrecurring funds from the funds available in the World University Games Reserve pursuant to S.L. 2022-74 for the 2027 World University Games to the Department of Commerce (Budget Code: 24609) for the 2029 World University Games. Funds are appropriated upon transfer in the 2023-24 fiscal year.

SECTION 2.2.(p) Except as otherwise specifically provided, nothing in this section shall be construed as appropriating funds reserved pursuant to this section. Funds reserved pursuant to this section do not constitute an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution.

SECTION 2.2.(q) The State Controller shall ensure that the transfers required under this section are completed as soon as practicable but no later than the end of the fiscal year in

which they are directed. In making the transfers required under this section, the State Controller shall prioritize transfers to Reserves that support expenditures.

PART III. HIGHWAY FUND AND HIGHWAY TRUST 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 made for the fiscal biennium ending June 30, 2025, according to the following schedule:

Current Operations – Highway Fund	FY 2023-2024	FY 2024-2025
Department of Transportation		
Administration	\$137,078,101	\$130,238,637
Division of Highways		
Administration	40,365,753	40,365,753
Construction	77,543,078	77,543,078
Maintenance	1,769,915,184	1,935,782,981
Governor's Highway Safety Program	324,111	324,111
OSHA Program	358,030	358,030
State Aid to Municipalities	154,875,000	154,875,000
Intermodal Divisions		
Ferry	87,929,849	80,104,849
Public Transportation, Bicycle, and Pedestrian	82,710,286	82,710,286
Aviation	185,977,023	197,677,023
Rail	45,299,938	45,299,938
Division of Motor Vehicles	176,706,651	173,583,074
Compensation, Benefits, Reserves, Transfers, and Other	95,132,877	97,452,877
Capital Improvements	55,984,119	75,484,363
Total Highway Trust Fund Appropriations	2,910,200,000	3,091,800,000

HIGHWAY FUND AVAILABILITY

SECTION 3.2. The Highway Fund availability used in developing the 2023-2025 fiscal biennial budget is shown below:

Highway Fund Availability	FY 2023-2024	FY 2024-2025
Motor Fuels Tax	\$1,791,900,000	\$1,802,700,000
Highway Short Term Lease	116,700,000	121,500,000
Licenses and Fees	895,100,000	1,053,300,000
Investment Income	40,700,000	35,700,000
Aviation Fuel Tax	13,300,000	25,000,000
Sales Tax	52,500,000	53,600,000
Total Highway Fund Availability	\$2,910,200,000	\$3,091,800,000

HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 3.3. Appropriations from the State Highway Trust Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are made for the fiscal biennium ending June 30, 2025, according to the following schedule:

Current Operations – Highway Trust Fund	FY 2023-2024	FY 2024-2025
Program Administration	\$42,602,398	\$42,616,605
Bonds	121,439,825	93,047,650
Turnpike Authority	49,000,000	49,000,000
State Ports Authority	45,000,000	45,000,000
FHWA State Match	5,104,440	6,176,440
Strategic Prioritization Funding Plan for Transportation Investments	1,775,913,337	1,857,429,319
Transfer to Visitor Center	640,000	640,000
Uncommitted Trust Fund	0	26,489,986
Total Highway Trust Fund Appropriations	\$2,039,700,000	\$2,120,400,000

HIGHWAY TRUST FUND AVAILABILITY

SECTION 3.4. The Highway Trust Fund availability used in developing the 2023-25 fiscal biennial budget is shown below:

Highway Trust Fund Availability	FY 2023-2024	FY 2024-2025
Highway Use Tax	\$1,112,400,000	\$1,160,800,000
Motor Fuels Tax	598,900,000	602,500,000
Fees	142,100,000	170,900,000
Sales Tax	157,400,000	160,900,000
Investment Income	28,900,000	25,300,000
Total Highway Trust Fund Availability	\$2,039,700,000	\$2,120,400,000

PART IV. OTHER AVAILABILITY AND APPROPRIATIONS**CASH BALANCES AND OTHER APPROPRIATIONS**

SECTION 4.1.(a) Cash balances, federal funds, departmental receipts, grants, and gifts from the General Fund, revenue funds, enterprise funds, and internal service funds are appropriated for the 2023-25 fiscal biennium as follows:

- (1) For all budget codes listed in the Governor's Recommended Budget for the 2023-25 fiscal biennium, dated March 2023, and in the Budget Support Document, fund balances and receipts are appropriated up to the amounts specified, as adjusted by the General Assembly, for the 2023-24 fiscal year and the 2024-25 fiscal year. Funds may be expended only for the programs, purposes, objects, and line items or as otherwise authorized by the General Assembly. Expansion budget funds listed in those documents are appropriated only as otherwise provided in this act.
- (2) Notwithstanding the provisions of subdivision (1) of this subsection:

- 1 a. Any receipts that are required to be used to pay debt service
2 requirements for various outstanding bond issues and certificates of
3 participation are appropriated up to the actual amounts received for the
4 2023-24 fiscal year and the 2024-25 fiscal year and shall be used only
5 to pay debt service requirements.
6 b. Other funds, cash balances, and receipts of funds that meet the
7 definition issued by the Governmental Accounting Standards Board of
8 a trust or agency fund are appropriated for and in the amounts required
9 to meet the legal requirements of the trust agreement for the 2023-24
10 fiscal year and the 2024-25 fiscal year.

11 **SECTION 4.1.(b)** Receipts collected in a fiscal year in excess of the amounts
12 appropriated by this section shall remain unexpended and unencumbered until appropriated by
13 the General Assembly, unless the expenditure of over-realized receipts in the fiscal year in which
14 the receipts were collected is authorized by the State Budget Act. Over-realized receipts are
15 appropriated in the amounts necessary to implement this subsection.

16 **SECTION 4.1.(c)** Notwithstanding subsections (a) and (b) of this section, there is
17 appropriated from the Reserve for Reimbursements to Local Governments and Shared Tax
18 Revenues for each fiscal year an amount equal to the amount of the distributions required by law
19 to be made from that reserve for that fiscal year.
20

21 **OTHER RECEIPTS FROM PENDING GRANT AWARDS**

22 **SECTION 4.2.** G.S. 143C-6-4 is amended to add:

23 "(b3) State agencies may, with approval of the Director of the Budget, spend funds received
24 from grants for grant awards that do not require State matching funds and will not be used for a
25 capital project. No state agency may accept a grant that would obligate the State to make future
26 expenditures relating to the program receiving the grant or would otherwise result in a financial
27 obligation as a consequence of accepting the grants funds.

28 (b4) The Office of State Budget and Management shall work with the recipient State
29 agencies to budget grant awards according to the annual program needs and within the parameters
30 of the respective granting entities. Depending on the nature of the award, additional State
31 personnel may be employed on a time-limited basis. Funds received from such grants are hereby
32 appropriated and shall be incorporated into the authorized budget of the recipient State agency.
33 OSBM shall report to the Fiscal Research Division within 30 days of grant funds being
34 budgeted."

35 **SECTION 4.2.(d)** G.S. 143C-5-4.(b)(9) reads as rewritten:

- 36 "(9) Grant funds. – Notwithstanding G.S. 143C-6-4, State agencies may, with
37 approval of the Director of the Budget, spend funds received from grants
38 awarded during the current fiscal year that ~~are for less than two million five~~
39 ~~hundred thousand dollars (\$2,500,000)~~ do not require State matching funds,
40 and will not be used for a capital project. State agencies shall report to the
41 Joint Legislative Commission on Governmental Operations, the chairs of the
42 Senate Committee on Appropriations/Base Budget, the chairs of the House
43 Appropriations Committee, and the Fiscal Research Division within 30 days
44 of receipt of such funds. State agencies may spend up to the greater of one
45 percent (1%) or ten million dollars (\$10,000,000) of the total amount of grants
46 awarded during the current fiscal year to respond to an emergency with the
47 approval of the Director of the Budget. State agencies shall report to the Joint
48 Legislative Commission on Governmental Operations, the chairs of the Senate
49 Committee on Appropriations/Base Budget, the chairs of the House
50 Appropriations Committee, and the Fiscal Research Division within 30 days
51 of receipt of such funds, including specifying the total amount of grants

awarded to respond to the emergency. State agencies may spend all other funds from grants awarded during the current fiscal year only with approval of the Director of the Budget and after consultation with the Joint Legislative Commission on Governmental Operations. 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 up to the applicable allowable amount set forth in this subdivision 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. For purposes of this subdivision, the term (i) "emergency" is as defined in G.S. 166A-19.3 and (ii) "grant" means funds received from a grant that was not included in the base budget for the fiscal year in which the grant was awarded."

EDUCATION LOTTERY AND OTHER WAGERING FUNDS/CHANGES TO REVENUE ALLOCATIONS

SECTION 4.3. The appropriations for the 2023-25 fiscal biennium made from the Education Lottery Fund equal one billion, eight hundred sixty-six million dollars (\$1,866,000,000); from the North Carolina Video Lottery Fund equal two hundred forty-three million dollars (\$243,000,000); from E-Instant Games equal one hundred eighty-four million dollars (\$184,000,000); and from Sports Wagering equal eighty-five million dollars (\$85,000,000) and are as follows:

	FY 2023-2024	FY 2024-2025
Noninstructional Support Personnel	\$429,614,455	\$491,041,455
Prekindergarten Program	186,552,110	277,752,110
Specialized Instructional Support Personnel	0	151,400,000
Public School Building Capital Fund	100,000,000	100,000,000
Needs-Based Public School Capital Fund	208,253,512	208,253,512
Public School Repairs and Renovations	50,000,000	50,000,000
Scholarship Reserve Fund for Public Colleges and Universities	41,194,733	41,194,733
LEA Transportation	21,386,090	21,386,090
TOTAL APPROPRIATION	\$1,037,000,000	\$1,341,000,000

INDIAN GAMING EDUCATION REVENUE FUND APPROPRIATION

SECTION 4.4. Notwithstanding G.S. 143C-9-7, there is appropriated from the Indian Gaming Education Revenue Fund to the Department of Public Instruction, Textbooks, and Digital Resources Allotment, the sum of eleven million dollars (\$11,000,000) in each year of the 2023-25 biennium. These receipts are appropriated in the year in which they are received.

CIVIL PENALTY AND FORFEITURE FUND

SECTION 4.5. Allocations are made from the Civil Penalty and Forfeiture Fund for the fiscal biennium ending June 30, 2025, as follows:

FY 2023-2024	FY 2024-2025
---------------------	---------------------

1	School Technology Fund	\$18,000,000	\$18,000,000
2	Drivers Education	30,193,768	30,193,768
3	School Safety Grants	40,000,000	0
4	State Public School Fund	186,841,640	186,841,640
5	Total Appropriation	\$275,035,408	\$235,035,408

CORONAVIRUS CAPITAL PROJECTS FUND RESERVE TRANSFER ADJUSTMENT

SECTION 4.6 Session Law 2021-180 reads as rewritten:

"TRANSFER OF FUNDS FROM CORONAVIRUS CAPITAL PROJECTS RESERVE TO CORONAVIRUS CAPITAL PROJECTS FUND

"SECTION 4.12. The State Controller shall transfer the sum of ~~two hundred seventy-seven million sixty thousand eight hundred fifty-five dollars (\$277,060,855)~~ two hundred seventy-three million five hundred eighty-three thousand one hundred and seventy-nine dollars (\$273,583,179) to align with the federal award letter received for the 2021-2022 fiscal year from the Coronavirus Capital Projects Reserve, established in Section 2.3 of S.L. 2021-25, to the Coronavirus Capital Projects Fund, established in Section 2.4 of S.L. 2021-25."

ADJUSTMENTS TO GENERAL PROVISIONS FOR AMERICAN RESCUE PLAN ACT OF 2021 FUNDING / STATE FISCAL RECOVERY FUNDS TRANSFER

SECTION 4.7(a) S.L. 2021-180 reads as rewritten:

"SECTION 4.9.(f) Interest. – All interest earned on funds held in the State Fiscal Recovery Fund ~~shall be transferred to the State Fiscal Recovery Reserve.~~ shall remain in the State Fiscal Recovery Fund. The Office of State Budget and Management (OSBM) may allocate interest earnings to provide inflation adjustments to existing grants and projects funded through State Fiscal Recovery Funds by the North Carolina General Assembly."

SECTION 4.7.(b) Reporting. – OSBM shall report on any allocations pursuant to Subsection 4.9(a) to the Senate Committee on Appropriations/Base Budget, the House Appropriations Committee, and the Fiscal Research Division within 90 days following the allocation.

SECTION 4.7.(c) Transfer. – The State Controller shall transfer the sum of thirty million five hundred thousand dollars (\$30,500,000) for the 2023-24 fiscal year from the State Fiscal Recovery Reserve, established in Section 2.1 of S.L. 2021-25, to the State Fiscal Recovery Fund, established in Section 2.2 of S.L. 2021-25 and the funds are appropriated in the 2023-24 fiscal year. The State Controller shall transfer any interest earned from State Fiscal Recovery Fund funds to the State Fiscal Recovery Fund, and interest earned is appropriated to the State Fiscal Recovery Fund in the year in which is earned.

SECTION 4.7.(d) Reversion. – Interest funds appropriated in this act from the State Fiscal Recovery Fund shall not revert at the end of the 2023-25 fiscal biennium.

SECTION 4.7.(e) Disbursement – OSBM shall allocate State Fiscal Recovery Fund funds to State agencies and departments upon justification from the agency or department and only as needed to implement the provisions of this act. The following allocations are made from the State Fiscal Recovery Fund in this act and are subject to Section 4.9 of Session Law 2021-180:

	State Agency or Department	2023-2024	2024-2025
44	(1) DIT – Awareness and Digital Literacy		
45	(Budget Code: 14660)	\$12,500,000	\$12,500,000
46	(2) DIT – Broadband Administration		
47	(Budget Code: 14660)	3,750,000	3,750,000
48	(3) DEQ – Viable Utility Reserve		
49	(Budget Code: 24327)	35,000,000	0
50	(4) DEQ – Local Assistance for Stormwater Infrastructure Investments Fund		
51	(Budget Code: 64311)	15,000,000	0

PART V. GENERAL PROVISIONS**ESTABLISHING OR INCREASING FEES**

SECTION 5.1.(a) Notwithstanding G.S. 123.1, 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 5.1.(b) Notwithstanding G.S. 150B21.1A(a), an agency may adopt an emergency rule in accordance with G.S. 150B21.1A 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.

CAP STATE FUNDED PORTION OF NONPROFIT SALARIES

SECTION 5.2. No more than one hundred twenty thousand dollars (\$120,000) in State funds, including any interest earnings accruing from those funds, may be used for the annual salary of any individual employee of a nonprofit organization.

ELIMINATION OF REQUIREMENT OF PEN-AND-INK SIGNATURES

SECTION 5.3. The Revisor of Statutes shall eliminate any requirements in General Statutes that documents have pen-and-ink, or "wet," signatures. This process should remove any references that mandate the signature of paper copies of forms and other documents, instead of allowing for both wet and digital signatures.

UNEXPENDED DIRECTED GRANTS APPROPRIATED IN 2022-23 FISCAL YEAR DO NOT REVERT

SECTION 5.4.(a) Notwithstanding any provision of law to the contrary, any nonrecurring funds in directed grants appropriated in S.L. 2021-180 for the 2022-23 fiscal year that remain unexpended as of the effective date of this section and are subject to reversion at the end of the 2022-23 fiscal year shall not revert at the end of the 2022-23 fiscal year and shall remain available for expenditure for the purpose for which the funds were appropriated until the earlier of the date the funds are expended or the date the funds revert pursuant to subsection (b) of this section.

SECTION 5.4.(b) Any funds described in subsection (a) of this section that remain unexpended as of June 30, 2023, shall revert to the appropriate fund at the end of the 2023-24 fiscal year.

SECTION 5.4.(c) This section becomes effective June 30, 2023.

FEDERAL INFRASTRUCTURE MATCH RESERVE ALLOCATION

SECTION 5.5.(a) Support for Leveraging Federal Funds. – The State Controller shall transfer funds available in the Federal Infrastructure Match Reserve to the Office of State Budget and Management (OSBM) and the Department of Natural and Cultural Resources (DNCR) in the 2023-24 fiscal year and the funds transferred are appropriated upon transfer:

- (1) \$2,000,000 shall be allocated to state agencies for contracted support to assist in leveraging federal funds.
- (2) \$1,650,000 shall be allocated to DNCR to support rural communities in competing for and applying federal grants.
- (3) \$1,000,000 shall be allocated to OSBM to supplement local capacity across the state to pursue federal funding and support efforts to leverage those funds in local communities.

- (4) \$750,000 shall be allocated to OSBM to establish two time-limited positions that coordinate efforts to implement federal funding in new and existing programs and initiatives within state and local government.

SECTION 5.5.(b) Allocation of Funds for State Match Requirements. – The State Controller shall transfer funds available in the Federal Infrastructure Match Reserve to the Department of Commerce (DOC), Department of Environmental Quality (DEQ), the Department of Transportation (DOT), Wildlife Resources Commission, and OSBM as needed to draw down federal funds. These state matching funds are appropriated in the year in which they are transferred, and their associated federal receipts and grants are appropriated in the year in which they are received. State agencies may, with approval of the Director of the Budget, spend these funds received from state matching funds, federal receipts, and federal grants.

- (1) The following amounts are allocated from the Federal Infrastructure Match Reserve in the 2023-25 biennium:

	State Agency or Department	2023-2024	2024-2025
a.	OSBM – Clean Energy and Energy Efficiency Matching Grants (Budget Code: 23014)	\$25,000,000	\$0
b.	DEQ – Clean Water State Revolving Loan Fund (Budget Code: 64311)	3,975,123	8,675,950
c.	DEQ – Drinking Water State Revolving Loan Fund (Budget Code: 64320)	6,605,875	14,417,727
d.	DEQ – Grid Resiliency (Budget Code: 24300)	1,384,547	1,384,547
e.	DOC – Federal Energy Research Funding (Budget Code: 14601)	500,000	0

- (2) The final amount of state matching funds required and federal funds awarded to Wildlife Resources Commission or DOT for wildlife crossing structures and other projects to reduce the number of wildlife-vehicle collisions is not known but is hereby appropriated in the same manner as provided in this subsection. Both the state match needed to draw down the corresponding federal funds for this item and the associated federal receipts and grant award funds shall be transferred in the year in which the federal funds are awarded and are appropriated in the year in which they are transferred.

NCPRO/EXTENSION OF OPERATIONS

SECTION 5.6.(a) Section 4.3 of S.L. 2020-4, as amended by Section 3.5 of S.L. 2021-1 and Section 23.2 of S.L. 2021-180, reads as rewritten:

"SECTION 4.3.(a) OSBM shall establish a temporary North Carolina Pandemic Recovery Office (Office) to oversee and coordinate funds made available under COVID-19 Recovery Legislation. This Office shall also provide technical assistance and ensure coordination of federal funds received by State agencies and local governments and ensure proper reporting and accounting of all funds. The authorization set forth in this section expires on June 30, ~~2023~~, 2027, and the Office shall cease to operate upon expiration of the authorization."

SECTION 5.6.(b) As allowed per United States Treasury guidance, the interest earned from the Local Fiscal Recovery Funds is appropriated to the Office of State Budget and Management for North Carolina Pandemic Recovery Office operations.

2023 DISASTER RECOVERY

1 **SECTION 5.7.(a)** State Emergency Response and Disaster Relief Fund. – Of the
2 nonrecurring funds appropriated in this act for fiscal year 2023-24, two hundred nine million
3 seven hundred two thousand five hundred dollars (\$209,702,500) shall be allocated as follows:

- 4 (1) \$44,950,000 to the Office of State Budget and Management to provide disaster
5 recovery assistance to households and communities in response to Hurricane
6 Matthew.
- 7 (2) \$30,000,000 to the Office of State Budget and Management to provide disaster
8 recovery assistance to households and communities in response to Hurricane
9 Florence.
- 10 (3) \$12,500,000 to the Office of State Budget and Management to provide disaster
11 recovery assistance to households and communities in response to Tropical
12 Storm Fred.
- 13 (4) \$10,000,000 to the Office of State Budget and Management to support the
14 replacement of personal property items in households which suffered damages
15 in previous hurricanes or other disasters.
- 16 (5) \$575,000 to the Office of State Budget and Management to provide disaster
17 recovery assistance in response to the Sparta Earthquake.
- 18 (6) \$40,000,000 to the Department of Public Safety, Emergency Management
19 Division, to support the Disaster Recovery and Mitigation Fund, which
20 enhances flood mitigation and transportation resilience.
- 21 (7) \$5,000,000 to the Department of Public Safety, North Carolina Office of
22 Recovery and Resiliency, to provide loans to households for their duplication
23 of benefits payments.
- 24 (8) \$5,000,000 to the Department of Public Safety, Emergency Management
25 Division, to provide grants that invest in local emergency management
26 infrastructure.
- 27 (9) \$5,000,000 to the Department of Public Safety, Emergency Management
28 Division, to provide grants that increase available capacity within local
29 disaster shelters.
- 30 (10) \$3,327,500 to the Department of Public Safety, Emergency Management
31 Division, to conduct flood studies and risk assessments for flood gauges in the
32 Flood Inundation Mapping and Alert Network.
- 33 (11) \$3,200,000 to the Department of Public Safety, North Carolina Office of
34 Recovery and Resiliency, to support the Resilient Communities Program,
35 which offers training and portfolio development to guide and enhance local
36 efforts to build resilience.
- 37 (12) \$20,000,000 to the Department of Agriculture and Consumer Services to
38 support the Swine Floodplain Buyout Program, which purchases permanent
39 conservation easements on properties currently used for swine production that
40 are within the 100-year floodplain.
- 41 (13) \$20,000,000 to the Department of Agriculture and Consumer Services to
42 support the Streamflow Rehabilitation Assistance Program, which maintains
43 and restores streams in flood mitigation efforts.
- 44 (14) \$1,000,000 to the Department of Agriculture and Consumer Services to
45 support the Community Conservation Assistance Program, which provides
46 cost-share assistance to encourage the implementation of best land
47 management practices.
- 48 (15) \$5,000,000 to the Department of Natural and Cultural Resources to support
49 the North Carolina Land and Water Fund Flood Risk Reduction, which
50 acquires land in flood-prone areas, reduces stormwater impacts, and restores
51 damaged streambanks and waterways.

- (16) \$3,150,000 to the Department of Environmental Quality for dam-overtopping studies of high-hazard dams.
- (17) \$1,000,000 to the Wildlife Resources Commission for equipment to control prescribed fire and contain wildfires.

SECTION 5.7.(b) Implementation. – The following actions and policies shall be taken to implement subsection 5.7.(a)(1) and subsection 5.7.(a)(2) of this section:

- (1) If a person's home is relocated or purchased with funds from the Hazard Mitigation Grant Program or the State Acquisition and Relocation Fund, the State Emergency Response and Disaster Relief Fund is subrogated to the person's rights under any insurance coverage for the damage to the home and any monies received from the insurance coverage shall be paid to the State Emergency Response and Disaster Relief Fund. The Office of State Budget and Management shall ensure that those potentially affected by this section are notified of, and adhere to, its requirements.
- (2) No State funds appropriated in this section may be expended for the construction of any new residence within the 100-year floodplain unless the construction is in an area regulated by a unit of local government pursuant to a floodplain management ordinance and the construction complies with the ordinance. As used in this section, "100-year floodplain" means any area subject to inundation by a 100-year flood, as indicated on the most recent Flood Insurance Rate Map prepared by the Federal Emergency Management Agency under the National Flood Insurance Program.
- (3) Homeowners in the 100-year floodplain who receive homeowner's housing assistance pursuant to this section shall have in effect federal flood insurance, if available, as a precondition to receipt of State homeowner's housing assistance for losses resulting from future flooding.

SECTION 5.7.(c) Limitation. – The Governor shall ensure that funds allocated in this act are expended in a manner that does not adversely affect any person's or entity's eligibility for federal funds that are made available, or that are anticipated to be made available, as a result of Hurricanes Florence, Matthew, Michael, or Dorian, Tropical Storm Fred, or the Sparta Earthquake. The Governor shall also, to the extent practicable, avoid using State funds to cover costs that will be, or likely will be, covered by federal funds.

SECTION 5.7.(d) No Reversion of Funds. – Funds described in subsection 5.7.(a)(1), subsection 5.7.(a)(2), and subsection 5.7.(a)(3) shall remain available to implement the provisions of this section until the General Assembly directs the reversion of any unexpended and unencumbered funds and G.S. 143C-6-23(f1)(1) shall not apply to those funds.

SECTION 5.7.(e) Reporting Requirements. – The Office of State Budget and Management shall provide periodic reports on the use of the funds allocated and appropriated in this Act in a manner which is consistent with Section 5.8 of Session Law 2019-250.

SECTION 5.7.(f) Programmatic Support – The Office of State Budget and Management may use up to five percent (5%) of the funds allocated for programmatic capacity and administrative expenses.

FLEXIBILITY FOR USE OF UNEXPENDED DISASTER RECOVERY FUNDS

SECTION 5.8.(a) Section 5.9A(c)(1) of S.L. 2021-180 reads as rewritten:

"SECTION 5.9A.(c) Allocations. – Of the funds appropriated in Section 2.2(j) of this act for disaster relief, recovery, mitigation, and resiliency, the sum of one hundred twenty-four million four hundred thousand dollars (\$124,400,000) shall be allocated for relief and recovery efforts from Tropical Storm Fred as follows:

- (1) \$72,000,000 to the Department of Public Safety, Division of Emergency Management, for the following purposes:

a. ~~\$20,000,000 for home reconstructions~~ reconstructions, acquisitions, elevations, or relocations that are not eligible for federal assistance through the Hazard Mitigation Grant ~~Program~~ Program (HMGP) or in counties not eligible for HMGP.

...

g. \$2,000,000 for property repairs for housing facilities owned by landlords who house families displaced by Tropical Storm ~~Fred~~ Fred or families who will become displaced during the repair of damage to such housing facilities.

...."

SECTION 5.8.(b) Notwithstanding any other provision of law, any State agency that received Tropical Storm Fred recovery funds pursuant to this act or any of the following enactments may reallocate unexpended and unobligated program funds to any program or purpose stated in those appropriations:

- (1) S.L. 2021-180.
- (2) S.L. 2021-189.
- (3) S.L. 2022-6.
- (4) S.L. 2022-74.

SECTION 5.8.(c) Any State agency that reallocates funds pursuant to subsection (b) of this section shall report, at least 30 days prior to the reallocation, to the chairs of the Senate Appropriations/Base Budget Committee, the chairs of the House of Representatives Appropriations Committee, and the Fiscal Research Division. The report shall identify all of the following:

- (1) The original funding authorization.
- (2) The original program or purpose for the use of the funds.
- (3) The amount of funds expended or obligated for the original program or purpose.
- (4) The amount of funds that remain unexpended or unencumbered.
- (5) The amount of funds to be reallocated.

RECOVERY AND MITIGATION GRANTS

SECTION 5.9.(a) Section 5.9(g) of S.L. 2021-180 reads as rewritten:

"SECTION 5.9.(g) Establishment of ~~Transportation Infrastructure Resiliency~~ Disaster Recovery and Mitigation Fund. – There is established the ~~Transportation Infrastructure Resiliency Fund~~ Disaster Recovery and Mitigation (Fund) in the Department of Public Safety, Division of Emergency Management. Any funds appropriated to the Fund shall remain available for expenditure as provided in this section unless directed otherwise by the General Assembly.

The Division of Emergency Management shall administer a grant program using funds appropriated to the Disaster Recovery and Mitigation Fund that allows State agencies, units of local government, regional councils of government, and nonprofit corporations to apply for funds to ensure resilience against natural disasters. The Division of Emergency Management shall consult with relevant state agencies prior to awarding grants to State agencies, units of local government, regional councils of government, and nonprofit corporations. Funds may be used for any of, and activities consistent with, the following:

- (1) Projects that update and prepare transportation infrastructure for storms, mudslides, rockslides, and flooding events taking projections of future risk into consideration.
- (2) Risk assessments for critical transportation routes, building on existing and future reports such as the I-95 and I-40 Flood Resilience Feasibility Study.
- (3) Creating community-informed flood risk and vulnerability assessments that identify resilience gaps and project opportunities for transportation routes in

North Carolina to help maintain vital transportation functions following flooding events.

(4) Flood mitigation efforts that stabilize areas and reduce future damage.

(5) Predevelopment assistance to provide small and underserved communities with technical assistance to identify and design shovel-ready projects related to disaster relief and flood mitigation.

(6) Requirements for non-federal match funds when incorporating flood resilience into federally funded hazard mitigation and transportation resilience projects."

SECTION 5.9.(b) Section 5.9(f) and Section 5.9(h) are repealed.

ERP 2.0 OVERSIGHT

SECTION 5.10.(a) There is established the ERP 2.0 Oversight Committee (Committee), which shall be located within the Office of State Budget and Management for organizational, budgetary, and administrative purposes.

SECTION 5.10.(b) ERP 2.0 shall include the following information technology projects funded from the Information Technology Projects Reserve:

- (1) The Human Capital Resource Management project
- (2) The Budget System Replacement project, and
- (3) The Grants Management System project.

SECTION 5.10.(c) The Committee consists of the following members:

- (1) The State Chief Information Officer (CIO), who shall serve as chair.
- (2) The State Budget Officer.
- (3) The State Controller.
- (4) The Director of State Human Resources.

SECTION 5.10.(d) The Committee shall have the following powers and duties:

- (1) To establish steering committees for each project funded as a part of ERP 2.0. The steering committees shall, at a minimum, consist of:
 - a. The agency head, or agency head designees, of the agency or agencies responsible for the project,
 - b. Key stakeholders impacted by the project,
 - c. A representative from the Office of State Budget and Management,
 - d. A representative from the Department of Information Technology.
- (2) To review and approve the allocation of ERP 2.0 funds appropriated in Section 2.2.(i) of this act. The Committee shall establish standards and procedures for approval of funding allocations.
- (3) To receive updates on project costs, schedule, and milestones ERP 2.0 projects. The Committee shall determine the monitoring schedule and procedures, except that each project receiving money for ERP 2.0 shall provide the Committee with quarterly reports and come before the Committee for review at least annually.
- (4) To suspend funding for any ERP 2.0 project that has received funding from the Reserve. The suspension must be based on the Committee's finding that the project is not in compliance with the schedule, budget, and quality standards set forth when the project was approved for funding. The Committee shall report any suspension immediately to the State CIO, the Office of the State Controller, the Office of State Budget and Management, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division. The Office of State Budget and Management shall not permit any additional expenditure of project that has been suspended by the Board.

SECTION 5.10.(e) The Committee shall meet at least quarterly and may hold additional meetings upon the call of the Chair.

SECTION 5.10.(f) The Office of State Budget and Management shall provide primary staff support to the Board with assistance from the Department of Information Technology as needed.

INTEGRATED TAX ADMINISTRATION SYSTEM REPLACEMENT OVERSIGHT

SECTION 5.11.(a) There is established the Integrated Tax Administration System (ITAS) Replacement Oversight Committee (Committee), which shall be located within the Department of Revenue for organizational, budgetary, and administrative purposes.

SECTION 5.11.(b) The Committee consists of the following members:

- (1) The Secretary of Revenue, who shall serve as chair.
- (2) The State Budget Officer.
- (3) The State Chief Information Officer.

SECTION 5.11.(c) The Committee shall have the following powers and duties:

- (1) To establish steering committees for the ITAS replacement project. The steering committees shall, at a minimum, consist of:
 - a. Designees from the Department of Revenue
 - b. Key stakeholders impacted by the project,
 - c. A representative from the Office of State Budget and Management.
 - d. A representative from the Department of Information Technology.
- (2) To receive updates on project costs, schedule, and milestones of the ITAS replacement project appropriated in Section 2.2(i) of this Act. The Committee shall determine the monitoring schedule and procedures.

SECTION 5.11.(d) The Committee shall meet at least quarterly and may hold additional meetings upon the call of the Chair.

SECTION 5.11.(e) The Department of Revenue shall provide primary staff support to the Committee.

PART VI. COMMUNITY COLLEGE SYSTEM

EVALUATION FUNDS FOR NURSING PRECEPTORSHIPS

SECTION 6.1. The Community College System shall use a portion of funds provided for nursing preceptorships to conduct a program evaluation. The Community Colleges System Office may consult with the Office of State Budget and Management for assistance on how to develop a plan for evaluation, including how to register a pre-analysis plan. The system office shall report annually to OSBM and the Fiscal Research Division at the General Assembly on the progress of the evaluation and, when completed, make the pre-analysis plan and final evaluation report publicly available.

EVALUATION FUNDS FOR CHILD CARE PROGRAMS IN COMMUNITY COLLEGES

SECTION 6.2. The Community College System shall use a portion of funds provided for child care services to conduct a program evaluation. The Community Colleges System Office may consult with the Office of State Budget and Management for assistance on how to develop a plan for evaluation, including how to register a pre-analysis plan. The system office shall report annually to OSBM and the Fiscal Research Division at the General Assembly on the progress of the evaluation and, when completed, make the pre-analysis plan and final evaluation report publicly available.

PART VII. PUBLIC INSTRUCTION

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 7.1. The State Board of Education shall allocate additional funds for academically or intellectually gifted children on the basis of one thousand four hundred twenty-three dollars and fourteen cents (\$1,423.14) per child for fiscal years 2023-24 and 2024-25. A local school administrative unit shall receive funds for a maximum of five percent (5%) of its allocated average daily membership, regardless of the number of children identified as academically or intellectually gifted in the unit. The dollar amounts allocated under this section for academically or intellectually gifted children shall also be adjusted in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve academically or intellectually gifted children.

FUNDS FOR CHILDREN WITH DISABILITIES

SECTION 7.2. The State Board of Education shall allocate additional funds for children with disabilities on the basis of six thousand sixty dollars (\$6,060) for fiscal year 2023-24 and six thousand five hundred fifty dollars (\$6,550) for fiscal year 2024-25 per child. Each local school administrative unit shall receive funds for the total number of children who are identified as children with disabilities 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 LIMITED ENGLISH PROFICIENCY

SECTION 7.3. The State Board of Education shall allocate additional funds for services to students with limited proficiency in the English language to local school administrative units and to charter schools based on the three-year weighted headcount of students in the units or charter school with limited English proficiency.

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING (DSSF)/AT-RISK STUDENT SERVICES/ALTERNATIVE SCHOOLS

SECTION 7.4.(a) Funds appropriated in this act for disadvantaged student supplemental funding shall be used, consistent with the policies and procedures adopted by the State Board of Education, only to do the following:

- (1) Provide instructional positions or instructional support positions.
- (2) Provide professional development.
- (3) Provide intensive in-school or afterschool remediation, or both.
- (4) Purchase diagnostic software and progress-monitoring tools.
- (5) Provide funds for teacher bonuses and supplements.

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

SECTION 7.4.(b) Disadvantaged student supplemental funding (DSSF) shall be allotted to a local school administrative unit based on (i) the unit's eligible DSSF population and (ii) the difference between a teacher-to-student ratio of 1:21 and the following teacher-to-student ratios:

- (1) For counties with wealth greater than ninety percent (90%) of the statewide average, a ratio of 1:19.9.

- (2) For counties with wealth not less than eighty percent (80%) and not greater than ninety percent (90%) of the statewide average, a ratio of 1:19.4.
- (3) For counties with wealth less than eighty percent (80%) of the statewide average, a ratio of 1:19.1.
- (4) For local school administrative units that received DSSF funds in fiscal year 2005-06, a ratio of 1:16. These local school administrative units shall receive no less than the DSSF amount allotted in fiscal year 2006-07.

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

SECTION 7.4.(c) If a local school administrative unit's wealth increases to a level that adversely affects the unit's disadvantaged student supplemental funding (DSSF) allotment ratio, the DSSF allotment for that unit shall be maintained at the prior year level for one additional fiscal year.

SECTION 7.4.(d) For the 2024-25 fiscal year the State Board of Education shall transfer the At-Risk Student Services/Alternative Schools allotment into the DSSF allotment and allocate these funds to local school administrative units under a formula that:

- (1) Expands the allowable uses of the DSSF allotment to incorporate activities allowed under the current At-Risk allotment; and
- (2) Provides that no local administrative unit receives a decrease in combined funding.

Reallocated At-Risk funding must be counted as an independent supplement to existing DSSF funds.

SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

SECTION 7.5.(a) Use of Funds for Supplemental Funding. – All funds received pursuant to this section shall be used only (i) to provide instructional positions, instructional support positions, teacher assistant positions, clerical positions, school computer technicians, instructional supplies and equipment, staff development, and textbooks and digital resources and (ii) for salary supplements for instructional personnel and instructional support personnel. Local boards of education are encouraged to use at least twenty-five percent (25%) of the funds received pursuant to this section to improve the academic performance of children who are performing at Level I or II on either reading or mathematics end-of-grade tests in grades three through eight.

SECTION 7.5.(b) Definitions.

As used in this section, the following definitions apply:

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

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

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

SECTION 7.5.(c) Eligibility for Funds. – Except as provided in subsection (g) of this section, the State Board of Education shall allocate these funds to local school administrative units located in whole or in part in counties in which the county wealth as a percentage of the State average wealth is less than one hundred percent (100%).

SECTION 7.5.(d) Allocation of Funds. – Except as provided in subsection (f) of this section, the amount received per average daily membership for a county shall be the difference between the State average current expense appropriations per student and the current expense appropriations per student that the county could provide given the county's wealth and an average effort to fund public schools. To derive the current expense appropriations per student that the county could be able to provide given the county's wealth and an average effort to fund public schools, multiply the county's wealth as a percentage of State average wealth by the State average current expense appropriations per student. The funds for the local school administrative units located in whole or in part in the county shall be allocated to each local school administrative unit located in whole or in part in the county based on the average daily membership of the county's students in the school units. If the funds appropriated for supplemental funding are not adequate to fund the formula fully, each local school administrative unit shall receive a pro rata share of the funds appropriated for supplemental funding.

SECTION 7.5.(e) Formula for Distribution of Supplemental Funding Pursuant to this Section Only. – The formula in this section is solely a basis for distribution of supplemental funding for low-wealth counties. It is the intent of the General Assembly to incrementally increase appropriations for the low-wealth allotment to provide eligible counties supplemental funding equal to one hundred ten percent (110%) of the statewide local revenue per student by fiscal year 2027-28. The State Board of Education shall adjust the formula to ensure each local school administrative unit receives a pro rata share of the additional funds appropriated for the low-wealth allotment in this act for supplemental funding.

SECTION 7.5.(f) Minimum Effort Required. – A county shall receive full funding under this section if the county (i) maintains an effective county tax rate that is at least one hundred percent (100%) of the effective State average tax rate in the most recent year for which data are available or (ii) maintains a county appropriation per student to the school local current expense fund of at least one hundred percent (100%) of the current expense appropriations per student to the school local current expense fund that the county could provide given the county's wealth and an average effort to fund public schools. A county that maintains a county appropriation per student to the school local current expense fund of less than one hundred

percent (100%) of the current expense appropriations per student to the school local current expense fund that the county could provide given the county's wealth and an average effort to fund public schools shall receive funding under this section at the same percentage that the county's appropriation per student to the school local current expense fund is of the current expense appropriations per student to the school local current expense fund that the county could provide given the county's wealth and an average effort to fund public schools.

SECTION 7.5.(g) Non-supplant Requirement. – A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds. For the 2023-25 fiscal biennium, the State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if all of the following criteria apply:

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

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

SECTION 7.5.(h) Counties Containing a Base of the Armed Forces. – Notwithstanding any other provision of this section, for the 2023-25 fiscal biennium, counties containing a base of the Armed Forces of the United States that have an average daily membership of more than 17,000 students shall receive whichever is the higher amount in each fiscal year as follows: either the amount of supplemental funding the county received as a low-wealth county in the 2012-2013 fiscal year or the amount of supplemental funding the county is eligible to receive as a low-wealth county pursuant to the formula for distribution of supplemental funding under the other provisions of this section.

SECTION 7.5.(i) Funds for EVAAS Data. – Notwithstanding the requirements of subsection (a) of this section, local school administrative units may utilize funds allocated under this section to purchase services that allow for extraction of data from the Education Value-Added Assessment System (EVAAS).

SECTION 7.5.(j) Reports. – For the 2023-25 fiscal biennium, the State Board of Education shall report to the Fiscal Research Division prior to May 15 of each year if it determines that counties have supplanted funds.

SECTION 7.5.(k) Department of Revenue Reports. – The Department of Revenue shall provide to the Department of Public Instruction a preliminary report for the current fiscal year of the assessed value of the property tax base for each county prior to March 1 of each year and a final report prior to May 1 of each year. The reports shall include for each county the annual sales assessment ratio and the taxable values of (i) total real property, (ii) the portion of total real property represented by the present-use value of agricultural land, horticultural land, and forestland, as defined in G.S. 105-277.2, (iii) property of public service companies determined in accordance with Article 23 of Chapter 105 of the General Statutes, and (iv) personal property.

SMALL COUNTY SCHOOL SYSTEM SUPPLEMENTAL FUNDING

SECTION 7.6.(a) Allotment Schedule for the 2023-25 Fiscal Biennium. – Except as otherwise provided in subsection (d) of this section, each eligible county school administrative unit shall receive a dollar allotment according to the following schedule:

Allotted ADM Small County Allotment

1	0-1,300	\$1,820,000
2	1,301-1,700	\$1,548,700
3	1,701-2,000	\$1,600,000
4	2,001-2,300	\$1,560,000
5	2,301-2,600	\$1,470,000
6	2,601-2,800	\$1,498,000
7	2,801-3,300	\$1,548,000

8 **SECTION 7.6.(b)** Phase-Out Provision for the 2023-24 Fiscal Year. – If a local
9 school administrative unit becomes ineligible for funding under the schedule in subsection (a) of
10 this section in the 2023-24 fiscal year, funding for that unit shall be phased out over a five-year
11 period. Funding for such local school administrative units shall be reduced in equal increments
12 in each of the five years after the unit becomes ineligible. Funding shall be eliminated in the fifth
13 fiscal year after the local school administrative unit becomes ineligible.

14 Allotments for eligible local school administrative units under this subsection shall
15 not be reduced by more than twenty percent (20%) of the amount received in fiscal year 2022-23
16 in any fiscal year. A local school administrative unit shall not become ineligible for funding if
17 either the highest of the first two months' total projected average daily membership for the current
18 year or the higher of the first two months' total prior year average daily membership would
19 otherwise have made the unit eligible for funds under the schedule in subsection (a) of this
20 section.

21 **SECTION 7.6.(c)** Phase-Out Provision for the 2024-25 Fiscal Year. – If a local
22 school administrative unit becomes ineligible for funding under the schedule in subsection (a) of
23 this section in the 2024-25 fiscal year, funding for that unit shall be phased out over a five-year
24 period. Funding for such local school administrative units shall be reduced in equal increments
25 in each of the five years after the unit becomes ineligible. Funding shall be eliminated in the fifth
26 fiscal year after the local administrative unit becomes ineligible.

27 Allotments for eligible local school administrative units under this subsection shall
28 not be reduced by more than twenty percent (20%) of the amount received in fiscal year 2023-24
29 in any fiscal year. A local school administrative unit shall not become ineligible for funding if
30 either the highest of the first two months' total projected average daily membership for the current
31 year or the higher of the first two months' total prior year average daily membership would
32 otherwise have made the unit eligible for funds under the schedule in subsection (a) of this
33 section.

34 **SECTION 7.6.(d)** Non-supplant Requirement for the 2023-25 Fiscal Biennium. – A
35 county in which a local school administrative unit receives funds under this section shall use the
36 funds to supplement local current expense funds and shall not supplant local current expense
37 funds. For the 2023-25 fiscal biennium, the State Board of Education shall not allocate funds
38 under this section to a county found to have used these funds to supplant local per student current
39 expense funds. The State Board of Education shall make a finding that a county has used these
40 funds to supplant local current expense funds in the prior year or the year for which the most
41 recent data are available, if all of the following criteria apply:

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

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

49 **SECTION 7.6.(e)** Reports. – For the 2023-25 fiscal biennium, the State Board of
50 Education shall report to the Fiscal Research Division prior to May 15 of each fiscal year if it
51 determines that counties have supplanted funds.

SECTION 7.6.(f) Use of Funds. – Local boards of education are encouraged to use at least twenty percent (20%) of the funds they receive pursuant to this section to improve the academic performance of children who are performing at Level I or II on either reading or mathematics end-of-grade tests in grades three through eight.

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

RECRUITMENT BONUS PROGRAM FOR TEACHERS IN LOW WEALTH, LOW PERFORMING OR HIGH NEEDS SCHOOLS

SECTION 7.7.(a) Purpose. – The State Board of Education shall establish a grant program to assist local school administrative units in providing multi-year recruitment bonuses to certified teachers who commit to teach multiple years in a low-performing or high-needs school. Bonuses awarded as part of this grant program shall include, but are not limited to, the following components:

- (1) Awarded over multiple years with a requirement that teachers remain in the school over multiple years to receive the bonus;
- (2) Awarded to certified teachers who commit to teach in a school identified as low-performing, as defined in GS 115C-105.37, a school identified as continually low-performing as defined in GS 115C-105.37A, or a school where seventy-five percent (75%) or greater of students qualify for free or reduced-price lunch under the National School Lunch Program.

SECTION 7.7.(b) Request for Proposal. – By September 1, 2023, and on that date in subsequent years, the State Board of Education shall issue a Request for Proposal (RFP) for the grant program. Local boards of education shall submit their proposals by December 1, 2023. The RFP shall require that proposals include the following information at a minimum:

- (1) Description of the proposal, including details on targeted schools for the bonuses and how the bonus program will be structured;
- (2) Evidence-based research that supports the proposal;
- (3) Implementation plan; and
- (4) Plans for financial sustainability once grant money is no longer available.

SECTION 7.7.(c) Grant Awards. – By February 15, 2024, the State Board of Education shall review the proposals submitted by local boards of education and shall select local school administrative units for grant awards. The State Board of Education may make grant awards for up to three years. A local school administrative unit may not receive more than five hundred thousand dollars (\$500,000) in a single fiscal year from this grant program.

SECTION 7.7.(d) Evaluation and Reporting. – Of the funds appropriated by this act, the State Board of Education may use up to three hundred thousand dollars (\$300,000) to contract with an independent research organization to evaluate the impact of this grant program. The independent research organization shall report the results of this evaluation to the Joint Legislative Education Oversight Committee, the Fiscal Research Division of the General Assembly, and the Office of State Budget and Management by September 1, 2026. The Department of Public Instruction shall report annually on the implementation of this grant program beginning on March 1, 2024.

SECTION 7.7.(e) Carryforward. – Funds unspent in the 2023-24 and 2024-25 fiscal years shall not revert and shall be carried forward to implement this section.

EDUCATOR PROFESSIONAL DEVELOPMENT ALLOTMENT

SECTION 7.8. The State Board of Education shall establish an Educator Professional Development Allotment. Of the funds appropriated in this act to the Department of Public Instruction, the sum of at least ten million dollars (\$10,000,000) in the 2023-24 fiscal year

and the sum of at least twenty million dollars (\$20,000,000) in the 2024-25 fiscal year shall be used to fund the Educator Professional Development Allotment. Funds shall be used by local administrative units and charter schools for educator professional development, to implement literacy training, and for mentoring programs for beginning educators. Funds shall be allotted to local administrative units based on average daily membership. The Department shall determine an appropriate minimum allotment.

NATIONAL BOARD CERTIFICATION FEE SUPPORT

SECTION 7.9.(a) Of the funds appropriated to the Department of Public Instruction by this act, the Department shall transfer the sum of one million nine hundred thousand dollars (\$1,900,000) each year of the biennium to the State Education Assistance Authority to pay the application fees for first time candidates applying for certification by the National Board for Professional Teaching Standards. Funds shall be available beginning with the 2023-24 school year.

SECTION 7.9.(b) G.S. 115C-296.2 reads as rewritten:

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

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

...

(c) Payment of the NBPTS Participation Fee; Paid Leave. – The State shall ~~lend~~ provide teachers the participation fee and shall provide up to three days of approved paid leave to all teachers participating in the NBPTS program who:

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

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

...."

TEACHER ASSISTANTS

SECTION 7.10. It is the intent of the General Assembly to incrementally increase funding for the Teacher Assistants allotment and to simplify the formula for allotting funding in order to provide funding for one teacher assistant for every 27 kindergarten year through third grade students by fiscal 2027-28. Teacher Assistant funding shall be allotted to a local school administrative unit based on a teacher assistant-to-kindergarten through third grade student ratio of 1:31 in fiscal year 2023-24 and a teacher assistant-to-kindergarten through third grade student ratio of 1:29 in fiscal year 2024-25.

SCHOOL NURSES AND SOCIAL WORKERS

SECTION 7.11.(a) Definition of Terms: For the purposes of this section, the following definitions shall apply:

- (1) Community partner. – A public or private entity, including, but not limited to, a nonprofit corporation or a local management entity/managed care

- 1 organization (LME/MCO), that partners with a public school unit to provide
2 services or pay for the provision of services for the unit.
- 3 (2) School Nurse – A registered and licensed individual with the state of North
4 Carolina.
- 5 (3) School Social Worker – A registered and K-12 licensed individual with the
6 North Carolina Department of Public Instruction.
- 7 (4) Eligible public school – A school within a local school administrative unit or
8 charter school that is located in a county that is a development tier one or two
9 area, as defined in G.S. 143B-437.08.

10 **SECTION 7.11.(b)** Program; Purpose. – For the 2023-25 fiscal biennium, the State
11 Board of Education shall establish the School Nurse and Social Worker Program. The funds
12 appropriated in this act to the Department of Public Instruction shall be used to ensure that every
13 eligible public school has a full-time equivalent (FTE) nurse or social worker. In each fiscal year
14 of the 2023-25 fiscal biennium, funds shall be used for (i) a nurse or social worker FTE, or (ii)
15 contractual services for an individual.

16 **SECTION 7.11.(c)** Criteria and Guidelines. – Within thirty (30) days of the budget
17 being certified and funds becoming available, the State Board of Education shall release criteria
18 and guidelines for the administration and use of the funds pursuant to this section. In the
19 disbursement of funds, the State Board of Education shall consider at least all of the following
20 factors:

- 21 (1) The number of certified nurse and social worker FTEs and contractual services
22 of nurses and social workers, according to the Department of Public
23 Instruction's Financial and Business Services and Department of Health and
24 Human Services, within the eligible public school for the 2022-23 school year.
- 25 a. Each charter board or charter school leader must submit
26 documentation of their nurse and social worker staffing from the
27 previous school year. If there was no nurse or social worker or
28 contractual work, the charter board or charter school leader must
29 certify that information.
- 30 (2) The development tier of the county in which the eligible public school was
31 located for the 2022-23 school year.
- 32 a. Eligible public schools in tier one and two development areas which
33 were staffed by neither a school nurse nor a school social worker for
34 the 2022-23 school year should be given first priority.
- 35 b. Eligible public schools in tier one and two development areas which
36 were not staffed by a school nurse for the 2022-23 school year should
37 be given second priority.
- 38 c. Eligible public schools in tier one and two development areas which
39 were not staffed by a school social worker for the 2022-23 should be
40 given third priority.
- 41 d. If there are remaining funds, all other public school units shall be
42 considered.
- 43 (3) Priority shall be given to eligible public schools that can show the ability to
44 hire or contract services within sixty (60) days of receiving funds.

45 Based on the factors above, the State Board of Education shall notify eligible public schools of
46 their eligibility for the program and the amount of funds to be awarded should the eligible public
47 school participate in the program.

48 **SECTION 7.11.(d)** Supplement Not Supplant. – Funds provided to eligible public
49 schools pursuant to the Program shall be used to supplement and not to supplant State or
50 non-State funds already provided for these services.

SECTION 7.11.(e) Administrative Costs. – Of the funds appropriated to the Department of Public Instruction by this act, the State Board of Education may retain a total of up to two hundred thousand dollars (\$200,000) in each fiscal year of the 2023-25 fiscal biennium for administrative costs associated with the Program.

SECTION 7.11.(f) Report. – No later than April 1 of each fiscal year in which funds are awarded pursuant to this section, the State Board of Education shall report on the Program identified in this section to the Joint Legislative Education Oversight Committee, the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Commission on Governmental Operations, the Senate Appropriations/Base Budget Committee, the House Committee on Appropriations, the Fiscal Research Division, and the North Carolina Office of State Budget and Management. The report shall include at least the following information:

- (1) The identity of each eligible public school and community partner that received grant funds through the Program.
- (2) The amount of funding received by each entity identified pursuant to subdivision (1) of this subsection.
- (3) The specific position funded, whether a school nurse or social worker.
- (4) The nature of the position funded, whether a FTE or contractual services.
- (5) Recommendations for the implementation of additional funding to provide at least one full-time school nurse or social worker for all public school units.

SCHOOL SAFETY GRANTS

SECTION 7.12.(a) Definitions. – For the purposes of this section, the following definitions shall apply:

- (1) Community partner. – A public or private entity, including, but not limited to, a nonprofit corporation or a local management entity/managed care organization (LME/MCO), that partners with a public school unit to provide services or pay for the provision of services for the unit.
- (2) School health support personnel. – School psychologists, school counselors, school nurses, and school social workers.

SECTION 7.12.(b) Program; Purpose. – For the 2023-24 fiscal year, the State Board of Education shall establish the School Safety Grants Program (Program). The purpose of the Program shall be to improve safety in public school units by providing grants in fiscal year 2023-24 for (i) services for students in crisis, (ii) school safety training, (iii) safety equipment in schools, and (iv) other initiatives to improve school safety.

SECTION 7.12.(c) Grant Applications. – A public school unit may submit an application to the State Board of Education for one or more grants pursuant to this section. The application shall include an assessment, to be performed in conjunction with a local law enforcement agency, of the need for improving school safety within the public school unit that would receive the funding or services. The application shall identify current and ongoing needs and estimated costs associated with those needs.

SECTION 7.12.(c1) Allocations based on Average Daily Membership (ADM) – Of the funds appropriated by this act, the Department of Public Instruction shall distribute at least forty million dollars (\$40,000,000) in allocations to local school administrative units. Each local school administrative unit shall receive a base allocation of at least ten thousand dollars (\$10,000) per year. The remainder of the funds appropriated for this program shall be divided proportionally to local school administrative units based on their proportion of total state allotted ADM for the previous academic year.

SECTION 7.12.(d) Criteria and Guidelines. – By January 15, 2024, the State Board of Education shall develop criteria and guidelines for the administration and use of the funds pursuant to this section, including any documentation required to be submitted by public school

units. In assessing grant applications, the State Board of Education shall consider at least all of the following factors:

- (1) The level of resources available to the public school unit that would receive the funding.
- (2) Whether the public school unit has received other grants for school safety.
- (3) The overall impact on student safety in the public school unit if the identified needs are funded.

SECTION 7.12.(e) Grants for Students in Crisis. – Of the funds appropriated to the Department of Public Instruction by this act for the grants provided in this section, the Superintendent of Public Instruction, in consultation with the Department of Health and Human Services, shall award grants to public school units to contract with community partners to provide or pay for the provision of any of the following crisis services:

- (1) Crisis respite services for parents or guardians of an individual student to prevent more intensive or costly levels of care.
- (2) Training and expanded services for therapeutic foster care families and licensed child placement agencies that provide services to students who (i) need support to manage their health, welfare, and safety and (ii) have any of the following:
 - a. Cognitive or behavioral problems.
 - b. Developmental delays.
 - c. Aggressive behavior.
- (3) Evidence-based therapy services aligned with targeted training for students and their parents or guardians, including any of the following:
 - a. Parent-child interaction therapy.
 - b. Trauma-focused cognitive behavioral therapy.
 - c. Dialectical behavior therapy.
 - d. Child-parent psychotherapy.
- (4) Any other crisis service, including peer-to-peer mentoring, that is likely to increase school safety.

SECTION 7.12.(f) Grants for Training to Increase School Safety. – Of the funds appropriated to the Department of Public Instruction by this act for the grants provided in this section, the Superintendent of Public Instruction, in consultation with the Department of Health and Human Services, shall award grants to public school units to contract with community partners to address school safety by providing training to help students develop healthy responses to trauma and stress. The training shall be targeted and evidence-based and shall include any of the following services:

- (1) Counseling on Access to Lethal Means (CALM) training for school health support personnel, local first responders, and teachers on the topics of suicide prevention and reducing access by students to lethal means.
- (2) Training for school health support personnel on comprehensive and evidence-based clinical treatments for students and their parents or guardians, including any of the following:
 - a. Parent-child interaction therapy.
 - b. Trauma-focused cognitive behavioral therapy.
 - c. Behavioral therapy.
 - d. Dialectical behavior therapy.
 - e. Child-parent psychotherapy.
- (3) Training for students and school employees on community resilience models to improve understanding and responses to trauma and significant stress.

- (4) Training for school health support personnel on Modular Approach to Therapy for Children with Anxiety, Depression, Trauma, or Conduct problems (MATCH-ADTC), including any of the following components:
- a. Trauma-focused cognitive behavioral therapy.
 - b. Parent and student coping skills.
 - c. Problem solving.
 - d. Safety planning.

- (5) Any other training, including the training on the facilitation of peer-to-peer mentoring, that is likely to increase school safety.

SECTION 7.12.(g) Grants for Safety Equipment. – Of the funds appropriated to the Department of Public Instruction by this act for the grants provided in this section, the Superintendent of Public Instruction shall award grants to public school units for (i) the purchase of safety equipment for school buildings and (ii) training associated with the use of safety equipment purchased pursuant to this subsection. Notwithstanding G.S. 115C-218.105(b), charter schools may receive grants for school safety equipment pursuant to this subsection.

SECTION 7.12.(h) Grants for other initiatives to improve school safety. – Of the funds appropriated to the Department of Public Instruction by this act for the grants provided in this section, the Superintendent of Public Instruction shall award grants to public school units for other initiatives to improve school safety.

SECTION 7.12.(i) Supplement Not Supplant. – Grants provided to public school units pursuant to the Program shall be used to supplement and not to supplant State or non-State funds already provided for these services.

SECTION 7.12.(j) Administrative Costs. – Of the funds appropriated to the Department of Public Instruction by this act for the grants provided in this section, the Superintendent of Public Instruction may retain a total of up to one hundred thousand dollars (\$100,000) in fiscal year 2023-24 for administrative costs associated with the Program.

SECTION 7.12.(k) Nonrevert. – Any unencumbered, unspent balance shall not revert until the end of the 2024-25 fiscal year.

SECTION 7.12.(l) Program Evaluation. – Of the funds appropriated to the Department of Public Instruction by this act for the grants provided in this section, the Superintendent of Public Instruction may use a total of up to five percent (5%) to evaluate the effectiveness of the School Safety Grant program.

SECTION 7.12.(m) Report. – No later than April 1 of each fiscal year in which funds are awarded pursuant to this section, the Superintendent of Public Instruction shall report on the Program to the Joint Legislative Education Oversight Committee, the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Justice and Public Safety, the Joint Legislative Commission on Governmental Operations, the Senate Appropriations/Base Budget Committee, the House Committee on Appropriations, the Fiscal Research Division, and the Office of State Management and Budget. The report shall include at least the following information:

- (1) The identity of each public school unit and community partner that received grant funds through the Program.
- (2) The amount of funding received by each entity identified pursuant to subdivision (1) of this subsection.
- (3) The services, training, and equipment purchased with grant funds by each entity that received a grant.
- (4) Recommendations for the implementation of additional effective school safety measures.

PROMISING PRACTICES GRANTS

1 **SECTION 7.13.(a)** Definition of Terms. – For purposes of this section, public school
2 unit shall have the same meaning given to it under N.C.G.S. 115C-5(7a).

3 **SECTION 7.13.(b)** Program Establishment. – The State Board of Education shall
4 establish a grant program for purposes of allocating funds to public school units for learning
5 recovery and acceleration services through the 2023-25 biennium. The grant program shall be
6 administered by the North Carolina Department of Public Instruction. These grants shall be
7 awarded during the 2023-24 fiscal year and expended during the 2024-25 fiscal year. Any
8 unencumbered, unspent balance shall not revert until the end of the 2024-25 fiscal year.

9 **SECTION 7.13.(c)** Criteria and Guidelines. – By January 15, 2024, the State Board
10 of Education shall release criteria and guidelines for the administration and use of the funds
11 pursuant to this section, including any documentation required to be submitted by applicants. The
12 application process shall be open for no more than 30 days, and public school units shall be
13 notified no fewer than 90 days of the application process closing. The Office of Learning
14 Recovery shall assist in soliciting and preparing proposals for public school units located in a
15 county that is a development tier one area, as defined in G.S. 143B-437.08, upon the public
16 school unit's request. In assessing applications, the State Board of Education shall consider, at a
17 minimum, the following factors:

- 18 (1) The efficacy of the public school unit's proposed program or vendor. Public
19 School units shall include any research or documentation that shows positive
20 student learning gains using the proposed program or vendor within the last
21 three years. Documentation can be from previous work inside the public
22 school unit, from other districts, or from other states.
- 23 (2) The development tier of the county in which the public school unit is located
24 in the 2022-23 fiscal year. Public school units in tier one and two development
25 areas shall be given priority.
- 26 (3) Priority shall be given to math interventions grounded in evidence-based
27 practices that have demonstrated effectiveness in learning recovery.
- 28 (4) Any vendor or program that is considered shall use rigorous data assessment
29 of student success.
- 30 (5) Any vendor or program that is considered shall maintain a single sign-on for
31 every student that uses the services to ensure proper monitoring of student
32 achievement and gains.

33 **SECTION 7.13.(d)** Grant Applications. – A public school unit may submit an
34 application to the State Board of Education for one or more grants pursuant to this section for the
35 second year of the 2023-25 fiscal biennium. The application shall include an assessment to
36 determine the greatest impact on improving learning gains for students. Public school units may
37 create a regional application to increase efficiency.

38 **SECTION 7.13.(e)** Supplement Not Supplant. – Grants provided to public school
39 units pursuant to this section shall be used to supplement and not to supplant State or non-State
40 funds already provided for learning recovery and acceleration or any other service.

41 **SECTION 7.13.(f)** Administrative Costs. – Of the funds appropriated to the
42 Department of Public Instruction by this act for the grants provided in this section, the
43 Superintendent of Public Instruction may retain a total of up to one hundred fifty thousand dollars
44 (\$150,000) for administrative costs associated with the grant program identified in this section.

45 **SECTION 7.13.(g)** Equitable Representation of Grantees. The Department of Public
46 Instruction shall endeavor to ensure there is equitable representation of grantees across the State's
47 eight (8) educational regions.

48 **SECTION 7.13.(h)** Report. – No later than April 15, 2025, the State Board of
49 Education shall provide an initial report on the grant program identified in this section to the Joint
50 Legislative Education Oversight Committee, the Joint Legislative Commission on Governmental
51 Operations, the Senate Appropriations/Base Budget Committee, the House Committee on

Appropriations, the Fiscal Research Division, and the Office of State Budget and Management.

The report shall include at least the following information:

- (1) The identity of each public school unit that received grant funds through the program identified in this section.
- (2) The amount of funding received by each entity identified pursuant to subdivision (1) of this subsection.
- (3) The purpose(s) for which grant funds provided pursuant to this section were used.
- (4) The number of teachers and/or students served by the grant funding.
- (5) Recommendations for the implementation of additional funding for public school units to continue services in the 2025-27 biennium.

BUDGET FLEXIBILITY FOR LOCAL BOARDS OF EDUCATION

SECTION 7.14.(a) G.S. 115C-105.25(b) reads as rewritten:

"§ 115C-105.25. Budget flexibility.

(b) Subject to the following limitations, local boards of education may transfer and may approve transfers of funds between funding allotment categories:

- ...
- ~~(1b) No funds shall be transferred out of the children with disabilities allotment category.~~
- ...
- ~~(3a) No funds shall be transferred out of the teacher assistants allotment category.~~
- ~~(3b) No funds shall be transferred out of the academically or intellectually gifted children allotment category.~~
- ...
- ~~(5d) No positions shall be transferred out of the allocation for program enhancement teachers for kindergarten through fifth grade except as provided in this subdivision. Positions allocated for program enhancement teachers for kindergarten through fifth grade may be converted into positions allocated for classroom teachers for kindergarten through twelfth grade. For the purposes of this subdivision, the term "program enhancement" is as defined in G.S. 115C-301(c2).~~
- ...
- ~~(10a) No funds shall be transferred out of the limited English proficiency allotment category.~~
- ...
- ~~(12) Funds allotted for textbooks and digital resources may only be used for the purchase of textbooks and digital resources. These funds shall not be transferred out of the allotment for any other purpose."~~

SECTION 7.14.(b) Section 4(b) of S.L. 2018-2 is repealed.

COMMUNITY ELIGIBILITY PROVISION

SECTION 7.15.(a) Purpose – The State Board of Education shall establish a four-year pilot program (Program), beginning in the 2024-25 school year, to assist public school units (PSUs) to expand participation in the federal Community Eligibility Provision (CEP) program and to increase the number of students with access to healthy, cost-free school breakfast and lunch. A public school, cluster of public schools, or local school administrative unit that qualifies for the federal CEP program and did not participate in CEP during the 2023-24 school year, is eligible for the Program.

SECTION 7.15.(b) Request for Proposals – By January 15, 2024, the State Board of Education shall issue a Request for Proposal (RFP) for the grant program. Applicant public

schools, clusters of public schools, or local school administrative units shall submit their proposals by March 1, 2024. The RFP shall require that proposals include the following information at a minimum:

- (1) The school or schools that will participate in the Program;
- (2) The Identified Student Percentage (ISP) for the school or schools for the 2024-25 school year;
- (3) The number of students enrolled in the school or schools for the 2024-25 school year;
- (4) Participation rates in the National School Breakfast and Lunch programs for the 2023-24 school year.

SECTION 7.15.(c) Selection – By April 30, 2024, the State Board of Education shall select qualifying public school units to participate in the Program. The number of public school units selected shall be determined based on the amount of funds available for the Program. Priority shall be given to schools, clusters of schools, or local school administrative units with an Identified Student Percentage (ISP) of greater than or equal to forty-seven percent (47%). Selected public school units participating in the Program shall offer breakfast after the bell and in the classroom.

SECTION 7.15.(d) Grants – In order to assist local school nutrition authorities to cover costs associated with participation in the federal CEP program, public school units that have been accepted by the State Board of Education for the Program will receive reimbursements for school meals served to supplement federal reimbursements of school meals. State reimbursement will equal the difference between the federal free rate and the federal paid rate for the number of meals served at the school, school cluster, or local school administrative unit equal to a 0.2 multiplier of the ISP for the participating school, school cluster, or local school administrative unit. State and federal reimbursements shall not exceed 100% of the federal free rate of meals served.

SECTION 7.15.(e) Nonsupplant Requirement – A public school unit which receives funds under this Program shall use the funds to supplement local current expense funds and shall not supplant local current expense funds.

SECTION 7.15.(f) Evaluation – the State Board of Education shall evaluate the impact of this program and may use up to \$100,000 of the funds appropriated by this act to contract with an independent research organization for this purpose. The evaluation shall include, at a minimum,

- (1) How many schools have participated in the program.
- (2) How many students receive free meals who have not before due to the program.
- (3) How much federal money participating nutrition authorities have received.

The State Board shall annually report the results of this evaluation to the Joint Legislative Education Oversight Committee, the Fiscal Research Division of the General Assembly, and the Office of State Budget and Management beginning on January 1, 2025.

SECTION 7.15.(g) Of the funds appropriated in this act, the Department of Public Instruction may use up to \$500,000 for software updates in order to implement this pilot program.

SECTION 7.15.(h) Carryforward – Funds unspent in the 2023-24 and 2024-25 fiscal years shall not revert to the General Fund but shall remain available for use until the end of the pilot program.

TRANSFER POSITIONS FROM HHS TO DPI

SECTION 7.16. As part of the certification of the budget for the 2023-25 fiscal biennium, the Department of Health and Human Services, in consultation with the Office of State Budget and Management, shall transfer six (6) positions and associated operating costs to the

Department of Public Instruction for the maintenance and upkeep of the Governor Morehead School.

STUDENT MEAL REDUCED-PRICE LUNCH CO-PAYS

SECTION 7.17. Funds appropriated from the General Fund to the Department of Public Instruction by this act for the 2023-25 fiscal biennium for reduced-price lunch copays shall be used to provide school lunches at no cost to students of all grade levels qualifying for reduced-price meals in all schools participating in the National School Lunch Program in the 2023-24 and 2024-25 school years. If the funds are insufficient to provide school lunches at no cost to students qualifying for reduced-price meals, the Department of Public Instruction shall also use any excess funds appropriated for the National School Breakfast Program for the purposes of this section. If the funds appropriated in this Act to pay reduced-price school meals co-pays are insufficient to provide school lunches at no cost to students qualifying for reduced-price meals, the Department of Public Instruction may use any excess funds available to the department. If the cost to provide school lunches at no cost to students qualifying for reduced-price meals is less than the amount appropriated in this Act, the Department of Public Instruction shall use the excess funds for the Community Eligibility Provision pilot program or to reduce student meal debt.

TEACHER PREPARATION RESIDENCY FOR HIGH-NEED DISTRICTS

SECTION 7.18.(a) Purpose. – The State Board of Education shall establish a grant program to assist local school administrative units in the development of teacher preparation residency pilot programs. Teacher preparation residency programs provide the necessary preparation and induction supports to teacher preparation candidates pursuing a continuing professional license. Teacher preparation residency programs eligible to receive grant funding through this program shall include, at a minimum, the following components:

- (1) Coursework in the candidate's area of licensure;
- (2) Tuition and stipends;
- (3) Faculty advising;
- (4) Clinical training experiences; and
- (5) Ongoing induction support.

Residency programs eligible for this grant program may include partnerships between local school administrative units, educator preparation programs, local community college or universities, and other community organizations. Grant funds awarded to local school administrative units under this program shall be matched by the local school administrative unit on the basis of one dollar (\$1.00) in non-grant funds for every one dollar (\$1.00) in grant funds.

Resident teachers shall be placed in schools identified as low-performing, as defined in G.S. 115C-105.37, schools identified as continually low-performing as defined in G.S. 115C-105.37A, or schools where seventy-five percent (75%) or greater of students qualify for free or reduced-price lunch under the National School Lunch Program.

SECTION 7.18.(b) Request for Proposal. – By October 1, 2023, the State Board of Education shall issue a Request for Proposal (RFP) for the grant program. Local boards of education shall submit their proposals by January 15, 2024. The RFP shall require that proposals include the following information at a minimum:

- (1) Description of the proposal, including the number of teacher preparation candidates to be served;
- (2) Evidence-based research that supports the proposal;
- (3) Implementation plan; and
- (4) Plans for financial sustainability once grant money is no longer available.

SECTION 7.18.(c) Grant Awards. – By April 15, 2024, 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 for grant awards. The State Board of Education may make grant awards for up to three years. A local school administrative unit may not receive more than five hundred thousand dollars (\$500,000) in a single fiscal year from this grant program.

SECTION 7.18.(d) Evaluation and Reporting. – Of the funds appropriated by this act, the State Board of Education may use up to three hundred thousand dollars (\$300,000) to contract with an independent research organization to evaluate the impact of this grant program. The independent research organization shall report the results of this evaluation to the Joint Legislative Education Oversight Committee, the Fiscal Research Division of the General Assembly, and the Office of State Budget and Management by September 1, 2026. The Department of Public Instruction shall report annually on the implementation of this grant program beginning on March 1, 2025.

SECTION 7.18.(e) Carryforward. – Funds unspent in the 2023-25 fiscal biennium shall not revert and shall be carried forward to implement this section.

PART VII-A. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES

TEACHER SALARY SCHEDULE

SECTION 7A.1.(a) The following monthly teacher salary schedule shall apply for the 2023-24 fiscal year to licensed personnel of the public schools who are classified as teachers. The salary schedule is based on years of teaching experience.

2023-24 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0	4,100
1	4,200
2	4,300
3	4,400
4	4,500
5	4,600
6	4,700
7	4,800
8	4,900
9	5,000
10	5,100
11	5,200
12	5,300
13	5,400
14	5,500
15	5,610
16-18	5,720
19-21	5,790
22-24	5,850
25-27	5,940
28+	6,000

SECTION 7A.1.(b) The following monthly teacher salary schedule shall apply for the 2024-25 fiscal year to licensed personnel of the public schools who are classified as teachers. The salary schedule is based on years of teaching experience.

2024-25 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0	4,600
1	4,685
2	4,770

1	3	4,855
2	4	4,940
3	5	5,025
4	6	5,110
5	7	5,195
6	8	5,280
7	9	5,365
8	10	5,450
9	11	5,535
10	12	5,620
11	13	5,705
12	14	5,790
13	15	5,875
14	16	5,950
15	17-19	6,070
16	20-22	6,135
17	23-25	6,200
18	26-28	6,295
19	29+	6,370

SECTION 7A.1.(c) 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.
- (6) Certified school counselors shall receive a salary supplement of eighty dollars (\$80.00) per month.
- (7) School psychologists shall receive a salary supplement of five hundred (\$500.00) per month.

SECTION 7A.1.(d) The first step of the salary schedule for (i) school psychologists, (ii) school speech pathologists who are licensed as speech pathologists at the master's degree level or higher, and (iii) school audiologists who are licensed as audiologists at the master's degree level or higher shall be equivalent to the sixth step of the "A" salary schedule. These employees shall receive a salary supplement each month of ten percent (10%) of their monthly salary and are eligible to receive salary supplements equivalent to those of teachers for academic preparation at the six-year degree level or the doctoral degree level.

SECTION 7A.1.(e) 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 7A.1.(f) Beginning with the 2014-15 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 7A.1.(g) A teacher compensated in accordance with this salary schedule for the 2023-24 and 2024-25 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 2013-14 school year, the sum of the following:
 - a. The salary the teacher received in the 2013-14 school year pursuant to 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 2013-14 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 2013-14 school year, the sum of the salary and annual bonus the teacher received in the 2014-15 school year pursuant to Section 9.1 of S.L. 2014-100.

SECTION 7A.1.(h) As used in this section, the term "teacher" shall also include instructional support personnel.

RESTORE MASTERS PAY

SECTION 7A.2.(a) The following session laws are repealed:

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

SECTION 7A.2.(b) G.S. 115C-302.10 reads as rewritten:

"§ 115C-302.10. Qualifications for certain education-based salary supplements.

(a) Notwithstanding any other provision of law, only the following teachers and instructional support personnel shall be paid on the "M" salary schedule or receive a salary supplement for academic preparation at the six-year degree level or at the doctoral degree level:

- (1) Certified school nurses and instructional support personnel in positions for which a master's degree is required for licensure.
- (2) Teachers and instructional support personnel who were paid on the "M" salary schedule or received that salary supplement prior to the 2014-2015 school year.
- (3) Teachers and instructional support personnel who (i) complete a degree at the master's, six-year, or doctoral degree level for which they completed at least one course prior to August 1, 2013, and (ii) would have qualified for the salary supplement pursuant to State Board of Education policy, TCPA006, as it was in effect on June 30, 2013.
- (4) Teachers who do not qualify under subdivisions (1), (2), and (3) of this section but who spend at least seventy percent (70%) of their time as follows:
 - a. For teachers, in classroom instruction related to their graduate academic preparation in their field or subject area within their area of licensure. Most of the teachers' remaining time shall be spent in one or more of the following:
 1. Mentoring teachers.
 2. Performing demonstration lessons for teachers.
 3. Writing curricula.

4. Developing and leading staff development programs for teachers

b. For instructional support personnel, performing work within the employee's area of graduate academic preparation.

(b) Beginning with the 2023-24 fiscal year and in subsequent fiscal years, for teachers who are paid on the "M" salary schedule under subdivision (4) of subsection (a) of this act, determination of whether teachers shall be paid on the "M" salary schedule or receive a salary supplement for academic preparation shall take place on an annual basis. Teachers may be moved off the "M" salary schedule or discontinue receiving salary supplements if they are not meeting the requirements of subdivision (4) of subsection (a) of this act in that year.

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

PRINCIPAL SALARY SCHEDULE

SECTION 7A.3.(a) The following annual salary schedule for principals shall apply for the 2023-24 fiscal year, beginning July 1, 2023.

2023-24 Principal Annual Salary Schedule

Avg. Daily Membership	Base	Met Growth	Exceeded Growth
0-200	\$79,883	\$87,871	\$95,860
201-400	\$83,877	\$92,265	\$100,652
401-700	\$87,871	\$96,658	\$105,446
701-1,000	\$91,865	\$101,052	\$110,239
1,001-1,600	\$95,860	\$105,446	\$115,031
1,601+	\$99,854	\$109,839	\$119,824

SECTION 7A.3.(b) The following annual salary schedule for principals shall apply for the 2024-25 fiscal year, beginning July 1, 2024.

2024-25 Principal Annual Salary Schedule

Avg. Daily Membership	Base	Met Growth	Exceeded Growth
0-200	84,676	93,143	101,612
201-400	88,910	97,801	106,691
401-700	93,143	102,457	111,773
701-1000	97,377	107,115	116,853
1001-1600	101,612	111,773	121,933
1601+	105,845	116,429	127,013

SECTION 7A.3.(c) A principal's placement on the salary schedule shall be determined according to the average daily membership of the school supervised by the principal, as described in subsection (b) of this section, and the school growth scores, calculated pursuant to G.S. 115C83.15(c), for each school the principal supervised in at least two of the prior three school years, as described in subsection (c) of this section, regardless of a break in service, and provided the principal supervised each school as a principal for at least a majority of the school year, as follows:

- (1) A principal shall be paid according to the Exceeded Growth column of the schedule if the school growth scores show the school or schools exceeded expected growth in at least two of the prior three school years.
- (2) A principal shall be paid according to the Met Growth column of the schedule if any of the following apply:
 - a. The school growth scores show the school or schools met expected growth in at least two of the prior three school years.

- b. The school growth scores show the school or schools met expected growth in at least one of the prior three school years and exceeded expected growth in one of the prior three school years.
 - c. The principal supervised a school in at least two of the prior three school years that was not eligible to receive a school growth score.
- (3) A principal shall be paid according to the Base column if either of the following apply:
- a. The school growth scores show the school or schools did not meet expected growth in at least two of the prior three years.
 - b. The principal has not supervised any school as a principal for a majority of the school year in at least two of the prior three school years.

SECTION 7A.3.(d) For purposes of determining the average daily membership of a principal's school in the 2023-24 and 2024-25 school year, placement on the schedule related to average daily membership shall be based on the average daily membership for the school from the 2021-22 school year. If the school did not have an average daily membership in the 2021-22 school year, the average daily membership for the school for the 2022-23 school year shall be used. If the school did not have an average daily membership in the 2022-23 school year, the projected average daily membership for the school for the 2022-23 or 2023-24 school year shall be used.

SECTION 7A.3.(e) For purposes of determining the school growth scores for each principal in the 2023-24 and 2024-25 school years, placement on the schedule related to school growth scores shall be based on the placement of the principal in the 2022-23 school year.

SECTION 7A.3.(f) Beginning with the 2017-18 fiscal year, in lieu of providing annual **longevity** payments to principals paid on the principal salary schedule, the amounts of those longevity payments are included in the annual amounts under the principal salary schedule.

SECTION 7A.3.(g) A principal compensated in accordance with this section for the 2023-24 fiscal year shall receive an amount equal to the greater of the following:

- (1) The applicable amount determined pursuant to subsections (a) through (d) of this section.
- (2) For principals who were eligible for longevity in the 2016-17 fiscal year, the sum of the following:
 - a. The salary the principal received in the 2016-17 fiscal year pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.
 - b. The longevity that the principal would have received as provided for State employees under the North Carolina Human Resources Act for the 2016-17 fiscal year based on the principal's current years of service.
- (3) For principals who were not eligible for longevity in the 2016-17 fiscal year, the salary the principal received in the 2016-17 fiscal year pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94

ASSISTANT PRINCIPAL SALARIES

SECTION 7A.4.(a) For the 2023-25 fiscal biennium, assistant principals shall receive a monthly salary based on the relevant salary schedule for teachers shown in Section 7A.1(a) and 7A.1(b) who are classified as "A" teachers plus nineteen percent (19%). An assistant 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. For purposes of this section, an administrator with a one-year provisional assistant principal's certificate shall be considered equivalent to an assistant principal.

SECTION 7A.4.(b) 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 7A.4.(c) Participants in an approved fulltime 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 fulltime student, including awards of the Principal Fellows Program. The Principal Fellows Program or the school of education where the intern participates in a fulltime master's in-school administration program shall supply the Department of Public Instruction with certification of eligible fulltime interns.

SECTION 7A.4.(d) Beginning with the 2017-18 fiscal year, in lieu of providing annual longevity payments to assistant principals on the assistant principal salary schedule, the amounts of those longevity payments are included in the monthly amounts provided to assistant principals pursuant to subsection (a) of this section.

SECTION 7A.4.(e) An assistant principal compensated in accordance with this section for the 2021-2023 fiscal biennium shall receive an amount equal to the greater of the following:

- (1) The applicable amount determined pursuant to subsections (a) through (d) of this section.
- (2) For assistant principals who were eligible for longevity in the 2016-17 fiscal year, the sum of the following:
 - a. The salary the assistant principal received in the 2016-17 fiscal year pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.
 - b. The longevity that the assistant principal would have received as provided for State employees under the North Carolina Human Resources Act for the 2016-17 fiscal year based on the assistant principal's current years of service.
- (3) For assistant principals who were not eligible for longevity in the 2016-17 fiscal year, the salary the assistant principal received in the 2016-17 fiscal year pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.

CENTRAL OFFICE SALARIES

SECTION 7A.5.(a) For the 2023-24 fiscal year, beginning July 1, 2023, the annual salary for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers, whose salaries are supported from State funds, shall be increased by six and one-half percent (6.5%).

SECTION 7A.5.(b) It is the intent of the General Assembly to increase the annual salary for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers, whose salaries are supported from State funds, in the 2024-25 fiscal year, beginning July 1, 2024, by three percent (3%).

SECTION 7A.5.(c) The monthly salary maximums that follow apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2023-24 fiscal year, beginning July 1, 2023:

2023-24 Fiscal Year

	Maximum
School Administrator I	\$7,528
School Administrator II	\$7,977
School Administrator III	\$8,453
School Administrator IV	\$8,783

1	School Administrator V	\$9,133
2	School Administrator VI	\$9,676
3	School Administrator VII	\$10,061.

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

9 **SECTION 7A.5.(d)** The monthly salary maximums that follow apply to public
10 school superintendents for the 2023-24 fiscal year, beginning July 1, 2023:

2023-24 Fiscal Year

11		Maximum
12		
13	Superintendent I	\$10,665
14	Superintendent II	\$11,301
15	Superintendent III	\$11,979
16	Superintendent IV	\$12,699
17	Superintendent V	\$13,463.

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

22 **SECTION 7A.5.(e)** Longevity pay for superintendents, assistant superintendents,
23 associate superintendents, directors/coordinators, supervisors, and finance officers shall be as
24 provided for State employees under the North Carolina Human Resources Act.

25 **SECTION 7A.5.(f)** Superintendents, assistant superintendents, associate
26 superintendents, directors/coordinators, supervisors, and finance officers with certification based
27 on academic preparation at the six-year degree level shall receive a salary supplement of one
28 hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided
29 pursuant to this section. Superintendents, assistant superintendents, associate superintendents,
30 directors/coordinators, supervisors, and finance officers with certification based on academic
31 preparation at the doctoral degree level shall receive a salary supplement of two hundred
32 fifty-three dollars (\$253.00) per month in addition to the compensation provided for under this
33 section.

34 **SECTION 7A.5.(g)** The State Board of Education shall not permit local school
35 administrative units to transfer State funds from other funding categories for salaries for public
36 school central office administrators.

37 **SECTION 7A.5.(h)** It is the intent of the General Assembly that the monthly salary
38 maximums that follow shall apply to assistant superintendents, associate superintendents,
39 directors/coordinators, supervisors, and finance officers for the 2024-25 fiscal year, beginning
40 July 1, 2024:

2024-25 Fiscal Year

41		Maximum
42		
43	School Administrator I	\$7,754
44	School Administrator II	\$8,216
45	School Administrator III	\$8,707
46	School Administrator IV	\$9,046
47	School Administrator V	\$9,407
48	School Administrator VI	\$9,966
49	School Administrator VII	\$10,363

SECTION 7A.5.(i) It is the intent of the General Assembly that the monthly salary maximums that follow shall apply to public school superintendents for the 2024-25 fiscal year, beginning July 1, 2024:

	2024-25 Fiscal Year
	Maximum
Superintendent I	\$10,985
Superintendent II	\$11,640
Superintendent III	\$12,338
Superintendent IV	\$13,080
Superintendent V	\$13,867.

NONCERTIFIED PERSONNEL SALARIES

SECTION 7A.6.(a) For the 2023-24 fiscal year, beginning July 1, 2023, the annual salary for noncertified public school employees whose salaries are supported from State funds shall be increased as follows:

- (1) For permanent, fulltime employees on a 12-month contract, by six and one-half percent (6.5%).
- (2) For the following employees, by a prorated and equitable amount based on the amount specified in subdivision (1) of this subsection:
 - a. Permanent, full-time employees on a contract for fewer than 12 months.
 - b. Permanent, part-time employees.
 - c. Temporary and permanent hourly employees.

SECTION 7A.6.(b) It is the intent of the General Assembly to increase the annual salary for noncertified public school employees whose salaries are supported from State funds in the 2024-25 fiscal year, beginning July 1, 2024, as follows:

- (1) For permanent, fulltime employees on a 12-month contract, by three percent (3%).
- (2) For the following employees, by a prorated and equitable amount based on the amount specified in subdivision (1) of this subsection:
 - a. Permanent, full-time employees on a contract for fewer than 12 months.
 - b. Permanent, part-time employees.
 - c. Temporary and permanent hourly employees.

PART VIII. THE UNIVERSITY OF NORTH CAROLINA SYSTEM

UNC/ESCHEATS FUND FOR STUDENT FINANCIAL AID PROGRAMS

SECTION 8.1.(a) The funds appropriated by this act from the Escheat Fund for the 2023-25 fiscal biennium for student financial aid shall be allocated in accordance with G.S. 116B7. Notwithstanding any other provision of Chapter 116B of the General Statutes, if the interest income generated from the Escheat Fund is less than the amounts referenced in this act, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this act; however, under no circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B6(f). If any funds appropriated from the Escheat Fund by this act for student financial aid remain uncommitted aid as of the end of a fiscal year, the funds shall be returned to the Escheat Fund, but only to the extent the funds exceed the amount of the Escheat Fund income for that fiscal year.

SECTION 8.1.(b) The State Education Assistance Authority (SEAA) shall conduct periodic evaluations of expenditures of the student financial aid programs administered by SEAA to determine if allocations are utilized to ensure access to institutions of higher learning and to

meet the goals of the respective programs. The SEAA may make recommendations for redistribution of funds to the President of The University of North Carolina and the President of the Community College System regarding their respective student financial aid programs, who then may authorize redistribution of unutilized funds for a particular fiscal year.

GROWING THE HEALTHCARE WORKFORCE

SECTION 8.2(a) Establishment of the Fund. – Of the funds appropriated to the Board of Governors of the University of North Carolina by this act for the 2023-24 fiscal year, the Board shall use ten million (\$10,000,000) to establish the Fund for Growing the Health Care Workforce (Fund). Any unexpended funds remaining in the Fund at the end of the fiscal year shall not revert to the General Fund but shall remain available for the purposes set forth in this section through June 30, 2025. The Fund shall be used to assist independent college and universities who participate in the State Need Based Grant in starting or expanding programs that will grow the health care workforce, including through providing greater facility capacity for trainees; increasing the numbers of health faculty and staff; and providing student support, equipment and lab space.

SECTION 8.2.(b) Report. – The Board shall submit an initial report to the Joint Legislative Education Oversight Committee by December 1, 2024, and an annual report thereafter for each year the Board provides funds, on the programs receiving the funds, which shall include at least the following information:

- (1) The institutions that received funds, the amount of funds, and the types of programs started.
- (2) The use of funds by each institution receiving awards, including costs associated with student instruction, faculty salaries, instructional supplies, related instructional equipment, and accreditation costs.
- (3) Evaluation of the success of the new programs receiving funds.

COLLEGE ADVISING CORPS

SECTION 8.3.(a) Purpose of the College Advising Corps Program. – From the funds appropriated by this act for the 2023-25 fiscal biennium to the Board of Governors of The University of North Carolina for the College Advising Corps program, the Board of Governors shall provide a directed grant to the National College Advising Corps, Inc. (CAC) to support an expansion of the placement of college advisers in North Carolina public schools through their program. CAC is a college access nonprofit organization with the mission to increase the number of underrepresented, low-income, or first-generation postsecondary degree or certificate students entering and completing their postsecondary education at community colleges and universities. In furthering this mission, CAC operates an innovative model of partnering with schools, communities, families, and postsecondary institutions, including providing for a two-year service opportunity to recent college graduates as near-peer college advisers working fulltime in the public schools, with an emphasis on engaging college advisers who have similar backgrounds to the students the program seeks to serve. Near-peer college advisers perform various services for those students that are key components to the proven success of the program, including (i) attending postsecondary campus visits, fairs, and workshops with students, (ii) assisting with registering for college entrance exams, (iii) assisting with Free Application for Federal Student Aid (FAFSA) registrations and completions, (iv) identifying available scholarships, (v) assisting with postsecondary applications, and (vi) engaging with families.

SECTION 8.3.(b) Matching Funds. – Funds made available to CAC pursuant to this section shall be matched by CAC on the basis of two dollars (\$2.00) in non-State funds for every one dollar (\$1.00) in State funds. Availability of these matching funds shall not revert, but shall continue to be available for the purposes set forth in this section.

SECTION 8.3.(c) Use of Funds. – CAC shall focus expansion of its program using the funds provided to it under this section to achieve placement of college advisers in all 100 counties of the State. In addition, CAC shall select at least three additional postsecondary institutions to partner with in order to increase the number of recent graduates working as near-peer college advisers to meet the needs of the program expansion. Once CAC has reached the goal of placement of college advisers in 100 counties, the funds provided to it for the program shall be used to continue the mission of the program to increase access for North Carolina public school students to postsecondary degree or certificate attainment at community colleges and universities.

SECTION 8.3.(d) Reporting Requirements. – CAC shall submit a report by June 1 of each year in which CAC spends State funds made available to it pursuant to this section to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management on the progress of expanding the placement of college advisers, data on the effectiveness of the program in increasing access for students to postsecondary education, and the use of State funds.

PART VIII-A. UNIVERSITY/STATE EDUCATION ASSISTANCE AUTHORITY

OPPORTUNITY SCHOLARSHIPS ACCOUNTABILITY

SECTION 8A.1.(a) G.S. 115C562.1 reads as rewritten:

"§ 115C-562.1. Definitions.

The following definitions apply in this Part:

...

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

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

~~1. Was a full-time student (i) assigned to and attending a public school pursuant to G.S. 115C 366 or (ii) enrolled in a Department of Defense Elementary and Secondary School, established pursuant to 10 U.S.C. § 2164 and located in North Carolina, during the previous semester. 2. Received a scholarship grant during the previous school year.~~ ~~3. Is a child in foster care as defined in G.S. 131D-10.2(9).~~ ~~4. Is a child whose adoption decree was entered not more than one year prior to submission of the scholarship grant application.~~ ~~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.~~

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 two hundred percent (200%) of the amount required for the student to qualify for the federal free or reduced-price lunch program. The Authority shall not count any distribution from the estate of a decedent in calculating the income level of the applicant's household for the

purposes of determining eligibility for a scholarship under this subdivision."

SECTION 8A.1.(b) G.S. 115C-562.8(b) reads as rewritten:

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

(b) The General Assembly finds that, due to the critical need in this State to invest in public schools to provide a sound basic education for all North Carolina students, it funds that imperative by phasing out the Opportunity Scholarships Program over the next 13 years, to redirect these funds to public schools. 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.

Fiscal Year	Appropriation
2023-2024	\$176,540,000
2024-2025	\$161,828,333
2025-2026	\$147,116,667
2026-2027	\$132,405,000
2027-2028	\$117,693,333
2028-2029	\$102,981,667
2029-2030	\$88,270,000
2030-2031	\$73,558,333
2031-2032	\$58,846,667
2032-2033	\$44,135,000
2033-2034	\$29,423,333
2034-2035	\$14,711,667
2035-2036	\$0 "

SECTION 8A.1.(c) The State Education Assistance Authority shall not award scholarship funds to new recipients pursuant to Part 2A of Article 39 of Subchapter X of Chapter 115C of the General Statutes after the 2024-25 academic year.

SECTION 8A.1.(d) G.S. 115C-112.6 is amended by adding a new subsection to read:

"(c1) Academic Assessment. – A nonpublic school that accepts eligible students receiving scholarship funds shall academically assess students on an annual basis for each school year at the same grade levels as required by the State Board of Education for students in the public schools pursuant to G.S. 115C174.11(c)(1). An eligible student awarded scholarship funds who is enrolled in a nonpublic school shall participate in the academic assessments to maintain eligibility for receipt of the scholarship funds.

Assessment data shall be retained by the nonpublic school for a five-year period and shall be subject to audit by the Authority to ensure compliance with this subsection. Assessment data shall be provided to the parent or guardian of an eligible student, whose tuition and fees are paid in whole or in part with scholarship funds, with an annual written explanation of the student's progress, including the results of the student's academic assessment. If an eligible student received an academic assessment pursuant to G.S. 115C593.5 for a school year, the academic assessment may be used to meet the requirements of this subsection. Nothing in this subsection shall be deemed to prohibit a nonpublic school from administering assessments at other grade levels for its own purposes."

SECTION 8A.1.(e) G.S. 115C-12.8(b) is amended by adding a new subdivision to read:

"(6) Information on the compliance with the academic assessment requirement pursuant to G.S. 115C112.6(c1)."

SECTION 8A.1.(f) G.S. 115C-562.2 is amended by adding a new subsection to read:

"(c1) An eligible student awarded a scholarship grant shall participate in administration of examinations required by G.S. 115C562.5 to maintain eligibility for receipt of the scholarship grant."

SECTION 8A.1.(g) G.S. 115C-562.5 reads as rewritten:

"§ 115C-562.5. Obligations of nonpublic schools accepting eligible students receiving scholarship grants.

(a) A nonpublic school that accepts eligible students receiving scholarship grants shall comply with the following:

- (1) Provide to the Authority documentation for required tuition and fees charged to the student by the nonpublic school.
- (2) Provide to the Authority a criminal background check conducted for the staff member with the highest decision-making authority, as defined by the bylaws, articles of incorporation, or other governing document, to ensure that person has not been convicted of any crime listed in G.S. 115C332.
- (3) Provide to the parent or guardian of an eligible student, whose tuition and fees are paid in whole or in part with a scholarship grant, an annual written explanation of the student's progress, including the student's scores on standardized achievement tests.
- (4) Administer, at least once in each school year, ~~a nationally standardized test or other nationally standardized equivalent measurement selected by the chief administrative officer of the nonpublic school~~ the assessments and tests required by the State Board of Education for public schools to comply with federal law according to grade level pursuant to G.S. 115C174.11(c)(1) to all eligible students whose tuition and fees are paid in whole or in part with a scholarship grant enrolled in grades three and higher. The nationally standardized test or other equivalent measurement selected must measure achievement in the areas of English grammar, reading, spelling, and mathematics. Test performance data shall be submitted to the Authority by July 15 of each year and retained by the nonpublic school for a five-year period and shall be subject to audit by the Authority to ensure compliance with this subdivision and for the purposes of the evaluation required by G.S. 115C562.7A. Test performance data reported to the Authority or audited or collected for evaluation purposes by the Authority under this subdivision is not a public record under Chapter 132 of the General Statutes. Nothing in this subdivision shall be deemed to prohibit a nonpublic school from administering other standardized tests or tests at other grade levels for its own purposes.
- (5) Provide to the Authority graduation rates of the students receiving scholarship grants in a manner consistent with nationally recognized standards.
- (6) Contract with a certified public accountant to perform a financial review, consistent with generally accepted accounting principles, for each school year in which the school accepts students receiving more than ~~three hundred thousand dollars (\$300,000)~~ one hundred thousand dollars (\$100,000) in scholarship grants awarded under this Part.

(b) A nonpublic school that accepts students receiving scholarship grants shall not require any additional fees based on the status of the student as a scholarship grant recipient.

(c) A nonpublic school enrolling more than 25 students whose tuition and fees are paid in whole or in part with a scholarship grant shall report to the Authority on the aggregate standardized test on individual student standardized test performance data performance of eligible students ~~students~~ under subsection (4) of this section. Aggregate test performance data reported to the Authority which does not contain personally identifiable student data shall be a public record under Chapter 132 of the General Statutes. Test performance data may be shared

with public or private institutions of higher education located in North Carolina and shall be provided to an independent research organization selected by the Authority for research purposes as permitted by the Federal Education Rights and Privacy Act, 20 U.S.C. § 1232g.

...."

TEACHING FELLOWS EXPANSION

SECTION 8A.2.(a) G.S. 116-209.60 reads as rewritten:

"§ 116-209.60. Definitions.

The following definitions apply in this Part:

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

SECTION 8A.2.(b) G.S. 116-209.62 reads as rewritten:

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

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

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

...

(d) Director of the Program. – The Board of Governors of The University of North Carolina shall appoint a Director of the Program. The Director shall appoint staff to the Commission and shall be responsible for recruitment and coordination of the Program, including proactive, aggressive, and strategic recruitment of potential recipients. The Commission shall make an effort to identify and encourage students of color and students who may not otherwise consider a career in teaching to enter the program. Recruitment activities shall include a broad-based effort (i) targeting regions of the State with the highest teacher attrition rates and teacher recruitment ~~challenges,~~ challenges and (ii) actively engaging with educators, business leaders, experts in human resources, elected officials, and other community leaders throughout the ~~State, and (iii) attracting candidates in STEM and special education licensure areas to the Program.~~ State to attract a diverse pool of applicants. The Director shall report to the President of The University of North Carolina. The Authority shall provide office space and clerical support staff, as necessary, to the Director for the Program.

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

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

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

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

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

...

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

...

(j) Annual Report. – The Commission, in coordination with the Authority, the Department of Public Instruction, and the ~~selected~~ participating educator education programs participating in the Program shall report no later than January 1, 2024 and annually thereafter, to the Joint Legislative Education Oversight Committee regarding the following:

- (1) Forgivable loans awarded from the Trust Fund, including the following:
- a. Demographic information regarding recipients.
 - b. Number of recipients by institution of higher education and program.
 - c. Information on number of recipients by anticipated ~~STEM and special education~~ licensure area.
- (2) Placement and repayment rates, including the following:
- a. Number of graduates who have been employed in a ~~STEM or special education~~ North Carolina public school by licensure area within two years of program completion.
 - b. Number of graduates who accepted employment at a low-performing school identified under G.S. 115C105.37 as part of their years of service.
 - c. Number of graduates who have elected to do loan repayment and their years of service, if any, prior to beginning loan repayment.
 - d. Number of graduates employed in a STEM or special education by licensure area who have received an overall rating of at least accomplished and have met expected growth on applicable standards of the teacher evaluation instrument.
 - e. Aggregate information on student growth and proficiency in courses taught by graduates who have fulfilled service ~~requirements through employment in a STEM or special education licensure area~~ requirements.
- (2a) Mentoring and coaching support through the North Carolina New Teacher Support Program, including the following:
- a. Number of forgivable loan recipients who received mentoring and coaching support when employed at a low-performing school identified under G.S. 115C-105.37.
 - b. Number of forgivable loan recipients who received mentoring and coaching support when employed at a school not identified as low-performing under G.S. 115C-105.37.
- (3) Selected school outcomes by program, including the following:
- a. Turnover rate for forgivable loan graduates, including the turnover rate for graduates who also received mentoring and coaching support through the North Carolina New Teacher Support Program.
 - b. Aggregate information on student growth and proficiency as provided annually by the State Board of Education to the Commission in courses taught by forgivable loan graduates.
 - c. Fulfillment rate of forgivable loan graduates."

SECTION 8A.2.(c) G.S.116-209.63(b) reads as rewritten:

"§ 116-209.63. Terms of forgivable loans; receipt and disbursement of funds.

...

(b) Forgiveness. – The Authority shall forgive the loan and any interest accrued on the loan if, within 10 years after graduation from a program leading to teacher licensure, exclusive of any authorized deferment for extenuating circumstances, the recipient serves as a ~~teacher in a STEM or special education licensure area, as provided in G.S. 116209.62(h),~~ teacher for every year the teacher was awarded the forgivable loan, in any combination of the following:

- (1) One year at a North Carolina public school identified as low-performing under G.S. 115C105.37 at the time the teacher accepts employment at the school or, if the teacher changes employment during this period, at another school identified as low-performing.

- (2) Two years at a North Carolina public school not identified as low-performing under G.S. 115C-105.37.
-"

PART IX. HEALTH AND HUMAN SERVICES

PART IX-A. AGING AND ADULT SERVICES [RESERVED]

PART IX-B. CENTRAL MANAGEMENT AND SUPPORT

COMMUNITY HEALTH GRANT PROGRAM

SECTION 9B.1.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Central Management, Office of Rural Health, for each year of the 2023-25 fiscal biennium for the Community Health Grant Program shall be used to continue to administer the Community Health Grant Program as modified by Section 11A.8 of S.L. 2017-57.

SECTION 9B.1.(b) The Office of Rural Health shall make the final decision about awarding grants under this Program, but no single grant award shall exceed one hundred fifty thousand dollars (\$150,000) during the fiscal year. In awarding grants, the Office of Rural Health shall consider the availability of other funds for the applicant; the incidence of poverty in the area served by the applicant or the number of indigent clients served by the applicant; the availability of, or arrangements for, afterhours care; and collaboration between the applicant and a community hospital or other safety net organizations.

SECTION 9B.1.(c) Grant recipients shall not use these funds to do any of the following:

- (1) Enhance or increase compensation or other benefits of personnel, administrators, directors, consultants, or any other persons receiving funds for program administration; provided, however, funds may be used to hire or retain health care providers. The use of grant funds for this purpose does not obligate the Department of Health and Human Services to continue to fund compensation beyond the grant period.
- (2) Supplant existing funds, including federal funds traditionally received by federally qualified community health centers. However, grant funds may be used to supplement existing programs that serve the purposes described in subsection (a) of this section.
- (3) Finance or satisfy any existing debt.

SECTION 9B.1.(d) The Office of Rural Health may use up to two hundred thousand dollars (\$200,000) in recurring funds for each fiscal year of the 2023-25 fiscal biennium for administrative purposes.

SECTION 9B.1.(e) By September 1 of each year, the Office of Rural Health shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services on community health grants that includes at least all the following information:

- (1) The identity and a brief description of each grantee and each program or service offered by the grantee.
- (2) The amount of funding awarded to each grantee.
- (3) The number of individuals served by each grantee, and for the individuals served, the types of services provided to each.
- (4) Any other information requested by the Office of Rural Health as necessary for evaluating the success of the Community Health Grant Program.

SECTION 9B.1.(f) By February 1, 2024, the Office of Rural Health shall report to the Joint Legislative Oversight Committee on Health and Human Services on the implementation

status of the following Community Health Grant Program requirements enacted by Section 11A.8 of S.L. 2017-57:

- (1) Establishment of a Primary Care Advisory Committee and that Committee's development of an objective and equitable process for grading applications for grants funded under the Community Health Grant Program.
- (2) Development of a standardized method for grant recipients to report objective, measurable quality health outcomes.

IMPROVING HEALTH OUTCOMES FOR PEOPLE EVERYWHERE FUND

SECTION 9B.2. Any of the funds appropriated from the Improving Health Outcomes for People Everywhere (IHOPE) Fund within the North Carolina Department of Health and Human Services, Division of Central Management that remain unspent at the end of fiscal years 2023-24 and 2024-25 shall revert to the IHOPE Fund.

PART IX-C. CHILD AND FAMILY WELL-BEING

EARLY INTERVENTION

SECTION 9C.1. When developing the base budget, as defined by G.S. 143C-1-1, beginning in the 2025-27 fiscal biennium, the Director of the Budget shall include the full requirements specified in the committee report for this item, sixty-four million two hundred and fifty thousand dollars (\$64,250,000).

EVALUATION FUNDS FOR SCHOOL BEHAVIORAL HEALTH

SECTION 9C.2. The Division of Child and Family Well Being shall use a portion of funds provided for the School Behavioral Health Package to conduct a program evaluation for Project AWARE/ACTIVATE and the telehealth technology pilot. The department may consult with the Office of State Budget and Management for assistance on how to develop a plan for evaluation, including how to register a pre-analysis plan. The department shall report annually to the Office of State Budget and Management and the Fiscal Research Division on the progress of the evaluation and, when completed, make the pre-analysis plan and final evaluation report publicly available.

PART IX-D. CHILD DEVELOPMENT AND EARLY EDUCATION

NC PREK PROGRAMS/STANDARDS FOR FOUR AND FIVESTAR RATED FACILITIES

SECTION 9D.1.(a) Eligibility. – The Department of Health and Human Services, Division of Child Development and Early Education, shall continue implementing the prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are four years of age on or before August 31 of the program year. In determining eligibility, the Division shall establish income eligibility requirements for the program not to exceed seventy-five percent (75%) of the State median income. Up to twenty percent (20%) of children enrolled may have family incomes in excess of seventy-five percent (75%) of median income if those children have other designated risk factors. Furthermore, any age-eligible child who is a child of either of the following shall be eligible for the program: (i) an active duty member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces who was ordered to active duty by the proper authority within the last 18 months or is expected to be ordered within the next 18 months, or (ii) a member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces who was injured or killed while serving on

active duty. Eligibility determinations for NC Pre-K participants may continue through local education agencies and local North Carolina Partnership for Children, Inc., partnerships.

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

SECTION 9D.1.(b) Multi-year Contracts. – The Division of Child Development and Early Education shall require the NC PreK contractor to issue multiyear contracts for licensed private child care centers providing NC PreK classrooms.

SECTION 9D.1.(c) Building Standards. – Notwithstanding G.S. 11091(4), private child care facilities and public schools operating NC PreK classrooms shall meet the building standards for preschool students as provided in G.S. 115C521.1.

SECTION 9D.1.(d) Programmatic Standards. – Except as provided in subsection (c) of this section, entities operating NC PreK classrooms shall adhere to all of the policies prescribed by the Division of Child Development and Early Education regarding programmatic standards and classroom requirements.

SECTION 9D.1.(e) NC PreK Committees. – Local NC PreK committees shall use the standard decision-making process developed by the Division of Child Development and Early Education in awarding NC PreK classroom slots and student selection.

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

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

SECTION 9D.1.(g) Audits. – The administration of the NC PreK program by local partnerships shall be subject to the financial and compliance audits authorized under G.S. 143B168.14(b).

EXPAND AND SUSTAIN NC PRE-K

SECTION 9D.2. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Child Development and Early Education, funds shall be allocated to raise the base slot reimbursement rates for the North Carolina Prekindergarten, increase the administration rate to ten percent (10%), and increase the number of slots available statewide. To support the slots increase, the Division of Child Development and Early Education may offer grants to facilities to undergo upgrades necessary to offer NC Pre-K. It is the intent of the General Assembly that the reimbursement rate funds allocated pursuant to this section be used to increase the salaries of licensed B-K teachers working in private or Head Start NC Pre-K classrooms. These funds shall be used as a means to address disparities in teacher salaries among teachers working in child care centers versus those working in public schools.

CHILD CARE SUBSIDY RATES

SECTION 9D.3.(a) The maximum gross annual income for initial eligibility, adjusted annually, for subsidized child care services shall be determined based on a percentage of the federal poverty level as follows:

AGE

INCOME PERCENTAGE LEVEL

1 0–5 200%

2	6 – 12	133%
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The eligibility for any child with special needs, including a child who is 13 years of age or older, shall be two hundred percent (200%) of the federal poverty level.

SECTION 9D.3.(b) Fees for families who are required to share in the cost of care are established based on ten percent (10%) of gross family income. When care is received at the blended rate, the copayment shall be eighty-three percent (83%) of the fulltime copayment. Copayments for parttime care shall be seventy-five percent (75%) of the fulltime copayment.

SECTION 9D.3.(c) Payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

- (1) Religious sponsored child care facilities operating pursuant to G.S. 110106 and licensed child care centers that meet the minimum licensing standards that are participating in the subsidized child care program shall be paid the one-star county market rate or the rate they charge privately paying parents, whichever is lower, unless prohibited by subsection (f) of this section.
- (2) Licensed child care centers and homes with three or more stars shall receive the market rate for that rated license level for that age group or the rate they charge privately paying parents, whichever is lower. Licensed child care centers and homes with three or more stars and serving children ages birth through five years shall receive the statewide floor rate, an average of rates across the state by age and star level, when the county market rate is lower than the statewide floor, unless prohibited by subsection (g) of this section.
- (3) Certified Developmental Day Centers shall receive the statewide average or county market rate, whichever is higher, plus a multiplier of 0.75 for children with special needs and multiplier of 0.5 for typically developing children.
- (4) No payments shall be made for transportation services charged by child care facilities.
- (5) Payments for subsidized child care services for postsecondary education shall be limited to a maximum of 20 months of enrollment. This shall not be determined before a family's annual recertification period.
- (6) The Department of Health and Human Services shall implement necessary rule changes to restructure services.

SECTION 9D.3.(d) Provisions of payment rates for child care providers in counties that do not have at least 50 children in each age group for center-based and homebased care are as follows:

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

SECTION 9D.3.(e) A market rate shall be calculated for child care centers and homes at each rated license level for each county and for each age group or age category of enrollees and shall be representative of fees charged to parents for each age group of enrollees within the county. The Division of Child Development and Early Education shall also calculate a statewide rate and regional market rate for each rated license level for each age category.

SECTION 9D.3.(f) The Division of Child Development and Early Education shall continue implementing policies that improve the quality of child care for subsidized children, including a policy in which child care subsidies are paid, to the extent possible, for child care in

the higher quality centers and homes only. The Division shall define higher quality, and subsidy funds shall not be paid for one or two-star rated facilities. For those counties with an inadequate number of four and five-star rated facilities, the Division shall continue a transition period that allows the facilities to continue to receive subsidy funds while the facilities work on the increased star ratings. The Division may allow exemptions in counties where there is an inadequate number of four and five-star rated facilities for non-star rated programs, such as religious programs.

SECTION 9D.3.(g) Facilities licensed pursuant to Article 7 of Chapter 110 of the General Statutes and facilities operated pursuant to G.S. 110106 may participate in the program that provides for the purchase of care in child care facilities for minor children of needy families. Except as authorized by subsection (f) of this section, no separate licensing requirements shall be used to select facilities to participate. In addition, child care facilities shall be required to meet any additional applicable requirements of federal law or regulations. Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the General Statutes shall meet the requirements established by other State law and by the Social Services Commission.

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

SECTION 9D.3.(h) Payment for subsidized child care services provided with Temporary Assistance for Needy Families Block Grant funds shall comply with all regulations and policies issued by the Division of Child Development and Early Education for the subsidized child care program.

SECTION 9D.3.(i) Noncitizen families who reside in this State legally shall be eligible for child care subsidies if all other conditions of eligibility are met. If all other conditions of eligibility are met, noncitizen families who reside in this State illegally shall be eligible for child care subsidies only if at least one of the following conditions is met:

- (1) The child for whom a child care subsidy is sought is receiving child protective services or foster care services.
- (2) The child for whom a child care subsidy is sought is developmentally delayed or at risk of being developmentally delayed.
- (3) The child for whom a child care subsidy is sought is a citizen of the United States.

SECTION 9D.3.(j) The Department of Health and Human Services, Division of Child Development and Early Education, shall require all county departments of social services to include on any forms used to determine eligibility for child care subsidy whether the family waiting for subsidy is receiving assistance through the NC PreK Program or Head Start.

SECTION 9D.3.(k) Department of Defense-certified child care facilities licensed pursuant to G.S. 110106.2 may participate in the State-subsidized child care program that provides for the purchase of care in child care facilities for minor children in needy families, provided that funds allocated from the State-subsidized child care program to Department of Defense-certified child care facilities shall supplement and not supplant funds allocated in accordance with G.S. 143B168.15(g). Payment rates and fees for military families who choose Department of Defense-certified child care facilities and who are eligible to receive subsidized child care shall be as set forth in this section.

SECTION 9D.3.(l) Effective January 1, 2024, the Division shall increase the child care subsidy reimbursement rates to those recommended in the 2018 Child Care Market Rate Study. The Division may also use funds appropriated for Child Care Subsidy to serve more children and reduce the waitlist.

CHILD CARE ALLOCATION FORMULA

SECTION 9D.4.(a) The Department of Health and Human Services, Division of Child Development and Early Education (Division), shall allocate child care subsidy voucher

1 funds to pay the costs of necessary child care for minor children of needy families. The
2 mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation
3 under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy
4 allocation. The Department of Health and Human Services shall use the following method when
5 allocating federal and State child care funds, not including the aggregate mandatory thirty percent
6 (30%) North Carolina Partnership for Children, Inc., subsidy allocation:

7 (1) Funds shall be allocated to a county based upon the projected cost of serving
8 children under age 11 in families with all parents working who earn less than
9 the applicable federal poverty level percentage set forth in Section 9D.3(a) of
10 this act.

11 (2) The Division may withhold up to two percent (2%) of available funds from
12 the allocation formula for (i) preventing termination of services throughout
13 the fiscal year and (ii) repayment of any federal funds identified by counties
14 as overpayments, including overpayments due to fraud. The Division shall
15 allocate to counties any funds withheld before the end of the fiscal year when
16 the Division determines the funds are not needed for the purposes described
17 in this subdivision. The Division shall submit a report to the Joint Legislative
18 Oversight Committee on Health and Human Services and the Fiscal Research
19 Division, which report shall include each of the following:

- 20 a. The amount of funds used for preventing termination of services and
21 the repayment of any federal funds.
22 b. The date the remaining funds were distributed to counties.
23 c. As a result of funds withheld under this subdivision and after funds
24 have been distributed, any counties that did not receive at least the
25 amount the counties received the previous year and the amount by
26 which funds were decreased.

27 The Division shall submit a report in each year of the 2023-25 fiscal biennium
28 30 days after the funds withheld pursuant to this subdivision are distributed
29 but no later than April 1 of each respective year.

30 (3) The Division shall set aside four percent (4%) of child care subsidy allocations
31 for vulnerable populations, which include a child identified as having special
32 needs and a child whose application for assistance indicates that the child and
33 the child's family is experiencing homelessness or is in a temporary living
34 situation. A child identified by this subdivision shall be given priority for
35 receiving services until such time as set-aside allocations for vulnerable
36 populations are exhausted.

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

44 **SECTION 9D.4.(c)** When implementing the formula under subsection (a) of this
45 section, the Division shall include the market rate increase in the formula process rather than
46 calculating the increases outside of the formula process. Additionally, the Department shall do
47 the following:

- 48 (1) Deem a county's initial allocation as the county's expenditure in the previous
49 fiscal year or a prorated share of the county's previous fiscal year expenditures
50 if sufficient funds are not available.

- (2) Effective immediately following the next new decennial census data release, implement (i) one-third of the change in a county's allocation in the year following the data release, (ii) an additional one-third of the change in a county's allocation beginning two years after the initial change under this subdivision, and (iii) the final one-third change in a county's allocation beginning the following two years thereafter.

SMART START INITIATIVES

SECTION 9D.5.(a) Policies. – The North Carolina Partnership for Children, Inc., and its Board shall ensure policies focus on the North Carolina Partnership for Children, Inc.'s mission of improving child care quality in North Carolina for children from birth to five years of age. North Carolina Partnership for Children, Inc. funded activities shall include assisting child care facilities with (i) improving quality, including helping one, two, and three-star-rated facilities increase their star ratings, and (ii) implementing prekindergarten programs. State funding for local partnerships shall also be used for evidence-based or evidence-informed programs for children from birth to five years of age that do the following:

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

SECTION 9D.5.(b) Administration. – Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than eight percent (8%) of the total statewide allocation to all local partnerships. For purposes of this subsection, administrative costs shall include costs associated with partnership oversight, business and financial management, general accounting, human resources, budgeting, purchasing, contracting, and information systems management. The North Carolina Partnership for Children, Inc., shall continue using a single statewide contract management system that incorporates features of the required standard fiscal accountability plan described in G.S. 143B-168.12(a)(4). All local partnerships are required to participate in the contract management system and, directed by the North Carolina Partnership for Children, Inc., to collaborate, to the fullest extent possible, with other local partnerships to increase efficiency and effectiveness.

SECTION 9D.5.(c) Salaries. – The salary schedule developed and implemented by the North Carolina Partnership for Children, Inc., shall set the maximum amount of State funds that may be used for the salary of the Executive Director of the North Carolina Partnership for Children, Inc., and the directors of the local partnerships. The North Carolina Partnership for Children, Inc., shall base the schedule on the following criteria:

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

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

SECTION 9D.5.(d) Match Requirements. – The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match one hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the 2023-25 biennium. Of the funds that the North Carolina Partnership for Children, Inc., and the local partnerships are required to match, contributions of cash shall be equal to at least thirteen percent

(13%) and in-kind donated resources shall be equal to no more than six percent (6%) for a total match requirement of nineteen percent (19%) for each year of the 2023-25 fiscal biennium. The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the match requirement of this subsection. Volunteer services that qualify as professional services shall be valued at the fair market value of those services. All other volunteer service hours shall be valued at the statewide average wage rate as calculated from data compiled by the Division of Employment Security of the Department of Commerce in the Employment and Wages in North Carolina Annual Report for the most recent period for which data are available. Expenses, including both those paid by cash and in-kind contributions, incurred by other participating non-State entities contracting with the North Carolina Partnership for Children, Inc., or the local partnerships also may be considered resources available to meet the required private match. In order to qualify to meet the required private match, the expenses shall:

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

Failure to obtain a nineteen percent (19%) match by June 30 of each year of the 2023-25 fiscal biennium shall result in a dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be responsible for compiling information on the private cash and in-kind contributions into a report that is submitted to the Joint Legislative Oversight Committee on Health and Human Services in a format that allows verification by the Department of Revenue. The same match requirements shall apply to any expansion funds appropriated by the General Assembly.

SECTION 9D.5.(e) Bidding. – The North Carolina Partnership for Children, Inc., and all local partnerships shall use competitive bidding practices in contracting for goods and services on contract amounts as follows:

- (1) For amounts of five thousand dollars (\$5,000) or less, the procedures specified by a written policy as developed by the Board of Directors of the North Carolina Partnership for Children, Inc.
- (2) For amounts greater than five thousand dollars (\$5,000), but less than fifteen thousand dollars (\$15,000), three written quotes.
- (3) For amounts of fifteen thousand dollars (\$15,000) or more, but less than forty thousand dollars (\$40,000), a request for proposal process.
- (4) For amounts of forty thousand dollars (\$40,000) or more, a request for proposal process and advertising in a major newspaper.

SECTION 9D.5.(f) Allocations. – The North Carolina Partnership for Children, Inc., shall not reduce the allocation for counties with less than 35,000 in population below the 2012-13 funding level.

SECTION 9D.5.(g) Performance-Based Evaluation. – The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 9D.5.(h) Expenditure Restrictions. – Except as provided in subsection (i) of this section, the Department of Health and Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds for Early Childhood Education and Development Initiatives for the 2023-25 fiscal biennium shall be administered and distributed in the following manner:

- (1) Capital expenditures are prohibited for the 2023-25 fiscal biennium. For the purposes of this section, "capital expenditures" means expenditures for capital improvements as defined in G.S. 143C-1-1(d)(5).
- (2) Expenditures of State funds for advertising and promotional activities are prohibited for the 2023-25 fiscal biennium.

For the 2023-25 fiscal biennium, local partnerships shall not spend any State funds on marketing campaigns, advertising, or any associated materials. Local partnerships may spend any private funds the local partnerships receive on those activities.

SECTION 9D.5.(i) Notwithstanding subsection (h) of this section, the North Carolina Partnership for Children, Inc., and local partnerships may use up to one percent (1%) of State funds for fundraising activities. The North Carolina Partnership for Children, Inc., shall include in its annual report required under G.S. 143B168.12(d) a report on the use of State funds for fundraising. The report shall include the following:

- (1) The amount of funds expended on fund-raising.
- (2) Any return on fund-raising investments.
- (3) Any other information deemed relevant.

SECTION 9D.5.(j) Notwithstanding other subsections of this section, and in recognition of both Smart Start's essential work and the statewide child care need, the Division shall set aside ninety million dollars (\$90,000,000) in each year of the total funds appropriated to Smart Start in the 2023-25 fiscal biennium to establish and fund a statewide rate floor for child care subsidy. This set-aside shall expire at the end of this fiscal biennium.

EARLY LEARNING PROGRAMS FOR ELIGIBLE CHILDREN

SECTION 9D.6.(a) Purpose – The Division of Child Development and Early Education shall establish a pilot program (Program) to implement the state model for high-quality early learning programs for eligible children birth through age three. The pilot will target high-poverty school districts.

SECTION 9D.6.(b) Evaluation – The Division of Child Development and Early Education shall use a portion of funds provided for Early Learning Programs for Eligible Children to conduct a program evaluation. The department may consult with the Office of State Budget and Management for assistance on how to develop a plan for evaluation, including how to register a pre-analysis plan. The department shall report annually to OSBM and the Fiscal Research Division on the progress of the evaluation and, when completed, make the pre-analysis plan and final evaluation report publicly available.

CHILD CARE STABILIZATION GRANTS

SECTION 9D.7. The Division of Child Development and Early Education shall reinstate Fixed Cost and Family Stabilization Grants to maintain the child care business sector, support families in programs experiencing financial hardship, and encourage program capacity growth.

PART IX-E. HEALTH BENEFITS

CONTINUE MEDICAID ANNUAL REPORT

SECTION 9E.1. The Department of Health and Human Services, Division of Health Benefits (DHB), shall continue the publication of the Medicaid Annual Report and accompanying tables. DHB shall publish the report and tables on its website no later than December 31 following each State fiscal year.

VOLUME PURCHASE PLANS AND SINGLE SOURCE PROCUREMENT

SECTION 9E.2. The Department of Health and Human Services, Division of Health Benefits, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

ADMINISTRATIVE HEARINGS FUNDING

SECTION 9E.3. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Health Benefits, for administrative contracts and interagency transfers, the Department of Health and Human Services (DHHS) shall transfer the sum of one million dollars (\$1,000,000) for the 2023-24 fiscal year and the sum of one million dollars (\$1,000,000) for the 2024-25 fiscal year to the Office of Administrative Hearings (OAH). These funds shall be allocated by OAH for mediation services provided for Medicaid applicant and recipient appeals and to contract for other services necessary to conduct the appeals process. OAH shall continue the Memorandum of Agreement (MOA) with DHHS for mediation services provided for Medicaid recipient appeals and contracted services necessary to conduct the appeals process. The MOA will facilitate DHHS's ability to draw down federal Medicaid funds to support this administrative function. Upon receipt of invoices from OAH for covered services rendered in accordance with the MOA, DHHS shall transfer the federal share of Medicaid funds drawn down for this purpose.

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 9E.4.(a) The Department of Health and Human Services, Division of Health Benefits, receivables reserved at the end of the 2023-24 and 2024-25 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years. The treatment under this section of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Title 2, Part 225.

SECTION 9E.4.(b) For the 2023-24 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred sixty-four million five hundred thousand dollars (\$164,500,000) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2024-25 fiscal year, the Department of Health and Human Services shall deposit from its revenues eighty-eight million four hundred thousand dollars (\$88,400,000) with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return of advanced General Fund appropriations, nonfederal revenue, fund balances, or other resources from State-owned and State-operated hospitals that are used to provide indigent and nonindigent care services. The return from State-owned and State-operated hospitals to the Department of Health and Human Services shall be made from nonfederal resources in the following manner:

- (1) The University of North Carolina Hospitals at Chapel Hill shall make the following deposits:
 - a. For the 2023-24 fiscal year, the amount of thirty-one million three hundred sixty-five thousand three hundred five dollars (\$31,365,305).

- b. For the 2024-25 fiscal year, the amount of thirty-one million three hundred sixty-five thousand three hundred five dollars (\$31,365,305).
- (2) All State-owned and State-operated hospitals, other than the University of North Carolina Hospitals at Chapel Hill, that specialize in psychiatric care shall annually deposit an amount equal to the amount of the payments from the Department of Health and Human Services, Division of Health Benefits, for uncompensated care.

DSH RECEIPTS FOR USE BY THE MEDICAID PROGRAM

SECTION 9E.5. Of the federal disproportionate share adjustment receipts arising from certified public expenditures for the 2023-24 fiscal year and the 2024-25 fiscal year, forty-three million dollars (\$43,000,000) in each fiscal year shall not be deposited into the Hospital Uncompensated Care Fund under G.S. 143C-9-9 but rather shall be available to the Department of Health and Human Services, Division of Health Benefits, to be used for the Medicaid program.

DELAY TAILORED PLAN CONTRACTS

SECTION 9E.6 Section 9D.7.(a) of S.L. 2022-74 reads as rewritten:

"ADJUST IMPLEMENTATION DATE FOR BH IDD TAILORED PLANS

"SECTION 9D.7.(a) The Division of Health Benefits, Department of Health and Human Services (DHHS), shall implement BH IDD tailored plans, as defined under G.S. 108D-1, no later than ~~December 1, 2022~~ October 1, 2023. The initial term of the BH IDD tailored plan contracts is four years, ending ~~December 1, 2026~~ June 30, 2027. If DHHS extends the standard benefit plan contracts, as authorized by Section 7(b) of S.L. 2020-88, then DHHS shall offer to extend the initial term of the BH IDD tailored plan contracts an equivalent amount of time."

ADJUST IMPLEMENTATION DATE FOR REQUIRING LME/MCOS TO PAY FOR BEHAVIORAL HEALTH SERVICES PROVIDED TO BENEFICIARIES AWAITING HOSPITAL DISCHARGE

Section 9E.7 Section 9D.22 of S.L. 2021-180, as amended by Section 9D.9 of S.L. 2022-74 reads as rewritten:

"SECTION 9E.8.(f) CMS Approval. – The Department of Health and Human Services, Division of Health Benefits, shall submit to the Centers for Medicare and Medicaid Services (CMS) any State Plan amendments necessary to establish the new Medicaid coverage required by this section with a proposed effective date of March 1, 2023. The new Medicaid covered services and rates shall be implemented by December 31, 2022 as soon as operationally feasible after CMS approval. ~~If approval from CMS is not granted by December 31, 2022, then DHB shall retroactively implement services and rates upon approval from CMS to December 31, 2022 to the effective date approved by CMS.~~ The new Medicaid covered services and rates shall only be implemented to the extent allowable by CMS."

1115 WAIVER AMENDMENT AND AUTHORIZED CHILDREN AND FAMILIES SPECIALTY PLAN

SECTION 9E.8.(a) The Department of Health and Human Services (DHHS) shall issue a request for proposals to procure a single statewide children and families specialty plan contract with a prepaid health plan, as defined in G.S. 58-93-5 or G.S. 108D-1, with services to begin no later than December 31, 2024. Only entities operating a standard benefit plan or a BH IDD tailored plan contract with the Department at the time the request for proposals is issued may submit a proposal. Each entity may only submit one response to an RFP issued by the

Department, and eligible entities under common control or ownership with one another may collectively submit only one response.

DHHS shall define the services available and the Medicaid beneficiaries who are eligible to enroll in the children and families specialty plan, except as otherwise specified in this act.

SECTION 9E.8.(b) G.S. 108D-1 reads as rewritten:

"§ 108D-1. Definitions.

The following definitions apply in this Chapter:

...

(4) Behavioral health and intellectual/developmental disabilities tailored plan or BH IDD tailored plan. – A capitated prepaid health plan contract under the Medicaid transformation demonstration waiver that meets all of the requirements of Article 4 of this Chapter, including the requirements pertaining to BH IDD tailored ~~plans~~plans but excluding the requirements pertaining only to the CAF specialty plan.

...

(5a) Children and families specialty plan or CAF specialty plan. – A statewide capitated prepaid health plan contract under the Medicaid transformation demonstration waiver that meets all of the requirements of Article 4 of this Chapter, including the requirements pertaining to the CAF specialty plan, but excluding the requirements only pertaining to BH IDD tailored plans.

...

(30) Prepaid health plan or PHP. – A prepaid health plan, as defined in G.S. 58-93-5, that is under a capitated contract with the Department for the delivery of Medicaid services, or a local management entity/managed care organization that is under a capitated PHP contract with the ~~Department to operate a BH IDD tailored plan.~~Department.

...

(36) Standard benefit plan. – A capitated prepaid health plan contract under the Medicaid transformation demonstration waiver that meets all of the requirements of Article 4 of this Chapter except for the requirements pertaining only to a BH IDD tailored ~~plan~~plan and only to the CAF specialty plan."

SECTION 9E.8.(c) G.S. 108D-5.3 reads as rewritten:

"§ 108D-5.3. Enrollee requests for disenrollment.

...

(b) Without Cause Enrollee Requests for Disenrollment. – An enrollee shall be allowed to ~~request disenrollment~~disenroll from the PHP without cause only during the times specified in ~~42 C.F.R. § 438.56(e)(2), 42 C.F.R. § 438.56(c)(2), except that enrollees~~However, enrollees who are in any of the following groups may request to disenroll at any time:

...

(2) Beneficiaries who are ~~enrolled in the foster care system described in G.S. 108D-40(a)(14).~~

(3) ~~Beneficiaries who are in the former foster care Medicaid eligibility category.~~

(4) ~~Beneficiaries who receive Title IV-E adoption assistance.~~

..."

SECTION 9E.8.(d) G.S. 108D-22 reads as rewritten:

"§ 108D-22. PHP provider networks.

(a) Except as provided in ~~G.S. 108D-23~~G.S. 108D-23 and G.S. 108D-24, each PHP shall develop and maintain a provider network that meets access to care requirements for its enrollees.

A PHP 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, a PHP must include all providers in its geographical coverage area that are designated essential providers by the Department in accordance with subdivision (b) of this section, unless the Department approves an alternative arrangement for securing the types of services offered by the essential providers."

SECTION 9E.8.(e) Article 3 of Chapter 108D of the General Statutes is amended by adding a new section to read:

"§ 108D-24. Children and families specialty plan networks.

The entity operating the CAF specialty plan shall develop and maintain a closed network of providers only for the provision of the following services:

- (1) Intensive in-home services.
- (2) Multisystemic therapy.
- (3) Residential treatment services.
- (4) Services provided in psychiatric residential treatment facilities.

The closed network is the network of providers that have contracted with the entity operating the CAF specialty plan to furnish the services specified in this section to enrollees."

SECTION 9E.8.(f) G.S. 108D-40(a) reads as rewritten:

"§ 108D-40. Populations covered by PHPs.

- (a) Capitated PHP contracts shall cover all Medicaid and NC Health Choice program aid categories except for the following categories:

...

- (12) Recipients with a serious mental illness, a serious emotional disturbance, a severe substance use disorder, an intellectual/developmental disability, or who have survived a traumatic brain injury and who are receiving traumatic brain injury services, who are on the waiting list for the Traumatic Brain Injury waiver, or whose traumatic brain injury otherwise is a knowable fact, until BH IDD tailored plans become operational, at which time this population will be enrolled with a BH IDD tailored plan in accordance with ~~G.S. 108D-60(a)(10)~~ G.S. 108D-60(a)(10), except as described in subdivision (14) of this subsection.

...

- (13) Recipients in the following categories shall not be covered by PHPs for a period of time to be determined by the Department that shall not exceed five years after the date that capitated PHP contracts begin:

...

~~e. Recipients who are (i) enrolled in the foster care system, (ii) receiving Title IV-E adoption assistance, (iii) under the age of 26 and formerly were in the foster care system, or (iv) under the age of 26 and formerly received adoption assistance.~~

- (14) Until the CAF specialty plan becomes operational, recipients who are (i) children enrolled in foster care in this State, (ii) receiving adoption assistance, or (iii) former foster care youth until they reach the age of 26. When the CAF specialty plan becomes operational, recipients described in this subdivision will be enrolled in accordance with G.S. 108D-62.

...."

SECTION 9E.8.(g) G.S. 108D-60 reads as rewritten:

"§ 108D-60. BH IDD tailored plans.

- (a) BH IDD tailored plans shall be defined as capitated PHP contracts that meet all requirements in this Article pertaining to capitated PHP contracts, except as

specifically provided in this section. With regard to BH IDD tailored plans, the following shall occur:

...

(10) Recipients described in G.S. 108D-40(a)(12) shall be automatically enrolled with an entity operating a BH IDD tailored ~~plan and plan~~plan, except that recipients who are also described in G.S. 108D-40(a)(14) shall be enrolled in accordance with G.S. 108D-62. Recipients shall have the option to enroll with a PHP operating a standard benefit plan, provided that a recipient electing to enroll with a PHP operating a standard benefit plan would only have access to the behavioral health services covered by the standard benefit plans and would no longer have access to the behavioral health services excluded from standard benefit plan coverage under G.S. 108D-35(1) and provided that the recipient's informed consent shall be required prior to the recipient's enrollment with a PHP operating a standard benefit plan.

(11) Recipients described in G.S. 108D-40(a)(12) shall not have the option to voluntarily enroll with a PHP operating a standard plan or the CAF specialty plan, when it becomes operational, while receiving services offered by the programs or in the settings specified below:

- a. Recipients enrolled in the Innovations waiver.
- b. Recipients enrolled in the Traumatic Brain Injury waiver.
- c. Recipients residing in or receiving respite services at an intermediate care facility for individuals with intellectual/developmental disabilities (ICFs-IIDs).
- d. Recipients enrolled in and being served under Transitions to Community Living.
- e. Recipients receiving State-funded residential services including Group Living, Family Living, Supported Living, and Residential Supports.

(b) The Department may contract with entities operating BH IDD tailored plans under a capitated or other arrangement for the management of behavioral health, intellectual and developmental disability, and traumatic brain injury services for any recipients excluded from PHP coverage under G.S. 108D-40(a)(4), (5), (7), (10), (11), (12), and ~~(13)~~(13), and, until the CAF specialty plan becomes operational, any Medicaid recipients excluded from PHP coverage under G.S. 108D-40(a)(14)."

SECTION 9E.8.(h) Article 4 of Chapter 108D of the General Statutes is amended by adding a new section to read:

"§ 108D-62. Children and families specialty plan.

(a) The following definitions apply in this section:

- (1) Caretaker relative. – As defined in 42 C.F.R. § 435.4.
- (2) Child. – A person who is under the age of 18, is not married, and has not been legally emancipated.
- (3) Custodian. – As defined in G.S. 7B-101.
- (4) Foster care. – The placement of a child who is described in G.S. 108D-40(a)(14) whose custody has been awarded by court order or pursuant to a voluntary placement agreement from the parent, custodian, or guardian (i) to the county department of social services or (ii) to the Eastern Band of Cherokee Indians' Department of Public Health and Human Services.
- (5) Guardian. – A guardian of the person as defined in G.S. 35A-1202.
- (6) Minor. – A person who is under the age of 18.
- (7) Parent. – As defined in 42 C.F.R. § 435.603(b).
- (8) Reunification. – As defined in G.S. 7B-101.
- (9) Sibling. – As defined in 42 C.F.R. § 435.603(b).

(b) The CAF specialty plan is defined as one statewide capitated PHP contract that meets all the requirements in this Article pertaining to capitated PHP contracts, excluding the requirements that only apply to BH IDD tailored plan contracts, except as specifically provided in this section. With regard to the CAF specialty plan, all of the following shall occur:

- (1) The capitated contract for the CAF specialty plan shall be the result of a request for proposals issued by the Department.
- (2) An entity operating the CAF specialty plan shall authorize, pay for, and manage all Medicaid services covered under the plan.
- (3) An entity operating the CAF specialty plan shall operate care management functions and provide whole-person, integrated care across healthcare and treatment settings and foster care placements for recipients enrolled in the plan to support family preservation, advance the reunification of families, support the permanency goals of children, and support the health of former foster youth.
- (4) An entity operating the CAF specialty plan shall be the single point of care management accountability.
- (5) The Department shall establish requirements for the effective operation of the CAF specialty plan that, at a minimum, shall address all of the following:
 - a. Continuity of care and support across health care settings, changes in placement, and when the child transitions into the former foster youth Medicaid eligibility category.
 - b. Managing care according to competencies specific to the recipients described in G.S. 108D-40(a)(14) and to recipients receiving child protective services in-home services, including medication management, utilization of trauma-informed care, and any other areas determined appropriate by the Department.
 - c. Coordination of activities with local governments, county departments of social services, the Division of Juvenile Justice of the Department of Public Safety, and other related agencies that support the child welfare system.
 - d. Approaches to address unmet health-related resource needs.

(c) In addition to the services required to be covered by all PHPs under G.S. 108D-35, the CAF specialty plan shall cover the behavioral health, intellectual and developmental disability, and traumatic brain injury services excluded from standard benefit plan coverage under G.S. 108D-35(1), except that the CAF specialty plan shall not cover:

- (1) Innovations waiver services.
- (2) Traumatic Brain Injury waiver services.
- (3) Services provided to recipients residing in or receiving respite services at an intermediate care facility for individuals with intellectual/developmental disabilities.
- (4) Services provided to recipients determined eligible to participate in and be served under Transitions to Community Living.
- (5) Non-Medicaid behavioral health services funded with federal, State, and local funding in accordance with Chapter 122C of the General Statutes and other applicable State and federal law, rules, and regulations.

(d) Unless ineligible under subsection (e) of this section, the following Medicaid recipients shall be eligible to enroll in the CAF specialty plan:

- (1) Recipients described in G.S. 108D-40(a)(14) and their children. The children shall be enrolled in the CAF specialty plan for as long as the parent remains enrolled, unless the parent elects to enroll the child in another plan in accordance with subsection (g) of this section.

- 1 (2) Adults identified on an open child protective services in-home family services
2 agreement case and any minor children living in the same home.
- 3 (3) Adults identified in an open Eastern Band of Cherokee Indians Department of
4 Public Health and Human Services Family Safety program case and any
5 children living in the same home.
- 6 (4) The minor siblings of a child in foster care who lived in the same home as that
7 child at the time of the child's removal and with whom household reunification
8 efforts are ongoing.
- 9 (5) Recipients who have a child temporarily in foster care if all of the following
10 are met:
- 11 a. A court of competent jurisdiction has not found that aggravated
12 circumstances exist in accordance with G.S. 7B-901(c) or comparable
13 federally recognized tribal code.
- 14 b. A court of competent jurisdiction has not found that a plan of
15 reunification would be unsuccessful or would be inconsistent with the
16 child's health or safety in accordance with G.S. 7B-906.1(d) or
17 comparable federally recognized tribal code.
- 18 c. A court of competent jurisdiction has not found that custody or
19 guardianship with the caretaker relative is an inappropriate permanent
20 plan for the juvenile under G.S. 7B-906.2(a)(3) or (a)(4), or
21 comparable federally recognized tribal code.
- 22 d. The recipient is any of the following:
- 23 1. A parent.
- 24 2. A caretaker relative.
- 25 3. A custodian.
- 26 4. A guardian.
- 27 (6) Any other recipients who have had involvement with the child welfare system
28 and whom the Department has determined would benefit from enrollment in
29 the CAF specialty plan.
- 30 (e) The following Medicaid recipients shall be not eligible to enroll in the CAF specialty
31 plan:
- 32 (1) Recipients who require services that are excluded from coverage by the CAF
33 specialty plan under subsection (c) of this section.
- 34 (2) Temporary safety provider caregivers identified on an open child protective
35 services in-home family services agreement case or an open Eastern Band of
36 Cherokee Indians Department of Public Health and Human Services Family
37 Safety program case.
- 38 (3) Recipients who are excluded from PHP coverage under G.S. 108D-40(a).
- 39 (f) Recipients described in subdivision (d)(1) of this section shall be automatically
40 enrolled in the CAF specialty plan, unless they are also described in G.S. 108D-40(a)(5), in which
41 case they may enroll voluntarily. All other recipients described under subsection (d) of this
42 section may enroll voluntarily in the CAF specialty plan.
- 43 (g) Recipients eligible to enroll in the CAF specialty plan under subsection (d) of this
44 section shall have the option to enroll with a PHP operating a standard benefit plan or, if eligible
45 under G.S. 108D-40(a)(12), a BH IDD tailored plan. A recipient enrolled in the CAF specialty
46 plan who elects to enroll with a PHP operating a standard benefit plan would only have access to
47 the behavioral health services covered by the standard benefit plans and would no longer have
48 access to the behavioral health services excluded from standard benefit plan coverage under
49 G.S. 108D-35(1). The recipient's informed consent, or, as applicable, the informed consent of the
50 recipient's custodian or guardian, shall be required prior to the recipient's enrollment with a PHP
51 operating a standard benefit plan.

(h) Recipients described in G.S. 108D-40(a)(14)(i) who exit the custody of the county department of social services may elect to remain enrolled in the CAF specialty plan for 12 months after the date the recipient exits custody. In the case of recipients who achieve reunification, any of the following individuals with whom the recipient reunifies may also elect to remain enrolled in the CAF specialty plan as long as the recipient remains enrolled:

- (1) A parent.
- (2) A caretaker relative.
- (3) A custodian.
- (4) A guardian.
- (5) A minor sibling."

SECTION 9E.8.(i) G.S. 122C-3 reads as rewritten:

"§ 122C-3. Definitions.

The following definitions apply in this Chapter:

...

(4a) Children and families specialty plan or CAF specialty plan. – As defined in G.S. 108D-1.

...

(20c) Local management entity/managed care organization (LME/MCO). – A local management entity that is under contract with the Department under Article 4 of Chapter 108D of the General Statutes to operate one or more of the combined Medicaid Waiver program managed care programs authorized under Section 1915(b) and Section 1915(c), of the Social Security Act or by CMS to operate a BH IDD tailored plan.

...."

SECTION 9E.8.(j) G.S. 122C-115 reads as rewritten:

"§ 122C-115. Duties of counties; appropriation and allocation of funds by counties and cities.

...

(e) Beginning on the date that capitated contracts under Article 4 of Chapter 108D of the General Statutes begin, LME/MCOs shall cease managing Medicaid services for all Medicaid recipients other than recipients described in G.S. 108D-40(a)(1), (4), (5), (6), (7), (10), (11), (12), ~~and (13)-(13), and (14).~~

(e1) Until BH IDD tailored plans become operational, all of the following shall occur:

- (1) LME/MCOs shall continue to manage the Medicaid services that are covered by the LME/MCOs under the combined 1915(b) and (c) waivers for Medicaid recipients described in G.S. 108D-40(a)(1), (4), (5), (6), (7), (10), (11), (12), ~~and (13)-(13), and (14).~~

...

(f) Entities operating the BH IDD tailored plans under G.S. 108D-60 may continue to ~~manage~~ manage under any contract with the Department in accordance with G.S. 108D-60(b), the behavioral health, intellectual and developmental disability, and traumatic brain injury services for any Medicaid recipients described in G.S. 108D-40(a)(4), (5), (7), (10), (11), (12), and (13) under any contract with the Department in accordance with G.S. 108D-60(b)-(13), and, until the CAF specialty plan becomes operational, recipients excluded from PHP coverage under G.S. 108D-40(a)(14)."

SECTION 9E.8.(k) Part 2 of Article 4 of Chapter 122C of the General Statutes is amended by adding a new section to read:

"§ 122C-115.5. Children and families specialty plan operation.

An area authority is authorized to operate the CAF specialty plan under a contract with the Department. For purposes of operating the CAF specialty plan only, all of the following apply:

- (1) The area authority shall have a statewide catchment area.

- (2) Counties are prohibited from withdrawing from or declining to participate in the statewide catchment area of the CAF specialty plan."

USE OF MEDICAID TRANSFORMATION FUND FOR MEDICAID TRANSFORMATION NEEDS

SECTION 9E.9.(a) Claims Run Out. – Funds from the Medicaid Transformation Fund may be transferred to the Department of Health and Human Services, Division of Health Benefits (DHB), for the 2023-25 fiscal biennium, as needed, for the purpose of paying claims related to services billed under the fee-for-service payment model for recipients who are being, or have been, transitioned to managed care, otherwise known as "claims run out." Funds may be transferred to DHB as the need to pay claims run out arises and need not be transferred in one lump sum. To the extent that any funds are transferred under this subsection, the funds are appropriated for the purpose set forth in this subsection.

SECTION 9E.9.(b) Non-Claims Run Out Medicaid Transformation Needs. – Subject to the fulfillment of conditions specified in subsection (c) of this section, the sum of one hundred fifty-eight million two hundred ninety-six thousand three-hundred twenty two dollars (\$158,296,322) in nonrecurring funds for the 2023-24 fiscal year and the sum of sixty seven million, eight hundred seventy-seven thousand four hundred twenty-seven dollars (\$67,877,427) in nonrecurring funds for the 2024-25 fiscal year from the Medicaid Transformation Fund may be transferred to DHB for the sole purpose of providing the State share for qualifying needs directly related to Medicaid transformation, as required by S.L. 2015-245, as amended. Funds may be transferred to DHB as qualifying needs arise during the 2023-25 fiscal biennium and need not be transferred in one lump sum.

For the purposes of this section, the term "qualifying need" shall be limited to the following Medicaid transformation needs and may include contracts and temporary staffing:

- (1) Program design.
- (2) Beneficiary and provider experience.
- (3) Information technology upgrades, operations, and maintenance.
- (4) Data management tools.
- (5) Program integrity.
- (6) Quality review.
- (7) Actuarial rate setting functions.
- (8) Technical and operational integration.
- (9) BH IDD tailored plan health homes.
- (10) Legal fees.
- (11) Expenses related to the Enhanced Case Management and Other Services Pilot Program, commonly referred to as the "Healthy Opportunities Pilots."

SECTION 9E.9(c) Requests for Transfer of Funds for Qualifying Need. – A request by DHB for the transfer of funds pursuant to subsection (b) of this section shall be made to OSBM and shall include the amount requested and the specific qualifying need for which the funds are to be used. None of the funds identified in subsection (b) of this section shall be transferred to DHB until OSBM verifies the following information:

- (1) The amount requested is to be used for a qualifying need in the 2023-25 fiscal biennium.

STREAMLINE MEDICAID ELIGIBILITY DETERMINATIONS

SECTION 9E.10.(a) G.S. 108A-25 reads as rewritten:

"§ 108A-25. Creation of programs; assumption by federally recognized tribe of programs.

...

(b) The program of medical assistance is established as a program of public assistance and shall be administered by the Department of Health and Human Services in accordance with

G.S. 108A-54. Medicaid eligibility administration may be delegated to the county departments of social services under rules adopted by the Department of Health and Human Services. Notwithstanding any other law to the contrary, upon election by the Secretary, county departments of social services shall accept Medicaid eligibility determinations made by the federally facilitated Health Benefit Exchange.

...."

SECTION 9E.10.(b) G.S. 108A-54 reads as rewritten:

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

...

(d) The Department of Health and Human Services shall ensure that the North Carolina Families Accessing Services through Technology (NC FAST) information technology system can ~~provide~~accept Medicaid eligibility determinations ~~for from~~ the federally facilitated Health Benefit Exchange that will operate in North ~~Carolina~~ Carolina, ~~and shall provide such determinations for the Exchange.~~ Notwithstanding any other law to the contrary, as determined by the Secretary, the Department may accept Medicaid eligibility determinations made by the federally facilitated Health Benefit Exchange utilizing the eligibility categories, resource limits, and income thresholds for the Medicaid programs set by the General Assembly in accordance with subsection (f) of this section.

...."

SECTION 9.E.10.(c) G.S. 108A-55.3 reads as rewritten:

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

...

(b) An applicant may meet the requirements of subsection (a) of this section by providing ~~at least two~~one of the following documents:

...

(c) For applicants, including those who are homeless or migrant laborers, who declare under penalty of perjury that they do not have ~~two~~one of the verifying documents in subsection (b) of this section, any other evidence that verifies residence may be considered. However, except for applicants of emergency Medicaid, a declaration, affidavit, or other statement from the applicant or another person that the applicant meets the requirements of G.S. 108A-24(6) is insufficient in the absence of other credible evidence. For applicants of emergency Medicaid, a declaration, affidavit, or other statement from the applicant's employer, clergy, or other person with personal knowledge of the applicant's intent to live in North Carolina permanently or for an indefinite period of time or that the applicant is residing in North Carolina to seek employment or with a job commitment satisfies the requirements of this subsection.

...."

AMEND INCOME ELIGIBILITY REQUIREMENTS TO ENSURE NO LOSS OF COVERAGE WITH ELIMINATION OF NC HEALTH CHOICE

SECTION 9.E.11.(a) G.S. 108A-54.3A as amended by Section 9D.15(c) of S.L. 2022-74 reads as rewritten:

"§ 108A-54.3A. Eligibility categories and income thresholds.

The Department shall provide Medicaid coverage for individuals in accordance with federal statutes and regulations and specifically shall provide coverage for the following populations:

...

(3) Children through the age of 18 with family incomes equal to or less than two hundred ~~ten~~eleven percent (~~210%~~211%) of the federal poverty guidelines.

...."

SECTION 9.E.11.(b) G.S. 108A-54.3A as amended by Section 9D.15(c) of S.L. 2022-74 reads as rewritten:

This section is effective on a date determined by the Department but no later than June 30, 2023.

RECOVER MEDICAID FUNDS FROM PROVIDERS IN MANAGED CARE

SECTION 9.E.12(a) G.S. 108C-2 reads as rewritten:

"§ 108C-2. Definitions.

The following definitions apply in this Chapter:

...

(2) Applicant. – An individual, partnership, group, association, corporation, institution, or entity that applies to the Department for enrollment as a provider in the North Carolina Medical Assistance Program or the North Carolina ~~Health Insurance Program for Children.~~ Medicaid program.

(3) Department. – The North Carolina Department of Health and Human Services, its legally authorized agents, contractors, or vendors who acting within the scope of their authorized activities, assess, authorize, manage, review, audit, monitor, or provide services pursuant to Title XIX ~~or XXI~~ of the Social Security Act, the North Carolina State Plan of Medical Assistance, ~~the North Carolina State Plan of the Health Insurance Program for Children,~~ or any waivers of the federal Medicaid Act granted by the United States Department of Health and Human Services.

...

~~(6) Health Choice. – The Health Insurance Program for Children authorized by G.S. 108A-70.25 and as set forth in the North Carolina State Plan of the Health Insurance Program for Children.~~

(6) Managed Care Entity. – As defined in G.S. 108D-1.

...

(8a) Negative Remittance Balance- A provider's negative claim balance resulting from administrative activity that adjusted a claim previously paid that causes a final amount owed to the Department by the provider as documented in the provider's remittance statement. For purposes of claim offsetting, the provider's remittance statement serves as the Department's final notice but the provider's right to appeal shall be unabridged.

(8b) Medicaid. – The Medical Assistance program authorized by G.S. 108A-54 and as set forth in the North Carolina State Plan of Medical Assistance

(8c) Notice of Program Reimbursement. – The written notice reflecting the Department's final determination of the total amount of reimbursement, if any, due to either the provider or the Department following receipt of a provider's annual Medicaid or Health Choice cost report, or amended Medicaid or Health Choice cost report where permitted or required.

...."

SECTION 9E.12.(b) G.S. 108C-5 reads as rewritten:

"§108C-5. Payment suspension and audits utilizing extrapolation.

...

(b) In addition to the procedures for suspending payment set forth at 42 C.F.R. § 455.23, the Department may also suspend payment to any provider that (i) owes a final overpayment, assessment, or fine to the Department or owes any other debt the Department is obligated to collect and has not entered into an approved payment plan with the Department or other applicable State or federal agency; (ii) has a negative remittance balance; or (iii) has had its participation in the Medicaid or Health Choice programs suspended or terminated by the Department. For purposes of this section, a suspension or termination of participation does not become final until all administrative appeal rights have been exhausted and shall not include any

agency decision that is being contested at the Department, the Office of Administrative Hearings, or in Superior Court provided that the Superior Court has entered a stay of decision in accordance with G.S. 150B-48.

(b1) Upon written notification from the Department to a managed care entity that a provider in its network owes amounts described in subsection (b)(i) or (b)(ii) of this section, the managed care entity shall do the following:

- (1) Notify the provider that the Department has mandated recovery of the funds owed under this section from any reimbursement due to the provider from the managed care entity;
- (2) Provide a copy of the written notice from the Department to the managed care entity mandating such recovery to the provider; and
- (3) Remit to the Department all reimbursement amounts otherwise due to that provider until the amounts described in subsection (b)(i) or (b)(ii) of this section, including any applicable penalties or interest have been satisfied. If the provider has entered into a payment plan with the Department in accordance with this section or other applicable State or federal agency, the managed care entity shall only collect the agreed upon monthly payment from the reimbursement amounts otherwise due to the provider and shall remit the payment to the Department on behalf of the provider.
- (4) The requirements under this subsection shall supersede any contractual obligation on the part of the managed care entity to remit payment to the provider.

(c) ~~For providers who owe a final overpayment, assessment, fine amounts described in subsection (b)(i) of this section to the Department, the payment suspension shall begin the thirty-first day after and overpayment, assessment, or fine becomes final.~~ by virtue of a settlement or final decision of the Department or the Office of Administrative Hearings and the final decision is not timely appealed by the provider; or on the date specified by the State or federal agency in its notification to the Department of an obligation to collect a debt on the State or federal agency's behalf. The payment suspension shall not exceed the amount owed to the Department, including any applicable penalty and interest charges.

(c1) For providers who owe a negative remittance balance to the Department, the amount shall be recovered immediately against subsequent claims by the Department or by the process specified in section (b1) of this section by a managed care entity, whichever results in the earliest recovery by the Department of the amount owed by the provider.

...

(h) All payments suspended in accordance with this Chapter shall be applied toward any ~~final overpayment, assessment, or fine~~ amounts described in subsection (b)(i) of this section.

(h1) The Department may collect payments for delinquent provider health care assessments as defined in 42 C.F.R. § 433.55(a). In addition to all other methods of collection allowed by law, the Department may collect such assessments in the same manner as set forth in G.S. 105-242 and G.S. 105- 242.1. The collection of delinquent assessments from a managed care entity for money owed by a provider and on behalf of the provider to the State shall not constitute a donation as defined in 42 C.F.R. § 433.52.

(i) ~~Prior to extrapolating the results of any audits,~~ In the notification of an overpayment to the provider, the Department shall demonstrate and inform the provider that (i) the provider failed to substantially comply with the requirements of State or federal law or regulation, including Clinical Coverage Policies adopted or amended by the Department in accordance with G.S. 108A-54.2; or (ii) the Department has a credible allegation of fraud concerning the provider. Nothing in the subsection shall be construed to prohibit the Department from identifying the an extrapolated overpayment amount in the same notice that meets the requirements of this subsection.

(j) Audits that result in the extrapolation of results must be performed and reviewed by individuals ~~who shall be credentialed by the Department, as applicable, in the matters to be audited, including, but not limited to, coding or specific clinical issues qualified in the matters to be audited.~~

(k) The Department, in the initial request for medical records and prior to conducting audits that result in the extrapolation of results shall identify to the provider the matters to be reviewed and specifically list the clinical, including, but not limited to, assessment of medical necessity, coding, authorization, or other matters reviewed and the time periods reviewed.

(n) The results of audits that result in the extrapolation of results may be challenged by a provider within the limited or moderate risk categories, pursuant to G.S. 108C-3.

(1) The provider shall notify the Department within ~~45~~30 days of receipt of the tentative audit results of the provider's challenge of the Department's results under this subsection. The provider's notification shall select the means of challenging the error rate found by the Department.

(2) The provider may challenge the error rate found by the Department by doing one of the following:

...

b. Conducting a second audit upon a sample identified and produced by the Department utilizing the same statistical and sampling methodology to produce a sample twice the size of the original sample to review those matters and time periods identified in subsection (k) of this section. The Department shall provide a new sample to the provider within 30 days from the date of receipt of a provider's request. The provider shall have 60 days from receipt of the new sample to conduct the audit and provide the results to the Department. The failure to provide the results of the second audit within the specified time frame will result in the dismissal of the provider's challenge, and the provider shall have no further right to appeal to the Office of Administrative Hearings or any other court.

...

(4) Nothing in this subsection shall limit a provider from challenging the accuracy of the Department's audit, the statistical methodology of the Department's original sample, or the ~~credentials~~qualifications of the individuals who performed and reviewed the audit.

...

(p) ~~The If the provider requests a reconsideration review, the-provider shall have no less than 30~~If the provider requests a reconsideration review, the-provider shall have no less than 45 days from the date of the receipt of the Department's notice of tentative audit results to provide additional documentation not provided to the Department during any audit. If the provider elects to appeal the Department's decision to the Office of Administrative Hearings, the provider shall have 45 days from the date that the appeal is filed to submit any additional documentation or records which address or challenge the findings of the audit. The Department shall not review, and the Office of Administrative Hearings shall not admit into evidence, any materials submitted after 45 days from the date the appeal was filed.

(q) Except as required by federal agency, law, or regulation, or instances of credible allegation of fraud, the provider shall be subject to audits which result in the extrapolation of ~~results for a time period of up to 36 months from date of payment of a provider's claim.~~results. An audit that results in extrapolation must be initiated via notice of the audit to the provider within 36 months of the date of payment of the provider's claim. No extrapolated audit shall include claims that were paid more than 36 months prior to the date of the notice of audit.

...."

1 **SECTION 9E.12.(c)** G.S. 108C is amended to add a new section to read:

2 "**§ 108C-15. Notice of Program Reimbursement as basis for recoupment of overpayments.**

3 Notwithstanding any other provision of law, upon issuance of the Notice of Program
4 Reimbursement, the Department shall take immediate action to recoup the amount of
5 reimbursement owed by the provider to the Department. Recoupment shall be made
6 notwithstanding any request by the provider for a reconsideration review by the Division or a
7 contested case hearing under Chapter 150B of the General Statutes."

8
9 **PART IX-F. HEALTH SERVICE REGULATION [RESERVED]**

10
11 **PART IX-G. MENTAL HEALTH/DEVELOPMENTAL DISABILITIES/SUBSTANCE**
12 **ABUSE SERVICES**

13
14 **USE OF OPIOID SETTLEMENT FUNDS**

15 **SECTION 9G.1.(a)** The State Controller shall transfer the sum of nine million
16 one hundred ninety-two thousand four hundred sixty-one dollars (\$9,192,461) for the 2023-24
17 fiscal year and the sum of nine million nine hundred seventy-eight thousand four hundred
18 sixty-two dollars (\$9,978,462) for the 2024-25 fiscal year from funds available in the Opioid
19 Abatement Reserve in the General Fund to the Opioid Abatement Fund established under Section
20 9F.1 of S.L. 2021-180. These funds are appropriated to the Department of Health and Human
21 Services to be used as set forth in subsection (b) of this section. In addition to these uses, the
22 Department of Health and Human Services may use up to five hundred thousand dollars
23 (\$500,000) of funds allocated by this subdivision for each year of the fiscal biennium for
24 administrative purposes.

25 **SECTION 9G.1.(b)** During the 2023-25 fiscal biennium, the funds appropriated to
26 the Department of Health and Human Services by subsection (a) of this section shall be used to
27 respond to the negative impacts of the opioid epidemic within the State of North Carolina, as
28 follows:

- 29 (1) To expand employment and transportation supports through innovative pilot
30 programs in industries in North Carolina that suffered the greatest job losses
31 during the COVID-19 pandemic and are most relied upon by individuals
32 recovering from opioid use disorders to reenter the workforce, such as the food
33 service industry, the hotel and lodging industry, and the entertainment
34 industry. These funds may be used to support all of the following:
- 35 a. Employment support services for individuals in recovery from opioid
36 use disorder, such as job application support and placement with
37 partnering employers, with emphasis on supporting innovative pilot
38 programs to develop a more robust workforce in rural areas of the
39 State.
 - 40 b. Training and development funding to encourage a consortium of
41 public and private employers, workforce development boards, and
42 vocational services providers to develop workplace recovery friendly
43 ecosystems.
 - 44 c. Transportation support services to enable individuals recovering from
45 opioid use disorder to travel to their places of treatment and their
46 places of employment.
- 47 (2) To support individuals with opioid use disorder who are involved in the
48 criminal justice system through programs and initiatives designed to
49 accomplish any one or more of the following:
- 50 a. Establishment or expansion of existing prearrest and postarrest
51 diversion programs. This includes prearrest diversion, postarrest

- 1 diversion, and court-based diversion through treatment or recovery
2 courts.
- 3 b. Establishment, expansion, or sustainment of medication-assisted
4 treatment programs that provide to individuals who are incarcerated
5 any medication approved by the United States Food and Drug
6 Administration for opioid use disorder. Programs authorized under
7 this sub-subdivision that are funded in whole or in part by the Opioid
8 Abatement Fund shall be made available to individuals who were
9 already participating in a medication-assisted treatment program prior
10 to being incarcerated, as well as to individuals who initiate
11 medication-assisted treatment during their incarceration to address an
12 opioid use disorder.
- 13 c. Creation or expansion of reentry programs to connect individuals
14 exiting incarceration with harm reduction, treatment, and recovery
15 supports.
- 16 (3) To expand evidence-based treatment supports and to improve connections to
17 care, especially for individuals hospitalized for overdose who are uninsured
18 or underinsured, through the following activities or initiatives:
- 19 a. Evidence-based addiction treatment, including medication-assisted
20 treatment provided by inpatient or outpatient opioid treatment
21 programs.
- 22 b. Expanded access to cost-effective, low-cost, or no-cost
23 medication-assisted treatment in community-based settings.
- 24 c. Expanded care management services, including the use of peer support
25 specialists and care navigators in local health departments, detention
26 facilities, local departments of social services, and community-based
27 settings. Any funding provided pursuant to this sub-subdivision shall
28 be used to provide care management services involving outreach to,
29 engagement with, and coordination for individuals to assist them with
30 accessing opioid use disorder treatment.
- 31 (4) To develop evidence-based supportive housing services, such as Housing
32 First, that are inclusive of individuals with substance use disorders. Qualifying
33 services that may be funded under this subdivision include the following:
- 34 a. Providing a move-in deposit, rental or utility assistance, or all of these
35 for individuals with substance use disorders who are in recovery or
36 transitioning from residential treatment or incarceration.
- 37 b. Providing community training sessions on tenancy rights and
38 responsibilities.
- 39 c. Establishing relationships with landlords to encourage the elimination
40 of preconditions for housing and to reduce potential incidences of
41 evictions due to substance misuse.
- 42 d. Providing other housing-related supports such as tents, sleeping bags,
43 or other supplies for outdoor living.
- 44 e. Funding or otherwise supporting recovery supported housing that
45 accepts individuals who are utilizing any medication approved by the
46 United States Food and Drug Administration for the treatment of
47 opioid use disorder.
- 48 (5) To expand community based, peer, and collegiate recovery programs
49 providing recovery support services to individuals who have achieved or are
50 aiming to achieve recovery from opioid use disorders.

- (6) To expand workforce development activities aimed at increasing the number of practitioners available to treat opioid and other substance use disorders. These activities include, but are not limited to:
- a. Addiction medicine fellowships;
 - b. Scholarships for students studying addiction and committed to practicing the treatment of opioid use disorder upon completion of study; and
 - c. Support for universities, colleges, and healthcare practitioner training programs to embed addiction training into the general curriculum in fields of primary care, nursing, healthcare administration, social work, counseling, psychology, medicine, and other affiliated healthcare disciplines.
- (7) To provide technical assistance to community organizations who have received grant funding from the Opioid Abatement Fund to develop and implement community programs and to the LME/MCOs that maximize funding and achieve the best outcomes in their communities. Technical assistance will include support in utilizing evidence-based practices, budgeting, data collection and overall capacity building to ensure ongoing viability of needed community programs.
- (8) To collect data and evaluate programs to inform program planning and quality improvement, and create data dashboards.

OPIOID ABATEMENT REVENUE TECHNICAL ADJUSTMENT

SECTION 9G.2.(a) Section 9F.1(a) of S.L. 2021-180 reads as rewritten:

"SECTION 9F.1.(a) ~~The Opioid Abatement Reserve (Reserve) is established in the General Fund to~~ The Opioid Abatement Fund (Fund) is a special fund in the Department of Health and Human Services that maintain funds received by the State as a beneficiary of the final consent judgment resolving the case, State of North Carolina, ex rel. Joshua H. Stein, Plaintiff v. McKinsey and Company, Inc., in the General Court of Justice, Superior Court Division, Wake County and any other funds received by the State as a result of a settlement, as defined in G.S. 114-2.4A, relating to claims regarding the manufacturing, marketing, distribution, dispensing, or sale of opioids. Monies in the ~~Reserve~~ Fund shall be made available to (i) cover the costs incurred by the State in investigating and pursuing these claims and (ii) abate and remediate the harms caused to North Carolina and its citizens by the opioid epidemic. These receipts are appropriated to the Fund in the year which they are received and shall be used in accordance with this act. Funds from the ~~Reserve~~ Fund may be allocated or expended only by an act of appropriation by the General Assembly. The Opioid Abatement Fund (Fund) is created in the Department of Health and Human Services (Department) as a special fund consisting of all interest and investment earnings received on monies in the Fund. The State Controller shall transfer from the Reserve to the Fund the sum of fifteen million seven hundred thirty-five thousand four hundred ninety-six dollars (\$15,735,496) for the 2021-22 fiscal year and the sum of eight hundred twelve thousand two hundred fifty dollars (\$812,250) for the 2022-23 fiscal year. These funds are appropriated to the Department to be used and allocated as set forth in subsection (b) of this section.

...."

SINGLE-STREAM FUNDING FOR DMH/DD/SAS COMMUNITY SERVICES

SECTION 9G.3.(a) For the purpose of mitigating cash flow problems that many local management entities/managed care organizations (LME/MCOs) experience at the beginning of each fiscal year relative to single-stream funding, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse

Services (DMH/DD/SAS), shall distribute not less than one-twelfth of each LME/MCO's base budget allocation at the beginning of the fiscal year and subtract the amount of that distribution from the LME/MCO's total reimbursements for the fiscal year. For each month of the fiscal year after July, DMH/DD/SAS shall distribute, on the third working day of the month, one-eleventh of the amount of each LME/MCO's single-stream allocation that remains after subtracting the amount of the distribution that was made to the LME/MCO in July of the fiscal year.

SECTION 9G.3.(b) During each year of the 2023-25 fiscal biennium, DMH/DD/SAS shall ensure that LME/MCOs fund, in total, at least ninety percent (90%) of the level of single-stream services provided across the State during the 2014-2015 fiscal year. No LME/MCO shall reduce funding for (i) home and community-based services or (ii) services paid for with single-stream funding that support the 2012 settlement agreement entered into between the United States Department of Justice and the State of North Carolina to ensure that the State will willingly meet the requirements of the Americans with Disabilities Act of 1990, section 504 of the Rehabilitation Act of 1973, and the United States Supreme Court decision in *Olmstead v. L.C.*, 527 U.S. 581 (1999). This subsection shall not be construed to require an LME/MCO to authorize or maintain the same level of services for any specific individual whose services were paid for with single-stream funding. This subsection shall not be construed to create a private right of action for any person or entity against the State of North Carolina or the Department of Health and Human Services or any of its divisions, agents, or contractors and shall not be used as authority in any contested case brought pursuant to Chapter 108C of the General Statutes or Chapter 108D of the General Statutes.

SECTION 9G.3.(c) If, on or after June 1, 2024, OSBM certifies a Medicaid and NC Health Choice budget surplus and sufficient cash in Budget Code 14445 to meet total obligations for the 2023-24 fiscal year, then DHB shall transfer to DMH/DD/SAS funds not to exceed the amount of the certified surplus or thirty million dollars (\$30,000,000), whichever is less.

SECTION 9G.3.(d) If, on or after June 1, 2025, OSBM certifies a Medicaid and NC Health Choice budget surplus and sufficient cash in Budget Code 14445 to meet total obligations for the 2021-2022 fiscal year, then DHB shall transfer to DMH/DD/SAS funds not to exceed the amount of the certified surplus or thirty million dollars (\$30,000,000), whichever is less.

LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS

SECTION 9G.4.(a) Use of Funds. – Funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall continue to be used for the purchase of local inpatient psychiatric beds or bed days. The Department of Health and Human Services (DHHS) shall continue to implement a two-tiered system of payment for purchasing these local inpatient psychiatric beds or bed days based on acuity level with an enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels, as defined by DHHS. The enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels shall not exceed the lowest average cost per patient bed day among the State psychiatric hospitals. In addition, at the discretion of the Secretary of Health and Human Services, existing funds allocated to LME/MCOs for community-based mental health, developmental disabilities, and substance abuse services may be used to purchase additional local inpatient psychiatric beds or bed days.

SECTION 9G.4.(b) Distribution and Management of Beds or Bed Days. – DHHS shall work to ensure that any local inpatient psychiatric beds or bed days purchased in accordance with this section are utilized solely for individuals who are medically indigent, except that DHHS may use up to ten percent (10%) of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the purchase of local inpatient psychiatric beds or bed days to pay for facility-based crisis services and nonhospital detoxification services for individuals in need of these services, regardless of whether the individuals are medically indigent. For the purposes of

1 this subsection, "medically indigent" shall mean uninsured persons who (i) are financially unable
2 to obtain private insurance coverage, as determined by DHHS, and (ii) are not eligible for
3 government-funded health coverage such as Medicare or Medicaid.

4 In addition, DHHS shall work to ensure that any local inpatient psychiatric beds or
5 bed days purchased in accordance with this section are distributed across the State and according
6 to need, as determined by DHHS. DHHS shall ensure that beds or bed days for individuals with
7 higher acuity levels are distributed across the State and according to greatest need based on
8 hospital bed utilization data. DHHS shall enter into contracts with LME/MCOs and local
9 hospitals for the management of these beds or bed days. DHHS shall work to ensure that these
10 contracts are awarded equitably around all regions of the State. LME/MCOs shall manage and
11 control these local inpatient psychiatric beds or bed days, including the determination of the
12 specific local hospital or State psychiatric hospital to which an individual should be admitted
13 pursuant to an involuntary commitment order.

14 **SECTION 9G.4.(c)** Funds to be Held in Statewide Reserve. – Funds appropriated in
15 this act to DHHS for the purchase of local inpatient psychiatric beds or bed days shall not be
16 allocated to LME/MCOs but shall be held in a statewide reserve at the Division of Mental Health,
17 Developmental Disabilities, and Substance Abuse Services to pay for services authorized by the
18 LME/MCOs and billed by the hospitals through the LME/MCOs. LME/MCOs shall remit claims
19 for payment to DHHS within 15 working days after receipt of a clean claim from the hospital
20 and shall pay the hospital within 30 working days after receipt of payment from DHHS.

21 **SECTION 9G.4.(d)** Ineffective LME/MCO Management of Beds or Bed Days. – If
22 DHHS determines that (i) an LME/MCO is not effectively managing the beds or bed days for
23 which it has responsibility, as evidenced by beds or bed days in the local hospital not being
24 utilized while demand for services at the State psychiatric hospitals has not decreased, or (ii) the
25 LME/MCO has failed to comply with the prompt payment provisions of this section, DHHS may
26 contract with another LME/MCO to manage the beds or bed days or, notwithstanding any other
27 provision of law to the contrary, may pay the hospital directly.

28 **SECTION 9G.4.(e)** Reporting by LME/MCOs. – LME/MCOs shall be required to
29 report to DHHS regarding the utilization of these beds or bed days.

30 **SECTION 9G.4.(f)** Reporting by DHHS. – By no later than December 1, 2024, and
31 by no later than December 1, 2025, DHHS shall report to the Joint Legislative Oversight
32 Committee on Health and Human Services and the Fiscal Research Division on all of the
33 following:

- 34 (1) A uniform system for beds or bed days purchased during the preceding fiscal
35 year from (i) existing State appropriations and (ii) local funds.
- 36 (2) An explanation of the process used by DHHS to ensure that, except as
37 otherwise provided in subsection (a) of this section, local inpatient psychiatric
38 beds or bed days purchased in accordance with this section are utilized solely
39 for individuals who are medically indigent, along with the number of
40 medically indigent individuals served by the purchase of these beds or bed
41 days.
- 42 (3) The amount of funds used to pay for facility-based crisis services, along with
43 the number of individuals who received these services and the outcomes for
44 each individual.
- 45 (4) The amount of funds used to pay for nonhospital detoxification services, along
46 with the number of individuals who received these services and the outcomes
47 for each individual.
- 48 (5) Other DHHS initiatives funded by State appropriations to reduce State
49 psychiatric hospital use.

51 **PART IX-H. PUBLIC HEALTH**

JUUL LABS SETTLEMENT FUNDS

SECTION 9H.1.(a) There is appropriated from the Youth Electronic Nicotine Dependence Abatement Fund established in Section 9G.10 of S.L. 2021-180 to the Department of Health and Human Services, Division of Public Health, the sum of eight million dollars (\$8,000,000) in nonrecurring and nonreverting funds for the 2023-24 fiscal year to be used and allocated as follows:

- (1) Three million two hundred thousand dollars (\$3,200,000) shall be allocated for tobacco cessation media campaigns, resources, and programs to help both youth and young adults who have become addicted to nicotine using e-cigarettes and other tobacco/nicotine products quit.
- (2) Two million four hundred thousand dollars (\$2,400,000) shall be allocated for evidence-based media and education campaigns to prevent the initiation of tobacco use, especially with respect to e-cigarettes and other new and emerging tobacco/nicotine products.
- (3) Eight hundred thousand dollars (\$800,000) shall be allocated for data monitoring to track tobacco/nicotine use and exposure among youth and young adults and populations at risk; and for independent evaluation of the reach and effectiveness of the State's tobacco prevention and cessation programs with respect to evidence-based programs designed to help youth addicted to nicotine through e-cigarettes and other new and emerging tobacco and nicotine products quit.
- (4) One million six hundred thousand dollars (\$1,600,000) shall be allocated for staff, projects, and systems to educate partners and stakeholders about evidence-based policy, systems, and environmental change to help youth quit tobacco/nicotine products and prevent initiation of tobacco/nicotine products; and to track compliance with the conduct provisions set forth in Part III of the final consent judgment resolving the JLI Case.

Funds allocated under this subsection shall remain available for expenditure as specified in this subsection until expended.

SECTION 9H.1.(b) There is appropriated from the Youth Electronic Nicotine Dependence Abatement Fund in the Department of Health and Human Services, Division of Public Health, the sum of seven million five hundred thousand dollars (\$7,500,000) in nonrecurring and non-reverting funds for the 2024-25 fiscal year to be used and allocated as follows:

- (1) Three million dollars (\$3,000,000) shall be allocated for tobacco cessation media campaigns, resources, and programs to help both youth and young adults who have become addicted to nicotine using e-cigarettes and other tobacco/nicotine products quit.
- (2) Two million two hundred fifty thousand dollars (\$2,250,000) shall be allocated for evidence-based media and education campaigns to prevent the initiation of tobacco use, especially with respect to e-cigarettes and other new and emerging tobacco/nicotine products.
- (3) Seven hundred fifty thousand dollars (\$750,000) shall be allocated for data monitoring to track tobacco/nicotine use and exposure among youth and young adults and populations at risk; and for independent evaluation of the reach and effectiveness of the State's tobacco prevention and cessation programs with respect to evidence-based programs designed to help youth addicted to nicotine through e-cigarettes and other new and emerging tobacco and nicotine products quit.

- (4) One million five hundred thousand dollars (\$1,500,000) shall be allocated for staff, projects, and systems to educate partners and stakeholders about evidence-based policy, systems, and environmental change to help youth quit tobacco/nicotine products and prevent initiation of tobacco/nicotine products; and to track compliance with the conduct provisions set forth in Part III of the final consent judgment resolving the JLI Case.

Funds allocated under this subsection shall remain available for expenditure as specified in this subsection until expended.

SECTION 9H.1.(c) Annually on September 1, the Department of Health and Human Services shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the expenditures made from the Fund during the preceding fiscal year. The report shall identify each expenditure and shall indicate the authority under this section for the expenditure.

LOCAL HEALTH DEPARTMENTS/COMPETITIVE GRANT PROCESS TO IMPROVE MATERNAL AND CHILD HEALTH

SECTION 9H.2.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for each year of the 2023-25 fiscal biennium to award competitive grants to local health departments for the improvement of maternal and child health shall be used to continue administering a competitive grant process for local health departments based on maternal and infant health indicators and the county's detailed proposal to invest in evidence-based programs to achieve the following goals:

- (1) Improve North Carolina's birth outcomes.
- (2) Improve the overall health status of children in this State from birth to age 5.
- (3) Lower the State's infant mortality rate.

SECTION 9H.2.(b) The plan for administering the competitive grant process shall include at least all of the following components:

- (1) A request for application (RFA) process to allow local health departments to apply for and receive State funds on a competitive basis. The Department shall require local health departments 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 the Secretary prioritize grant awards to those local health departments that are able to leverage non-State funds in addition to the grant award.
- (3) Ensures that funds received by the Department to implement the plan supplement and do not supplant existing funds for maternal and child health initiatives.
- (4) Allows grants to be awarded to local health departments for up to three years.

SECTION 9H.2.(c) No later than July 1 of each year, as applicable, the Secretary shall announce the recipients of the competitive grant awards and allocate funds to the grant recipients for the respective grant period pursuant to the amounts designated under subsection (a) of this section. After awards have been granted, the Secretary shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services on the grant awards that includes at least all of the following:

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

SECTION 9H.2.(d) No later than February 1 of each fiscal year, each local health department receiving funding pursuant to this section in the respective fiscal year shall submit to the Division of Public Health a written report of all activities funded by State appropriations. The report shall include the following information about the fiscal year preceding the year in which the report is due:

- (1) A description of the types of programs, services, and activities funded by State appropriations.
- (2) Statistical and demographical information on the number of persons served by these programs, services, and activities, including the counties in which services are provided.
- (3) Outcome measures that demonstrate the impact and effectiveness of the programs, services, and activities based on the evaluation protocols developed by the Division, in collaboration with the University of North Carolina Gillings School of Global Public Health, pursuant to Section 12E.11(e) of S.L. 2015-241, and reported to the Joint Legislative Oversight Committee on Health and Human Services on April 1, 2016.
- (4) A detailed program budget and list of expenditures, including all positions funded, matching expenditures, and funding sources.

AUTHORIZE NEWBORN SCREENING PROGRAM TO UTILIZE THE NEWBORN SCREENING EQUIPMENT REPLACEMENT AND ACQUISITION FUND TO MAINTAIN EQUIPMENT, INSTRUMENTS, AND IT SYSTEMS

SECTION 9H.3.(a) G.S. 130A-125(d) reads as rewritten:

"(d) The Newborn Screening Equipment Replacement and Acquisition Fund (Fund) is established as a nonreverting fund within the Department. Thirty-one dollars (\$31.00) of each fee collected pursuant to subsection (c) of this section shall be credited to this Fund and applied to the Newborn Screening Program to be used as directed in this subsection. The Department shall not use monies in this Fund for any purpose other than to purchase ~~or replace, replace, or~~ maintain laboratory instruments, equipment, and information technology systems used in the Newborn Screening Program. The Department shall notify and consult with the Joint Legislative Commission on Governmental Operations whenever the balance in the Fund exceeds the following threshold: the sum of (i) the actual cost of new equipment necessary to incorporate conditions listed on the RUSP into the Newborn Screening Program and (ii) one hundred percent (100%) of the replacement value of existing equipment used in the Newborn Screening Program. Any monies in the Fund in excess of this threshold shall be available for expenditure only upon an act of appropriation by the General Assembly."

ALIGN AUTOPSY FEE TO ACTUAL COSTS

SECTION 9H.4.(a) Effective January 1, 2025 G.S. 130A-389(a) reads as rewritten:

"(a) If, in the opinion of the medical examiner investigating the case or of the Chief Medical Examiner, it is advisable and in the public interest that an autopsy or other study be made; or, if an autopsy or other study is requested by the district attorney of the county or by any superior court judge, an autopsy or other study shall be made by the Chief Medical Examiner or by a competent pathologist designated by the Chief Medical Examiner. A complete autopsy report of findings and interpretations, prepared on forms designated for the purpose, shall be submitted promptly to the Chief Medical Examiner. Subject to the limitations of G.S. 130A-389.1 relating to photographs and video or audio recordings of an autopsy, a copy of the report shall be furnished to any person upon request. The fee for the autopsy or other study shall be ~~two thousand eight hundred dollars (\$2,800)~~ five thousand eight hundred dollars (\$5,800) to be paid as follows:

- (1) Except as provided in subdivision (2) of this subsection, the county in which the deceased resided shall pay a fee of one thousand seven hundred fifty

dollars (\$1,750) and the State shall pay the remaining balance of ~~one thousand fifty dollars (\$1,050)~~ four thousand fifty dollars (\$4,050).

- (2) If the death or fatal injury occurred outside the county in which the deceased resided, the State shall pay the entire fee in the amount of ~~two thousand eight hundred dollars (\$2,800)~~ five thousand eight hundred dollars (\$5,800)."

SECTION 9.H.4.(b) By December 1, 2025, and every three years thereafter, the Department of Health and Human Services, Division of Public Health shall report to the Joint Legislative Oversight Committee on Health and Human Services with an analysis of this fee and any recommendations.

INCREASE EQUITABLE ACCESS TO VITAL RECORDS

SECTION 9H.5.(a) G.S. 130A-93 reads as rewritten:

"§ 130A-93. Access to vital records; copies.

(e) Copies or abstracts of the health and medical information contained on birth certificates shall be provided only to a person requesting a copy of the health and medical information contained on the person's own birth certificate, a person authorized by that person, or a person who will use the information for ~~medical~~ research purposes. Copies of or abstracts from any computer or microform database which contains individual-specific health or medical birth data, whether the database is maintained by the Department, a local health department, or any other public official, shall be provided only to an individual requesting his or her own data, a person authorized by that individual, or a person who will use the information for ~~medical~~-research purposes. The State Registrar shall adopt rules providing for the use of this information for ~~medical~~-research purposes. The rules shall, at a minimum, require a written description of the proposed use of the data, including protocols for protecting confidentiality of the data. Copies or abstracts of information contained on birth certificates for individuals born in North Carolina who reside in another jurisdiction may be shared with the vital records jurisdiction in the individual's jurisdiction of residence."

SECTION 9H.5.(b) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, the sum of two hundred eighty thousand (\$280,000) in recurring funds for the 2022-2023 fiscal year shall be used to fund a program to increase equitable access to vital records. As part of this program, the State Registrar shall have authority to develop and implement a policy to waive vital records fees established in G.S. 130A-93.1(a) and 130A-118(d) and existing rules for low- and no-income persons.

SECTION 9H.5.(c) Subsection (a) of this section is effective when it becomes law.

PART IX-I. SERVICES FOR THE BLIND/DEAF/HARD OF HEARING [RESERVED]

PART IX-J. SOCIAL SERVICES

TANF BENEFIT IMPLEMENTATION

SECTION 9J.1.(a) Beginning October 1, 2022, the General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2022-25" prepared by the Department of Health and Human Services and presented to the General Assembly. The North Carolina Temporary Assistance for Needy Families State Plan covers the period October 1, 2022, through September 30, 2025. The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section, to the United States Department of Health and Human Services.

SECTION 9J.1.(b) The counties approved as Electing Counties in the North Carolina Temporary Assistance for Needy Families State Plan FY 2022-25, as approved by this section, are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

SECTION 9J.1.(c) Counties that submitted the letter of intent to remain as an Electing County or to be redesignated as an Electing County and the accompanying county plan for years 2022 through 2025, pursuant to G.S. 108A-27(e), shall operate under the Electing County budget requirements effective July 1, 2022. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2025.

SECTION 9J.1.(d) For each year of the 2023-25 fiscal biennium, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the 2022-23 fiscal year, provided that remaining funds allocated for Work First Family Assistance and Work First Diversion Assistance are sufficient for payments made by the Department on behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

SECTION 9J.1.(e) In the event that departmental projections of Work First Family Assistance and Work First Diversion Assistance for the 2023-24 fiscal year or the 2024-25 fiscal year indicate that remaining funds are insufficient for Work First Family Assistance and Work First Diversion Assistance payments to be made on behalf of Standard Counties, the Department is authorized to deallocate funds, of those allocated to Electing Counties for Work First Family Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite amount for payments in Standard Counties. Prior to deallocation, the Department shall obtain approval by the Office of State Budget and Management. If the Department adjusts the allocation set forth in subsection (d) of this section, then a report shall be made to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division.

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING, PERFORMANCE ENHANCEMENTS, AND REPORT

SECTION 9J.2.(a) Notwithstanding the provisions of G.S. 143B150.6, the Intensive Family Preservation Services (IFPS) Program shall provide intensive services to children and families in cases of abuse, neglect, and dependency where a child is at imminent risk of removal from the home and to children and families in cases of abuse where a child is not at imminent risk of removal. The Program shall be implemented statewide on a regional basis. The IFPS shall ensure the application of standardized assessment criteria for determining imminent risk and clear criteria for determining out-of-home placement.

SECTION 9J.2.(b) The Department of Health and Human Services shall require that any program or entity that receives State, federal, or other funding for the purpose of IFPS shall provide information and data that allows for the following:

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

SECTION 9J.2.(c) The Department shall continue implementing a performance-based funding protocol and shall only provide funding to those programs and entities providing the required information specified in subsection (b) of this section. The amount of funding shall be based on the individual performance of each program.

SECTION 9J.2.(d) The Department shall submit an annual report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by December 1 of each year that provides the information and data collected pursuant to subsection (b) of this section.

CHILD CARING INSTITUTIONS

SECTION 9J.3. Until the Social Services Commission adopts rules setting standardized rates for child caring institutions as authorized under G.S. 143B153(8), the maximum reimbursement for child caring institutions shall not exceed the rate established for the specific child caring institution by the Department of Health and Human Services, Office of the Controller. In determining the maximum reimbursement, the State shall include county and IVE reimbursements.

USE OF FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM

SECTION 9J.4. Of the funds available for the provision of foster care services, the Department of Health and Human Services, Division of Social Services, may continue to provide for the financial support of children who are deemed to be (i) in a permanent family placement setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive permanency. No additional expenses shall be incurred beyond the funds budgeted for foster care for the Guardianship Assistance Program (GAP). The Guardianship Assistance Program shall include provisions for extending guardianship services for individuals and youth who exited foster care through the Guardianship Assistance Program after 14 years of age or who have attained the age of 18 years and opt to continue to receive guardianship services until reaching 21 years of age if the individual is (i) completing secondary education or a program leading to an equivalent credential, (ii) enrolled in an institution that provides postsecondary or vocational education, (iii) participating in a program or activity designed to promote, or remove barriers to, employment, (iv) employed for at least 80 hours per month, or (v) incapable of completing the educational or employment requirements of this section due to a medical condition or disability. The Guardianship Assistance Program rates shall reimburse the legal guardian for room and board and be set at the same rate as the foster care room and board rates in accordance with rates established under G.S. 108A-49.1.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)

SECTION 9J.5.(a) Funds appropriated in this act from the General Fund to the Department of Health and Human Services for the child welfare postsecondary support program shall be used to continue providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 10871l for the educational needs of foster youth aging out of the foster care system, youth who exit foster care to a permanent home through the Guardianship Assistance Program (GAP), or special needs children adopted from foster care after age 12. These funds shall be allocated by the State Education Assistance Authority.

SECTION 9J.5.(b) Of the funds appropriated in this act from the General Fund to the Department of Health and Human Services, the sum of fifty thousand dollars (\$50,000) for each year of the 2023-25 fiscal biennium shall be allocated to the North Carolina State Education Assistance Authority (SEAA). The SEAA shall use these funds only to perform administrative functions necessary to manage and distribute scholarship funds under the child welfare postsecondary support program.

SECTION 9J.5.(c) Of the funds appropriated in this act from the General Fund to the Department of Health and Human Services, the sum of three hundred thirty-nine thousand four hundred ninety-three dollars (\$339,493) for each year of the 2023-25 fiscal biennium shall be used to contract with an entity to administer the child welfare postsecondary support program

described under subsection (a) of this section, which administration shall include the performance of case management services.

SECTION 9J.5.(d) Funds appropriated in this act to the Department of Health and Human Services for the child welfare postsecondary support program shall be used only for students attending public institutions of higher education in this State.

FEDERAL CHILD SUPPORT INCENTIVE PAYMENTS

SECTION 9J.6.(a) Centralized Services. – The North Carolina Child Support Services Section (NCCSS) of the Department of Health and Human Services, Division of Social Services, shall retain up to fifteen percent (15%) of the annual federal incentive payments it receives from the federal government to enhance centralized child support services. To accomplish this requirement, NCCSS shall do the following:

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

SECTION 9J.6.(b) County Child Support Services Programs. – NCCSS shall allocate no less than eighty-five percent (85%) of the annual federal incentive payments it receives from the federal government to county child support services programs to improve effectiveness and efficiency using the federal performance measures. To that end, NCCSS shall do the following:

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

SECTION 9J.6.(c) Reporting by County Child Support Services Programs. – NCCSS shall continue implementing guidelines that identify appropriate uses for federal incentive funding. To ensure those guidelines are properly followed, NCCSS shall require county child support services programs to comply with each of the following:

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

SECTION 9J.6.(d) Reporting by NCCSS. – NCCSS shall submit a report on federal child support incentive funding to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by November 1 of each year. The report shall describe how federal incentive funds enhanced centralized child support services to benefit county child support services programs and improved the effectiveness and efficiency of county child support services programs. The report shall further include any changes to the State process

the NCCSS used in calculating and distributing federal incentive funding to county child support services programs and any recommendations for further changes.

SUCCESSFUL TRANSITION/FOSTER CARE YOUTH

SECTION 9J.7.(a) The Foster Care Transitional Living Initiative Fund shall continue to fund and support transitional living services that demonstrate positive outcomes for youth, attract significant private sector funding, and lead to the development of evidence-based programs to serve the at-risk population described in this section. The Fund shall continue to support a demonstration project with services provided by Youth Villages to (i) improve outcomes for youth ages 17-21 years who transition from foster care through implementation of outcome-based Transitional Living Services, (ii) identify cost-savings in social services and juvenile and adult correction services associated with the provision of Transitional Living Services to youth aging out of foster care, and (iii) take necessary steps to establish an evidence-based transitional living program available to all youth aging out of foster care. In continuing to implement these goals, the Foster Care Transitional Living Initiative Fund shall support the following strategies:

- (1) Transitional Living Services, which is an outcome-based program that follows the Youth Villages Transitional Living Model. Outcomes on more than 7,000 participants have been tracked since the program's inception. The program has been evaluated through an independent randomized controlled trial. Results indicate that the Youth Villages Transitional Living Model had positive impacts in a variety of areas, including housing stability, earnings, economic hardship, mental health, and intimate partner violence in comparison to the control population.
- (2) Public-Private Partnership, which is a commitment by private-sector funding partners to match at least twenty-five percent (25%) of the funds appropriated to the Foster Care Transitional Living Initiative Fund for the 2023-25 fiscal biennium for the purposes of providing Transitional Living Services through the Youth Villages Transitional Living Model to youth aging out of foster care.
- (3) Impact Measurement and Evaluation, which are services funded through private partners to provide independent measurement and evaluation of the impact the Youth Villages Transitional Living Model has on the youth served, the foster care system, and on other programs and services provided by the State which are utilized by former foster care youth.
- (4) Advancement of Evidence-Based Process, which is the implementation and ongoing evaluation of the Youth Villages Transitional Living Model for the purposes of establishing the first evidence-based transitional living program in the nation. To establish the evidence-based program, additional randomized controlled trials may be conducted to advance the model.

PART IX-K. VOCATIONAL REHABILITATION [RESERVED]

PART IX-L. DHHS BLOCK GRANTS

DHHS BLOCK GRANTS

SECTION 9L.1.(a) Except as otherwise provided, appropriations from federal Block Grant funds are made for each year of the fiscal biennium ending June 30, 2025, according to the following schedule:

TEMPORARY ASSISTANCE FOR NEEDY

FY 2023-2024**FY 2024-2025**

FAMILIES (TANF) FUNDS**Local Program Expenditures****Division of Social Services**

01. Work First Family Assistance	\$31,328,255	\$31,259,794
02. Work First County Block Grants	80,093,566	80,093,566
03. Work First Electing Counties	2,378,213	2,378,213
04. Adoption Services – Special Children Adoption Fund	4,001,676	4,001,676
05. Child Protective Services – Child Welfare Workers for Local DSS	11,387,190	11,387,190
06. Child Welfare Program Improvement Plan	775,176	775,176
07. Child Welfare Collaborative	400,000	400,000
08. Child Welfare Initiatives	1,400,000	1,400,000

Division of Child Development and Early Education

09. Subsidized Child Care Program	45,813,694	45,813,694
10. Swap-Child Care Subsidy	12,600,000	12,600,000
11. NC Pre-K Services	68,300,000	68,300,000

Division of Public Health

12. Teen Pregnancy Prevention Initiatives	3,538,541	3,538,541
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DHHS Administration

13. Division of Social Services	2,478,284	2,478,284
14. Division of Child and Family Well Being	3,976	3,976
15. Office of the Secretary	34,042	34,042
16. Eligibility Systems – Operations and Maintenance	431,733	431,733
17. NC FAST Implementation	428,239	428,239
18. Division of Social Services – Workforce Innovation & Opportunity Act (WIOA)	93,216	93,216

1			
2	19. Division of Social Services TANF Modernization	1,667,571	1,667,571
3			
4	Transfers to Other Block Grants		
5			
6	Division of Child Development and Early Education		
7			
8	20. Transfer to the Child Care and		
9	Development Fund	21,773,001	21,773,001
10			
11	Division of Social Services		
12			
13	21. Transfer to Social Services Block		
14	Grant for Child Protective Services –		
15	Training	285,612	285,612
16			
17	22. Transfer to Social Services Block		
18	Grant for Child Protective Services	5,040,000	5,040,000
19			
20	23. Transfer to Social Services Block		
21	Grant for County Departments of		
22	Social Services for Children's Services	13,097,783	13,166,244
23			
24	24. Transfer to Social Services Block		
25	Grant – Foster Care Services	3,422,219	3,422,219
26			
27	25. Transfer to Social Services Block	1,582,000	1,582,000
28	Grant – Child Advocacy Centers		
29			
30	TOTAL TEMPORARY ASSISTANCE FOR		
31	NEEDY FAMILIES (TANF) FUNDS	\$312,353,987	\$312,353,987
32			
33	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)		
34	EMERGENCY CONTINGENCY FUNDS		
35			
36	Local Program Expenditures		
37			
38	Division of Child Development and Early Education		
39			
40	01. Subsidized Child Care	\$34,440,000	\$35,440,000
41			
42	TOTAL TEMPORARY ASSISTANCE FOR		
43	NEEDY FAMILIES (TANF) EMERGENCY		
44	CONTINGENCY FUNDS	\$34,440,000	\$35,440,000
45			
46	SOCIAL SERVICES BLOCK GRANT		
47			
48	Local Program Expenditures		
49			
50	Divisions of Social Services and Aging and Adult Services		
51			

1	01. County Departments of Social Services	\$19,905,849	\$19,837,388
2			
3	02. County Departments of Social Services		
4	(Transfer From TANF)	\$13,097,783	\$13,166,244
5			
6	03. EBCI Tribal Public Health and Human Services	244,740	244,740
7			
8	04. Child Protective Services		
9	(Transfer From TANF)	5,040,000	5,040,000
10			
11	05. State In-Home Services Fund	1,943,950	1,943,950
12			
13	06. Adult Protective Services	2,138,404	2,138,404
14			
15	07. State Adult Day Care Fund	1,994,084	1,994,084
16			
17	08. Child Protective Services/CPS		
18	Investigative Services – Child Medical		
19	Evaluation Program	901,868	901,868
20			
21	09. Special Children Adoption Incentive Fund	462,600	462,600
22			
23	10. Child Protective Services – Child		
24	Welfare Training for Counties		
25	(Transfer From TANF)	285,612	285,612
26			
27	11. Home and Community Care Block		
28	Grant (HCCBG)	2,696,888	2,696,888
29			
30	12. Child Advocacy Centers		
31	(Transfer from TANF \$1,582,000)	1,582,000	1,582,000
32			
33	13. Guardianship – Division of Social Services	1,802,671	1,802,671
34			
35	14. Foster Care Services		
36	(Transfer From TANF)	3,422,219	3,422,219
37			

Division of Central Management and Support

40	15. DHHS Competitive Block Grants		
41	for Nonprofits	4,774,525	4,774,525
42			

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

45	16. Mental Health Services – Adult and		
46	Child/Developmental Disabilities Program/		
47	Substance Abuse Services – Adult	4,149,595	4,149,595
48			

DHHS Program Expenditures**Division of Services for the Blind**

1			
2	17. Independent Living Program	3,880,429	3,880,429
3			
4	Division of Health Service Regulation		
5			
6	18. Adult Care Licensure Program	557,598	557,598
7			
8	19. Mental Health Licensure and		
9	Certification Program	266,158	266,158
10			
11	Division of Aging and Adult Services		
12			
13	20. Guardianship	3,825,443	3,825,443
14			
15	DHHS Administration		
16			
17	21. Division of Aging and Adult Services	743,284	743,284
18			
19	22. Division of Social Services	1,042,894	1,042,894
20			
21	23. Office of the Secretary/Controller's Office	639,167	639,167
22			
23	24. Legislative Increases/Fringe Benefits	293,655	587,310
24			
25	25. Division of Child Development and		
26	Early Education	13,878	13,878
27			
28	26. Division of Mental Health, Developmental		
29	Disabilities, and Substance Abuse Services	28,325	28,325
30			
31	27. Division of Health Service Regulation	258,960	258,960
32			
33	TOTAL SOCIAL SERVICES BLOCK GRANT	\$75,992,579	\$76,286,234
34			
35	LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT		
36			
37	Local Program Expenditures		
38			
39	Division of Social Services		
40			
41	01. Low-Income Energy Assistance		
42	Program (LIEAP)	\$67,836,069	\$67,836,069
43			
44	02. Crisis Intervention Program (CIP)	45,214,330	45,214,330
45			
46	Local Administration		
47			
48	Division of Social Services		
49			
50	03. County DSS Administration	8,789,246	8,789,246
51			

DHHS Administration**Division of Central Management and Support**

04. Division of Social Services	10,000	10,000
05. Division of Social Services – Energy Portal (FIS Transaction Fees)	25,000	25,000
06. Office of the Secretary/DIRM (Accountable Results for Community Action (AR4CA) Replacement System)	166,750	166,750
07. Office of the Secretary/DIRM	278,954	278,954
08. Office of the Secretary/Controller's Office	18,378	18,378
09. NC FAST Development	627,869	627,869
10. NC FAST Operations and Maintenance	1,330,323	1,330,323

Transfers to Other State Agencies**Department of Environmental Quality**

11. Weatherization Program	13,220,309	13,220,309
12. Heating Air Repair and Replacement Program (HARRP)	8,075,029	8,075,029
13. Local Residential Energy Efficiency Service Providers – Weatherization	787,097	787,097
14. Local Residential Energy Efficiency Service Providers – HARRP	437,276	437,276
15. DEQ – Weatherization Administration	859,976	859,976
16. DEQ – HARRP Administration	539,307	539,307

Department of Administration

17. N.C. Commission on Indian Affairs	87,736	87,736
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**TOTAL LOW-INCOME ENERGY
ASSISTANCE BLOCK GRANT**

\$148,303,649 \$148,303,649

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**Local Program Expenditures****Division of Child Development and Early Education**

01. Child Care Services	287,721,346	287,721,346
02. Smart Start Subsidy	7,392,654	7,392,654
03. Transfer from TANF Block Grant for Child Care Subsidies	21,773,001	21,773,001
04. Quality and Availability Initiatives	63,329,252	63,329,252
DHHS Administration		
Division of Child Development and Early Education		
05. DCDEE Administrative Expenses	9,710,886	9,710,886
06. Indirect Cost	7,346	7,346
Division of Social Services		
07. Direct Deposit for Child Care Payments	5,000	5,000
08. Local Subsidized Child Care Services Support	18,780,355	18,780,355
Division of Central Management and Support		
09. NC FAST Operations and Maintenance	1,450,316	1,450,316
10. DHHS Central Administration – DIRM Technical Services	979,762	979,762
11. DHHS Central Administration – Indirect Cost	7,346	7,346
12. DHHS Central Administration	68,000	68,000
Division of Public Health		
13. Child Care Health Consultation Contracts	62,205	62,205
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	\$411,280,123	\$411,280,123
MENTAL HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
01. Mental Health Services – Child	2,477,666	2,477,666
02. Mental Health Services – Adult/Child	19,690,452	19,690,452

03. Mental Health Services – First Psychotic Symptom Treatment	5,416,756	5,416,756
04. Child Behavioral Health (DCFW)	5,246,350	5,246,350
DHHS Administration		
Division of Child and Family Well Being		
05. Administration	140,000	140,000
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
06. Crisis Services	2,877,047	2,877,047
07. Adult/Child Mental Health Services	350,150	350,150
08. Administration	332,351	332,351
Division of Public Health		
09. NC Detect – Behavioral Health ER	35,000	35,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	\$36,565,772	\$36,565,772
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
Local Program Expenditures		
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
01. Substance Abuse – IV Drug	2,000,000	2,000,000
02. Substance Abuse Prevention	20,245,927	20,245,927
03. Substance Abuse Services – Treatment for Children/Adults	43,576,849	43,576,848
04. Crisis Solutions Initiatives – Collegiate Wellness/Addiction Recovery	\$1,545,205	\$1,545,205
DHHS Program Expenditures		
Division of Central Management and Support		
05. Competitive Grants	1,600,000	1,600,000
DHHS Administration		
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		

06. Administration	2,297,852	2,297,852
07. Controlled Substance Reporting System Enhancement	675,000	675,000
08. Veterans Initiatives	250,000	250,000
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	\$72,190,833	\$72,190,832
MATERNAL AND CHILD HEALTH BLOCK GRANT		
Local Program Expenditures		
Division of Child and Family Well-Being		
01. Children's Health Services	\$12,500,559	\$12,500,559
Division of Public Health		
02. Women's and Children's Health Services	\$2,583,029	\$2,583,029
03. Oral Health	51,119	51,119
04. Evidence-Based Programs in Counties With Highest Infant Mortality Rates	1,575,000	1,575,000
DHHS Program Expenditures		
05. Children's Health Services	1,344,492	1,344,492
06. Women's Health – Maternal Health	252,695	252,695
07. Women's and Children's Health – Perinatal Strategic Plan Support Position	80,669	80,669
08. State Center for Health Statistics	158,583	158,583
09. Health Promotion – Injury and Violence Prevention	87,271	87,271
DHHS Administration		
11. Division of Public Health Administration	340,646	340,646
12. Division of Child and Family Well Being Administration	211,925	211,925
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	\$19,185,988	\$19,185,988

PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT**Local Program Expenditures**

01. Physical Activity and Prevention	\$3,081,442	\$3,081,442
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DHHS Program Expenditures**Division of Public Health**

02. HIV/STD Prevention and Community Planning	135,063	135,063
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03. Oral Health Preventive Services	150,000	150,000
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04. Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	217,935	217,935
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05. Performance Improvement and Accountability	560,182	560,182
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06. State Center for Health Statistics	48,000	48,000
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DHHS Administration**Division of Public Health**

07. Division of Public Health	65,000	65,000
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TOTAL PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT

	\$4,257,622	\$4,257,622
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COMMUNITY SERVICES BLOCK GRANT

01. Community Action Agencies	\$21,695,970	\$20,244,923
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02. Limited Purpose Agencies/Discretionary Funding	457,553	504,718
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03. Office of Economic Opportunity	1,077,552	1,124,718
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04. Office of the Secretary/DIRM (Accountable Results for Community Action (AR4CA) Replacement System)	560,000	560,000
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05. Office of Economic Opportunity – Workforce Investment Opportunities Act (WIOA)	60,000	60,000
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TOTAL COMMUNITY SERVICES BLOCK GRANT

	\$23,851,075	\$22,494,359
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GENERAL PROVISIONS

SECTION 9L.1.(b) Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

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

SECTION 9L.1.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this act, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Office of State Budget and Management shall not approve funding for new programs or activities not appropriated in this act. If the Congress of the United States decreases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this act, the Department shall develop a plan to adjust the Block Grants based on reduced federal funding. Notwithstanding the provisions of this subsection, for fiscal years 2023-24 and 2024-25, increases in the federal fund availability for the Temporary Assistance to Needy Families (TANF) Block Grant shall be used only for the North Carolina Child Care Subsidy program to pay for child care in four- or five-star rated facilities for 4 year old children and shall not be used to supplant State funds. Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the Department adjusts the allocation of any Block Grant due to changes in federal fund availability, then a report shall be made to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division.

SECTION 9L.1.(d) Except as otherwise provided, appropriations from federal Block Grant funds are made for each year of the fiscal biennium ending June 30, 2025, according to the schedule enacted for State fiscal years 2023-24 and 2024-25 or until a new schedule is enacted by the General Assembly.

SECTION 9L.1.(e) All changes to the budgeted allocations to the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services that are not specifically addressed in this section shall be approved by the Office of State Budget and Management. The Office of State Budget and Management shall not approve funding for new programs or activities not appropriated in this section. Additionally, if budgeted allocations are decreased, the Office of State Budget and Management shall not approve any reduction of funds designated for subrecipients in subsection (a) of this section under (i) Item 03 of the Substance Abuse Prevention and Treatment Block Grant or (ii) Item 01 of the Maternal and Child Health Block Grant. The Office of State Budget and Management shall consult with the Joint Legislative Oversight Committee on Health and

Human Services for review prior to implementing any changes. In consulting, the report shall include an itemized listing of affected programs, including associated changes in budgeted allocations. All changes to the budgeted allocations to the Block Grants shall be reported immediately to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

SECTION 9L.1.(f) Except as otherwise provided, the Department of Health and Human Services shall have flexibility to transfer funding between the Temporary Assistance for Needy Families (TANF) Block Grant and the TANF Emergency Contingency Funds Block Grant so long as the total allocation for the line items within those Block Grants remains the same.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS

SECTION 9L.1.(g) The sum of eighty million ninety-three thousand five hundred sixty-six dollars (\$80,093,566) for each year of the 2023-25 fiscal biennium appropriated in this act in TANF funds to the Department of Health and Human Services, Division of Social Services, shall be used for Work First County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures. The Division shall also have the authority to realign appropriated funds from Work First Family Assistance for electing counties to the Work First County Block Grant for electing counties based on current year expenditures so long as the electing counties meet Maintenance of Effort requirements.

SECTION 9L.1.(h) Eleven million three hundred eighty-seven thousand one hundred ninety dollars (\$11,387,190) for each year of the 2023-25 fiscal biennium appropriated in this act to the Department of Health and Human Services, Division of Social Services, in TANF funds for child welfare improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and post-adoption services for eligible families. Counties shall maintain their level of expenditures in local funds for Child Protective Services workers. Of the Block Grant funds appropriated for Child Protective Services workers, the total expenditures from State and local funds for fiscal years 2023-24 and 2024-25 shall not be less than the total expended from State and local funds for the 2012-13 fiscal year.

SECTION 9L.1.(i) The sum of four million one thousand six hundred seventy-six dollars (\$4,001,676) each year of the 2023-25 fiscal biennium appropriated in this act in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, shall be used in accordance with G.S. 108A-50.2. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

SECTION 9L.1.(j) The sum of one million four hundred thousand dollars (\$1,400,000) appropriated in this act in TANF funds to the Department of Health and Human Services, Division of Social Services, for each fiscal year of the 2023-25 fiscal biennium shall be used for child welfare initiatives to (i) enhance the skills of social workers to improve the outcomes for families and children involved in child welfare and (ii) enhance the provision of services to families in their homes in the least restrictive setting.

SECTION 9L.1.(k) Of the three million five hundred thirty-eight thousand five hundred forty-one dollars (\$3,538,541) for each fiscal year of the 2023-25 fiscal biennium allocated in this act in TANF funds to the Department of Health and Human Services, Division of Public Health, for each year of the 2023-25 fiscal biennium for teen pregnancy prevention initiatives, the sum of five hundred thousand dollars (\$500,000) in each year of the 2023-25 fiscal biennium shall be used to provide services for youth in foster care or the juvenile justice system.

SOCIAL SERVICES BLOCK GRANT

SECTION 9L.1.(l) The sum of nineteen million nine hundred five thousand eight hundred forty-nine dollars (\$19,905,849) for the 2023-24 fiscal year and nineteen million eight hundred thirty-seven thousand three hundred eighty-eight dollars (\$19,837,388) for the 2024-25 fiscal year appropriated in this act in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, and the sum of thirteen million ninety-seven thousand seven hundred eighty-three dollars (\$13,097,783) for the 2023-24 fiscal year and thirteen million one hundred sixty-six thousand two hundred forty-four (\$13,166,244) for the 2024-25 fiscal year transferred from funds appropriated in the TANF Block Grant shall be used for county Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds, as well as State Social Services Block Grant funds, among the State-level services based on current year actual expenditures.

SECTION 9L.1.(m) The sum of two hundred eighty-five thousand six hundred twelve dollars (\$285,612) appropriated in this act in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for each fiscal year of the 2023-25 fiscal biennium shall be used to support various child welfare training projects as follows: (1) Provide a regional training center in southeastern North Carolina. (2) Provide training for residential child caring facilities. (3) Provide for various other child welfare training initiatives.

SECTION 9L.1.(n) The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

SECTION 9L.1.(o) Social Services Block Grant funds appropriated for the Special Children Adoption Incentive Fund shall require a fifty percent (50%) local match.

SECTION 9L.1.(p) The sum of five million forty thousand dollars (\$5,040,000) appropriated in this act in the Social Services Block Grant for each fiscal year of the 2023-25 fiscal biennium transferred from funds appropriated in the TANF Block Grant shall be allocated to the Department of Health and Human Services, Division of Social Services. The Division shall allocate these funds to local departments of social services to replace the loss of Child Protective Services State funds that are currently used by county governments to pay for Child Protective Services staff at the local level. These funds shall be used to maintain the number of Child Protective Services workers throughout the State. These Social Services Block Grant funds shall be used to pay for salaries and related expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

SECTION 9L.1.(q) The sum of four million seven hundred seventy-four thousand five hundred twenty-five dollars (\$4,774,525) for each year of the 2023-25 fiscal biennium appropriated in this act in the Social Services Block Grant to the Department of Health and Human Services (DHHS), Division of Central Management and Support, shall be used for DHHS competitive Block Grants pursuant to Section 9B.9 of this act. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 9L.1.(r) The sum of one million five hundred eighty-two thousand dollars (\$1,582,000) appropriated in this act in the Social Services Block Grant for each fiscal

year of the 2023-25 fiscal biennium transferred from funds appropriated in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, shall be used to continue support for the Child Advocacy Centers. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 9L.1.(s) The sum of three million eight hundred twenty-five thousand four hundred forty-three dollars (\$3,825,443) for each fiscal year of the 2023-25 fiscal biennium appropriated in this act in the Social Services Block Grant to the Department of Health and Human Services, Divisions of Social Services and Aging and Adult Services, shall be used for guardianship services pursuant to Chapter 35A of the General Statutes. The Department may expend funds allocated in this section to support existing corporate guardianship contracts during the 2023-24 and 2024-25 fiscal years.

SECTION 9L.1.(t) Of the funds appropriated in the Social Services Block Grant to the Division of Aging and Adult Services for Adult Protective Services, the sum of eight hundred ninety-three thousand forty-one dollars (\$893,041) shall be used to increase the number of Adult Protective Services workers where these funds can be the most effective. These funds shall be used to pay for salaries and related expenses and shall not be used to supplant any other source of funding for staff. These funds are also exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 9L.1.(u) The Division of Social Services shall have the authority to realign appropriated funds between the State-level services Low Income Energy Assistance Payments and Crisis Assistance Payments without prior consultation with the Joint Legislative Oversight Committee on Health and Human Services to ensure needs are effectively met without exceeding the total amount appropriated for these State-level service items. Additional emergency contingency funds received may be allocated for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Oversight Committee on Health and Human Services. Additional funds received shall be reported to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division upon notification of the award. The Department of Health and Human Services shall not allocate funds for any activities, including increasing administration, other than assistance payments, without prior consultation with the Joint Legislative Oversight Committee on Health and Human Services.

SECTION 9L.1.(v) The sum of sixty-seven million eight hundred thirty-six thousand sixty-nine (\$67,836,069) for each fiscal year of the 2023-25 fiscal biennium appropriated in this act in the Low-Income Energy Assistance Block Grant to the Department of Health and Human Services, Division of Social Services, shall be used for Energy Assistance Payments for the households of (i) elderly persons age 60 and above with income up to one hundred thirty percent (130%) of the federal poverty level and (ii) disabled persons eligible for services funded through the Division of Aging and Adult Services. County departments of social services shall submit to the Division of Social Services an outreach plan for targeting households with 60 year old household members no later than August 1 of each year. The outreach plan shall comply with the following: (1) Ensure that eligible households are made aware of the available assistance, with particular attention paid to the elderly population age 60 and above and disabled persons receiving services through the Division of Aging and Adult Services. (2) Include efforts by the county department of social services to contact other State and local governmental entities and community-based organizations to (i) offer the opportunity to provide outreach and (ii) receive applications for energy assistance. (3) Be approved by the local board of social services or human services board prior to submission.

SECTION 9L.1.(w) The Department of Health and Human Services shall develop, and implement and maintain a centralized system to collect, track, analyze, monitor, and

disseminate performance, outputs, and outcome data for the Community Services Block Grant Program and the Department of Environmental Quality (DEQ) Weatherization Assistance Program to replace the current software solution, Accountable Results for Community Action (AR4CA) not to exceed one hundred sixty-six thousand seven hundred fifty (\$166,750) in Low Income Energy Assistance funds for each year of the 2023-25 fiscal biennium may be budgeted in for transfer to Budget Code 14410 for information technology projects.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 9L.1.(x) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development and Early Education for the subsidized child care program.

SECTION 9L.1.(y) If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the Department may move funds to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.

MENTAL HEALTH SERVICES BLOCK GRANT

SECTION 9L.1.(z) The five million four hundred sixteen thousand seven hundred fifty-six (\$5,416,756) for each fiscal year of the 2023-25 fiscal biennium appropriated in this act in the Mental Health Services Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, is allocated for Mental Health Services – First Psychotic Symptom Treatment.

SECTION 9L.1.(z1) Of the funds allocated in the Mental Health Services Block Grant to the Department of Health and Humans Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for each fiscal year of 2023-25 fiscal biennium, the sum of three hundred fifty thousand one hundred fifty dollars (\$350,150) shall be used to establish three positions and cover operating costs focused on developing pilot programs and implementing policy to improve services to transition-aged youth and adults with serious mental illness or serious emotional disturbance.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 9L.1.(aa) 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 2023-24 fiscal year or the 2024-25 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 consistent with G.S. 115C-81.30. The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 9L.1.(bb) The sum of one million five hundred seventy-five thousand dollars (\$1,575,000) appropriated in this act in the Maternal and Child Health Block Grant to the Department of Health and Human Services, Division of Public Health, for each year of the 2023-25 fiscal biennium shall be used for evidence-based programs in counties with the highest infant mortality rates. The Division shall report on (i) the counties selected to receive the allocation, (ii) the specific evidence-based services provided, (iii) the number of women served, and (iv) any impact on the counties' infant mortality rate. The Division shall report its findings to the House of Representatives Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division no later than December 31 of each year.

SECTION 9L.1.(cc) The sum of eighty thousand six hundred sixty-nine (\$80,669) allocated in this section in the Maternal and Child Health Block Grant to the Department of Health and Human Services, Division of Public Health, Women and Children's Health Section, for each fiscal year of the 2023-25 fiscal biennium shall not be used to supplant existing State or federal funds. This allocation shall be used for a Public Health Program Consultant position assigned full-time to manage the North Carolina Perinatal Health Strategic Plan and provide staff support for the stakeholder work group.

SECTION 9L.1.(dd) The sum of one hundred thousand dollars (\$100,000) allocated in this section in the Maternal and Child Health Block Grant to the Department of Health and Human Services, Division of Public Health, for each year of the 2023-25 fiscal biennium for community-based sickle cell centers shall not be used to supplant existing State or federal funds.

SECTION 9L.1.(ee) No more than fifteen percent (15%) of the funds allocated for the designated subrecipients in subsection (a) of this section under Item 01 and 02 of the Maternal and Child Health Block Grant shall be used for administrative costs, unless otherwise required by federal law.

SECTION 9L.1.(ff) The Division of Public Health (DPH) shall have the authority to realign appropriated funds between the Maternal and Child Health Block Grant categories to maintain federal compliance and programmatic alignment without exceeding the total amount appropriated for the Maternal and Child Health Block Grant.

COMMUNITY SERVICES BLOCK GRANT

SECTION 9L.1.(gg) The Department of Health and Human Services shall develop, implement and maintain a centralized system to collect, track, analyze, monitor, and disseminate performance, outputs, and outcome data for the Community Services Block Grant Program and the Department of Environmental Quality (DEQ) Weatherization Assistance Program to replace the current software solution, Accountable Results for Community Action (AR4CA) not to exceed five hundred sixty thousand (\$560,000) in Low Income Energy Assistance funds for each year of the 2023-25 fiscal biennium may be budgeted in Budget Code 14410 for information technology projects.

SUBSTANCE ABUSE AND PREVENTION AND TREATMENT BLOCK GRANT

SECTION 9L.1.(hh) Of the funds allocated in the Substance Abuse and Prevention and Treatment Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, funds in the amount of nine hundred seventy-seven thousand four hundred dollars (\$977,400) shall support nine (9) new positions and operating for each year of the 2023-25 biennium. Additional staff are needed to oversee the management of the grant to ensure that funds are spent appropriately, that Federal Maintenance of Effort requirements are met and to complete annual reporting to the Federal government. Additional support is further needed to develop, execute contracts, and provide monitoring to ensure compliance with State and Federal regulations to mitigate potential audit findings.

PART X. AGRICULTURE AND CONSUMER SERVICES

INCREASED ADVANCEMENT AND PROMOTION OF NEW AND EMERGING CROPS

SECTION 10.1. Section 12.5.(b) of S.L. 2018-5 reads as rewritten:

"SECTION 12.5.(b) ~~No more than fifty percent (50%) of the funds~~ Funds appropriated by this act to the Bioenergy Research Initiative may be used by the Department of Agriculture and Consumer Services to fund efforts to advance and promote new and emerging crops authorized

by subsection (a) of this ~~section~~ and other research initiatives related to agricultural technologies."

TIMBER SALES/RETENTION AND USE OF PROCEEDS

SECTION 10.2. G.S. 146-30(d)(6) reads as rewritten:

"(6) The following provisions apply with respect to land owned by or under the supervision and control of the Department of Agriculture and Consumer Services:

- a. The net proceeds derived from the sale of land shall be deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services, to be used for such specific capital improvement projects or other purposes as are provided by transfer of funds from those accounts in an act of the General Assembly.
- b. The net proceeds derived from the sale of timber and other products of land shall be deposited in accounts at the Department of Agriculture and Consumer Services to be used for operational expenses of the Department incurred for restoration and stewardship of the ~~land~~, land, for capital improvement projects, for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, and environmental studies, and for the management of the plant conservation program preserves owned by the Department.

...."

EQUIPMENT STRUCTURE EXEMPTION

SECTION 10.3. G.S. 143C-8-7 (b) reads as rewritten:

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

...

(b) Notwithstanding any other provision of law to the contrary, the Department of Agriculture and Consumer Services is authorized to utilize the types of funds described in subsection (a) of this section to build equipment structures that meet the description contained in G.S. 143-138(b4)(1)c. on an as-needed basis, provided that the total project cost does not exceed one hundred twenty-five thousand dollars (\$125,000)-two hundred thousand dollars (\$200,000)."

FOOD INSECURITY GRANTS

SECTION 10.4(a) Purpose. – The Department of Agriculture and Consumer Services (Department) shall establish a grant program to support nonprofit organizations in addressing food insecurity. The Department shall be responsible for administering the program.

SECTION 10.4.(b) Reporting Requirements. – The Department shall submit a report by September 30 of each year to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division. This report shall include the allocation of grant funds and the amount of all expenditures of the funds during the prior fiscal year.

SECTION 10.4.(c) Administrative Expenses. – Of the funds appropriated to the Department, up to three percent (3%) may be used to administer the grant program.

PART XI. COMMERCE

COMMUNITY DEVELOPMENT BLOCK GRANTS

SECTION 11.1.(a) Allocations. – Of the funds appropriated in this act for federal block grant funds, the following allocations are made for the fiscal years ending June 30, 2024, and June 30, 2025, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

1.	State Administration	\$1,489,252
2.	Neighborhood Revitalization	23,154,197
3.	Economic Development	6,946,259
4.	Rural Community Development	14,718,686
TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – 2024 Program Year		\$46,308,393
2025 Program Year		\$46,308,393

SECTION 11.1.(b) Availability Reduction. – If federal funds are reduced below the amounts specified in this section after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

SECTION 11.1.(c) Availability Increase. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

SECTION 11.1.(d) Reallocation. – The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations (Commission) prior to reallocating Community Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds either of the following conditions exist:

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

SECTION 11.1.(e) Report. – By November 1, 2023, and September 1, 2024, the Department of Commerce shall report to the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources; the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources; the chairs of the Joint Legislative Economic Development and Global Engagement Oversight Committee; and the Fiscal Research Division on the use of Community Development Block Grant Funds appropriated in the prior fiscal year. The report shall include the following:

- (1) A discussion of each of the categories of funding, including information on the statewide need in each category.
- (2) Information on the number of applications that were received in each category and the total dollar amount requested in each category.
- (3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project.

SECTION 11.1.(f) Neighborhood Revitalization. – Funds allocated to the Neighborhood Revitalization Category in subsection (a) of this section shall be made available as grants for eligible activities listed in this subsection. The funds available for grants under this Category may be used for all of the following, subject to the national objectives and eligible activities allowed under guidance issued by the United States Department of Housing and Urban Development:

- (1) Essential repairs to prevent abandonment and deterioration of housing in low and moderate income neighborhoods.
- (2) Demolition and rehabilitation of buildings and improvements.
- (3) Public improvements, including parks, streets, sidewalks, and water and sewer lines.

SECTION 11.1.(g) Economic Development. – Funds allocated to the Economic Development Category in subsection (a) of this section shall be made available as grants for eligible activities listed in this subsection. The funds available for grants under this category may be used for all of the following, subject to the national objectives and eligible activities allowed under guidance issued by the United States Department of Housing and Urban Development:

- (1) Acquisition of real property.
- (2) Demolition and rehabilitation of buildings and improvements.
- (3) Removal of material and architectural barriers.
- (4) Public improvements, including parks, streets, sidewalks, and water and sewer lines.
- (5) Loans and grants to public or private nonprofit entities for construction and rehabilitation activities.
- (6) Assistance to private, for profit entities for economic development.
- (7) Technical assistance to public or nonprofit entities for neighborhood revitalization or economic development activities.
- (8) Assistance to for profit and nonprofit entities to facilitate economic development activities.

SECTION 11.1.(h) Rural Community Development. – Funds allocated for the Rural Community Development Category in subsection (a) of this section shall be made available as grants for eligible activities listed in this subsection. These funds shall provide grants that support community development and comprehensive growth projects to be awarded by the North Carolina Department of Commerce. The Rural Community Development Category will provide grants to units of local government in development tier one and development tier two areas, as defined in G.S. 143B437.08, and in rural census tracts, as defined in G.S. 143B472.127(a)(2), in any other area to support projects that promote broad-based community development activities, increased local investment and economic growth, and stronger and more viable rural neighborhoods. In awarding grants under this section, preference shall be given to projects in development tier one areas, as defined in G.S. 143B437.08. The funds available for grants under this category may be used for all of the following, subject to the national objectives and eligible activities allowed under guidance issued by the United States Department of Housing and Urban Development:

- (1) Essential repairs to prevent abandonment and deterioration of housing in low and moderate-income neighborhoods.

- (2) Public improvements, including parks, streets, sidewalks, and water and sewer lines.
- (3) Public facilities, including neighborhood and community facilities and facilities for individuals with special needs.
- (4) Public services, including employment, crime prevention, and energy conservation.
- (5) Assistance to private, for-profit entities for economic development.
- (6) Technical assistance to public or nonprofit entities for neighborhood revitalization or economic development activities.
- (7) Assistance to for-profit and nonprofit entities to facilitate economic development activities.

SECTION 11.1.(i) Deobligated Funds. – Throughout each year, deobligated funds arise in the various funding categories and program years of the Community Development Block Grant (CDBG) program as a result of (i) projects coming in under budget, (ii) projects being cancelled, or (iii) projects being required to repay funds. Surplus federal administrative funds in the CDBG program may vary from year to year based upon the amount of State appropriated funds allocated and the amount of eligible inkind funds identified. To allow the Department of Commerce to quickly deploy deobligated and surplus federal administrative funds as they are identified throughout the program year, the following shall apply to the use of deobligated CDBG funds and surplus federal administrative funds:

- (1) All surplus federal administrative funds shall be divided proportionally between the Department of Commerce and shall be used as provided in subdivisions (2) and (3) of this subsection.
- (2) All deobligated funds allocated to the Department of Commerce and any surplus federal administrative funds, as provided for in subdivision (1) of this subsection, may be used by the Department for all of the following:
 - a. To issue grants in the CDBG Economic Development or Neighborhood Revitalization Program Category.
 - b. For providing training and guidance to local governments relative to the CDBG program, its management, and administrative requirements.
 - c. For any other purpose consistent with the Department's administration of the CDBG program if an equal amount of State matching funds is available.

COMMERCE NONPROFITS/REPORTING REQUIREMENTS

SECTION 11.2.(a) The entities listed in subsection (b) of this section shall do the following for each year that State funds are expended:

- (1) By September 1 of each year, and more frequently as requested, report to the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources; the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources; the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources; and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources. If State funds are used to provide matching funds for competitive grants from the federal government or a nongovernmental entity, the report should include a list and description of the grants that are awarded.
- (2) Provide to the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources; the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and

Economic Resources; the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources; and the Fiscal Research Division a copy of the entity's annual audited financial statement within 30 days of issuance of the statement.

SECTION 11.2.(b) The following entities shall comply with the requirements of subsection (a) of this section:

- (1) North Carolina Biotechnology Center.
- (2) High Point Market Authority.
- (3) RTI International.
- (4) National Institute for Minority Economic Development
- (5) NCInnovation, Inc.
- (6) North Carolina Business Committee on Education.
- (7) Golden LEAF

NCINNOVATION

SECTION 11.3.(a) Purpose – The funds provided to the Department of Commerce for NCInnovation, Inc. shall be used to develop a network of regional innovation hubs and to incentivize applied research opportunities. These initiatives will create innovation jobs, accelerate commercialized innovation from North Carolina universities, and support the commercial growth and scale of emerging technologies.

SECTION 11.3.(b) Availability of Funds – Funds appropriated for NCInnovation shall not revert and shall be made available on an as needed basis to NCInnovation for the operations of regional innovation hubs and Innovation Grants. Funds shall not be made available by the Department of Commerce until the Department has confirmed that NCInnovation has, at a minimum, met the following criteria:

- (1) Updated its Board as outlined in subsection 11.3(c) of this Section.
- (2) Adopted written bylaws and any other policies needed to govern the Board's operations, including rules governing the Board's meeting procedures.
- (3) Established conflict of interest policies that ensure no Board member is financially interested, or have any personal beneficial interest, either directly or indirectly, in the entities receiving Innovation grants.
- (4) Developed procedures for requesting the drawdown of state funds to support the regional innovation hubs and Innovation Grants established by this section.

SECTION 11.3.(c) Board – NCInnovation shall update its Board of Directors, to include the following members:

- (1) The Secretary of Commerce, or their designee.
- (2) The President of the University of North Carolina System, or their designee.
- (3) The Chair of the North Carolina Board of Science, Technology & Innovation, or their designee.
- (4) Four Chancellors from public applied research institutions, or their designee, at least one of whom must represent a historically minority serving institution.
- (5) Five members appointed by the Governor, at least two of whom shall have experience in research, development, and product commercialization.
- (6) Two members appointed by the Speaker of the House of Representatives at least one of whom shall have experience in research, development, and product commercialization.
- (7) Two members appointed by the President Pro Temp of the Senate at least one of whom shall have experience in research, development, and product commercialization.

Members of the General Assembly shall not be appointed to serve on the board of directors while serving in the General Assembly. No board member may be a registered lobbyist as defined by G.S. 120C-100(a)(19).

SECTION 11.3.(d) Powers and Duties – The powers and duties of the Board shall, at a minimum, include:

- (1) To Select and oversee a Chief Executive Officer.
- (2) To oversee and advise on the activities of regional innovation hubs established in section.
- (3) To award Innovation grants established in this section.
- (4) To solicit financial and material support from public and private sources.
- (5) To develop effective public and private support for the programs and operations of the regional innovation hubs.
- (6) To consider and to advise NCInnovation on matters related to accelerating the commercialization of emerging technologies.
- (7) To encourage and oversee collaboration between NCInnovation and the Office of Science, Technology & Innovation on matters related to accelerating the commercialization of emerging technologies.

SECTION 11.3.(e) Regional Innovation Hubs – Regional Innovation Hubs shall be created to assist in commercializing research and scaling emerging technologies from North Carolina applied research institute. NC Innovation, Inc. shall establish up to four regional hubs outside of the Research Triangle Park region. These hubs shall:

- (1) Anchor North Carolina applied research institutions and regional public/private sector innovation stakeholders;
- (2) Establish relationships with the applied research community and industry partnerships;
- (3) Work with regional university research and innovation teams to assess current technology development, technology commercialization, and entrepreneurship capabilities;
- (4) Lead applied research and technology portfolio analyses, and scout potential early projects for support;
- (5) Coordinate with existing accelerators, business development programs and provide support for programmatic expansion;
- (6) Collaborate with the North Carolina Office of Science, Technology & Innovation to coordinate innovation initiatives and funding.

SECTION 11.3.(f) Innovation Grants – To foster applied research and investment in the innovation economy of this State, NCInnovation and the Board shall establish a grant program for proof-of-concept through early-stage commercialization projects. Grants may only provide grants in accordance with the provision of this Section. In selecting grant recipients, the Board shall ensure that grant recipients meet the following conditions:

- (1) The project will contribute to robust technology development and a commercialization pipeline regionally targeted to applied research opportunities in North Carolina.
- (2) The project includes multi-institutional and multi-sector collaborations connecting expertise and resources across institutions as well as connecting North Carolina geographies.
- (3) The project supports proofs-of-concepts through early-stage commercialization originating in North Carolina research universities.
- (4) The project agrees to remain in North Carolina for 5 years after receiving funding, ensuring North Carolina's best research ideas do not leave the state.

The Governing Committee shall provide a complete list of grantees, and their projects, to the North Carolina Board of Science, Technology & Innovation upon notice of award.

SECTION 11.3.(g) Oversight & Reporting – NCInnovation shall be subject to all reporting requirements for entities receiving state aid, as well as be required to report to the Joint Legislative Commission on Economic Development and the North Carolina Board of Science, Technology & Innovation, and the Joint Legislative Commission on Governmental Operations on its prior-year state-funded programs and activities on or before September 15 of each fiscal year and more frequently as requested by any of these entities. The report shall, at a minimum, include the following information:

- (1) Grants made in the prior fiscal year, including the amount, term, and purpose of the grant.
- (2) Outcome data collected by NCInnovation, including the number of emerging technologies commercialized and jobs created.
- (3) Cumulative grant data by program and by county.
- (4) Unaudited actual administrative expenses and grants made in the prior fiscal year. Current fiscal year budget, planned activities, and goals for the current fiscal year.
- (5) Outcome data on the creation of innovation hubs including the number of new partnerships established, technology portfolio analyses completed, and estimated potential projects to enter the innovation pipeline each year.

SECTION 11.3.(h) Failure to comply with agreement — If NCInnovation fails to meet or comply with any condition or requirement of this Section then the Department of Commerce may reduce or terminate funding for NCInnovation, regional innovation hubs, or Innovation Grants. Upon approval to suspend funding, the Department shall immediately notify NCInnovation of the reduction to its funding, as well as the Office of State Budget and Management, the North Carolina Board of Science, Technology & Innovation, the Joint Legislative Commission on Economic Development.

NORTH CAROLINA DEFENSE INNOVATION NETWORK

SECTION 11.4.(a) Overview – The North Carolina Defense Innovation Network (Network) is established as a special revenue fund (Fund) in the Department of Commerce (Department). The Board of Science, Technology & Innovation (Board) within the Department, in consultation with the North Carolina Military Business Center (NCMBC) Defense Technology Transition Office (DEFTECH), shall be responsible for directing Network efforts. The Network shall be composed of private, public, and nonprofit stakeholders in the state's defense innovation ecosystem.

SECTION 11.4.(b) Purposes – The Network shall lead and support efforts to significantly grow the defense innovation economy in North Carolina and increase national security by providing enhanced state leadership, targeted strategic priorities, coordinated tactical operations, and sustained funding. The Network shall identify opportunities to advance defense innovation in North Carolina; conduct activities to grow the defense innovation economy in North Carolina; and advise and make recommendations to the Governor, the General Assembly, the Secretary of Commerce, the Board, and any North Carolina nonprofit corporation with which the Department of Commerce contracts pursuant to G.S. 143B-431.01 on the defense innovation economy in North Carolina.

SECTION 11.4.(c) Definitions – The following definitions apply in this section:

- (1) Innovation Ecosystem: A regionally based network of private sector, academic, and government institutions in a network of formal and informal institutional relationships that contribute to technological and economic development in a defined technology sector or sectors.
- (2) Defense Innovation Economy: Activities related to the development, production, consumption, and trade of goods and services of use to the U.S. defense sector.

- (3) Eligible Grantees: For-profit organizations, non-profit organizations, state agencies, public and private universities, and community colleges.

SECTION 11.4.(d) Programmatic Responsibilities – The Network shall oversee activities to grow the defense innovation economy in North Carolina through Network units, including but not limited to the following:

- (1) North Carolina Defense Strategic Review Council: A strategic partnership to develop and oversee a coordinated, ongoing set of research, planning, outreach, and relationship-building activities at the operational level to marshal North Carolina academic, industry, and military assets for opportunities best suited to North Carolina academic and industry strengths.
- (2) North Carolina Defense Innovation Accelerator: A virtual, tactical, interorganizational Defense Innovation Accelerator to perform capacity and demand analysis, opportunity distribution, education/training/mentoring, technical assistance, events, documentation, partner funding, collaboration, and other activities supporting defense innovation work.
- (3) North Carolina Defense Technology Advocacy Campaign: An ongoing, multilevel campaign to market North Carolina as a leader in defense and national security innovation, building directly on the strategic work of the Strategic Review Council and the tactical work of the Defense Innovation Accelerator.

SECTION 11.4.(e) Use of Funds – Funding appropriated to the Network shall be overseen by the Board and the Department. Funding shall be distributed from the Department, as determined by the Board and DEFTECH, and based on strategic and tactical programmatic needs, to:

- (1) Strengthen networks among entrepreneurs, entrepreneurship or innovation support organizations, the defense industry, and the U.S. Department of Defense.
- (2) Attract more capital investment into the North Carolina defense innovation ecosystem.
- (3) Start and grow the number of locally owned businesses in the defense innovation economy.
- (4) Increase employment opportunities in the defense innovation economy.
- (5) Foster more defense-innovation enterprises led and owned by rural entrepreneurs and minority entrepreneurs.
- (6) Provide funds, specifically through the One North Carolina Small Business Program, for defense-innovation-focused companies applying for or receiving Small Business Innovation Research (SBIR) and/or Small Business Technology Transfer (STTR) awards from the U.S. Department of Defense.
- (7) Provide funds through other programs developed by the Board and NCMBC/DEFTECH.
- (8) Increase media visibility for these efforts locally, statewide and, ultimately, nationally.

SECTION 11.4.(f) Agreements Required – Funds may be disbursed from the Fund only in accordance with agreements entered into between the Department and an eligible grantee.

SECTION 11.4.(g) Program Guidelines – The Board shall develop guidelines related to the administration of the Network. At least 20 days before the effective date of any guidelines or nontechnical amendments to the guidelines, the Department shall publish the proposed guidelines on the Department's Web site and provide notice to persons who have requested notice of proposed guidelines. In addition, the Department must accept oral and written comments on the proposed guidelines, and shall in its discretion consider such comments before finalizing the guidelines, during the 15 business days beginning on the first day that the Department has

completed these notifications. Guidelines adopted under this section shall not be subject to the requirements of Article 2A of Chapter 150B of the North Carolina General Statutes.

AMENDS MEGASITES READINESS PROGRAM

SECTION 11.5. Section 11.11 of S.L. 2022-74 reads as rewritten:

"SECTION 11.11.(a) Purpose. – It is in the best economic and developmental interests of the State to support the development of megasites to ensure the State's ongoing competitiveness for major manufacturing opportunities, including the aerospace, automotive, clean energy, food processing, and life science industries. The purpose of this section is to establish a competitive grant program serving to do the following:

- (1) Identify and evaluate up to five megasites for preferred development and marketing.
- (2) Enable local governments or a partnership of local governments to acquire a newly identified or existing megasite.
- (3) Support local governments or a partnership of local governments to install or upgrade public infrastructure, including publicly owned water, gas, and sewer systems, transportation infrastructure, and the electrical utility lines necessary to meet the needs of prospective employers for megasites.
- (4) Support local governments or a partnership of local governments to fund on-site preparation, including clearing, grading, or other related expenses for megasites.
- (5) Facilitate coordination between the economic development entities and the North Carolina Department of Environmental Quality to expedite any environmental needs related to timely site development.

"SECTION 11.11.(b) Fund Established. – There is created in the Department of Commerce a special fund to be known as the North Carolina Megasite Fund for grants awarded by ~~EDPNC~~ the Department of Commerce for purposes consistent with this section. ~~EDPNC~~ The Department shall be responsible for administering the program. ~~The provisions prohibiting EDPNC from awarding grants contained in G.S. 143B-431.01 do not apply to the Fund.~~

"SECTION 11.11.(c) Definitions. – The following definitions apply in this section:

- (1) Department. – The Department of Commerce.
- (2) ~~EDPNC. – The entity with which the Department contracts pursuant to G.S. 143B-431.01.~~
- (3) Fund. – The North Carolina Megasite Fund.
- (4) Government partnership. – Either (i) a North Carolina nonprofit entity that is tax exempt under section 501(c)(3) of the Internal Revenue Code in partnership with one or more local governments or (ii) a group of local governments.
- (5) Megasite. – A parcel of contiguous property consisting of more than 1,000 acres that is viable for industrial development and listed in the report produced pursuant to subsection (d) of this section.

"SECTION 11.11.(d) Allocation. – ~~EDPNC~~ The Department shall allocate monies in the Fund on the following basis:

- (1) The first one million dollars (\$1,000,000) appropriated to the Fund for engaging a national site selection firm through a competitive bid process to produce a report evaluating sites in the State and determining the five megasites best positioned for advanced manufacturing site selection searches conducted by major employers.
- (2) All other funds appropriated to the Fund for local government or a partnership of local governments grants for the following activities:
 - a. Conduct due diligence on proposed megasite properties;

- 1 b. Install or upgrade public infrastructure, including water, gas, sewer,
2 transportation, and electric infrastructure to an identified megasite to
3 meet the needs of a prospective employer on the site;
4 c. Support onsite preparation including clearing, grading or other related
5 expenses;
6 d. ~~acquisition~~Acquisition of megasites determined pursuant to
7 subdivision (1) of this subsection. A grant for a megasite is limited to
8 eighty-five percent (85%) of the lesser of the property's purchase price
9 or tax value. The percentage actually provided in the grant shall be
10 determined by ~~EDPNC~~the Department based on total development
11 needs for the megasite, prior investment in the megasite by one or
12 more local governments, the ability of one or more local governments
13 to invest in the megasite, and the ability and level of participation
14 promised by the local government in exchange for a grant from the
15 Fund. Monies may only be granted for, and used to acquire, a megasite
16 for which (i) one or more local governments have a binding option or
17 offer to purchase and (ii) all basic due diligence must be complete,
18 including, but not limited to, boundary surveys, title searches, State
19 Historic Preservation Office reviews, and wetlands delineation.

20 **"SECTION 11.11.(e) Matching Funds.** – The local governments to which a grant is awarded
21 shall provide the remainder of the cost of purchasing the megasite not provided by the grant.

22 **"SECTION 11.11.(f) Agreements Required.** – Monies may be disbursed from the Fund only
23 in accordance with agreements entered into between ~~EDPNC~~the Department and a local
24 government or a government partnership. The agreement must include all of the performance
25 criteria, remedies, and other safeguards required to secure the assistance provided to ready the
26 megasite for a major employer and must require ~~EDPNC~~the Department to recapture a
27 proportionate amount of assistance provided under this section for failure by a local government
28 or government partnership to meet and maintain the megasite for availability for the purposes for
29 which the assistance was provided.

30 **"SECTION 11.11.(g) Reporting.** – ~~EDPNC~~The Department shall ~~file~~prepare an annual
31 report ~~to the Department~~ on or before April 1 of each year. The annual report prepared will
32 document total amount of grants awarded, matching funds required, activities to ready megasites
33 and associated costs, any major employers locating at an improved or acquired megasite, and the
34 unallocated amount for grants remaining in the Fund. The Department shall prepare and file on
35 or before May 1 of each year with the Senate Appropriations Committee on Agriculture, Natural,
36 and Economic Resources; the House of Representatives Appropriations Committee on
37 Agriculture and Natural and Economic Resources; the Joint Legislative Economic Development
38 and Global Engagement Oversight Committee; the Office of State Budget and Management; and
39 the Fiscal Research Division a consolidated report for the preceding fiscal year concerning the
40 information required by this section.

41 **"SECTION 11.11.(h) Program Guidelines.** – ~~EDPNC~~The Department shall develop
42 guidelines related to the administration of this program. At least 20 days before the effective date
43 of any guidelines or nontechnical amendments to the guidelines, ~~EDPNC~~the Department shall
44 publish the proposed guidelines on its website and provide notice to persons who have requested
45 notice of proposed guidelines. In addition, ~~EDPNC~~the Department must accept oral and written
46 comments on the proposed guidelines and shall in its discretion consider such comments before
47 finalizing the guidelines, during the 15 business days beginning on the first day that ~~EDPNC~~the
48 Department has completed these notifications. Guidelines adopted under this section shall not be
49 subject to the requirements of Article 2A of Chapter 150B of the General Statutes."

50
51 **EVAUATION FUNDS FOR RURAL WORKS PILOT**

1 **SECTION 11.6.** The North Carolina Business Committee for Education shall use a
2 portion of the funds provided for the Rural Works pilot program to conduct a program evaluation.
3 The committee will consult with the Office of State Budget and Management for assistance on
4 how to develop a plan for evaluation, including how to register a pre-analysis plan. The
5 department shall report annually to the Office of State Budget and Management and the Fiscal
6 Research Division on the progress of the evaluation and, when completed, make the pre-analysis
7 plan and final evaluation report publicly available.

8
9 **STRATEGIC WORKFORCE INVESTMENT TRUST FUND**

10 **SECTION 11.7.(a)** Article 2 of Chapter 96 of the General Statutes is amended by
11 adding a new section to read:

12 **"§96-6.3. Strategic Workforce Investment Trust Fund.**

13 (a) Strategic Workforce Investment Trust Fund. – There is established in the Department
14 of Commerce a Strategic Workforce Investment Trust Fund for the purposes of providing job
15 training, employment -related services, and economic development services to North Carolina
16 job seekers and employers in order to increase or improve labor supply, connect employers with
17 employees, and enhance the employer experience with the Division. The Fund consists of the
18 revenues derived from the Strategic Workforce Investment Trust Fund Assessment imposed
19 under G.S. 96-9.9."

20 **SECTION 11.7.(b)** G.S. 96-9.2 is amended by adding a new subsection to read:

21 (f) Strategic Workforce Investment Contribution Rate Reduction. – Except when the
22 surtax imposed under G.S. 96-9.7 is in effect, each employer's contribution rate under this section
23 shall be reduced by a percentage equal to the percentage for the Strategic Workforce Investment
24 Trust Fund Assessment calculated pursuant to G.S. 96-9.9 plus an additional ten percentage
25 points. This reduced contribution rate should then rounded to the nearest one-hundredth percent
26 (0.01%). This reduction shall be applied after application of the maximum and minimum
27 contribution rates."

28 **SECTION 11.7.(c)** Article 2 of Chapter 96 of the General Statutes is amended by
29 adding a new section to read:

30 **"§96-9.9. Assessment for the Strategic Workforce Investment Trust Fund.**

31 (a) Assessment Imposed. – An assessment is imposed on an employer who is required to
32 make a contribution to the Unemployment Insurance Fund equal to a percentage of the required
33 contribution calculated in accordance with G.S. 96-9.2. prior to the application of the reduction
34 in G.S. 96-9.2(f). The Division shall calculate the assessment percentage, rounded up to the
35 nearest half percent (0.5%), as the ratio of the Strategic Workforce Investment Fund Annual
36 Target Amount divided by the total required contributions estimated using the most recently
37 available Experience Rating Report (ETA 204) prepared for the Employment and Training
38 Administration within the U.S. Department of Labor. The Annual Target Amount shall be
39 ninety-one million dollars (\$91,000,000) for taxable years beginning on or after January 1, 2024,
40 and before January 1, 2025, and shall increase by three and one-half percent (3.5%) in each
41 subsequent taxable year, rounded to the nearest one hundred thousand dollars (\$100,000). Except
42 as provided in this section, the assessment is collected and administered in the same manner as
43 Part contributions. Assessments collected under this section must be credited to the Strategic
44 Workforce Investment Trust Fund established under G.S. 96-6.3. Interest and penalties collected
45 on unpaid assessments imposed by this section must be credited to the Supplemental
46 Employment Security Administration Fund. Penalties collected on unpaid assessments imposed
47 by this section must be transferred to the Civil Penalty and Forfeiture Fund established in
48 G.S. 115C-457.1.

49 (b) Suspension of Assessment. – The assessment does not apply in a taxable year if, as
50 of September 1 of the preceding calendar year, the amount in the State's account in the
51 Unemployment Trust Fund is less than one billion dollars (\$1,000,000,000)."

ENHANCE UNEMPLOYMENT INSURANCE BENEFITS**SECTION 11.8.(a)** G.S. 96-1 reads as rewritten:**"§ 96-1. Title and Definitions.**

(a) Title. – This Chapter shall be known and may be cited as the "Employment Security Law."

(b) Definitions. – The following definitions apply in this Chapter:

...

(23a) State Recession Indicator. – A state-level indicator based on a historically reliable recession indicator that signals an ongoing or imminent U.S. recession when the three-month moving average of the national unemployment rate rises by 0.5 percentage points or more relative to its low during the previous 12 months. The State Recession Indicator signals a recession in North Carolina when the average of the three most recently published monthly seasonally adjusted unemployment rates for the state, as published by the Bureau of Labor Statistics, is more than 0.5 percentage points higher than the lowest level of the prior 12 months and is higher than four and one-half percent (4.5%)

...."

SECTION 11.8.(b) G.S. 96-14.1 reads as rewritten:**"§ 96-14.1. Unemployment benefits.**

...

(b) Valid Claim. – To obtain benefits, an individual must file a valid claim for unemployment benefits, register for work, and have a weekly benefit amount calculated pursuant to G.S. 96-14.2(a) that equals or exceeds ~~fifteen dollars (\$15.00)~~ fifty dollars (\$50.00). An individual must serve a one-week waiting period for each claim filed, except no waiting period applies under this subsection to a claim for unemployment due directly to a disaster covered by a federal disaster declaration. A valid claim is one that meets the employment and wage standards in this subsection for the individual's base period. A valid claim for a second benefit year is one that meets the employment and wage standards in this subsection since the beginning date of the prior benefit year and before the date the new benefit claim is filed:

(1) Employment. – The individual has been paid wages in at least two quarters of the individual's base period.

(2) Wages. – The individual has been paid wages totaling at least six times the average weekly insured wage during the individual's base period. If an individual lacks sufficient base period wages, then the wage standard for that individual is determined using the last four completed calendar quarters immediately preceding the first day of the individual's benefit year. This alternative base period may not be used by an individual in making a claim for benefits in the next benefit year.

...."

SECTION 11.8.(c) G.S. 96-14.2 reads as rewritten:**"§ 96-14.2. Weekly benefit amount.**

(a) Weekly Benefit Amount. – The weekly benefit amount for an individual who is totally unemployed is an amount equal to the wages paid to the individual in the ~~last two completed quarters of the quarter with the highest total wages paid in an individual's base period~~ divided by ~~5226~~ and rounded to the next lower whole dollar. If this amount is less than ~~fifteen dollars (\$15.00)~~ fifty dollars (\$50.00), the individual is not eligible for benefits. All eligible individuals will receive a weekly benefit amount of at least one hundred dollars (\$100.00). The weekly benefit amount may not exceed ~~three hundred fifty dollars (\$350.00)~~ four hundred fifty dollars (\$450.00), adjusted annually for inflation. Beginning July 1, 2024, and on each July 1 thereafter,

the Division shall adjust the maximum weekly benefit for claims filed on or after that date by the percentage change in the annual average Consumer Price Index for All Items for All Urban Consumers published by the Bureau of Labor Statistics for the preceding calendar year, rounded to the nearest five dollars (\$5.00).

...."

SECTION 11.8.(d) G.S. 96-14.3 reads as rewritten:

"§ 96-14.3. Duration of benefits.

(a) Duration. – Except as provided in subsection (a1), the number of weeks an individual is allowed to receive unemployment benefits depends on the seasonal adjusted statewide unemployment rate that applies to the six-month base period in which the claim is filed. One six-month base period begins on January 1 and one six-month base period begins on July 1. For the base period that begins January 1, the average of the seasonal adjusted unemployment rates for the State for the preceding months of July, August, and September applies. For the base period that begins July 1, the average of the seasonal adjusted unemployment rates for the State for the preceding months of January, February, and March applies. The Division must use the most recent seasonal adjusted unemployment rate determined by the U.S. Department of Labor, Bureau of Labor Statistics, and not the rate as revised in the annual benchmark.

Seasonal Adjusted Unemployment Rate	Number of Weeks
Less than or equal to 5.5% <u>4.5%</u>	12
Greater than 5.5% <u>4.5%</u> up to 6% <u>5%</u>	13 <u>14</u>
Greater than 6% <u>5%</u> up to 6.5% <u>5.5%</u>	14 <u>16</u>
Greater than 6.5% <u>5.5%</u> up to 7% <u>6%</u>	15 <u>18</u>
Greater than 7% up to 7.5%	16
Greater than 7.5% up to 8%	17
Greater than 8% up to 8.5%	18
Greater than 8.5% up to 9%	19
Greater than 9% <u>6%</u>	20

(a1) State Recession Circuit Breaker. – Notwithstanding subsection (a) of this section, the number of weeks an individual is allowed to receive unemployment benefits shall be 20 weeks when the State Recession Indicator is signaling a North Carolina recession as defined by G.S. 96-1(b)(23a). The number of weeks specified in this subsection shall apply to all new claims for unemployment insurance filed on or after the first day of the month following a month the State Recession Indicator switches to being in effect, and the Division shall redetermine the number of weeks an individual is allowed to receive unemployment benefits for individuals who filed an initial claim in the month the State Recession Indicator switches to being in effect and the prior month. The Division shall not change the duration of benefits pursuant to subsection (a) until the beginning of the first base period occurring six months after the State Recession Indicator is no longer in effect.

(b) Total Benefits. – The total benefits paid to an individual equals the individual's weekly benefit amount allowed under G.S. 96-14.2 multiplied by the number of weeks allowed under subsection (a) or, if applicable, subsection (a1) of this section."

CANTON PAPER MILL RESPONSE

SECTION 11.9.(a) Fund. – The Canton Paper Mill Recovery (Fund) is established as a special interest-bearing revenue fund in the Department of Commerce (Department).

SECTION 11.9.(b) Purpose. – The Department shall utilize the fund for needs related to the closure of the Pactiv Evergreen Paper Mill located in Canton, North Carolina, including employee workforce development and community revitalization needs.

SECTION 11.9.(c) Sources of Funds. – The Fund shall consist of:

(1) Funds appropriated to the Fund.

- (2) Any funds returned from economic development agreements with Blue Ridge Paper Products or Evergreen Packaging.
- (3) Funds or monies received by the Department from federal agency or institution, or any other source whether as a federal aid, unless otherwise directed by law.
- (4) All receipts derived from donations, gifts, and devises.
- (5) All interest and investment earnings received on monies in the Fund.
- (6) Any other funds, as directed by the General Assembly.

SECTION 11.9.(d) Reporting Requirements. – The Department shall submit a report to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the Joint Legislative Economic Development Oversight Committee, and the Fiscal Research Division by September 30 of each year that includes the source and amount of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year.

PART XII. ENVIRONMENTAL QUALITY

BLUEPRINT FUNDING

SECTION 12.1. Notwithstanding any provision of law to the contrary, any unspent funds of Section 5.9.(a).(7) and 5.9.(a).(9) of S.L. 2021-180 shall not revert but remain available to the Department of Environmental Quality to develop a statewide Flood Resiliency Blueprint and to create one or more pilot projects to address chronic flooding in the Stoney Creek watershed, respectively.

SHELLFISH REHABILITATION PROGRAM FUNDING

SECTION 12.2. The Department of Environmental Quality shall be permitted to carry forward up to \$2,000,000 annually an unexpended funds appropriated for the Division of Marine Fisheries Shellfish Rehabilitation program. These funds may be used to purchase and deploy material, perform vessel maintenance and fabrication, and contract such services.

STORMWATER FEE CHANGES

SECTION 12.3. G.S. 143-215.3D. reads as rewritten:

"§ 143-215.3D. Fee schedule for water quality permits.

- (a) Annual fees for discharge and nondischarge permits under G.S. 143-215.1. –
 - (1) Major Individual NPDES Permits. – The annual fee for an individual permit for a point source discharge of 1,000,000 or more gallons per day, a publicly owned treatment works (POTW) that administers a POTW pretreatment program, as defined in 40 Code of Federal Regulations § 403.3 (1 July 1996 Edition), or an industrial waste treatment works that has a high toxic pollutant potential is three thousand four hundred forty dollars (\$3,440).
 - (2) Minor Individual NPDES Permits. – The annual fee for an individual permit for a point source discharge other than a point source discharge to which subdivision (1) of this subsection applies is eight hundred sixty dollars (\$860.00).
 - (3) Single-Family Residence. – The annual fee for a certificate of coverage under a general permit for a point source discharge or an individual nondischarge permit from a single-family residence is sixty dollars (\$60.00).
 - (4) ~~Stormwater and Wastewater Discharge General Permits.~~ – The annual fee for a certificate of coverage under a general permit for a point source discharge of ~~stormwater or wastewater~~ is one hundred dollars (\$100.00).

- (5) Recycle Systems. – The annual fee for an individual permit for a recycle system nondischarge permit is three hundred sixty dollars (\$360.00).
- (6) Major Nondischarge Permits. – The annual fee for an individual permit for a nondischarge of 10,000 or more gallons per day or requiring 300 or more acres of land is one thousand three hundred ten dollars (\$1,310).
- (7) -Minor Nondischarge Permits. – The annual fee for an individual permit for a nondischarge of less than 10,000 gallons per day or requiring less than 300 acres of land is eight hundred ten dollars (\$810.00).
- (8) Animal Waste Management Systems. – The annual fee for animal waste management systems is as set out in G.S. 143-215.10G.
- (9) Stormwater Permit Fee and Annual Fee:
- a. For an industrial NPDES individual permit is one thousand dollars (\$1,000.00).
- b. For coverage under a Construction or industrial NPDES general permit is one hundred twenty dollars (\$120.00).
- c. For an NPDES MS4 major permit is four thousand, two hundred dollars (\$4,200.00).
- d. For an NPDES MS4 minor permit is one thousand dollars (\$1,000.00).
- e. For an NPDES no exposure certification, two hundred dollars (\$200.00) only in the first year.
- (b) Application fee for new discharge and nondischarge permits. – An application for a new permit of the type set out in subsection (a) of this section shall be accompanied by an initial application fee equal to the annual fee for that permit. If a permit is issued, the application fee shall be applied as the annual fee for the first year that the permit is in effect. If the application is denied, the application fee shall not be refunded.
- ...
- (e) Other fees under this Article. –
- (1) Sewer System Extension Permits. – The application fee for a permit for the construction of a new sewer system or for the extension of an existing sewer system is four hundred eighty dollars (\$480.00).
- (2) State Stormwater Permits. – ~~The application fee for~~ For a permit regulating stormwater runoff under G.S. 143-214.7 and G.S. 143-215.1 is ~~five hundred five dollars (\$505.00).~~ G.S. 143-215.1:
- a. For a new or major modified development project permit the fee is one thousand five hundred dollars (\$1,500). (Major modification here is defined as 15A NCAC 02H .1002(23))
- b. For a renewal or transfer of a state stormwater permit is one thousand dollars (\$1,000.00).
- c. For a combination renewal and transfer together of a state stormwater permit is one thousand five hundred dollars (\$1,500.00).
- d. For new coverage under a general permit in accordance with 15A NCAC 02H .1041(c) or a minor modification in accordance with 15A NCAC 02H .1002(25) the fee is six-hundred dollars (\$600)."

DAM SAFETY FEE AMENDMENT

SECTION 12.4. G.S. 143-215.28A reads as rewritten:

"§ 143-215.28A. Application fees.

(a) ~~In accordance with G.S. 143-215.3(a)(1a), the Commission may establish a fee schedule for processing applications for approvals of construction or removal of dams issued under this Part. In establishing the fee schedule, the Commission shall consider the administrative and personnel costs incurred by the Department for processing the applications and for related~~

compliance activities. The total amount of fees collected in any fiscal year may not exceed one third of the total personnel and administrative costs incurred by the Department for processing the applications and for related compliance activities in the prior fiscal year. An approval fee may not exceed the larger of two hundred dollars (\$200.00) or two percent (2%) of the actual cost of construction or removal of the applicable dam. The fee for notification of a professionally supervised dam removal under G.S. 143-215.27(c)(1) shall be five hundred dollars (\$500.00) and shall be paid to the Department. The Provisions of G.S. 143-215.3(a)(1b) do not apply to these fees. A nonrefundable application processing and compliance fee, in the amount of two and one quarter (2.25%) percent of the actual cost of construction, alteration, repair, or removal of the applicable dam shall be paid for the processing of applications for approvals of construction, repair, or removal of dams issued under this Part. An initial fee of five hundred dollars (\$500) or one half of the processing and compliance fee based on the engineer's estimated cost of the construction, alteration, repair, or removal of a dam, whichever amount is greater, shall be submitted with the application and the remainder of the processing and compliance fee based on the actual cost of construction, alteration, repair, or removal of the applicable dam shall be paid when the as-built plans are submitted to the Director. The maximum fee shall not exceed one hundred and twenty-five thousand dollars (\$125,000) for the construction, alteration, repair or removal of a dam.

...

(c) Each application for construction, alteration/modification, repair, breach, or removal of a dam shall be deemed incomplete and shall not be reviewed until the initial application processing and compliance fee is paid.

(d) Final approval to impound shall not be granted until the owner's certification and the accompanying documentation are filed in accordance with Paragraph (e) of this Part, and the balance of the processing fee has been paid.

(e) The application processing and compliance fee for the construction, alteration/modification, repair, breach, or removal of a dam shall be based on the actual cost of construction associated with the project for the applicable dam. In no case, however, shall the application and compliance fee be more than one hundred and twenty-five thousand dollars (\$125,000).

(1) The cost of construction, alteration/modification, repair, breach, or removal of a dam shall include all labor and materials costs associated with the project for the applicable dam.

(2) The cost of construction, alteration/modification, repair, breach, or removal of a dam shall not include the costs associated with acquisition of land or right of way, design, quality control, electrical generating machinery, or constructing a roadway across the dam.

(f) Immediately upon completion of construction, alteration/modification, repair, breach, or removal of a dam, the owner shall file with the Director a certification, on a form prescribed by the Department, and accompanying documentation, which shows actual cost incurred by the owner for construction, alteration/modification, repair, breach, or removal of the applicable dam.

(1) The owner's certification and accompanying documentation shall be filed with the as-built plans and the engineer's certification.

(2) If the Director finds that the owner's certification and accompanying documentation contain inaccurate cost information, the Director shall either withhold final impoundment approval, or revoke final impoundment approval, until the owner provides the accurate documentation and that documentation has been verified by the Department.

(g) Payment of the dam application processing fee shall be made by means authorized by the Department and made payable to the "N.C. Department of Environmental Quality". The payment should refer to the applicable dam."

HAZARDOUS WASTE FEE AMENDMENT

SECTION 12.5. G.S. 130A-294.1 reads as rewritten:

"§ 130A-294.1. Fees applicable to generators and transporters of hazardous waste, and to hazardous waste storage, treatment, and disposal facilities.

...

(f) A person who generates 100 kilograms or more of hazardous waste in any calendar month during the year beginning 1 July and ending 30 June but less than 1000 kilograms of hazardous waste in each calendar month during that year shall pay an annual fee of ~~one hundred seventy-five dollars (\$175.00)~~ three hundred dollars (\$300.00)."

SOLID WASTE FEE UPDATES

SECTION 12.6. G.S. 130A-295.8 reads as rewritten:

"§ 130A-295.8. Fees applicable to permits for solid waste management facilities.

...

(d1) A permitted solid waste management facility shall pay an annual permit fee on or before August 1 of each year according to the following schedule:

...

(13) Treatment and Processing Facility – ~~\$500~~ \$750.

(14) Tire Monofill – \$1,000.

(15) Post-Closure Tire Monofill – \$500.

~~(15)(16)~~ Incinerator accepting less than 200 tons/day of solid waste – \$500.

~~(16)(17)~~ Incinerator accepting more than 200 tons/day of solid waste – \$1,000.

(18) Small Compost Facility – \$300.

~~(16)(19)~~ Large Compost Facility – ~~\$500~~ \$800.

~~(17)(20)~~ Land Clearing and Inert Debris Landfill – ~~\$500~~ \$900.

(d2) Upon submission of an application for a new permit, an applicant shall pay an application fee in the amount of ~~ten percent (10%)~~ twenty-five percent (25%) of the annual permit fee imposed for that type of solid waste management facility as identified in subdivisions (1) through ~~(17)(20)~~ of subsection (d1) of this section.

(d3) Upon submission of an application for a permit modification to a solid waste management facility identified in subdivisions (1) through (12) of subsection (d1) of this section, an applicant shall pay an application fee in the amount of five hundred dollars (\$500).

(d4) When a cumulative impact review is required to be conducted in accordance with G.S. 130A-294(a)(4)c.9. for an application for a new permit, the permit application fee required by subsection (d2) of this section shall be increased by one thousand dollars (\$1,000).

(d5) If a solid waste management facility identified in subdivisions (4), (7), (10), or (15) of subsection (d1) of this section is required by the Department to conduct assessment and corrective action activities, the annual permit fee imposed for that type of solid waste management facility shall be increased by seven hundred and fifty dollars (\$750) during each year that the facility is conducting assessment and corrective action activities, until released from the requirement by the Department."

SEPTAGE MANAGEMENT FEE UPDATES

SECTION 12.7. G.S. 130A-291.1 reads as rewritten:

"§ 130A-291.1. Septage management program; permit fees.

...

(e) A septage management firm that operates one pumper truck shall pay an annual fee of ~~five hundred fifty dollars (\$550.00)~~ eight hundred dollars (\$800.00) to the Department. A septage management firm that operates two pumper trucks shall pay an annual fee of nine hundred and fifty hundred dollars (\$950.00) to the Department. A septage management firm that

operates ~~two-three~~ or more pumper trucks shall pay an annual fee of ~~eight hundred dollars (\$800.00)~~ one thousand five hundred dollars (\$1,500.00) to the Department.

(e1) An individual who operates a septage ~~storage, treatment or disposal~~ facility but who does not engage in the business of pumping, transporting, or disposing of septage shall pay an annual fee of ~~two hundred dollars (\$200.00)~~ five hundred dollars (\$500.00)."

UNDERGROUND STORAGE TANK FEE AMENDMENT

SECTION 12.8. G.S. 143-215.94C is amended to add a new section to read:

"§ 143-215.94C. Commercial leaking petroleum underground storage tank cleanup fees.

...

(g) An owner or operator who submits a pre-construction or post-construction application for installing or replacing an underground storage tank system or an underground storage tank piping system regulated pursuant to GS 143-215.94T to the Department shall pay an application fee of five hundred dollars (\$500.00)."

COAL ASH MANAGEMENT ACT

SECTION 12.9. G.S. 62-302.1 reads as rewritten:

"§ 62-302.1. Regulatory fee for combustion residuals surface impoundments.

...

(b) Rate. – The combustion residuals surface impoundment fee shall be ~~twenty-two thousandths of one percent (0.022%)~~ three-hundredths of one percent (0.03%) of the North Carolina jurisdictional revenues of each public utility with a coal combustion residuals surface impoundment. For the purposes of this section, the term "North Carolina jurisdictional revenues" has the same meaning as in G.S. 62-302."

EXPRESS PERMITTING

SECTION 12.10.(a) G.S. 143B-279.13 is amended to add a new section to read:

"§ 143B-279.13. Express permit and certification reviews.

(a) The Department of Environmental Quality shall develop an express review program to provide express permit and certification reviews in all of its regional offices. Participation in the express review program is voluntary, and the program is expected to become supported by the fees determined pursuant to subsection (b) of this section. The Department of Environmental Quality shall determine the project applications to review under the express review program from those who request to participate in the program. The express review program may be applied to any one or all of the permits, approvals, or certifications in the following programs: the erosion and sedimentation control program, the coastal management program, and the water quality programs, including water quality certifications and stormwater management. The express review program shall focus on the following permits or certifications:

- (1) Stormwater permits under Part 1 of Article 21 of Chapter 143 of the General Statutes.
- (2) Stream origination certifications under Article 21 of Chapter 143 of the General Statutes.
- (3) Water quality certification under Article 21 of Chapter 143 of the General Statutes.
- (4) Erosion and sedimentation control permits under Article 4 of Chapter 113A of the General Statutes.
- (5) Permits under the Coastal Area Management Act (CAMA), Part 4 of Article 7 of Chapter 113A of the General Statutes.

(a1) The Department of Environmental Quality shall have the authority to create additional express permitting options in other programs not enumerated in (a) where it deems there to be a

1 need or where it determines an express permitting option would create greater efficiencies for
2 the permitting process."

3 **SECTION 12.10.(b) G.S. 143B-279.13 reads as rewritten:**

4 **"§ 143B-279.13. Express permit and certification reviews.**

5 (b) The Department of Environmental Quality may determine the fees for express
6 application review under the express review program. Notwithstanding G.S. 143-215.3D, the
7 maximum permit application fee to be charged under subsection (a) of this section for the express
8 review of a project application ~~requiring all of the permits under subdivisions (1) through (5) of~~
9 ~~subsection (a) of this section~~ shall not exceed five thousand five hundred dollars (\$5,000).
10 ~~(\$5,500) per permit, approval or certification. Notwithstanding G.S. 143-215.3D, the maximum~~
11 ~~permit application fee to be charged for the express review of a project application requiring all~~
12 ~~of the permits under subdivisions (1) through (4) of subsection (a) of this section shall not exceed~~
13 ~~four thousand five hundred dollars (\$4,500). Notwithstanding G.S. 143-215.3D, the maximum~~
14 ~~permit application fee charged for the express review of a project application for any other~~
15 ~~combination of permits under subdivisions (1) through (5) of subsection (a) of this section shall~~
16 ~~not exceed four thousand dollars (\$4,000). Express review of a project application involving~~
17 ~~additional permits or certifications issued by the Department of Environmental Quality other than~~
18 ~~those under subdivisions (1) through (5) of subsection (a) of this section may be allowed by the~~
19 ~~Department, and, notwithstanding G.S. 143-215.3D or any other statute or rule that sets a permit~~
20 ~~fee, the~~ The maximum per permit application fee charged for the express review of a project
21 application under subsection (a1) of this section shall not exceed four thousand dollars (\$4,000),
22 plus one hundred fifty percent (150%) of the fee that would otherwise apply by statute or rule for
23 that particular permit permit, approval or certification. Additional fees, not to exceed fifty percent
24 (50%) of the original permit application fee under this section, may be charged for subsequent
25 reviews due to the insufficiency of the permit applications. The Department of Environmental
26 Quality may establish the procedure by which the amount of the fees under this subsection is
27 determined, and the fees and procedures are not rules under G.S. 150B-2(8a) for the express
28 review program under this section."

30 **WATER QUALITY PERMITTING FEE INCREASES**

31 **SECTION 12.11. G.S. 143-215.3D reads as rewritten:**

32 **"§ 143-215.3D. Fee schedule for water quality permits.**

33 (a) Annual fees for discharge and nondischarge permits under G.S. 143-215.1. –

- 34 (1) Major Individual NPDES Permits. – The annual fee for an individual permit
35 for a point source discharge of 1,000,000 or more gallons per day, a publicly
36 owned treatment works (POTW) that administers a POTW pretreatment
37 program, as defined in 40 Code of Federal Regulations § 403.3 (1 July 1996
38 Edition), or an industrial waste treatment works that has a high toxic pollutant
39 potential is ~~three thousand four hundred forty dollars (\$3,440.00)~~ four
40 thousand six hundred twenty-five dollars (\$4,625.00).
- 41 (2) Minor Individual NPDES Permits. – The annual fee for an individual permit
42 for a point source discharge other than a point source discharge to which
43 subdivision (1) of this subsection applies is ~~eight hundred sixty dollars~~
44 ~~(\$860.00)~~ one thousand one hundred fifty dollars (\$1,150.00).
- 45 (3) Single-Family Residence. – The annual fee for a certificate of coverage under
46 a general permit for a point source discharge or an individual nondischarge
47 permit from a single-family residence is sixty dollars (\$60.00).
- 48 (4) Stormwater and Wastewater Discharge General Permits. – The annual fee for
49 a certificate of coverage under a general permit for a point source discharge
50 of stormwater or wastewater is one hundred dollars (\$100.00).

- (5) Recycle Systems. – The annual fee for an individual permit for a recycle system nondischarge permit is ~~three hundred sixty dollars (\$360.00)~~ five hundred twenty dollars (\$520.00).
- (6) Major Nondischarge Permits. – The annual fee for an individual permit for a nondischarge of 10,000 or more gallons per day or requiring 300 or more acres of land is ~~one thousand three hundred ten dollars (\$1,310.00)~~ one thousand seven hundred sixty dollars (\$1,760.00).
- (7) Minor Nondischarge Permits. – The annual fee for an individual permit for a nondischarge of less than 10,000 gallons per day or requiring less than 300 acres of land is ~~eight hundred ten dollars (\$810.00)~~ one thousand one hundred sixty dollars (\$1,160.00).
- (8) Animal Waste Management Systems. – The annual fee for animal waste management systems is as set out in G.S. 143-215.10G.
- (9) Authorizations to Construct – The application fee for Authorizations to Construct for wastewater treatment plant expansions, upgrades, replacements, or repairs is one thousand dollars (\$1,000.00).
- (b) Application fee for new discharge and nondischarge permits. – An application for a new permit of the type set out in subsection (a) of this section shall be accompanied by an initial application fee equal to the annual fee for that permit. If a permit is issued, the application fee shall be applied as the annual fee for the first year that the permit is in effect. If the application is denied, the application fee shall not be refunded.
- ...
- (e) Other fees under this Article. –
- (1) Sewer System Extension Permits. – The application fee for a permit for the construction of a new sewer system or for the extension of an existing sewer system or for a separate application for a variance request is four hundred eighty dollars (\$480.00) ~~six hundred sixty dollars (\$660.00)~~.
- (2) State Stormwater Permits. – The application fee for a permit regulating stormwater runoff under G.S. 143-214.7 and G.S. 143-215.1 is five hundred five dollars (\$505.00).
- (3) Major Water Quality Certifications. – The fee for a water quality certification involving one acre or more of wetland fill or 150 feet or more of stream impact is ~~five hundred seventy dollars (\$570.00)~~ seven hundred sixty-seven dollars (\$767.00).
- (4) Minor Water Quality Certifications. – The fee for a water quality certification involving less than one acre of wetland fill or less than 150 feet of stream impact is ~~two hundred forty dollars (\$240.00)~~ three hundred twenty-three dollars (\$323.00).
-"

PLAN REVIEW AND PERMIT FEE UPDATES

Section 12.12. G.S. 130A-328 reads as rewritten:

"§ 130A-328. Public water system operating permit and permit fee.

(a) No person shall operate a community or non transient non-community water system who has not been issued an operating permit by the Department. A community or non transient non-community water system operating permit shall be valid from January 1 through December 31 of each year unless suspended or revoked by the Department for cause. The Commission shall adopt rules concerning permit issuance and renewal and permit suspension and revocation. The annual fees in subsection (b) shall be prorated on a monthly basis for permits obtained after January 1 of each year.

(b) The following fees are imposed for the issuance or renewal of a permit to operate a community or non transient non-community water system; the fees are based on the number of persons served by the system:

Non Community Water Systems: Fee

Base Fee:

Non transient non-community ~~\$150~~\$190

Community Water Systems:

Number of Persons Served

50 or fewer ~~\$255~~\$320

More than 50 but no more than 100 ~~\$270~~\$340

More than 100 but no more than 200 ~~\$330~~\$410

More than 200 but no more than 300 ~~\$350~~\$430

More than 300 but no more than 400 ~~\$385~~\$480

More than 400 but no more than 500 ~~\$420~~\$520

More than 500 but no more than 750 ~~\$780~~\$970

More than 750 but no more than 1000 ~~\$810~~\$1010

More than 1000 but no more than 2000 ~~\$840~~\$1050

More than 2000 but no more than 3000 ~~\$870~~\$1090

More than 3000 but no more than 4000 ~~\$1350~~\$1690

More than 4000 but no more than 5000 ~~\$1460~~\$1830

More than 5000 but no more than 7500 ~~\$1925~~\$2410

More than 7500 but no more than 10,000 ~~\$2065~~\$2580

More than 10,000 but no more than 25,000 ~~\$2600~~\$3250

More than 25,000 but no more than 50,000 ~~\$2925~~\$3660

More than 50,000 but no more than 75,000 ~~\$4250~~\$5310

More than 75,000 but no more than 100,000 ~~\$4675~~\$5840

More than 100,000 but no more than 250,000 ~~\$5100~~\$6380

More than 250,000 but no more than 500,000 ~~\$5525~~\$6910

More than 500,000 ~~\$5950~~\$7440

(c) The following fees are imposed for the review of plans, specifications, and other information submitted to the Department for approval of construction or alteration of a public water system. The fees are based on the type of constructions or alteration proposed:

Distribution system: Fee

Construction of water lines, less than 5000 linear feet ~~\$150~~\$300

Construction of water lines, 5000 linear feet or more ~~\$200~~\$400

Other construction or alteration to a distribution system ~~\$75~~\$150

Ground water system:

Construction of a new ground water system or adding a new well ~~\$200~~\$400

Alteration to an existing ground water system ~~\$100~~\$200

Surface Water system:

Construction of a new surface water treatment facility ~~\$250~~\$500

Alteration to an existing surface water treatment facility ~~\$150~~\$300

Water System Management Plan review ~~\$75~~\$150

Miscellaneous changes or maintenance not covered above ~~\$50~~\$100

(d) The Department may charge an administrative fee of up to one hundred fifty dollars (\$150.00) for failure to pay the permit fee by January 31 of each year."

WASTEWATER AND ANIMAL WASTE FEE UPDATES

SECTION 12.13.(a) G.S. 90A-42 reads as rewritten:

"§ 90A-42. Fees.

(a) The Commission, in establishing procedures for implementing the requirements of this Article, shall impose the following schedule of fees:

- (1) Examination including Certificate, \$85.00;
- (2) Temporary Certificate, \$200.00;
- (3) Temporary Certification Renewal, \$300.00;
- (4) Conditional Certificate, \$75.00;
- (5) Repealed by Session Laws 1987, c. 582, s. 3.
- (6) Reciprocity Certificate, \$100.00;
- (6a) Voluntary Conversion Certificate, \$50.00;
- (7) Annual Renewal per certification \$50.00;
- (8) Replacement of Certificate, \$20.00;
- (9) Late Payment of Annual Renewal, \$50.00 penalty in addition to all current and past due annual renewal fees plus one hundred dollars (\$100.00) penalty per year for each year for which annual renewal fees were not paid prior to the current year; and
- (10) Mailing List Charges – The Commission may provide mailing lists of certified water pollution control system operators and of water pollution control system operators to persons who request such lists. The charge for such lists shall be twenty-five dollars (\$25.00) for each such list provided.

(b) The Water Pollution Control System Account is established as a nonreverting account within the Department. Fees collected under this section shall be credited to the Account and applied to the costs of administering this Article. Interest and other income received on the Fund balance shall be treated as set forth in G.S. 147-69.1(d)."

SECTION 12.13.(b) G.S. 90A-47.4 reads as rewritten:

"§ 90A-47.4. Express permit and certification reviews.

(a) An applicant for certification under this Part shall pay a fee of ~~twenty-five dollars (\$25.00)~~ eighty-five dollars (\$85.00) for the examination and the certificate.

(b) The certificate shall be renewed annually upon payment of a renewal fee of ~~ten dollars (\$10.00)~~ fifty dollars (\$50.00). A certificate holder who fails to renew the certificate and pay the renewal fee within 30 days of its expiration shall be required to take and pass the examination for certification in order to renew the certificate. (1995 (Reg. Sess., 1996), c. 626, s. 6(b); 1998-212, s. 29A.11(f).)"

PART XII-A. WILDLIFE RESOURCES COMMISSION [RESERVED]

PART XIII. LABOR

TRANSFER OF UNEXPENDED FEES

SECTION 13.1. G.S. 95-108 reads as rewritten:

"§ 95-108. Disposition of fees.

All fees collected by the Department of Labor pursuant to G.S. 95-69.11, 95-110.5, 95-111.4 and 95-120 shall be deposited with the State Treasurer and shall be used exclusively for inspection and certification purposes. All fees collected pursuant to this section that has not yet been expended or encumbered at the end of each fiscal year shall be transferred to a special fund created for this purpose at the end of each fiscal year."

PART XIV. NATURAL AND CULTURAL RESOURCES**DNCR EDUCATION & EXHIBITS SPECIAL FUND**

SECTION 14.1. Chapter 143B, Article 2 of the General Statutes is amended by adding a new section to read:

"§ 143B-53.11. Department of Natural and Cultural Resources Education and Exhibit Special Fund.

(a) Fund. – The Department of Natural and Cultural Resources Education and Exhibit Special Fund is created as a special, interest-bearing revenue fund within the Department of Natural and Cultural Resources for Department exhibits and not designated for a specific division of the Department. The Fund shall consist of appropriations designated for exhibits transferred from Department of Natural and Cultural Resources General Fund and all receipts from donations, gifts, devises, and grants restricted for exhibits. The Secretary may approve the use of monies in the Fund for updates to online content, virtual engagement, tour scripts, lesson plans, and to add, refurbish, and update exhibits. The funds are hereby appropriated for these purposes.

(b) Reporting Requirements. – The Department of Natural and Cultural Resources shall submit a report by September 30 of each year to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division. This report shall include the source and amount of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

SYMPHONY CHALLENGE GRANT

SECTION 14.2.(a) Of the funds appropriated in this act to the Department of Natural and Cultural Resources, the sum of two million dollars (\$2,000,000) in recurring funds for each year of the 2023-25 fiscal biennium shall be allocated to the North Carolina Symphony upon raising at least six million dollars (\$6,000,000) in non-State funds for the 2023-24 fiscal year and seven million dollar (\$7,000,000) in non-State funds for the 2024-25 fiscal year. The North Carolina Symphony cannot use funds transferred from the organization's endowment to its operating budget to achieve the fundraising targets set out in subsections (b) and (c) of this section.

SECTION 14.2.(b) For the 2023-24 fiscal year, the North Carolina Symphony shall receive allocations from the Department of Natural and Cultural Resources as follows:

- (1) Upon raising the initial sum of two million dollars (\$2,000,000) in non-State funding, the North Carolina Symphony shall receive the sum of six hundred thousand dollars (\$600,000).
- (2) Upon raising an additional sum of two million dollars (\$2,000,000) in non-State funding for a total amount of four million dollars (\$4,000,000) in non-State funds, the North Carolina Symphony shall receive the sum of seven hundred thousand dollars (\$700,000).
- (3) Upon raising an additional sum of two million dollars (\$2,000,000) in non-State funding for a total amount of six million dollars (\$6,000,000) in non-State funds, the North Carolina Symphony shall receive the final sum of seven hundred thousand dollars (\$700,000) in the 2023-24 fiscal year.

SECTION 14.2.(c) For the 2024-25 fiscal year, the North Carolina Symphony shall receive allocations from the Department of Natural and Cultural Resources as follows:

- (1) Upon raising the initial sum of two million dollars (\$2,000,000) in non-State funding, the North Carolina Symphony shall receive the sum of six hundred thousand dollars (\$600,000).

- (2) Upon raising an additional sum of two million dollars (\$2,000,000) in non-State funding for a total amount of four million dollars (\$4,000,000) in non-State funds, the North Carolina Symphony shall receive the sum of seven hundred thousand dollars (\$700,000).
- (3) Upon raising an additional sum of two million dollars (\$3,000,000) in non-State funding for a total amount of seven million dollars (\$7,000,000) in non-State funds, the North Carolina Symphony shall receive the final sum of seven hundred thousand dollars (\$700,000) in the 2023-24 fiscal year.

GREAT TRAILS STATE FUND

SECTION 14.3.(a) Fund. – The Great Trails State Fund (Fund) is established as a special fund in the Department of Natural and Cultural Resources (Department). The Division of Parks and Recreation (Division) shall be responsible for administering the program.

SECTION 14.3.(b) Purpose. – The Department shall establish a grant program to provide grants to counties, municipalities, nonprofit organizations, Councils of Governments, Municipal Planning Organizations, Rural Planning Organizations, Federal agencies, and State agencies for trail projects. Eligible trail projects include trail planning, design, right-of-way negotiation and acquisition, construction, promotion, and maintenance. The Division shall develop criteria to score projects based on trail type, project location, project cost, State Trail status, and demonstration of matching funds. The North Carolina Trails Committee shall review applications and make award recommendations to the Secretary of the Department of Natural and Cultural Resources.

SECTION 14.3.(c) Reporting Requirements. – The Department shall submit a report by September 30 of each year to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division. This report shall include the allocation of grant funds and the amount of all expenditures of the funds during the prior fiscal year.

SECTION 14.3.(d) Administrative Expenses. – Of the funds appropriated to the Department, up to three percent (3%) may be used to administer the grant program.

PART XV. ADMINISTRATIVE OFFICE OF THE COURTS [RESERVED]

PART XVI. INDIGENT DEFENSE SERVICES

PUBLIC DEFENDER OFFICES

SECTION 16.1. G.S. 7A-498.7(a) reads as rewritten:

"(a) The following counties of the State are organized into the defender districts listed below, and in each of those defender districts an office of public defender is established:

Defender District	Counties
1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans
2	Beaufort, Hyde, Martin, Tyrell, Washington
3A	Pitt
3B	Craven, Pamlico, Carteret
5	New Hanover, Pender
6	<u>Bertie, Halifax, Hertford, Northampton</u>

1	<u>7</u>	<u>Edgecombe, Nash, Wilson</u>
2	10	Wake
3	12	Cumberland
4	<u>13B</u>	<u>Brunswick</u>
5	14	Durham
6	<u>15A</u>	<u>Alamance</u>
7	15B	Orange, Chatham
8	16A	Scotland, Hoke
9	16B	Robeson
10	18	Guilford
11	<u>19B</u>	<u>Randolph</u>
12	21	Forsyth
13	<u>22A</u>	<u>Alexander, Iredell</u>
14	26	Mecklenburg
15	27A	Gaston
16	27B	Cleveland, Lincoln
17	28	Buncombe
18	29A	McDowell, Rutherford
19	29B	Henderson, Polk, Transylvania
20	<u>30A</u>	<u>Cherokee, Clay, Graham, Macon, Swain</u>
21	<u>30B</u>	<u>Haywood, Jackson</u>

After notice to, and consultation with, the affected district bar, senior resident superior court judge, and chief district court judge, the Commission on Indigent Defense Services may recommend to the General Assembly that a district or regional public defender office be established. A legislative act is required in order to establish a new office or to abolish an existing office."

PRIVATE ASSIGNED COUNSEL FUND TRANSFER

SECTION 16.2. The Office of Indigent Defense Services may use up to the sum of nine million dollars (\$9,000,000) of appropriated private assigned counsel funds to create 126 new positions for the new Public Defender districts created in subsection (a) of this section. These positions shall include eight chief public defenders, up to 74 assistant public defenders, and up to 44 support positions.

CHIEF SPECIAL COUNSEL

SECTION 16.3. G.S. 122C-270 reads as rewritten:

"(a) In a superior court district or set of districts as defined in G.S. 7A-41.1 in which a State facility for the mentally ill is located, the Commission on Indigent Defense Services shall appoint an attorney licensed to practice in North Carolina as special counsel for indigent respondents who are mentally ill. These special counsel shall serve at the pleasure of the Commission, may not privately practice law, and shall receive annual compensation within the salary range for assistant public defenders as fixed by the Office of Indigent Defense Services. The chief special counsel is a public defender for the purposes of compensation and benefits, and is subject to appointment pursuant to G.S. 7A-498.7. The special counsel shall represent all indigent respondents at all hearings, rehearings, and supplemental hearings held at the State facility. Special counsel shall determine indigency in accordance with G.S. 7A-450(a). Indigency is subject to redetermination by the presiding judge. If the respondent appeals, counsel for the appeal shall be appointed in accordance with rules adopted by the Office of Indigent Defense Services.

...."

PART XVII. JUSTICE [RESERVED]**PART XVIII. PUBLIC SAFETY****DUPLICATION OF BENEFITS GAP LOAN PROGRAM**

SECTION 18.1. The funds appropriated in this act to the Department of Public Safety, North Carolina Office of Recovery and Resiliency (Office), to provide loans for duplication of benefits payments shall be awarded to households recovering from disasters. The Office shall prioritize households who suffered damages during Hurricanes Matthew or Florence. Loans shall be used to verify households do not receive assistance from the Office for previously covered expenses. As loan payments are received by the Office, any funds previously transferred from the State Emergency Response and Disaster Relief Fund for said purpose shall be returned to the State Emergency Response and Disaster Relief Fund and shall remain there until further action is taken by the General Assembly.

PART XIX. ADULT CORRECTION**GRANT REPORTING AND MATCHING FUNDS**

SECTION 19.1. Notwithstanding the provisions of G.S. 143C-6-9, the Department of Adult Correction may use up to the sum of two million dollars (\$2,000,000) during the 2023-24 fiscal year and up to the sum of two million dollars (\$2,000,000) during the 2024-25 fiscal year from funds available to the Department to provide the State match needed in order to receive grant funds. Prior to using funds for this purpose, the Department shall report to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the grants to be matched using these funds.

CODIFY USE OF SEIZED AND FORFEITED PROPERTY

SECTION 19.2. G.S. 14-2.3 reads as re-written:

"§ 14-2.3. Forfeiture of gain acquired through criminal activity.

...

(d) Seized and forfeited assets transferred to the Department of Justice, Department of Adult Correction, or to the Department of Public Safety pursuant to applicable federal law shall be credited to the budget of the recipient department and shall result in an increase of law enforcement resources for that department. The Department of Justice, Department of Adult Correction, and the Department of Public Safety shall each make the following reports to the chairs of House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety:

(1) A report upon receipt of any assets.

(2) A report that shall be made prior to the use of the assets on their intended use and the departmental priorities on which the assets may be expended.

(3) A report on receipts, expenditures, encumbrances, and availability of these assets for the previous fiscal year, which shall be

(e) The General Assembly finds that the use of seized and forfeited assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the Department of Justice, Department of Adult Correction, and the Department of Public Safety are prohibited from using these assets for such purposes without the prior approval of the General Assembly.

(f) Nothing in this section prohibits State law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services."

USE OF CLOSED FACILITIES

SECTION 19.3.(a) In conjunction with the closing of prison facilities, youth detention centers, and youth development centers, the Department of Public Safety and Department of Adult Correction shall consult with the county or municipality in which the facility is located, with elected State and local officials, and with State and federal agencies about the possibility of converting that facility to other use. The Departments may also consult with any private for-profit or nonprofit firm about the possibility of converting the facility to other use. In developing a proposal for future use of each facility, the Department shall give priority to converting the facility to other criminal justice use. Consistent with existing law and the future needs of the Department of Public Safety or Department of Adult Correction, the State may provide for the transfer or the lease of any of these facilities to counties, municipalities, State agencies, federal agencies, or private firms wishing to convert them to other use. G.S. 146-29.1(f) through (g) shall not apply to a transfer made pursuant to this section. The Department of Public Safety and Department of Adult Correction may also consider converting some of the facilities recommended for closing from one security custody level to another, where that conversion would be cost-effective. A prison unit under lease to a county pursuant to the provisions of this section for use as a jail is exempt for the period of the lease from any of the minimum standards adopted by the Secretary of Health and Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that would subject the unit to greater standards than those required of a unit of the State prison system.

SECTION 19.3.(b) The Departments may convert closed facilities for the following purposes:

- (1) Training Needs.
- (2) Population Management.
- (3) Transitional Housing.

Sixty days prior to converting facilities to these purposes, the Department of Adult Correction or Department of Public Safety shall report to the Joint Legislative Oversight Committee on Justice and Public Safety. The report shall include the justification for the conversion, operational requirements for the facility, and available resources for staffing and operating the facility. If the proposed facility will require additional funding in the future, the report shall provide a five-year projection of those funding needs.

REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL EXPENSES

SECTION 19.4. Notwithstanding G.S. 143C-6-9, the Department of Adult Correction may use funds available to the Department for the 2023-25 fiscal biennium to reimburse counties for the cost of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to the State prison system, as provided in G.S. 148-29. The reimbursement may not exceed forty dollars (\$40.00) per day per prisoner awaiting transfer. The Department shall report annually by February 1 of each year to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the expenditure of funds to reimburse counties for prisoners awaiting transfer.

INTERSTATE COMPACT FEES TO SUPPORT TRAINING PROGRAMS AND EQUIPMENT PURCHASES SECTIONS

SECTION 19.5. Notwithstanding the provisions of G.S. 148-65.7, fees collected for the Interstate Compact Fund during the 2023-25 fiscal biennium may be used by the Department of Adult Correction during the 2023-25 fiscal biennium to provide training programs and equipment purchases for the Division of Community Supervision, but only to the extent sufficient funds remain available in the Fund to support the mission of the Interstate Compact Program.

CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT

SECTION 19.6. The Department of Adult Correction may continue to contract with The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of prison beds for minimum security female inmates during the 2023-25 fiscal biennium. The Center for Community Transitions, Inc., shall report by February 1 of each year to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the annual cost per inmate and the average daily inmate population compared to bed capacity using the same methodology as that used by the Department of Adult Correction.

NURSE STAFFING AT STATE PRISONS

SECTION 19.7. Notwithstanding any other provision of law, the Department of Adult Correction may, in its discretion and subject to the approval of the Office of State Budget and Management, convert funds appropriated for contractual nursing services to permanent nursing positions when it is determined to promote security, generate cost savings, and improve health care quality. The Department shall report on any such conversions to the Fiscal Research Division.

DOT CONTRACT OF INMATE LITTER CREW

SECTION 19.8.(a) After the issuance of a request for information (RFI) and receipt of bids by the Department of Transportation for litter pickup on State highways and roads, the Department of Transportation shall first offer the contract to the Department of Adult Correction upon the same terms and conditions as the most favorable bid received by the Department of Transportation from a suitable contractor. The Department of Adult Correction shall have 30 days to accept or decline the offered contract.

SECTION 19.8.(b) It is the policy of the General Assembly that the Department of Transportation shall utilize inmate litter crews for litter pickup on State highways and roads as often as is necessary and practicable.

PART XX. ADMINISTRATION [RESERVED]

PART XXI. ADMINISTRATIVE HEARINGS [RESERVED]

PART XXII. AUDITOR [RESERVED]

PART XXIII. BUDGET AND MANAGEMENT

EXPAND SCOPE OF EVALUATION GRANTS

SECTION 23.1. Of the funds appropriated in this act to the Office of State Budget and Management (OSBM), the sum of two million dollars (\$2,000,000) in recurring funds shall be used to provide grants to State agencies to do the following: (i) in partnership with research institutions, conduct research or data analysis projects that will directly inform the agencies' policy and program decisions and (ii) pursuant to contract with an outside entity or in conjunction with OSBM, evaluate how well the agencies' programs are achieving their intended outcomes. OSBM shall develop guidelines and procedures for the administration and distribution of these

funds to State agencies through a competitive process. Of these funds, OSBM may use up to ten percent (10%) for external review of applications and pre-analysis plans and other technical assistance. These funds shall not revert and remain available for this purpose until expended.

REPORTING REQUIREMENTS

SECTION 23.2.(a) G.S. 143C-6-4 reads as rewritten:

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

...

~~(e) Overexpenditures Reported. — The Director shall report quarterly, beginning October 31, to the Joint Legislative Commission on Governmental Operations on overexpenditures approved by the Director under subdivisions (2) and (3) of subsection (b) of this section.~~

...."

SECTION 23.2.(b) G.S. 143C-6-12 is repealed.

SECTION 23.2.(c) G.S. 20-7 reads as rewritten:

"§ 20-7. Issuance and renewal of drivers licenses.

...

(i1) Restoration Fee. — Any person whose drivers license has been revoked pursuant to the provisions of this Chapter, other than G.S. 20-17(a)(2) shall pay a restoration fee of seventy dollars (\$70.00). A person whose drivers license has been revoked under G.S. 20-17(a)(2) shall pay a restoration fee of one hundred forty dollars and twenty-five cents (\$140.25). The fee shall be paid to the Division prior to the issuance to such person of a new drivers license or the restoration of the drivers license. The restoration fee shall be paid to the Division in addition to any and all fees which may be provided by law. This restoration fee shall not be required from any licensee whose license was revoked or voluntarily surrendered for medical or health reasons whether or not a medical evaluation was conducted pursuant to this Chapter. The seventy dollar (\$70.00) fee, and the first one hundred five dollars (\$105.00) of the one hundred forty dollar and twenty-five cent (\$140.25) fee, shall be deposited in the Highway Fund. Twenty five dollars (\$25.00) of the one hundred forty dollar and twenty-five cent (\$140.25) fee shall be used to fund a statewide chemical alcohol testing program administered by the Forensic Tests for Alcohol Branch of the Chronic Disease and Injury Section of the Department of Health and Human Services. Notwithstanding any other provision of law, a restoration fee assessed pursuant to this G.S. 20-7 Page 9 subsection may be waived by the Division when (i) the restoration fee remains unpaid for more than 10 years from the date of assessment and (ii) the person responsible for payment of the restoration fee has been issued a drivers license by the Division after the effective date of the revocation for which the restoration fee is owed. ~~The Office of State Budget and Management shall annually report to the General Assembly the amount of fees deposited in the General Fund and transferred to the Forensic Tests for Alcohol Branch of the Chronic Disease and Injury Section of the Department of Health and Human Services under this subsection."~~

PART XXIV. CONTROLLER [RESERVED]

PART XXV. ELECTIONS [RESERVED]

PART XXVI. GENERAL ASSEMBLY [RESERVED]

PART XXVII. GOVERNOR [RESERVED]

PART XXVIII. HOUSING FINANCE AGENCY [RESERVED]

PART XXIX. INSURANCE [RESERVED]

PART XXX INSURANCE INDUSTRIAL COMMISSION [RESERVED]**PART XXXI. LIEUTENANT GOVERNOR [RESERVED]****PART XXXII. MILITARY AND VETERANS AFFAIRS****CLARIFICATION OF VETERANS DEFINITIONS**

SECTION 32.1. G.S. 143B-1213 reads as rewritten:

"§ 143B-1213. Definitions.

Except where provided otherwise, the following definitions apply in this Chapter:

- (1) Department. – The Department of Military and Veterans Affairs.
- (2) Secretary. – The Secretary of Military and Veterans Affairs.
- (3) Veteran. – One of the following, as applicable.
 - a. For qualifying as a voting member of the State Board of Veterans Affairs and as the State Director of Veterans Affairs, a person who served honorably during a period of war as defined in Title 38, United States Code.
 - b. For entitlement to the services of the Department of Military and Veterans Affairs, a person who may be entitled to any benefits or rights under the laws of the United States by reason of service in the Armed Forces of the United States under the U.S. Department of Defense (Army, Marine Corps, Navy, Air Force, Space Force, National Guard) and the U.S. Department of Homeland Security (Coast Guard), and the reserve components thereof.
 - c. For this Chapter, unless otherwise stated "Armed Forces of the United States" means the Armed Forces of the United States under the United States Department of Defense (Army, Marine Corps, Navy, Air Force, Space Force, National Guard) and the United States Department of Homeland Security (Coast Guard), the reserve components thereof."

ESTABLISH CAROLINA VETERANS CEMETARY TRUST FUND

SECTION 32.2. Article 14 of Chapter 143B of the General Statutes is amended by adding a new Section to read:

"§ 143B-1218. North Carolina Veterans Cemeteries Trust Fund.

(a) There is established the North Carolina Veterans Cemeteries Trust Fund (hereinafter "Fund"), a special fund within the Department of Military and Veterans Affairs. The Fund shall be maintained as a special fund and shall be administered by the Department to carry out the provisions of this section for the operations and maintenance of State veterans' cemeteries. Fund resources may also be used to cover the projected cash flow needs of cemetery expansion projects funded by the grants from the U.S. Department of Veterans Affairs. Interest accruing from the monies in the Fund shall be credited to the Fund. The Fund shall consist of the following sources of funding:

- (1) All interest and investment earnings received on monies in the Fund.
- (1a) Funds or monies received by the Department, the receipt of which does not exclude any other source of revenue, from the United States, any federal agency or institution, or any other source whether as a federal aid, grant, appropriation, gift, contribution, devise, or individual reimbursement, for the support of veterans cemeteries.
- (2) Any other funds, as directed by the General Assembly.

(b) The funds in the Fund shall be allowed to accumulate until they have generated sufficient interest earnings to maintain the State's veteran cemeteries once they have reach full

capacity. The interest earnings in the Fund shall be used to maintain existing veterans' cemeteries once they have reached full capacity. Prior to that point, funds from the Fund may only be spent for cash flow needs of cemetery expansion projects. The interest earnings in the Fund shall not be used to open veterans' cemeteries. The Department shall have sole authority to approve the use of the Fund for the purposes authorized in this section."

CREATE NON-REVERTING LANGUAGE FOR SCHOLARSHIP PROGRAM

SECTION 32.3. G.S. 143B-14(b) reads as rewritten:

"(b) Funds for the support of this program shall be appropriated to the Department of Military and Veterans Affairs as a reserve for payment of the allocable costs for room, board, tuition, and other ~~changes, changes, and shall be placed in a separate budget code from which disbursement shall be made.~~ Funds to support this program shall not revert and shall remain available to be expended for future obligation of awarded scholarship. Funds to support this program shall not revert and shall remain available to be expended for future obligation of awarded scholarships. Funds to support the program shall be supported by receipts from the Escheat Fund, as provided by G.S. 116B-7, but those funds may be used only for worthy and needed residents of this State who are enrolled in public institutions of higher education of this State. In the event the said appropriation for any year is insufficient to pay the full amount allocable under the provisions of this Part, such supplemental sums as may be necessary shall be allocated from the Contingency and Emergency Fund. The method of disbursing and accounting for funds allocated for payments under the provisions of this section shall be in accordance with those standards and procedures prescribed by the Director of the Budget, pursuant to the State Budget Act."

AMENDMENT TO GENERAL STATUTE TO SUPPORT FUNDING ROOM AND BOARD

SECTION 32.4. G.S. 143B-1226(b)(2) reads as rewritten:

"(2) Class I-B: Under this class a ~~limited~~ scholarship ~~providing only those benefits set forth in G.S. 143B-1225(a)(1)a., d., and e., and G.S. 143B-1225(a)(2)~~ shall be awarded to any child whose veteran parent, at the time the benefits pursuant to this Part are sought to be availed of, is ~~or was at the time of his death~~ receiving compensation for a wartime service-connected disability of one hundred percent (100%) as rated by the United States Department of Veterans Affairs. Provided, that if the veteran parent of a recipient under this class should die of his wartime service-connected condition before the recipient shall have utilized all of his scholarship eligibility time, then the North Carolina Department of Military and Veterans Affairs shall amend the recipient's award from Class I-B to Class I-A for the remainder of the recipient's eligibility time. The effective date of such an amended award shall be determined by the Department of Military and Veterans Affairs but, in no event shall it predate the date of the veteran parent's death."

PART XXXIII. REVENUE

911 SERVICE CHARGE

SECTION 33.1. G.S. 143B-1414(c) reads as rewritten:

"§ 143B-1414. Service charge for prepaid wireless telecommunications service; seller collects 911 service charge on each retail transaction occurring in this State; remittances to Department of Revenue and transfer to 911 Fund.

(c) Administration. – Administration, auditing, requests for review, making returns, collection of tax debts, promulgation of rules and regulations by the Secretary of Revenue, additional taxes and liens, assessments, refunds, and penalty provisions of Article 9 of Chapter 105 of the General Statutes apply to the collection of the 911 service charge for prepaid wireless telecommunications service. An audit of the collection of the 911 service charge for prepaid wireless telecommunications service shall only be conducted in connection with an audit of the taxes imposed by Article 5 of Chapter 105 of the General Statutes. Underpayments shall be subject to the same interest rate as imposed for taxes under G.S. 105-241.21. Overpayments shall be subject to the same interest rate as imposed for taxes under G.S. 105-241.21(c)(2). Excessive and erroneous collections of the service charge will be subject to G.S. 105-164.11. The Department of Revenue shall establish procedures for a seller of prepaid wireless telecommunications service to document that a sale is not a retail transaction, and the procedures established shall substantially coincide with the procedures for documenting a sale for resale transaction under G.S. 105-164.28. The Secretary of Revenue may retain the costs of collection from the remittances received under subsection (b) of this section ~~not to exceed in the amount of seven hundred fifty five hundred thousand dollars (\$500,000) (\$750,000)~~ a year of the total 911 service charges for prepaid wireless telecommunications service remitted to the Department. The amount allowed to the Department for costs under this section shall be increased (i) each fiscal year by a percentage equal to any legislative salary increase awarded to State-funded employees and (ii) by any adjustment in salary reserve funds that impact employees funded by the 911 Service Charge. Within 45 days of the end of each month in which 911 service charges for prepaid wireless telecommunications service are remitted to the Department, the Secretary of Revenue shall transfer the total 911 service charges remitted to the Department less the costs of collection to the 911 Fund established under G.S. 143B-1404."

DOCUMENT MANAGEMENT SYSTEM

SECTION 33.2. Section 6.6 of S.L. 2020-58 reads as rewritten:

"SECTION 6.6. Of the funds generated in the 2020-2021 fiscal year by the Department of Revenue's collection assistance fee, imposed under G.S. 105-243.1, the Department may use up to five hundred thousand dollars (\$500,000) to implement Section 8.1 of S.L. 2019-246. Additional funds of up to five hundred thousand dollars (\$500,000) needed by the Department for this purpose may be drawn from the funds previously allocated to the Department in S.L. 2017-57 from the collection assistance fee for the Collections Case Management system for any additional project costs required to fully implement Section 8.1 of S.L. 2019-246."

ALLOW FUNDS TO BE USED FOR SAFETY AND SECURITY AT REMOTE LOCATIONS

SECTION 33.3. Notwithstanding G.S. 143C-8-13, any funds available to the Department of Revenue may be used for safety and security upgrades at the Department's remote locations, which are leased and not state-owned.

SCRAP TIRE DISPOSAL TAX

SECTION 33.4. G.S. 105-187.19(a) reads as rewritten:

"§ 105-187.19. Use of tax proceeds.

(a) The Secretary shall distribute the taxes collected under this Article, less the allowance to the Department of Revenue for administrative expenses, in accordance with this section. The Secretary may retain the cost of collection by the Department, ~~not to exceed in the amount of four hundred twenty-five thousand dollars (\$425,000)~~ a year as reimbursed to the Department. The amount allowed to the Department of costs under this section shall be increased (i) each fiscal year by a percentage equal to any legislative salary increase awarded to State-funded

employees and (ii) by any adjustment in salary reserve funds that impact employees funded by the Scrap Tire Disposal Tax."

WHITE GOODS DISPOSAL TAX

SECTION 33.5. G.S. 105-187.24 reads as rewritten:

"§ 105-187.24. Use of tax proceeds.

The Secretary shall distribute the taxes collected under this Article, less the Department of Revenue's allowance for administrative expenses, in accordance with this section. The Secretary may retain the Department's cost of collection, ~~not to exceed~~ in the amount of four hundred twenty-five thousand dollars (\$425,000) a year, as reimbursement to the Department. The amount allowed to the Department for costs under this section shall be increased (i) each fiscal year by a percentage equal to any legislative salary increase awarded to State-funded employees and (ii) by any adjustment in salary reserves funds that impact employees funded by the White Good Disposal Tax.

Each quarter, the Secretary shall credit twenty-eight percent (28%) of the net tax proceeds to the General Fund. The Secretary shall distribute the remaining seventy-two percent (72%) of the net tax proceeds among the counties on a per capita basis according to the most recent annual population estimates certified to the Secretary by the State Budget Officer. The Department shall not distribute the tax proceeds to a county when notified not to do so by the Department of Environmental Quality under G.S. 130A-309.87. If a county is not entitled to a distribution, the proceeds allocated for that county will be credited to the White Goods Management Account.

A county may use funds distributed to it under this section only as provided in G.S. 130A-309.82. A county that receives funds under this section and that has an interlocal agreement with another unit of local government under which the other unit provides for the disposal of solid waste for the county must transfer the amount received under this section to that other unit. A unit to which funds are transferred is subject to the same restrictions on use of the funds as the county."

SOLID WASTE DISPOSAL TAX

SECTION 33.6. G.S. 105-187.63 reads as rewritten:

"§ 105-187.63. Use of tax proceeds.

From the taxes received pursuant to this Article, the Secretary may retain the costs of collection, ~~not to exceed~~ in the amount of two hundred twenty-five thousand dollars (\$225,000) a year, as reimbursement to the Department. The amount allowed to the Department for costs under this section shall be increased (i) each fiscal year by a percentage equal to any legislative salary increase awarded to State-funded employees and (ii) by any adjustment in salary reserve funds that impact employees by the Solid Waste Disposal Tax. The Secretary must credit or distribute taxes received pursuant to this Article, less the cost of collection, on a quarterly basis as follows:

...."

CIVIL PENALTIES APPLICABLE TO MOTOR CARRIERS

SECTION 33.7. G.S. 105-449.52 reads as rewritten:

"§105-449.52. Civil penalties applicable to motor carriers.

(a) Penalty. – A motor carrier who does any of the following is subject to a civil penalty:

- (1) Operates in this State or causes to be operated in this State a qualified motor vehicle that ~~either is not licensed under this Article,~~ fails to carry the license required by this Article Article, or fails to display a decal in accordance with this Article. The ~~amount of the penalty is one~~ two hundred fifty dollars (\$100.00)-(\$250.00).

- (2) Is unable to account for a decal the Secretary ~~issues~~ has issued to motor carrier, as required by G.S. 105-449.47. The ~~amount of the~~ penalty is ~~one two hundred fifty dollars (\$100.00)~~ \$250.00 for each decal for which the carrier is unable to account.
- (3) Displays a decal on a qualified motor vehicle operated by a motor carrier that was not issued to the carrier by the Secretary under G.S. 105-449.47. The ~~amount of the~~ penalty is one thousand dollars (\$1,000) for each decal unlawfully obtained. Both the licensed motor carrier to whom the Secretary issued the decal and the motor carrier displaying the unlawfully obtained decal are jointly and severally liable for the penalty under this subdivision.
-"

TEMPORARY LICENSE DURING A DISASTER RESPONSE PERIOD

SECTION 33.8. G.S. 105-449.69(a) reads as rewritten:

"§ 105-449.449. How to determine the amount of fuel used in the State; presumption of amount used.

(a) Temporary License. – The Secretary may grant a temporary license to an applicant to import, export, distribute, or transport motor fuel in this State in response to a state of emergency or a disaster declaration. The terms "state of emergency" and "disaster declaration" have the same meaning as defined in G.S. 166A-19.3. A temporary license is effective on the date the applicant engages in business in this State and expires 30 days after that date. Prior to the expiration of the temporary license, the licensee may request, on a form prescribed by the Secretary, that the license be extended for an additional 30 days, if the state of emergency or disaster declaration remains in effect. A temporary license issued under this section may not be renewed or a new temporary license granted if the licensee failed to comply with this Article.

(b) Requirements. – To obtain a temporary license, a person must file an application with the Secretary on a form prescribed by the Secretary within seven calendar days of engaging in business in this State. The application must be filed prior to the termination of the state of emergency or disaster declaration and must include all of the following information:

- (1) The legal name of the business and the trade name, if applicable, under which the person will transact business within the State.
- (2) The federal identification number of the business or, if such number is unavailable, the Social Security number of the owner.
- (3) The location, with a street number address, of the principal office or place of business and the location where records will be made available for inspection.
- (4) Any other information required by the Secretary.

(c) Exempt Licensee Requirements – The Secretary may issue a temporary license under this section as an importer, exporter, distributor, or transporter without requiring the applicant to file with the Secretary a bond or an irrevocable letter of credit, as otherwise required by G.S. 105-449.72, and without requiring the applicant to be authorized to transact business in this State with the Secretary of State.

(d) Civil Penalty- A person who fails to obtain a license as required by this section is subject to a civil penalty. The penalty is one thousand dollars (\$1,000)."

PENALTIES FOR HIGHWAY USE OF DYED DIESEL OR NON-TAX PAID FUEL

SECTION 33.9. G.S. 105-449.117 reads as rewritten:

"§ 105-449.117. Penalties for highway use of dyed diesel or other non-tax-paid fuel.

(a) Violation. – It is unlawful to use dyed diesel fuel or other non-tax-paid fuel in a highway vehicle that is licensed or required to be licensed under Chapter 20 of the General Statutes unless that use is allowed under section 4082 of the Code. It is unlawful to use motor fuel or alternative fuel in a highway vehicle that is licensed or required to be licensed under

Chapter 20 of the General Statutes unless the tax imposed by this Article or Article 36D of this Chapter and the tax imposed by Article 3 of Chapter 119 of the General Statutes have been paid. A person who violates this section is guilty of a Class 1 misdemeanor and is liable for a civil penalty.

(b) Civil Penalty. – The civil penalty is payable to the agency that assessed the penalty and is payable by the person in whose name the highway vehicle is registered. ~~The amount of the penalty depends on the amount of fuel in the supply tank of the highway vehicle. The penalty is the greater of one two thousand dollars (\$1,000) or five times the amount of motor fuel tax payable on the fuel in the supply tank. (\$2,000).~~ A penalty imposed under this section is in addition to any motor fuel tax assessed.

(c) Enforcement. – The Secretary or a person designated by the Secretary may conduct investigations to identify violations of this Article. It is not a valid defense to a violation of this Article that the State is exempt from the tax imposed by this Article."

CIVIL PENALTY FOR BUYING OR SELLING NON-TAX PAID MOTOR FUEL

SECTION 33.10. G.S. 105-449.118 reads as rewritten:

"§ 105-449.118. Civil penalty for buying or selling non-tax-paid motor fuel.

A person who dispenses non-tax-paid motor fuel into the supply tank of a highway vehicle or who allows non-tax-paid motor fuel to be dispensed into the supply tank of a highway vehicle is subject to a civil penalty of ~~two hundred~~ five hundred dollars ~~(\$250.00)~~ (\$500.00) per occurrence.

The penalty is payable to the agency that assessed the penalty. Failure to pay a penalty imposed under this section is grounds under G.S. 20-88.01(b) to withhold or revoke the registration plate of the motor vehicle into which the motor fuel was dispensed."

CIVIL PENALTY FOR REFUSING TO ALLOW THE TAKING OF MOTOR FUEL SAMPLE

SECTION 33.11. G.S. 105-449.118A reads as rewritten:

"§ 105-449.118A. Civil penalty for refusing to allow the taking of a motor fuel sample.

A person who refuses to allow the taking of a motor fuel sample is subject to a civil penalty of ~~one two thousand dollars (\$1,000).~~ (\$2,000). The penalty is payable to the agency that assessed the penalty. If the refusal is for a sample to be taken from a vehicle, the penalty is payable by the person in whose name the vehicle is registered. If the refusal is for a sample to be taken from any other storage tank or container, the penalty is payable by the owner of the container."

PART XXXIV. SECRETARY OF STATE

EVALUATION FUNDS FOR RURAL RESOURCES FOR INVESTORS, START-UPS, AND ENTREPRENEURS

SECTION 34.1. The Department of the Secretary of State shall use a portion of funds provided for Rural Resources for Investors, Start-Ups, and Entrepreneurs NC to conduct a program evaluation. The department may consult with the Office of State Budget and Management for assistance on how to develop a plan for evaluation, including how to register a pre-analysis plan. The department shall report annually to OSBM and the Fiscal Research Division on the progress of the evaluation and, when completed, make the pre-analysis plan and final evaluation report publicly available.

PART XXXV. STATE HUMAN RESOURCES [RESERVED]

PART XXXVI. TREASURER [RESERVED]

PART XXXVII. GENERAL GOVERNMENT [RESERVED]**PART XXXVIII. INFORMATION TECHNOLOGY [RESERVED]****PART XXXIX. SALARIES AND BENEFITS****ELIGIBLE STATE-FUNDED EMPLOYEES AWARDED COST-OF-LIVING ADJUSTMENT/ LEGISLATIVE SALARY INCREASES**

SECTION 39.1.(a) Effective July 1, 2023, except as provided by subsection (c) of this section, a person (i) whose salary is set by this Part, pursuant to the North Carolina Human Resources Act or as otherwise authorized in this act and (ii) who is employed in a State-funded position on June 30, 2023, is awarded a compensation adjustment as follows:

- (1) Five percent (5%) effective July 1, 2023.
- (2) As otherwise allowed or provided by law.

SECTION 39.1.(a1) Except as provided by subsection (c) of this section, a person (i) whose salary is set by this part, pursuant to the North Carolina Human Resources Act or as otherwise authorized in this act and (ii) who is employed in a State-funded position on June 30, 2024, is awarded a cost-of-living adjustment as follows:

- (1) Three percent (3%) effective July 1, 2024.
- (2) As otherwise allowed or provided by law.

SECTION 39.1.(b) For the 2023-25 fiscal biennium, the following persons are not eligible to receive the legislative salary increases provided by subsections (a) and (a1) of this section:

- (1) Employees of local boards of education.
- (2) Local community college employees.
- (3) Employees of The University of North Carolina
- (4) Clerks of superior court compensated under G.S. 7A-101.
- (5) Correctional employees to which Section 39.18 of this Part applies.
- (6) Law enforcement officers to which Section 39.19.(a) of this Part applies.
- (7) Probation and parole officers to which Section 39.20.(a) of this Part applies.
- (8) Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, and the State Board of Education who are paid based on the Teacher Salary Schedule.

SECTION 39.1.(c) Permanent part-time employees shall receive the increase authorized by this section on a prorated and equitable basis.

SECTION 39.1.(d) No eligible State-funded employee shall be prohibited from receiving the full salary increase provided in this section solely because the employee's salary after applying the legislative increase is above the maximum of the salary range prescribed by the State Human Resources Commission.

RECEIPT-SUPPORTED COST-OF-LIVING ADJUSTMENT RESERVE

SECTION 39.2. State Agencies are authorized to use the funding allotted to them from the Receipt-Supported Cost-of-Living Adjustment Reserve to fundshift a limited number of receipt-supported positions in the General Fund to net appropriation funding.

ADDITIONAL VACATION DAYS FOR STATE EMPLOYEES

SECTION 39.3. The Commission shall increase number of annual vacation leave credits provided to employees subject to the State Human Resources Act who are full-time or over half-time and have a permanent, trainee, time-limited or probationary appointment and who are in pay status for one-half of the regularly scheduled workdays and holidays in a pay period shall be increased to the following amounts:

1	Years of Total Service	Days Granted Each Year
2	Less than 1 year	15
3	1 but less than 5 years	17
4	5 but less than 10 years	20
5	10 but less than 15 years	22
6	15 but less than 20 years	24
7	20 or more years	26

RETENTION PAY FOR STATE EMPLOYEES

SECTION 39.4.(a) All references to "longevity" pay in Chapter 126 of the General Statute shall be replaced with "retention" pay.

SECTION 39.4.(b) The amount of retention pay provided to employees who are full-time or over half-time and have a permanent, time-limited or probationary appointment and who are in pay status for one-half of the regularly scheduled workdays and holidays in a pay period shall be increased to the following amounts:

16	Years of Total Service	Retention Pay Percentage
17	2 but less than 5 years	1.0%
18	5 but less than 10 years	1.5%
19	10 but less than 15 years	2.0%
20	15 but less than 20 years	2.5%
21	20 but less than 25 years	3.5%
22	25 or more years	4.5%

ENHANCED LABOR MARKET ADJUSTMENT RESERVE

SECTION 39.5.(a) Of the Enhanced Labor Market Adjustment Salary Reserve funds appropriated in this Act, agencies shall award salary adjustments to identified employees pursuant to the following requirements:

- (1) Any increase provided to an employee shall not exceed the greater of fifteen thousand dollars (\$15,000) or fifteen percent (15%) of their current base salary.
- (2) Any increase provided to an employee may not result in the employee's salary exceeding the maximum salary of the salary range associated with the position.
- (3) No more than fifty percent (50%) of the agency's permanent employees may receive a salary increase from the funds appropriated for this purpose.
- (4) Funds may not be awarded to employees in positions with salaries set in law or paid based on an experience-based salary schedule that is eligible to receive funding from the Pay Plan Reserve.

SECTION 39.5.(b) Notwithstanding G.S. 143C-6-6(b), agencies may use Enhanced Labor Market Adjustment Reserve funds to award salary adjustments to any General Fund employee regardless of the proportionate part of the employee's current salary supported by net appropriation or receipts.

SECTION 39.5.(c) Funds may not be awarded to employees in positions with salaries set in law or paid on an experience-based salary schedule that is eligible to receive funding from the Pay Plan Reserve.

SECTION 39.5.(d) The Office of State Human Resources (OSHR) shall compile a single report detailing how these funds were distributed by each agency. The OSHR shall develop a uniform reporting mechanism for agencies that displays the salary increases made for each position classification, the average increase provided to employees in each position classification, and the market-based justification for the awarded salary increases. Agencies receiving Labor Market Adjustment Salary Reserve appropriations shall report to the OSHR by January 30, 2024.

By February 30, 2024, the OSHR shall submit the report containing the agency responses to the Fiscal Research Division.

RETENTION BONUS AWARDED FOR FISCAL YEAR

SECTION 39.6.(a) Any person (i) whose salary is set by this act in Part 7A or this Part, pursuant to the North Carolina Human Resources Act, or as otherwise authorized in this act and (ii) who is continuously employed by the State or a public school unit from July 1, 2023 to October 31, 2023 shall be awarded a retention bonus for the 2023-24 fiscal year in the amount of five hundred dollars (\$500.00), payable during the month of November 2023. For otherwise eligible local education employees, eligibility for the bonus shall be measured beginning not on July 1, 2023, but on the first day when staff report for the 2023-2024 school year.

SECTION 39.6.(b) Any person (i) whose salary is set by this act in Part 7A or this Part, pursuant to the North Carolina Human Resources Act, or as otherwise authorized in this act and (ii) who is continuously employed by the State or a public school unit from November 1, 2023, to March 31, 2024, shall be awarded an additional retention bonus for the 2023-24 fiscal year in the amount of five hundred dollars (\$500.00), payable during the month of April 2024.

SECTION 39.6.(c) Employers of State employees and local education employees shall provide an additional retention bonus of two hundred and fifty dollars (\$250.00), payable during the month of November 2023, to all permanent full-time State employees and local education employees who are continuously employed by the State or a public school unit from July 1, 2023, to October 31, 2023, and who earns an annual salary that does not exceed seventy-five thousand dollars (\$75,000).

SECTION 39.6.(d) Employers of State employees and local education employees shall provide an additional retention bonus of two hundred and fifty dollars (\$250.00), payable during the month of April 2024, to all permanent full-time State employees and local education employees who are employed by the State or a public school unit from November 1, 2023, to March 31, 2024, and who earn an annual salary that does not exceed seventy-five thousand dollars (\$75,000).

SECTION 39.6.(e) Notwithstanding Subsection (d) of Section 39.24, any funds appropriated for retention bonuses in excess of the amounts required to implement the bonuses shall revert and not be credited to the Pay Plan Reserve.

SECTION 39.6.(f) Notwithstanding G.S. 135-1(7a), the compensation bonuses 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 39.6.(g) The compensation bonuses awarded by this section are 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.

GOVERNOR AND COUNCIL OF STATE

SECTION 39.7.(a) The salary of the Governor, as provided by G.S. 147-11(a), shall remain unchanged.

SECTION 39.7.(b) The annual salaries for members of the Council of State, payable monthly, for the 2023-25 fiscal biennium are as follows:

<u>Council of State</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>
Lieutenant Governor	\$153,742	\$158,354
Attorney General	153,742	158,354
Secretary of State	153,742	158,354
State Treasurer	153,742	158,354

1	State Auditor	153,742	158,354
2	Superintendent of Public Instruction	153,742	158,354
3	Agriculture Commissioner	153,742	158,354
4	Insurance Commissioner	153,742	158,354
5	Labor Commissioner	153,742	158,354

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 39.8.(a) The annual salaries, payable monthly, for the following executive branch officials for the 2023-25 fiscal biennium are as follows:

<u>Executive Branch Officials</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>
Chairman, Alcoholic Beverage Control Commission	\$138,057	\$142,199
State Controller	192,238	198,005
Commissioner of Banks	154,947	159,595
Chair, Board of Review, Division of Employment Security	151,986	156,546
Members, Board of Review, Division of Employment Security	150,129	154,633
Chairman, Parole Commission	151,986	156,546
Full-Time Members of the Parole Commission	140,527	144,743
Chairman, Utilities Commission	172,287	177,456
Members of the Utilities Commission	154,947	159,595
Executive Director, North Carolina Agricultural Finance Authority	134,446	138,479

JUDICIAL BRANCH

SECTION 39.9.(a) The annual salaries, payable monthly, for the following judicial branch officials for the 2023-25 fiscal biennium are as follows:

<u>Judicial Branch Officials</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>
Chief Justice, Supreme Court	\$180,892	\$186,319
Associate Justice, Supreme Court	176,197	181,483
Chief Judge, Court of Appeals	173,411	178,613
Judge, Court of Appeals	168,909	173,976
Judge, Senior Regular Resident Superior Court	164,351	169,282
Judge, Superior Court	159,797	164,591
Chief Judge, District Court	145,221	149,578
Judge, District Court	140,665	144,885
Chief Administrative Law Judge	141,871	146,127
District Attorney	154,499	159,134
Assistant Administrative Officer of the Courts	148,810	153,274
Public Defender	154,531	159,167
Director of Indigent Defense Services	159,268	164,046

SECTION 39.9.(b) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district, for the 2023-24 fiscal year, do not exceed ninety-two thousand eight hundred ninety-one dollars (\$92,891) and the minimum salary of any assistant

district attorney or assistant public defender is at least forty-nine thousand eight hundred fifty-six dollars (\$49,856), effective July 1, 2023.

SECTION 39.9.(c) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district, for the 2024-25 fiscal year, do not exceed ninety-five thousand six hundred seventy-eight dollars (\$95,678) and the minimum salary of any assistant district attorney or assistant public defender is at least fifty-one thousand three hundred fifty-two dollars (\$51,352), effective July 1, 2024.

CLERKS OF SUPERIOR COURT

SECTION 39.10.(a) Effective July 1, 2023, G.S. 7A-101(a) reads as rewritten:

"(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the number of State-funded assistant and deputy clerks of court as determined by the Administrative Office of Court's workload formula, according to the following schedule:

Assistants and Deputies	Annual Salary
0-19	\$104,300 <u>\$109,515</u>
20-29	115,280 <u>121,044</u>
30-49	126,259 <u>132,572</u>
50-99	137,238 <u>144,100</u>
100+	139,983 <u>146,982.</u> "

SECTION 39.10.(b) Effective July 1, 2024, G.S. 7A-101(a), as amended by subsection (a) of this section, reads as rewritten:

"(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the number of State-funded assistant and deputy clerks of court as determined by the Administrative Office of Court's workload formula, according to the following schedule:

<u>Assistants and Deputies</u>	<u>Annual Salary</u>
0-19	\$109,515 <u>\$112,800</u>
20-29	121,044 <u>124,675</u>
30-49	132,572 <u>136,549</u>
50-99	144,100 <u>148,423</u>
100+	146,982 <u>151,391.</u> "

ASSISTANT AND DEPUTY CLERKS OF SUPERIOR COURT

SECTION 39.11.(a) Effective July 1, 2023, G.S. 7A-102(c1) reads as rewritten:

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

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$37,254 <u>\$39,676</u>
Maximum	68,828 <u>73,302</u>
Deputy Clerks	Annual Salary
Minimum	\$33,419 <u>\$35,591</u>
Maximum	54,056 <u>57,570.</u> "

SECTION 39.11.(b) Effective July 1, 2024, G.S. 7A-102(c1), as amended by subsection (a) of this section, reads as rewritten:

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

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$39,676 <u>\$40,866</u>
Maximum	73,302 <u>75,501</u>

Deputy Clerks	Annual Salary
Minimum	\$35,591 <u>\$36,659</u>
Maximum	57,570 <u>59,297.</u> "

MAGISTRATES

SECTION 39.12.(a) Effective July 1, 2023, G.S. 7A-171.1 reads as rewritten:

"§ 7A-171.1. Duty hours, salary, and travel expenses within county.

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

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

Table of Salaries of Full-Time Magistrates

<u>Step Level</u>	<u>Annual Salary</u>
Entry Rate	\$43,462 <u>\$46,287</u>
Step 1	46,670 <u>49,704</u>
Step 2	50,131 <u>53,390</u>
Step 3	53,795 <u>57,292</u>
Step 4	58,186 <u>61,968</u>
Step 5	63,473 <u>67,599</u>
Step 6	69,401 <u>73,912.</u> "

SECTION 39.12.(b) Effective July 1, 2024, G.S. 7A-171.1, as amended by subsection (a) of this section, reads as rewritten:

"§ 7A-171.1. Duty hours, salary, and travel expenses within county.

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

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

Table of Salaries of Full-Time Magistrates

<u>Step Level</u>	<u>Annual Salary</u>
Entry Rate	\$46,287 \$47,676
Step 1	49,704 51,195
Step 2	53,390 54,992
Step 3	57,292 59,011
Step 4	61,968 63,827
Step 5	67,599 69,627
Step 6	73,912 76,129."

LEGISLATIVE EMPLOYEES

SECTION 39.13.(a) Effective July 1, 2023, the annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2019, shall be legislatively increased by five percent (5%).

SECTION 39.13.(b) Effective July 1, 2024, the annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2020, shall be legislatively increased by three percent (3%).

SECTION 39.13.(c) Nothing in this act limits any of the provisions of G.S. 120-32.

GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 39.14.(a) Effective July 1, 2023, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~one hundred twenty-five thousand thirty-four dollars (\$125,034)~~, one hundred thirty-three thousand one hundred sixty-one dollars (\$133,161), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SECTION 39.14.(b) Effective July 1, 2024, G.S. 120-37(c), as amended by subsection (a) of this section, reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~one hundred thirty-three thousand one hundred sixty-one dollars (\$133,161)~~, thirty-six thousand nine hundred twelve dollars (\$137,156), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SERGEANTS-AT-ARMS AND READING CLERKS

SECTION 39.15.(a) Effective July 1, 2023, G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~four hundred ninety-three dollars (\$493)~~ five hundred twenty-five dollars (\$525.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage

at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

SECTION 39.15.(b) Effective July 1, 2024, G.S. 120-37(b), as amended by subsection (a) of this section, reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~five hundred twenty five dollars (\$525.00)~~ five hundred forty dollars (\$541.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

COMMUNITY COLLEGES

SECTION 39.16.(a) Community college personnel shall receive the following cost-of-living adjustments:

- (1) Effective July 1, 2023, the State Board of Community Colleges shall provide community college faculty and non-faculty personnel with an across-the-board salary increase in the amount of five percent (5%).
- (2) Effective July 1, 2024, the State Board of Community Colleges shall provide community college faculty and non-faculty personnel with an across-the-board salary increase in the amount of three percent (3%).

SECTION 39.16.(b) The minimum salaries for nine-month, fulltime curriculum community college faculty for the 2023-25 fiscal biennium are as follows:

<u>Education Level</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>
Vocational Diploma/Certificate or Less	\$42,267	\$43,535
Associate Degree or Equivalent	42,855	44,141
Bachelor's Degree	45,404	46,766
Master's Degree or Education Specialist	47,667	49,097
Doctoral Degree	50,928	52,456

SECTION 39.16.(c) No full-time faculty member shall earn less than the minimum salary for his or her education level. The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members.

UNIVERSITY OF NORTH CAROLINA SYSTEM

SECTION 39.17.(a) Effective for the 2023-25 fiscal biennium, the annual salaries of University of North Carolina SHRA employees shall be increased as provided by Section 39.1 of this act.

SECTION 39.17.(b) For the 2023-25 fiscal biennium, the Board of Governors of The University of North Carolina may provide EHRA employees a salary increase pursuant to the policies adopted by the Board. Funds for EHRA compensation increases may be used for any one or more of the following purposes: (i) merit pay, (ii) across the board increases, (iii) recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to those policies.

SECTION 39.17.(c) The Board of Governors of The University of North Carolina shall make a report on the use of compensation increase and bonus funds to the General Assembly by no later than March 1 of each year of the biennium.

CORRECTIONAL OFFICER SALARY SCHEDULE

SECTION 39.18.(a) The following annual salary schedule applies under subsection (a) of this section for the 2023-25 fiscal biennium, effective for each year on July 1, 2023, and July 1, 2024, respectively:

Experience	FY 2023-24			FY 2024-25		
	COI	COII	COIII	COI	COII	COIII
0	\$36,871	\$38,084	\$40,731	\$37,977	\$39,227	\$41,953
1	\$39,452	\$40,750	\$43,582	\$40,636	\$41,973	\$44,889
2	\$41,819	\$43,238	\$46,198	\$43,074	\$44,535	\$47,584
3	\$43,910	\$45,355	\$48,508	\$45,227	\$46,716	\$49,963
4	\$45,666	\$47,169	\$50,448	\$47,036	\$48,584	\$51,961
5	\$47,037	\$48,583	\$51,961	\$48,448	\$50,040	\$53,520
6+	\$47,977	\$49,556	\$53,001	\$49,416	\$51,043	\$54,591

STATE LAW ENFORCEMENT OFFICER SALARY SCHEDULE

SECTION 39.19.(a) Law enforcement officers of the State Highway Patrol, Alcohol Law Enforcement, and the State Bureau of Investigation compensated pursuant to an experience-based salary schedule shall be compensated based on the officer's respective work experience pursuant to the salary schedule in subsection (b) of this section.

SECTION 39.19.(b) The following annual salary schedule applies under subsection (a) of this section for the 2023-25 fiscal biennium, effective July 1, 2023, and July 1, 2024, for each respective fiscal year:

Years of Experience	FY 2023-24	FY 2024-25
0	52,735	54,317
1	56,163	57,848
2	59,814	61,608
3	63,702	65,613
4	67,843	69,878
5	72,253	74,421
6+	76,949	79,257

PROBATION AND PAROLE OFFICER SALARY SCHEDULE

SECTION 39.20.(a) Probation and parole officers shall be compensated pursuant to the experience-based salary schedule based on the officer's respective work experience, as established in subsection (b) of this section.

SECTION 39.20.(b) The following annual salary schedule applies under subsection (a) of this section for the 2023-25 fiscal biennium, effective July 1, 2023, and July 1, 2024, for each respective fiscal year:

Years of Experience	FY 2023-24	FY 2024-25
0	44,517	45,853
1	47,411	48,833
2	50,493	52,008
3	53,775	55,388
4	57,270	58,988
5	60,993	62,823
6+	64,958	66,907

STATE AGENCY TEACHERS

SECTION 39.21.(a) Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, and the State Board of Education who are paid on the Teacher Salary Schedule shall be paid as authorized by Section 8.1 of this act.

SECTION 39.21.(b) Employees of the School of Science and Mathematics of The University of North Carolina who are paid pursuant to a salary schedule adopted by the North Carolina School of Science and Math Board of Trustees shall be paid in accordance with the schedule adopted by the Board.

ALL STATE-SUPPORTED PERSONNEL/FLEXIBLE ADMINISTRATION OF COST-OF-LIVING ADJUSTMENTS

SECTION 39.22.(a) The cost-of-living adjustments authorized by this act:

- (1) For the 2023-2024 fiscal year, shall be paid effective on July 1, 2023, and do not apply to persons separated from service due to resignation, dismissal, reduction in force, death, or retirement or whose last workday is prior to June 30, 2023.
- (2) For the 2024-25 fiscal year, shall be paid effective on July 1, 2024, and do not apply to persons separated from service due to resignation, dismissal, reduction in force, death, or retirement or whose last workday is prior to June 30, 2024.

SECTION 39.22.(b) The Director of the Budget is granted flexibility to administer the compensation increases enacted by this act.

SECTION 39.22.(c) The State employer contribution rates enacted by this act for retirement and related benefits may be deemed by the Director of the Budget for administrative purposes to become effective after July 1 of the applicable fiscal year to provide flexibility in the collection and reconciliation of salary-related contributions as required by law, provided the estimated amount contributed to any affected employee benefit trust equals the amount that would have been contributed to the employee benefit trust if the enacted employer contribution rates had been effective on July 1 of the applicable fiscal year.

SECTION 39.22.(d) This section 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.

MOST STATE EMPLOYEES

SECTION 39.23.(a) Unless otherwise expressly provided by this part, the annual salaries in effect for the following persons on June 30, 2023, and June 30, 2024 shall be legislatively increased as provided by Section 39.1 of this act:

- (1) Permanent, full-time State officials and persons whose salaries are set in accordance with the State Human Resources Act.
- (2) Permanent, full-time State officials and persons in positions exempt from the State Human Resources Act.
- (3) Permanent, part-time State employees.
- (4) Temporary and permanent hourly State employees.

USE OF FUNDS APPROPRIATED FOR COST-OF-LIVING ADJUSTMENT/BENEFIT INCREASES

SECTION 39.24.(a) The Office of State Budget and Management shall ensure that the appropriations made in this act for cost-of-living adjustments and employee benefits are used only for these purposes

SECTION 39.24.(b) If the Director of the Budget determines that funds appropriated to a State agency for mandated salary increases and employee benefits exceed the amount

required by that agency for those purposes, the Director may reallocate those funds to other State agencies that received insufficient funds for required cost-of-living and benefit increases.

SECTION 39.24.(c) Funds appropriated for cost-of-living adjustments and employee benefit increases may not be used to adjust the budgeted salaries of vacant positions, or to provide salary increases in excess of those required by the General Assembly except to increase the budgeted salary of any position to the minimum of the position's salary range and to meet retention pay needs.

SECTION 39.24.(d) Any funds appropriated for cost-of-living adjustment and employee benefit increases in excess of the amounts required to implement the increases pursuant to subsection (c) of this section shall be credited to the Pay Plan Reserve.

SECTION 39.24.(e) No later than March 1 of each year of the biennium, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations on the expenditure of funds for legislatively mandated salary increases and employee benefits. This report shall include at least the following information for each State agency:

- (1) The total amount of funds that the agency received for legislatively mandated salary increases 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 and employee benefits.
- (4) The amount of funds used pursuant to subsection (c) of this section.

MITIGATE BONUS LEAVE

SECTION 39.25. During the 2023-25 fiscal biennium, 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 S.L. 2002-126, Section 30.12B(a) of S.L. 2003-284, 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) By September 1, 2024 and September 1, 2025, a report on the demographic information shall be submitted to the respective agency head or employing agency and to the Fiscal Research Division.

SALARY-RELATED CONTRIBUTIONS

SECTION 39.26.(a) Effective July 1, 2023, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2023-24 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

	Teachers and State Employees	State LEOs	ORPs	CJRS	LRS
Retirement	17.26%	17.26%	6.84%	37.26%	22.05%
Disability	0.11%	0.11%	0.11%	0.00%	0.00%
Death	0.13%	0.13%	0.00%	0.00%	0.00%

1	Retiree Health	7.12%	7.12%	7.12%	7.12%	7.12%
2	NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%

Total Contribution

Rate	24.62%	29.62%	14.07%	44.38%	29.17%
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The rate for teachers and State employees and State law enforcement officers includes one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

SECTION 39.26.(b) Effective July 1, 2024, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2024-25 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

	Teachers and State Employees	State LEOs	ORPs	CJRS	LRS
Retirement	17.61%	17.61%	6.84%	37.26%	22.05%
Disability	0.11%	0.11%	0.11%	0.00%	0.00%
Death	0.13%	0.13%	0.00%	0.00%	0.00%
Retiree Health	7.30%	7.30%	7.30%	7.30%	7.30%
NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%

Total Contribution

Rate	24.51%	29.51%	14.25%	44.56%	29.35%
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The rate for teachers and State employees and State law enforcement officers includes one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

SECTION 39.26.(c) Effective July 1, 2023, the maximum annual employer contributions, payable monthly, by the State to the North Carolina State Health Plan for Teachers and State Employees for each covered employee and the average covered retiree are as follows:

(1) For employees, seven thousand six hundred nineteen dollars (\$7,619)

(2) For retirees, five thousand four hundred ninety-eight dollars (\$5,498). In applying this subdivision, the annual employer contribution for the average retiree shall be calculated assuming the retiree enrollment counts remain at the April 2023 level throughout the 2023-2024 fiscal year.

SECTION 39.26.(d) Effective July 1, 2024, the maximum annual employer contributions, payable monthly, by the State to the North Carolina State Health Plan for Teachers and State Employees for each covered employee and the average covered retiree are as follows:

(1) For employees, eight thousand one hundred fifty-three dollars (\$8,153).

(2) For retirees, five thousand six hundred forty-one dollars (\$5,641). In applying this subdivision, the annual employer contribution for the average retiree shall be calculated assuming the retiree enrollment counts remain at the April 2024 level throughout the 2024-25 fiscal year.

COMPENSATION EQUITY FOR STATEWIDE PUBLIC DEFENDERS

SECTION 39.27. G.S. 135-53(14a) reads as rewritten:

"(14a) "Public defender" means a public defender provided for in G.S. 7A-498.7, the appellate defender provided for in G.S. 7A-498.8, the capital defender, ~~and~~ the juvenile defender, the parent defender, and chief special counsel."

RETIREE CONTRIBUTORY DEATH BENEFIT PLAN

SECTION 39.28. G.S. 147-69.2(b)(8) reads as rewritten:

"(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, the North Carolina Teachers' and State Employees' Benefit Trust, and the Retiree Health Benefit Fund (hereinafter referred to collectively as the Retirement Systems), 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 the exchange or market and issued by any company incorporated or otherwise created or located within or outside the United States as long as the investments meet the conditions of this subdivision. The investments authorized for the Retirement Systems under this subdivision are subject to the following limitations:
...."

PROVIDE COST-OF-LIVING ADJUSTMENT FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM

SECTION 39.29.(a) G.S. 135-5 is amended by adding the following new subsections to read:

"(zzz) From and after July 1, 2023, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2022, shall be increased by two percent (2%) of the allowance payable on June 1, 2023, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2023, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2022, but before June 30, 2023, shall be increased by a prorated amount of one percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2022, and June 30, 2023.

(aaaa) After September 1, 2023, but on or before October 31, 2023, a onetime cost of living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2023, and whose retirement commenced on or before September 1, 2023. The payment shall be two percent (2%) of the beneficiary's annual retirement allowance payable as of September 1, 2023, 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.

(bbbb) After September 1, 2024, but on or before October 31, 2024, a one-time cost -of -living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2024, and whose retirement commenced on or before September 1, 2024. The payment shall be one percent (1%) of the beneficiary's annual retirement allowance payable as of September 1, 2024, 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 39.29.(b) G.S. 135-65 is amended by adding the following new subsections to read:

"(kk) From and after July 1, 2023, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2022, shall be increased by two percent (2%) of the allowance payable on June 1, 2023, in accordance with G.S. 135-5(o). Furthermore, from

and after July 1, 2023, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2022, but before June 30, 2023, shall be increased by a prorated amount of one percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2022, and June 30, 2023.

(ll) After September 1, 2023, but on or before October 31, 2023, a onetime cost of living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2023, and whose retirement commenced on or before September 1, 2023. The payment shall be two percent (2%) of the beneficiary's annual retirement allowance payable as of September 1, 2023, 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.

(mm) After September 1, 2024, but on or before October 31, 2024, a onetime cost of living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2024, and whose retirement commenced on or before September 1, 2024. The payment shall be one percent (1%) of the beneficiary's annual retirement allowance payable as of September 1, 2024, 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 39.29.(c) G.S. 120-4.22A is amended by adding the following new subsections to read:

"(ee) In accordance with subsection (a) of this section, from and after July 1, 2023, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 2023, shall be increased by two percent (2%) of the allowance payable on June 1, 2023. Furthermore, from and after July 1, 2023, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 2023, but before June 30, 2023, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 2023, and June 30, 2023.

(ff) In accordance with subsection (a) of this section, after September 1, 2023, but on or before October 31, 2023, a onetime cost of living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2023, and whose retirement commenced on or before September 1, 2023. The payment shall be two percent (2%) of the beneficiary's annual retirement allowance payable as of September 1, 2023, 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.

(gg) In accordance with subsection (a) of this section, after September 1, 2024, but on or before October 31, 2024, a onetime cost of living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2024, and whose retirement commenced on or before September 1, 2024. The payment shall be one percent (1%) of the beneficiary's annual retirement allowance payable as of September 1, 2024, 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."

PART XL. CAPITAL

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 40.1. The appropriations made by the 2023 General Assembly for capital improvements are for constructing, repairing, or renovating State buildings, utilities, and other capital facilities, for acquiring sites for them where necessary, and for acquiring buildings and land for State government purposes.

CAPITAL APPROPRIATIONS / STATE CAPITAL AND INFRASTRUCTURE FUND

SECTION 40.2.(a) This subsection authorizes the capital projects listed in the Committee Report, and appropriates funding from the State Capital and Infrastructure Fund to the Office of State Budget and Management for the 2023-25 fiscal biennium based upon projected cash flow needs for the authorized projects. The amounts authorized in this subsection represent the maximum amounts of funding from the State Capital and Infrastructure Fund that may be expended on each project. An additional action by the General Assembly is required to increase the maximum authorization for any of the projects listed.

SECTION 40.2.(b) The funds in the State Capital and Infrastructure Fund allocated in the Committee Report for Community College Capital Allocations (but not High-Demand Workforce Capital Funds) should be distributed for the purposes and according to the schedule set out in S.L. 2021-180, Section 40.1.(e).

EXPENDITURE OF FUNDS ONLY AFTER ALLOTMENTS APPROVED

SECTION 40.3.(a) The appropriations made by the 2023 General Assembly for capital improvements shall be disbursed for the purposes provided by this act. Expenditure of funds shall not be made by any State department, institution, or agency until an allotment has been approved by the Governor as Director of the Budget. The allotment shall be approved only after full compliance with the State Budget Act, Chapter 143C of the General Statutes. Prior to the award of construction contracts for projects to be financed in whole or in part with self-liquidating appropriations, the Director of the Budget shall approve the elements of the method of financing of those projects, including the source of funds, interest rate, and liquidation period. Provided, however, that if the Director of the Budget approves the method of financing a project, the Director shall report that action to the Joint Legislative Commission on Governmental Operations at its next meeting.

SECTION 40.3.(b) Where direct capital improvement appropriations include the purpose of furnishing fixed and movable equipment for any project, those funds for equipment shall not be subject to transfer into construction accounts except as authorized by the Director of the Budget. The expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and approved by the Director of the Budget prior to commitment of funds.

SECTION 40.3.(c) Capital improvement projects authorized by the 2023 General Assembly shall be completed, including fixed and movable equipment and furnishings, within the limits of the amounts of the direct or self-liquidating appropriations provided, except as otherwise provided in this act. Capital improvement projects authorized by the 2023 General Assembly for the design phase only shall be designed within the scope of the project as defined by the approved cost estimate filed with the Director of the Budget, including costs associated with site preparation, demolition, and movable and fixed equipment.

COMBINE OSBM FLEX FUNDS / CAPITAL PROJECT INFLATION RESERVE INTO SINGLE CAPITAL PROJECTS INFLATION ADJUSTMENTS FUND

SECTION 40.4.(a) A new Capital Projects Inflation Adjustments Fund (CPIAF) is established in the State Capital and Infrastructure Fund. There is transferred into the CPIAF the two hundred and fifty million dollars (\$250,000,000) in the Capital Project Inflation Reserve authorized but not appropriated in S.L. 2022-74, Section 40.7.

SECTION 40.4.(b) There is appropriated from the State Capital and Infrastructure Fund to the CPIAF fifty million dollars (\$50,000,000) in FY 2023-24 and twenty-five million

dollars (\$25,000,000), as anticipated in S.L. 2021-180, Section 40.2. These funds are allocated to the Office of State Budget and Management to supplement funds allocated to other state agency projects up to ten per cent (10%) of the authorized amount for those projects.

SECTION 40.4.(c) Of the funding transferred to the CPIAF in Section 40.4.(a), fifty-nine million four hundred ninety thousand (\$59,490,000) is appropriated for the 2023-25 biennium to fund inflation adjustments for projects funded in the 2021-23 biennium as follows:

Name of Project	2023-2024	2024-2025
(1) Appalachian State University – Wey Hall	\$2,000,000	\$2,000,000
(2) Appalachian State University – Duncan Hall	\$3,000,000	\$3,000,000
(3) UNC Chapel Hill – Nursing School	\$8,550,000	\$10,450,000
(4) UNC Greensboro – Jackson Library	\$1,710,000	\$5,985,000
(5) UNC Greensboro – Campus Chilled Water projects	–	\$3,403,000
(6) Community Colleges – Various Projects	\$5,000,000	\$5,000,000
(7) DACS – Region 1 Headquarters	–	\$3,350,000
(9) DACS – Tidewater Swine Research	–	\$3,400,000
(9) DPS – SHP TSU Building	–	\$519,000
(10) NCCAT – Professional Development Center Renovation	\$2,123,000	–
TOTAL	\$22,383,000	\$37,107,000

SECTION 40.4.(d) The remaining one hundred ninety million five hundred ten thousand dollars (\$190,510,000) in the CPIAF is appropriated to the Office of State Budget and Management, to be used as follows:

- 1) No more than fifty million dollars (\$50,000,000) may be allocated in 2023-24 to both state agency and UNC system projects authorized in S.L. 2021-180 and S.L. 2022-74, to address cost increases resulting from inflationary pressures, and where all reasonable efforts have been made to address those costs through redesign measures, from the reallocation of other resources, or from receipts. No more than twenty million dollars (\$20,000,000) may be allocated to a single project or to any one agency or UNC campus.
- 2) No more than fifty million dollars (\$50,000,000) may be allocated in 2024-25 to both state agency and UNC system projects authorized in S.L. 2021-180 and S.L. 2022-74, to address cost increases resulting from inflationary pressures, and where all reasonable efforts have been made to address those costs through redesign measures, from the reallocation of other resources, or from receipts. No more than twenty million dollars (\$20,000,000) may be allocated to a single project or to any one agency or UNC campus.
- 3) The remaining one hundred million, five hundred ten thousand dollars (\$100,510,000) is reserved for the 2025-27 biennium, and may only be allocated in future legislation.

SECTION 40.4.(e) The Office of State Budget and Management shall report to the Joint Legislative Oversight Committee on Capital Improvements of the General Assembly every six months, starting on January 31, 2024, setting out the amount of funding allocated under Section 40.4.(d), the criteria under which projects funded were selected, and a list of the projects funded and amounts allocated.

SIX YEAR INTENDED PROJECT ALLOCATION SCHEDULE

SECTION 40.5.(a) The following agency capital improvement projects have been assigned a project code for reference to intended project support by the General Assembly for future fiscal years:

Agency Capital Improvement Project	Project Code
Department of Agriculture and Consumer Services Improvements to the Raleigh State Farmer's Market	DACS23-1
Department of Environmental Quality Reedy Creek Addition	DEQ23-1
Department of Administration New Administration Office Building DOA Services Campus	DOA22-1 DOA23-1
Water Resources Commission Setzer Hatchery Revision	WRC23-1
Department of Public Safety Samarcand Training Academy for Safer Schools State Highway Patrol Cadet Dormitory I Emergency Management Badin Warehouse Expansion SBI Logistics Building Phase I New 48-Bed Youth Detention Center State Highway Patrol TSP Building Supplemental (CPIAF-funded)	DPS23-1 DPS23-2 DPS23-3 DPS23-4 DPS23-5 DPS23-6
Department of Natural and Cultural Resources NC Museum of History Renovations and Expansion NC Zoo – New Aviary Exhibit Building State Historic Sites – Three New Visitor Centers NC Aquariums – Gallants Channel Animal Rescue Facility Charlotte Hawkins Brown – Galen, Stone, Eliot and Reynolds Halls Reno	DNCR23-1 DNCR23-2 DNCR23-3 DNCR23-4 DNCR23-5
Department of Adult Correction Stun Fencing Facilities Management Office Renovation Arledge Building Modifications and Shop Building Storage Buildings	DAC23-1 DAC23-2 DAC23-3 DAC23-4
General Assembly Education Campus Project	NCGA21-3
Office of State Budget and Management Capital Project Inflation Adjustment Fund	CPIAF
The University of North Carolina Appalachian State University Hickory Campus East Carolina University	UNC/ASU22-1

1	Leo Jenkins Building Comprehensive Renovation	UNC/ECU23-1
2		
3	Elizabeth City State University	
4	Infrastructure Repairs Phase III	UNC/ECSU23-1
5		
6	NC A&T State University	
7	Health and Human Sciences Building	UNC/A&T23-1
8		
9	NC State University	
10	Mann Hall Renovation Phase II	UNC/NCS23-1
11	Polk Hall Renovation Phase II	UNC/NCS23-2
12		
13	UNC Chapel Hill	
14	School of Law	UNC/CH23-1
15	Gardner Hall – Comprehensive Renovation	UNC/CH23-2
16		
17	UNC Charlotte	
18	Colvard Hall Comprehensive Renovation	UNC/CHA23-1
19		
20	UNC Greensboro	
21	Moore Building Renovation	UNC/GRE23-1
22		
23	UNC School of the Arts	
24	Stevens Center Renovation Phase II	UNC/SA23-1
25		
26	UNC Wilmington	
27	Cameron Hall Comprehensive Renovation / Expansion	UNC/WIL23-1
28		
29	Western Carolina University	
30	Replacement Engineering Building	UNC/WCU23-1
31		
32	Community Colleges, R&R, Leases, and Capital Personnel	
33	Community College Capital Allocations	CC21
34	UNC System Office Lease Funds	UNC/BOG21-1
35	UNC System Repairs and Renovations	UNC/R&R21
36	State Agency Repairs and Renovations	R&R21
37	Capital Personnel, Including State Construction	PERS23
38		

SECTION 40.5.(b) It is the intent of the General Assembly to fund capital improvement projects on a cash flow basis and to plan for future project funding based upon projected availability in the State Capital and Infrastructure Fund. Nothing in this section shall be construed (i) to appropriate funds or (ii) as an obligation by the General Assembly to appropriate funds for the projects listed in future years. The following schedule lists capital improvement projects that began before or will begin during the 2023-25 biennium but will only be completed in fiscal years outside of the 2023-25 fiscal biennium, and estimated amounts (in thousands of dollars) needed for completion of those projects:

Project Code	FY23-24	FY2425	FY25-26	FY26-27	FY27-28	FY28-29
UNC/R&R21	200,000	200,000	200,000	200,000	200,000	200,000
R&R21	200,000	200,000	200,000	200,000	200,000	200,000
PERS23	3,000	3,000	3,000	3,000	3,000	3,000

1	CPIAF	100,000	75,000	50,510	50,000	—	—
2	DACS23 1	3,000	2,000	4,000	4,000	—	—
3	DEQ23 1	10,958	15,000	25,000	17,693	—	—
4	DOA22-1	—	—	80,000	52,000	—	—
5	DOA23-1	—	1,500	20,244	12,000	—	—
6	WRC23-1	8,000	6,000	6,000	—	—	—
7	DPS23 1	15,000	15,000	7,008	—	—	—
8	DPS23 2	3,706	11,070	11,070	—	—	—
9	DPS23 3	1,000	2,025	2,024	—	—	—
10	DPS23 4	2,029	5,928	5,927	—	—	—
11	DPS23 5	600	10,000	29,850	—	—	—
12	DPS23 6	—	519	3,227	—	—	—
13	DNCR23-1	25,000	—	25,000	25,000	25,000	—
14	DNCR23-2	3,000	3,000	30,000	24,000	—	—
15	DNCR23-3	2,000	7,722	7,000	—	—	—
16	DNCR23-4	—	1,000	6,500	—	—	—
17	DNCR23-5	—	3,000	8,500	8,000	—	—
18	DAC23-1	4,777	9,608	9,608	—	—	—
19	DAC23-2	1,331	3,411	3,411	—	—	—
20	DAC23-3	—	1,032	6,428	—	—	—
21	DAC23-4	—	449	2,439	600	—	—
22	NCGA21 3	38,000	101,000	40,000	—	—	—
23	UNC/ASU22-1	—	4,100	12,300	14,350	10,250	—
24	UNC/ECU23 1	—	1,890	—	5,670	11,340	—
25	UNC/ECSU23 1	—	2,000	8,000	10,000	—	—
26	UNC/A&T23 1	—	2,000	18,825	18,825	37,650	48,200
27	UNC/NCS23 1	6,000	6,000	18,000	—	—	—
28	UNC/NCS23 2	—	6,300	9,000	9,900	22,050	15,750
29	UNC/CH23 1	8,300	15,750	17,450	24,500	17,000	—
30	UNC/CH23 2	—	2,500	12,000	10,500	—	—
31	UNC/CHA23 1	—	4,500	15,750	15,000	9,750	—
32	UNC/GRE23 1	—	2,420	—	8,470	13,310	—
33	UNC/SA23 1	8,600	12,750	29,650	—	—	—
34	UNC/WIL23 1	10,263	10,000	9,770	10,018	—	—
35	UNC/WCU23 1	11,530	—	33,355	50,415	—	—
36	UNC/BOG21 1	3,750	3,750	3,750	—	—	—
37	CC21	100,000	100,000	100,000	100,000	100,000	100,000

WATER RESOURCES DEVELOPMENT PROJECTS

SECTION 40.6. The Department of Environmental Quality shall allocate funds for water resources development projects in accordance with the schedule that follows. The amounts set forth in the schedule include funds appropriated in this act for water resources development projects and funds carried forward from previous fiscal years. These funds will provide a State match for an estimated \$30,790,000 in federal funds.

	Name of Project	2023-2024	2024-2025
48	(1) Holden Beach CSDR	\$750,000	—
49	(2) Carolina Beach CSDM	\$911,667	—
50	(3) Ocean Isle CSDM	\$27,784	—
51	(4) WRD Grant Program—State & Local Projects	\$3,000,000	3,000,000

(5)	WRD Grant Program–EQIP Projects	\$2,000,000	–
(6)	Manteo Old House Channel	\$2,700,000	2,700,000
(7)	Dan River Regional Water Supply Project	\$107,667	–
(8)	Cape Fear River Basin Flood Mitigation	\$1,500,000	–
TOTALS		\$10,997,118	\$5,700,000

NATIONAL GUARD PROJECTS

SECTION 40.7.(a) The Department of Public Safety shall allocate the funds appropriated for armory and facility development projects in the Committee Report in accordance with the schedule that follows. These funds will provide a State match for federal funds made available for this purpose.

Name of Project 2023-25		Total Project Cost	
(1)	Winston-Salem FMS7 HAZMAT	\$1,112,832	\$278,208
(2)	Winston-Salem FMS7 Storage	\$1,000,000	\$250,000
(3)	Louisburg Readiness Center CIP	\$8,666,667	\$3,666,667
		Total	\$4,194,875

SECTION 40.7.(b) Subject to the limitations imposed by Section 40.2(a) of this act, the Adjutant General of the National Guard may determine which projects listed in subsection (a) of this section shall receive an allocation of State funds in each fiscal year of the biennium.

SECTION 40.7.(c) Where the actual costs are different from the estimated costs under subsection (a) of this section, the Adjutant General of the National Guard may adjust the allocations among projects as needed. However, State funds shall not be allocated to a project in excess of the maximum amount of State funds authorized to be allocated to the project under subsection (a) of this section. If any projects funded under subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2023-24 fiscal year, or if the projects funded under subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

- (1) Future project feasibility studies.
- (2) Survey, testing, and permitting.
- (3) Planning and execution for reversion of facilities no longer in use.
- (4) Previously funded projects that have experienced a cost overrun.

NON-GENERAL FUND/NON-SCIF CAPITAL PROJECT AUTHORIZATIONS

SECTION 40.8.(a) The General Assembly authorizes the capital projects to be funded with receipts or from other non-General Fund and non-State Capital and Infrastructure Fund sources available to the appropriate department:

Agency Project		2023-2024	2024-2025
Department of Agriculture and Consumer Services			
	Arena and Barn Replacement	\$1,900,000	\$0
	State Fair Lunch Facility Renovation	\$25,500,000	\$0
	State Fair Gate 8 Restroom Renovation	\$1,500,000	\$0
	Equipment Shelters Replacement	\$0	\$300,000
Wildlife Resources Commission			
	WRC Land Acquisitions	\$5,000,000	\$5,000,000
	Game Land Improvements	\$2,000,000	\$0

1	Caswell Depot Expansion	\$2,460,000	\$0
2	Mills River Equipment Storage	\$355,000	\$0
3	Morganton Depot Equipment Storage	\$340,000	\$0
4	Rhems Depot Equipment Storage	\$415,000	\$0
5	Troy Depot Office and Shop	\$1,900,000	\$0
6	Shooting Range Office and Classroom	\$3,100,000	\$0
7	Mount Holly Depot	\$2,400,000	\$0
8	Marion Aquaculture Building	\$0	\$600,000
9			
10	Department of Public Safety		
11	ABC Warehouse Precast Repair	\$275,000	\$0
12	ABC Commission New Campus Advanced		
13	Planning	\$4,700,000	\$0
14			
15	Department of Natural and Cultural Resources		
16	Brunswick Town State Historical Site	\$150,000	\$0
17			
18	Department of Adult Correction		
19	Old Craggy Laundry Waste Water/Storm		
20	Water Replacement	\$742,000	\$0
21			

FUND LEGISLATIVE INCREASES AND OTHER SALARY AND BENEFITS ITEMS FROM SCIF INTEREST

SECTION 40.9.(a) G.S. 143C-4-3.1 is amended to add the following new subsections:

"(i) The Year End Credit Balance is the unappropriated interest credited to the State Capital and Infrastructure Fund pursuant to G.S. 143C-4-3.1(b). Upon the last day of the Fiscal Year the Office of State Budget and Management shall determine the Year End Credit Balance.

(j) Upon enactment of changes to state employee salaries and benefits, including employees of the University of North Carolina system and the Community College System Office, funds from the Year End Credit Balance shall be appropriated, as a first call on the Year End Credit Balance, to meet the resulting increase in cost requirements for state employees funded through the State Capital and Infrastructure Fund."

SECTION 40.9.(b) Funds are hereby appropriated for the 2023-25 biennium for the purpose of G.S. 143C-4-3.1.(j), as amended by Section 40.9.(a) above, to the University of North Carolina System Office, the Community College System Office, the State Construction Office at the Department of Administration, and the Office of State Budget and Management.

PRE-K CAPITAL FUNDING

SECTION 40.10.(a) One hundred million dollars (\$100,000,000) is appropriated from the State Capital and Infrastructure Fund to the Department of Public Instruction to distribute to local school boards to establish or expand the provision of high-quality Pre-Kindergarten education.

SECTION 40.10.(b) The department shall consult with the Division of Child Development and Early Education at the Department of Health and Human Services on criteria for the funds to be distributed to local school boards. Subject to these criteria, priority shall be given to counties with the greatest unmet need for childcare and those with 'shovel-ready' projects. The distribution strategy and criteria shall be confirmed by the State Board of Education before the process for deciding fund allocation begins.

K-12 PUBLIC SCHOOL CAPITAL FUNDING

SECTION 40.11.(a) Public School Capital. – One billion dollars (\$1,000,000,000) is allocated to the Department of Public Instruction for capital projects at public schools.

SECTION 40.11.(b) Purpose. – The purpose of these funds is to invest in the State's public school facilities for construction, repair, and renovation, in order to ensure that the citizens of North Carolina have access to high quality educational facilities.

SECTION 40.11.(c) Allocation Methodology. – The funds appropriated in Section 39.8.(a) shall be allocated as follows:

(1) One million dollars (\$1,000,000) of funding shall be allocated to each public school system in the State, making a total of one hundred fifteen million dollars (\$115,000,000).

(2) The remaining eight hundred eighty-five million dollars (\$885,000,000) of funds shall be allocated to public school units on the basis of average daily membership for Fiscal Year 2022-2023.

SECTION 40.11.(d) Matching requirements. – Any county receiving funds under Section 40.11.(c), above, shall provide local matching funds from county funds, other non-state funds, or a combination of these sources. The amount of matching funds shall be as follows:

(1) One dollar (\$1.00) of local matching funds for every three dollars (\$3.00) of such funding for a local school administrative unit located in a county that is a development tier one area, as defined in G.S. 143B-437.08,

(2) One dollar (\$1.00) of local matching funds for every two dollars (\$2.00) of such funding for a local school administrative unit located in a county that is a development tier two area, as defined in G.S. 143B-437.08, and

(3) One dollar (\$1.00) of local matching funds for every one dollar (\$1.00) of such funding for a local school administrative unit located in a county that is a development tier three area, as defined in G.S. 143B-437.08.

SECTION 40.11.(e) Funding qualifying as eligible match. – The match requirement may be satisfied by non-state expenditures for public school facilities made on or after January 1, 2019. If a debt has been incurred since January 1, 2019, for the general purpose of public school facilities, then the face amount of the debt shall be considered as a non-state expenditure for public school facilities for the purpose of the match. No other expenditures made or debts incurred before January 1, 2019, may be used to satisfy the match requirement. As counties satisfy the match requirements of this subsection, they shall document the extent to which they have done so in periodic reports to the State Board of Education. These reports shall include any information and documentation required by the State Board of Education. The State Board of Education shall certify to the Office of State Budget and Management upon request the extent to which the match requirements of this subsection have been met with respect to each county. Funding shall be distributed for expenditure only as, and to the extent, the matching requirement of this section are satisfied, as certified by the State Board of Education.

SECTION 40.11.(f) Reallocation of monies. – If the State Board of Education determines that a county has not met the matching requirement set forth in this subdivision by January 1, 2030, the State Board of Education shall certify that fact to the Office of State Budget and Management by March 1, 2030. The State Board of Education shall reallocate unmatched funds in the following manner:

(1) Proceeds allocated under section 40.11.(d)(1) shall be reallocated to local administrative units receiving funds under the same section, for which the State Board of Education has certified matching funds.

(2) Proceeds allocated under section 40.11.(d)(2) shall be reallocated to local administrative units receiving funds under the same section, for which the State Board of Education has certified matching funds.

- (3) Proceeds allocated under section 40.11.(d)(3) shall be reallocated to local administrative units receiving funds under the same section, for which the State Board of Educated has certified matching funds

SECTION 40.11.(g) Uses of capital funding. – A local school administrative unit that receives proceeds under this section shall ensure that such proceeds are used:

- (1) For acquisition of real property and construction, acquisition, reconstruction, enlargement, renovation, or replacement of buildings and other structures, and
- (2) To supplement local funds for public school capital outlay projects and shall not decrease local funds for those projects from one fiscal year to the next fiscal year, as measured by the most recent five-year annual average capital outlay expenditure.

UNC R&R PROGRAM FUNDING FLEXIBILITY

SECTION 40.12 The Board of Governors of The University of North Carolina shall prioritize funds allocated for project code UNC/R&R21 for repairs and renovations pursuant to G.S. 143C-8-13 and, notwithstanding G.S. 143C-8-13(a), for projects listed in subsection 40.1.(d) of S.L. 2021-180. The cost for any single repair and renovation project other than those specifically listed in Section 40.1.(d) of S.L. 2021-180 shall not exceed fifteen million dollars (\$15,000,000). The Board of Governors may reallocate funds in accordance with G.S. 143C-8-13(b) or to projects listed in subsection 40.1.(d) of S.L. 2021-180; provided, however, reallocation of funds intended for a project located at a particular constituent institution may only be reallocated for repairs and renovations projects at that particular constituent institution. The provisions of G.S. 143C-8-13(b)(4), as enacted by Section 40.10(b) of this act, shall not apply to the projects listed in subsection 40.1.(d) of S.L. 2021-180. The Board of Governors shall report to the Joint Legislative Commission on Governmental Operations in accordance with G.S. 143C-8-13(b).

AUTHORIZE FUNDING TO CONSTRUCT A STATE VETERANS HOME IN WAKE COUNTY

SECTION 40.13 Section 40.5.(c) of S.L. 2021-180 reads as rewritten:

"Notwithstanding Section 36.7(d) of S.L. 2018-5, as enacted by Section 9.1(a) of S.L. 2018-97, the Department of Military and Veterans Affairs may utilize funds in an amount not exceeding ~~twenty nine million nine hundred ninety five thousand dollars (\$29,995,000) funds appropriated in this act~~ the total cost of the project from the North Carolina Veterans Home Trust Fund established under G.S. 143B-1293 to provide the required State match for federal funding for the construction of a new State veterans nursing facility in Wake County. Any federal funds received for this purpose are hereby appropriated."

ESTABLISH THRESHOLD FOR REPORTING CHANGES FOR STATE PARK PROJECTS FUNDED FROM CONNECT NC BOND

SECTION 40.14.(a) Subdivision (2) of Section 1(f) of S.L. 2015-280, as amended by Section 37.9 of S.L. 2016-94, Section 9.3 of S.L. 2017-197, and Section 36.7.(a) of S.L. 2018-5, reads as rewritten:

- "(2) Special Allocation Provisions. – In determining the use of the proceeds of public improvement bonds and notes, including premium thereon, if any, set forth in subdivision (1) of this subsection, the following special allocation provisions apply:

...

- g. The proceeds of public improvement bonds and notes, including premium, if any, for the North Carolina State Parks, as provided in this

subdivision, may be allocated to the capital cost of another State Park project, provided that all of the following conditions are met:

1. The Park project to which the original allocation was made has been completed.
2. The Park project to which funds are allocated under this sub-subdivision has experienced a cost overrun for which additional funds are required.
3. The Office of State Budget and Management shall report any reallocations over ten thousand dollars (\$10,000) made under this sub-subdivision to the Joint Legislative Oversight Committee on Capital Improvements."

PART XLI. TRANSPORTATION

CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 41.1.(a) Subsections (b) and (c) of Section 4.1 of S.L. 2021-180 are repealed.

SECTION 41.1.(b) The General Assembly authorizes and certifies anticipated revenues for the Highway Fund as follows:

For Fiscal Year 2025-2026	\$ 3,079 million
For Fiscal Year 2026-2027	\$ 3,124 million
For Fiscal Year 2027-2028	\$ 3,170 million
For Fiscal Year 2028-2029	\$ 3,284 million
For Fiscal Year 2029-2030	\$ 3,335 million

SECTION 41.1.(c) The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2025-2026	\$ 2,162 million
For Fiscal Year 2026-2027	\$ 2,182 million
For Fiscal Year 2027-2028	\$ 2,310 million
For Fiscal Year 2028-2029	\$ 2,373 million
For Fiscal Year 2029-2030	\$ 2,404 million

SECTION 41.1.(d) The Department of Transportation, in collaboration with the Office of State Budget and Management, shall develop a five-year revenue forecast. The first fiscal year in the five-year revenue forecast shall be the 2027-2028 fiscal year. The five-year revenue forecast developed under this subsection shall be used (i) to develop the five-year cash flow estimates included in the biennial budgets, (ii) to develop the Strategic Transportation Improvement Program, and (iii) by the Department of the State Treasurer to compute transportation debt capacity.

CAPITAL, REPAIRS, AND RENOVATIONS

SECTION 41.2. The funds appropriated in this act from the Highway Fund to the Department of Transportation for the 2023-25 fiscal biennium for capital, repairs, and renovations are allocated as follows:

Capital – Highway Fund	2023-24	2024-25
10 Year NCDOT Facilities Study	\$12,190,000	\$12,190,000
Swan Quarter CME Office/Equipment Shop – Supplemental	\$2,485,045	–
Cherry Branch Shore Power	\$2,104,000	–
Wilmington DE/RE Office Renovation	\$1,533,000	–
Edgecombe County Maintenance Engineer Equipment Shop	–	\$5,790,000

1	Old Art Museum Exterior Door Replacement	\$199,000	–
2	Watauga County District Engineer Office – Supplemental	\$1,070,041	–
3	Rowan County District Engineer Office Addition	\$627,426	–
4	Iredell Combined County Maintenance Engineer & Bridge		
5	Maintenance Office – Increased Scope / Supplement	\$1,628,865	–
6	Dobson Equipment Shop Fire Suppression System	\$1,384,000	–
7	Surrey County District Engineer's Office	\$1,231,450	–
8	Avery County Equipment Shed	\$833,000	–
9	Clay County Maintenance Engineer Office/Equipment		
10	Shop – Supplement	\$2,061,354	–
11	Graham County Maintenance Engineer (CME) Office	\$2,265,000	–
12	Rosman Equipment Shop	\$1,895,800	–
13	SMOG and Traffic Services Modular Offices	\$824,000	–
14	Jacksonville Traffic Services Modular Office	\$1,288,000	–
15	Fayetteville Multi-Unit Office	\$800,000	\$10,097,000
16	Triad Traffic Management Center	\$1,000,000	\$13,050,000
17	Burgaw Materials & Testing Laboratory	\$300,000	\$3,027,000
18	Avery County Maintenance Engineer Office	\$2,628,000	–
19	Hot Springs, Madison Co – Maintenance Office	–	\$2,013,000
20	Statewide Small Office Repair and Renovation	\$1,759,000	\$2,489,000
21	Statewide Demolition of Obsolete Buildings / Asbestos		
22	Abatement	\$500,000	\$466,000
23	Bathroom Upgrades – Code Compliance / ADA	\$400,000	\$4,039,000
24	Statewide ADA Compliance	\$1,000,000	\$1,000,000
25	Century Center HVAC Roof Top Unit (RTU)		
26	Replacements	\$449,500	\$200,000
27	Statewide Roof Repairs/Replacement	\$7,027,368	\$7,623,363

BUILD NC AMENDMENTS

SECTION 41.3.(a) Section 7 of S.L. 2018-16 reads as rewritten:

"**SECTION 7.** This act becomes effective January 1, 2019, and expires ~~December 31, 2028~~December 31, 2030."

SECTION 41.3.(b) Notwithstanding G.S. 142-97(2)(a), for the 2023-25 fiscal biennium, the State Treasurer may issue Build NC Bonds without regard to any limitations on the Department of Transportation's average month-end cash balance for the first three months in the calendar year prior to the date of determination.

FINANCIAL SUPPORT FOR BICYCLE AND PEDESTRIAN IMPROVEMENT PROJECTS

SECTION 41.4. G.S. 136-189.11(d)(3)(c) is repealed.

FUTURE FUNDING SOURCES FOR DEPARTMENT OF TRANSPORTATION

SECTION 41.5.(a) The Governor and the General Assembly recognize the importance of transforming how the state funds transportation needs, moving away from reliance on the gas tax.

SECTION 41.5.(b) The Future Transportation Funding Commission is established to consider proposals on the future funding sources for the Department of Transportation. The Commission shall have thirteen members, consisting of: five members appointed by the Governor; one member of the House of Representatives' Transportation Committee, one member of the House Finance Committee, and one member of the House Appropriations Committee, each appointed by the Speaker of the House of Representatives; one member of the Senate

Transportation Committee, one member of the Senate Finance Committee, and one member of the Senate Appropriations Committee, each appointed by the President Pro Tempore of the Senate; the Secretary of Transportation; and the State Budget Director.

SECTION 41.5.(c) The Department of Transportation and the Office of State Budget and Management shall commission and work with the Institute for Transportation Research and Education (ITRE) at NC State University to develop a practical implementation plan for the transition to a new funding model for transportation. The proposed new funding structure shall take into consideration the state's future transportation funding needs and reduce reliance on the gas tax. This plan shall include an estimate of likely revenue generated from the new funding structure and a proposed timeline. ITRE shall actively seek input and feedback from stakeholders and the public to help shape the development of the plan. The plan shall be submitted to the Commission established in subsection 41.5.(b) of this Section by June 30, 2024.

SECTION 41.5.(d) The sum of two-hundred thousand dollars (\$200,000) is appropriated to the Department of Transportation for expenses related to the development of the plan.

PART XLII. FINANCE

PERSONAL INCOME TAX RATE REDUCTION FAIRNESS

SECTION 42.1.(a) G.S. 105-153.7 (a) reads as rewritten:

"(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually. The tax is ~~a percentage four and ninety-nine hundredths of a percent (4.99%)~~ of the taxpayer's North Carolina taxable income ~~computed as follows: in taxable years beginning in 2022.~~

Taxable Years Beginning	Tax
In 2022	4.99%
In 2023	4.75%
In 2024	4.6%
In 2025	4.5%
In 2026	4.25%
After 2026	3.99%."

SECTION 42.1.(b) Subsection (a) of this section is effective for taxable years beginning on or after January 1, 2023, and before January 1, 2024.

SECTION 42.1.(c) G.S. 105-153.7(a) reads as rewritten:

"(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually. The tax ~~is four and ninety-nine hundredths of a percent (4.99%)~~ shall be computed at the following percentages of the taxpayer's North Carolina taxable ~~income in taxable years beginning in 2022.~~income:

<u>Filing Status</u>	<u>Taxable Income</u>	<u>Tax Rate</u>
<u>Married, filing jointly</u>	<u>Up to \$200,000</u>	<u>4.6%</u>
	<u>Over \$200,000</u>	<u>4.75%</u>
<u>Head of Household</u>	<u>Up to \$150,000</u>	<u>4.6%</u>
	<u>Over \$150,000</u>	<u>4.75%</u>
<u>Single</u>	<u>Up to \$100,000</u>	<u>4.6%</u>
	<u>Over \$100,000</u>	<u>4.75%</u>
<u>Married, filing separately</u>	<u>Up to \$100,000</u>	<u>4.6%</u>
	<u>Over \$100,000</u>	<u>4.75%."</u>

SECTION 42.1.(d) Subsection (c) of this section is effective for taxable years beginning on or after January 1, 2024, and before January 1, 2025.

SECTION 42.1.(e) G.S. 105-153.7 (a) reads as rewritten:

"(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually. The tax shall be computed at the following percentages of the taxpayer's North Carolina taxable income:

Filing Status	Taxable Income	Tax Rate
Married, filing jointly	Up to \$200,000	4.6% <u>4.5%</u>
	Over \$200,000	4.75%
Head of Household	Up to \$150,000	4.6% <u>4.5%</u>
	Over \$150,000	4.75%
Single	Up to \$100,000	4.6% <u>4.5%</u>
	Over \$100,000	4.75%
Married, filing separately	Up to \$100,000	4.6% <u>4.5%</u>
	Over \$100,000	4.75%."

SECTION 42.1.(f) Subsection (e) of this section is effective for taxable years beginning on or after January 1, 2025, and before January 1, 2026.

SECTION 42.1.(g) G.S. 105-153.7 (a) reads as rewritten:

"(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually. The tax shall be computed at the following percentages of the taxpayer's North Carolina taxable income:

Filing Status	Taxable Income	Tax Rate
Married, filing jointly	Up to \$200,000	4.5% <u>4.25%</u>
	Over \$200,000	4.75%
Head of Household	Up to \$150,000	4.5% <u>4.25%</u>
	Over \$150,000	4.75%
Single	Up to \$100,000	4.5% <u>4.25%</u>
	Over \$100,000	4.75%
Married, filing separately	Up to \$100,000	4.5% <u>4.25%</u>
	Over \$100,000	4.75%."

SECTION 42.1.(h) Subsection (g) of this section is effective for taxable years beginning on or after January 1, 2026, and before January 1, 2027.

SECTION 42.1.(i) G.S. 105-153.7 (a) reads as rewritten:

"(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually. The tax shall be computed at the following percentages of the taxpayer's North Carolina taxable income:

Filing Status	Taxable Income	Tax Rate
Married, filing jointly	Up to \$200,000	4.25% <u>3.99%</u>
	Over \$200,000	4.75%
Head of Household	Up to \$150,000	4.25% <u>3.99%</u>
	Over \$150,000	4.75%
Single	Up to \$100,000	4.25% <u>3.99%</u>
	Over \$100,000	4.75%
Married, filing separately	Up to \$100,000	4.25% <u>3.99%</u>
	Over \$100,000	4.75%."

SECTION 42.1.(j) Subsection (i) of this section is effective for taxable years beginning on or after January 1, 2027.

SECTION 42.1.(k) G.S. 105-131.1.A.(b) reads as rewritten:

"(b) Taxable income of Taxed S Corporation. – A tax is imposed for the taxable period on the North Carolina taxable income of a taxed S Corporation. The tax shall be levied, collected, and paid annually. The tax is imposed on the North Carolina taxable income at 4.75%, the rate

~~levied in G.S.105-153.7.~~ The North Carolina taxable income of a taxed S Corporation is determined as follows:"

SECTION 42.1.(l) Subsection (k) of this section is effective for taxable years beginning on or after January 1, 2024.

SECTION 42.1.(m) G.S. 105-154.1(b) reads as rewritten:

"(b) Taxable Income of Taxed Partnership. – A tax is imposed for the taxable period on the North Carolina taxable income of a taxed partnership. The tax shall be levied, collected, and paid annually. The tax is imposed on the North Carolina taxable income at 4.75%.~~the rate levied in G.S.105-153.7.~~ The North Carolina taxable income of a taxed partnership is determined as follows:"

SECTION 42.1.(n) Subsection (m) of this section is effective for taxable years beginning on or after January 1, 2024.

SECTION 42.1.(o) G.S. 105-160.2 reads as rewritten:

"The tax imposed by this Part applies to the taxable income of estates and trusts as determined under the provisions of the Code except as otherwise provided in this Part. The taxable income of an estate or trust is the same as taxable income for such an estate or trust under the provisions of the Code, adjusted as provided in G.S.105-153.5 and G.S.105-153.6, except that the adjustments provided in G.S.105-153.5 and G.S.105-153.6 are apportioned between the estate or trust and the beneficiaries based on the distributions made during the taxable year. The tax is computed on the amount of the taxable income of the estate or trust that is for the benefit of a resident of this State, or for the benefit of a nonresident to the extent that the income (i) is derived from North Carolina sources and is attributable to the ownership of any interest in real or tangible personal property in this State or (ii) is derived from a business, trade, profession, or occupation carried on in this State. For purposes of the preceding sentence, taxable income and gross income is computed subject to the adjustments provided in G.S.105-153.5 and G.S.105-153.6. The tax on the amount computed above is at 4.75%.~~the rate levied in G.S.105-153.7.~~ The fiduciary responsible for administering the estate or trust shall pay the tax computed under the provisions of this Part."

SECTION 42.1.(p) Subsection (o) of this section is effective for taxable years beginning on or after January 1, 2024.

MAINTAIN COMPETITIVE CORPORATE INCOME TAX RATE

SECTION 42.2.(a) Section 42.2 of S.L. 2021-180 is repealed.

SECTION 42.2.(b) This act is effective when it becomes law.

USE SALES TAX REVENUES FOR TRANSPORTATION NEEDS

SECTION 42.3 G.S. 105-164.44M reads as rewritten:

"...

(b) Transportation Needs. – At the end of each quarter, the Secretary must transfer to the Funds listed below a percentage of the net proceeds of the tax collected under this Article at the State's general rate of tax set in G.S. 105-164.4(a). The percentages that must be transferred are as follows:

Fiscal Year	Percentage to Highway Fund	Percentage to Highway Trust Fund
2022-23	2%	0%
2023-24 <u>and thereafter</u>	1% <u>0.5%</u>	3% <u>1.5%</u>
2024-25 <u>and thereafter</u>	1.5%	4.5%.

...."

VIDEO LOTTERY TERMINALS

SECTION 42.4.(a) Chapter 18C of the General Statutes is amended by adding a new Article to read:

"Article 9.

"Video Lottery Entertainment.

"Part 1. General Provisions.

"§ 18C-300. Definitions.

The following definitions apply in this Article:

- (1) Associated equipment. – Any hardware that is connected to the video lottery terminal or to the central monitoring system for the purpose of communication, validation, play, or other functions of the video lottery terminal.
- (2) Central monitoring system. – The system that maintains on a real-time basis the financial, integrity, and security controls on video lottery terminals and associated equipment and provides administrative services for its operation.
- (3) Independent testing laboratory. – An independent, nationally recognized testing laboratory approved by the Commission for use in testing whether a video lottery game or video lottery terminal complies with the standards set forth in this Article.
- (4) Manufacturer. – A person that distributes, manufactures, imports, assembles, services, or produces video lottery terminals or associated equipment for use in this State.
- (5) Net machine revenue. – Gross revenue minus prizes actually paid per machine.
- (6) Network operator. – A licensed manufacturer selected by the Commission to operate and maintain the network for video lottery terminals.
- (7) Off-premises ABC permit. – An off-premises malt beverage permit, or off-premises unfortified or fortified wine permit issued pursuant to Chapter 18B of the General Statutes.
- (8) On-premises ABC permit. – An on-premises malt beverage permit, on-premises unfortified or fortified wine permit, or mixed beverages permit issued pursuant to Chapter 18B of the General Statutes.
- (9) Operator. – A person licensed by the Commission who owns, leases, or otherwise controls video lottery terminals for which a video lottery terminal permit has been issued by the Commission.
- (11) Truck stop. – An establishment that is situated on three or more acres and meets all of the following criteria:
 - a. Primarily engaged in retail sale of commercial automotive or commercial fuel.
 - b. Engaged in ancillary activities, including repair services, selling automotive fluids, parts, and accessories, and providing food or food services.
 - c. At least 25,000 gallons of commercial fuel are sold at retail per month, as demonstrated by estimated future sales or past sales averages.
- (12) Video lottery games. – Electronically simulated games of chance allowed under this Article that are displayed and played on permitted video lottery terminals.
- (13) Video lottery merchant. – A person licensed by the Commission and with whom an operator has contracted to (i) allow placement of video lottery terminals for public play and (ii) pay cash prizes or redemption of shares of video lottery games in accordance with this Article.
- (14) Video lottery terminal. – A device operated under the authority of the Commission that is exempt from G.S. 14-306 and G.S. 14-306.1A and is any electronic computerized video game machine that, upon the insertion of cash

or a lottery share, is available to play a video lottery game authorized by the Commission and which uses a video display and microprocessors in which, by chance, the player may receive free games or credits that can be redeemed for cash. The term does not include a machine that directly dispenses coins, cash, or tokens.

(15) Video lottery terminal permit. – A permanently affixed tag or other device issued to a licensed operator for each video lottery terminal approved by and registered with the Commission.

"§ 18C-301. Video Lottery.

(a) A single play of a video lottery game (i) shall be deemed a share for purposes of this Chapter, (ii) shall be exempt from G.S. 18C-131(c), and (iii) shall be played only on video lottery terminals with a valid video lottery terminal permit. Except as otherwise provided in this Article, the provisions of this Chapter shall apply to the conduct of video lottery games. Notwithstanding G.S. 150B-1, the Commission shall adopt rules in accordance with Article 2A of Chapter 150B of the General Statutes to determine play of video lottery games. The rules adopted by the Commission shall address the procedures for the monitoring, collection, and remittance of net machine revenue from the video lottery games under this Article.

(b) Video lottery terminals and associated equipment shall be connected to a central monitoring system at all times during play and as otherwise determined by the Commission. All video lottery terminals shall be available for public play only with a video lottery merchant who holds an active off-site ABC permit or an active on-site ABC permit. No video lottery merchant shall be engaged solely in the business of placing video lottery terminals for play by the public in this State.

(c) The Commission shall allow each video lottery merchant to operate up to six video lottery terminals per location and may allow up to an additional four video lottery terminals per location. The Commission shall allow each licensed truck stop to operate up to ten video lottery terminals per location.

(d) In contracting with operators, the Commission shall ensure that no video lottery terminals are available for public play within 500 feet of a church, public school, or any nonpublic school as defined by Part 1 or 2 of Article 39 of Chapter 115C of the General Statutes.

(e) Prizes for play of video lottery terminals shall be cash or issued by a share that is redeemable in accordance with G.S. 18C-132 or may be inserted into video lottery terminals for redemption or to generate credits for the play of video lottery games.

(f) Operators placing video lottery terminals for play in this State are subject to the following:

(1) The purchase, lease, or otherwise obtaining of video lottery terminals and associated equipment shall be only from manufacturers licensed under this Article.

(2) Contracting for the placement of video lottery terminals for play by the public shall be only with licensed video lottery merchants.

"§ 18C-302. Residency Requirement.

A video lottery merchant shall be a resident of this State. If the video lottery merchant is a partnership or a corporation, the majority of ownership interest of the partnership or corporation shall be held by residents of this State or by a public company or its subsidiary licensed pursuant to this Article and traded on any market regulated or recognized by the United States Securities and Exchange Commission.

"§ 18C-303. Local preemption.

Notwithstanding any authority granted to local governments, including, but not limited to, those imposing taxes, fees, or charges or regulation of land use, a local government may not enact or enforce any regulation that has the effect of imposing any restriction or condition not placed

by this Article upon video lottery gaming or that is in any manner in conflict or inconsistent with the provisions of this Article.

"§ 18C-304. North Carolina Video Lottery Fund.

(a) An enterprise fund, to be known as the North Carolina Video Lottery Fund, is created within the State treasury consisting of the transfer of net machine revenues pursuant to G.S. 18C-305(1), any monies remaining from the administrative expenses of the Commission under G.S. 18C-207(1), and any interest earned on those funds.

(b) The General Assembly shall appropriate the monies in the North Carolina Video Lottery Fund annually in the Current Operations Appropriations Act, based upon estimates of the net machine revenue from video lottery games to the North Carolina Video Lottery Fund.

"§18C-305. Allocation of net machine revenues.

Net machine revenues collected shall be distributed in conformity with all of the following:

- (1) Fifty percent (50%) of the total net machine revenues from video lottery games shall be transferred to the Commission. An amount not exceeding six percent (6%) of the funds transferred in accordance with this subdivision may be used by the Commission for administrative expenses, including compensation to the central monitoring system provider related to duties imposed upon the Commission under this Article. Funds remaining after deduction of administrative expenses allowed under this subdivision shall be transferred to the Education Lottery Fund in accordance with G.S. 18C-164(a).
- (2) Twenty-five percent (25%) of the net machine revenues shall be allocated to operators.
- (3) Twenty-five percent (25%) of the net machine revenues shall be allocated to video lottery merchants.

"Part 2. Licenses and Permits.

"§ 18C-306. Video lottery permit required on video lottery terminals.

(a) Every video lottery terminal shall have affixed to it a video lottery terminal permit prior to play in the manner set forth by the Commission. The placement of the video lottery terminal permit represents that the machine has been registered, inspected, and approved for operation in the State.

(b) The Commission shall issue the video lottery terminal permit annually based on the number of approved video lottery terminals registered with the Commission per licensed operator. Notwithstanding G.S. 150B-1, the Commission shall adopt rules establishing the schedule for issuance and affixation of video lottery terminal permits. The Commission shall include an option for a licensed operator or licensed video lottery merchant to request to add video lottery terminals into play by the public during the license year.

(c) No person other than authorized Commission personnel may affix or remove a video lottery permit. No video lottery terminal may be transported out of this State until the video lottery permit has been removed.

(d) Video lottery merchants must have one or more of the following to be eligible for licensure under this Article:

- (1) A current on-premises ABC permit.
- (2) A current off-premises ABC permit.
- (3) A current contract with the Commission as a lottery retailer.

(e) Manufacturers, licensed operators, and video lottery merchants must make video lottery terminals and associated equipment available for inspection by the Commission. No video lottery terminal shall be issued a video lottery permit unless the software and hardware of the video lottery terminal and associated equipment are compatible with the Commission's central monitoring system and all games installed on the video lottery terminal are approved by the Commission.

(f) Any terminal or machine that does not display the video lottery permit as required by this section is illegal and subject to confiscation by any law enforcement officer.

"§ 18C-307. Minimum qualifications for license.

(a) The Commission shall grant licenses to applicants under this Article unless the Commission reasonably determines that any of the following apply:

(1) The applicant meets one or more of the following criteria:

- a. Has been convicted of a felony in any state or federal court of the United States within 10 years of issuance of the license.
- b. Employs officers or directors who have been convicted of a felony in any state or federal court of the United States within 10 years of issuance of the license.
- c. Has completed a sentence for a felony in any state or federal court of the United States within 10 years of issuance of the license.
- d. Employs officers or directors who have completed a sentence for a felony in any state or federal court of the United States within 10 years of issuance of the license.

(2) The applicant is less than 21 years of age.

(3) The applicant has falsified the application.

(4) The applicant has failed to timely file all applicable tax returns to the State or has overdue tax debts, as defined in G.S. 105-243.1 and in payment of all taxes, interest, and penalties owed to the State, excluding items under formal appeal under applicable statutes.

(5) The applicant fails to provide all information and documentation requested by the Commission.

(6) The Commission is not reasonably satisfied through evidence the Commission has received or discovered that the applicant is all of the following:

- a. A person of good character, honesty, and integrity.
- b. A person whose background, including criminal record, reputation, and associations, does not pose a threat to the public interest of the State or to the security and integrity of the Commission.
- c. A person who, either individually or through employees, demonstrates business ability and experience to establish, operate, and maintain the business for the type of license for which the application is made.
- d. A person who demonstrates adequate financing for the business proposed under the type of license for which the application is made.

(7) The applicant resides in the same household as a member or employee of the Commission.

(8) The applicant is an employee, director, officer, partner, or proprietor of a manufacturer, operator, or video lottery merchant.

(b) The applicant must furnish all information, documents, certifications, consents, waivers, individual history forms, and other materials required or requested by the Commission for purposes of determining qualification for licensure. If the applicant is a public company, the applicant must file with the Commission a copy of any disclosure statement involving ownership of the public company required to be filed with the United States Securities and Exchange Commission.

(c) The applicant must submit to a background investigation, including each partner, director, officer, and all stockholders of five percent (5%) or more of any business entity, except for institutional investors.

(d) The burden of proof for establishing qualification under this section shall be on the applicant.

(e) No licensee or applicant shall pay, give, or make any economic opportunity, gift, loan, gratuity, special discount, favor, hospitality, or service, including food and beverages, to the Director, to any member or employee of the Commission, or to any member of the immediate family residing in the same household as one of these individuals.

(f) A licensed operator shall not give anything of value, including a loan or a financing arrangement, to any video lottery merchant as an incentive or inducement to locate video lottery terminals in a specific location. The Commission shall adopt additional rules governing the exchange of gifts, loans and other financing arrangements, gratuities, special discounts, favors, hospitality, or service between licensees.

(g) The Commission may revoke any license issued under this Article for a violation of the requirements imposed upon a licensee pursuant to this Article.

(h) A person licensed pursuant to this Article shall not be deemed a "lottery contractor," "lottery supplier," or "potential contractor" as those terms are defined in G.S. 18C-103 for the purposes of the activities identified in this Article.

"§ 18C-308. Marketing and prizes.

(a) An operator may operate a player tracking system or player reward system and offer direct marketing to players. An operator shall not enroll a player in any player tracking system or player reward system without the express consent and knowledge of a player. An operator shall not conduct any direct marketing or offer incentives to a player without the express consent and knowledge of a player.

(b) Prizes may be awarded in the form of cash or gift cards.

(c) A licensed operator may pay up to fifty percent (50%) of the first five thousand dollars (\$5,000) of marketing and promotional costs for a video lottery terminal incurred by a licensed video lottery merchant annually. The video lottery merchant shall pay all other marketing and promotional costs.

(d) For the purposes of marketing, operators may issue promotional non-redeemable credits solely for play on a video lottery terminal.

"§18C-309. Fees.

(a) The Commission shall charge a license application and renewal fee not to exceed five hundred dollars (\$500.00) plus the cost of the criminal and financial record check.

(b) All licenses issued by the Commission are renewable biennially unless sooner cancelled or terminated.

(c) A license issued by the Commission may be transferred or assigned, provided the new license holder submits an application and associated fee and is approved for licensure by the Commission.

"§18C-310. Limitations on licensee relationships.

(a) A licensed operator shall not employ any person, or immediate family of a person, who is a licensed video lottery merchant.

(b) A licensed video lottery merchant shall not employ any person, or immediate family of a person, who is a licensed operator.

(c) A licensed operator may not operate video lottery terminals in any location where the operator, or any employee or immediate family member of an operator, is the owner of the real estate that is leased to a video lottery merchant.

"§ 18C-311. Limitations on licenses.

(a) A manufacturer, or a subsidiary of a manufacturer, may not be licensed as an operator. An operator, or a subsidiary of an operator, may not be licensed as a manufacturer. A video lottery merchant, or a subsidiary of a video lottery merchant, may not be licensed as a manufacturer or operator. A manufacturer or operator, or a subsidiary of a manufacturer or operator, may not be licensed as a video lottery merchant.

(b) When contracting for a central monitoring system under Part 3 of this Article, the Commission may contract with a manufacturer if the Commission is satisfied that manufacturer

shall not use any knowledge or control of the central monitoring system to advantage that manufacturer, an operator associated with that manufacturer, or a video lottery merchant with whom that manufacturer's video lottery terminals are available for public play.

(c) The Commission shall strive to have (i) no fewer than five manufacturers licensed in this State at all times and (ii) no fewer than 12 operators licensed in this State at all times.

"§ 18C-312. Prior agreements void.

(a) The following agreements are void and the Commission may not approve them:

(1) An agreement entered into by a licensed truck stop to the effective date of this section with a person or entity for the placement, operation, service or maintenance of video lottery terminals, including an agreement granting a person or entity the right to enter into an agreement or match any offer made after the effective date of this section.

(2) An agreement entered into by an establishment other than a truck stop prior to the effective date of this section with a person or entity for the placement, operation, service or maintenance of video lottery terminals, including an agreement granting a person or entity the right to enter into an agreement or match any offer made after the effective date of this section.

(3) An agreement to compensate a person for facilitating the opportunity to enter into an agreement or otherwise allow for or restrict the placement, operation, service or maintenance of a video lottery terminal in an on-site ABC permit locations or an off-site ABC permit locations if the agreement was entered into prior to the effective date of this section.

(4) An agreement to limit or otherwise restrict the type of video lottery terminals that may be placed, operated, serviced or maintained at an on-site ABC permit location or an off-site ABC permit location if the agreement was entered into prior to the effective date of this section.

(b) An agreement contrary to the limitations, restrictions, or conditions as outlined in this Article or under rules established by the Commission shall be void as against public policy.

"§ 18C-313. General duties of licensees.

A video lottery license holder under this Article shall do all of the following:

(1) Promptly report to the Commission any factors or circumstances related to video lottery games operated under this Article that constitute a violation of State or federal law.

(2) Conduct all video lottery activities and functions in a manner that does not pose a threat to the public health, safety, or welfare of the citizens of this State and that does not adversely affect the security and integrity of the lottery or harm video lottery games.

(3) Hold the Commission and the State of North Carolina harmless from and defend and pay for the defense of any and all claims that may be asserted against a license holder, this State, or the Commission and its employees arising from the license holder's participation in or operation of video lottery games.

(4) Assist the Commission in maximizing video lottery games revenue to the State.

(5) Maintain all records required by the Commission.

(6) Keep current in all payments and obligations to the Commission.

"Part 3. Video Lottery Terminals

"§ 18C-330. Possession; permitting.

(a) Every video lottery terminal shall have a video lottery terminal permit prior to play in this State and shall be located on the premises of a video lottery merchant for public play.

(b) Operators shall file with the Commission the location of each permitted video lottery terminal and the name and address of the video lottery merchant where each video lottery terminal for public play is located.

(c) No video lottery terminal shall be issued a permit unless the game software is certified by an independent testing laboratory. The game software, and any other component required by the Commission, for all video lottery terminals must be submitted by the manufacturer to an independent testing laboratory to test for compliance with Commission rules and regulations, which shall include compatibility with the central monitoring system.

(d) The Commission shall not limit licensure or connection to the central monitoring system to one type of video lottery terminal, one manufacturer, or one operator.

"§ 18C-331. Commission rules and regulations.

Notwithstanding G.S. 150B-1, the Commission shall from time to time adopt, amend or repeal rules and regulations inconsistent with the policy, objectives and purposes of this Article as it may deem necessary or desirable in the public interest in carrying out the policy and provisions of this Article.

"§ 18C-332. Central monitoring system.

The Commission shall contract with a provider for a central monitoring system from a supplier of central monitoring systems. To the extent practicable, the Commission shall solicit bids from at least four different vendors. All of the following shall apply to the central monitoring system used by the Commission for video lottery terminals:

(1) The central monitoring system shall be linked by a communications network through which all video lottery terminals shall connect to a single point of commerce.

(2) All video lottery terminals shall be linked by a communications network to the central monitoring system for purposes of monitoring and reading device activities as provided for in this section.

(3) The Commission shall routinely assess and inspect the operation of the central monitoring system and shall notify licensees and video lottery merchants of any deficiencies.

(4) The video lottery terminal must adhere to the standards adopted by the Commission with regard to the hardware and software requirements of the central monitoring system.

(5) The central monitoring system shall be designed and operated to allow the monitoring and reading of all video lottery terminals for compliance play and revenues to the State.

(6) The Commission may contract for the administration of the central monitoring system but shall be responsible for oversight of that administration.

(7) The central monitoring system shall not provide for the monitoring or reading of personal or financial information concerning patrons of video lottery terminals.

(8) The operation of the central monitoring system shall include adherence to cybersecurity standards prescribed by the Commission to protect the personal and financial information of patrons of video lottery terminals.

"§ 18C-334. Video lottery play; posting of odds.

(a) Notwithstanding G.S. 18C-131(d), no person shall sell or otherwise provide a share for play of a video lottery terminal to a person under the age of 21 years. No person under the age of 21 years shall purchase a share for play of a video lottery terminal or otherwise play a video lottery terminal. A person who violates this subsection shall be guilty of a Class 1 misdemeanor.

(b) Video lottery terminals may not allow more than the amount established by the Commission to be played on a single wager. The odds of winning each video lottery game shall

be posted on or near each video lottery terminal. The manner in which the odds are calculated and how the odds are posted shall be established by the Commission. For purposes of this section, "wager" shall mean a sum of money or thing of value risked on an uncertain occurrence.

"§ 18C-336. Transportation of video lottery terminals.

Any person transporting a video lottery terminal from one video lottery merchant's establishment to another in the State, other than for servicing or repair, shall notify the Commission, in the manner and form established by the Commission, in writing prior to the transportation of the video lottery terminal. This section shall also apply to truck stops.

"Part 4. Enforcement.

"§ 18C-400. Enforcement.

The Commission shall have sole enforcement authority of this Article.

"§ 18C-402. Inspection of premises, records, activities.

(a) At any time during normal business hours, the Commission or the Department of Public Safety, Alcohol Law Enforcement Division, may inspect an establishment of a licensed video lottery merchant, licensed operator, or a licensed manufacturer. The inspection may include the examination of records, equipment, and proceeds related to the operation of video lottery games.

(b) The Department of Public Safety, Alcohol Law Enforcement Division, shall report to the Commission the results of such an inspection and any potential violations noted during the inspection.

"§ 18C-404. Criminal offenses.

(a) Any person who tampers with a video lottery terminal with intent to interfere with the proper operation of the video lottery terminal is guilty of a Class 1 misdemeanor for the first offense, a Class H felony for a second offense, and a Class G felony for a third or subsequent offense.

(b) Any person who, with intent to manipulate the outcome, payoff, or operation of a video lottery terminal, manipulates the outcome, payoff, or operation of a video lottery terminal by physical tampering or any other means is guilty of a Class G felony for the first offense and a Class F felony for any subsequent offense.

(c) A video lottery merchant or operator who falsely reports or fails to report the amount due required by the Commission is guilty of a Class G felony and is subject to termination by the Commission.

(d) Any video lottery merchant who willfully pays a prize to any person in the amount less than the specified prize won is guilty of a Class G felony and is subject to termination by the Commission."

SECTION 42.4.(b) The Commission shall adopt temporary rules to implement Article 9 of Chapter 18C. Notwithstanding G.S. 150B-21.1(d), the temporary rules required by this act shall remain in effect until the effective date of the permanent rules adopted to replace these temporary rules. The Commission is exempt from the fiscal note requirement of G.S. 150B-21.4 in adopting rules to implement this section.

SECTION 42.4.(c) G.S. 18C-103 reads as rewritten:

"§ 18C-103. Definitions.

As used in this Chapter, unless the context requires otherwise:

- (1) "~~Commission~~"Commission. —~~means the~~The North Carolina State Lottery Commission.
- (2) "~~Commissioner~~"Commissioner. —~~means a~~ A member of the Commission.
- (3) "~~Director~~"Director. —~~means the~~ The person selected by the Commission to be the chief administrator of the North Carolina State Lottery.
- (4) "~~Game~~" or "~~lottery game~~"Game or lottery game.— ~~means any~~Any procedure or amusement authorized by the Commission where prizes are distributed among persons who have paid, or unconditionally agreed to pay, for tickets or

shares that provide the opportunity to win those prizes and does not utilize a video gaming machine as defined in G.S. 14-306.1(e). prizes.

(5) ~~Lottery.~~ Lottery. — ~~means any~~ Any lottery game or series of games established and operated pursuant to this Chapter.

(6) ~~"Lottery contractor"~~ Lottery contractor. — ~~means a~~ A person other than a lottery retailer with whom the Commission has contracted for the purpose of providing goods or services to the Commission on an ongoing basis.

(6a) ~~"Lottery supplier"~~ Lottery supplier. — ~~means a~~ A person, other than a lottery retailer, with whom the Commission has contracted for the purpose of providing goods or services to the Commission for an individual purchase which may include a maintenance program.

(7) ~~"Person"~~ Person. — ~~means any~~ Any natural person or corporation, limited liability company, trust, association, partnership, joint venture, subsidiary, or other business entity.

(7a) ~~"Potential contractor" or "lottery potential contractor"~~ Potential contractor or lottery potential contractor. — ~~means any~~ Any person other than a lottery retailer who submits a bid, proposal, or offer to procure a contract for goods or services for the Commission on an ongoing basis.

(8) ~~"Retailer", "lottery retailer", or "lottery game retailer"~~ Retailer, lottery retailer, or lottery game retailer. — ~~means a~~ A person with whom the Commission has contracted to sell tickets or shares in lottery games.

(9) ~~"Share"~~ Share. — ~~means any~~ Any method of participation in a lottery game, other than by a ticket purchased on an equivalent basis with a ticket.

(10) ~~"Ticket"~~ Ticket. — ~~means any~~ Any tangible evidence authorized by the Commission to demonstrate participation in a lottery game.

(11) Repealed by Session Laws 2009-357, s. 5, effective July 27, 2009."

SECTION 42.4.(d) G.S. 18C-114 reads as rewritten:

"§ 18C-114. Powers and duties of the Commission.

(a) The Commission shall have the following powers and duties:

...

(8) To charge a fee of potential ~~contractors~~ and contractors, lottery ~~contractors~~ contractors, and applicants under Article 9 of this Chapter, to not exceed the cost of the criminal record check of the potential contractors and lottery contractors.

...

(14) To adopt rules to implement this Chapter.

(15) To establish requirements for linking all video lottery terminals under a central control system to provide auditing of program information, including creating and maintaining a central control system, which may not limit participation to only one manufacturer of video lottery terminals by either cost or implementing the necessary program modifications to communicate with central monitoring system.

(16) To establish criteria for information systems, operating procedures, reporting, and accounting criteria for video lottery entertainment consistent with this Chapter.

(b) Article 15 of Chapter 143B of the General Statutes shall not apply to the Commission."

SECTION 42.4.(e) G.S. 18C-120 reads as rewritten:

"§ 18C-120. Selection of the Director; powers and duties.

...

(b) The Director shall have the following powers and duties, under the supervision of the Commission:

...

(2) To conduct a background investigation, including a criminal history record check, of applicants for employment with the Commission, lottery retailers, ~~and~~ lottery potential contractors, and applicants under Article 9 of this Chapter, which may include a search of the State and National Repositories of Criminal Histories based on the fingerprints of applicants.

...

(4) To enter into contracts with lottery retailers, lottery contractors, ~~or~~ lottery ~~suppliers~~ suppliers, or licensees under Article 9 of this Chapter upon approval by the Commission.

(5) To provide for the security and accuracy in the operation and administration of the Commission and the Lottery, including examining the background of all prospective employees, lottery potential contractors, lottery contractors, ~~and~~ lottery ~~retailers~~ retailers, and applicants under Article 9 of this Chapter.

...

(7) To confer with the Commission on the operation and administration of ~~the Lottery~~ this Chapter and make available for inspection by the Commission all books, records, files, documents, and other information ~~of the Lottery~~ maintained under this Chapter.

...

(9) To provide monthly financial reports to the Commission of all ~~lottery~~ revenues, prize disbursements, expenses, net revenues, and all other financial transactions involving lottery ~~funds~~ funds and activities governed under this Chapter.

...

(11) To engage an independent firm experienced in security procedures, including computer security and systems security, to conduct a comprehensive study and evaluation of all aspects of security in the operation of video lottery terminals. At a minimum, the comprehensive study and evaluation shall include a review of network vulnerability, application vulnerability, application code review, wireless security, security policy and processes, security and privacy program management, technology infrastructure and security controls, security organization and governance, and operational effectiveness."

SECTION 42.4.(f) G.S. 18C-122 reads as rewritten:

"§ 18C-122. Independent audits.

(a) Biennially, at the beginning of the calendar year, the Commission shall engage an independent firm experienced in security procedures, including computer security and systems security, to conduct a comprehensive study and evaluation of all aspects of security in the operation of the Commission and of the Lottery. At a minimum, such a security assessment should include a review of network vulnerability, application vulnerability, application code review, wireless security, security policy and processes, security/privacy program management, technology infrastructure and security controls, security organization and governance, and operational effectiveness.

(b) The portion of the security audit report containing the overall evaluation of the Commission and of lottery games in terms of each aspect of security shall be presented to the Commission, to the Governor, and to the General Assembly.

(c) The portion of the security audit report containing specific recommendations shall be confidential, shall be presented only to the Director and to the Commission, and shall be exempt

from Chapter 132 of the General Statutes. The Commission may hear the report of such an audit, discuss, and take action on any recommendations to address that audit under G.S. 143-318.11(a)(1). The Commission may hear any report of information regarding any vulnerabilities listed in subsection (a) of this section or that could be used to provide an unfair advantage to a player or jeopardize the integrity of any lottery game under G.S. 143-318.11(a)(1), and all reports of that nature shall be exempt from Chapter 132 of the General Statutes.

(d) Biennially at the end of the fiscal year, in addition to the audits required by G.S. 18C-116 and by subsection (a) of this section, beginning in 2010, the Commission shall engage an independent auditing firm that has experience in evaluating the operation of lotteries to perform an audit of the Lottery. The results of this audit shall be presented to the Commission, to the Governor, and to the General Assembly."

SECTION 42.4.(g) Article 2 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-102.7. Video lottery terminal privilege tax.

(a) A licensed manufacturer, licensed operator, or licensed video lottery merchant under Article 9 of Chapter 18C of the General Statutes engaging in the activity authorized by the license or contract shall pay a tax as follows:

(1) Manufacturers. – Fifty thousand dollars annually (\$50,000).

(2) Operators. – Two hundred fifty thousand dollars (\$250,000) for the first year of operations and twenty-five thousand dollars (\$25,000) for each year after the initial year of operations plus one hundred fifty dollars annually (\$150.00) per video lottery terminal in each retail location.

(3) Video lottery merchants. – One thousand dollars (\$1,000) per retail location annually.

(b) The tax is due by July 1 of each year.

(c) Counties and cities shall not levy any license tax on the business taxed under this section."

SECTION 42.4.(h) G.S. 105-259(b)(33) reads as rewritten:

"(33) To provide to the North Carolina State Lottery Commission the information required under ~~G.S. 18C-142~~, G.S. 18C-142 and G.S. 18C-214."

SECTION 42.4.(i) The North Carolina State Lottery Commission may use up to ten million dollars (\$10,000,000) in funds available from the North Carolina State Lottery Fund to implement the provisions of this section, and those funds are hereby appropriated for that purpose. The North Carolina State Lottery Commission shall credit funds to the North Carolina State Lottery Fund in an amount equal to the sum expended pursuant to this section.

SPORTS WAGERING

SECTION 42.5.(a) Chapter 18C of the General Statutes is rewritten to add a new Article:

"Article 10.

"Sports Wagering.

"§18C-190. Definitions.

As used in this Article, the following definitions apply:

(1) Amateur sports. – A sporting competition that is not a professional sport, college sport, or youth sport. This term includes domestic, international, and Olympic sporting competitions.

(2) Cash equivalent. – An asset convertible to cash for use in connection with authorized sports wagering that includes all of the following:

a. Foreign currency and coin.

b. Personal checks and drafts.

c. Digital, crypto, and virtual currencies.

- d. Online and mobile payment systems that support online money transfers.
- e. Credit cards and debit cards.
- f. A prepaid access instrument.
- g. Any other form approved by the Commission.
- (3) College sports. – An athletic or sporting competition in which at least one participant is a team or contestant competing on behalf of or under the sponsorship of a public or private institution of postsecondary education.
- (4) Covered services. – Any service creating sports wagering markets and determination of sports wager outcomes that involves the operation, management, or control of sports wagers authorized by this Article, including the development or operation of the sports wagering platform and the determination of odds or line information. The term shall not include any of the following:
- a. Payment processing and similar financial services.
- b. Customer identity, age verification, and geolocation services.
- c. Streaming or other video and data that does not include the determination of odds or line information.
- d. Telecommunications, internet service providers, and other similar services not specifically designed for sports wagering.
- e. Other goods or services not specifically designed for use in connection with sports wagering.
- (5) Electronic sports. – Leagues, competitive circuits, tournaments, or similar competitions where individuals or teams play video games, typically for spectators, either in-person or online, for the purpose of prizes, money, or entertainment.
- (6) Geofencing. – Technology approved by the Commission and utilized by an interactive sports wagering operator to verify a registered player's geolocation prior to the time the registered player is placing a sports wager.
- (7) Gross wagering revenue. – The total of all cash or cash equivalents received by an interactive sports wagering operator from sports wagers as authorized under this Article.
- (7) Interactive account. – A mobile account established by a registered player for the purpose of placing sports wagers in accordance with this Article.
- (8) Interactive sports wagering operator. – The holder of an interactive sports wagering license issued by the Commission.
- (9) Key person. – An officer or director of an interactive sports wagering operator who is directly involved in the operation, management, or control of sports wagering authorized under this Article, or who exercises substantial influence or control over the interactive sports wagering operator's sports wagering activities.
- (10) Official league data. – Statistics, results, outcomes, and other data relating to a sporting event obtained pursuant to an agreement with the relevant sports governing body or an entity expressly authorized by the relevant sports governing body to provide such data.
- (11) Parimutuel wager. – A betting system in which all of the bets of a particular type are placed together in a pool and the sports wager is placed against other bettors placing sports wagers on the same event of horse racing, dog racing, or other sporting events in which the participants finish in a ranked order.
- (12) Professional sports. – An athletic or sporting competition involving at least two competitors who receive compensation for participating in such event.

- (13) Registered player. – An individual who has established an account with an interactive sports wagering operator.
- (14) Service provider. – A business entity that provides covered services to an interactive sports wagering operator and holds a service provider license.
- (15) Sporting event. – Professional sports, amateur sports, and college sports, all of which may include electronic sports, and any other event approved by the Commission.
- (16) Sports facility. – Any of the following:
- a. A motorsports facility that hosts a National Association for Stock Car Auto Racing national touring race and has a minimum seating capacity of 17,000 people.
 - b. A facility that hosts a professional golf tournament with more than 50,000 live spectators anticipated to attend based on similar prior tournaments.
 - c. A facility that is the home location of a professional sports team that competes in any of the following professional leagues:
 1. Major League Baseball.
 2. Major League Soccer.
 3. National Basketball Association.
 4. National Football League.
 5. National Hockey League.
 6. National Women's Soccer League.
- (17) Sports governing body. – An organization headquartered in the United States and proscribes final rules with respect to a sporting event and enforces the code of conduct for participants therein. In the context of electronic sports, the sports governing body shall be the video game publisher of the title used in the electronic sports competition, regardless of location.
- (18) Sports wagering brand. – The names, logos, and brands that an interactive sports wagering operator advertises, promotes, or otherwise holds out to the public displaying its sports wagering platform.
- (19) Sports wagering platform. – A website, mobile application, or other interactive platform accessible via the internet, mobile, wireless, or similar communication technology that a registered player may use to place sports wagers authorized under this Article.
- (20) Sports wagering supplier. – A person that provides services, goods, software, or other components necessary for the creation of sports wagering markets and determination of sports wager outcomes, directly or indirectly, to any interactive sports wagering operator or service provider involved in the acceptance of sports wagers, including any of the following: providers of data feeds and odds services, internet platform providers, risk management providers, integrity monitoring providers, and other providers of sports wagering supplier services as determined by the Commission. The term does not include a sports governing body that provides raw statistical match data to one or more designated and licensed providers of data and odds services.
- (21) Sports wager or sports wagering. – Placing of wagers via an interactive account on any of the following: (i) a sporting event, (ii) a portion of a sporting event, (iii) the individual performance statistics of athletes in a sporting event or combination of sporting events, or (iv) a parimutuel wager. The term also includes single-game wagers, teaser wagers, parlays, over-under, moneyline, pools, exchange wagering, in-game wagering, in-play wagers, proposition wagers, and straight wagers.

- 1 (22) Tier one sports wager. – A sports wager that is determined solely by the final
2 score or final outcome of the sporting event and is placed before the sporting
3 event has begun.
- 4 (23) Tier two sports wager. – Any sports wager that is not a tier one sports wager.
- 5 (24) Tribal gaming enterprise. – A federally recognized Indian tribe that is
6 authorized to conduct Class III games in accordance with the federal Indian
7 Gaming Regulatory Act, 25 U.S.C. § 2701 et seq., in this State or a business
8 entity owned or controlled by such tribe. Any federally recognized tribe, or
9 business entity owned or controlled by the tribe, that is deemed an interactive
10 sports wagering operator under this Article shall include authorization for any
11 technology and sports wagering brand partners of the tribe or the business
12 entity owned or controlled by the tribe, subject to compliance with the terms
13 of this Article by the technology and sports wagering brand partners.
- 14 (25) Youth sports. – An event in which the majority of participants are under the
15 age of 18 or are competing on behalf or under the sponsorship of one or more
16 public or private preschool, elementary, middle, or secondary schools. The
17 term does not include the following:
- 18 a. Professional sports.
- 19 b. Sporting events that occur under the sponsorship or oversight of
20 national or international athletic bodies that are not educational
21 institutions and that include participants both over and under the age
22 of 18.

23 **"§ 18C-191. Authorization of sports wagering generally.**

24 (a) Notwithstanding any provision of Article 37 of Chapter 14 of the General Statutes,
25 sports wagering as authorized by this Article shall not be considered unlawful. All sports
26 wagering authorized under this Article shall be placed via an interactive account as described in
27 G.S. 18C-201 and shall be initiated and received within this State except as provided in
28 G.S. 18C-213. The interactive sports wagering operator shall comply with the following:

- 29 (1) Ensure that the registered player is located within the State, and not present
30 on Indian lands within the State, when placing any sports wager, utilizing
31 geofencing.
- 32 (2) Monitor and block unauthorized attempts to place sports wagers.

33 (b) This Article does not apply to interactive sports wagering conducted exclusively on
34 Indian lands by an Indian tribe operating in accordance with a Tribal-State gaming compact and
35 authorized to conduct Class III gaming pursuant to a compact with the State. For purposes of this
36 Article, sports wagering is conducted exclusively on Indian lands only if the individual who
37 places the sports wager is physically present on Indian lands when the sports wager is initiated
38 and received on equipment that is physically located consistent with federal law, and the sports
39 wager is initiated and received in conformity with the safe harbor requirements as provided in 31
40 U.S.C. § 5362(10)(c).

41 (c) An interactive sports wagering operator licensed under G.S. 18C-193 shall not accept
42 any wager if the registered player placing the wager is physically present on Indian lands when
43 the sports wager is initiated and received. Each interactive sports wagering operator licensed
44 under G.S. 18C-193 shall use geofencing approved by the Commission to ensure compliance
45 with this Article.

46 (d) Nothing in this Article shall authorize any of the following:

- 47 (1) Sports wagering involving youth sports.
- 48 (2) Sports wagering on the occurrence of any of the following:
- 49 a. Injuries.
- 50 b. Penalties.

c. The outcome of disciplinary proceedings against a participant in a sporting event.

d. The outcome of replay reviews.

(3) The Commission serving as an operator of a sports wagering platform.

(e) Upon request and with reasonable notice, the Commission or the Department of Revenue has the authority to audit any interactive sports wagering operator or its service providers as related to sports wagering activities authorized under this Article.

(f) Any sports governing body on whose sporting events sports wagering is authorized by this Article may enter into commercial agreements with interactive sports wagering operators or other entities in which the sports governing body may share in the amount bet from sports wagering on sporting events of the sports governing body. A sports governing body is not required to obtain a license or any other approval from the Commission to lawfully accept such amounts.

(g) Nothing in this Chapter shall authorize the Commission to establish, require, or enforce a maximum or minimum payout or hold percentage upon any interactive sports wagering operator.

"§ 18C-192. Reserved for future codification purposes.

"§ 18C-193. Interactive sports wagering license.

(a) It shall be unlawful for any person to offer or accept sports wagers in this State without a valid interactive sports wagering license. Except as provided in G.S.18C-213, the Commission shall authorize at least 10, but not more than 12, interactive sports wagering operators to offer and accept sports wagers to and from registered players on sporting events, which shall include any of the following:

(1) Professional sports.

(2) College sports.

(3) Electronic sports.

(4) Amateur sports.

(5) Any other event approved by the Commission.

(b) The Commission shall review and issue sports wagering licenses to qualified applicants. The applicant shall complete and submit an application on a form prescribed by the Commission and a licensing fee of one million dollars (\$1,000,000). If the application is denied, the licensing fee shall be refunded, minus any expenses the Commission incurs in reviewing the application.

(c) The application shall set forth all of the following:

(1) The proposed initial business plan, including the range of contemplated types and modes of sports wagering.

(2) The proposed measures to address age and identity verification and geolocation requirements.

(3) The proposed internal controls that will prevent ineligible persons from participating in sports wagering.

(4) A documented history of working to prevent compulsive gambling, including training programs for its employees.

(5) A written information security program detailing information security governance and the designation of a chief security officer or equivalent.

(6) The proposed sports wagering brand that the applicant plans to hold out to the public displaying its sports wagering platform.

(7) Any personal information the Commission may deem necessary concerning the applicant's key persons.

(8) Any other information the Commission may deem necessary.

(d) The Commission shall conduct a background investigation on the applicant and key persons as deemed necessary by the Commission. The background investigation shall include a

1 credit history check, a tax record check, and a criminal history record check. The Commission
2 may, in its discretion, accept the results of such prior check and an affidavit that there has been
3 no change in criminal history since the prior check from an applicant or key person who has
4 submitted to a criminal history record check in this or any other state within the previous 12
5 months. The Commission may not award a license to if an applicant or a key person of the
6 applicant has been convicted of a felony or any gambling offense in any state or federal court of
7 the United States within 10 years of application or renewal.

8 (e) An applicant and key person for licensure shall consent to a criminal history record
9 check. Refusal to consent to a criminal history record check may constitute grounds for the
10 Commission to deny licensure.

11 (f) The Commission shall grant or deny all applications under this section. The grounds
12 for denial of an interactive sports wagering license shall be the same as in G.S. 18C-195(g). If
13 there are more qualified applicants than the number of interactive sports wagering operators
14 authorized under subsection (a) of this section, the Commission shall select the best qualified
15 applicants, taking into consideration the following factors:

16 (1) The contents of the application submitted in accordance with this section.

17 (2) The extent to which the applicant demonstrates past experience, financial
18 viability, compliance with applicable laws and regulations in other
19 jurisdictions, and success with sports wagering operations in other
20 jurisdictions.

21 (3) The extent to which the applicant is able to meet the duties of an interactive
22 sports wagering operator.

23 (4) The amount of gross wagering revenue and associated tax revenue that an
24 applicant is projected to generate.

25 (5) Any other factors the Commission deems relevant.

26 (g) A person holding a license to engage in sports wagering, on the basis of comparable
27 licensing requirements issued to that person by a proper authority in another state or territory of
28 the United States or the District of Columbia if that jurisdiction's requirements for licensure,
29 certification, or registration are substantially equivalent to or exceed the requirements of this
30 State, and who, in the opinion of the Commission otherwise meets the requirements of this Article
31 based upon verified evidence may, upon application, be licensed as an interactive sports wagering
32 operator with or without further examination, as determined by the Commission. The
33 Commission may also accept another jurisdiction's or approved third party's testing of the
34 interactive sports wagering platform as evidence that the sports wagering platform meets any
35 requirements mandated by the Commission.

36 (h) The Commission shall review and issue interactive sports wagering licenses to
37 qualified applicants within 60 days of receipt of a completed application. The Commission may
38 extend the review period for an additional 30 days if the background check is outstanding. Any
39 denial shall be in writing and state the grounds therefor.

40 (i) Notwithstanding Chapter 132 of the General Statutes or any other provision of law,
41 only the following documents under this section shall be a public record, with respect to each
42 applicant and each interactive sports wagering operator:

43 (1) The name, address, and sports wagering platform.

44 (2) The name of all key persons.

45 (3) The documented history of working to prevent compulsive gambling,
46 including training programs for its employees.

47 (4) The proposed sports wagering brand that the applicant plans to hold out to the
48 public displaying its sports wagering platform.

49 (5) Whether the Commission granted or denied the application.

50 (j) Each interactive sports wagering operator shall promptly report all criminal or
51 disciplinary proceedings commenced against that interactive sports wagering operator in

1 connection with its operations to the Commission. Each interactive sports wagering operator shall
2 promptly report to the Commission all changes in key persons, and all new key persons shall
3 consent to a background check.

4 (k) No interactive sports wagering operator license is assignable or transferable without
5 approval of the Commission.

6 (l) Interactive sports wagering operators shall assure the financial integrity of sports
7 wagering operations by the maintenance of a reserve of not less than five hundred thousand
8 dollars (\$500,000) or the amount required to cover the outstanding liabilities for sports wagers
9 accepted by the interactive sports wagering operator, whichever is greater. The reserve may take
10 the form of a bond, an irrevocable letter of credit, payment processor reserves and receivables,
11 cash or cash equivalents segregated from operational funds, guaranty letter, a combination
12 thereof, or any other means as approved by the Commission. Such reserve shall be adequate to
13 pay winning sports wagers to sports bettors when due. An interactive sports wagering operator
14 is presumed to have met this requirement if the operator maintains, on a daily basis, a minimum
15 reserve in an amount which is at least equal to the average daily minimum reserve, calculated on
16 a monthly basis, for the corresponding month in the previous year. For purposes of this
17 subsection, 'outstanding liabilities for sports wagers accepted by an interactive sports wagering
18 operator' shall mean the amounts accepted by the interactive sports wagering operator on sports
19 wagers whose outcomes have not been determined and amounts owed but unpaid on winning
20 sports wagers.

21 **"§ 18C-194. Reserved for future codification purposes.**

22 **"§ 18C-195. Applications for service provider licenses.**

23 (a) It shall be unlawful for any person to provide covered services to any interactive
24 sports wagering operator in this State without a valid service provider license. An interactive
25 sports wagering operator who provides covered services in-house shall not be required to have a
26 service provider license in addition to the interactive sports wagering operator license.

27 (b) The Commission shall review and issue service provider licenses to qualified
28 applicants within 60 days of receipt of a completed application. The Commission may extend the
29 review period for an additional 30 days if the background check is outstanding. Any denial shall
30 be in writing and state the grounds therefor. The applicant shall complete and submit an
31 application on a form prescribed by the Commission and a licensing fee of fifty thousand dollars
32 (\$50,000).

33 (c) The application shall set forth all of the following:

34 (1) The applicant's background in sports wagering or the covered service.

35 (2) All experience with sports wagering or other wagering activities in other
36 jurisdictions, including the applicant's history, reputation of integrity and
37 compliance, and a list of all active and inactive licenses, certifications, or
38 registrations and reasons for inactivity, if applicable.

39 (3) A written information security program, detailing information security
40 governance and the designation of a chief security officer or equivalent.

41 (4) Any personal information the Commission may deem necessary concerning
42 the applicant's key persons.

43 (5) Any other information the Commission may deem necessary.

44 (d) The Commission shall conduct a background investigation on the applicant and key
45 persons as deemed necessary by the Commission. The background investigation shall include a
46 credit history check, a tax record check, and a criminal history record check. The Commission
47 may, in its discretion, accept the results of such prior check and an affidavit that there has been
48 no change in criminal history since the prior check from an applicant or key person who has
49 submitted to a criminal history record check in this or any other state within the previous 12
50 months. The Commission may not award a license if the applicant or a key person of the applicant

has been convicted of a felony or any gambling offense in any state or federal court of the United States within 10 years of application or renewal.

(e) An applicant and key persons for licensure shall consent to a criminal history record check. Refusal to consent to a criminal history record check may constitute grounds for the Commission to deny licensure.

(f) A person holding a service provider license or its equivalent, on the basis of comparable licensing requirements issued to that person by a proper authority by another state or territory of the United States or the District of Columbia if that jurisdiction's requirements for licensure, certification, or registration are substantially equivalent to or exceed the requirements of this State, and who, in the opinion of the Commission otherwise meets the requirements of this Article based upon verified evidence may, upon application, be licensed as a service provider with or without further examination, as determined by the Commission.

(g) Grounds for denial of a license may include the following:

(1) The applicant is unable to satisfy the requirements under this Article.

(2) The applicant or any key persons are not of good character, honesty, or integrity.

(3) The applicant's or any key person's prior activities, criminal record, reputation, or associations indicate any of the following:

a. A potential threat to the public interest.

b. Impede the regulation of sports wagering.

c. Promote unfair or illegal activities in the conduct of sports wagering.

(4) The applicant or a key person knowingly makes a false statement of material fact or deliberately fails to disclose information requested by the Commission.

(5) The applicant or a key person knowingly fails to comply with the provisions of this Article or any requirements of the Commission.

(6) The applicant or a key person was convicted of a felony, a crime of moral turpitude, or any criminal offense involving dishonesty or breach of trust within the 10 years prior to the submission date of the application.

(7) Any revocation, suspension, or denial of the applicant's or key person's license, certification, or registration to conduct sports wagering, other forms of gambling activity, or a covered service issued by any other jurisdiction.

(8) The applicant has defaulted on any obligation or debt owed to this State.

(h) Notwithstanding any other provision of law, only the following documents under this section shall be a public record, with respect to each applicant and each interactive sports wagering operator:

(1) The name, address, and sports wagering platform.

(2) The name of all key persons.

(3) Whether the Commission granted or denied the application.

(i) Each service provider shall promptly report all criminal or disciplinary proceedings commenced against that service provider in connection with its operations to the Commission. Each service provider shall promptly report all changes in key persons to the Commission, and all new key persons shall consent to a background check.

(j) No service provider license is assignable or transferable without approval of the Commission.

"§ 18C-196. Sports wagering supplier license.

(a) The Commission may issue a sports wagering supplier license to a sports wagering supplier. An interactive sports wagering operator who provides covered services in-house shall not be required to have a sports wagering supplier license in addition to the interactive sports wagering operator license.

(b) At the request of an applicant for a sports wagering supplier license, the Commission may issue a provisional sports wagering supplier license to the applicant so long as the applicant

has submitted a completed application in accordance with this section. A provisional license issued under this subsection expires on the date provided by the Commission.

(c) A person may apply to the Commission for a sports wagering supplier license as provided in this Article.

(d) The applicant shall complete and submit an application on a form prescribed by the Commission and a licensing fee of thirty thousand dollars (\$30,000). In the application, the Commission shall require applicants to disclose the identity of all of the following:

(1) The applicant's principal owners who directly own ten percent (10%) or more of the applicant.

(2) Each holding, intermediary, or parent company that directly owns fifteen percent (15%) or more of the applicant.

(3) The applicant's board appointed CEO and CFO, or the equivalent as determined by the Commission.

(4) Any other information the Commission may deem necessary.

(e) The Commission shall conduct a background investigation on the applicant and key persons as deemed necessary by the Commission. The background investigation shall include a credit history check, a tax record check, and a criminal history record check. The Commission may, in its discretion, accept the results of such prior check and an affidavit that there has been no change in criminal history since the prior check from an applicant or key person who has submitted to a criminal history record check in this or any other state within the previous 12 months. The Commission may not award a license if the applicant or a key person of the applicant has been convicted of a felony or any gambling offense in any state or federal court of the United States within 10 years of application or renewal. An applicant and key persons for licensure shall consent to a criminal history record check. Refusal to consent to a criminal history record check may constitute grounds for the Commission to deny licensure.

(f) The Commission shall review and issue licenses to qualified applicants within 60 days of receipt of a completed application. The Commission may extend the review period for an additional 30 days if the background check is outstanding.

(g) In disclosing the principal owners of the applicant, the following shall apply:

(1) Governmental created entities, including statutory authorized pension investment boards and Canadian Crown corporations, that are direct or indirect shareholders of an applicant shall be waived in the applicant's disclosure of ownership and control as determined by the Commission.

(2) Investment funds or entities registered with the Securities and Exchange Commission, including Investment Advisors and entities under the management of the Securities and Exchange Commission, that are direct or indirect shareholders of the applicant, shall be waived in the applicant's disclosure of ownership and control as determined by the Commission.

(h) A sports wagering supplier license or a provisional sports wagering supplier license shall be sufficient to offer the sports wagering services under this Article.

(i) A person holding a sports wagering supplier license or its equivalent, on the basis of comparable licensing requirements issued to that person by a proper authority by another state or territory of the United States or the District of Columbia if that jurisdiction's requirements for licensure, certification, or registration are substantially equivalent to or exceed the requirements of this State, and who, in the opinion of the Commission otherwise meets the requirements of this Article based upon verified evidence may, upon application, be licensed as a service provider with or without further examination, as determined by the Commission.

(j) No sports wagering supplier license is assignable or transferable without approval of the Commission.

"§ 18C-197. Renewals of licenses.

(a) Any license issued pursuant to this Article shall be valid for five years.

- (b) At least 60 days prior to the expiration of a license, the license holder shall submit a renewal application, on a form prescribed by the Commission, including a renewal fee as follows:
- (1) One million dollars (\$1,000,000) for an interactive sports wagering license.
 - (2) Fifty thousand dollars (\$50,000) for a service provider license.
 - (3) Thirty thousand dollars (\$30,000) for a sports wagering supplier license.
- (c) The Commission may revoke or deny a license renewal for any of the following reasons:
- (1) The same grounds that would constitute denial of an initial application under G.S. 18C-193(g).
 - (2) A violation of this Article.
 - (3) Failure to pay the privilege tax imposed under Article 2E of Chapter 105 of 15 the General Statutes.
- (d) With respect to interactive sports wagering operators, the Commission may deny a license renewal if the Commission finds good cause to believe approval of another applicant would better meet the objectives of this Article in generating revenue for the State, protecting the public interest, and otherwise satisfying the criteria for issuance, and no additional licenses are to be available under G.S. 18C-193(a).
- "§ 18C-198. Use of proceeds.**
- (a) The Commission shall use the funds remitted to it pursuant to G.S. 105-113.128 and any proceeds from license fees collected under this Article to cover expenses in administering this Article. Any proceeds remaining at the end of each fiscal year after payment of expenses of the Commission pursuant to this section shall be remitted to the General Fund.
- (b) Expenses of the Commission shall include all items listed in G.S. 18C-163.
- "§ 18C-199. Duties of licensees.**
- (a) The interactive sports wagering operator and its service providers shall make commercially reasonable efforts to do all of the following:
- (1) Prevent persons who are not registered players from placing sports wagers through its sports wagering platform.
 - (2) Prevent persons who are not physically located in the State from placing a wager through its sports wagering platform.
 - (3) Protect the confidential information of registered players using its sports wagering platform.
 - (4) Prevent sports wagering on prohibited events set forth in this Article or as otherwise determined by the Commission.
 - (5) Prevent persons from placing sports wagers as agents or proxies for others.
 - (6) Allow persons to voluntarily exclude themselves under G.S. 18C-922 from placing sports wagers through its sports wagering platform as set forth in this Article.
 - (7) Establish procedures to detect suspicious or illegal sports wagering activity.
 - (8) Provide for the reporting of income tax of registered players where required by applicable State or federal law.
 - (9) Prevent a participant in a sporting event, including an athlete, coach, trainer, official, or any employee or staff of a participant from placing a sports wager on that sporting event in which the participant is participating.
- (b) For three years after a sporting event occurs, interactive sports wagering operators shall maintain records on:
- (1) All sports wagers, including the identity of the registered player.
 - (2) The amount, type, time, location, and outcome of the wager, including the IP address, if available.
 - (3) Suspicious or illegal sports wagering activity.

(c) The interactive sports wagering operator shall disclose the records described in subsection (b) of this section to the Commission upon request.

(d) If a sports governing body has notified the Commission that real-time information sharing for sports wagers placed on its sporting events is necessary, interactive sports wagering operators shall share with that sports governing body or its designee in real time, at the account level, anonymized information regarding a registered player, amount and type of sports wager, the time the sports wager was placed, the location of the registered player at the time the sports wager was placed, and the IP address if applicable, outcome of the sports wager, and records of abnormal sports wagering activity. For purposes of this subsection, real time means on a commercially reasonable periodic interval, but in any event, not less than once every 72 hours. A sports governing body receiving any information pursuant to this subsection shall use the information for the purpose of integrity monitoring only and not for any commercial purpose.

(e) In advertising its sports wagering platform, the interactive sports wagering operator shall ensure that its advertisements meet all of the following:

(1) It does not target persons under the age of 21.

(2) It discloses the identity of the interactive sports wagering operator.

(3) It provides information about or links to resources related to gambling addiction and prevention.

(4) It is not misleading to a reasonable person.

(f) Licensees shall conduct background checks on newly hired employees. Background checks shall search for criminal history and any charges or convictions involving corruption or manipulation of sporting events and association with organized crime.

(g) Interactive sports wagering operators and service providers shall employ commercially reasonable methods to maintain the security of wagering data, registered player and other customer data, and any other confidential information, including information provided by a sports governing body, from unauthorized access and dissemination. All servers necessary to the placement and resolution of a sports wager, other than back-up servers, shall be physically located in this State. Consistent with federal law, nothing in this subsection shall preclude the use of internet or cloud-based hosting, or the use of back-up servers located outside of this State.

(h) Each interactive sports wagering operator shall provide a daily summary of all sports wagering activity, detailing all transactions processed through each wagering system, provided in a format established by the Commission at the close of each business day.

"§ 18C-200. Reserved for future codification purposes.

"§ 18C-201. Establishment of interactive accounts.

(a) Only a registered player shall be permitted to deposit cash or cash equivalents, or to place a sports wager, with an interactive sports wagering operator. The interactive sports wagering operator is responsible for verifying the identity of the registered player and ensuring that the registered player is at least 21 years of age.

(b) A registered player may not have more than one interactive account with each interactive sports wagering operator.

(c) All of the following persons are prohibited from engaging in sports wagering:

(1) Any person under the age of 21.

(2) Any person who has requested and not revoked a voluntary exclusion designation from sports wagering pursuant to G.S. 18C-209.

(3) Any person who has been adjudicated by law as prohibited from engaging in sports wagering.

(4) Any member, officer, or employee of the Commission if placing a sports wager in this State.

(5) Any employee or key person of an interactive sports wagering operator or service provider license when placing sports wagers with that interactive sports wagering operator.

- (6) With respect to a sporting event, any participant in that sporting event, including an athlete, coach, trainer, official, or any employee or staff of a participant, when placing a sports wager on that sporting event in which that participant is participating.
- (7) Any employees or staff of a sports governing body or authorizing league or similar sponsoring organization, but only from the sporting events with which that individual or sports governing body, authorizing league or similar sponsoring organization is affiliated.
- (d) An interactive account shall meet all of the following requirements:
- (1) Be registered in the name of the registered player, who is a natural person.
- (2) Be established through the interactive sports wagering operator's sports wagering platform.
- (3) Be funded with cash or cash equivalents online or placed at a sports facility as provided in G.S. 18C-211.
- (4) Prohibit the transfer or sale of an account or account balance.
- (5) Prohibit the use of any virtual private network or other technology that may obscure or falsify the registered player's physical location.
- (6) Prohibit any form of collusion, cheating, or other unlawful activity.
- (7) Affirm that the registered player meets all eligibility requirements for registration.
- (8) Authorize the provision of notices and other required communications either through a designated mobile or other interface or to an electronic mail address designated by the registered player.
- (e) The interactive sports wagering operator shall put in place sufficient measures to verify the age and identity of the registered player needed to allow the establishment of interactive accounts remotely.
- (f) An interactive account held by a registered player in this State may be suspended or terminated by the interactive sports wagering operator under any of the following conditions:
- (1) The registered player has provided any false or misleading information in connection with the opening of the account, or has engaged in collusion, cheating, or other unlawful conduct.
- (2) The registered player is barred from placing sports wagers in the State.
- (3) The registered player is or otherwise becomes ineligible pursuant to this Article.
- (4) For any other reason at the sole discretion of the interactive sports wagering operator, provided it is not in violation of federal or State law.
- (g) In the event of termination of the interactive account in accordance with this section, the registered player shall be provided a timely ability to access and withdraw any funds remaining in the interactive account.
- "§ 18C-202. Reserved for future codification purposes.**
- "§ 18C-203. Integrity of competition and prohibited events.**
- (a) A sports governing body may submit to the Commission in writing a request to restrict, limit, or exclude a certain type, form, or category of sports wagering with respect to sporting events of such body, if the sports governing body believes that such type, form, or category of sports wagering with respect to sporting events of such body may undermine the integrity or perceived integrity of such body or sporting events of such body. The Commission shall request comment from sports wagering operators on all such requests. After giving due consideration to all comments received, the Commission shall, upon a demonstration of good cause from the requestor that such type, form, or category of sports wagering is likely to undermine the integrity or perceived integrity of such body or sporting events of such body, grant the request. The Commission shall respond to a request concerning a particular event before the

1 start of the event, or if it is not feasible to respond before the start of the event, no later than seven
2 days after the request is made. If the Commission determines that the requestor is more likely
3 than not to prevail in successfully demonstrating good cause for its request, the Commission may
4 provisionally grant the request of the sports governing body until the Commission makes a final
5 determination as to whether the requestor has demonstrated good cause. Absent such a
6 provisional grant by the Commission, sports wagering operators may continue to offer sports
7 wagering on sporting events that are the subject of such a request during the pendency of the
8 Commission's consideration of the applicable request.

9 (b) The Commission and interactive sports wagering operators shall cooperate with
10 investigations conducted by sports governing bodies or law enforcement agencies, including
11 using commercially reasonable efforts to provide or facilitate the provision of sports wagering
12 information. All disclosures under this section are subject to an interactive sports wagering
13 operator's obligations to comply with all federal, State, and local laws and regulations, including
14 those relating to privacy and personally identifiable information.

15 (c) Interactive sports wagering operators are not required to use official league data for
16 determining any of the following:

17 (1) The results of tier one sports wagers on sporting events of any organization
18 whether headquartered in the United States or elsewhere.

19 (2) The results of tier two sports wagers on sporting events of organizations that
20 are not headquartered in the United States.

21 (d) A sports governing body may notify the Commission that it desires interactive sports
22 wagering operators to use official league data to settle tier two sports wagers on sporting events
23 of such sports governing body. Such notification shall be made in the form and manner as the
24 Commission may require. The Commission shall notify each interactive sports wagering operator
25 of a sports governing body's notification within five days of the Commission's receipt of such
26 notification. If a sports governing body does not so notify the Commission, an interactive sports
27 wagering operator is not required to use official league data for determining the results of tier
28 two sports wagers on sporting events of such sports governing body.

29 (e) Within 60 days of the Commission notifying each interactive sports wagering
30 operator of such a sports governing body notification to the Commission, or such longer period
31 as may be agreed between the sports governing body and the applicable interactive sports
32 wagering operator, interactive sports wagering operators shall use only official league data to
33 determine the results of tier two sports wagers on sporting events of that sports governing body,
34 unless any of the following apply:

35 (1) The sports governing body or its designee cannot provide a feed of official
36 league data to determine the results of a particular type of tier two sports
37 wager, in which case interactive sports wagering operators are not required to
38 use official league data for determining the results of the applicable tier two
39 sports wager until such time as such a data feed becomes available from the
40 sports governing body on commercially reasonable terms and conditions.

41 (2) An interactive sports wagering operator can demonstrate to the Commission
42 that the sports governing body or its designee will not provide a feed of official
43 league data to the interactive sports wagering operator on commercially
44 reasonable terms and conditions.

45 (3) The sports governing body or its designee of the sports governing body does
46 not obtain a supplier license from the Commission to provide official league
47 data to interactive sports wagering operators to determine the results of tier
48 two sports wagers, if and to the extent required by law.

49 (f) During the pendency of the Commission's determination as to whether a sports
50 governing body or its designee will provide a feed of official league data on commercially
51 reasonable terms, an interactive sports wagering operator is not required to use official league

data for determining the results of tier two sports wagers. The Commission's determination shall be made within 60 days of the interactive sports wagering operator notifying the Commission that it desires to demonstrate that the sports governing body or its designees will not provide a feed of official league data to the sports wagering operator on commercially reasonable terms. The following is a non-exclusive list of factors the Commission may consider in evaluating whether official league data is being offered on commercially reasonable terms and conditions for purposes of this subsection and subsections (d) and (e) of this section:

- (1) The extent to which interactive sports wagering operators have purchased the same or similar official league data on the same or similar terms, particularly in jurisdictions where such purchase was not required by law, or was required by law, but only if offered on commercially reasonable terms.
- (2) The nature and quantity of the official league data, including its speed, accuracy, reliability, and overall quality, as compared to comparable non-official data.
- (3) The quality and complexity of the process used to collect and distribute the official league data as compared to comparable non-official data.
- (4) The availability of a sports governing body's tier two official league data to an interactive sports wagering operator from more than one authorized source.
- (5) Market information, including price and other terms and conditions, regarding the purchase by interactive sports wagering operators of comparable data for the purpose of settling sports wagers in this State and other jurisdictions.
- (6) The extent to which sports governing bodies or their designees have made data used to settle tier two sports wagers available to interactive sports wagering operators and any terms and conditions relating to the use of that data.
- (7) Any other information the Commission deems relevant.

(g) Interactive sports wagering operators shall, as soon as practicable, report to the Commission any information relating to abnormal betting activity or patterns that may indicate a concern with the integrity of a sporting event or events, or any other conduct that corrupts a sports wagering outcome of a sporting event or events for purposes of financial gain, including match fixing. The interactive sports wagering operator making such a report shall also simultaneously report such information to the relevant sports governing body.

"§ 18C-204. Reserved for future codification purposes.

"§ 18C-205. Civil penalties; suspension and revocation of licenses.

If the Commission determines that the holder of a license under this Article has violated any provision of this Article, the Commission, with at least 15 days' notice and a hearing, may do either or both of the following:

- (1) Suspend or revoke the license.
- (2) Impose a monetary penalty of not more than twenty thousand dollars (\$20,000) for each violation.

"§ 18C-206. Reserved for future codification purposes.

"§ 18C-207. Criminal penalties.

(a) Any person who knowingly engages in sports wagering in violation of this Article shall be guilty of a Class 2 misdemeanor.

(b) Any person who knowingly offers sports wagering in violation of this Article shall be guilty of a Class 1 misdemeanor.

(c) Any person under the age of 21 who engages in sports wagering as defined under this Article shall be guilty of a Class 2 misdemeanor.

(d) Any person who knowingly attempts to suborn, collude, or otherwise conspire to influence the outcome of any competition or aspect of any competition that is the subject of sports wagering pursuant to this Article shall be guilty of a Class G felony.

1 (e) Any applicant for an interactive sports wagering license or a service provider license
2 who willfully furnishes, supplies, or otherwise gives false information on the interactive sports
3 wagering license application shall be guilty of a Class I felony.

4 (f) Any interactive sports wagering operator or service provider licensee who willfully
5 furnishes, supplies, or otherwise gives false information on the sports wagering privilege tax
6 return shall be guilty of a Class I felony.

7 (g) Nothing in this Article shall be construed to allow the interactive sports wagering
8 operator or its service providers to be charged with violation of this Article absent actual notice
9 and knowledge that a registered player is under age or giving false information.

10 "§ 18C-208. Reserved for future codification purposes.

11 "§ 18C-209. Voluntary exclusion program.

12 (a) The Commission shall establish a voluntary exclusion program for any individual
13 shall be able to voluntarily exclude themselves from placing sports wagers through a voluntary
14 exclusion program established by the Commission. wagers. Interactive sports wagering operators
15 shall use reasonable means to comply with the exclusion of individuals participating in the
16 voluntary exclusion program by the Commission.

17 (b) The Commission shall adopt rules to establish the voluntary exclusion program,
18 which shall establish procedures for all of the following:

19 (1) Verification of the individual's request to be placed in the voluntary exclusion
20 program, and for how long, up to and including that individual's lifetime.

21 (2) How information regarding which individuals are in the voluntary exclusion
22 program is to be disseminated to the interactive sports wagering operators.

23 (3) How an individual in the voluntary exclusion program may petition the
24 Commission for removal from the voluntary exclusion program.

25 (4) The means by which the interactive sports wagering operators and their agents
26 shall make all reasonable efforts to cease direct marketing efforts to
27 individuals participating in the voluntary exclusion program.

28 (5) The means by which the Commission shall make available to all interactive
29 sports wagering operators and their agents the names of the individuals
30 participating the voluntary exclusion program, which shall be at least
31 quarterly.

32 (c) Participation in the voluntary exclusion program shall not preclude an interactive
33 sports wagering operator and its agents from seeking the payment of a debt accrued by the
34 individual prior to participating in the voluntary exclusion program.

35 (d) The voluntary exclusion program shall be exempt from Chapter 132 of the General
36 Statutes and shall be treated as confidential by each interactive sports wagering operator.

37 (e) Sports wagering operators and their agents may be fined \$1,000 for each instance of
38 targeting direct marketing to individuals on the voluntary exclusion program.

39 (f) Sports wagering operators and their agents are prohibited from targeting direct
40 marketing to individuals on the voluntary exclusion program for 60 days after the individual
41 leaves the voluntary exclusion program.

42 "§ 18C-923. Reserved for future codification purposes.

43 "§ 18C-924. Risk management.

44 The Commission shall adopt rules permitting, but not requiring, interactive sports wagering
45 operators and their service providers to employ systems that offset loss or manage or lay off risk
46 in the operation of sports wagering pursuant to this Article, including through liquidity pools,
47 exchanges, or similar mechanisms in another approved jurisdiction in which the interactive sports
48 wagering operator, service provider, or an affiliate of either or other third party also holds a
49 license or the equivalent, provided that at all times adequate protections are maintained to ensure
50 sufficient funds are available to pay all registered players.

51 "§ 18C-210. Reserved for future codification purposes.

1 **"§ 18C-211. Places of public accommodation.**

2 (a) Permanent places of public accommodation for the purpose of accessing the
3 registered player's interactive account, either directly or with assistance from a person, may be
4 associated with each sports facility.

5 (b) Permanent places of public accommodation permitted under this section shall be
6 located as follows:

7 (1) On the property of the sports facility.

8 (2) No more than one place of public accommodation may be on other property
9 owned or controlled by the owner or operator of the sports facility or an
10 affiliated entity of the owner or operator of the sports facility that is located
11 within a one-half mile radius of a sports facility defined in G.S. 18C-190(15)a.
12 or G.S. 18C-190(15)c.

13 (3) No more than one place of public accommodation may be on other property
14 owned or controlled by the owner or operator of the sports facility that is
15 located within a one and one-half mile radius of a sports facility defined in
16 G.S. 18C-190(15)b.

17 (c) Nothing in this section shall be construed to exempt a place of public accommodation
18 from the provisions of any other law that may be enforceable.

19 (d) All sports wagers made at a place of public accommodation shall be placed via an
20 interactive account as described in G.S. 18C-201. Mobile devices, computer terminals, similar
21 devices, and cashiers used to operate the place of public accommodation shall have the ability to
22 accept cash and cash equivalents and distribute cash or cash equivalents; however, only a cashier
23 may distribute something of monetary value to the registered player at a place of public
24 accommodation. All cashiers that accept or distribute cash or cash equivalents shall be an
25 employee of an interactive sports wagering operator.

26 (e) A public accommodation under this section may be advertised by the owner or
27 operator of the sports facility.

28 (f) Notwithstanding subsections (a) through (c) of this section, no more than one place
29 of public accommodation may be temporarily established during a professional golf tournament
30 as described in G.S. 18C-190(15)b. The temporary place of public accommodation need not
31 comply with local ordinances under Chapter 160D of the General Statutes but shall not operate
32 more than five days prior to the professional golf tournament or five days after the professional
33 golf tournament.

34 **"§ 18C-212. Reserved for future codification purposes.**

35 **"§ 18C-213. Indian gaming; compliance with federal law.**

36 (a) Consistent with the intent of the United States Congress as articulated in the Unlawful
37 Internet Gambling Enforcement Act of 2006 (31 U.S.C. § 5361 et seq.), the intermediate routing
38 of electronic data relating to intrastate sports wagering authorized under this Article shall not
39 determine the location or locations in which such sports wagers are initiated and received.

40 (b) All activities authorized by this Article shall be deemed to be conducted solely under
41 the authority of this Article and not under the federal Indian Gaming Regulatory Act, 25 U.S.C.
42 § 2701 et seq.

43 (c) Without application under G.S. 18C-193, a tribal gaming enterprise shall be deemed
44 a licensed interactive sports wagering operator upon the occurrence of all of the following:

45 (1) Submission of a completed application to the Commission.

46 (2) Payment to the Commission of any application and renewal fees as provided
47 in this Article.

48 (3) Agreement by the tribal gaming enterprise, in a form as prescribed by the
49 Commission:

- 1 a. To adhere to the requirements of this Article and to the regulations
2 adopted by the Commission with respect to interactive sports
3 wagering.
4 b. To submit to the Commission's enforcement of this Article and any
5 implementing of the rules, including waiver of any applicable tribal
6 sovereign immunity for the sole and limited purpose of such
7 enforcement.
8 c. To collect and pay all taxes imposed by Article 2E of Chapter 105 of
9 the General Statutes.
10 d. To not offer or conduct any interactive gambling other than the
11 interactive sports wagering authorized by this Article unless
12 specifically otherwise authorized by law.
13 e. To locate any server or other information technology equipment
14 directly related to the placing of sports wagers that is used by the tribal
15 gaming enterprise and its agents to accept interactive sports wagering
16 authorized by this Article on land that is not Indian lands and which,
17 upon request, shall be accessible by the Commission, Department of
18 Revenue, and State law enforcement. The location of all other
19 technology and servers used by a tribal gaming enterprise in
20 connection with sports wagering authorized by this act shall be
21 approved by the Commission.

22 (d) Any federally recognized tribe, or business entity owned or controlled by the tribe,
23 that is deemed an interactive sports wagering operator under this Article shall include
24 authorization for any technology and sports wagering brand partners of the tribe or the business
25 entity owned or controlled by the tribe, subject to compliance with the terms of this Article by
26 the technology and sports wagering brand partners. A tribal gaming enterprise deemed an
27 interactive sports wagering operator under this section shall not count towards the total number
28 of authorized interactive sports wagering operators in this State in accordance with
29 G.S. 18C-193."

30 **SECTION 42.5.(d)** The Commission shall establish guidance to parties regulated by
31 the provisions of Article 10 of Chapter 18C of the General Statutes, as enacted by this act. Such
32 guidance shall address the application of Article 10 of Chapter 18C of the General Statutes, as
33 enacted by this act, to electronic sports with due consideration to the key role of game publishers
34 as creators of the underlying video game. The Commission may accept and issue applications for
35 licensure in accordance with Article 10 of Chapter 18C of the General Statutes, as enacted by
36 this act, in order that licensees may begin operations on January 1, 2024. If more than 12
37 completed applications are received, the Commission in its discretion shall select and notify, no
38 later than December 1, 2023, notify the qualified applicants it determines will best serve the
39 public interest in maximizing revenue to the State, while preserving the integrity of sports
40 wagering and ensuring accountability and preserving the public trust in licensed sports wagering
41 activities. No license issued by the Commission shall become effective prior to January 1, 2024,
42 but prior to January 1, 2024, notified licensees may establish structure and operations to begin
43 sports wagering on January 1, 2024.

44 **SECTION 42.5.(e)** Chapter 105 of the General Statutes is amended by adding a new
45 Article to read:

46 "Article 2E.

47 "Privilege Tax on Interactive Sports Wagering Operators.

48 "§ 105-113.125. Definitions.

49 The definitions of G.S. 18C-901 apply to this Article.

50 "§ 105-113.126. Privilege tax on interactive sports wagering operators.

(a) Tax. – A privilege tax at the rate of fourteen percent (14%) is imposed on an interactive sports wagering operator for the privilege of doing business in this State. The tax is imposed on the value of the privilege conferred upon the interactive sports wagering operator by the State by the granting of a license under Article 10 of Chapter 18C of the General Statutes.

(b) Determination of Value. – The value of the privilege conferred upon the interactive sports wagering operator is the adjusted gross wagering revenue of the operator as defined in G.S. 18C-190. No income, revenue, or expenses of the interactive sports wagering operator other than those specified in this section are used to determine the value of the privilege conferred upon the operator.

(1) Gross wagers. – All cash and promotional wagers received by the operator from bettors as wagers. Gross wagers include all cash, cash equivalents and promotional credit, including but not limited to free bet wagers, "no deposit" bonus codes, "refer a friend" bonuses, deposit matched bets, reload bonuses, risk free bets, and any other medium by which a bettor is allowed to place a wager.

(2) Gross payouts. – All cash payouts made by the operator to bettors. Gross payouts include all cash payouts, whether that payout is made in connection with a wager that originated as a promotion or not, including but not limited to odds boosts, bet insurance (if paid in cash), and cash outs. Gross payouts do not include any items or credits that are given to bettors that cannot be withdrawn by the bettor immediately such as play-through credits that are not immediately recognizable as cash, reward, or loyalty points, or credit that can be redeemed elsewhere such as hotel stays, travel, or dining credit.

(3) Adjusted gross revenue. – Gross wagering revenue received by an interactive sports wagering operator from all sports wagers authorized under this Article and calculated as gross wagers less gross payouts and less excise tax payments on sports wagers remitted to the federal government.

(4) Carryforward. – If the adjusted gross revenue is a negative number for any month, the interactive sports wagering operator may carry forward the negative amount to the return filed for the subsequent month. No amount shall be carried forward more than 12 months after the month in which the amount carried forward was originally due.

(c) Return. – Taxes levied by this Article are due when a return is required to be filed. The return is due on a monthly basis. A monthly return is due by the twentieth day of the month following the calendar month covered by the return. A return is filed on a form prescribed by the Secretary.

(d) Records. – A person who is required to file a return under this Article must keep a record of all documents used to determine information the person provides in a return. These records shall be open at all times for inspection by the Secretary or an authorized representative of the Secretary and shall be kept for the applicable period of statute of limitations as set forth under G.S. 105-242.6 or G.S. 105-242.8.

(e) Refund. – An interactive sports wagering operator is allowed a refund of the tax paid under this section on a sports wager that has been refunded to the registered player. The Secretary shall prescribe the manner in which a taxpayer may request a refund under this subsection, which may include allowing a credit for the amount refunded on a subsequent monthly return required under this section.

"§ 105-113.127. Bond or irrevocable letter of credit.

The Secretary may require an interactive sports wagering operator to furnish a bond in an amount that adequately protects the State from an interactive sports wagering operator's failure to pay taxes due under this Article. A bond must be conditioned on compliance with this Article, payable to the State, and in the form required by the Secretary. The amount of the bond is two

times the interactive sports wagering operator's expected monthly tax liability under this Article, as determined by the Secretary, provided the amount of the bond may not be less than fifty thousand dollars (\$50,000) and may not be more than two million dollars (\$2,000,000). The Secretary should periodically review the sufficiency of bonds required of interactive sports wagering operators and increase the amount of a required bond when the amount of the bond furnished no longer covers the anticipated tax liability of the interactive sports wagering operator 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, an interactive sports wagering operator 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.

"§ 105-113.128. Use of tax proceeds.

The Secretary shall distribute the taxes collected under this Article, less the allowance to the Department of Revenue and reimbursement to the Lottery Commission for administrative expenses, in accordance with this section. The Secretary may retain the cost of collection by the Department, not to exceed five hundred thousand dollars (\$500,000) a year, as reimbursement to the Department. The Lottery Commission shall, no later than 20 days after the end of the month, notify the Department of its expenses from administering the provisions of Article 10 of Chapter 18C of the General Statutes from the previous month. The Department shall reimburse the Lottery Commission from the tax revenues collected under this Article no later than the end of the month in which the Department was notified. The remainder of the net proceeds of the tax collected under this Article are to be credited to the North Carolina Education Lottery Fund."

SECTION 42.5.(f) G.S. 18C-114 reads as rewritten:

"§ 18C-114. Powers and duties of the Commission.

(a) The Commission shall have the following powers and duties:

...

(14) To adopt and implement any rules necessary to carry out the provisions of this Chapter, resolving any conflicts in this Chapter to the best interest of the State.

(c) The Commission and the Department of Revenue may agree to exchange any data necessary to enforce and administer Article 10 of this Chapter and Article 2E of Chapter 105 of the General Statutes, including information deemed necessary to perform an audit of a licensee or taxpayer under those Articles."

SECTION 42.5.(g) G.S. 105-259(b)(33) reads as rewritten:

"(33) To provide to the North Carolina State Lottery Commission the information 7 required under G.S. 18C-142 or agreed upon under 8 G.S. 18C-114(c)."

SECTION 42.5.(h) Article 37 of Chapter 14 of the General Statutes is amended by adding a new section to read:

"§ 14-309.3. Sports wagering exempt.

This Article shall not apply to sports wagering lawfully conducted in compliance with Article 10 of Chapter 18C of the General Statutes."

SECTION 42.5.(i) G.S. 14-309.20 reads as rewritten:

"§ 14-309.20. Greyhound racing prohibited.

(a) No person shall hold, conduct, or operate any greyhound races for public exhibition in this State for monetary remuneration.

(b) No person shall transmit or receive interstate or intrastate simulcasting of greyhound races for commercial purposes in this State, except as authorized under Article 10 of Chapter 18C of the General Statutes.

(c) Any person who violates this section shall be guilty of a Class 1 misdemeanor."

1 **SECTION 42.5.(j)** The North Carolina State Lottery Commission shall use sufficient
2 funds from the North Carolina State Lottery Fund to cover initial operating expenses of the
3 Commission to implement Article 10 of Chapter 18C of the General Statutes, as enacted by this
4 act, provided the total amount borrowed by the Commission shall not exceed ten million dollars
5 (\$10,000,000) without further action by the General Assembly. The Commission shall repay any
6 funds used out of the North Carolina State Lottery Fund pursuant to this section within 36 months
7 after the effective date of this act.

8 **SECTION 42.5.(k)** The North Carolina State Lottery Commission shall study the
9 restrictions on number of licensees as established by G.S. 18C-193, as enacted by this act, and
10 shall report its findings, with any legislative recommendations, to the Joint Legislative Oversight
11 Committee on the North Carolina State Lottery no later than October 1, 2025.

12 **TECHNICAL AND COORDINATING LOTTERY CHANGES**

13 **SECTION 42.6.(a)** G.S. 18C-114(a)(8) reads as rewritten:

14 "(8) To charge a fee of potential contractors, of lottery contractors, of lottery
15 retailers, and of licensees and potential licensees under this Chapter to not
16 exceed the cost of the criminal record check of the potential contractors and
17 lottery contractors."

18 **SECTION 42.6.(b)** G.S. 18C-120(b)(2) reads as rewritten:

19 "(2) To conduct a background investigation, including a criminal history record
20 check, of applicants for employment with the Commission, licensees under
21 this Chapter, lottery contractors, lottery retailers, and lottery potential
22 contractors, which may include a search of the State and National Repositories
23 of Criminal Histories based on the fingerprints of applicants."

24 **SECTION 42.6.(c)** G.S. 143B-947 reads as rewritten:

25 **"§ 143B-947. Criminal record checks for the North Carolina State Lottery Commission and** 26 **its Director.**

27 The Department of Public Safety may provide to the North Carolina State Lottery
28 Commission and to its Director from the State and National Repositories of Criminal Histories
29 the criminal history of any prospective employee of the Commission, any potential contractor,
30 and any licensee or prospective licensee under Chapter 18C of the General Statutes. The North
31 Carolina State Lottery Commission or its Director shall provide to the Department of Public
32 Safety, along with the request, the fingerprints of the individual, a form signed by the individual
33 consenting to the criminal record check and use of fingerprints and other identifying information
34 required by the State and National Repositories, and any additional information required by the
35 Department of Public Safety. The fingerprints of the individual shall be forwarded to the State
36 Bureau of Investigation for a search of the State's criminal history record file, and the State
37 Bureau of Investigation shall forward a set of fingerprints to the Federal Bureau of Investigation
38 for a national criminal history record check. The North Carolina State Lottery Commission and
39 its Director shall remit any fingerprint information retained by the Commission to alcohol law
40 enforcement agents appointed under Article 5 of Chapter 18B of the General Statutes and shall
41 keep all information obtained pursuant to this section confidential. The Department of Public
42 Safety shall charge a reasonable fee only for conducting the checks of the criminal history records
43 authorized by this section."

44 **SECTION 42.6.(d)** G.S. 14-306 reads as rewritten:

45 **"§ 14-306. Slot machine or device defined.**

46 ...

47 (e) The definition contained in subsection (a) of this section and G.S. 14-296,
48 G.S. 14-301, G.S. 14-302, G.S. 14-305, and G.S. 14-306.1A does not include a video lottery
49 terminal with a valid permit affixed to it and authorized under Article 9 of Chapter 18C of the
50 General Statutes."

1 **SECTION 42.6.(e)** G.S. 14-306.1A reads as rewritten:

2 **"§ 14-306.1A. Types of machines and devices prohibited by law; penalties.**

3 (a) Ban on Machines. – It shall be unlawful for any person to operate, allow to be
4 operated, place into operation, or keep in that person's possession for the purpose of operation
5 any video gaming machine as defined in subsection (b) of this section, except for the following:

6 (1) An exemption for a federally recognized Indian tribe under subsection (e) of
7 this section for whom it shall be lawful to operate and possess machines as
8 listed in subsection (b) of this section if conducted in accordance with an
9 approved Class III Tribal-State Compact applicable to that tribe, as provided
10 in G.S. 147-12(14) and G.S. 71A-8.

11 (2) An exemption for those licensed by the North Carolina State Lottery
12 Commission to conduct activities set forth in Article 9 of Chapter 18C of the
13 General Statutes.

14 "

15 **SECTION 42.6.(f)** G.S. 14-306.3 reads as rewritten:

16 **"§ 14-306.3. Certain game promotions unlawful.**

17 ...

18 (d) Upon conviction or plea of guilty, all of the following held by the person shall be
19 automatically revoked:

20 (1) A permit issued under Chapter 18B of the General Statutes.

21 (2) A contract to sell tickets or shares under Article 5 of Chapter 18C of the
22 General Statutes.

23 (3) Any license issued under Article 9 of Chapter 18C of the General Statutes.

24 (4) Any video lottery terminal permits issued under Article 9 of Chapter 18C of
25 the General Statutes.

26 (e) Nothing in this section shall apply to the form of Class III gaming legally conducted
27 on Indian lands which are held in trust by the United States government for and on behalf of
28 federally recognized Indian tribes if conducted in accordance with an approved Class III
29 Tribal-State Gaming Compact applicable to that tribe as provided in G.S. 147-12(14) and
30 G.S. 71A-8.

31 (f) Nothing in this section shall apply to any product licensed or operated by the North
32 Carolina Lottery Commission."

33 **SECTION 42.6.(g)** G.S. 14-306.4 is amended by adding a new subsection to read:

34 "(d1) Nothing in this section shall be construed to make illegal any activity or product
35 licensed or operated by the North Carolina Lottery Commission."

36 **SECTION 42.6.(h)** Part 1 of Article 37 of Chapter 14 of the General Statutes is
37 amended by adding the following new section to read:

38 **"§ 14-309.3. Amusements with non-cash prizes.**

39 The provisions of G.S. 14-296, G.S. 14-301, G.S. 14-302, G.S. 14-305, G.S. 14-306, and
40 G.S. 14-306.1A do not apply to coin-operated machines, video games, pinball machines, and
41 other computer, electronic, or mechanical devices that are operated and played for amusement
42 and that meet all of the following criteria:

43 (1) Non-cash prizes, toys, novelties, free replays, coupons, or other
44 representations of value redeemable for non-cash prizes, toys, or novelties are
45 awarded.

46 (2) The wholesale value of a prize, toy, or novelty awarded for a single win from
47 any individual play does not exceed ten dollars (\$10.00).

48 (3) Each play of the game involves the use of some element of skill or dexterity.

49 (4) A notice is affixed to each machine or device in view of the player that
50 provides notice that it is a criminal offense, with the potential of
51 imprisonment, to award cash prizes from the play of the machine or device."

PART XLII. MISCELLANEOUS**STATE BUDGET ACT APPLIES**

SECTION 43.1. 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.

MOST TEXT APPLIES ONLY TO THE 2023-25 FISCAL BIENNIUM

SECTION 43.2. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2023-25 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2023-2025 fiscal biennium.

EFFECT OF HEADINGS

SECTION 43.3. The headings to the Parts, subparts, and sections of this act are a convenience to the reader and are for reference only. The headings do not expand, limit, or define the text of this act, except for effective dates referring to a Part or subpart.

SEVERABILITY CLAUSE

SECTION 43.4. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

EFFECTIVE DATE

SECTION 43.5. Except as otherwise provided, this act becomes effective July 1, 2023.