GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023

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HOUSE BILL 259

Committee Substitute Favorable 4/3/23
Third Edition Engrossed 4/6/23
Senate Appropriations/Base Budget Committee Substitute Adopted with unengrossed amendments 5/16/23
Senate Finance Committee Favorable with unengrossed amendments 5/16/23
Senate Pensions and Retirement and Aging Committee Substitute Adopted 5/16/23
Fifth Edition Engrossed 5/18/23

Short Title: 2023 Appropriations Act. (Public)

Sponsors:

Referred to:

March 6, 2023

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		
North Carolina Community College System		

Requirements	1,847,398,737	1,890,844,517
Less: Receipts	383,664,149	383,664,149
Net Appropriation	**1,463,734,588**	**1,507,180,368**
Department of Public Instruction		
Requirements	13,268,962,482	13,464,948,885
Less: Receipts	1,819,398,621	1,749,398,621
Net Appropriation	**11,449,563,861**	**11,715,550,264**
THE UNIVERSITY OF NORTH CAROLINA		
East Carolina Univ. - Academic Affairs		
Requirements	431,788,788	431,792,843
Less: Receipts	167,185,795	167,185,795
Net Appropriation	**264,602,993**	**264,607,048**
East Carolina Univ. - Health Affairs		
Requirements	110,284,626	114,284,626
Less: Receipts	12,894,770	12,894,770
Net Appropriation	**97,389,856**	**101,389,856**
Elizabeth City State University		
Requirements	49,820,539	49,820,539
Less: Receipts	3,660,169	3,660,169
Net Appropriation	**46,160,370**	**46,160,370**
Fayetteville State University		
Requirements	90,646,751	90,646,751
Less: Receipts	11,935,205	11,935,205
Net Appropriation	**78,711,546**	**78,711,546**
Appalachian State University		
Requirements	311,794,580	312,248,983
Less: Receipts	122,087,419	121,862,419
Net Appropriation	**189,707,161**	**190,386,564**
NC A&T University		
Requirements	243,898,043	238,898,043
Less: Receipts	87,678,145	87,678,145
Net Appropriation	**156,219,898**	**151,219,898**
NC School of Science and Mathematics		
Requirements	45,331,072	45,331,072
Less: Receipts	3,291,677	3,291,677
Net Appropriation	**42,039,395**	**42,039,395**
NC State University - Academic Affairs		
Requirements	953,304,072	953,304,072
Less: Receipts	438,387,357	438,387,357
Net Appropriation	**514,916,715**	**514,916,715**
NC State University - Ag. Research		

Requirements	79,347,667	79,347,667
Less: Receipts	19,124,784	19,124,784
Net Appropriation	**60,222,883**	**60,222,883**
NC State University - Coop. Extension		
Requirements	62,983,558	62,983,558
Less: Receipts	18,874,550	18,874,550
Net Appropriation	**44,109,008**	**44,109,008**
North Carolina Central University		
Requirements	143,469,077	143,469,077
Less: Receipts	51,845,844	51,845,844
Net Appropriation	**91,623,233**	**91,623,233**
UNC at Asheville		
Requirements	72,301,113	72,301,113
Less: Receipts	21,876,242	21,876,242
Net Appropriation	**50,424,871**	**50,424,871**
UNC at Chapel Hill - Academic Affairs		
Requirements	743,025,583	708,811,584
Less: Receipts	375,651,994	376,437,995
Net Appropriation	**367,373,589**	**332,373,589**
UNC at Chapel Hill - Area Health Ed.		
Requirements	55,271,874	55,271,874
Less: Receipts	0	0
Net Appropriation	**55,271,874**	**55,271,874**
UNC at Chapel Hill - Health Affairs		
Requirements	369,568,724	369,568,724
Less: Receipts	138,758,876	138,758,876
Net Appropriation	**230,809,848**	**230,809,848**
UNC at Charlotte		
Requirements	485,342,624	485,342,624
Less: Receipts	178,652,793	178,652,793
Net Appropriation	**306,689,831**	**306,689,831**
UNC at Greensboro		
Requirements	301,275,257	301,275,257
Less: Receipts	105,192,973	105,192,973
Net Appropriation	**196,082,284**	**196,082,284**
UNC at Pembroke		
Requirements	124,344,011	124,344,011
Less: Receipts	26,162,155	26,162,155
Net Appropriation	**98,181,856**	**98,181,856**
UNC at Wilmington		
Requirements	313,631,547	313,631,547

Less: Receipts	114,684,281	114,684,281
Net Appropriation	**198,947,266**	**198,947,266**
UNC BOG - Aid to Private Institutions		
Requirements	1,209,300	1,209,300
Less: Receipts	0	0
Net Appropriation	**1,209,300**	**1,209,300**
UNC BOG - Institutional Programs		
Requirements	291,341,229	346,846,982
Less: Receipts	25,500,000	15,500,000
Net Appropriation	**265,841,229**	**331,346,982**
UNC BOG - Related Ed. Programs		
Requirements	721,515,350	808,961,350
Less: Receipts	136,388,975	158,784,975
Net Appropriation	**585,126,375**	**650,176,375**
UNC School of the Arts		
Requirements	56,488,236	56,488,236
Less: Receipts	17,148,612	17,148,612
Net Appropriation	**39,339,624**	**39,339,624**
UNC System Office		
Requirements	47,640,384	47,640,384
Less: Receipts	259,217	259,217
Net Appropriation	**47,381,167**	**47,381,167**
Western Carolina University		
Requirements	185,596,722	185,569,946
Less: Receipts	29,507,260	29,507,260
Net Appropriation	**156,089,462**	**156,062,686**
Winston-Salem State University		
Requirements	91,945,473	91,945,473
Less: Receipts	22,435,103	22,435,103
Net Appropriation	**69,510,370**	**69,510,370**
HEALTH AND HUMAN SERVICES		
Aging and Adult Services		
Requirements	163,000,080	163,099,902
Less: Receipts	110,397,320	110,397,320
Net Appropriation	**52,602,760**	**52,702,582**
Central Management and Support		
Requirements	462,237,603	472,466,405
Less: Receipts	233,940,805	240,060,329
Net Appropriation	**228,296,798**	**232,406,076**
Child and Family Well-Being		
Requirements	595,844,916	591,561,827

Less: Receipts	531,727,919	531,727,919
Net Appropriation	**64,116,997**	**59,833,908**
Child Development and Early Education		
Requirements	890,833,772	891,897,819
Less: Receipts	637,948,539	638,948,539
Net Appropriation	**252,885,233**	**252,949,280**
Health Benefits		
Requirements	30,114,714,527	31,746,598,475
Less: Receipts	24,598,955,094	26,007,075,328
Net Appropriation	**5,515,759,433**	**5,739,523,147**
Health Services Regulation		
Requirements	81,587,062	82,255,660
Less: Receipts	56,846,728	56,846,728
Net Appropriation	**24,740,334**	**25,408,932**
Mental Hlth/Dev. Disabl./Subs. Abuse Serv.		
Requirements	1,773,379,747	1,761,144,297
Less: Receipts	952,550,693	927,851,315
Net Appropriation	**820,829,054**	**833,292,982**
Public Health		
Requirements	495,800,540	488,273,759
Less: Receipts	377,386,877	365,711,884
Net Appropriation	**118,413,663**	**122,561,875**
Services for the Blind/Deaf/Hard of Hearing		
Requirements	45,564,185	45,696,214
Less: Receipts	36,258,407	36,261,833
Net Appropriation	**9,305,778**	**9,434,381**
Social Services		
Requirements	2,158,865,519	2,149,485,580
Less: Receipts	1,949,415,067	1,938,770,024
Net Appropriation	**209,450,452**	**210,715,556**
Vocational Rehabilitation Services		
Requirements	184,563,720	183,819,222
Less: Receipts	141,566,889	140,253,360
Net Appropriation	**42,996,831**	**43,565,862**
AGRICULTURE, NATURAL, AND ECONOMIC RESOURCES		
Agriculture and Consumer Services		
Requirements	285,103,025	277,010,553
Less: Receipts	86,050,056	84,989,321
Net Appropriation	**199,052,969**	**192,021,232**
Commerce		
Requirements	289,143,419	275,466,795

Less: Receipts	81,893,455	67,893,455
Net Appropriation	**207,249,964**	**207,573,340**
Environmental Quality		
Requirements	302,627,283	296,889,481
Less: Receipts	198,714,895	191,225,192
Net Appropriation	**103,912,388**	**105,664,289**
Labor		
Requirements	43,488,721	43,389,023
Less: Receipts	18,112,941	18,112,941
Net Appropriation	**25,375,780**	**25,276,082**
Natural and Cultural Resources		
Requirements	325,190,659	322,398,232
Less: Receipts	54,842,950	54,842,950
Net Appropriation	**270,347,709**	**267,555,282**
Wildlife Resources Commission		
Requirements	97,453,845	97,057,905
Less: Receipts	82,816,959	81,855,762
Net Appropriation	**14,636,886**	**15,202,143**
JUSTICE AND PUBLIC SAFETY		
Indigent Defense Services		
Requirements	160,963,439	174,051,212
Less: Receipts	13,962,679	13,962,679
Net Appropriation	**147,000,760**	**160,088,533**
Department of Public Safety		
Requirements	913,627,974	928,383,809
Less: Receipts	237,764,523	237,764,523
Net Appropriation	**675,863,451**	**690,619,286**
Department of Adult Correction		
Requirements	2,005,175,582	2,049,317,327
Less: Receipts	24,612,230	24,612,230
Net Appropriation	**1,980,563,352**	**2,024,705,097**
Administrative Office of the Courts		
Requirements	748,876,324	773,047,733
Less: Receipts	1,210,166	1,210,166
Net Appropriation	**747,666,158**	**771,837,567**
Department of Justice		
Requirements	110,417,049	111,440,269
Less: Receipts	45,147,562	45,147,562
Net Appropriation	**65,269,487**	**66,292,707**
GENERAL GOVERNMENT		
Administration		

Requirements	76,394,342	77,823,544
Less: Receipts	11,636,055	11,636,055
Net Appropriation	**64,758,287**	**66,187,489**
Administrative Hearings		
Requirements	9,094,746	9,287,619
Less: Receipts	1,216,625	1,216,625
Net Appropriation	**7,878,121**	**8,070,994**
Auditor		
Requirements	25,268,173	25,719,316
Less: Receipts	6,899,163	6,899,163
Net Appropriation	**18,369,010**	**18,820,153**
Budget and Management		
Requirements	22,217,246	12,465,060
Less: Receipts	11,036,517	1,036,517
Net Appropriation	**11,180,729**	**11,428,543**
Budget and Management - Special Approp.		
Requirements	13,750,000	10,000,000
Less: Receipts	3,550,000	0
Net Appropriation	**10,200,000**	**10,000,000**
Controller		
Requirements	35,680,157	36,355,687
Less: Receipts	875,957	875,957
Net Appropriation	**34,804,200**	**35,479,730**
Elections		
Requirements	9,299,898	9,511,219
Less: Receipts	102,000	102,000
Net Appropriation	**9,197,898**	**9,409,219**
General Assembly		
Requirements	91,141,990	93,456,430
Less: Receipts	561,000	561,000
Net Appropriation	**90,580,990**	**92,895,430**
Governor		
Requirements	7,414,139	7,570,557
Less: Receipts	1,000,730	1,000,730
Net Appropriation	**6,413,409**	**6,569,827**
Housing Finance Agency		
Requirements	20,660,000	20,660,000
Less: Receipts	0	0
Net Appropriation	**20,660,000**	**20,660,000**
Human Resources		
Requirements	16,511,580	11,278,104

Less: Receipts	5,700,888	100,888
Net Appropriation	**10,810,692**	**11,177,216**
Industrial Commission		
Requirements	26,221,065	26,431,597
Less: Receipts	20,443,552	20,654,084
Net Appropriation	**5,777,513**	**5,777,513**
Insurance		
Requirements	57,054,306	58,314,229
Less: Receipts	5,140,347	5,140,347
Net Appropriation	**51,913,959**	**53,173,882**
Lieutenant Governor		
Requirements	1,307,284	1,333,848
Less: Receipts	0	0
Net Appropriation	**1,307,284**	**1,333,848**
Military and Veterans Affairs		
Requirements	13,228,546	13,934,980
Less: Receipts	0	0
Net Appropriation	**13,228,546**	**13,934,980**
Revenue		
Requirements	186,257,835	187,179,403
Less: Receipts	68,443,597	66,973,597
Net Appropriation	**117,814,238**	**120,205,806**
Secretary of State		
Requirements	18,991,121	19,345,783
Less: Receipts	378,161	330,036
Net Appropriation	**18,612,960**	**19,015,747**
Treasurer		
Requirements	74,104,674	74,173,905
Less: Receipts	68,701,996	68,719,338
Net Appropriation	**5,402,678**	**5,454,567**
Treasurer - Other Retirement Plans/Benefits		
Requirements	22,773,708	22,923,708
Less: Receipts	0	0
Net Appropriation	**22,773,708**	**22,923,708**
INFORMATION TECHNOLOGY		
Department of Information Technology		
Requirements	103,229,152	99,813,783
Less: Receipts	21,472,580	20,472,580
Net Appropriation	**81,756,572**	**79,341,203**
RESERVES, DEBT, AND OTHER BUDGETS		
General Fund Reserve		

Requirements	160,065,540	530,298,933
Less: Receipts	0	0
Net Appropriation	**160,065,540**	**530,298,933**
Total Requirements	**64,738,651,912**	**67,119,758,242**
Less: Total Receipts	**35,031,528,888**	**36,296,444,244**
Total Net Appropriation	**29,707,123,024**	**30,823,313,998**

SECTION 2.1.(b) For purposes of this act and the Committee Report described in Section 43.2 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 Remaining FY 2022-23	**818,331,123**	**2,010,318,396**
Anticipated FY 2022-23 Reversions	500,000,000	300,000,000
Anticipated FY 2022-23 Overcollections	3,114,500,000	-
S.L. 2023-11, 2022 Budget Technical Corrections	(26,207,523)	-
Total, Prior Year-End Fund Balance	**4,406,623,600**	**2,310,318,396**
Revised Consensus Revenue Forecast		
Tax Revenue	32,115,800,000	32,395,200,000
Non-Tax Revenue	1,723,100,000	1,480,100,000
Total, Tax and Non-Tax Revenue	**33,838,900,000**	**33,875,300,000**
Revenue Adjustments		
Adjustments to Tax Revenue	(41,300,000)	(878,600,000)
Adjustments to Non-Tax Revenue	(4,053,395)	(2,762,583)
Total, Revenue Adjustments	**(45,353,395)**	**(881,362,583)**
Statutorily Required Reservations of Revenue		
State Capital and Infrastructure Fund (SCIF)	(1,412,592,500)	(1,461,333,238)
Subtotal, Statutorily Required Reservations of Revenue	**(1,412,592,500)**	**(1,461,333,238)**
Reserves		
Clean Water and Drinking Water Reserve	(750,000,000)	(750,000,000)
Regional Economic Development Reserve	(250,000,000)	(250,000,000)
State Emergency Response and Disaster Relief Fund	(250,000,000)	(250,000,000)
Economic Development Project Reserve	(10,000,000)	-
Medicaid Contingency Reserve	(500,000,000)	(500,000,000)
Medicaid Transformation Reserve	(5,000,000)	-
Information Technology Reserve	(650,000,000)	-
Additional Transfer to SCIF	(350,000,000)	(350,000,000)
Savings Reserve	(250,000,000)	-
NCInnovation Reserve	(1,425,000,000)	-
Stabilization and Inflation Reserve	(400,000,000)	(500,000,000)
Federal Infrastructure Match Reserve	(150,000,000)	(150,000,000)

Subtotal, Reserves	**(4,990,000,000)**	**(2,750,000,000)**
Revised Total General Fund Availability	**31,797,577,705**	**31,092,922,575**
General Fund Net Appropriations		
S.B. 20, Care for Women, Children, and Families Act	(80,136,285)	(79,336,285)
H.B. 259, 2023 Appropriations Act	(29,707,123,024)	(30,823,313,998)
Total, General Fund Net Appropriations	**(29,787,259,309)**	**(30,902,650,283)**
Unappropriated Balance Remaining	**2,010,318,396**	**190,272,292**

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. 143C-4-3.1 the sum of three hundred fifty million dollars ($350,000,000) in the 2023-2024 fiscal year and the sum of three hundred fifty million dollars ($350,000,000) in the 2024-2025 fiscal year.

SECTION 2.2.(c) The State Controller shall reserve to the Medicaid Contingency Reserve described in G.S. 143C-4-11 from funds available in the General Fund the sum of five hundred million dollars ($500,000,000) in nonrecurring funds for the 2023-2024 fiscal year and the sum of five hundred million dollars ($500,000,000) in nonrecurring funds for the 2024-2025 fiscal year.

SECTION 2.2.(d) The State Controller shall reserve to the Information Technology Reserve established in Section 2.2(h) of S.L. 2021-180 from funds available in the General Fund the sum of six hundred fifty million dollars ($650,000,000) in nonrecurring funds for the 2023-2024 fiscal year. The State Controller shall transfer funds available in the Information Technology Reserve to State agencies and departments for information technology projects in accordance with the following schedule, and the funds transferred are appropriated for the fiscal year in which they are transferred:

	State Agency or Department	**2023-2024**	**2024-2025**
(1)	Department of Information Technology (Budget Code: 14660)	$4,800,000	$3,800,000
(2)	Department of Health and Human Services (Budget Code: 14440)	8,179,801	680,000
(3)	Department of Health and Human Services (Budget Code: 14410)	14,177,000	0
(4)	Department of Environmental Quality (Budget Code: 14300)	7,500,000	2,500,000
(5)	Department of Environmental Quality (Budget Code: 24317)	5,510,000	5,510,000
(6)	SEAA (Budget Code: 16012)	15,622,000	25,518,000
(7)	NCCCS (Budget Code: 26802)	0	15,000,000
(8)	OSHR (Budget Code: 14111)	5,600,000	0
(9)	General Assembly (Budget Code: 21000)	15,000,000	0

SECTION 2.2.(e) The State Controller shall reserve to the State Emergency Response and Disaster Relief Fund established in G.S. 166A-19.42 from funds available in the General Fund the sum of two hundred fifty million dollars ($250,000,000) in nonrecurring funds for the 2023-2024 fiscal year and the sum of two hundred fifty million dollars ($250,000,000) in nonrecurring funds for the 2024-2025 fiscal year. The State Controller shall transfer funds available in the State Emergency Response and Disaster Relief Fund to State agencies and departments for the purposes described in Section 5.6 of this act and in accordance with the following schedule. The funds transferred are appropriated for the five-year period ending June 30, 2028.

	State Agency or Department	2023-2024	2024-2025
(1)	Emergency Management (Budget Code: 24552)	$33,327,500	$0
(2)	DACS–Soil & Water Conservation (Budget Code: 23704)	20,000,000	0
(3)	Department of Environmental Quality – Disaster (Budget Code: 24310)	5,493,953	987,906
(4)	Wildlife Resources Commission (Budget Code: 14350)	1,000,000	0
(5)	Department of Environmental Quality (Budget Code: 14300)	2,500,000	0
(6)	DEQ – Special Revenue (Budget Code: 24317)	10,000,000	10,000,000
(7)	UNC at Chapel Hill – Academic Affairs (Budget Code: 16020)	330,000	330,000
(8)	Office of State Budget and Management – Special Appropriations (Budget Code: 13085)	2,000,000	0

SECTION 2.2.(f) The State Controller shall reserve to the Clean Water and Drinking Water Reserve established in Section 2.2(p) of S.L. 2022-74 from funds available in the General Fund the sum of seven hundred fifty million dollars ($750,000,000) in nonrecurring funds for the 2023-2024 fiscal year and the sum of seven hundred fifty million dollars ($750,000,000) in nonrecurring funds for the 2024-2025 fiscal year.

SECTION 2.2.(g) The State Controller shall reserve to the Economic Development Project Reserve established in Section 2.2 of S.L. 2021-180 from funds available in the General Fund the sum of ten million dollars ($10,000,000) in nonrecurring funds for the 2023-2024 fiscal year. The State Controller shall transfer from the Economic Development Project Reserve the sum of ten million dollars ($10,000,000) in nonrecurring funds for the 2023-2024 fiscal year to the Department of Commerce (Budget Code: 14602) to be allocated to the North Carolina Megasite Fund.

SECTION 2.2.(h) There is established in the General Fund an NCInnovation Reserve to make funds available for NCInnovation, Inc. (NCInnovation), a North Carolina nonprofit corporation, for the purposes set out in Section 11.9 of this act. The State Controller shall reserve to the NCInnovation Reserve from funds available in the General Fund the sum of one billion four hundred twenty-five million dollars ($1,425,000,000) in nonrecurring funds for the 2023-2024 fiscal year. Upon the Department of Commerce (Department) certifying to the State Controller that NCInnovation has met the requirements set out in Article 76B of Chapter 143 of the General Statutes, as enacted by Section 11.9 of this act, the State Controller shall transfer two hundred fifty million dollars ($250,000,000) of the funds in the NCInnovation Reserve to the Department and shall prioritize funds so as to transfer the remainder of the funds

in the NCInnovation Reserve as soon as practicable to the Department. Funds transferred pursuant to this subsection are hereby appropriated to the Department for allocation to NCInnovation for purposes consistent with Section 11.9 of this act. Funds allocated pursuant to this section do not revert but may be retained by NCInnovation, as provided in Section 11.9 of this act.

SECTION 2.2.(i) Section 2.2(j) of S.L. 2022-74 reads as rewritten:

"**SECTION 2.2.(j)** There is established in the General Fund a World University Games Reserve to make funds available to support the State of North Carolina as a host of the ~~2027~~ 2029 World University Games upon an act of appropriation by the General Assembly. The State Controller shall reserve to the World University Games Reserve from funds available in the General Fund the sum of twenty-five million dollars ($25,000,000) in nonrecurring funds for the 2022-2023 fiscal year. Funds in the reserve that have not been appropriated by ~~June 30, 2026,~~ June 30, 2029, shall revert to the General Fund and the World University Games Reserve shall be eliminated."

SECTION 2.2.(j) The State Controller shall transfer to the Department of Commerce the sum of four million dollars ($4,000,000) in each year of the 2023-2025 fiscal biennium from the World University Games Reserve, and the funds transferred are appropriated for the fiscal year in which they are transferred. The Department shall annually report no later than October 1 following the conclusion of any fiscal year in which funds appropriated by this section are expended or encumbered on activities and programs supported by the funds. Funds appropriated by this subsection that have not been expended or encumbered by June 30, 2029, shall revert to the General Fund.

SECTION 2.2.(k) There is established in the General Fund a Regional Economic Development Reserve. The State Controller shall reserve to the Regional Economic Development Reserve from funds available in the General Fund the sum of two hundred fifty million dollars ($250,000,000) in nonrecurring funds for the 2023-2024 fiscal year and the sum of two hundred fifty million dollars ($250,000,000) in nonrecurring funds for the 2024-2025 fiscal year.

SECTION 2.2.(*l*) The State Controller shall reserve to the Stabilization and Inflation Reserve established in Section 2.2(q) of S.L. 2022-74 from funds available in the General Fund the sum of four hundred million dollars ($400,000,000) in nonrecurring funds for the 2023-2024 fiscal year and the sum of five hundred million dollars ($500,000,000) in nonrecurring funds for the 2024-2025 fiscal year.

SECTION 2.2.(m) The State Controller shall reserve to the Federal Infrastructure Match Reserve established in Section 2.2(m) of S.L. 2022-74 from funds available in the General Fund the sum of one hundred fifty million dollars ($150,000,000) in nonrecurring funds for the 2023-2024 fiscal year and the sum of one hundred fifty million dollars ($150,000,000) in nonrecurring funds for the 2024-2025 fiscal year. The State Controller shall transfer funds available in the Federal Infrastructure Match Reserve to agencies and departments as needed to draw down federal funds in accordance with the following schedule, and the funds transferred are appropriated for the fiscal year in which the funds are transferred:

	State Agency or Department	**2023-2024**	**2024-2025**
(1)	DEQ – (Budget Code: 64320)	$6,605,875	$14,417,727
(2)	DEQ – (Budget Code: 64311)	3,975,123	8,675,950
(3)	DEQ – (Budget Code: 24300)	1,388,921	1,388,921
(4)	DEQ – (Budget Code: 14300)	850,000	850,000

(5)	DEQ – (Budget Code: 64305)	500,000	500,000
(6)	Commerce – (Budget Code: 14600)	250,000	250,000
(7)	OSBM – (Budget Code: 13005)	10,000,000	0

SECTION 2.2.(n) The State Controller shall reserve to the Medicaid Transformation Reserve from funds available in the General Fund the sum of five million dollars ($5,000,000) in nonrecurring funds for the 2023-2024 fiscal year. The State Controller shall transfer the sum of one hundred million dollars ($100,000,000) for the 2023-2024 fiscal year and the sum of sixty million six hundred forty-two thousand one hundred seventy dollars ($60,642,170) for the 2024-2025 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.

SECTION 2.2.(o) Notwithstanding G.S. 143C-4-2, the State Controller shall transfer to the Savings Reserve the sum of two hundred fifty million dollars ($250,000,000) in nonrecurring funds in the 2023-2024 fiscal year. This transfer is not an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution.

SECTION 2.2.(p) G.S. 143C-9-3(a1) reads as rewritten:

"(a1) Each year, the sum of ~~seventeen million five hundred thousand dollars ($17,500,000)~~ twenty-five million dollars ($25,000,000) from the Settlement Reserve Fund is appropriated to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., a nonprofit corporation, and these funds shall not be subject to G.S. 143C-6-23. The remainder of the funds credited to the Settlement Reserve Fund each fiscal year shall be transferred to the General Fund and included in General Fund availability as nontax revenue."

SECTION 2.2.(q) Subject to the specific prioritization in subsection (h) of this section, the State Controller shall ensure that the funds directed to be reserved in the 2023-2024 fiscal year under this section are completed as soon as practicable but no later than the end of the 2023-2024 fiscal year and the funds directed to be reserved in the 2024-2025 fiscal year under this section are completed as soon as practicable but no later than the end of the 2024-2025 fiscal year. In making the transfers required under this section, the State Controller shall prioritize transfers to Reserves that support expenditures occurring in the 2023-2025 fiscal biennium.

SECTION 2.2.(r) 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.

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:

Highway Fund	**FY 2023-24**	**FY 2024-25**
Administration	$117,778,829	$117,854,173
Division of Highways		
Administration	54,305,975	57,986,424
Construction	79,043,078	77,543,078
Maintenance	1,856,772,344	2,153,626,208
Governor's Highway Safety Program	0	0

OSHA	358,030	358,030
Aid to Municipalities	170,375,000	170,375,000
Intermodal Divisions		
Ferry	70,429,849	61,079,849
Public Transportation, Bicycle and Pedestrian	72,510,286	69,510,286
Aviation	184,174,429	179,474,429
Rail	45,299,938	45,299,938
Division of Motor Vehicles	172,068,086	147,037,618
Other State Agencies, Reserves, Transfers	101,468,086	116,758,967
Capital Improvements	12,685,681	0
Highway Fund Total	**$2,967,270,000**	**$3,196,904,000**

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 2023-24**	**FY 2024-25**
Beginning Balance	$0	$0
Motor Fuels Tax	1,805,200,000	1,827,700,000
Licenses and Fees	895,100,000	1,053,300,000
Short-Term Lease	116,700,000	121,500,000
Investment Income	40,700,000	35,700,000
Sales Tax Transfer	106,300,000	163,000,000
Adjustments to Availability		
Short Term Rental Changes	600,000	1,000,000
Aviation Fuels Tax Changes	0	(11,000,000)
Sales Tax Changes	(30,000)	(50,000)
Title Fees – Transfer from Highway Trust Fund	1,500,000	1,954,000
Electric Vehicle Registration Fee Increase	500,000	2,000,000
Plug-in Hybrid Registration Fee	700,000	1,800,000
Transportation Commerce Tax	0	5,700,000
Total Highway Fund Availability	**$2,967,270,000**	**$3,202,604,000**
Unappropriated Balance Remaining	0	5,700,000

HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 3.3. Appropriations from the State Highway Trust Fund for construction, for operations 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:

Highway Trust Fund	**FY 2023-24**	**FY 2024-25**
Program Administration	42,017,311	42,017,311
Bond	121,439,825	121,436,775
Turnpike Authority	49,000,000	49,000,000
State Ports Authority	45,000,000	45,000,000
FHWA State Match	6,070,440	6,176,440
Strategic Prioritization Funding Plan for Transportation Investments	2,045,187,396	2,182,325,474
Transfer to Visitor Center	640,000	640,000
Highway Trust Fund Total	**$2,309,354,972**	**$2,446,596,000**

HIGHWAY TRUST FUND AVAILABILITY

SECTION 3.4. The Highway Trust Fund availability used in developing the 2023-2025 fiscal biennial budget is shown below:

Highway Trust Fund Availability	**FY 2023-24**	**FY 2024-25**
Beginning Balance (Unspent Advance Acquisition Hardship Funds)	$109,834,972	$0
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
Investment Income	28,900,000	25,300,000
Sales Tax Transfer	318,800,000	489,600,000
Adjustments to Availability		
Sales Tax Changes	(80,000)	(150,000)
Title Fees – Transfer to Highway Fund	(1,500,000)	(1,954,000)
Total Highway Trust Fund Availability	**$2,309,354,972**	**$2,446,596,000**

PART IV. OTHER AVAILABILITY AND APPROPRIATIONS

OTHER APPROPRIATIONS

SECTION 4.1.(a) State funds, as defined in G.S. 143C-1-1(d)(25), are appropriated for each year of the 2023-2025 fiscal biennium, as follows:

(1) All budget codes listed in the Governor's Recommended Base Budget for the 2023-2025 fiscal biennium, submitted pursuant to G.S. 143C-3-5, are appropriated up to the amounts specified, as adjusted by the General Assembly in this act and as delineated in the Committee Report described in Section 43.2 of this act, or in another act of the General Assembly.

(2) Agency receipts up to the amounts needed to implement the legislatively mandated salary increases and employee benefit increases provided in this act for each year of the 2023-2025 fiscal biennium.

SECTION 4.1.(b) Receipts collected in a fiscal year in excess of the amounts appropriated by this section shall remain unexpended and unencumbered until appropriated by the General Assembly, unless the expenditure of overrealized receipts in the fiscal year in which the receipts were collected is authorized by G.S. 143C-6-4. Overrealized receipts are appropriated in the amounts necessary to implement this subsection.

SECTION 4.1.(c) Funds may be expended only for the specified programs, purposes, objects, and line items or as otherwise authorized by the General Assembly.

OTHER RECEIPTS FROM PENDING AWARD GRANTS

SECTION 4.2.(a) Notwithstanding G.S. 143C-6-4, State agencies may, with approval of the Director of the Budget, spend funds received from grants awarded after the enactment of this act for grant awards that are for less than two million five hundred thousand dollars ($2,500,000). State agencies shall report to the Joint Legislative Commission on Governmental Operations, the chairs of the Senate Committee on Appropriations/Base Budget, the chairs of the House Appropriations Committee, and the Fiscal Research Division within 30 days of receipt of such funds.

State agencies may spend up to the greater of one percent (1%) or ten million dollars ($10,000,000) of the total amount of grants awarded after the enactment of this act to respond to an emergency, as defined in G.S. 166A-19.3, with the approval of the Director of the Budget. State agencies shall report to the Joint Legislative Commission on Governmental Operations, the chairs of the Senate Committee on Appropriations/Base Budget, the chairs of the House

Appropriations Committee, and the Fiscal Research Division within 30 days 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 after the enactment of this act only with approval of the Director of the Budget and after consultation with the Joint Legislative Commission on Governmental Operations.

SECTION 4.2.(b) 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 amount set forth in subsection (a) of this section and shall be incorporated into the authorized budget of the recipient State agency.

SECTION 4.2.(c) Notwithstanding the provisions of this section, no State agency may accept a grant not anticipated in this act if (i) 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 or (ii) the grant funds will be used for a capital project.

EDUCATION LOTTERY FUNDS/NEEDS-BASED PUBLIC SCHOOL CAPITAL FUND CHANGES

SECTION 4.3.(a) The allocations made from the Education Lottery Fund for the 2023-2025 fiscal biennium are as follows:

	FY 2023-2024	**FY 2024-2025**
Noninstructional Support Personnel	$385,914,455	$385,914,455
Prekindergarten Program	78,252,110	78,252,110
Public School Building Capital Fund	100,000,000	100,000,000
Needs-Based Public School Capital Fund	254,252,612	258,252,612
Public School Repair & Renovation	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 ALLOCATION	**$931,000,000**	**$935,000,000**

SECTION 4.3.(b) Article 38B of Chapter 115C of the General Statutes reads as rewritten:

"Article 38B.

"Needs-Based Public School Capital Fund.

"**§ 115C-546.10. Fund created; purpose; prioritization.**

There is created the Needs-Based Public School Capital Fund as an interest-bearing, nonreverting special fund in the Department of Public Instruction. The State Treasurer shall be the custodian of the Needs-Based Public School Capital Fund and shall invest its assets in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. The Department of Public Instruction shall award grants from the Fund to counties to assist with their critical public school building capital needs in accordance with the following priorities:

(1) Counties designated as development tier one areas.
(2) Counties with greater need and less ability to generate sales tax and property tax revenue.
(3) Counties with a high debt-to-tax revenue ratio.
(4) The extent to which a project will address critical deficiencies in adequately serving the current and future student population.
(5) Projects with new construction or complete renovation of existing facilities.
(6) Projects that will consolidate two or more schools into one new facility.

(7) Counties that have not received a grant under this Article in the previous three years.

"**§ 115C-546.11. Matching requirement; use of funds; maximum awards; project review.**

(a) An eligible county awarded a grant under this Article shall provide local matching funds from county funds, other non-State funds, or a combination of these sources for the grant as provided in this section. An eligible county is a county with an adjusted market value of taxable real property of less than forty billion dollars ($40,000,000,000). The adjusted market value of taxable property in a county is equal to the county's assessed taxable real property value, using the latest available data published by the Department of Revenue, divided by the county's sales assessment ratio determined under G.S. 105-289(h). The amount of matching funds for a county awarded a grant shall be published annually by the Department of Public Instruction prior to any application period. The local match requirement applied to the project shall be based on the match requirement effective at the time of the grant award. The local match requirement is calculated as follows:

Adjusted Market Value of Taxable Real Property

Over	Up to	Percentage Match
$0	$2 billion	0%
$2 billion	$10 billion	5%
$10 billion	$20 billion	15%
$20 billion	$30 billion	25%
$30 billion	$40 billion	35%

(b) Grant funds shall be used only for the construction of new school buildings and additions, repairs, and renovations. Grant funds shall not be used for real property acquisition or for capital improvements to administrative buildings. Grant funds shall be disbursed in a series of payments based on the progress of the project. To obtain a payment, the grantee shall submit a request for payment along with documentation of the expenditures for which the payment is requested and evidence that the matching requirement contained in subsection (a) of this section has been met. No portion of grant funds may be used to acquire a Leadership in Energy and Environmental Design (LEED) certification.

(c) Maximum grant award amounts shall be determined as follows:

(1) Up to ~~thirty~~ forty million dollars ~~($30,000,000)~~ ($40,000,000) for an elementary school.

(2) Up to ~~forty~~ fifty million dollars ~~($40,000,000)~~ ($50,000,000) for a middle school or a combination of an elementary and middle school.

(3) Up to ~~fifty~~ sixty million dollars ~~($50,000,000)~~ ($60,000,000) for a high school.

(d) The Department of Public Instruction shall review projected enrollment to evaluate the reasonableness of a project's size and scope. A county may include in a grant application a minimum grant amount that would enable the project to proceed. A grant application that proposes to consolidate two or more schools by (i) making additions or renovations at one or more school facilities and (ii) closing one or more existing school facilities may be submitted and considered by the Department of Public Instruction as a single project. Each application for a grant under this Article shall be evaluated independent of other grant applications submitted. A county may not apply for projects that exceed an aggregate amount greater than the maximum grant award amounts listed in subsection (c) of this section in any single year. The Department of Public Instruction shall not award a grant to an applicant at less than the requested amount or less than the maximum grant amounts listed in subsection (c) of this section for the purpose of reserving the amount of grant funds available for other grant applications. If a county declines or otherwise forfeits a grant awarded under this section, the Department shall not award additional grants to that county for 24 months from the date the grant award was declined or forfeited.

"**§ 115C-546.12. Grant agreement; requirements.**

(a) A county receiving grant funds pursuant to this Article shall enter into an agreement with the Department of Public Instruction detailing the use of grant funds. The agreement shall contain at least all of the following:

(1) A requirement that the grantee seek planning assistance and plan review from the School Planning Section of the Department of Public Instruction.

(2) A progress payment provision governing disbursements to the county for the duration of the school construction project based upon the construction progress and documentation satisfactory to the Department that the matching requirement in G.S. 115C-546.11 has been met.

(3) A provision requiring periodic reports to the Department of Public Instruction on the use of disbursed grant funds and the progress of the school construction project.

(4) A requirement that matching funds paid by the county pursuant to G.S. 115C-546.11 must be derived from non-State and nonfederal funds.

(b) Project construction must be initiated within 24 months of the award of grant funds. The Superintendent of Public Instruction may grant a 12-month extension under extraordinary circumstances.

"**§ 115C-546.13. Lease exception; requirements.**

(a) Notwithstanding any provision of this Article to the contrary, a county may utilize grant funds for a lease agreement if all of the following criteria are met:

(1) Ownership of the subject property on which the leased school is constructed shall be retained by the county.

(2) The lease agreement shall include a repairs and maintenance provision that requires the landlord to bear the entire expense of all repairs, maintenance, alterations, or improvements to the basic structure, fixtures, appurtenances, and grounds of the subject property for the term of the lease.

(3) The lease agreement shall be for a term of at least 15 years and no more than 25 years.

(4) In lieu of the progress payment requirement provided in G.S. 115C-546.11(b), a county that has entered into a lease agreement shall provide a copy of the lease agreement to the Department of Public Instruction and shall be periodically reimbursed upon submission of documentation satisfactory to the Department that the matching requirement of this section has been met.

(b) For the purposes of this section, the term "lease agreement" shall include any ancillary agreements or predevelopment agreements entered into in anticipation of or in accordance with a lease. A lease agreement entered into pursuant to this subsection shall be subject to the requirements of Article 8 of Chapter 159 of the General Statutes. In determining whether the lease agreement is necessary or expedient pursuant to G.S. 159-151(a)(1) and G.S. 159-151(b)(1), the Local Government Commission may consider any other relevant construction and financing methods available to the county.

"**§ 115C-546.14. Reporting.**

(a) On or before April 1 of each year, a grant recipient shall submit to the Department of Public Instruction an annual report for the preceding year that describes the progress of the project for which the grant was received. The grant recipient shall submit a final report to the Department of Public Instruction within three months of the completion of the project.

(b) On or before May 1 of each year, the Department of Public Instruction shall submit a report to the chairs of the Senate Appropriations Committee on Education/Higher Education, the chairs of the House Appropriations Committee on Education, and the Fiscal Research Division. The report shall contain at least all of the following information for the fiscal year:

(1) Number, description, and geographic distribution of projects awarded.

(2) Total cost of each project and amount supported by the Needs-Based Public School Capital Fund.
(3) Projections for local school administrative unit capital needs for the next 30 years based upon present conditions and estimated demographic changes.
(4) Any legislative recommendations for improving the Needs-Based Public School Capital Fund program."

SECTION 4.3.(c) The Department of Public Instruction may award additional grant funds for new construction, up to the maximum amounts provided in subsection (b) of this section, to a county that received an award for new construction under G.S. 115C-546.11(c) during the 2022-2023 fiscal year, provided that the county has not yet begun construction on the project. A county seeking additional funding pursuant to this subsection shall request additional funds from the Department in an amount not exceeding ten million dollars ($10,000,000) by June 30, 2024, and shall provide actual bids or other documentation of cost increases satisfactory to the Department based upon the original project scope outlined in the grant agreement to support the requested additional funding. The additional grant awards provided pursuant to this subsection shall be subject to the same local matching requirement applicable when the previous grant was awarded. The Department may amend any existing agreements entered into with grant recipients from the initial grant award to accommodate the increased grant funding provided in this subsection. The Department may award additional grant funds under this subsection outside of the regular application process and time line; provided, however, all additional grants funds shall be awarded no later than June 30, 2025.

SECTION 4.3.(e) G.S. 115C-546.11(c), as amended by subsection (b) of this section, reads as rewritten:

"(c) Maximum grant award amounts shall be ~~determined as follows:~~reviewed and updated annually by the Department

~~(1)~~ ~~Up to forty million dollars ($40,000,000)~~ for the cost of construction of an elementary ~~school.~~school,

~~(2)~~ ~~Up to fifty million dollars ($50,000,000) for~~ a middle school or a combination of an elementary and middle ~~school.~~school, and

~~(3)~~ ~~Up to sixty million dollars ($60,000,000) for~~ a high ~~school.~~school based upon the most recent Producer Price Index for New School Building Construction, as published by the federal Bureau of Labor Statistics under NAICS code 236222."

SECTION 4.3.(f) Subsection (e) of this section becomes effective July 1, 2024, and applies to applications submitted on or after that date. The remainder of this section becomes effective July 1, 2023.

INDIAN GAMING EDUCATION REVENUE FUND APPROPRIATIONS

SECTION 4.4. Notwithstanding G.S. 143C-9-7, allocations are made from the Indian Gaming Education Revenue Fund for the fiscal biennium ending June 30, 2025, as follows:

	FY 2023-2024	**FY 2024-2025**
Textbook and Digital Resources Allotment	$10,000,000	$10,000,000
Classroom Materials	11,000,000	1,000,000
Total Appropriation	**$21,000,000**	**$11,000,000**

CIVIL PENALTY AND FORFEITURE FUND

SECTION 4.5.(a) 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**
School Technology Fund	$18,000,000	$18,000,000

Drivers Education	30,193,768	30,193,768
State Public School Fund	226,041,640	166,041,640
Total Appropriation	**$274,235,408**	**$214,235,408**

SECTION 4.5.(b) The Department of Public Instruction shall fund drivers education using the clear proceeds of the late fee for motor vehicle registration, as outlined in G.S. 20-88.03. The Department shall not spend more than the lesser of (i) thirty million one hundred ninety-three thousand seven hundred sixty-eight dollars ($30,193,768) or (ii) the proceeds of the late fee for motor vehicle registration in each year of the biennium. The Department may use up to two percent (2%) of the funds allocated pursuant to this section for statewide administration of the drivers education program.

CORONAVIRUS CAPITAL PROJECTS FUND RESERVE TRANSFER ADJUSTMENT

SECTION 4.6. Section 4.12 of S.L. 2021-180 reads as rewritten:

"**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 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."

GENERAL PROVISIONS FOR AMERICAN RESCUE PLAN ACT OF 2021 FUNDING

SECTION 4.7.(a) Definitions. – The definitions in S.L. 2021-25 and the following definitions apply in this section:

(1) American Rescue Plan Act or ARPA. – The American Rescue Plan Act of 2021, as defined in S.L. 2021-25.
(2) ARPA Temporary Savings Fund. – As established in Section 1.3 of S.L. 2023-7.
(3) State Fiscal Recovery Fund. – As established in Section 2.2 of S.L. 2021-25.
(4) State Fiscal Recovery Reserve. – As established in Section 2.1 of S.L. 2021-25.

SECTION 4.7.(b) Guidance. – OSBM shall work with the recipient State agencies to budget receipts awarded pursuant to ARPA to allow for the tracking of such funds through either separate accounts or fund codes according to the program needs and within the parameters of the respective granting entities and applicable federal laws and regulations. State agencies shall not use funds received pursuant to ARPA for recurring purposes. Depending on the nature of the award, additional State personnel may be employed on a temporary or time-limited basis.

SECTION 4.7.(c) 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. State Fiscal Recovery Fund funds shall be allocated to nonprofit organizations on a quarterly basis unless OSBM determines that cash flow or the nature of the program being funded requires otherwise.

SECTION 4.7.(d) Interest. – All interest earned on funds held in the State Fiscal Recovery Fund though June 30, 2023, shall be transferred to the State Fiscal Recovery Reserve. Effective July 1, 2023, all interest earned on funds held in the State Fiscal Recovery Fund shall be transferred to the General Fund.

SECTION 4.7.(e) Administration. – For administrative expenses related to administration of a provision allocating ARPA funds in this act, a State agency may, of ARPA funds allocated to it under this act, use up to the lesser of (i) the amount allowed by federal law or guidance or (ii) ten percent (10%) of ARPA funds allocated to it under this act. When utilizing the authority set forth in this subsection, a State agency shall not reduce funds earmarked in this

act, or the Committee Report described in Section 43.2 of this act, for a particular local government project or non-State entity project.

SECTION 4.7.(f) Accounting. – A State agency receiving State Fiscal Recovery Fund funds shall track such funds separately from other funds by use of either separate accounts or fund codes.

SECTION 4.7.(g) Reports. – In addition to any report required under this section or any other law, OSBM shall provide a quarterly report to the Senate Committee on Appropriations/Base Budget, the House Appropriations Committee, and the Fiscal Research Division, beginning October 15, 2023, detailing the use of State Fiscal Recovery Fund funds allocated under this act. The report required from OSBM under this section shall include, for the preceding quarter, the amount of funds disbursed to each State agency, State department, and nonprofit organization; the amount of funds remaining to be disbursed to each State agency, State Department, and nonprofit organization; and how the funds were used by each State agency, State department, and nonprofit organization.

SECTION 4.7.(h) Audit. – The State Auditor shall conduct biennial preliminary financial audits and a final performance audit of the State Fiscal Recovery Fund no later than 90 days following the latest date on which expenditures may be made under applicable federal law or guidance.

SECTION 4.7.(i) Reversion. – The funds appropriated from the State Fiscal Recovery Fund in this act and in prior enactments of the General Assembly shall not revert at the end of each fiscal year of the 2023-2025 fiscal biennium but shall remain available to expend and appropriate until the date set by applicable federal law or guidance.

SECTION 4.7.(j) Exclusion. – This section does not apply to funds allocated in this act from the ARPA Temporary Savings Fund or to the Department of Health and Human Services with regards to any federal receipts arising from the enhanced federal medical assistance percentage (FMAP) available to the State under section 9814 of ARPA or any savings realized as a result of those receipts.

TRANSFER OF STATE FISCAL RECOVERY FUNDS FROM STATE FISCAL RECOVERY RESERVE

SECTION 4.8. The State Controller shall transfer the sum of nineteen million forty-seven thousand seven hundred ninety-four dollars ($19,047,794) for the 2023-2024 fiscal year and eleven million four hundred fifty-two thousand two hundred six dollars ($11,452,206) for the 2024-2025 fiscal year from the State Fiscal Recovery Reserve to the State Fiscal Recovery Fund.

TRANSFER OF INTEREST EARNED FROM STATE FISCAL RECOVERY RESERVE

SECTION 4.8A.(a) The State Controller shall transfer interest earned from State Fiscal Recovery Funds in the State Fiscal Recovery Reserve to State agencies and departments in accordance with the following schedule:

	State Agency or Department	2023-2024	2024-2025
(1)	Department of Information Technology (Budget Code: 14660)	0	4,797,794
(2)	Department of Commerce (Budget Code: 14602)	4,000,000	0
(3)	Department of Agriculture and Consumer Services (Budget Code: 23704)	3,000,000	0
(4)	Department of Agriculture and Consumer Services (Budget Code: 63701)	10,000,000	10,000,000
(5)	Department of Agriculture and Consumer Services	10,000,000	8,939,265

	(Budget Code: 13700)		
(6)	Department of Natural and Cultural Resources	10,000,000	0
	(Budget Code: 24820)		
(7)	Department of Natural and Cultural Resources	5,000,000	0
	(Budget Code: 24817)		

SECTION 4.8A.(b) Reversion. – The interest funds allocated pursuant to this section and in prior enactments of the General Assembly shall not revert at the end of each fiscal year of the 2023-2025 fiscal biennium but shall remain available and appropriated until expended.

STATE FISCAL RECOVERY FUNDS FOR BONUSES ADJUSTMENT

SECTION 4.8B. Allocation of Funds. – Section 39.2(f) of S.L. 2021-180 reads as rewritten:

"**SECTION 39.2.(f)** Of the funds appropriated in this act from the State Fiscal Recovery Fund, the sum of five hundred ~~forty-five~~ twenty-two million seven hundred forty-seven thousand seven hundred ninety-four dollars ~~($545,000,000)~~ ($522,747,794) for the 2021-2022 fiscal year is allocated to provide the one-time, lump sum bonuses authorized in this section to State employees and local education employees for work performed during the COVID-19 pandemic."

ARPA TEMPORARY SAVINGS FUND

SECTION 4.9.(a) Funds allocated in this act from the ARPA Temporary Savings Fund, established in Section 1.3(a) of S.L. 2023-7, to State agencies and departments are appropriated for the purposes described in those allocations for the fiscal year in which they are allocated. Funds appropriated in this act from the ARPA Temporary Savings Fund shall not revert.

SECTION 4.9.(b) The funds appropriated in this act from the ARPA Temporary Savings Fund shall become available during the course of the 2023-2025 fiscal biennium as the funds are deposited into that Fund. The Department of Health and Human Services (DHHS) shall not provide allocations of the funds appropriated in this act from the ARPA Temporary Savings Fund until the funds are available within that Fund. After funds begin to be deposited to the Fund, DHHS shall allocate funds on at least a quarterly basis, or more frequently, provided funds are available with the Fund. Funds allocated as detailed in the Committee Report described in Section 43.2 of this act shall be disbursed based upon the amount of funds being allocated, least to most. If there are two or more allocation amounts that are equal, then the funds for those allocations shall be disbursed in the order determined by the Secretary of DHHS, taking into account any time lines for the use of the funds, the best interest of the citizens of the State, and the avoidance of any disruption in services to those citizens.

SECTION 4.9.(c) Beginning October 1, 2024, and annually thereafter, in addition to any report required under this act or any other law, State agencies and departments and any non-State entities receiving funds from the ARPA Temporary Savings Fund shall submit a report to the Fiscal Research Division detailing the use of funds appropriated in this act from the ARPA Temporary Savings Fund for the previous fiscal year until the funds received are fully expended. The report required under this section shall include the amount of funds received to date, how the funds were used during the previous fiscal year, and the amount of funds that remained unspent at the end of the previous fiscal year. This subsection shall not apply to any funds appropriated to the State Capital and Infrastructure Fund.

SECTION 4.9.(d) State agencies and departments and any non-State entities receiving funds from the ARPA Temporary Savings Fund may use up to five percent (5%) of those funds for administrative costs, including for time-limited positions. This subsection shall not apply to any funds appropriated to the State Capital and Infrastructure Fund.

TRANSFORMATIONAL INVESTMENTS IN NORTH CAROLINA HEALTH

CLARIFICATION OF THE AUTHORITY OF THE UNIVERSITY OF NORTH CAROLINA HEALTH CARE SYSTEM AND EAST CAROLINA UNIVERSITY HEALTH CARE SYSTEM WITH RESPECT TO OPERATIONS AND PERSONNEL FLEXIBILITIES

SECTION 4.10.(a) G.S. 116-37, 116-37.2, 116-36.6, 116-40.4, and 116-40.6 are repealed.

SECTION 4.10.(b) Chapter 116 of the General Statutes is amended by adding the following new Articles to read:

"Article 38.

"University of North Carolina Health Care System.

"Part 1. Health Care System.

"**§ 116-350. Definitions.**

The following definitions shall apply in this Article:

(1) Board or Board of Directors. – The Board of Directors of the University of North Carolina Health Care System.

(2) Chief Executive Officer. – The executive and administrative head of the University of North Carolina Health Care System.

(3) Component unit. – Any of the following:

a. The University of North Carolina Hospitals at Chapel Hill.

b. A clinical patient care program established or maintained by the School of Medicine of the University of North Carolina at Chapel Hill.

(4) System affiliate. – Any corporation, partnership, limited liability company, joint venture, association business trust, or similar entity organized under the laws of the United States of America or any state thereof, whether for profit or nonprofit, if a majority of the members of the governing body or of its partnership or membership interests are one of the following:

a. The same as the members of the Board of the System.

b. Subject, directly or indirectly, to election or appointment by the Board of the System.

(5) The University of North Carolina Health Care System or System. – The entity created pursuant to G.S. 116-350.5, the component units of which include the University of North Carolina Hospitals at Chapel Hill and the clinical patient care programs established or maintained by the School of Medicine of the University of North Carolina at Chapel Hill.

"**§ 116-350.5. University of North Carolina Health Care System.**

(a) Establishment of System. – Effective November 1, 1998, the University of North Carolina Health Care System is established. The System is a State agency and political subdivision governed and administered as an affiliated enterprise of The University of North Carolina in accordance with the provisions of this Article. The System shall provide patient care; facilitate the education of physicians and other health care providers in partnership with the University of North Carolina at Chapel Hill School of Medicine and other health sciences schools affiliated with the constituent institutions of The University of North Carolina System; conduct research collaboratively with the health sciences schools of the University of North Carolina at Chapel Hill and other institutions; facilitate clinical collaboration with and financial sustainability of the University of North Carolina at Chapel Hill School of Medicine; render other services designed to promote the health and well-being of the citizens of North Carolina; and drive innovation and transformation in health care services delivery.

(b) Transfer of Rights. – As of November 1, 1998, all of the rights, privileges, liabilities, and obligations of the Board of the University of North Carolina Hospitals at Chapel Hill, not

inconsistent with the provisions of this Article, shall be transferred to and assumed by the Board of the System.

(c) Governance. – The Board of the System shall govern and administer The University of North Carolina Hospitals at Chapel Hill, the clinical patient care programs established or maintained by the School of Medicine of the University of North Carolina at Chapel Hill, and such other entities and functions as (i) the General Assembly may assign to the System or (ii) the Board may decide, within the limitations of its statutory powers and duties, to establish, administer, or acquire for the purpose of rendering services designed to promote the health and well-being of the citizens of North Carolina.

(d) With respect to G.S. 116-350.30, 116-350.35, 116-350.40, 116-350.45, and 116-350-65, the Board may adopt policies that make the authorities and responsibilities established by one or more of said sections applicable to the University of North Carolina Hospitals at Chapel Hill, to the clinical patient care programs of the School of Medicine of the University of North Carolina at Chapel Hill, to both, or to other persons or entities affiliated with or under the control of the University of North Carolina Health Care System.

"**§ 116-350.10. Board of Directors.**

(a) The Board shall be composed of 24 members as follows:

(1) Four ex officio members as follows:

a. The President of The University of North Carolina or the President's designee.

b. The Chief Executive Officer of the University of North Carolina Health Care System.

c. The Chancellor of the University of North Carolina at Chapel Hill.

d. The President of the University of North Carolina Hospitals.

(2) Eight members at large shall be appointed by the General Assembly as follows:

a. One member shall be appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives annually.

b. One member shall be appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate annually.

(3) Twelve members at large shall be appointed by the Board of Governors after consultation with the President of The University of North Carolina. The Board of Governors shall appoint three members annually.

(4) All at-large positions shall serve four-year terms beginning November 1 of the year of appointment. At-large positions shall be filled by the appointment of persons from the business and professional public at large who have special competence in business management, hospital administration, health care delivery, or medical practice or who otherwise have demonstrated dedication to the improvement of health care in North Carolina, and who are neither members of the Board of Governors, members of the board of trustees of a constituent institution of The University of North Carolina, nor officers or employees of the State. No member may be appointed to more than two full four-year terms in succession. Any vacancy in an unexpired term shall be filled by the appointing authority for the remainder of the unexpired term. Vacancies for members appointed by the General Assembly shall be filled as provided in G.S. 120-122.

(b) The Board, with each ex officio and at-large member having a vote, shall elect a chair only from among the at-large members for a term of two years. Notwithstanding the foregoing limitation, the Chancellor of the University of North Carolina at Chapel Hill may serve as chair. No person shall be eligible to serve as chair for more than three terms in succession.

(c) The Board shall meet at least every 60 days and may hold special meetings at any time and place within the State at the call of the chair. Board members, other than ex officio members, shall receive the same per diem and reimbursement for travel expenses as members of the State boards and commissions generally.

(d) The Board's action on matters within its jurisdiction is final, except that appeals may be made, in writing, to the Board of Governors with a copy of the appeal to the Chancellor of the University of North Carolina at Chapel Hill. The Board shall keep the Board of Governors and the board of trustees of the University of North Carolina at Chapel Hill fully informed about health care policy and recommend changes necessary to maintain adequate health care delivery, education, and research for improvement of the health of the citizens of North Carolina.

"**§ 116-350.15. Powers and duties of the Board of Directors.**

(a) Contracting Authority. – The Board may authorize the System or any component unit of the System to contract in its individual capacity, subject to such policies and procedures as the Board may direct.

(b) Agreements with Constituent Institutions. – The Board may enter into formal agreements with constituent institutions of The University of North Carolina with respect to the provision of clinical experience for students and for the provision of maintenance and supporting services.

(c) General Powers and Duties. – The Board is authorized to exercise such authority and responsibility and adopt such policies, rules, and regulations as it deems necessary or convenient, not inconsistent with the provisions of this Article, to carry out the patient care, education, research, and public service mission of the System, including, but not limited to, authority to do the following:

(1) Construct, plan, create, equip, operate, and maintain health care facilities and ancillary enterprises.

(2) Collect, manage, and control all receipts generated through its clinical operations and other activities.

(3) Issue bonds and notes as provided in G.S. 116-350.55.

(4) Acquire and dispose of real or personal property, including existing public or private hospital and health care facilities, by purchase, grant, gift, devise, lease, or otherwise.

(5) Enter into partnerships, affiliations, and other combinations or arrangements with other hospitals or health care entities, as it deems appropriate, including arrangements for management services, to achieve its missions of patient care, education, research, and public service.

(6) Contract with or enter into any arrangement, including through interlocal cooperation agreements under Part 1 of Article 20 of Chapter 160A of the General Statutes, with other public hospitals of this or other states, federal or public agencies, or with any person, private organization, or nonprofit corporation for the provision of health care.

(7) Insure property or operations of the System against risks as the Board may deem advisable.

(8) Except as provided in G.S. 116-350.40, to invest any funds held in reserves or sinking funds, or any funds generated from operations, in property or securities in which trustees, executors, or others acting in a fiduciary capacity may legally invest funds under their control.

(9) Exercise the following powers conferred upon municipal hospitals and hospital authorities under Article 2 of Chapter 131E of the General Statutes:

a. The power to enter into agreements with other hospital entities subject to Article 2 of Chapter 131E of the General Statutes to jointly exercise

the powers, privileges, and authorities granted by Article 2 of Chapter 131E of the General Statutes.

b. The power to lease any hospital facility, or any part of a hospital facility, to a nonprofit corporation, provided that the terms and conditions of such lease are consistent with the public purposes described in G.S. 131E-12.

c. The power to acquire an ownership interest, in whole or in part, in a nonprofit or for-profit managed care company, as provided in G.S. 131E-7.1.

d. All powers set forth in G.S. 131E-23 that are not otherwise addressed by this Part.

(10) Exercise any or all powers conferred upon the Board, either generally or with respect to any specific health care facility or other operations, through or by designated agents, including private corporations, nonprofit corporations, or limited liability companies formed under the laws of the State.

(11) Have the powers of a body corporate and politic, including the power to sue and be sued, to make contracts, and to adopt and use a common seal and to alter the same as may be deemed expedient.

(d) Limitations. – Notwithstanding the powers and duties provided in this section, the Board shall not relinquish to another entity more than fifty percent (50%) of control of either the UNC Hospitals or the System.

"**§ 116-350.20. Reports due from the Board of Directors.**

The Chief Executive Officer and the President of The University of North Carolina jointly shall report by December 31 of each year on the operations and financial affairs of the System to the Joint Legislative Commission on Governmental Operations and the Board of Governors of The University of North Carolina. The report shall include actions taken by the Board under the authority granted by G.S. 116-350.35.

"**§ 116-350.25. System Officers and their staff.**

(a) Chief Executive Officer. – The executive and administrative head of the University of North Carolina Health Care System shall have the title of "Chief Executive Officer." The Board of Directors, the board of trustees, and the Chancellor of the University of North Carolina at Chapel Hill, following such search process as the boards and the Chancellor deem appropriate, shall identify two or more persons as candidates for the office, who, pursuant to criteria agreed upon by the boards and the Chancellor, have the qualifications for both the positions of Chief Executive Officer of the University of North Carolina Health Care System and Vice-Chancellor for Medical Affairs of the University of North Carolina at Chapel Hill. The names of the candidates so identified, once approved by the Board of Directors and the board of trustees, shall be forwarded by the Chancellor to the President of The University of North Carolina, who if satisfied with the quality of one or more of the candidates, will nominate one as Chief Executive Officer, subject to selection by the Board of Governors. The individual serving as Chief Executive Officer shall have complete executive and administrative authority to formulate proposals for, recommend the adoption of, and implement policies governing the programs and activities of the University of North Carolina Health Care System, subject to all requirements of the Board of Directors. That same individual, when serving as Vice-Chancellor for Medical Affairs, shall have all authorities, rights, and responsibilities of a vice-chancellor of the University of North Carolina at Chapel Hill.

(b) President of UNC Hospitals. – The executive and administrative head of the University of North Carolina Hospitals at Chapel Hill shall have the title of "President of the University of North Carolina Hospitals at Chapel Hill." The Board of Directors shall elect, on nomination of the Chief Executive Officer, the President of the University of North Carolina Hospitals at Chapel Hill.

(c) Administrative and Professional Staff. – The Board of Directors shall elect, on nomination of the Chief Executive Officer, such additional administrative and professional staff employees of the University of North Carolina Health Care System as may be deemed necessary to assist in fulfilling the duties of the office of the Chief Executive Officer, all of whom shall serve at the pleasure of the Chief Executive Officer.

"**§ 116-350.30. Personnel.**

(a) Employment Authority. – The System may employ a workforce to conduct its operations. Employees who are employed directly by the System, and not by a System affiliate, are State employees whose terms and conditions of employment, including benefit plans and programs, are determined by the Board. Only Articles 5, 6, 7, and 14 of Chapter 126 of the General Statutes, the State Human Resources Act, apply to these State employees. The Board of the System may authorize the System to employ the faculty and staff of the University of North Carolina School of Medicine as well as other health affairs schools and components of the University of North Carolina at Chapel Hill subject to the provisions of this subsection, provided that any employees who are faculty members shall remain subject to the faculty policies of the University of North Carolina at Chapel Hill, as established or adopted pursuant to delegation from the Board of Governors of The University of North Carolina. A State employee employed by the System immediately prior to November 1, 2023, has the right to (i) continued State employment if the employee remains in the employee's current role or position, unless terminated in accordance with the terms of employment that existed immediately prior to November 1, 2023, subject to all relevant provisions of State and federal law and (ii) continued participation in the State Teachers' and State Employees' Retirement System if the employee was enrolled in the Retirement System immediately prior to November 1, 2023, and maintains State employee status.

(b) Certain Career State Employees. – Notwithstanding subsection (a) of this section, a State employee who achieved career State employee status by October 31, 1998, shall remain subject to the rules regarding discipline or discharge that were effective on October 31, 1998, and shall not be subject to the rules regarding discipline or discharge adopted after that date.

"**§ 116-350.35. Finances.**

(a) System Budgeting. – The System, the UNC Hospitals, and designated component parts of The University of North Carolina shall not be subject to the provisions of the State Budget Act, except for General Fund appropriations, or otherwise subject to the authority, oversight, or control of the Office of the State Controller. The System, the UNC Hospitals, and designated component parts of The University of North Carolina shall be subject to the authority and oversight of the Office of the State Auditor. The Chief Executive Officer, subject to the Board, shall be responsible for all aspects of budget preparation, budget execution, and expenditure reporting for the System. Separate auditable accounts under the control of the Board shall be maintained for the UNC Hospitals and the clinical patient care programs of the School of Medicine of the University of North Carolina at Chapel Hill. Except for General Fund appropriations, all receipts of the UNC Hospitals may be invested pursuant to G.S. 116-265.40. General Fund appropriations for support of the UNC Hospitals shall be budgeted in a General Fund code under a single purpose, "Contribution to University of North Carolina Hospitals at Chapel Hill Operations" and be transferable to a special fund operating code as receipts. All revenues generated from operations, appropriations, or funds otherwise under the control of the Board shall exclusively be used in furtherance of the missions and goals of the System as determined or approved by the Board.

(b) Patient/Health Care System Benefit. – The Chief Executive Officer, or the Chief Executive Officer's designee, may expend operating budget funds, including State funds, of the System for the direct benefit of a patient, when, in the judgment of the Chief Executive Officer or the Chief Executive Officer's designee, the expenditure of these funds would result in a financial benefit to the System. Any such expenditures are declared to result in the provision of medical services and create charges of the University of North Carolina Health Care System for

which the health care system may bill and pursue recovery in the same way as allowed by law for recovery of other health care systems' charges for services that are unpaid.

These expenditures shall be restricted (i) to situations in which a patient is financially unable to afford ambulance or other transportation for discharge; (ii) to afford placement in an after-care facility; (iii) to assure availability of a bed in an after-care facility after discharge from the hospitals; (iv) to secure equipment or other medically appropriate services after discharge; or (v) to pay health insurance premiums. The Chief Executive Officer or the Chief Executive Officer's designee shall reevaluate at least once a month the cost effectiveness of any continuing payment on behalf of a patient.

To the extent that the System advances anticipated government entitlement benefits for a patient's benefit, for which the patient later receives a lump sum "back pay" award from an agency of the State, whether for the current admission or subsequent admission, the State agency shall withhold from this back pay an amount equal to the sum advanced on the patient's behalf by the System, if, prior to the disbursement of the back pay, the applicable State program has received notice from the System of the advancement.

"**§ 116-350.40. Regulation of UNC Hospitals Funds.**

(a) Definition of Funds. – As used in this section, "funds" means:

(1) Moneys, or the proceeds of other forms of property, received by the UNC Hospitals as gifts or devises.

(2) Moneys received by the UNC Hospitals pursuant to grants from, or contracts with, the United States government or any agency or instrumentality thereof.

(3) Moneys received by the UNC Hospitals pursuant to grants from, or contracts with, any State agencies, any political subdivisions of the State, any other states or nations or political subdivisions thereof, or any private entities whereby the UNC Hospitals undertakes, subject to terms and conditions specified by the entity providing the moneys, to conduct research, training, or public service programs.

(4) Moneys received from or for the operation by the UNC Hospitals of any of its self-supporting auxiliary enterprises, including the Liability Insurance Trust Fund.

(5) Moneys received for services UNC Hospitals and the patient care programs established or maintained by the School of Medicine of the University of North Carolina at Chapel Hill render in its hospital, clinics, and other operations.

(6) Moneys received by the UNC Hospitals in respect to borrowings for capital equipment or construction projects to further services it renders in either or both of its hospital or clinical operations.

(7) The net proceeds from the disposition effected pursuant to Article 7 of Chapter 146 of the General Statutes of any interest in real property owned by or under the supervision and control of the UNC Hospitals if the interest in real property had first been acquired by gift or devise or through expenditure of moneys defined in this section, except the net proceeds from the disposition of an interest in real property first acquired by the UNC Hospitals through expenditure of moneys received as a grant from a State agency or General Fund appropriations.

(b) Fund Management. – The Board of the System is responsible for the custody and management of the funds of the UNC Hospitals. The Board shall adopt uniform policies and procedures applicable to the deposit, investment, and administration of these funds, which shall assure that the receipt and expenditure of such funds is properly authorized and that the funds are appropriately accounted for. The Board may delegate authority, through the Chief Executive

Officer, to the President of the UNC Hospitals, when such delegation is necessary or prudent to enable the UNC Hospitals to function in a proper and expeditious manner.

(c) Fund Expenditure. – Funds under this section and investment earnings thereon are available for expenditure by the UNC Hospitals and are hereby appropriated by the General Assembly.

(d) Fund Oversight. – Funds under this section are subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes are not subject to the provisions of the State Budget Act, except for operating and capital funds appropriated from the General Fund.

(e) Fund Reporting. – The UNC Hospitals shall submit such reports or other information concerning its fund accounts under this section as may be required by the Board.

(f) Funds Supplemental. – Funds under this section, or the investment income therefrom, shall not take the place of State appropriations or any part thereof, but any portion of these funds available for general institutional purposes shall be used to supplement State appropriations to the end that the UNC Hospitals may improve and increase their functions, may enlarge their areas of service, and may become more useful to a greater number of people.

(g) Fund Investment. – The Board may deposit or invest the funds under this section in interest bearing accounts and other investments in the exercise of its sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries.

"**§ 116-350.45. Purchases.**

Notwithstanding the provisions of Articles 3, 3A, and 3C of Chapter 143 of the General Statutes and G.S. 143-341(8)(i) of the General Statutes, the Board shall establish policies and regulations governing the purchasing requirements of the System. These policies and regulations shall provide for requests for proposals, competitive bidding or purchasing by means other than competitive bidding, contract negotiations, and contract awards for purchasing supplies, materials, equipment, and services which are necessary and appropriate to fulfill the clinical, educational, research, and community service missions of the System.

The Board of Directors shall submit all initial policies and regulations adopted pursuant to this section to the Division of Purchase and Contract for review upon adoption by the Board. Any subsequent changes to these policies and regulations adopted by the Board shall be submitted to the Division of Purchase and Contract for review. Any comments by the Division of Purchase and Contract shall be submitted to the Chief Executive Officer and to the President of The University of North Carolina.

"**§ 116-350.50. Real property.**

(a) Acquisition and Disposition. – The Board shall establish policies for acquiring and disposing of any interest in real property by the System and the UNC Hospitals. These policies shall specify procedures for evaluating, negotiating, and approving the acquisition or disposition of an interest in real property by purchase, gift, lease, or rental, but not by condemnation or exercise of eminent domain. Acquisitions and dispositions of interests in real property pursuant to this section shall not be subject to statutes applicable to the acquisition or disposition of interest in real property by or on behalf of State agencies, including, without limitation, the provisions of Article 36 of Chapter 143 of the General Statutes or Chapter 146 of the General Statutes.

(b) Design and Construction. – The Board may, subject to rules and regulations generally applicable to hospital facilities in the State, adopt policies and procedures that exclusively govern the design, construction, and renovation of buildings, infrastructure, utilities, and other property developments of the System and the UNC Hospitals, including all aspects of vendor selections, contracting, negotiation, and approvals. Design and construction for the System and the UNC Hospitals shall be subject to the requirements of G.S. 44A-26 and G.S. 133-1.1 but shall not otherwise be subject to the provisions of statutes applicable to design and construction projects by or on behalf of State agencies.

(c) Plan Review and Code Enforcement of Certain Construction Projects. – Notwithstanding any other provision of law to the contrary, a local building code inspection department has general authority over plan review and administration, and enforcement, of all sections of the North Carolina State Building Code for construction or renovation projects undertaken by the System or its component units that are on or within privately owned real property leased by the System, or its component units, within its jurisdiction. Nothing in this subsection shall be construed to abrogate the authority of the Department of Labor under G.S. 143-139(c) and (d).

"**§ 116-350.55. Bonds and notes.**

(a) Bonds and Notes. – In addition to the provisions of Article 3 of Chapter 116D of the General Statutes, the System shall be authorized to issue bonds and notes on behalf of itself or any component units or System affiliate in accordance with the provisions of Article 3 of Chapter 116D of the General Statutes, in the same manner and for the same purposes as the Board of Governors of The University of North Carolina may issue bonds and notes as provided for therein. In doing so, the System shall have the same powers conferred upon the Board of Governors by such Article and, for purposes of this section, references in such Article to the Board of Governors shall mean and be deemed to include the System.

(b) Notwithstanding subsection (a) of this section, in connection with the issuance of bonds or notes of the System in accordance with this section and Article 3 of Chapter 116D of the General Statutes, the following provisions shall apply:

(1) Institutions within the meaning of G.S. 116D-22 shall include the System and any component unit or System affiliate.

(2) The approval of the Director of the Budget, as provided in G.S. 116D-26, 116D-27, 116D-29, and 116D-30, shall not apply to bonds or notes issued by the System pursuant to this section and Article 3 of Chapter 116D of the General Statutes.

(3) Notwithstanding G.S. 116D-26(b), except as otherwise provided in Article 3 of Chapter 116D of the General Statutes, special obligation bond projects may be undertaken, special obligation bonds may be issued, and other powers vested in the Board under this section may be exercised by the Board without obtaining the consent of any department, division, commission, board, bureau, or agency of the State and without any other proceedings or the happening of any other conditions or things other than those proceedings, conditions, or things which are specifically required by this section and Article 3 of Chapter 116D of the General Statutes.

(4) Nothing herein shall limit or restrict the right of the System to obtain a loan from a financial institution, provided that the System may not pledge real property owned by the State of North Carolina as collateral.

"**§ 116-350.60. Nonprofit merger authority.**

The University of North Carolina Health Care System and any domestic nonprofit corporation may merge in the manner provided in G.S. 55A-11-09, except that the merger need not comply with G.S. 55A-11-02 as required by G.S. 55A-11-09(b)(3). For the purposes of this section, the University of North Carolina Health Care System is deemed an unincorporated "business entity" as defined in G.S. 55A-11-09(a) and the University of North Carolina Health Care System or the University of North Carolina Hospitals is the surviving business entity of any merger effected pursuant to this section. For any plan of merger pursuant to this section, along with the applicable items set forth in the articles of merger under G.S. 55A-11-09(d), the University of North Carolina Health Care System shall set forth reference to this section. G.S. 55A-11-09(e1) does not apply to a merger under this section.

"**§ 116-350.65. Public records.**

The following records of the System are not public records under Chapter 132 of the General Statutes:

(1) Records related to patient care and patient services, including, but not limited to, patient records, vendor contracts, quality initiatives, quality measures, and reports related to quality requirements; provided, however, that any contracts with other State agencies or documents publicly reported to government regulatory or oversight bodies shall be considered public records.

(2) Records related to strategic planning or initiatives, including potential affiliations and new services or businesses.

(3) Consultations with the Joint Legislative Commission on Governmental Operations as provided by law.

"**§ 116-350.70. State action.**

Subject to the provisions and limitations of Parts 1 and 2 of this Article, the Board may enter into cooperative agreements with any other entity for the provision of health care, including the acquisition, allocation, sharing, or joint operation of hospitals or any other health care facilities or health care provider, without regard to their effect on market competition. When partnering with community hospitals and other health systems in various regions of the State, the System is acting according to State policy by ensuring that health care is made available to all parts of North Carolina; its activities constitute "State action" for purposes of antitrust law. The General Assembly intends that these agreements are immune from the application of federal and State antitrust law.

"Part 2. Liability Insurance or Self-Insurance.

"**§ 116-350.100. Authorization to secure insurance or provide self-insurance.**

The Board is authorized through the purchase of contracts of insurance or the creation of self-insurance trusts, or through combination of such insurance and self-insurance, to provide the System, UNC Hospitals, System affiliates, and individual health care practitioners with coverage against claims of personal or entity tort liability based on conduct within the course and scope of health care functions undertaken by such entities or individuals as employees, agents, or officers of (i) the System, (ii) the University of North Carolina Hospitals at Chapel Hill, or (iii) any health care institution, agency, or entity which has an affiliation agreement with the System or with the University of North Carolina Hospitals at Chapel Hill. The types of health care practitioners to which the provisions of this Part may apply include, but are not limited to, medical doctors, dentists, nurses, residents, interns, medical technologists, nurses' aides, and orderlies. Subject to all requirements and limitations of this Article, the coverage to be provided, through insurance or self-insurance or combination thereof, may include provision for the payment of expenses of litigation, the payment of civil judgments in courts of competent jurisdiction, and the payment of settlement amounts, in actions, suits, or claims to which this Part applies.

"**§ 116-350.105. Establishment and administration of self-insurance trust funds; rules and regulations; defense of actions against covered persons; application of G.S. 143-300.6.**

(a) In the event the Board elects to act as self-insurer of a program of liability insurance, it may establish one or more insurance trust accounts to be used only for the purposes authorized by this Article; provided, however, said program of liability insurance shall not be subject to regulation by the Commissioner of Insurance. The Board is authorized to receive and accept any gift, donation, appropriation, or transfer of funds made for the purposes of this section and to deposit such funds in the insurance trust accounts. All expenses incurred in collecting, receiving, and maintaining such funds and in otherwise administering the self-insured program of liability insurance shall be paid from such insurance trust accounts.

(b) Subject to all requirements and limitations of this Article, the Board is authorized to adopt rules and regulations for the establishment and administration of the self-insured program of liability insurance, including, but not limited to, rules and regulations concerning the eligibility

for and terms and conditions of participation in the program, the assessment of charges against participants, the management of the insurance trust accounts, and the negotiation, settlement, litigation, and payment of claims.

(c) The Board is authorized to create a UNC Health Liability Insurance Trust Fund Council composed of not more than 13 members; one member each shall be appointed by the State Attorney General, the State Insurance Commissioner, the Director of the Office of State Budget and Management, and the State Treasurer; the remaining members shall be appointed by the Board. Subject to all requirements and limitations of this Article and to any rules and regulations adopted by the Board under the terms of subsection (b) of this section, the Board may delegate to the UNC Health Liability Insurance Trust Fund Council responsibility and authority for the administration of the self-insured liability insurance program and of the insurance trust accounts established pursuant to such program.

(d) Defense of all suits or actions against an individual health care practitioner who is covered by a self-insured program of liability insurance established by the Board under the provisions of this Article may be provided by the Attorney General in accordance with the provisions of G.S. 143-300.3 of Article 31A of Chapter 143; provided, that in the event it should be determined pursuant to G.S. 143-300.4 that defense of such a claim should not be provided by the State, or if it should be determined pursuant to G.S. 143-300.5 and G.S. 147-17 that counsel other than the Attorney General should be employed or, if the individual health care practitioner is not an employee of the State as defined in G.S. 143-300.2, then private legal counsel may be employed by the UNC Health Liability Insurance Trust Fund Council and paid for from funds in the insurance trust accounts.

(e) For purposes of the requirements of G.S. 143-300.6, the coverage provided State employees by any self-insured program of liability insurance established by the Board pursuant to the provisions of this Article shall be deemed to be commercial liability insurance coverage within the meaning of G.S. 143-300.6(c).

(f) By rules or regulations adopted by the Board in accordance with subsection (b) of this section, the Board may provide that funds maintained in insurance trust accounts under such a self-insured program of liability insurance may be used to pay any expenses, including damages ordered to be paid, which may be incurred by the System or the University of North Carolina Hospitals at Chapel Hill with respect to any tort claim, based on alleged negligent acts in the provision of health care services, which may be prosecuted under the provisions of Article 31 of Chapter 143 of the General Statutes.

"**§ 116-350.110. Funding of self-insurance program.**

(a) If the Board elects to establish a self-insurance trust fund, the initial contribution to the fund shall be determined by an independent actuary but shall be no less than three hundred thousand dollars ($300,000). Annual contributions to said fund shall be made in an amount to be determined each year by the UNC Health Liability Insurance Trust Fund Council upon the advice of an independent actuary and shall include amounts necessary to pay all costs of administration of the self-insurance program and claims adjustment, including litigation in addition to amounts necessary to pay claims. Contributions shall be no less than one hundred fifty percent (150%) of the amounts actually paid each year on medical malpractice claims until such time as the UNC Health Liability Insurance Trust Fund Council, with the advice of an independent actuary and the approval of the Board, determines that an annual contribution in a lesser amount will not impair the adequacy of the fund to satisfy existing and potential health care malpractice claims for a period of one year.

(b) Claims certified to be paid from the fund shall be paid in the order of award or settlement. In the event that the fund created hereunder shall at any time have insufficient funds to assure that both existing and future claims will be paid, the Board is hereby authorized to borrow necessary amounts up to thirty million dollars ($30,000,000) per established

self-insurance trust fund account to replenish the fund. The Board shall maintain funds in each self-insurance trust at no less than one hundred thousand dollars ($100,000) at all times.

(c) Funds borrowed by the Board to replenish the trust fund account may be secured by pledging noncapital assets of the members. Members shall mean those entities, agencies, departments, or divisions of the System which directly contribute funds to the self-insurance trust. In no event shall individual health care providers be deemed members for the purposes of this section.

(d) Obligations issued under the provisions of this Part shall not be deemed to constitute a debt, liability, or obligation of the State or of any political subdivision thereof or a pledge of the faith and credit of the State or of any such political subdivision but shall be payable solely from the revenues or assets of the members. Each obligation issued under this Part shall contain on the face thereof a statement to the effect that the System shall not be obligated to pay the same nor the interest thereon except from the revenues or assets pledged therefor and that neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or the interest on such obligation.

"**§ 116-350.115. Termination of fund.**

Any fund created hereunder may be terminated by the Board upon their determination that other satisfactory and adequate arrangements have been made to assure that both existing and future health care malpractice claims or judgments against the participants in the self-insurance program will be paid and satisfied. Upon the termination of any fund pursuant to this section, the full amount remaining in such fund upon termination less any outstanding indebtedness shall promptly be repaid to the System and allocated among the participating entities according to their respective contributions as determined by the Board.

"**§ 116-350.120. Sovereign immunity.**

Nothing in this Article shall be deemed to waive the sovereign immunity of the State.

"**§ 116-350.125. Confidentiality of records.**

Records pertaining to the liability insurance program, including all information, correspondence, investigations, or interviews concerning or pertaining to claims or potential claims against participants in the self-insurance program or to the program or applications for participation in the program shall not be considered public records under Chapter 132 of the General Statutes and shall not be subject to discovery under the Rules of Civil Procedure, Chapter 1A of the General Statutes.

"**§ 116-350.130. Further action.**

The Board is hereby authorized to take all action necessary to effectuate the purposes and provisions of this Part.

"**§ 116-350.135. Appropriation.**

The funds described by this Part are appropriated and shall be used only as provided by this Part.

"**§§ 116-350.136 to 116-359.** Reserved for future codification purposes.

"Article 39.

"East Carolina University Health Care Operations.

"**§ 116-360.5. Definitions.**

The following definitions apply in this Article:

(1) Board of Trustees. – The Board of Trustees of East Carolina University.

(2) Career State employee status. – As defined in G.S. 126-1.1.

(3) Chancellor. – The Chancellor of East Carolina University.

(4) ECU Dental School Clinical Operations. – A division of the School of Dental Medicine at East Carolina University that operates clinical programs and facilities in Greenville, North Carolina, and across the State for the purpose of providing medical care to the general public and training dentists and other health care professionals.

(5) Medical Faculty Practice Plan. – A division of the School of Medicine of East Carolina University that operates clinical programs and facilities for the purpose of providing medical care to the general public and training physicians and other health care professionals.

(6) President. – The President of The University of North Carolina.

(7) School of Medicine. – The Brody School of Medicine of East Carolina University.

"**§ 116-360.10. East Carolina University School of Medicine; establishment; mission.**

(a) Establishment. – The Board of Trustees of East Carolina University is hereby authorized to establish a school of medicine at East Carolina University, Greenville, North Carolina. The school of medicine shall meet all requirements and regulations of the Council on Medical Education and Hospitals of the American Medical Association, the Association of American Medical Colleges, and other such accrediting agencies whose approval is normally required for the establishment and operation of a two-year medical school.

(b) Mission. – The School of Medicine shall provide instruction and training leading to a medical degree, advanced and doctoral degrees in biomedical sciences and related fields, and other credentials; facilitate the education of physicians and other health care providers in partnership with schools and colleges within East Carolina University, The University of North Carolina System, and its affiliated enterprises; provide patient care and facilitate the financial sustainability of East Carolina University's School of Medicine and health sciences programs through clinical collaboration with and joint operation of health care facilities with one or more hospitals or health systems; engage in research and render other services designed to promote the health and well-being of the citizens of North Carolina, with particular focus on rural areas of the State; and drive innovation and transformation in health care services delivery, with particular focus on rural health care services delivery.

"**§ 116-360.15. Personnel and operations.**

(a) Employment Authority. – East Carolina University School of Medicine may employ a workforce to conduct its operations of the Medical Faculty Practice Plan and the ECU Dental School Clinical Operations. Employees who are employed directly by Medical Faculty Practice Plan and the ECU Dental School Clinical Operations, and not by an affiliated hospital or health system, are State employees whose terms and conditions of employment, including benefit plans and programs, are determined by the Chancellor, subject to the direction of the President. Only Articles 5, 6, 7, and 14 of Chapter 126 of the General Statutes, the State Human Resources Act, apply to these State employees. Subject to the approval of the President, the Chancellor may authorize East Carolina University to employ the faculty and staff of the School of Medicine and other health affairs schools and components of East Carolina University, subject to the provisions of this section. All employees who are faculty members shall remain subject to the faculty policies of East Carolina University, as established or adopted pursuant to delegation from the Board of Governors of The University of North Carolina. A State employee employed by East Carolina University as part of the Medical Faculty Practice Plan or ECU Dental School Clinical Operations prior to November 1, 2023, has the right to (i) continued State employment if the employee remains in the employee's current role or position, unless terminated in accordance with the terms of employment that existed immediately prior to November 1, 2023, subject to all relevant provisions of State and federal law and (ii) continued participation in the State Teachers' and State Employees' Retirement System if the employee was enrolled in the Retirement System immediately prior to November 1, 2023, and maintains State employee status.

(b) Certain Career State Employees. – Notwithstanding subsection (a) of this section, all of the following applies:

(1) For employees of the Medical Faculty Practice Plan. – The compensation of a State employee who achieved career State employee status by October 31, 1998, shall not be reduced as a result of this section and that employee shall

(i) remain subject to the rules regarding discipline or discharge that were effective on October 31, 1998, and (ii) not be subject to the rules regarding discipline or discharge adopted after that date.

(2) For employees of the ECU Dental School Clinical Operations. – The compensation of a State employee who achieved career State employee status by June 30, 2022, shall not be reduced as a result of this section and that employee shall (i) remain subject to the rules regarding discipline or discharge that were effective on June 30, 2022, and (ii) not be subject to the rules regarding discipline or discharge adopted after that date.

(c) Subject to the direction of the President and so long as it is to the benefit of the School of Medicine, East Carolina University, or The University of North Carolina System, the Chancellor may take any of the following actions:

(1) Enter into partnerships, affiliations, joint operating agreements, and other arrangements with hospitals, health systems, and other health care partners on behalf of the School of Medicine or East Carolina University.

(2) Assign employees to assist with the establishment and operation of any partnerships, affiliations, joint operating agreements, and other arrangements entered into pursuant to this subsection.

(3) Make available office space, equipment, supplies, and other related resources as part of any partnerships, affiliations, joint operating agreements, and other arrangements entered into pursuant to this subsection.

"**§ 116-360.20. Finances.**

(a) Budgeting. – The School of Medicine, the Medical Faculty Practice Plan, and ECU Dental School Clinical Operations, shall not be subject to the provisions of the State Budget Act, except for General Fund appropriations, or otherwise subject to the authority, oversight, or control of the Office of the State Controller. The School of Medicine, the Medical Faculty Practice Plan, and ECU Dental School Clinical Operations shall be subject to the authority and oversight of the Office of the State Auditor. The Chancellor, subject to the direction of the President, shall be responsible for all aspects of budget preparation, budget execution, and expenditure reporting for the School of Medicine, the Medical Faculty Practice Plan, and ECU Dental School Clinical Operations. Except for General Fund appropriations, all receipts for the Medical Faculty Practice Plan and ECU Dental School Clinical Operations may be invested pursuant to G.S. 116-36.1. General Fund appropriations for support of the Medical Faculty Practice Plan shall be budgeted in a General Fund code under a single purpose, "Contributions to Medical Faculty Practice Plan at East Carolina University," and be transferable to a special fund operating code as receipts. All revenues generated from operations, appropriations, or funds of the Medical Faculty Practice Plan shall exclusively be used in furtherance of the missions and goals of the Medical Faculty Practice Plan and School of Medicine as determined or approved by the Chancellor.

(b) Medicare Receipts. – The East Carolina University School of Medicine shall request, on a regular basis consistent with the State's cash management plan, funds earned by the School from Medicare reimbursements for education costs. Upon receipt, these funds are appropriated and shall be allocated as follows:

(1) The portion of the Medicare reimbursement generated through the effort and expense of the School of Medicine's Medical Faculty Practice Plan shall be transferred to the appropriate Medical Faculty Practice Plan account within the School of Medicine. The Medical Faculty Practice Plan shall assume responsibility for any of these funds that subsequently must be refunded due to final audit settlements.

(2) Funds that were received pursuant to this section prior to July 1, 2005, and that were transferred to a special fund account on deposit with the State

Treasurer are appropriated to the Brody School of Medicine at East Carolina University and may be expended by the Brody School of Medicine for the family medicine center and for purposes consistent with its stated mission.

"**§ 116-360.25. Purchases.**

Notwithstanding the provisions of Articles 3, 3A, and 3C of Chapter 143 of the General Statutes to the contrary, the Chancellor shall establish policies and regulations governing the purchasing requirements of the School of Medicine, the Medical Faculty Practice Plan, and ECU Dental School Clinical Operations. These policies and regulations shall provide for requests for proposals, competitive bidding, or purchasing by means other than competitive bidding, contract negotiations, and contract awards for purchasing supplies, materials, equipment, and services which are necessary and appropriate to fulfill the clinical and educational missions of the School of Medicine, the Medical Faculty Practice Plan, and ECU Dental School Clinical Operations. Pursuant to such policies and regulations, purchases for the School of Medicine, the Medical Faculty Practice Plan, and ECU Dental School Clinical Operations shall be effected by East Carolina University.

The Chancellor shall submit all initial policies and regulations adopted under this section to the Division of Purchase and Contract for review upon adoption by the Chancellor. Any subsequent changes to these policies and regulations adopted by the Chancellor shall be submitted to the Division of Purchase and Contract for review. Any comments by the Division of Purchase and Contract shall be submitted to the Chancellor of East Carolina University and to the President of The University of North Carolina.

"**§ 116-360.30. Public records.**

The following records of East Carolina University School of Medicine and ECU Dental School Clinical Operations are not public records under Chapter 132 of the General Statutes:

(1) Records related to research, patient care, and patient services, including, but not limited to, patient records, vendor contracts, quality initiatives, quality measures, and reports related to quality requirements; provided, however, that any contracts with other State agencies or documents publicly reported to government regulatory or oversight bodies shall be considered public records.

(2) Records related to strategic planning or initiatives, including potential affiliations and new services or businesses.

(3) Consultations with the Joint Legislative Commission on Governmental Operations as provided by law.

"**§ 116-360.35. Real property.**

(a) Acquisition and Disposition. – The Chancellor of East Carolina University shall establish rules and regulations for acquiring or disposing of any interest in real property for the use of the School of Medicine, the Medical Faculty Practice Plan, and ECU Dental School Clinical Operations. These rules and regulations shall include provisions for development of specifications, advertisement, and negotiations with owners for acquisition of an interest in real property by purchase, gift, lease, or rental, but not by condemnation or exercise of eminent domain, on behalf of the School of Medicine, the Medical Faculty Practice Plan, and ECU Dental School Clinical Operations. Acquisitions and dispositions of interests in real property pursuant to this section shall not be subject to State laws applicable to the acquisition or disposition of interest in real property by or on behalf of State agencies, including, without limitation, the provisions of Article 36 of Chapter 143 of the General Statutes or the provisions of Chapter 146 of the General Statutes.

(b) Design and Construction. – The Chancellor may, subject to rules and regulations generally applicable to educational facilities and health care facilities in the State, adopt policies and procedures that shall exclusively govern the design, construction, and renovation of buildings, infrastructure, utilities, and other property developments of the School of Medicine, including all aspects of vendor selections, contracting, negotiation, and approvals. Design and

construction for the School of Medicine are subject to the requirements of G.S. 44A-26 and G.S. 133-1.1 but are otherwise exempt from other State laws applicable to design and construction projects by or on behalf of State agencies.

(c) Plan Review and Code Enforcement of Certain Construction Projects. – Notwithstanding any other provision of law to the contrary, a local building code inspection department has general authority over plan review, administration, and enforcement of all sections of the North Carolina State Building Code with respect to construction or renovation projects undertaken by the School of Medicine, the Medical Faculty Practice Plan, or ECU Dental Clinical Operations that are on or within privately owned real property leased by the School of Medicine, the Medical Faculty Practice Plan, or ECU Dental Clinical Operations within the jurisdiction of the local building code inspection department. Nothing in this subsection shall be construed to abrogate the authority of the Department of Labor under subsections (c) and (d) of G.S. 143-139.

"**§ 116-360.40. State action.**

Subject to the provisions and limitations of this Article, the Chancellor of East Carolina University, subject to the direction of the President of The University of North Carolina, may enter into cooperative agreements on behalf of the School of Medicine, the Medical Faculty Practice Plan, and ECU Dental School Clinical Operations with any other entity for the provision of health care, including the acquisition, allocation, sharing, or joint operation of hospitals or any other health care facilities or health care provider, without regard to their effect on market competition. When partnering with community hospitals and health systems in various regions of the State, the School of Medicine, the Medical Faculty Practice Plan, and ECU Dental School Clinical Operations are acting according to State policy by ensuring that health care is made available to all parts of North Carolina; their activities constitute "State action" for purposes of antitrust law. The General Assembly intends that these agreements are immune from the application of federal and State antitrust law."

CONFORMING AND OTHER CHANGES

SECTION 4.10.(c) G.S. 66-58 reads as rewritten:

"**§ 66-58. Sale of merchandise or services by governmental units.**

(a) Except as ~~may be~~ provided in this section, it ~~shall be~~ is unlawful for any unit, ~~department~~ department, or agency of the State government, or any division or subdivision of the unit, ~~department~~ department, or agency, or any individual employee or employees of the unit, ~~department~~ department, or agency in his, ~~or~~ her, or their capacity as employee or employees ~~thereof,~~ thereof to engage directly or indirectly in the sale of goods, ~~wares~~ wares, or merchandise in competition with citizens of the State, or to engage in the operation of restaurants, cafeterias or other eating places in any building owned by or leased in the name of the State, or to maintain service establishments for the rendering of services to the public ordinarily and customarily rendered by private enterprises, or to provide transportation services, or to contract with any person, ~~firm~~ firm, or corporation for the operation or rendering of the businesses or services on behalf of the unit, ~~department~~ department, or agency, or to purchase for or sell to any person, ~~firm~~ firm, or corporation any article of merchandise in competition with private enterprise. The leasing or subleasing of space in any building owned, ~~leased~~ leased, or operated by any unit, ~~department or agency or division or subdivision thereof~~ department, agency, division, or subdivision of the State for the purpose of operating or rendering of any of the businesses or services ~~herein~~ referred to in this section is ~~hereby~~ prohibited.

(b) ~~The provisions of subsection~~ Subsection (a) of this section ~~shall~~ does not apply ~~to:~~to any of the following:

…

(8) The University of North Carolina with regard ~~to:~~to all of the following:

…

e. The hospital and Medical School of the University of North Carolina.
e1. The University of North Carolina Health Care System.
…."

SECTION 4.10.(d) G.S. 116-30.3A reads as rewritten:

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

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

SECTION 4.10.(e) G.S. 116-219 reads as rewritten:

"**§ 116-219. Authorization to secure insurance or provide self-insurance.**

The Board of Governors of the University of North Carolina (hereinafter referred to as "the Board") is authorized through the purchase of contracts of insurance or the creation of self-insurance trusts, or through combination of such insurance and self-insurance, to provide individual health-care practitioners with coverage against claims of personal tort liability based on conduct within the course and scope of health-care functions undertaken by such individuals as employees, agents, or officers of (i) the University of North Carolina, (ii) any constituent institution of the University of North Carolina, ~~(iii) the University of North Carolina Hospitals at Chapel Hill,~~ or ~~(iv)~~ (iii) any health-care institution, agency or entity which has an affiliation agreement with the University of North ~~Carolina,~~ Carolina or with a constituent institution of the University of North ~~Carolina, or with the University of North Carolina Hospitals at Chapel Hill.~~ Carolina. The types of health-care practitioners to which the provisions of this Article may apply include, but are not limited to, medical doctors, dentists, nurses, residents, interns, medical technologists, nurses' aides, and orderlies. Subject to all requirements and limitations of this Article, the coverage to be provided, through insurance or self-insurance or combination thereof, may include provision for the payment of expenses of litigation, the payment of civil judgments in courts of competent jurisdiction, and the payment of settlement amounts, in actions, suits or claims to which this Article applies."

SECTION 4.10.(f) G.S. 116-220(f) reads as rewritten:

"(f) By rules or regulations adopted by the Board in accordance with G.S. 116-220(b) of this Article, the Board may provide that funds maintained in insurance trust accounts under such a self-insured program of liability insurance may be used to pay any expenses, including damages ordered to be paid, which may be incurred by the University of North ~~Carolina,~~ Carolina or a constituent institution of the University of North ~~Carolina, or the University of North Carolina Hospitals at Chapel Hill~~ Carolina with respect to any tort claim, based on alleged negligent acts in the provision of health-care services, which may be prosecuted under the provisions of Article 31 of Chapter 143 of the General Statutes."

SECTION 4.10.(g) G.S. 116D-1(11) reads as rewritten:

"(11) University. – The University of North Carolina and its constituent and affiliated institutions, including, without limitation, the University of North Carolina Center for Public Television, ~~the University of North Carolina Health Care System,~~ the North Carolina School of Science and Mathematics, and the North Carolina Arboretum."

SECTION 4.10.(h) G.S. 116D-22(2) reads as rewritten:

"(2) Institution. – Each of the institutions enumerated in G.S. 116-2, and any affiliated institutions of the University, including, without limitation, the

University of North Carolina Center for Public Television, ~~the University of North Carolina Health Care System,~~ the North Carolina School of Science and Mathematics, and the North Carolina Arboretum."

SECTION 4.10.(i) G.S. 126-5(c8) reads as rewritten:

"(c8) Except as to Articles 5, 6, 7, and 14 of this Chapter, this Chapter does not apply to any of the following:

(1) Employees of the University of North Carolina Health Care System.

(2) Employees of the University of North Carolina Hospitals at Chapel ~~Hill, as may be provided pursuant to G.S. 116-37(a)(4).~~Hill.

(3) Employees of the clinical patient care programs of the School of Medicine of the University of North Carolina at Chapel ~~Hill as may be provided pursuant to G.S. 116-37(a)(4).~~Hill.

…."

SECTION 4.10.(j) G.S. 131E-13 is amended by adding a new subsection to read:

"(i) This section does not apply to a transaction that is part of an agreement between a municipality or hospital authority and the University of North Carolina Health Care System for the lease, sale, or conveyance of a hospital facility, or part of a hospital facility, to the University of North Carolina Health Care System."

SECTION 4.10.(k) G.S. 135-1(10) reads as rewritten:

"(10) "Employee" shall mean all full-time employees, agents or officers of the State of North Carolina or any of its departments, bureaus and institutions other than educational, whether such employees are elected, appointed or employed: Provided that the term "employee" shall not include employees of the University of North Carolina Health Care System who are not eligible for participation under G.S. 135-5.6, employees of the East Carolina University School of Medicine or Dental School of Medicine who are not eligible for participation under G.S. 135-5.7, any person who is a member of the Consolidated Judicial Retirement System, any member of the General Assembly or any part-time or temporary employee. Notwithstanding any other provision of law, "employee" shall include all employees of the General Assembly except participants in the Legislative Intern Program, pages, and beneficiaries in receipt of a monthly retirement allowance under this Chapter who are reemployed on a temporary basis. "Employee" also includes any participant whose employment is interrupted by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, if that participant was an employee at the time of the interruption; if the participant does not return immediately after that service to employment with a covered employer in this System, then the participant shall be deemed "in service" until the date on which the participant was first eligible to be separated or released from his or her involuntary military service. In all cases of doubt, the Board of Trustees shall determine whether any person is an employee as defined in this Chapter. "Employee" shall also mean every full-time civilian employee of the North Carolina National Guard who is employed pursuant to section 709 of Title 32 of the United States Code and paid from federal appropriated funds, but held by the federal authorities not to be a federal employee: Provided, however, that the authority or agency paying the salaries of such employees shall deduct or cause to be deducted from each employee's salary the employee's contribution in accordance with applicable provisions of G.S. 135-8 and remit the same, either directly or indirectly, to the Retirement System; coverage of employees described in this sentence shall

commence upon the first day of the calendar year or fiscal year, whichever is earlier, next following the date of execution of an agreement between the Secretary of Defense of the United States and the Adjutant General of the State acting for the Governor in behalf of the State, but no credit shall be allowed pursuant to this sentence for any service previously rendered in the above-described capacity as a civilian employee of the North Carolina National Guard: Provided, further, that the Adjutant General, in the Adjutant General's discretion, may terminate the Retirement System coverage of the above-described North Carolina National Guard employees if a federal retirement system is established for such employees and the Adjutant General elects to secure coverage of such employees under such federal retirement system. Any full-time civilian employee of the North Carolina National Guard described above who is now or hereafter may become a member of the Retirement System may secure Retirement System credit for such service as a North Carolina National Guard civilian employee for the period preceding the time when such employees became eligible for Retirement System coverage by paying to the Retirement System an amount equal to that which would have constituted employee contributions if the employee had been a member during the years of ineligibility, plus interest. Employees of State agencies, departments, institutions, boards, and commissions who are employed in permanent job positions on a recurring basis must work at least 30 hours per week for nine or more months per calendar year in order to be covered by the provisions of this subdivision. On and after August 1, 2001, a person who is a nonimmigrant alien and who otherwise meets the requirements of this subdivision shall not be excluded from the definition of "employee" solely because the person holds a temporary or time-limited visa."

SECTION 4.10.(*l*) G.S. 135-1(11) reads as rewritten:

"(11) "Employer" shall mean the State of North Carolina, the county board of education, the city board of education, the State Board of Education, the board of trustees of the University of North Carolina, the University of North Carolina Health Care System, the board of trustees of other institutions and agencies supported and under the control of the State, or any other agency of and within the State by which a teacher or other employee is paid. For purposes of reporting under the pronouncements by the Governmental Accounting Standards Board, the Retirement System is a multi-employer plan."

SECTION 4.10.(m) G.S. 135-3(8)f. is recodified as G.S. 135-3(d).

SECTION 4.10.(n) G.S. 135-3, as amended by subsection (m) of this section, reads as rewritten:

"**§ 135-3. Membership.**

(a) The membership of this Retirement System shall be composed as follows:

…

~~(8a)~~(b) Notwithstanding the provisions of ~~paragraphs c and d~~ sub-subdivsions c. and d. of subdivision (8) of this section to the contrary, a beneficiary who was a beneficiary retired on an early or service retirement with the Law Enforcement Officers' Retirement System at the time of the transfer of law enforcement officers employed by the State and beneficiaries last employed by the State to this Retirement System on January 1, 1985, and who also was a contributing member of this Retirement System on January 1, 1985, shall continue to be paid his or her retirement allowance without restriction and may continue as a member of this Retirement System with all the rights and privileges appendant to membership.

~~(9)~~(c) Members who are participating in an intergovernmental exchange of personnel under the provisions of Article 10 of Chapter 126 may retain their membership status and receive all benefits provided by this Chapter during the period of the exchange provided the requirements of Article 10 of Chapter 126 are met; provided further, that a member participating in an intergovernmental exchange of personnel under Article 10 of Chapter 126 shall, notwithstanding whether ~~he~~ the member and ~~his~~ the member's employer are making contributions to the member's account during the exchange period, be entitled to the death benefit if ~~he~~ the member otherwise qualifies under the provisions of this Article and provided further that no duplicate benefits shall be paid.

(d) ~~Should~~ If a beneficiary who retired on an early or service retirement allowance under this Chapter ~~be~~ is reemployed by, or otherwise engaged to perform services for, an employer participating in the Retirement System on a part-time, temporary, interim, or on a fee for service basis, whether contractual or otherwise at any time during the six months immediately following the effective date of retirement, then the option of the ~~two listed below~~ following subdivisions that has the lesser financial impact on the member, as determined by the Retirement System, shall be applied:

~~1.~~(1) The member's retirement ~~shall be~~ is deemed effective the month after the last month the member performed services for a participating employer, and the member shall repay all retirement benefits paid up to the deemed effective date, provided the member thereafter has satisfied the six-month separation required by G.S. 135-1(20).

~~2.~~(2) The member shall make a lump-sum payment to the Retirement System equal to three times the amount of compensation earned during the six months immediately following the effective date of retirement.

(e) Notwithstanding any other provision of this Article to the contrary, if a member who retires on an early or service retirement as an employee of the University of North Carolina Health Care System or the East Carolina University School of Medicine or School of Dental Medicine is subsequently employed by a non-State entity affiliated with the University of North Carolina Health Care System or East Carolina University School of Medicine, then that member shall continue to be paid the member's retirement allowance without restriction. For the purposes of this subsection, "non-State entity" means an entity that does not satisfy the requirements of being an employer pursuant to G.S. 135-1(11)."

SECTION 4.10.(o) G.S. 135-5.1 reads as rewritten:

"**§ 135-5.1. Optional retirement program for The University of North Carolina.**

(a) An Optional Retirement Program provided for in this section is authorized and established and shall be implemented by the Board of Governors of The University of North Carolina. The Optional Retirement Program shall be underwritten by the purchase of annuity contracts, which may be both fixed and variable contracts or a combination thereof, or financed through the establishment of a trust, for the benefit of participants in the Program. ~~Participation~~ Subject to any restrictions under G.S. 135-5.6, participation shall be limited to University personnel who are eligible for membership in the Teachers' and State Employees' Retirement Program and who ~~are:~~meet any of the following criteria:

(1) Administrators and faculty of The University of North Carolina with the rank of instructor or ~~above;~~above.

(2) The President and employees of The University of North Carolina who are appointed by the Board of Governors on recommendation of the President pursuant to G.S. 116-11(4), 116-11(5), and 116-14 or who are appointed by the Board of Trustees of a constituent institution of The University of North Carolina upon the recommendation of the Chancellor pursuant to ~~G.S. 116-40.22(b);~~G.S. 116-40.22(b).

(3) Nonfaculty instructional and research staff who are exempt from the North Carolina Human Resources Act, as defined by the provisions of G.S. 126-5(c1)(8), and the faculty of the North Carolina School of Science and ~~Mathematics; and~~Mathematics.

(4) Field faculty of the Cooperative Agriculture Extension Service, and tenure track faculty in North Carolina State University agriculture research programs who are exempt from the North Carolina Human Resources Act and who are eligible for membership in the Teachers' and State Employees' Retirement System pursuant to G.S. 135-3(1), who in any of the cases described in this subsection (i) had been members of the Optional Retirement Program under the provisions of Chapter 338, Session Laws of 1971, immediately prior to July 1, 1985, or (ii) have sought membership as required in subsection (b), below. Under the Optional Retirement Program, the State and the participant shall contribute, to the extent authorized or required, toward the purchase of such contracts or deposited in such trust on the participant's behalf.

(5) ~~Employees~~ To the extent allowed under G.S. 135-5.6, employees of The University of North Carolina Health Care System, subject to rules for eligibility and participation as may be adopted by the Board of Governors in the Optional Retirement Program plan document.

(6) Employees hired on or after January 1, 2013.

(b) Participation in the Optional Retirement Program shall be governed as follows:

(1) Those participating in the Optional Retirement Program immediately prior to July 1, 1985, under the provisions of Chapter 338, Session Laws of 1971, are deemed automatically enrolled in the Program as established by this section.

(2) Eligible ~~employees~~ University personnel initially appointed on or after July 1, 1985, shall at the same time of entering upon eligible employment elect (i) to join the Retirement System in accordance with the provisions of law applicable thereto or (ii) to participate in the Optional Retirement Program. This election shall be in writing and filed with the Retirement System and with the employing institution and shall be effective ~~as of~~ on the date of entry into eligible service. For purposes of this provision, the Optional Retirement Program shall be permitted to file individual election forms with the Retirement System using electronic transmission.

(3) ~~An~~ Except as provided under G.S. 135-5.6 and G.S. 135-5.7, an election to participate in the Optional Retirement Program shall be irrevocable. An eligible employee failing to elect to participate in the Optional Retirement Program at the time of entry into eligible service shall automatically be enrolled as a member of the Retirement System.

…

(c) Each employing institution shall contribute on behalf of each participant in the Optional Retirement Program an amount equal to a percentage of the participant's compensation as established from time to time by the General Assembly. Each participant shall contribute the amount which he or she would be required to contribute if a member of the Retirement System. Contributions authorized or required by the provisions of this subsection on behalf of each participant shall be made, consistent with Section 414(h) of the Internal Revenue Code, by salary reduction according to rules and regulations established by The University of North Carolina. Additional personal contributions may also be made by a participant by payroll deduction or salary reduction to an annuity or retirement income plan established pursuant to G.S. 116-17. Payment of contributions shall be made by the employing institution to the designated company or companies underwriting the annuities or the trustees for the benefit of each participant, and

this employer contribution shall not be subject to any State tax if made under the Optional Retirement Program or, otherwise, by salary reduction.

…

(g) No retirement benefit, death benefit, or other benefit under the Optional Retirement Program shall be paid by the State of North Carolina, or The University of North Carolina, the University of North Carolina Health Care System, or the Board of Trustees of the Teachers' and State Employees' Retirement System with respect to any employee selecting and participating in the Optional Retirement Program or with respect to any beneficiary of that employee. Benefits shall be payable to participants or their beneficiaries only by the designated company in accordance with the terms of the contracts or trust agreement.

(h) The Board of Governors of The University of North Carolina shall ensure that the Optional Retirement Program contains benefit forfeiture provisions equivalent to those contained in G.S. 135-18.10A for University personnel who are eligible for membership in the Teachers' and State Employees' Retirement System and have elected participation in the Optional Retirement Program. Any funds forfeited shall be deposited in the Optional Retirement Program trust fund(s)."

SECTION 4.10.(p) Article 1 of Chapter 135 of the General Statutes is amended by adding the following new sections to read:

"**§ 135-5.6. Employees of the University of North Carolina Health Care System.**

(a) All employees of the University of North Carolina Health Care System who are (i) employed before November 1, 2023, and (ii) are members of either the Retirement System or the Optional Retirement Program before November 1, 2023, shall retain membership in that Retirement System or that Optional Retirement Program unless the member makes a one-time, irrevocable election to cease membership in the Retirement System or the Optional Retirement Program in favor of a similar benefit offered by the University of North Carolina Health Care System pursuant to G.S. 116-350.30.

(b) Employees of the University of North Carolina Health Care System who are hired on or after November 1, 2023, shall not be eligible for membership in the Retirement System. The University of North Carolina Health Care System shall offer employees of the System who are hired on or after November 1, 2023, any of the following benefits:

(1) Membership in the Optional Retirement System.

(2) Enrollment in a similar benefit to the Optional Retirement System pursuant to G.S. 116-350.30.

(3) A choice between the options provided in subdivision (1) and subdivision (2) of this subsection.

(c) If any individual ceases to be employed by the University of North Carolina Health Care System on or after November 1, 2023, and is later rehired by the University of North Carolina Health Care System, then that individual shall be treated as an employee newly hired on or after November 1, 2023, for the purposes of this section.

(d) The University of North Carolina Health Care System shall continue to report the payroll of employees employed as of October 31, 2023, and shall continue to remit the employee and employer contributions for all employees retaining membership in the Retirement System or the Optional Retirement Program until none exist.

"**§ 135-5.7. Certain employees of East Carolina University.**

(a) As used in this section, the terms "Medical Faculty Practice Plan" and "ECU Dental School Clinical Operations" have the same meaning as in G.S. 116-360.5.

(b) All employees of the Medical Faculty Practice Plan and the ECU Dental School Clinical Operations who are (i) employed before November 1, 2023, and (ii) are members of either the Retirement System or the Optional Retirement Program before November 1, 2023, shall retain membership in that Retirement System or that Optional Retirement Program unless the member makes a one-time, irrevocable election to cease membership in the Retirement

System or the Optional Retirement Program in favor of a similar benefit offered by the East Carolina University School of Medicine, the Medical Faculty Practice Plan, or the ECU Dental School Clinical Operations pursuant to G.S. 116-360.15.

(c) Employees of the Medical Faculty Practice Plan or the ECU Dental School Clinical Operations hired on or after November 1, 2023, shall not be eligible for membership in the Retirement System. East Carolina University shall offer employees of the Medical Faculty Practice Plan and employees of the ECU Dental School Clinical Operations who are hired on or after November 1, 2023, any of the following benefits:

(1) Membership in the Optional Retirement System.

(2) Enrollment in a similar benefit to the Optional Retirement System pursuant to G.S. 116-360.15.

(3) A choice between the options provided in subdivision (1) and subdivision (2) of this subsection.

(d) If any individual ceases to be employed by the Medical Faculty Practice Plan or the ECU Dental School Clinical Operations on or after November 1, 2023, and is later rehired by the Medical Faculty Practice Plan or the ECU Dental School Clinical Operations, then that individual shall be treated as an employee newly hired on or after November 1, 2023, for the purposes of this section.

(e) East Carolina University School of Medicine shall continue to report the payroll of employees employed as of October 31, 2023, and shall continue to remit the employee and employer contributions for all employees retaining membership in the Retirement System or the Optional Retirement Program until none exist."

SECTION 4.10.(q) G.S. 135-48.1(11) reads as rewritten:

"(11) Employing Unit. – A North Carolina School System; Community College; State Department, Agency, or Institution; the University of North Carolina Health Care System; Administrative Office of the Courts; or Association or Examining Board whose employees are eligible for membership in a State-Supported Retirement System. An employing unit also shall mean (i) a charter school in accordance with Article 14A of Chapter 115C of the General Statutes whose board of directors elects to become a participating employer in the Plan under G.S. 135-48.54 or (ii) a local government unit that participates in the Plan under G.S. 135-48.47 or under any other law. Bona fide fire departments, rescue or emergency medical service squads, and National Guard units are deemed to be employing units for the purpose of providing benefits under this Article."

SECTION 4.10.(r) G.S. 135-48.40(b) reads as rewritten:

"(b) Partially Contributory Coverage. – The following persons are eligible for coverage under the Plan, on a partially contributory basis, subject to the provisions of G.S. 135-48.43:

(1) All permanent full-time employees of an employing unit who meet ~~either~~ any of the following conditions:

a. ~~Paid~~ The employee is paid from general or special State funds.

b. ~~Paid~~ The employee is paid from non-State funds and in a group for which his or her employing unit has agreed to provide coverage.

Employees of State agencies, departments, institutions, boards, and commissions not otherwise covered by the Plan who are employed in permanent job positions on a recurring basis and who work 30 or more hours per week for nine or more months per calendar year are covered by the provisions of this subdivision.

This subdivision shall not apply to employees enrolled in a comprehensive health benefit plan offered by East Carolina University pursuant to

G.S. 116-360.15 or the University of North Carolina Health Care System pursuant to G.S. 116-350.30.

…."

SECTION 4.10.(s) G.S. 143-56 reads as rewritten:

"**§ 143-56. Certain purchases excepted from provisions of Article.**

Unless as may otherwise be ordered by the Secretary of Administration, the purchase of supplies, materials and equipment through the Secretary of Administration shall be mandatory in the following cases:

(1) Published books, manuscripts, maps, pamphlets and periodicals.

(2) Perishable articles such as fresh vegetables, fresh fish, fresh meat, eggs, and others as may be classified by the Secretary of Administration.

Purchase through the Secretary of Administration shall not be mandatory for information technology purchased in accordance with Article 15 of Chapter 143B of the General Statutes, for a purchase of supplies, materials or equipment for the General Assembly if the total expenditures is less than the expenditure benchmark established under the provisions of G.S. 143-53.1, for group purchases made by hospitals, developmental centers, neuromedical treatment centers, and alcohol and drug abuse treatment centers through a competitive bidding purchasing program, as defined in G.S. 143-129, by the University of North Carolina Health Care System pursuant to ~~G.S. 116-37(h),~~ G.S. 116-350.45, by the University of North Carolina Hospitals at Chapel Hill pursuant to ~~G.S. 116-37(a)(4),~~ G.S. 116-350.15(d), by the University of North Carolina at Chapel Hill on behalf of the clinical patient care programs of the School of Medicine of the University of North Carolina at Chapel Hill pursuant to ~~G.S. 116-37(a)(4),~~ G.S. 116-350.15(d), or by East Carolina University on behalf of the Medical Faculty Practice Plan pursuant to ~~G.S. 116-40.6(c).~~G.S. 116-360.25.

All purchases of the above articles made directly by the departments, institutions and agencies of the State government shall, whenever possible, be based on competitive bids. Whenever an order is placed or contract awarded for such articles by any of the departments, institutions and agencies of the State government, a copy of such order or contract shall be forwarded to the Secretary of Administration and a record of the competitive bids upon which it was based shall be retained for inspection and review."

SECTION 4.10.(t) G.S. 143-596 reads as rewritten:

"**§ 143-596. Definitions.**

As used in this Article, unless the context clearly provides otherwise:

…

(1c) Medical Faculty Practice Plan. – As defined in ~~G.S. 116-40.6.~~Article 39 of Chapter 116 of the General Statutes.

…

(8) The University of North Carolina Health Care System. – As defined in ~~G.S. 116-37.~~Article 38 of Chapter 116 of the General Statutes."

SECTION 4.10.(u) G.S. 143C-1-3 reads as rewritten:

"**§ 143C-1-3. Fund types.**

…

(c) Notwithstanding subsections (a) and (b) of this section, funds established for The University of North Carolina and its constituent institutions pursuant to the following statutes are exempt from Chapter 143C of the General Statutes and shall be accounted for as provided by those statutes, except that the provisions of Article 8 of Chapter 143C of the General Statutes shall apply to the funds: G.S. 116-35, 116-36, 116-36.1, 116-36.2, 116-36.4, 116-36.5, ~~116-36.6,~~ 116-44.4, 116-68, 116-220, 116-235.

(d) Notwithstanding subsections (a) and (b) of this section, funds established for the University of North Carolina Health Care System pursuant to G.S. 116-350.40 are exempt from Chapter 143C of the General Statutes and shall be accounted for as provided by those statutes."

SECTION 4.10.(v) G.S. 143C-8-7(a) reads as rewritten:

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

SECTION 4.10.(w) G.S. 143C-8-8 reads as rewritten:

"**§ 143C-8-8. When a State agency may increase the cost of a capital improvement project.**

Upon the request of the administration of a State agency, the Director of the Budget may, when in the Director's opinion it is in the best interest of the State to do so, increase the cost of a capital improvement project. Provided, however, that if the Director of the Budget increases the cost of a project, the Director shall report that action to the Joint Legislative Commission on Governmental Operations at its next meeting. The increase may be funded from gifts, federal or private grants, special fund receipts, ~~excess patient receipts above those budgeted at the University of North Carolina Hospitals at Chapel Hill,~~ or direct capital improvement appropriations to that department or institution."

SECTION 4.10.(x) G.S. 146-22(c) reads as rewritten:

"(c) Acquisitions on behalf of the University of North Carolina Health Care System shall be made in accordance with ~~G.S. 116-37(i),~~ G.S. 116-350.50, acquisitions on behalf of the University of North Carolina Hospitals at Chapel Hill shall be made in accordance with ~~G.S. 116-37(a)(4),~~ G.S. 116-350.15(d), acquisitions on behalf of the clinical patient care programs of the School of Medicine of The University of North Carolina at Chapel Hill shall be made in accordance with ~~G.S. 116-37(a)(4),~~ G.S. 116-350.15(d), and acquisitions on behalf of the Medical Faculty Practice Plan of the East Carolina University School of Medicine shall be made in accordance with ~~G.S. 116-40.6(d).~~G.S. 116-360.35(a)."

SECTION 4.10.(y) G.S. 147-69.2(a)(16a) reads as rewritten:

"(16a) The University of North Carolina Hospitals at Chapel Hill funds, except appropriated funds, deposited with the State Treasurer pursuant to ~~G.S. 116-37.2.~~G.S. 116-350.40."

APPROPRIATIONS AND REPORTING REQUIREMENTS FOR THE NC CARE INITIATIVE

SECTION 4.10.(z) The General Assembly makes the following findings:

(1) North Carolina's rural population is among the largest in the United States and is in need of dedicated effort and investment to help improve health outcomes in many of the State's rural communities.

(2) The East Carolina University Brody School of Medicine, the University of North Carolina School of Medicine, ECU Health, and the University of North Carolina Health Care System are dedicated to extending and improving health care services and health provider education for the benefit of North Carolina citizens and communities; delivering care close to where citizens live and work; and transforming rural health care for the benefit of North Carolina.

SECTION 4.10.(aa) It is the intent of the General Assembly that ECU Health, UNC Health Care System, and their affiliated schools of medicine will collaborate to establish a new initiative to be known as NC Care. The purpose of the NC Care initiative is to improve access to high quality health care for citizens and communities located in rural areas of North Carolina by establishing outcome driven regional systems of care, beginning in eastern North Carolina. To that end, of the funds appropriated in this act to the Board of Governors of The University of

North Carolina, the sum of ten million dollars ($10,000,000) in recurring funds for the 2024-2025 fiscal year shall be allocated to the NC Care initiative. The University of North Carolina Health Care System and ECU Health, through the NC Care initiative, shall use these funds to do the following:

(1) Invest in strengthening and providing operational support for community hospitals affiliated with the University of North Carolina Health Care System and ECU Health that will be integrated into the new regional systems of care developed through the NC Care initiative.

(2) Clinically integrate these community hospitals into the new regional systems of care developed through the NC Care initiative.

SECTION 4.10.(bb) By April 1, 2024, and every six months thereafter, ECU Health and the University of North Carolina Health Care System shall jointly report to the Senate Committee on Appropriations/Base Budget, the House Appropriations Committee, and the Fiscal Research Division regarding the NC Care initiative. The report shall include at least all of the following:

(1) Progress on the development and implementation of the NC Care initiative.

(2) Plans developed through the NC Care initiative for the establishment of new regional systems of care, new rural care centers, or both. The report shall include the location and projected cost of any new regional systems of care, new rural care centers, or both; and the location and projected cost for each.

(3) Plans developed through the NC Care initiative for investments in strengthening and providing operational support for community hospitals affiliated with the University of North Carolina Health Care System and ECU Health. The report shall include the amount of funds appropriated by this act that are used for these purposes, broken down by hospital name, hospital location, and the purpose of the investment; and information about how these community hospitals will be integrated into the new regional systems of care developed through the NC Care initiative.

(4) The implementation status of the UNC Health and ECU Health Clinically Integrated Network funded by this act.

(5) Progress on capital projects and grant projects funded by the State Capital Infrastructure Fund pursuant to Section 40.1 of this act.

(6) Any other information the University of North Carolina Health Care System and ECU Health deem necessary for the General Assembly to evaluate the effectiveness of the NC Care initiative.

PART V. GENERAL PROVISIONS

UNEXPENDED DIRECTED GRANTS APPROPRIATED IN 2022-2023 FISCAL YEAR DO NOT REVERT

SECTION 5.1.(a) This section applies to any directed grants appropriated as nonrecurring funds in S.L. 2021-180 for the 2022-23 fiscal year that (i) remain unexpended as of the effective date of this section and (ii) are subject to reversion at the end of the 2022-23 fiscal year. Notwithstanding any provision of law to the contrary, the grants described by this section 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 5.1.(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 5.1.(c) This section becomes effective June 30, 2023.

FUTURE BUILDING MAINTENANCE AND OPERATING RESERVE FUNDS DO NOT REVERT

SECTION 5.1A. The nonrecurring funds reserved in the Future Building Maintenance and Operating Reserve in this act for the 2023-2024 fiscal year shall not revert and shall remain available until expended.

ESTABLISHING OR INCREASING FEES

SECTION 5.2.(a) Notwithstanding G.S. 12-3.1, an agency is not required to consult with the Joint Legislative Commission on Governmental Operations prior to establishing or increasing a fee to the level authorized or anticipated in this act.

SECTION 5.2.(b) Notwithstanding G.S. 150B-21.1A(a), an agency may adopt an emergency rule in accordance with G.S. 150B-21.1A to establish or increase a fee as authorized by this act if the adoption of a rule would otherwise be required under Article 2A of Chapter 150B of the General Statutes.

DIRECTED GRANTS TO NON-STATE ENTITIES

SECTION 5.3.(a) Definitions. – For purposes of this act and the Committee Report described in Section 43.2 of this act, the following definitions apply:

(1) Directed grant. – Nonrecurring funds allocated by a State agency to a non-State entity as directed by an act of the General Assembly.

(2) Non-State entity. – As defined in G.S. 143C-1-1.

SECTION 5.3.(b) Requirements. – Nonrecurring funds appropriated in this act as directed grants are subject to all of the following requirements:

(1) Directed grants are subject to the provisions of subsections (b) through (k), except for subdivision (1) of (f1), of G.S. 143C-6-23.

(2) Directed grants of one hundred thousand dollars ($100,000) or less may be made in a single annual payment in the discretion of the Director of the Budget. Directed grants of more than one hundred thousand dollars ($100,000) shall be made in quarterly or monthly payments in the discretion of the Director of the Budget. A State agency administering a directed grant shall begin disbursement of funds to a non-State entity that meets all applicable requirements as soon as practicable, but no later than 100 days after the date this act becomes law. Full disbursement of funds to a non-State entity that meets all applicable requirements shall be completed no later than nine months after the date this act becomes law.

(3) Beginning on the first day of a quarter following the deadline provided in subdivision (2) of this subsection and quarterly thereafter, State agencies administering directed grants shall report to the Fiscal Research Division on the status of funds disbursed for each directed grant until all funds are fully disbursed. At a minimum, the report required under this subdivision shall include updates on (i) the date of the initial contact, (ii) the date the contract was sent to the entity receiving the funds, (iii) the date the disbursing agency received the fully executed contract back from the entity, (iv) the contract execution date, and (v) the payment date.

(4) Notwithstanding any provision of G.S. 143C-1-2(b) to the contrary, nonrecurring funds appropriated in this act for the 2023-2024 fiscal year as directed grants shall not revert until two years after this act becomes law, and nonrecurring funds appropriated in this act for the 2024-2025 fiscal year as directed grants shall not revert until June 30, 2026.

(5) Directed grants to nonprofit organizations are for nonsectarian, nonreligious purposes only.

SECTION 5.3.(c) This section expires on June 30, 2026.

CAP STATE-FUNDED PORTION OF NONPROFIT SALARIES

SECTION 5.4. No more than one hundred forty thousand dollars ($140,000) 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.

RECOMMENDATION ON PEN-AND-INK SIGNATURES

SECTION 5.5. The General Statutes Commission shall review all provisions in the General Statutes that require that documents have pen-and-ink signatures. The Commission may recommend a bill for the 2024 Regular Session of the 2023 General Assembly to allow for both pen-and-ink and electronic signatures, where appropriate.

DISASTER RELIEF AND RECOVERY/MITIGATION/RESILIENCY

SECTION 5.6.(a) Recapture of Unused Funds. – The State Controller shall transfer from the following listed agencies to the State Emergency Response and Disaster Relief Fund the sum of fifty-three million one hundred seventy thousand five hundred fifty-eight dollars ($53,170,558) constituting the remaining funds appropriated or allocated in the following enactments of the General Assembly, as amended:

(1) Forty-five million three hundred thirty thousand five hundred fifty-three dollars ($45,330,553) from the Department of Agriculture and Consumer Services:
   a. Section 4.1(10) of S.L. 2016-124.
   b. Section 1(3) of S.L. 2017-119.
   c. Funds remaining in the Committee Report as referenced in Section 6.1 of S.L. 2018-136.
   d. Section 1.3(3) of S.L. 2018-138.
   e. Section 5.9A(c)(2) of S.L. 2021-180.

(2) Three million seven hundred thirty-nine thousand seven hundred one dollars ($3,739,701) from The University of North Carolina System from funds remaining in the Committee Report as referenced in Section 6.1 of S.L. 2018-136.

(3) Two million one hundred seventy-four thousand three hundred seventy-two dollars ($2,174,372) from the Department of Health and Human Services from funds remaining in the Committee Report as referenced in Section 6.1 of S.L. 2018-136.

(4) Seven hundred thousand three hundred fourteen dollars ($700,314) from the Department of Public Safety, Division of Emergency Management:
   a. Section 4.1(2) of S.L. 2016-124.
   b. Section 5.6(b)(2)d. of S.L. 2018-5.
   c. Section 2.1(7)b. of S.L. 2019-224.
   d. Section 1.2(2)a. of S.L. 2019-250.

(5) Six hundred seventy-three thousand six hundred thirteen dollars ($673,613) from the Department of Insurance from funds remaining in the Committee Report as referenced in Section 6.1 of S.L. 2018-136.

(6) Four hundred eighty thousand eight hundred forty-six dollars ($480,846) from the North Carolina Community College System:
   a. Section 1(4) of S.L. 2017-119.
   b. Section 5.3(f) of S.L. 2018-136.

c. Funds remaining in the Committee Report as referenced in Section 6.1 of S.L. 2018-136.
d. Section 2.1(1) of S.L. 2019-224.

(7) Sixty-six thousand nine hundred fifty-six dollars ($66,956) from the Department of Environmental Quality:
a. Section 7 of S.L. 2005-1.
b. Section 1.3(5) of S.L. 2018-138.
c. Section 1.2(9) of S.L. 2019-250.

(8) Four thousand two hundred three dollars ($4,203) from the North Carolina Office of Recovery and Resiliency from Section 2.1(4)c. of S.L. 2019-224.

SECTION 5.6.(b) Section 5.9(a) of S.L. 2021-180 reads as rewritten:

"**SECTION 5.9.(a)** Allocations. – The funds appropriated in Section 2.2(j) of this act for disaster relief, recovery, mitigation, and resiliency shall be allocated as follows:

…

(5) $25,000,000 to the Office of State Budget and Management for Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., a nonprofit corporation, to establish and administer the Small Project Mitigation and Recovery Program (Program) in accordance with this subdivision. The Program shall disburse grants up to ~~two hundred fifty thousand dollars ($250,000)~~ two million dollars ($2,000,000) to units of local government for flood mitigation and recovery projects. These funds may be used for planning or as matching funds when applicable.

…."

SECTION 5.6.(c) Previous Allocations Reversion Modification. – Notwithstanding Sections 5.9(b) and 5.9A(e) of S.L. 2021-180, funds allocated in Sections 5.9 and 5.9A of S.L. 2021-180, as amended by Section 1.4 of S.L. 2021-189, Section 1.2 of S.L. 2022-6, and Section 5.4 of S.L. 2022-74, shall not revert to the Disaster Relief and Mitigation Fund but instead shall revert to the State Emergency Response and Disaster Relief Reserve if they are not expended or encumbered by June 30, 2026.

SECTION 5.6.(d) Stoney Creek Allocation Transfer. – The State Controller shall transfer the allocation of five million dollars ($5,000,000) under Section 5.9(a)(23) of S.L. 2021-180 for Stoney Creek acquisitions from the North Carolina Office of Recovery and Resiliency to the Department of Environmental Quality for the same purpose.

SECTION 5.6.(e) Mitigation Buyouts Modification. – The funds allocated to the Department of Public Safety, Office of Recovery and Resiliency (NCORR), under Section 2.1(4)a. of S.L. 2019-224, as amended, for mitigation buyouts and other various purposes shall be instead used by NCORR for mitigation buyouts, relocations, rehabilitations, reconstructions, and for the purchase of manufactured housing units in order to serve homeowners and communities affected by Hurricanes Matthew and Florence.

SECTION 5.6.(f) Allocations. – The funds appropriated in Section 2.2(e) of this act for disaster relief, recovery, mitigation, and resiliency shall be allocated as follows:

(1) Twenty million dollars ($20,000,000) to the Department of Public Safety, Division of Emergency Management, for long-term recovery and mitigation grants. The Division of Emergency Management shall combine the Disaster Relief and Mitigation Fund established in subsection 5.9(f) of S.L. 2021-180 and the Transportation Infrastructure Resiliency Fund established in subsection 5.9(g) of S.L. 2021-180 and use the remaining unencumbered balances of both funds as well as the funds allocated by this subdivision to provide disaster mitigation grants to State agencies, units of local government, and nonprofit organizations as well as for other purposes as set forth in subsections 5.9(f) and 5.9(h) of S.L. 2021-180.

(2) Five million dollars ($5,000,000) to the Department of Public Safety, Division of Emergency Management, for the Local Disaster Shelter Capacity Grant Program in accordance with subsection (g) of this section.

(3) Five million dollars ($5,000,000) to the Department of Public Safety, Division of Emergency Management, to conduct flood studies, risk assessment, and building mitigation strategies through the State Floodplain Mapping Program. Funds will be prioritized to map non-encroachment areas of the State and to provide for information sharing through the State's Flood Risk Information System.

(4) Three million three hundred twenty-seven thousand five hundred dollars ($3,327,500) to the Department of Public Safety, Division of Emergency Management, for detailed mapping and risk impact studies for 250 existing flood gauges to provide baseline information on those gauges for use in the Division's Flood Inundation Mapping and Alert Network.

(5) Twenty million dollars ($20,000,000) to the Department of Agriculture and Consumer Services to be used for the Streamflow Rehabilitation Assistance Program for purposes consistent with Article 6 of Chapter 139 of the General Statutes.

(6) Five million dollars ($5,000,000) to the Department of Environmental Quality, Division of Coastal Management, for the Resilient Coastal Communities Program to provide funding for the implementation or construction of planned, prioritized, and engineered resilience projects in the 20 coastal counties of the State. These counties are listed in G.S. 113A-103(2).

(7) Two million five hundred thousand dollars ($2,500,000) to the Department of Environmental Quality to provide directed grants to North Carolina Coastal Federation, Inc. (Federation), a nonprofit corporation, for the following purposes:

a. Two million dollars ($2,000,000) for living shoreline projects sponsored by a unit of local government that is or is in a coastal county and matches for federal or private funds provided to the Federation or a unit of local government for those projects.

b. Five hundred thousand dollars ($500,000) for (i) the Federation's Lost Fishery Gear Recovery Program, which employs coastal fishermen and other private partners to remove debris from coastal waters, and (ii) the investigation, removal, and disposal of abandoned and derelict vessels in public trust waters of the State located in coastal counties. For purposes of this sub-subdivision, the phrase "abandoned and derelict vessel" has the meaning set forth in subdivision 2.1(10) of S.L. 2019-224, as rewritten by Section 4 of S.L. 2020-74. The Federation may use these funds to contract with any federal or State agency or unit of local government or to match federal grant funds.

(8) One million four hundred eighty-one thousand eight hundred fifty-nine dollars ($1,481,859) to the Department of Environmental Quality to provide funding for six time-limited positions beginning on January 1, 2024, to continue implementation of the Flood Resiliency Blueprint described in Section 5.9(c) of S.L. 2021-180, as amended. Four hundred ninety-three thousand nine hundred fifty-three dollars ($493,953) of these funds are allocated for the 2023-2024 fiscal year, and the remaining funds for the 2024-2025 fiscal year. Notwithstanding any provision of law to the contrary, the Office of State Human Resources shall allow the Department to post these positions up to 180 days prior to their starting date.

(9) Twenty million dollars ($20,000,000) to the Department of Environmental Quality for the Coastal Storm Damage Mitigation Fund. These funds will be allocated in equal amounts to each year of the 2023-2025 fiscal biennium and used for the purposes set forth in G.S. 143-215.73M.

(10) One million dollars ($1,000,000) to the Wildlife Resources Commission to provide a grant to the Nature Conservancy, a nonprofit corporation, for a pilot project to protect and restore critically important peatlands in eastern North Carolina for the purpose of increasing community flood resilience, improving water quality and wildlife habitat, and reducing wildfire risk.

(11) Three hundred forty thousand dollars ($340,000) to the North Carolina Collaboratory at the University of North Carolina at Chapel Hill (Collaboratory) for the FerryMon program. These funds will be allocated in equal amounts to each year of the 2023-2025 fiscal biennium.

(12) Three hundred twenty thousand dollars ($320,000) to the Collaboratory for the ModMon program. These funds will be allocated in equal amounts to each year of the 2023-2025 fiscal biennium.

(13) Two million dollars ($2,000,000) to the Office of State Budget and Management to provide a grant to the North Carolina Insurance Underwriting Association for the Coastal Resilient Roof Grant Pilot Program, consistent with the purposes set forth in Section 5.9(i) of S.L. 2021-180.

SECTION 5.6.(g) Local Emergency Shelter Capacity Grant Program. – The Division of Emergency Management shall administer a grant program using funds allocated in subdivision (f)(2) of this section to provide grants to support local communities in upgrading structures identified by the community as an emergency shelter location (i) to meet weather-related structural requirements such as windspeed ratings of roofs and windows and (ii) to upgrade electrical systems of the structure to install emergency generators or provide for quick hookup locations for emergency generators. The program shall prioritize public buildings, but if no public building is suitable for use as an emergency shelter in a particular community, the Division may upon request of a unit of local government consider a grant application for a nonpublic building. The Division shall also in awarding grants consider steps taken by the local government to obtain alternative sources of funding such as insurance policies, private grant funding, or available federal aid programs.

SECTION 5.6.(h) HFA Funding Reallocation. – Funds allocated to the Housing Finance Agency for a multifamily affordable housing project by Section 5.4(j) of S.L. 2022-74 shall instead be used by the Agency to provide a grant to Robeson County for the development of an elderly housing project to support low- and moderate-income senior citizens displaced by natural disaster from the Dunn Road area of Lumberton, North Carolina. To be eligible for funding, a project must have received required zoning approvals by the City of Lumberton prior to November 18, 2021. Funds reallocated by this subsection shall not revert and shall remain available for expenditure until June 30, 2025. This subsection becomes effective June 30, 2023.

SECTION 5.6.(i) Allocation Reporting Requirements. – The Office of State Budget and Management shall report to the chairs of the House and Senate Appropriations Committees and to the Fiscal Research Division of the General Assembly on the implementation of this section on a quarterly basis and shall also provide any additional reports or information requested by the Fiscal Research Division. Each report required by this section shall include information about all funds expended or encumbered pursuant to this section as of the date of the report, regardless of which State agency, federal agency, or non-State entity administers the funds. Non-State entities that administer or receive any funds appropriated in this section shall assist and fully cooperate with the Office of State Budget and Management in meeting the Office's obligations under this section.

SECTION 5.6.(j) Limitation on Funds. – The Governor may not use the funds described in this section to make budget adjustments under G.S. 143C-6-4 or to make reallocations under G.S. 166A-19.40(c). Nothing in this section shall be construed to prohibit the Governor from exercising the Governor's authority under these statutes with respect to funds other than those described in this section.

The Governor shall also ensure that funds allocated in this section 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 natural disasters. 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 5.6.(k) Reversion. – Funds allocated in this section that are not expended or encumbered by June 30, 2028, shall revert to the State Emergency Response and Disaster Relief Reserve.

STATE BUDGET ACT/FUNDS CARRYFORWARD

SECTION 5.7.(a) G.S. 143C-1-1 reads as rewritten:

"**§ 143C-1-1. Purpose and definitions.**

…

(d) Definitions. – The following definitions apply in this Chapter:

(1) Appropriation. – An enactment by the General Assembly authorizing the withdrawal of money from the State treasury. An enactment by the General Assembly that authorizes, specifies, or otherwise provides that funds may be used for a particular purpose is not an appropriation.

…

(6a) Carryforward. – The balance of a General Fund operating budget appropriation which would otherwise revert at the close of the fiscal year but instead is made available in the succeeding fiscal year as is specified in law or to liquidate an encumbrance of the prior fiscal year. Funds may not be carried forward for any other purpose.

…

(12) Encumbrance. – A financial obligation created by a purchase order, contract, ~~salary commitment,~~ unearned or prepaid collections for services provided by the State, or other legally binding agreement.

…."

SECTION 5.7.(b) Part 1 of Article 6 of Chapter 143C of the General Statutes is amended by adding a new section to read:

"**§ 143C-6-4.1. Carryforward of funds.**

(a) Unless otherwise specified by law, funds carried forward at the end of the fiscal year may only be spent in the succeeding fiscal year for the purpose for which they were carried forward. Carryforward funds that have not been liquidated in the year in which they were carried forward shall revert at the end of the fiscal year.

(b) Unless otherwise specified by law, funds carried forward under this authorization may not be transferred, or otherwise moved, out of the General Fund. This subsection does not apply to The University of North Carolina System.

(c) Funds carried forward to support encumbrances are subject to cash availability. If there is insufficient cash to support all allowable carryforward, the Director of the Budget shall prioritize funds specified in law over funds necessary to liquidate an encumbrance."

MEDICAL FREEDOM/COVID-19 VACCINATIONS

SECTION 5.8.(a) Article 10 of Chapter 143 of the General Statutes is amended by adding a new section to read:

"**§ 143-162.6. Discrimination against persons based on refusal of COVID-19 vaccination and exemption.**

(a) No State agency, city, county, or political subdivision of the State shall deny or refuse employment to any person or discharge any person from employment due to the person's refusal to provide proof of a COVID-19 vaccination or the person's refusal to submit to a COVID-19 vaccination or a series of COVID-19 vaccinations, unless the exemption in subsection (c) of this section applies. This section shall not be construed to prevent the person from being discharged for cause. As used in this section, the term "COVID-19" means the coronavirus disease of 2019.

(b) No State agency, city, county, or political subdivision of the State shall discriminate or take any retaliatory action against an employee because the employee in good faith does or threatens to file a claim or complaint; initiate any inquiry, investigation, inspection, proceeding, or other action; or testify or provide information to any person with respect to the provisions of subsection (a) of this section.

(c) An exemption to subsections (a) and (b) of this section applies to the following:

(1) Any employee, vendor, volunteer, trainee, or student that is required by a facility certified by the Centers for Medicare and Medicaid Services to show proof of a COVID-19 vaccination, or to submit to a COVID-19 vaccination or COVID-19 series of vaccinations.

(2) An employee employed by any entity that receives federal funding if complying with subsection (a) or (b) of this section would result in the loss of that federal funding.

(3) An employee employed by the Department of Health and Human Services in the Division of State Operated Healthcare Facilities if the Department requires the COVID-19 vaccination or series of vaccinations for that employee."

SECTION 5.8.(b) Part 2 of Article 6 of Chapter 130A of the General Statutes is amended by adding a new section to read:

"**§ 130A-158.3. COVID-19 vaccination requirement prohibited; exemption.**

(a) Notwithstanding any provision of this Chapter or Chapter 166A of the General Statutes to the contrary, no State or local public health agency or public health official may require any person, including an applicant for employment or an employee, to provide proof of a COVID-19 vaccination or to submit to a COVID-19 vaccination or series of COVID-19 vaccinations unless the exemption in subsection (b) of this section applies. For purposes of this section, the following definitions apply:

(1) Applicant for employment. – Any person who seeks to be permitted, required, or directed by a State or local public health agency, or any person employed by a State or local public health agency, to engage in employment in consideration of direct or indirect gain or profit.

(2) COVID-19. – The coronavirus disease of 2019.

(3) Employee. – Any individual employed by a State or local public health agency.

(4) State or local public health agency. – Includes the following:

a. The Department or any of its divisions.

b. The Commission for Public Health or any district created by the Commission pursuant to subsection (d) of G.S. 130A-29.

c. A local health department as defined in subdivision (5) of G.S. 130A-2.

(5) State or local public health official. – Includes the following:

a. The Secretary or a designee.

b. The State Health Director or a designee.

c. The head of any State or local public health agency or a designee.

(b) An exemption to subsection (a) of this section applies to the following:

(1) Any employee, vendor, volunteer, trainee, or student that is required by a facility certified by the Centers for Medicare and Medicaid Services to show proof of a COVID-19 vaccination, or to submit to a COVID-19 vaccination or COVID-19 series of vaccinations.

(2) An employee employed by any entity that receives federal funding if complying with subsection (a) of this section would result in the loss of that federal funding.

(3) An employee employed by the Department of Health and Human Services in the Division of State Operated Healthcare Facilities if the Department requires the COVID-19 vaccination or series of vaccinations for that employee."

SECTION 5.8.(c) Article 23 of Chapter 153A of the General Statutes is amended by adding a new section to read:

"**§ 153A-461. COVID-19 vaccination requirement prohibited; exemption.**

(a) No county may require any person, including an applicant for employment or an employee, to provide proof of a COVID-19 vaccination or to submit to a COVID-19 vaccination or a series of COVID-19 vaccinations, unless the exemption in subsection (b) of this section applies. For purposes of this section, the following definitions apply:

(1) Applicant for employment. – Any person who seeks to be permitted, required, or directed by a county or any person employed by a county to engage in employment in consideration of direct or indirect gain or profit.

(2) COVID-19. – The coronavirus disease of 2019.

(3) Employee. – As defined in G.S. 153A-99(b)(1).

(b) An exemption to subsection (a) of this section applies to the following:

(1) Any employee, vendor, volunteer, trainee, or student that is required by a facility certified by the Centers for Medicare and Medicaid Services to show proof of a COVID-19 vaccination, or to submit to a COVID-19 vaccination or COVID-19 series of vaccinations.

(2) An employee employed by any entity that receives federal funding if complying with subsection (a) of this section would result in the loss of that federal funding.

(3) An employee employed by the Department of Health and Human Services in the Division of State Operated Healthcare Facilities if the Department requires the COVID-19 vaccination or series of vaccinations for that employee."

SECTION 5.8.(d) Article 21 of Chapter 160A of the General Statutes is amended by adding a new section to read:

"**§ 160A-499.6. COVID-19 vaccination; requirement prohibited and exemption.**

(a) No city may require any person, including an applicant for employment or an employee, to provide proof of a COVID-19 vaccination or to submit to a COVID-19 vaccination or a series of COVID-19 vaccinations, unless the exemption in subsection (b) of this section applies. For purposes of this section, the following definitions apply:

(1) Applicant for employment. – Any person who seeks to be permitted, required, or directed by a city or any person employed by a city to engage in employment in consideration of direct or indirect gain or profit.

(2) COVID-19. – The coronavirus disease of 2019.

(3) Employee. – As defined in G.S. 160A-169(b)(1).

(b) An exemption to subsection (a) of this section applies to the following:

(1) Any employee, vendor, volunteer, trainee, or student that is required by a facility certified by the Centers for Medicare and Medicaid Services to show proof of a COVID-19 vaccination, or to submit to a COVID-19 vaccination or COVID-19 series of vaccinations.

(2) An employee employed by any entity that receives federal funding if complying with subsection (a) of this section would result in the loss of that federal funding.

(3) An employee employed by the Department of Health and Human Services in the Division of State Operated Healthcare Facilities if the Department requires the COVID-19 vaccination or series of vaccinations for that employee."

SECTION 5.8.(e) G.S. 130A-152 reads as rewritten:

"**§ 130A-152. Immunization required.**

(a) Every child present in this State shall be immunized against diphtheria, tetanus, whooping cough, poliomyelitis, red measles (rubeola) and rubella. In addition, except as provided in subsection (f) of this section, every child present in this State shall be immunized against any other disease upon a determination by the Commission that the immunization is in the interest of the public health. Every parent, guardian, person in loco parentis and person or agency, whether governmental or private, with legal custody of a child shall have the responsibility to ensure that the child has received the required immunization at the age required by the Commission. If a child has not received the required immunizations by the specified age, the responsible person shall obtain the required immunization for the child as soon as possible after the lack of the required immunization is determined.

…

(f) Notwithstanding this section or other applicable State law, the Commission for Public Health, public school units, community colleges, constituent institutions of The University of North Carolina, and any private colleges or universities receiving State funds are prohibited from requiring a student to provide proof of vaccination against the coronavirus disease of 2019 (COVID-19) or to submit to a COVID-19 vaccination or series of COVID-19 vaccinations unless the requirement for vaccination or proof of vaccination is required for participating in a program of study, or fulfilling education requirements for a program, that requires working, volunteering, or training in a facility certified by the Centers for Medicare and Medicaid Services."

SECTION 5.8.(f) This section becomes effective January 1, 2024.

PART VI. COMMUNITY COLLEGE SYSTEM

HIGH-COST WORKFORCE PROGRAMS START-UP FUNDS

SECTION 6.2.(a) Establishment of the Fund. – Of the funds appropriated in this act from the General Fund and the ARPA Temporary Savings Fund to the Community Colleges System Office for the 2023-2025 fiscal biennium, the System Office shall establish the Fund for High-Cost Workforce Programs (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. The Fund shall be used to assist community colleges in starting new programs in high-demand career fields that require significant start-up funds. Monies shall be allocated from the Fund in each fiscal year of the 2023-2025 fiscal biennium for high-demand career fields offered at community colleges as follows:

(1) At least fifteen million dollars ($15,000,000) from the ARPA Temporary Savings Fund for programs related to healthcare, including nursing.

(2) Any remaining funds for Tier 1A and Tier 1B programs.

SECTION 6.2.(b) Applications. – The System Office shall establish an application process for community colleges to apply for awards from the Fund no later than the beginning of each fiscal year of the 2023-2025 fiscal biennium. To be eligible to receive funds, colleges shall submit to the System Office a completed application, which shall include at least the following information:

(1) A description of the proposed new program requiring start-up funds.

(2) Documentation of industry demand for the program or documentation of future local, regional, or statewide employment needs that will be met by the program.
(3) Total cash cost to start the program and maintain the program over two fiscal years.
(4) A plan for the fiscal sustainability of the new program.

SECTION 6.2.(c) Limitation on the Use of Funds. – A community college may only apply for the award of funds to support one new program in each fiscal year. Funds shall remain available to the community college for a period of two fiscal years. The award of funds to a community college from the Fund shall not exceed one million dollars ($1,000,000).

SECTION 6.2.(d) Matching Funds. – Except for programs related to healthcare that are funded from the ARPA Temporary Savings Fund pursuant to subdivision (1) of subsection (a) of this section, the community college shall be required to match a percentage of the total cash cost of the program with non-State funds based on a college's total full-time equivalents (FTE) according to the following:
(1) Community colleges with a total FTE greater than 6,500 shall be required to match fifteen percent (15%) of the cost.
(2) Community colleges with a total FTE between 2,500 and 6,500 shall be required to match ten percent (10%) of the cost.
(3) Community colleges with a total FTE below 2,500 shall be required to match five percent (5%) of the cost.

SECTION 6.2.(e) Administration. – The System Office may adopt any regulations, policies, or procedures regarding the application process, use of funds, eligibility requirements, and any other rules necessary related to the administration of the Fund. The System Office may use up to one hundred thousand dollars ($100,000) each fiscal year for administrative costs for establishing and implementing the program.

SECTION 6.2.(f) Report. – The System Office 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 System Office provides funds to community colleges from the Fund on the programs receiving the funds, which shall include at least the following information:
(1) The community colleges that received funds, the amount of funds, and the types of programs started.
(2) The use of funds by community colleges 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 community college programs receiving funds.

NC COMMUNITY COLLEGE SHORT-TERM WORKFORCE DEVELOPMENT GRANTS

SECTION 6.5. Article 1 of Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-5.1A. Short-Term Workforce Development Grant Program.**

(a) Program Established. – There is established the North Carolina Community College Short-Term Workforce Development Grant Program (Program) to be administered by the State Board of Community Colleges. The State Board shall adopt rules for the disbursement of the grants pursuant to this section.

(b) Programs of Study. – The State Board of Community Colleges, in collaboration with the Department of Commerce, shall determine the eligible programs of study for the Program, according to the occupations that are in the highest demand in the State. The eligible programs of study shall include programs such as architecture and construction, health sciences,

information technology, electrical line worker, and manufacturing programs and may include other programs to meet local workforce needs.

(c) Award Amounts. – To the extent funds are made available for the Program, the State Board of Community Colleges shall award grants in an amount of up to seven hundred fifty dollars ($750.00) to students pursuing short-term, noncredit State and industry workforce credentials. The State Board of Community Colleges shall establish criteria for initial and continuing eligibility for students. At a minimum, students shall be required to qualify as a resident for tuition purposes under the criteria set forth in G.S. 116-143.1 and in accordance with the coordinated and centralized residency determination process administered by the State Education Assistance Authority.

(d) Report. – The State Board shall submit a report by April 1, 2024, and annually thereafter, on the Program to the Joint Legislative Education Oversight Committee and the Fiscal Research Division. The report shall contain, for each academic year and by programs of study, the amount of grant funds disbursed and the number of eligible students receiving funds."

COMMUNITY COLLEGE PROGRAMS SERVING IDD STUDENTS

SECTION 6.9.(a) Article 3 of Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-44. Training programs for students with intellectual and developmental disabilities.**

(a) The State Board of Community Colleges shall establish a community college training program for up to 15 community colleges. The program shall provide opportunities for micro-credentials or other credentials that lead to increased employment outcomes for individuals with intellectual and developmental disabilities (IDD). To the extent funds are appropriated for this purpose, the program shall improve the ability of participating community colleges to offer training and educational components that include improving employability skills and providing on-the-job training and apprenticeships with business and industry for individuals with IDD. The goal of the program shall be to inform community colleges and address cross-departmental supports within the individual community colleges on programs for individuals with IDD related to at least the following:

(1) Establishing best practices for providing vocational training for individuals with IDD.

(2) Providing financial and benefits counseling.

(3) Developing strategies on integrating assistive technology.

(4) Maximizing access, with supports, to credential and degree programs, including micro-credentials that are established by the State Board.

(5) Identifying methods to increase orientation and integration of individuals with IDD into the college community to the greatest extent possible.

(6) Determining a needs assessment, marketing, and evaluation to serve a broad array of individuals with developmental and other similar disabilities or learning challenges to assure adequate demand for new or existing programs.

(b) No later than May 1 of each year, the Community Colleges System Office shall report on the funds appropriated to the System Office for the purposes of this section to the Joint Legislative Education Oversight Committee and the Fiscal Research Division. At a minimum, the report shall address the impact of the program, the use of any additional positions created at community colleges, professional development training for staff, and funding sources identified for individuals with IDD to build programs at community colleges that support postsecondary trainings and certifications that enable individuals with IDD to engage in competitive, sustainable employment."

SECTION 6.9.(b) Of the recurring funds appropriated in this act to the Community Colleges System Office for the 2023-2025 fiscal biennium to support increasing program

offerings for individuals with IDD pursuant to G.S. 115D-44, as enacted by this section, the System Office shall establish at least two statewide positions for program support, provide professional development training for college advising staff to assist students with IDD for career pathway exploration and the identification of credentials leading to competitive employment, and explore funding sources to sustain programs for students with IDD.

CAREER ACADEMIES FOR AT-RISK STUDENTS

SECTION 6.9A.(a) Program Established. – There is established a program for the 2023-2025 fiscal biennium between Cape Fear Community College (CFCC), New Hanover County Schools, and Pender County Schools to meet the needs of underserved students in seventh through ninth grade through an opportunity for extended time on CFCC's campus in various career and technical education programs. The goals of the program shall include (i) exposing students from underperforming schools and underserved populations to career training opportunities available at CFCC, (ii) guiding students toward successful career outcomes, (iii) providing support services to students, including academic tutoring, academic counseling, personal mentoring, and financial support through financial aid and scholarships, and (iv) increasing graduation and postsecondary outcomes for these students.

SECTION 6.9A.(b) Components of the Program. – CFCC, New Hanover County Schools, and Pender County Schools shall offer a summer career academy program to at-risk students from each local school administrative unit for a total of up to 300 students in seventh through ninth grade. The career academy program shall introduce students to life on a college campus with the goal of creating a familiarity with and positive experience in the postsecondary environment. Students shall visit two career and technical education programs per day for five consecutive days for two consecutive weeks in different subject areas, such as welding, marine technology and boat building, electrical, culinary, medical assisting, public safety, arts, veterinary assisting, and chemical technology. The career academy program shall include speakers and support for financial aid and scholarship opportunities and an introduction to the Career and College Promise Program.

CFCC shall also hire career liaisons in time-limited positions for placement in certain middle schools in New Hanover County Schools and Pender County Schools to support at-risk students. The goal of adding career liaisons to the schools shall be to provide students with exposure to career and technical education opportunities that otherwise would not be available to them.

SECTION 6.9A.(c) Report. – CFCC, in collaboration with New Hanover County Schools and Pender County Schools, shall submit an initial report by October 1, 2024, and annually thereafter while funds are expended under the program, to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the results of the pilot program and the placement of the career liaisons in schools to support at-risk students, including the number of students who enrolled in Career and College Promise Program pathways following completion of the career academy program and other relevant student outcome data for at-risk students.

SECTION 6.9A.(d) Carryforward. – The nonrecurring funds appropriated to the Community Colleges System Office in this act for the 2023-2025 fiscal biennium for the program shall not revert at the end of each fiscal year but shall remain available until expended.

REQUIRE THAT THE PRESIDENT OF THE NORTH CAROLINA COMMUNITY COLLEGES SYSTEM BE CONFIRMED BY THE GENERAL ASSEMBLY, MAKE CHANGES TO THE APPROVAL PROCESS OF LOCAL COMMUNITY COLLEGE PRESIDENTS, PROHIBIT COMMUNITY COLLEGES FROM OFFERING COURSES OF INSTRUCTION USING STATE FUNDS WITHOUT PRIOR APPROVAL BY THE STATE BOARD OF COMMUNITY COLLEGES, AND MAKE

CHANGES TO THE STATE BOARD OF COMMUNITY COLLEGES AND LOCAL BOARDS OF TRUSTEES

SECTION 6.10.(a) G.S. 115D-3 reads as rewritten:

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

…

(a1) ~~The~~ Subject to confirmation by the General Assembly in accordance with G.S. 115D-3.1, the State Board shall elect a President of the North Carolina ~~System of~~ Community Colleges System who shall serve as chief administrative officer of the Community Colleges System Office. The State Board shall use the following process to elect a President:

(1) At least three final candidates shall be submitted to the full State Board from which the full State Board shall make its election.

(2) The State Board shall conduct a vote on the election of the President, and the candidate who receives a majority of votes of the entire State Board shall be elected President.

(a2) The compensation of this position shall be fixed by the State Board from funds provided by the General Assembly in the Current Operations Appropriations Act.

(a3) The President shall be assisted by such professional staff members as may be deemed necessary to carry out the provisions of this Chapter, who shall be elected by the State Board on nomination of the President. The compensation of the staff members elected by the Board shall be fixed by the State Board of Community Colleges, upon recommendation of the President of the Community ~~College~~ Colleges System, from funds provided in the Current Operations Appropriations Act. These staff members shall include such officers as may be deemed desirable by the President and State Board. Provision shall be made for persons of high competence and strong professional experience in such areas as academic affairs, public service programs, business and financial affairs, institutional studies and long-range planning, student affairs, research, legal affairs, health affairs and institutional development, and for State and federal programs administered by the State Board. In addition, the President shall be assisted by such other employees as may be needed to carry out the provisions of this Chapter, who shall be subject to the provisions of Chapter 126 of the General Statutes. The staff complement shall be established by the State Board on recommendation of the President to insure that there are persons on the staff who have the professional competence and experience to carry out the duties assigned and to insure that there are persons on the staff who are familiar with the problems and capabilities of all of the principal types of institutions represented in the system. ~~The State Board of Community Colleges shall have all other powers, duties, and responsibilities delegated to the State Board of Education affecting the Community Colleges System Office not otherwise stated in this Chapter.~~

…."

SECTION 6.10.(b) Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-3.1. General Assembly confirmation of the President.**

(a) The State Board shall submit the name of the person elected as President for confirmation to the presiding officers of the Senate and the House of Representatives of the General Assembly on or before the fifteenth day following the election. The General Assembly shall adopt a joint resolution to either (i) confirm or (ii) deny confirmation, subject to the following:

(1) The person elected by the State Board shall not serve as President but may serve as interim-President until the General Assembly adopts a joint resolution.

(2) If the General Assembly fails to adopt a joint resolution confirming the person by the date that either chamber reaches the thirtieth legislative day following

the receipt of the name by the presiding officers, it shall be deemed that the General Assembly has denied confirmation.

(b) A person denied confirmation shall not serve as President or interim-President."

SECTION 6.10.(c) Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-6.1. College president contracts and approval.**

(a) The State Board shall develop mandatory contract terms that boards of trustees of community colleges shall use when electing a president or chief administrative officer pursuant to G.S. 115D-20. The contract terms shall include the following:

(1) A contract term of between one and four years.

(2) A requirement that the contract or contract renewal is unenforceable unless it is approved by the State Board.

(3) A list of causes for dismissal and termination of the contract.

(4) A prohibition on additional financial compensation to the president or chief administrative officer when dismissed for causes included in the contracts.

(5) Any other provisions deemed necessary by the State Board.

(b) Each local board of trustees shall submit the name of the person elected as president or chief administrative officer of the institution under G.S. 115D-20(1) to the State Board for approval. The local board shall submit any information requested by the State Board about the person's qualifications. A person denied approval shall not serve as president of the institution."

SECTION 6.10.(d) Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-10. Limitation on judicial review of State Board actions.**

State Board actions affecting a local board of trustees or a person elected as a president or chief administrative officer of an institution under any of the following statutes are not subject to judicial review:

(1) G.S. 115D-6.

(2) G.S. 115D-6.1.

(3) G.S. 115D-6.5.

(4) G.S. 115D-19."

SECTION 6.10.(e) G.S. 115D-20 reads as rewritten:

"**§ 115D-20. Powers and duties of trustees.**

The trustees of each institution shall constitute the local administrative board of such institution, with such powers and duties as are provided in this Chapter and as are delegated to it by the State Board of Community Colleges. The powers and duties of trustees shall include the following:

(1) To elect a president or chief administrative officer of the institution ~~for such term and under such conditions as the trustees may fix.~~ in accordance with G.S. 115D-6.1. If the board of trustees chooses to use a search consultant to assist with the election process, the board of trustees shall select the search consultant through a competitive request for proposals process. A search consultant selected pursuant to this subdivision who is collecting a fee for the consultant's services shall not be (i) an employee of a State agency, department, or institution, an appointed member of a State commission or board, or an elected official whose responsibilities include oversight or budgetary aspects of the Community ~~College~~ Colleges System, (ii) a lobbyist or lobbyist principal as defined in G.S. 120C-100, or (iii) a State-level community college board of trustees association or organization. A contract with a search consultant pursuant to this subdivision shall not be subject to Article 3C of Chapter 143 of the General Statutes. The election and reelection of a president or chief administrative officer shall be subject to the approval

of the State Board of Community Colleges. No person shall serve as a president or chief administrative officer until and unless he or she is approved by the State Board of Community Colleges as provided in G.S. 115D-6.1.

…."

SECTION 6.10.(f) G.S. 115D-5 is amended by adding a new subsection to read:

"(b3) No course of instruction shall be offered by any community college at State expense or partial State expense without the approval of the State Board of Community Colleges."

SECTION 6.10.(g) G.S. 115D-2.2 reads as rewritten:

"**§ 115D-2.2. State Board of Community Colleges.**

(a) The State Board of Community Colleges is established.

(b) The State Board of Community Colleges shall consist of ~~22~~ 21 members, as follows:

(1) The Lieutenant Governor or the Lieutenant Governor's designee shall be a member ex officio.

(2) The Treasurer of North Carolina or the Treasurer's designee shall be a member ex officio.

(3) The Commissioner of Labor or the Commissioner's designee shall be a member ex officio.

~~(4) The Governor shall appoint to the State Board four members from the State at large and one member from each of the six Trustee Association Regions defined in G.S. 115D-62. Each appointment by the Governor shall be for a term of four years and until a successor is appointed and qualifies. Any vacancy occurring among the Governor's appointees before the expiration of term shall be filled by appointment of the Governor. The member appointed to fill a vacancy shall meet the same residential qualification, if any, as the vacating member and shall serve for the remainder of the unexpired term of that member.~~

(5) The General Assembly shall elect ~~eight~~ 18 members of the State Board from the State at large to a term of four years beginning July 1 of an odd-numbered year and until a successor is elected and qualifies. The Senate shall elect ~~four~~ nine members and the House of Representatives shall elect ~~four~~ nine members in accordance with subsection (c) of this section.

~~(6) The person serving as president of the North Carolina Comprehensive Community College Student Government Association shall be an ex officio member of the State Board. If the president of the Association is unable for any reason to serve as the student member of the State Board, then pursuant to the constitution of the Association, the vice-president of the Association shall serve as the student member of the State Board. Any person serving as the student member of the State Board must be a student in good standing at a North Carolina community college. The student member of the State Board shall have all the rights and privileges of membership, except that the student member shall not have a vote.~~

…

(h) At its first meeting after July 1 of each odd-numbered year, the State Board shall elect from its membership a ~~chair~~ chair, vice-chair, and such other officers as it may deem necessary.

(i) The State Board of Community Colleges shall meet at stated times established by the State Board, but not less frequently than ~~10~~ eight times a year. The State Board of Community Colleges shall also meet with the State Board of Education and the Board of Governors of The University of North Carolina at least once a year to discuss educational matters of mutual interest and to recommend to the General Assembly such policies as are appropriate to encourage the improvement of public education at every level in this State; these joint meetings shall be hosted by the three Boards according to the schedule set out in G.S. 115C-11(b1). Special meetings of

the State Board may be set at any regular meeting or may be called by the chair. A majority of the qualified members of the State Board shall constitute a quorum for the transaction of business.

…."

SECTION 6.10.(h) G.S. 115D-2.2, as amended by this section, reads as rewritten:

"**§ 115D-2.2. State Board of Community Colleges.**

…

(b) The State Board of Community Colleges shall consist of ~~21 members, as follows:~~18 members elected by the General Assembly from the State at large to a term of four years beginning July 1 of an odd-numbered year until a successor is elected and qualified. The Senate shall elect nine members and the House of Representatives shall elect nine members in accordance with subsection (c) of this section.

~~(1) The Lieutenant Governor or the Lieutenant Governor's designee shall be a member ex officio.~~

~~(2) The Treasurer of North Carolina or the Treasurer's designee shall be a member ex officio.~~

~~(3) The Commissioner of Labor or the Commissioner's designee shall be a member ex officio.~~

~~(5) The General Assembly shall elect 18 members of the State Board from the State at large to a term of four years beginning July 1 of an odd-numbered year and until a successor is elected and qualifies. The Senate shall elect nine members and the House of Representatives shall elect nine members in accordance with subsection (c) of this section.~~

(c) At each session of the General Assembly held in an odd-numbered year, the Senate and the House of Representatives shall elect from a slate of candidates made in each chamber. The slate shall be prepared as provided by resolution in each chamber. If a sufficient number of nominees who are legally qualified are submitted, then the slate of candidates shall list at least twice the number of candidates for the total seats open. All qualified candidates shall compete against all other qualified candidates. All candidates shall submit a statement of economic interest to the State Ethics Commission for review under G.S. 138A-24.

(d) When a vacancy ~~occurs among the members elected by the two chambers of the General Assembly,~~ occurs, the chair of the State Board shall inform the chamber that originally elected the vacating ~~member~~ member. The chamber shall elect a person to fill the vacancy in the same manner as required for election under subsection (c) of this section when the General Assembly next convenes. The election shall be for the remainder of the unexpired term.

…

~~(j) Whenever any vacancy shall occur in the appointed or elected membership of the State Board, the chair shall inform the appropriate appointing or electing authority of the vacancy.~~

(k) The State Board of Community Colleges may declare vacant the office of an ~~appointed or~~ elected member who does not attend three consecutive scheduled meetings without justifiable excuse. The chair of the State Board shall notify the ~~appropriate appointing or electing authority~~ chamber that elected the member of any vacancy."

SECTION 6.10.(i) Notwithstanding G.S. 115D-2.2, as amended by this section, the current members serving on the State Board as of the effective date of this section shall serve the remainder of their terms.

SECTION 6.10.(j) When the State Board of Community Colleges elects a chair in accordance with G.S. 115D-2.2(h) in 2023, the chair shall be elected from the members elected by the Senate. When the State Board of Community Colleges elects a chair in accordance with G.S. 115D-2.2(h) in 2025, the chair shall be elected from the members elected by the House of Representatives.

SECTION 6.10.(k) Notwithstanding G.S. 115D-2.2, as amended by this section, the following shall be the terms of office for members elected to terms beginning July 1, 2023:

(1) The House of Representatives shall elect two members to two-year terms.
(2) The Senate shall elect three members to two-year terms.

SECTION 6.10.(*l*) For elections to terms beginning July 1, 2025, and every four years thereafter, the following applies:

(1) The House of Representatives shall elect five members to four-year terms.
(2) The Senate shall elect five members to four-year terms.

SECTION 6.10.(m) For elections to terms beginning July 1, 2027, and every four years thereafter, the following applies:

(1) The House of Representatives shall elect four members to four-year terms.
(2) The Senate shall elect four members to four-year terms.

SECTION 6.10.(n) G.S. 115D-62 is repealed.

SECTION 6.10.(o) G.S. 115D-79 reads as rewritten:

"**§ 115D-79. Open meetings.**

All official meetings of the State Board of Community Colleges and of local boards of trustees shall be open to the public in accordance with the provisions of ~~G.S. 143-318.1 through 143-318.7.~~G.S. 143-318.9."

SECTION 6.10.(p) G.S. 115D-12 reads as rewritten:

"**§ 115D-12. Each institution to have board of trustees; selection of trustees.**

(a) Each community college established or operated pursuant to this Chapter shall be governed by a board of trustees ~~consisting of 13 members, or of additional members if selected according to the special procedure prescribed by the third paragraph of this subsection, who shall be selected by the following agencies. No member of the General Assembly may be appointed to a local board of trustees for a community college.~~composed as follows:

(1) Eight trustees appointed by the General Assembly under G.S. 120-121. The General Assembly shall appoint two members annually. One member shall be appointed upon the recommendation of the Speaker of the House of Representatives and one member shall be appointed upon the recommendation of the President Pro Tempore of the Senate.
(2) Four trustees elected by the board of commissioners of the county in which the main campus of the institution is located, one of whom may be a county commissioner. In addition, each board of commissioners of any other county in the administrative area that provides plant funds to the institution shall elect two additional trustees to the board, one of whom may be a county commissioner.
(3) The president of the student government or the chair of the executive board of the student body of each community college may be an ex officio nonvoting member if the board of trustees of the community college agrees.

(a1) No member of the General Assembly shall be a trustee of a local board of trustees.

~~Group One – four trustees, elected by the board of education of the public school administrative unit located in the administrative area of the institution. If there are two or more public school administrative units, whether city or county units, or both, located within the administrative area, the trustees shall be elected jointly by all of the boards of education of those units, each board having one vote in the election of each trustee, except as provided in G.S. 115D-59. No board of education shall elect a member of the board of education or any person employed by the board of education to serve as a trustee, however, any such person currently serving on a board of trustees shall be permitted to fulfill the unexpired portion of the trustee's current term.~~

~~Group Two – four trustees, elected by the board of commissioners of the county in which the institution is located. Provided, however, if the administrative area of the institution is composed of two or more counties, the trustees shall be elected jointly by the boards of commissioners of all those counties, each board having one vote in the election of each trustee. Provided, also, the~~

~~county commissioners of the county in which the community college has established a satellite campus may elect an additional two members if the board of trustees of the community college agrees. No more than one trustee from Group Two may be a member of a board of county commissioners. Should the boards of education or the boards of commissioners involved be unable to agree on one or more trustees the senior resident superior court judge in the superior court district or set of districts as defined in G.S. 7A-41.1 where the institution is located shall fill the position or positions by appointment.~~

~~Group Three – four trustees, appointed by the Governor.~~

~~Group Four – the president of the student government or the chairman of the executive board of the student body of each community college established pursuant to this Chapter shall be an ex officio nonvoting member of the board of trustees of each said institution.~~

(b) All trustees shall be residents of the administrative area of the institution for which they are selected or of counties contiguous ~~thereto with the exception of members provided for in subsection (a) of this section, Group Four.~~to the administrative area.

(b1) No person who has been employed full time by the community college within the prior 5 years and no spouse or child of a person currently employed full time by the community college shall serve on the board of trustees of that college.

(c) Vacancies occurring in a seat appointed by the General Assembly shall be filled as provided in G.S. 120-122. Vacancies occurring in ~~any group for whatever reason~~ a seat elected by a board of county commissioners shall be filled for the remainder of the unexpired term ~~by the agency or agencies authorized to select trustees of that group and~~ in the manner in which regular selections are made. ~~Should the selection of a trustee not be made by the agency or agencies having the authority to do so within 60 days after the date on which a vacancy occurs, whether by creation or expiration of a term or for any other reason, the Governor shall fill the vacancy by appointment for the remainder of the unexpired term.~~"

SECTION 6.10.(q) G.S. 115D-13 reads as rewritten:

"**§ 115D-13. Terms of office of trustees.**

(a) The regular terms of trustees appointed in 1981 and trustees appointed in 1987 shall be extended for one year. The term of one or more trustees, as appropriate, elected pursuant to G.S. 115D-12 may be extended for one year so that these terms will be staggered, unless they are already staggered.

(b) Except for the one year extensions of terms set forth in subsection (a) of this section, and for the ex officio member, as the terms of trustees currently in office expire, their successors shall be appointed for four-year terms.

(c) All terms shall commence on July 1 of the year.

(d) Each local board of trustees shall submit the following to the Legislative Library of the General Assembly by August 1 annually:

(1) The name and address of each trustee.

(2) The county of residence of each trustee.

(3) The appointing or electing entity of each trustee.

(4) If a trustee is filling a vacancy, the name of the trustee replaced.

(5) The date each trustee's term begins.

(6) The date each trustee's term ends."

SECTION 6.10.(r) Notwithstanding G.S. 115D-12, as amended by this section, the current members serving on a board of trustees of a community college as of the effective date of this section shall serve the remainder of their terms. Thereafter, as terms expire, the members shall be appointed or elected in accordance with G.S. 115D-12, as amended by this section. When a vacancy occurs in a seat that was elected by a local board of education or appointed by the Governor, the vacancy shall be filled as provided in G.S. 120-122 and as follows:

(1) If the vacancy occurs in a term expiring in an odd-numbered year, and the General Assembly is not in a regular or extra session at the time of the

vacancy, the Governor shall consult with the Speaker of the House of Representatives before making the appointment as required by G.S. 120-122.

(2) If the vacancy occurs in a term expiring in an even-numbered year, and the General Assembly is not in a regular or extra session at the time of the vacancy, the Governor shall consult with the President Pro Tempore of the Senate before making the appointment as required by G.S. 120-122.

(3) Notwithstanding G.S. 120-122, after receiving the written recommendation for the appointment to fill the vacancy, the Governor shall appoint the person recommended within 30 days and shall not reject the recommendation. Upon the expiration of the term, the seat shall be filled in accordance with G.S. 115D-12, as amended by this section.

SECTION 6.10.(s) The following are repealed:

(1) S.L. 1997-12.
(2) Section 2 of S.L. 1999-60.
(3) Section 2 of S.L. 2011-175.
(4) S.L. 2014-73.
(5) S.L. 2015-12.
(6) Section 1 of S.L. 2015-167.
(7) S.L. 2015-243.
(8) Section 2 of S.L. 2015-252.
(9) S.L. 2018-15.
(10) S.L. 2020-20.
(11) Section 1 of S.L. 2021-52.
(12) Section 5 of S.L. 2021-102.
(13) S.L. 2022-10.

SECTION 6.10.(t) Notwithstanding G.S. 115D-12(a)(2), as amended by this section, for the Mayland Community College Board of Trustees, the Avery County Board of Commissioners, Mitchell County Board of Commissioners, and Yancey County Board of Commissioners shall each elect two trustees. Each board of commissioners may elect up to one commissioner as a trustee.

SECTION 6.10.(u) Notwithstanding G.S. 115D-12(a)(2), as amended by this section, for the South Piedmont Community College Board of Trustees, the Union County Board of Commissioners shall elect three trustees, one of whom may be a county commissioner, and the Anson County Board of Commissioners shall elect two trustees, one of whom may be a county commissioner.

SECTION 6.10.(v) Notwithstanding G.S. 115D-12(a)(2), as amended by this section, for the Vance-Granville Community College Board of Trustees, the following shall be the trustees elected by the boards of county commissioners in the administrative area of the institution:

(1) Four trustees elected by the Vance County Board of Commissioners, one of whom may be a county commissioner.
(2) Three trustees elected by the Granville County Board of Commissioners, one of whom may be a county commissioner.
(3) Two trustees elected by the Franklin County Board of Commissioners, one of whom may be a county commissioner.
(4) One trustee elected by the Warren County Board of Commissioners, who may be a county commissioner.

SECTION 6.10.(w) G.S. 115D-6.1, as enacted by this section, applies to contracts entered into or renewed on or after the date this act becomes law. Subsection (h) of this section becomes effective July 1, 2027. The remainder of this section is effective when it becomes law.

VOCATIONAL REHABILITATION PILOT PROGRAM

SECTION 6.11.(a) Program; Purpose. – The State Board of Community Colleges shall establish the Vocational Rehabilitation Pilot Program (Program) for the 2023-2024 to 2025-2026 academic years. The purpose of the Program is to provide support services to community college students with intellectual and developmental disabilities to help the students reach their goals for employment and independence without duplicating the existing vocational support network.

SECTION 6.11.(b) Use of Funds; Selection. – Community colleges may apply to the State Board of Community Colleges to participate in the Program. The State Board, in consultation with the Division of Vocational Rehabilitation Services of the Department of Health and Human Services (DVR), shall select community colleges to participate in the Program. As part of the Program, the Community Colleges System Office shall contract with DVR to place student counselors at selected community colleges in the State. Funds provided for this purpose may be used to meet any applicable federal matching requirements for student counselors and for costs related to administration of the Program.

SECTION 6.11.(c) Report. – No later than March 15, 2024, and each year thereafter in which funds are expended during the Program, the State Board of Community Colleges, in consultation with DVR, shall report on the impact of the Program on participants, including at least the following information:

(1) The mental health and well-being of participants.

(2) Job placements of participants.

SECTION 6.11.(d) Funds. – The nonrecurring funds appropriated in this act to the Community Colleges System Office for the 2023-2024 fiscal year for the Program shall not revert at the end of the 2023-2024 fiscal year but shall remain available until the end of the 2025-2026 fiscal year.

PART VII. PUBLIC INSTRUCTION

CODIFY FUNDING FOR CHILDREN WITH DISABILITIES

SECTION 7.1. Part 1F of Article 9 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-111.05. Funding for children with disabilities.**

To the extent funds are made available for this purpose, the State Board shall allocate funds for children with disabilities to each local school administrative unit on a per child basis. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) thirteen percent (13%) of its allocated average daily membership in the local school administrative unit for the current school year."

CODIFY FUNDING FOR ACADEMICALLY OR INTELLECTUALLY GIFTED STUDENTS

SECTION 7.2.(a) Article 9B of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-150.9. Funding for academically or intellectually gifted students.**

To the extent funds are made available for this purpose, the State Board shall allocate funds for academically or intellectually gifted children on a per child basis. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its allocated average daily membership for the current school year, regardless of the number of children identified as academically or intellectually gifted in the unit."

SECTION 7.2.(b) Prior to determining the allocation of funds for the 2024-2025 school year, the Department of Public Instruction shall develop a uniform definition for

"academically or intellectually gifted" to determine which students are to be considered for funding pursuant to G.S. 115C-150.9, as enacted by this section.

CODIFY BOILERPLATE

SECTION 7.3. Chapter 115C of the General Statutes is amended by adding a new Article to read:

"Article 32F.

"Supplemental School Funding.

"**§ 115C-472.17. Supplemental funding in low-wealth counties.**

(a) Use of Funds for Supplemental Funding. – To the extent funds are made available for this purpose, 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.

(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 State average revenue availability per student. – The sum of all anticipated total county revenue availability divided by the average daily membership for the State.

(3) 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.

(4) 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.

(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.

(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%).

(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.

(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 and is not intended to reflect any measure of the adequacy of the educational program or funding for public schools. The formula is also not intended to reflect any commitment by the General Assembly to appropriate any additional supplemental funds for low-wealth counties.

(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.

(g) Nonsupplant Requirement. – A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds. 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.

(h) Counties Containing a Base of the Armed Forces. – Notwithstanding any other provision of this section, 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.

(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).

(j) Reports. – 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.

(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.

"**§ 115C-472.18. Small county school system supplemental funding.**

(a) Allotment Schedule. – Except as otherwise provided in subsection (c) of this section, each eligible county school administrative unit shall receive a dollar allotment according to the following schedule, on the basis of allotted ADM for the county school administrative unit, to the extent funds are made available for this purpose:

Allotted ADM	Small County Allotment
0-1,300	$1,820,000
1,301-1,700	$1,774,700
1,701-2,000	$1,729,400
2,001-2,300	$1,684,100
2,301-2,600	$1,638,800
2,601-2,800	$1,593,500
2,801-3,300	$1,548,200

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

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

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

(1) The current expense appropriation per student of the county for the current year is less than ninety-five percent (95%) of the average of local current expense appropriation 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.

(d) Reports. – The State Board of Education shall report to the Fiscal Research Division prior to May 15 of each fiscal year if it determines that counties have supplanted funds.

(e) 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).

"**§ 115C-472.19. Disadvantaged student supplemental funding.**

(a) To the extent funds are made available for this purpose, funds appropriated 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 after-school remediation, or both.

(4) Purchase diagnostic software and progress-monitoring tools.

(5) Provide funds for teacher bonuses and supplements. The State Board of Education shall set a maximum percentage of the funds that may be used for this purpose.

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.

(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 2005-2006, a ratio of 1:16. These local school administrative units shall receive no less than the DSSF amount allotted in fiscal year 2006-2007.

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

(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."

RECLASSIFY DPI POSITIONS

SECTION 7.4.(a) Notwithstanding G.S. 143C-6-4, the Department of Public Instruction shall reclassify at least one position to be a Read to Achieve Charter School Coordinator.

SECTION 7.4.(b) In making the change identified in subsection (a) of this section, the Department of Public Instruction shall not do either of the following:

(1) Reduce funding for any of the following:
  a. The State Public School Fund, including for the following residential schools:
    1. The Eastern North Carolina School for the Deaf.
    2. The North Carolina School for the Deaf.
    3. The Governor Morehead School.
  b. Any budget expansion item funded by an appropriation to the Department of Public Instruction by this act for the 2023-2025 fiscal biennium.

(2) Transfer from or reduce funding or positions for any of the following:
  a. Communities in Schools of North Carolina, Inc.
  b. Teach for America, Inc.
  c. Beginnings for Parents of Children Who are Deaf or Hard of Hearing, Inc.
  d. The Excellent Public Schools Act, Read to Achieve Program, initially established under Section 7A.1 of S.L. 2012-142.
  e. The North Carolina School Connectivity Program.
  f. The North Carolina Center for the Advancement of Teaching.
  g. The Schools That Lead Program.
  h. The Center for Safer Schools.

WEIGHTED FUNDING FOR EC STUDENTS

SECTION 7.7. The Department of Public Instruction shall develop a model, based on the study conducted pursuant to Section 7.44 of S.L. 2021-180, for funding children with disabilities services on the basis of the reported cost of the services provided. The Department shall report to the Joint Legislative Education Oversight Committee by January 15, 2024, on the model of funding developed pursuant to this section and a comparison by public school unit of funds provided under the existing model and the model developed pursuant to this section.

ABOLISH CERTAIN UNFILLED POSITIONS

SECTION 7.12. The following positions vacant for longer than two years are abolished as of July 1, 2023:

(1) 60009659.
(2) 60009654.
(3) 60009651.
(4) 60009667.

The Department may reestablish these or create substantially similar positions as needed within funds available pursuant to G.S. 115C-546.2(e).

CAREER EXPLORATION AND DEVELOPMENT PLANS

SECTION 7.13.(a) Part 1 of Article 8 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-81.12. Career pathways course.**

The State Board shall develop standards for a middle school course in which students investigate and learn about career pathways. The standards shall align with the requirements for career development plans under G.S. 115C-158.10(c). All students in grade seven shall complete the course, and, by the conclusion of the course, students shall complete a career development plan as required under G.S. 115C-158.10(a)."

SECTION 7.13.(b) Article 10 of Chapter 115C of the General Statutes is amended by adding a new Part to read:

"Part 1A. Career Development Plans.

"**§ 115C-158.10. Career development plans.**

(a) All middle and high school students enrolled in a local school administrative unit shall complete a career development plan that meets the requirements of this section. The local board of education shall ensure that students are provided assistance in completion of the plan as well as instruction on how to access that plan throughout the student's enrollment. A student shall not be promoted from seventh grade until a career development plan is created and shall not be promoted from tenth grade until the career development plan is revised. Local boards of education are encouraged to require more frequent revisions as appropriate. Charter schools are encouraged to require participation in career development plans for students in accordance with this section.

(b) Local boards of education shall ensure that career development plans are easily accessible to students and parents and shall provide parents written notice of the initial creation of a career development plan and information on how to access the plan.

(c) The State Board of Education shall adopt rules establishing minimum requirements for career development plans and shall require local boards of education to provide access to all career development plans through a designated electronic application. Career development plans shall include at least the following:

(1) Self-assessment of the student's aptitudes, skills, values, personality, and career interests.

(2) Exploration and identification of pathways for careers aligned with the student's self-assessment that include the following for each career:

a. Identification of needed education, training, and certifications.

b. Information on the most cost-efficient path to entry.

c. Opportunities within the school setting to explore and prepare for the career.

(3) Alignment of academic courses and extracurricular activities with the student's identified career interests, including the following:

a. Inventory of aligned courses in middle and high school in grades six through 10, and development of best strategies for course selection in grades 11 and 12 to achieve identified career interests, including courses that may lead to college credit.

b. Available record of the following:

1. Completed Advanced Placement, International Baccalaureate, Cambridge Advanced International Certificate of Education (AICE), and dual-enrollment courses that may lead to college credit in high school.

2. Extracurricular activities.
3. Awards and recognitions.

(4) Creation of a career portfolio, which may include items such as the following:
a. Documentation of postsecondary plans.
b. Completion of the Free Application for Federal Student Aid with parental consent.
c. Resume.
d. Occupational outlook for identified career interests."

SECTION 7.13.(c) G.S. 115C-218.75 is amended by adding a new subsection to read:

"(k) Career Development Plans. – A charter school is encouraged to adopt a policy to require all middle and high school students to complete a career development plan in accordance with G.S. 115C-158.10."

SECTION 7.13.(d) The State Board of Education shall establish a pilot of at least 20 local school administrative units during the 2023-2024 school year to develop the plan requirements and professional development necessary for successful statewide implementation of career development plans in the 2024-2025 school year. The State Board of Education shall direct the Department of Public Instruction to develop and provide a career development plan electronic application to local boards of education and participating charter schools no later than the 2024-2025 school year that will provide access for all students and parents to the student's career development plan and will integrate with career information available through other State agencies.

SECTION 7.13.(e) The Department of Public Instruction and the local boards of education, as appropriate, shall provide or cause to be provided, prior to the start of the 2024-2025 school year, curriculum content for the course required in subsection (a) of this section and professional development to ensure that the intent and provisions of this section are carried out.

SECTION 7.13.(f) Subsections (a), (b), (c), and (e) of this section become effective beginning with the 2024-2025 school year. The remainder of this section becomes effective July 1, 2023.

DPI FUNDING IN ARREARS

SECTION 7.20.(a) The Department of Public Instruction shall develop a model to fund public school units whose funding is based on average daily membership (ADM) to be based on the actual ADM from the prior school year instead of projections for the upcoming school year. The Department shall include in the model a method to account for newly formed charter schools to ensure the charter schools receive adequate funding to operate before prior year ADM data is available or representative of the student population. The Department shall propose technical adjustments for public school funding to the State Board of Education for approval before submitting the model to the Director of the Budget, pursuant to G.S. 143C-3-3. The Department shall also submit the model to the Fiscal Research Division no later than February 15, 2024. The technical adjustments shall include a list of any laws that would need to be adjusted or repealed to allow for the new funding model to be implemented as well as a comparison of funding received under the old model and the recommended new model, sorted by public school unit.

SECTION 7.20.(b) Beginning with the 2024-2025 school year, the Department of Public Instruction shall distribute funds to public school units whose funding is based on ADM based on the actual ADM from the prior school year in accordance with the model developed pursuant to subsection (a) of this section. The Department shall provide funds from the ADM Contingency Reserve to fund public school units whose actual ADM for the current school year is higher than the actual ADM from the prior school year.

SECTION 7.20.(c) Section 7.15(b) of S.L. 2007-323 is repealed.

SECTION 7.20.(d) Subsections (b) and (c) of this section become effective July 1, 2024. The remainder of this section is effective when it becomes law.

SCHOOL HEALTH PERSONNEL ALLOTMENT

SECTION 7.27.(a) G.S. 115C-47(67) reads as rewritten:

"(67) To Provide ~~at Least One School Psychologist.~~ School Health Services. – Local boards of education shall ~~ensure that each local school administrative unit employs at least one full-time, permanent school psychologist.~~ provide school health support services in accordance with G.S. 115C-316.5."

SECTION 7.27.(b) G.S. 115C-105.25(b)(13) reads as rewritten:

"(13) No positions shall be transferred out of the allocation for school ~~psychologists~~ health personnel except as provided in this subdivision. Positions allocated for school ~~psychologists~~ health personnel may be converted to dollar equivalents for contracted services directly related to school ~~psychology.~~ psychology, school counseling, school nursing, and school social work. These positions shall be converted at the minimum salary for ~~school psychologists~~ the position on the "A" Teachers Salary Schedule."

SECTION 7.27.(c) G.S. 115C-315 is amended by adding a new subsection to read:

"(d2) School Nurses. – The State Board of Education, in accordance with subsection (d) of this section, may adopt rules to establish the qualifications and training required to be hired or contracted for as a certified school nurse except the Board may not require or impose a requirement that would require a nurse to obtain a four-year degree as a condition of employment."

SECTION 7.27.(d) G.S. 115C-315(d1) is repealed.

SECTION 7.27.(e) G.S. 115C-316.1 reads as rewritten:

"**§ 115C-316.1. Duties of school counselors.**

(a) School counselors shall implement a comprehensive ~~developmental~~ school counseling program in their ~~schools. Counselors shall spend at least eighty percent (80%) of their work time~~ schools providing direct services to students. ~~Direct services do not include the coordination of standardized testing.~~ Direct services shall consist of:

(1) ~~Delivering~~ In coordination with the school career development coordinator, if any, delivering the school guidance curriculum through large group guidance, interdisciplinary curriculum development, group activities, and parent workshops.

~~(2) Guiding individual student planning through individual or small group assistance and individual or small group advisement.~~

(3) Providing responsive services through consultation with students, families, and staff; individual and small group counseling; crisis counseling; referrals; and peer facilitation.

(4) Performing other student services listed in the Department of Public Instruction school counselor job description that has been approved by the State Board of Education.

(b) School ~~counseling program support activities do not include the coordination of standardized testing. During the remainder of their work time, school counselors may assist other staff with the coordination of standardized testing.~~ counselors shall not spend their work time coordinating standardized testing."

SECTION 7.27.(f) Article 21 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-316.1A. Duties of career development coordinators.**

(a) Career development coordinators shall spend at least eighty percent (80%) of their work time providing direct services to students. Direct services for career development coordinators shall consist of:

(1) In coordination with the school counselor, if any, delivering the school guidance curriculum through large group guidance, interdisciplinary curriculum development, group activities, and parents workshops.

(2) Guiding individual students through navigating the academic, training, and employment opportunities available to the student through individual or small group advisement.

(3) Performing other student services listed in the Department of Public Instruction career development coordinator job description that has been approved by the State Board of Education.

(b) Career development coordinators may spend the remainder of their work time assisting other staff with the coordination of standardized testing."

SECTION 7.27.(g) G.S. 115C-316.2 reads as rewritten:

"**§ 115C-316.2. School ~~mental~~ health ~~support~~ personnel reports.**

(a) Definition. – For purposes of this section, the term "school ~~mental~~ health ~~support~~ personnel" refers to school psychologists, school counselors, school nurses, and school social workers.

…."

SECTION 7.27.(h) G.S. 115C-316.5 reads as rewritten:

"**§ 115C-316.5. School ~~psychologists~~ health personnel allotment.**

(a) For the purposes of this section, the term "school health personnel" refers to the same positions listed in G.S. 115C-316.2(a).

To the extent funds are made available, the State Board of Education shall establish a funding allotment for school ~~psychologist~~ health personnel positions. The State Board is authorized to adopt rules for the allocation of school ~~psychologist~~ health personnel positions pursuant to this allotment. Rules adopted by the State Board pursuant to this section shall include, at a minimum, the following requirements:

(1) School ~~psychologist~~ health personnel positions are allocated on the basis of average daily membership.

(2) Each local school administrative unit receives sufficient funding for at least one school psychologist ~~position in accordance with G.S. 115C-47(67).~~position.

(3) Local school administrative units are encouraged to fill positions under this allotment with full-time, permanent employees. If the local school administrative unit is unable to fill these positions by hiring a full-time, permanent employee, the allocation for the position may be converted to a dollar equivalent for the unit to contract with a third party to provide the relevant services for an amount of hours equivalent to the hours a full-time position employee would provide."

SECTION 7.27.(i) The State Board of Education has authority to adopt temporary rules to enact the provisions of this section until such a time as permanent rules can be adopted. The State Board shall also develop and distribute guidelines to all local school administrative units to assist with the implementation of this section. Each local board of education shall develop a transition plan for implementing this section within existing resources.

CODIFY USE OF SPECIAL STATE RESERVE FUND FOR TRANSPORTATION/TRANSPORTATION RESERVE FUND FOR HOMELESS AND FOSTER STUDENTS

SECTION 7.30.(a) Part 1 of Article 17 of Chapter 115C of the General Statutes is amended by adding two new sections to read:

"**§ 115C-250.3. Extraordinary Transportation Costs Grant.**

(a) There is established the Extraordinary Transportation Costs Grant Program (Program). The Program shall use funds from the Special State Reserve Fund (SSRF) to cover extraordinary costs associated with the transportation of high-needs students with disabilities.

(b) The Department of Public Instruction shall provide an application for local school administrative units and charter schools to apply for extraordinary transportation funds and may provide additional eligibility guidelines not inconsistent with this section. SSRF transportation funds shall be awarded to qualifying local school administrative units or charter schools consistent with the following:

(1) In determining extraordinary transportation costs, the Department shall consider total prior-year transportation expenditures for high-needs children with disabilities, including expenditures from local funds and all other funding sources, as a proportion of total expenditures.

(2) Applicants with highest extraordinary transportation costs shall receive highest priority in the award of grant funds.

(3) Funds may be awarded during the initial year of a high-needs student's enrollment in the local school administrative unit or charter school or in subsequent years of the student's enrollment.

"**§ 115C-250.5. Homeless and foster student transportation grant.**

(a) There is established the Transportation Reserve Fund for Homeless and Foster Students to provide for a grant program to cover extraordinary school transportation costs for homeless and foster students. For the purposes of this section, "homeless" is defined in accordance with the definition in the federal McKinney-Vento Homeless Assistance Act.

(b) The Department of Public Instruction shall provide an application process for local school administrative units and charter schools to apply for funds to cover extraordinary transportation costs for qualifying students. The Department shall establish eligibility guidelines and shall award funds consistent with the following requirements:

(1) In determining extraordinary transportation costs, the Department shall consider total prior-year transportation expenditures for homeless and foster children, including expenditures from local funds and all other funding sources, as a proportion of total expenditures.

(2) Priority shall be given to applicants in proportion to the extent that their applications and prior-year expenditures demonstrate use of available federal funds to cover the cost of transporting homeless and foster children.

(3) Awards shall not exceed fifty percent (50%) of extraordinary transportation costs as determined pursuant to this subsection.

(4) Awards shall not be issued on a pro rata basis to each eligible applicant."

SECTION 7.30.(b) Section 7.12(b) of S.L. 2021-180 is repealed.

MEDICAID REIMBURSEMENT REQUIRED FOR RESIDENTIAL SCHOOLS

SECTION 7.32. Section 7.16(a) of S.L. 2021-180 reads as rewritten:

"**SECTION 7.16.(a)** The Department of Public Instruction shall enter into a contract with a third-party entity for any administrative services necessary to receive maximum reimbursement for medically necessary health care services for which payment is available under the North Carolina Medicaid Program provided to eligible students attending the Governor Morehead School for the Blind, the Eastern North Carolina School for the Deaf, and the North Carolina School for the Deaf. The provisions of the contract shall ensure that the residential schools receive reimbursement for these services in a timely manner. If the Department of Public Instruction has not executed the contract required by this section by January 1, 2024, then the

estimated amount that would have been reimbursed on a monthly basis had the contract been executed shall be deducted from the Department's budget and shall be appropriated directly to the residential schools until the contract is executed. Funds shall be deducted from Budget Code 13510, Fund Code 1000 of the Department's budget, except any funds appropriated for the Center for Safer Schools shall not be reduced, deducted, or transferred under this section."

SCHOOL SAFETY GRANTS

SECTION 7.36.(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 7.36.(b) Program; Purpose. – The Superintendent of Public Instruction shall establish the School Safety Grants Program (Program) for the 2023-2025 fiscal biennium. The purpose of the Program shall be to improve safety in public school units by providing grants in each fiscal year of the 2023-2025 fiscal biennium for (i) services for students in crisis, (ii) school safety training, (iii) safety equipment in schools, and (iv) subsidizing the School Resource Officer Grants Program.

SECTION 7.36.(c) Grant Applications. – A public school unit may submit an application to the Superintendent of Public Instruction for one or more grants pursuant to this section in each year of the 2023-2025 fiscal biennium. 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 7.36.(d) Criteria and Guidelines. – By January 15, 2024, the Superintendent of Public Instruction shall develop criteria and guidelines for the administration and use of the grants pursuant to this section, including any documentation required to be submitted by applicants. In assessing grant applications, the Superintendent of Public Instruction 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 7.36.(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. Of the funds appropriated to the Department of Public Instruction by this act for the grants provided in this section, the Superintendent shall use no more than three hundred fifty thousand dollars ($350,000) in each year of the 2023-2025 fiscal biennium for the services identified in this subdivision.

SECTION 7.36.(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. Of the funds appropriated to the Department of Public Instruction by this act for the grants provided in this section, the Superintendent shall use no more than three hundred fifty thousand dollars ($350,000) in each year of the 2023-2025 fiscal biennium for the services identified in this subdivision.

SECTION 7.36.(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 7.36.(g1) Subsidizing School Resource Officer Grants Program. – If the Superintendent of Public Instruction receives applications for grants for school resource officers under G.S. 115C-105.60 in excess of the amount of funding appropriated for school resource officer grants in the 2023-2025 fiscal biennium, the Superintendent may use the funds appropriated to the Department of Public Instruction for the grants provided for in this section to cover the unmet need for school resource officer grants.

SECTION 7.36.(h) 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 7.36.(i) 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 each fiscal year of the 2023-2025 fiscal biennium for administrative costs associated with the Program.

SECTION 7.36.(j) 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, and the Fiscal Research Division. 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.

REVISE SCHOOL TRANSPORTATION FUNDS REQUIREMENTS

SECTION 7.47. G.S. 115C-240(e) reads as rewritten:

"(e) The State Board of Education shall allocate to the respective local boards of education funds appropriated from time to time by the General Assembly for the purpose of providing transportation to the pupils enrolled in the public schools within this State. Such funds shall be allocated by the State Board of Education ~~in accordance with~~ based on the efficiency of the local school administrative units in transporting pupils. The efficiency of the units shall be calculated using the number of pupils to be transported, the length of bus routes, road conditions and all other circumstances affecting the cost of the transportation of pupils by school bus to the end that the funds so appropriated may be allocated on a fair and equitable basis, according to the needs of the respective local school administrative ~~units and so as to provide the most efficient use of such funds.~~ units. Such allocation shall be made by the State Board of Education at the beginning of each fiscal ~~year, except that the~~ year, based on the most recently available data from a prior school year. The State Board may reserve for future allocation ~~from time to time within such fiscal year as the need therefor shall be found to exist,~~ a reasonable amount not to exceed ~~ten percent (10%)~~ five percent (5%) of the total funds available for transportation in such fiscal year from such appropriation. Prior to April 1 of the fiscal year in which the funds are reserved, the reserved funds shall be allocated only in the event of an emergency need of a local school administrative unit. In the event reserved funds remain by April 1 of that fiscal year, the State

Board shall allocate the remaining funds to all local school administrative units based on the efficiency of the units in transporting pupils. If there is evidence of inequitable or inefficient use of funds, the State Board of Education shall be empowered to review school bus routes established by local boards pursuant to G.S. 115C-246 as well as other factors affecting the cost of the transportation of pupils by school bus."

FUNDS FOR WORKFORCE DEVELOPMENT/HOSPITALITY JOBS

SECTION 7.51.(a) Of the funds appropriated to the Department of Public Instruction for each year of the 2023-2025 fiscal biennium by this act, the sum of up to four hundred thousand dollars ($400,000) shall be made available for each year of the 2023-2025 fiscal biennium to the North Carolina Hospitality Education Foundation (Education Foundation) of the North Carolina Restaurant and Lodging Association to be used to provide nationally certified programs in career and technical education focused on developing critical skills necessary for students to succeed in the hospitality sector. The purpose of the funds shall be to support instructor and student training and student testing to increase the State's skilled workforce in the restaurant and lodging sectors. The Education Foundation shall match State funds made available pursuant to this section on the basis of one dollar ($1.00) in State funds for every one dollar ($1.00) in non-State funds.

SECTION 7.51.(b) The Education Foundation, in consultation with the Department of Public Instruction, shall submit a report by April 1 of each year in which the Education Foundation spends State funds made available pursuant to this section to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the activities described by this section and the use of those funds.

LEADERSHIP DASHBOARD AND LEARNING RECOVERY/SAS

SECTION 7.52.(a) Of the funds appropriated to the Department of Public Instruction by this act, the sum of four hundred sixty-five thousand dollars ($465,000) in recurring funds for each year of the 2023-2025 fiscal biennium shall be used to continue partnering with SAS Institute, Inc. (SAS), to continue funding the North Carolina Leadership Dashboard and to support SAS as it expands analytics work in cooperation with the Department.

SECTION 7.52.(b) Of the funds appropriated to the Department of Public Instruction by this act, the sum of five hundred fifty thousand dollars ($550,000) in nonrecurring funds for each year of the 2023-2025 fiscal biennium shall be used to continue to partner with SAS to fund learning recovery analysis, student projections to pre-pandemic expected performance, and web reporting on year-over-year modeling for learning recovery.

SPECIAL NEEDS PILOT PROGRAM

SECTION 7.53. Of the funds appropriated to the Department of Public Instruction, the sum of nine hundred seventy-five thousand dollars ($975,000) in nonrecurring funds for each year of the 2023-2025 fiscal biennium shall be used to contract with Amplio Learning Technologies, Inc., to create a new pilot program (Program) for a special education digital intervention software platform in Alamance County Schools, Catawba County Schools, and Nash County Schools to increase opportunities for students with special needs. The Program shall focus primarily on students receiving interventions for speech language and reading development, including English language learners, to provide more optimized progress for the interventions. To provide more effective and efficient opportunities for Medicaid billing for speech language pathologists (SLP) services and dyslexia-related services, the platform chosen should include digital evidence-based curricula specifically aligned to speech, language, and literacy intervention goals. The chosen solution should include real-time automatic measurements, data collection, and documentation, as well as goal tracking and administrative dashboards. The platform chosen should be a web-based application accessible on multiple

devices allowing flexible application across classroom-based, small group, and individual intervention models and utilized by a variety of intervention team members, including special educators, SLPs, Reading Interventionists, SLP assistants, and educational aides. The Department of Public Instruction shall report on the results of the Program to the Joint Legislative Oversight Committee and the Fiscal Research Division by October 15, 2025. The report shall include at least (i) a comparison of Medicaid reimbursements paid out to participating public school units compared against public school units that did not participate in the Program and (ii) a comparison of Medicaid reimbursements paid out to public school units after participating in the Program compared against Medicaid reimbursements paid out to participating public school units prior to their participation in the Program.

INCREASE AMOUNT FOR DEVELOPMENTAL DAY CENTERS/REPORT

SECTION 7.54.(a) From funds available to the Developmental Day Center program, the Department of Public Instruction shall set the funding rate for each eligible student enrolled in a Center at up to a maximum of one thousand three hundred fifty dollars ($1,350) per month.

SECTION 7.54.(b) The Department of Public Instruction shall report by October 15 of each year funds are received for Developmental Day Centers to the Joint Legislative Education Oversight Committee on at least the following related to Developmental Day Centers:

(1) The number of students enrolled in Developmental Day Centers.
(2) The average funding rate for each eligible student enrolled in a Center.
(3) The percentage of eligible students enrolled in Centers that warranted dispersal of the maximum funding amount per month.
(4) The number of staffing vacancies in Centers, disaggregated by each Center.
(5) Any other information the Department deems relevant.

CTE MODERNIZATION AND EXPANSION

SECTION 7.55. Of the funds appropriated to the Department of Public Instruction by this act, up to two hundred thousand dollars ($200,000) in nonrecurring funds for each year of the 2023-2025 fiscal biennium shall be used to create a grant program for modernization of Career and Technical Education (CTE) programming, materials, training, and professional development for courses conducted in grades six through 12. The Department shall establish a grant program for each school year of the 2023-2025 fiscal biennium to which a public school unit or regional partnership of more than one public school unit may apply to receive funds if a school within the unit or partnership has an existing CTE program. Grant recipients shall use the funds distributed to them under this section to procure and implement an online digital CTE learning platform containing comprehensive courses with lesson plans, media-rich content and activities, and interactive assessments that align with the North Carolina Career and Technical Education Standards. The platform shall have modules that assist teachers in preparing students for high-wage, high-growth career areas. By October 1, 2023, the Department shall select approved providers to guarantee consistency throughout the State. Any selected digital CTE learning platform shall include at least all of the following components:

(1) Instructional strategies and guided lesson plans to assist teachers with classroom implementation and instructional differentiation.
(2) Media-based instructional content for providing demonstrations and instruction on skills required for applicable career areas.
(3) Multiple methods of delivery of instruction, including at least face-to-face, self-paced, and distance or hybrid learning.
(4) Guided projects and activities to incorporate hands-on application of skills.
(5) A focus on mastery-based learning.
(6) Reporting features to provide data on student progress.
(7) Guidance for students to obtain industry-recognized certifications.

(8) Career connections to provide examples of career opportunities following graduation from high school.

DPI FUND CODE FLEXIBILITY

SECTION 7.56. As part of the certification of the budget for the 2023-2025 fiscal biennium, the Department of Public Instruction, in consultation with the Office of State Budget and Management and the Fiscal Research Division, shall redefine the fund codes composing the State Public School Fund as necessary to facilitate effective public school unit budgeting and cash management in preparation for the implementation of the North Carolina Financial System.

ENHANCED SCHOOL BUS STOP ARM GRANTS

SECTION 7.57.(a) For the purposes of this section, the following definitions apply:

(1) Extended mechanical stop signal. – A mechanical stop signal that is a minimum of 60 inches away from the side of the school bus when extended, whether operated independently or in conjunction with a shorter mechanical stop signal.

(2) Illuminated mechanical stop signal. – A mechanical stop signal that is illuminated with a light-emitting diode (LED) light source.

(3) Mechanical stop signal. – A retractable mechanical arm with a stop sign and red flashing lights attached to the end of the arm that is mounted to the driver side of a school bus and used to stop traffic while students disembark the bus, as referenced in G.S. 20-217, and in conformity with Standard No. 131 of Part 571 of the Federal Motor Vehicle Safety Standards.

(4) School bus. – As defined in G.S. 20-4.01(27).

SECTION 7.57.(b) With the funds appropriated to the Department of Public Instruction by this act for this purpose, the Superintendent of Public Instruction shall establish the Enhanced School Bus Stop Arm Grant Program (Program) for the 2023-2024 fiscal year to administer funds to public school units to add, upgrade, or replace mechanical stop signals on school buses with either illuminated mechanical stop signals or extended mechanical stop signals to increase the safety of students when disembarking or boarding the bus.

SECTION 7.57.(c) The Superintendent shall develop the application process for the Program and inform public school units how to apply. At a minimum, the Superintendent shall consider the type and number of stop signal additions, upgrades, or replacements the public school unit proposes to complete and the number of bus routes or stops that are known to pose a significant safety risk.

SECTION 7.57.(d) No later than April 15, 2024, the Superintendent shall submit a report to the Joint Legislative Education Oversight Committee containing at least the following information:

(1) Which public school units received grants and in what amounts.

(2) Whether the public school unit purchased (i) extended mechanical stop signals, (ii) illuminated mechanical stop signals, or (iii) both.

(3) What outstanding need remains, if any, including the amount needed to fulfill remaining grant requests.

(4) The impact of the program on student safety.

(5) Recommendations for additional school bus mechanical stop signal technology or implementation.

ELIMINATE STUDENT COPAY FOR REDUCED-PRICE MEALS

SECTION 7.58. Funds appropriated from the General Fund to the Department of Public Instruction by this act for reduced-price school meal copays shall be used to provide school breakfasts and lunches at no cost to students of all grade levels that qualify for

reduced-price meals under the National School Lunch Program in the current school year. If the funds are insufficient to provide school meals at no cost to students qualifying for reduced-price meals, the Department of Public Instruction may use funds appropriated to the State Aid for Public Schools fund for this purpose.

CEP MEAL PROGRAM EXPANSION PILOT

SECTION 7.59.(a) Program; Purpose. – The Department of Public Instruction shall establish the CEP Program Expansion Pilot (Pilot) for the 2023-2025 fiscal biennium to expand public school participation in the federal Community Eligibility Provision (CEP) program to increase the number of students with access to healthy, cost-free school breakfast and lunch. The Pilot shall be available to public school units for the 2024-2025 fiscal year. It is the intent of the General Assembly to continue the Pilot in the 2025-2027 fiscal biennium.

SECTION 7.59.(b) Eligibility. – A public school unit is eligible for the Pilot if any school within the public school unit qualifies for the federal CEP program and the qualifying schools do not participate in the CEP program in the 2023-2024 fiscal year.

SECTION 7.59.(c) Application. – By January 15, 2024, the Department shall develop the application for the Pilot and make it available to public school units. Public school units shall submit their applications by March 1, 2024. At a minimum, the application shall include the following information:

(1) The school or schools that will participate in the CEP program.

(2) The Identified Student Percentage (ISP) for the school or schools for the 2024-2025 school year.

(3) The number of students enrolled in the school or schools for the 2024-2025 school year.

(4) Participation rates in the National School Breakfast and Lunch programs for the 2023-2024 school year for the schools requesting to participate in the Pilot.

SECTION 7.59.(d) Selection. – By April 30, 2024, the Department shall determine whether each applicant is eligible to participate in the Pilot. The Department shall then award grants to all eligible public school units. If there are insufficient funds to award grants to all eligible public school units, the Department shall prioritize awarding grants to public school units with an Identified Student Percentage (ISP) of greater than or equal to forty-seven percent (47%).

SECTION 7.59.(e) Grants. – The Department shall issue State reimbursements to participating public school units to supplement federal reimbursements of school meals. State reimbursement shall equal the difference between the federal free rate and the federal paid rate for the number of meals served at the participating schools equal to a 0.2 multiplier of the ISP for the participating schools. State and federal reimbursements shall not exceed one hundred percent (100%) of the federal free rate of meals served. Schools participating in the Pilot shall offer breakfast after the bell and in the classroom.

SECTION 7.59.(f) Nonsupplant Requirement. – A public school unit that receives funds under the Pilot shall use the funds to supplement and not supplant local current expense funds.

SECTION 7.59.(g) Report. – No later than January 1, 2025, the Department shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division at least the following information:

(1) The number of schools that participated in the Pilot.

(2) The number of students that received free meals due to the Pilot who did not before.

(3) The amount of federal money participating public school units received.

(4) The amount awarded to each public school unit.

SECTION 7.59.(h) Administration. – The Department may use up to five hundred thousand dollars ($500,000) of the funds appropriated to the Department for the Pilot in the 2023-2024 fiscal year for the administrative costs of implementing the Pilot.

NO ADMINISTRATIVE PENALTY FOR UNPAID MEAL DEBT

SECTION 7.60.(a) G.S. 115C-264 is amended by adding a new subsection to read:

"(d) Governing bodies of public school units shall not impose administrative penalties on a student for unpaid school meal debt. Administrative penalties include the following:

(1) Withholding student records, including transcripts, report cards, attendance records, and health records.

(2) Not allowing a student to participate in graduation or receive a diploma."

SECTION 7.60.(b) G.S. 115C-218.75 is amended by adding a new subsection to read:

"(k) Unpaid Meal Debt. – If a charter school participates in the school nutrition program, the charter school may not impose administrative penalties on a student for unpaid school meal debt in accordance with G.S. 115C-264(d)."

SECTION 7.60.(c) G.S. 115C-238.66 is amended by adding a new subdivision to read:

"(19) Unpaid meal debt. – If a regional school participates in the school nutrition program, the regional school may not impose administrative penalties on a student for unpaid school meal debt in accordance with G.S. 115C-264(d)."

SECTION 7.60.(d) G.S. 116-239.8(b) is amended by adding a new subdivision to read:

"(22) Unpaid meal debt. – If a laboratory school participates in the school nutrition program, the laboratory school may not impose administrative penalties on a student for unpaid school meal debt in accordance with G.S. 115C-264(d)."

HIGH SCHOOL REMOTE INSTRUCTION FLEXIBILITY PILOT

SECTION 7.61.(a) Notwithstanding G.S. 115C-84.3(c), for the 2023-2024 through 2027-2028 school years, the Superintendent of Public Instruction shall select 10 local school administrative units to participate in a remote instruction flexibility pilot. The pilot shall authorize local boards of education to establish a school calendar for high schools that uses up to five days or 30 hours of remote instruction, as defined in G.S. 115C-84.3, to ensure that all final examinations for the fall semester are administered to students prior to December 31 of the school year. The remote instruction days or hours used as part of the pilot shall be in addition to any days or hours authorized by G.S. 115C-84.3(b).

SECTION 7.61.(b) Each participating local board of education shall, beginning July 15, 2024, and ending July 15, 2028, annually report the following to the Superintendent of Public Instruction:

(1) The high schools that participated in the pilot.

(2) A copy of the high school calendars that designate remote instruction time.

(3) The methods for providing instruction outside of the school facility.

(4) The impact on academic outcomes for students in comparison to the recent years where final examinations for the fall semester were administered after December 31.

(5) Identified advantages to using the pilot calendar and additional remote learning.

(6) Identified disadvantages to using the pilot calendar and additional remote learning.

SECTION 7.61.(c) The Superintendent of Public Instruction shall annually summarize the information provided by the participating local boards of education and provide

a report of that information, including a copy of each participating local board of education's report, to the Joint Legislative Education Oversight Committee beginning September 15, 2024, and ending September 15, 2028.

SPARKNC PILOT FOR HIGH-TECH LEARNING ACCELERATOR CREDIT

SECTION 7.62.(a) There is established the SparkNC Pilot Program (Program) for the 2023-2025 fiscal biennium. The pilot program authorizes SparkNC, a North Carolina nonprofit corporation, in partnership with selected public school units, to develop a nontraditional, student-driven pathway through which students may select and complete modular learning experiences that, when aggregated, will provide a competency-based equivalency to a traditional elective course credit. SparkNC shall provide a menu of modular learning experiences that include opportunities for work-based learning. The competency-based elective credit shall be denoted on student transcripts as High-Tech Learning Accelerator and focused on science, technology, engineering, and mathematics (STEM).

SECTION 7.62.(b) Each public school unit partnering with SparkNC in accordance with this section (partnering public school units) shall enter a memorandum of understanding with SparkNC to meet certain requirements for the Program. These requirements shall include the provision of a physical learning lab staffed by a learning lab facilitator that will provide a site for collaborative learning and virtual networking. Learning lab facilitators shall facilitate interdistrict instruction, provide student advising, design learning experiences, coordinate with industry partners, and validate student work.

SECTION 7.62.(c) Partnering public school units shall award the elective credit in High-Tech Learning Accelerator to any student who completes a combination of modules determined by SparkNC to provide the competency-based elective credit in that course upon verification of successful completion of the learning experiences and integrity of student work products by the learning lab facilitator. The elective credit shall be denoted as achieved mastery on the student's transcript. A student's participation in modules but failure to earn elective credit shall not be denoted as a fail on the student's transcript.

SECTION 7.62.(d) The following provisions shall apply to the Program:

(1) Notwithstanding G.S. 115C-295, learning lab facilitators shall not be required to hold teacher licensure but shall meet the standards established by the memorandum of understanding. Learning lab facilitators shall be the teacher of record for students enrolled in the Program. Additional non-licensed personnel may be contracted with on a full- or part-time basis for the purpose of providing timely, real-world content, industry expertise, and student learning experiences. Learning lab facilitators and contract personnel with the Program shall be subject to the requirements of Part 6 of Article 22 of Chapter 115C of the General Statutes (Criminal History Checks).

(2) For the purposes of student participation in the Program, the requirements of Part 2 of Article 8 of Chapter 115C of the General Statutes (Calendar) shall not apply. Students may continue to participate in the Program and aggregate learning experiences throughout the time the student is enrolled in the public school unit and shall not be limited to a semester or school year. Learning experiences may be provided to students in person, remotely, or through asynchronous modules.

(3) Notwithstanding G.S. 115C-316 or any other law to the contrary, public school units shall not be required to pay learning lab facilitators in accordance to the salary schedule used for other teachers employed by the public school unit.

(4) If a course in computer science is required for high school graduation, completion of the competency-based elective credit of High-Tech Learning Accelerator shall be deemed to satisfy that requirement.

SECTION 7.62.(e) For the 2023-2024 and 2024-2025 school years, the following public school units may partner with SparkNC to participate in the Program:

(1) Asheboro City Schools
(2) Cabarrus County Schools
(3) Chapel Hill-Carrboro City Schools
(4) Chatham County Schools
(5) Cumberland County Schools
(6) Edgecombe County Schools
(7) Elizabeth City-Pasquotank Public Schools
(8) Granville County Schools
(9) Guilford County Schools
(10) Lexington City Schools
(11) Mt. Airy City Schools
(12) New Hanover County Schools
(13) Rockingham County Schools
(14) Rowan-Salisbury Schools
(15) Scotland County Schools
(16) Vance County Schools
(17) Wake County Public School System
(18) Warren County Schools

SECTION 7.62.(f) For the 2024-2025 school year, SparkNC may select up to 10 additional public school units to partner with for the Program.

SECTION 7.62.(g) SparkNC, in consultation with the partnering public school units, shall provide an interim report to the Joint Legislative Education Oversight Committee by March 1, 2025, on the following information, disaggregated for each public school unit by grade level and school, when possible:

(1) Number and percentage of student participation in the Program.
(2) Student retention and persistence in the Program.
(3) Student completion of the High-Tech Learning Accelerator elective credit.
(4) Student evaluation of the Program.
(5) Student interest in science, technology, engineering, and mathematics following participation in the Program.
(6) Cost per student for Program participation.
(7) Public school unit persistence in the Program.
(8) Recommendations for Program changes, including recommended legislative changes.

SECTION 7.62.(h) SparkNC, in consultation with the partnering public school units, shall provide a final report to the Joint Legislative Education Oversight Committee by March 1, 2026, on the following information, disaggregated for each public school unit by grade level and school, when possible:

(1) Number and percentage of student participation in the Program.
(2) Student retention and persistence in the Program.
(3) Student completion of the High-Tech Learning Accelerator elective credit.
(4) Student evaluation of the Program.
(5) Student interest in science, technology, engineering, and mathematics following participation in the Program.
(6) Cost per student for Program participation.
(7) Public school unit persistence in the Program.

(8) Recommendations for Program changes, including recommended legislative changes.

(9) Recommendations on development of a mastery transcript.

EXTENDED LEARNING AND INTEGRATED STUDENT SUPPORTS COMPETITIVE GRANT PROGRAM

SECTION 7.63.(a) Of the funds appropriated by this act for the At-Risk Student Services Alternative School Allotment for the 2023-2025 fiscal biennium, the Department of Public Instruction shall use up to seven million dollars ($7,000,000) for the 2023-2024 fiscal year and up to seven million dollars ($7,000,000) for the 2024-2025 fiscal year for the Extended Learning and Integrated Student Supports Competitive Grant Program (Program). Of these funds, the Department of Public Instruction may use up to two hundred thousand dollars ($200,000) for each fiscal year to administer the Program.

SECTION 7.63.(b) The purpose of the Program is to fund high-quality, independently validated extended learning and integrated student support service programs for at-risk students that raise standards for student academic outcomes by focusing on the following:

(1) Use of an evidence-based model with a proven track record of success.

(2) Inclusion of rigorous, quantitative performance measures to confirm effectiveness of the program.

(3) Deployment of multiple tiered supports in schools to address student barriers to achievement, such as strategies to improve chronic absenteeism, antisocial behaviors, academic growth, and enhancement of parent and family engagement.

(4) Alignment with State performance measures, student academic goals, and the North Carolina Standard Course of Study.

(5) Prioritization in programs to integrate clear academic content, in particular, science, technology, engineering, and mathematics (STEM) learning opportunities or reading development and proficiency instruction.

(6) Minimization of student class size when providing instruction or instructional supports and interventions.

(7) Expansion of student access to high-quality learning activities and academic support that strengthen student engagement and leverage community-based resources, which may include organizations that provide mentoring services and private-sector employer involvement.

(8) Utilization of digital content to expand learning time, when appropriate.

SECTION 7.63.(c) Grants shall be used to award funds for new or existing eligible programs for at-risk students operated by (i) nonprofit corporations and (ii) nonprofit corporations working in collaboration with local school administrative units. Grant participants are eligible to receive grants for up to two years in an amount of up to five hundred thousand dollars ($500,000) each year. Programs should focus on serving (i) at-risk students not performing at grade level as demonstrated by statewide assessments, (ii) students at risk of dropout, and (iii) students at risk of school displacement due to suspension or expulsion as a result of antisocial behaviors. Priority consideration shall be given to applications demonstrating models that focus services and programs in schools that are identified as low-performing pursuant to G.S. 115C-105.37.

A grant participant shall provide certification to the Department of Public Instruction that the grants received under the Program shall be matched on the basis of three dollars ($3.00) in grant funds for every one dollar ($1.00) in nongrant funds. Matching funds shall not include other State funds. The Department shall also give priority consideration to an applicant that is a nonprofit corporation working in partnership with a local school administrative unit resulting in a match utilizing federal funds under Part A of Title I of the Elementary and Secondary Education

Act of 1965, as amended, or Title IV of the Higher Education Act of 1965, as amended, and other federal or local funds. Matching funds may include in-kind contributions for up to fifty percent (50%) of the required match.

SECTION 7.63.(d) A nonprofit corporation may act as its own fiscal agent for the purposes of this Program. Grant recipients shall report to the Department of Public Instruction for the year in which grant funds were expended on the progress of the Program, including alignment with State academic standards, data collection for reporting student progress, the source and amount of matching funds, and other measures, before receiving funding for the next fiscal year. Grant recipients shall also submit a final report on key performance data, including statewide test results, attendance rates, graduation rates, and promotion rates, and financial sustainability of the Program.

SECTION 7.63.(e) The Department of Public Instruction shall provide an interim report on the Program to the Joint Legislative Education Oversight Committee by September 15, 2024, with a final report on the Program by September 15, 2025. The final report shall include the final results of the Program and recommendations regarding effective program models, standards, and performance measures based on student performance, leveraging of community-based resources to expand student access to learning activities, academic and behavioral support services, and potential opportunities for the State to invest in proven models for future grant programs.

PROHIBITION AGAINST "THREE-CUEING"

SECTION 7.64.(a) G.S. 115C-83.3 is amended by adding a new subdivision to read:

"(9a) "Three-cueing system" means a model of teaching students to read based on meaning, structure and syntax, and visual cues, also known as "MSV.""

SECTION 7.64.(b) G.S. 115C-83.4B is amended by adding a new subsection to read:

"(c) The Early Literacy Program shall not use a three-cueing system, as defined in G.S. 115C-83.3(9a), or a curriculum with visual memory as the primary basis for teaching word recognition in any instruction or intervention provided to students in an NC Pre-K program."

SECTION 7.64.(c) Part 1A of Article 8 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-83.12. Prohibition against three-cueing system model of teaching students to read.**

Local school administrative units shall not use a three-cueing system or a curriculum with visual memory as the primary basis for teaching word recognition in any instruction or intervention provided to students in grades kindergarten through three."

SECTION 7.64.(d) G.S. 115C-150.12C is amended by adding a new subdivision to read:

"(3a) Literacy instruction. – The board of trustees shall ensure that a three-cueing system, as defined in G.S. 115C-83.3(9a), or a curriculum with visual memory as the primary basis for teaching word recognition is not used in any instruction or intervention provided to students in grades kindergarten through three."

SECTION 7.64.(e) G.S. 115C-218.85(b) is amended by adding a new subdivision to read:

"(5) The charter school shall not use a three-cueing system, as defined in G.S. 115C-83.3(9a), or a curriculum with visual memory as the primary basis for teaching word recognition in any instruction or intervention provided to students in grades kindergarten through three."

SECTION 7.64.(f) G.S. 116-239.8(b)(2) is amended by adding a new sub-subdivision to read:

"e. The chancellor shall ensure that a three-cueing system, as defined in G.S. 115C-83.3(9a), or a curriculum with visual memory as the primary basis for teaching word recognition is not used in any instruction or intervention provided to students in grades kindergarten through three."

SECTION 7.64.(g) G.S. 115C-269.20(a)(2)a1. reads as rewritten:

"a1. Coursework in the Science or Reading, as defined in G.S. 115C-83.3. This coursework shall not include preparation to use a three-cueing system, as defined in G.S. 115C-83.3(9a), or a curriculum with visual memory as the primary basis for teaching word recognition to students in grades kindergarten through three."

SECTION 7.64.(h) This section is effective when it becomes law and applies beginning with the 2023-2024 school year.

PROFESSIONAL DEVELOPMENT FOR HOLOCAUST EDUCATION FUNDS NOT TO REVERT

SECTION 7.65. Notwithstanding any provision of law to the contrary, funds appropriated to the Department of Public Instruction for professional development associated with the Gizella Abramson Holocaust Education Act shall not revert to the General Fund but shall remain available for the purposes for which they were appropriated until June 30, 2024.

SALARY SUPPLEMENTS FOR TEACHERS IN ADVANCED TEACHING ROLES SCHOOLS

SECTION 7.66. Article 20 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-312. Salary supplements for teachers in Advanced Teaching Roles schools.**

(a) For purposes of this section, the following definitions shall apply:

(1) Adult leadership teacher. – A teacher who meets the following criteria:

a. Works in the classroom providing instruction for at least thirty percent (30%) of the instructional day.

b. Leads a team of between three and eight teachers.

c. Shares responsibility for the performance of the students of all teachers on the team identified in sub-subdivision b. of this subdivision.

d. Is not a school administrator.

(2) Advanced teaching role. – Additional responsibility for a teacher in an Advanced Teaching Roles school, as developed by a local board of education pursuant to G.S. 115C-311.

(3) Advanced Teaching Roles unit. – A local school administrative unit with at least one Advanced Teaching Roles school.

(4) Classroom excellence teacher. – A teacher who meets the following criteria:

a. Is a teacher in an advanced teaching role.

b. Assumes and maintains responsibility for at least twenty percent (20%) of additional students as compared to the most recent prior school year in which the teacher did not receive a salary supplement pursuant to this section.

c. Is a member of a team of teachers led by an adult leadership teacher pursuant to sub-subdivision b. of subdivision (1) of this subsection.

(5) Teacher. – A classroom teacher in an Advanced Teaching Roles school who is not instructional support personnel.

(b) Notwithstanding G.S. 115C-311, to the extent funds are made available for this purpose, the State Board of Education shall award funds to local school administrative units for

annual salary supplements for teachers in accordance with this section. Advanced Teaching Roles units shall designate up to fifteen percent (15%) of the teachers in each Advanced Teaching Roles school as adult leadership teachers and five percent (5%) of the teachers in each Advanced Teaching Roles school as classroom excellence teachers. Advanced Teaching Roles units shall provide salary supplements for those teachers as follows:

(1) Ten thousand dollars ($10,000) for adult leadership teachers.

(2) Three thousand dollars ($3,000) for classroom excellence teachers.

(c) The following additional requirements apply to salary supplements received pursuant to this section:

(1) Loss of a salary supplement received pursuant to this section for any reason shall not be considered a demotion under Part 3 of Article 22 of Chapter 115C of the General Statutes.

(2) A teacher is eligible to continue receiving a salary supplement pursuant to this section as long as he or she remains an adult leadership teacher or a classroom excellence teacher.

(3) A teacher is eligible to receive no more than one annual salary supplement pursuant to this section at any time."

ADVANCED TEACHING ROLES/NEW HANOVER COUNTY

SECTION 7.67. Notwithstanding G.S. 115C-311, beginning in the 2023-2024 school year, the State Board of Education shall authorize New Hanover County Schools to participate in the Advanced Teaching Roles Program (Program) and, to the extent funds are available in the Program, award State funds to New Hanover County Schools for an initial term, if the following occur:

(1) New Hanover County Schools submits a proposal to participate in the Program by July 1, 2023.

(2) The proposal submitted pursuant to subdivision (1) of this section is consistent with the requirements of G.S. 115C-311(b).

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 2023-2024 fiscal year to licensed personnel of the public schools who are classified as teachers. The salary schedule is based on years of teaching experience.

2023-2024 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0	$3,900
1	$4,000
2	$4,100
3	$4,200
4	$4,300
5	$4,400
6	$4,480
7	$4,560
8	$4,640
9	$4,720
10	$4,800
11	$4,880
12	$4,960
13	$5,040

14	$5,120
15-24	$5,220
25+	$5,420

SECTION 7A.1.(b) Salary Supplements for Teachers Paid on This Salary Schedule. –

(1) Licensed teachers who have NBPTS certification shall receive a salary supplement each month of twelve percent (12%) of their monthly salary on the "A" salary schedule.

(2) Licensed teachers who are classified as "M" teachers shall receive a salary supplement each month of ten percent (10%) of their monthly salary on the "A" salary schedule.

(3) Licensed teachers with licensure based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the supplement provided to them as "M" teachers.

(4) Licensed teachers with licensure based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the supplement provided to them as "M" teachers.

(5) Certified school nurses shall receive a salary supplement each month of ten percent (10%) of their monthly salary on the "A" salary schedule.

(6) School counselors who are licensed as counselors at the master's degree level or higher shall receive a salary supplement each month of one hundred dollars ($100.00).

SECTION 7A.1.(c) For school psychologists, school speech pathologists who are licensed as speech pathologists at the master's degree level or higher, and school audiologists who are licensed as audiologists at the master's degree level or higher, the following shall apply:

(1) The first step of the salary schedule shall be equivalent to the sixth step of the "A" salary schedule.

(2) These employees shall receive the following salary supplements each month:

a. Ten percent (10%) of their monthly salary, excluding the supplement provided pursuant to sub-subdivision b. of this subdivision.

b. Three hundred fifty dollars ($350.00).

(3) These employees 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.

(4) The twenty-sixth step of the salary schedule 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.(d) Beginning with the 2014-2015 fiscal year, in lieu of providing annual longevity payments to teachers paid on the teacher salary schedule, the amounts of those longevity payments are included in the monthly amounts under the teacher salary schedule.

SECTION 7A.1.(e) A teacher compensated in accordance with this salary schedule for the 2023-2024 school year shall receive an amount equal to the greater of the following:

(1) The applicable amount on the salary schedule for the applicable school year.

(2) For teachers who were eligible for longevity for the 2013-2014 school year, the sum of the following:

a. The salary the teacher received in the 2013-2014 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 2013-2014 school year provided in Section 35.11 of S.L. 2013-360 based on the teacher's current years of service.
c. The annual bonus provided in Section 9.1(e) of S.L. 2014-100.

(3) For teachers who were not eligible for longevity for the 2013-2014 school year, the sum of the salary and annual bonus the teacher received in the 2014-2015 school year pursuant to Section 9.1 of S.L. 2014-100.

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

SECTION 7A.1.(g) It is the intent of the General Assembly to implement the following base monthly teacher salary schedule for the 2024-2025 fiscal year to licensed personnel of the public schools who are classified as teachers. The salary schedule is based on years of teaching experience.

2024-2025 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0	$4,100
1	$4,175
2	$4,250
3	$4,325
4	$4,400
5	$4,475
6	$4,550
7	$4,625
8	$4,700
9	$4,775
10	$4,850
11	$4,925
12	$5,000
13	$5,075
14	$5,150
15-24	$5,225
25+	$5,425

CONSOLIDATED TEACHER BONUS PROGRAM

SECTION 7A.3.(a) Establish Consolidated Bonus Program. – The State Board of Education shall establish a consolidated teacher bonus program for the 2023-2025 fiscal biennium to reward teacher performance and encourage student learning and improvement. To attain this goal, the Department of Public Instruction shall administer bonus pay to qualifying teachers whose salaries are supported from State funds in January of 2024 and 2025, based on data from the 2022-2023 and 2023-2024 school years, respectively, in accordance with this section.

SECTION 7A.3.(b) Definitions. – For purposes of this section, the following definitions shall apply:

(1) Eligible advanced course teacher. – A teacher of Advanced Placement courses, International Baccalaureate Diploma Programme courses, or the Cambridge Advanced International Certificate of Education (AICE) program who meets the following criteria:
a. Is employed by, or retired having last held a position at, one or more of the following:
1. A qualifying public school unit.
2. The North Carolina Virtual Public School program.

b. Taught one or more students who received a score listed in subsection (c) of this section.

(2) Eligible career and technical education (CTE) teacher. – A teacher who meets the following criteria:

a. Is employed by, or retired having last held a position at, a qualifying public school unit.

b. Taught one or more students who attained approved industry certifications or credentials consistent with G.S. 115C-156.2.

(3) Eligible growth teacher. – A teacher who meets at least one of the following criteria:

a. Is employed by, or retired having last held a position at, a qualifying public school unit and meets one of the following criteria:

1. Is in the top twenty-five percent (25%) of teachers in the State according to the EVAAS student growth index score for third grade reading from the previous school year.

2. Is in the top twenty-five percent (25%) of teachers in the State according to the EVAAS student growth index score for fourth or fifth grade reading from the previous school year.

3. Is in the top twenty-five percent (25%) of teachers in the State according to the EVAAS student growth index score for fourth, fifth, sixth, seventh, or eighth grade mathematics from the previous school year.

b. Is employed by, or retired having last held a position at, a local school administrative unit and meets one of the following criteria:

1. Is in the top twenty-five percent (25%) of teachers in the teacher's respective local school administrative unit according to the EVAAS student growth index score for third grade reading from the previous school year.

2. Is in the top twenty-five percent (25%) of teachers in the teacher's respective local school administrative unit according to the EVAAS student growth index score for fourth or fifth grade reading from the previous school year.

3. Is in the top twenty-five percent (25%) of teachers in the teacher's respective local school administrative unit according to the EVAAS student growth index score for fourth, fifth, sixth, seventh, or eighth grade mathematics from the previous school year.

c. Was employed by a local school administrative unit that employed in the previous school year three or fewer total teachers in that teacher's grade level as long as the teacher has an EVAAS student growth index score from the previous school year of exceeded expected growth in one of the following subject areas:

1. Third grade reading.

2. Fourth or fifth grade reading.

3. Fourth, fifth, sixth, seventh, or eighth grade mathematics.

(4) EVAAS. – The Education Value-Added Assessment System.

(5) Qualifying public school unit. – Any of the following:

a. A local school administrative unit.

b. A charter school.

c. A regional school.

d. A school providing elementary or secondary instruction operated by The University of North Carolina under Article 29A of Chapter 116 of the General Statutes.

(6) Qualifying teacher. – An eligible teacher who meets one of the following criteria:

a. Remains employed teaching in the same qualifying public school unit, or, if an eligible advanced course teacher is only employed by the North Carolina Virtual Public School program, remains employed teaching in that program, at least from the school year the data is collected until January 1 of the corresponding school year that the bonus is paid.

b. Retired, between the last day of the school year in which the data is collected and January 1 of the corresponding school year in which the bonus is paid, after attaining one of the following:

1. The age of at least 65 with five years of creditable service.
2. The age of at least 60 with 25 years of creditable service.
3. Thirty years of creditable service.

SECTION 7A.3.(c) Advanced Course Bonuses. – A bonus in the amount of fifty dollars ($50.00) shall be provided to qualifying advanced course teachers for each student taught in each advanced course who receives the following score:

(1) For Advanced Placement courses, a score of three or higher on the College Board Advanced Placement Examination.

(2) For International Baccalaureate Diploma Programme courses, a score of four or higher on the International Baccalaureate course examination.

(3) For the Cambridge AICE program, a score of "C" or higher on the Cambridge AICE program examinations.

SECTION 7A.3.(d) CTE Bonuses. – For qualifying career and technical education teachers, bonuses shall be provided in the following amounts:

(1) A bonus in the amount of twenty-five dollars ($25.00) for each student taught by a teacher who provided instruction in a course that led to the attainment of an industry certification or credential with a twenty-five dollar ($25.00) value ranking as determined under subsection (e) of this section.

(2) A bonus in the amount of fifty dollars ($50.00) for each student taught by a teacher who provided instruction in a course that led to the attainment of an industry certification or credential with a fifty dollar ($50.00) value ranking as determined under subsection (e) of this section.

SECTION 7A.3.(e) CTE Course Value Ranking. – The Department of Commerce, in consultation with the State Board, shall assign a value ranking for each industry certification and credential based on academic rigor and employment value in accordance with this subsection. Fifty percent (50%) of the ranking shall be based on academic rigor and the remaining fifty percent (50%) on employment value. Academic rigor and employment value shall be based on the following elements:

(1) Academic rigor shall be based on the number of instructional hours, including work experience or internship hours, required to earn the industry certification or credential, with extra weight given for coursework that also provides community college credit.

(2) Employment value shall be based on the entry wage, growth rate in employment for each occupational category, and average annual openings for the primary occupation linked with the industry certification or credential.

SECTION 7A.3.(f) Statewide Growth Bonuses. – Of the funds appropriated in this act for the program, bonuses shall be provided to qualifying teachers who are eligible teachers under sub-subdivision a. of subdivision (3) of subsection (b) of this section, as follows:

(1) The sum of five million dollars ($5,000,000) shall be allocated for bonuses to eligible teachers under sub-sub-subdivision a.1. of subdivision (3) of subsection (b) of this section. These funds shall be distributed equally among qualifying teachers.

(2) A bonus in the amount of two thousand dollars ($2,000) shall be awarded to each qualifying teacher who is an eligible teacher under sub-sub-subdivision a.2. of subdivision (3) of subsection (b) of this section.

(3) A bonus in the amount of two thousand dollars ($2,000) shall be awarded to each qualifying teacher who is an eligible teacher under sub-sub-subdivision a.3. of subdivision (3) of subsection (b) of this section.

SECTION 7A.3.(g) Local Growth Bonuses. – Of the funds appropriated in this act for the program, bonuses shall be provided to eligible teachers under sub-subdivisions b. and c. of subdivision (3) of subsection (b) of this section, as follows:

(1) The sum of five million dollars ($5,000,000) shall be allocated for bonuses to eligible EVAAS teachers under sub-sub-subdivisions b.1. and c.1. of subdivision (3) of subsection (b) of this section. These funds shall be divided proportionally based on average daily membership in third grade for each local school administrative unit and then distributed equally among qualifying third grade reading teachers in each local school administrative unit.

(2) A bonus in the amount of two thousand dollars ($2,000) shall be awarded to each qualifying teacher who is an eligible teacher under sub-sub-subdivision b.2. or c.2. of subdivision (3) of subsection (b) of this section.

(3) A bonus in the amount of two thousand dollars ($2,000) shall be awarded to each qualifying teacher who is an eligible teacher under sub-sub-subdivision b.3. or c.3. of subdivision (3) of subsection (b) of this section.

SECTION 7A.3.(h) Limitations and Other Criteria. – The following additional limitations and other criteria shall apply to the program:

(1) Bonus funds awarded to a teacher pursuant to subsection (c), subsection (d), subdivision (1) of subsection (f), and subdivision (1) of subsection (g) of this section shall not exceed three thousand five hundred dollars ($3,500) per subsection or subdivision in any given school year.

(2) A qualifying teacher who is an eligible teacher under sub-sub-subdivision a.1., b.1., or c.1. of subdivision (3) of subsection (b) of this section may receive a bonus under both subdivision (1) of subsection (f) and subdivision (1) of subsection (g) of this section but shall not receive more than seven thousand dollars ($7,000) pursuant to subdivision (1) of subsection (f) and subdivision (1) of subsection (g) of this section in any given school year.

(3) A qualifying teacher who is an eligible teacher under sub-sub-subdivision a.2., b.2., or c.2. of subdivision (3) of subsection (b) of this section may receive a bonus under both subdivision (2) of subsection (f) and subdivision (2) of subsection (g) of this section but shall not receive more than two bonuses pursuant to subdivision (2) of subsection (f) and subdivision (2) of subsection (g) of this section in any given school year.

(4) A qualifying teacher who is an eligible teacher under sub-sub-subdivision a.3., b.3., or c.3. of subdivision (3) of subsection (b) of this section may receive a bonus under both subdivision (3) of subsection (f) and subdivision (3) of subsection (g) of this section but shall not receive more than two bonuses

pursuant to subdivision (3) of subsection (f) and subdivision (3) of subsection (g) of this section in any given school year.

SECTION 7A.3.(i) Bonuses Not Compensation. – Bonuses awarded to a teacher pursuant to this section shall be in addition to any regular wage or other bonus the teacher receives or is scheduled to receive. Notwithstanding G.S. 135-1(7a), the bonuses awarded under this section are not compensation under Article 1 of Chapter 135 of the General Statutes, Retirement System for Teachers and State Employees.

SECTION 7A.3.(j) Study and Report. – The State Board of Education shall study the effect of the program on teacher performance and retention. The State Board shall report the results of its findings and the amount of bonuses awarded to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division by March 15 of each year of the 2023-2025 fiscal biennium. The report shall include, at a minimum, the following information:

(1) Number of students enrolled and taking examinations in each of the following categories of courses:
   a. Advanced Placement.
   b. International Baccalaureate Diploma Programme.
   c. Cambridge AICE program.
   d. Courses needed for the attainment of an industry certification or credential.

(2) Number of students receiving outcomes on examinations resulting in the award of a bonus for a teacher in each category of courses identified in sub-subdivision a. of subdivision (1) of this subsection.

(3) Number of teachers receiving a bonus in each category of courses identified in sub-subdivision a. of subdivision (1) of this subsection.

(4) The amounts awarded to teachers for each category of courses identified in sub-subdivision a. of subdivision (1) of this subsection.

(5) The type of industry certifications and credentials earned by the students, the value ranking for each certification and credential, the number of bonuses earned for each certification or credential, and the total bonus amount awarded for each certification or credential.

(6) Average bonus amount awarded to each qualifying teacher who is an eligible teacher under sub-sub-subdivision a.1., b.1., or c.1. of subdivision (3) of subsection (b) of this section.

(7) The percentage of teachers who received a bonus pursuant to this section and were eligible to receive a bonus for teaching in the same grade level or course in January 2022 or January 2023, or both, where applicable, pursuant to one of the following programs:
   a. The Advanced Course and CTE Bonus Program provided in Section 7A.4 of S.L. 2021-180.
   b. The Growth-Based Teacher Bonus Program provided in Section 7A.2 of S.L. of 2022-74.

(8) The percentage of teachers who received a bonus pursuant to this section and received a bonus for teaching in the same grade level or course in either January 2022 or January 2023 pursuant to one of the programs listed in subdivision (7) of this subsection.

(9) The percentage of teachers who received a bonus pursuant to this section and received a bonus for teaching in the same grade level or course in January 2022 or January 2023, or both, where applicable, pursuant to one of the programs listed subdivision (7) of this subsection.

(10) The statistical relationship between a teacher receiving a bonus in January 2024 or 2025 pursuant to this section and receiving a bonus pursuant to a predecessor bonus program. For purposes of this subdivision, the following are predecessor programs:

a. Bonuses awarded pursuant to Section 7A.4(c) of S.L. 2021-180 are predecessors to bonuses awarded pursuant to subsection (c) of this section.

b. Bonuses awarded pursuant to Section 7A.4(d) of S.L. 2021-180 are predecessors to bonuses awarded pursuant to subsection (d) of this section.

c. Bonuses awarded pursuant to subdivision (1) of subsection (c) and subdivision (1) of subsection (d) of Section 7A.2 of S.L. 2022-74 are predecessors to bonuses awarded pursuant to subdivision (1) of subsection (f) and subdivision (1) of subsection (g) of this section.

d. Bonuses awarded pursuant to subdivision (2) of subsection (c) and subdivision (2) of subsection (d) of Section 7A.2 of S.L. 2022-74 are predecessors to bonuses awarded pursuant to subdivision (2) of subsection (f) and subdivision (2) of subsection (g) of this section.

e. Bonuses awarded pursuant to subdivision (c)(3) and subdivision (d)(3) of Section 7A.2 of S.L. 2022-74 are predecessors to bonuses awarded pursuant to subdivision (3) of subsection (f) and subdivision (3) of subsection (g) of this section.

(11) The distribution of statewide and local growth bonuses awarded pursuant to this section as among qualifying public school units and, where applicable, schools within those units.

SUPPLEMENTAL FUNDS FOR TEACHER COMPENSATION

SECTION 7A.4.(a) Use of Funds. – For each year of the 2023-2025 fiscal biennium, except as provided in subsection (f) of this section, the State Board of Education shall allocate funds pursuant to this section to eligible local school administrative units to provide salary supplements to teachers and qualifying school administrators in those units. Allocation of salary supplements among teachers and qualifying school administrators within each eligible local school administrative unit, including whether a teacher or qualifying school administrator receives a salary supplement and the amount of the supplement provided to that person, shall be determined in the discretion of the local board of education of the eligible unit, except that no individual salary supplement shall exceed the per teacher funding amount awarded to that unit pursuant to subdivision (4) of subsection (c) of this section.

SECTION 7A.4.(b) Definitions. – As used in this section, the following definitions shall apply:

(1) Adjusted market value of taxable real property. – A county's assessed taxable real property value, using the latest available data published by the Department of Revenue, divided by the county's sales assessment ratio determined under G.S. 105-289(h).

(2) County allocation factor. – For each eligible county, the supplement factor for that county divided by the sum of all supplement factors for the State.

(3) Eligible county. – A county that has an adjusted market value of taxable real property of less than forty-three billion seven hundred million dollars ($43,700,000,000).

(4) Eligible local school administrative unit. – A local school administrative unit located in whole or in part in an eligible county.

(5) Eligible school. – A public school that is located in an eligible county and governed by a local school administrative unit.

(6) Maintenance of effort amount. – For each local school administrative unit in each fiscal year, the supplant factor from the prior fiscal year multiplied by the amount of non-State funds expended for salary supplements.

(7) Qualifying school administrator. – Any of the following:

a. Assistant principals paid pursuant to G.S. 115C-285(a)(8).

b. Principals paid pursuant to G.S. 115C-285(a)(8a).

(8) Supplant factor. – For each local school administrative unit in each fiscal year, the total non-State funds expended for salary supplements divided by the total State and non-State funds expended for salaries.

(9) Supplement factor. – For each eligible county, the taxable real property factor multiplied by the number of State-funded teachers employed in a school in the county that is governed by a local school administrative unit.

(10) Taxable real property factor. – For each eligible county, the median adjusted market value of taxable real property in the State divided by the adjusted market value of taxable real property for that county.

(11) Teacher. – Teachers and instructional support personnel.

SECTION 7A.4.(c) Allocation of Funds. – The State Board of Education shall allocate funds for salary supplements to eligible local school administrative units according to the following procedure:

(1) County allocation. – For each eligible county, the State Board shall determine a county allocation by multiplying the county allocation factor for that county by the funding amount appropriated pursuant to this section for the applicable fiscal year.

(2) Per teacher funding amount. – For each eligible county, the State Board shall determine a per teacher funding amount by dividing the county allocation amounts determined pursuant to subdivision (1) of this subsection by the total number of State-funded teachers employed in all eligible schools in that county.

(3) Unit funding amount. – For each eligible local school administrative unit, the State Board shall determine the funding amount for that unit based on the per teacher funding amount or amounts for the eligible county or counties where the unit is located. For each county with an eligible school governed by the unit, the State Board shall multiply the applicable per teacher funding amount for that county determined pursuant to subdivision (2) of this subsection by the number of State-funded teachers employed in the eligible school in that county. If the unit is located in multiple eligible counties, the State Board shall aggregate those amounts.

(4) Allocation and funding cap. – The State Board shall allocate the amount determined pursuant to subdivision (3) of this subsection to each eligible local school administrative unit for each applicable fiscal year, up to a maximum of five thousand dollars ($5,000) per State-funded teacher.

SECTION 7A.4.(d) Charter Schools. – Funds appropriated to the Department of Public Instruction pursuant to this section shall be subject to the allocation of funds for charter schools described in G.S. 115C-218.105. The General Assembly encourages charter schools receiving funds pursuant to this section to provide salary supplements to teachers and qualifying school administrators in the charter school in accordance with the requirements of this section.

SECTION 7A.4.(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 to eligible local school administrative units and is not intended to reflect any measure of

the adequacy of the educational program or funding for public schools. The formula is also not intended to reflect any commitment by the General Assembly to appropriate any additional supplemental funds for eligible local school administrative units.

SECTION 7A.4.(f) Nonsupplant Requirement. – A local school administrative unit that receives funds under this section shall use the funds to supplement and not supplant non-State funds provided for salary supplements for teachers and qualifying school administrators. The State Board of Education shall not allocate any funds under this section to a local school administrative unit if the State Board finds that the unit has reduced the average salary supplement the unit provided to teachers or qualifying school administrators from non-State funds in the prior school year, or the year for which the most recent data are available, as a result of funding provided pursuant to this section or Section 7A.12 of S.L. 2021-180, if all of the following criteria apply for each year of the 2023-2025 fiscal biennium:

(1) If the amount of non-State funds expended for salary supplements was less than ninety-five percent (95%) of the maintenance of effort amount for the local school administrative unit.

(2) The local school administrative unit cannot show (i) that it has remedied the deficiency in funding or (ii) that extraordinary circumstances caused the unit to supplant non-State funds with funds allocated under Section 7A.12 of S.L. 2021-180.

SECTION 7A.4.(g) Reports. – No later than April 15 of each year of the 2023-2025 fiscal biennium, the State Board of Education shall report the following information for the applicable fiscal year to the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education/Higher Education, the House Appropriations Committee on Education, and the Fiscal Research Division:

(1) A list of all eligible counties and eligible local school administrative units.

(2) Funds allocated to each eligible local school administrative unit.

(3) The percentage and amount of teachers and qualifying school administrators in each eligible local school administrative unit receiving salary supplements.

(4) The average salary supplement amount in each eligible local school administrative unit.

(5) The range of salary supplement amounts in each eligible local school administrative unit.

(6) The effect of the salary supplements on the retention of teachers and qualifying school administrators in eligible local school administrative units.

(7) The identity of any local school administrative unit that the State Board determines has supplanted funds.

SMALL COUNTY AND LOW-WEALTH SIGNING BONUS FOR TEACHERS

SECTION 7A.5.(a) Article 20 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-302.8. Small county and low-wealth signing bonus.**

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

(1) Eligible employee. – A person who meets all of the following criteria:

a. Accepts employment as a teacher with an eligible employer.

b. Was not employed by the eligible employer identified in sub-subdivision a. of this subdivision in the prior fiscal year.

c. Is employed by the eligible employer identified in sub-subdivision a. of this subdivision as of October 1 of the school year for which the teacher accepts employment.

(2) Eligible employer. – The governing board of a local school administrative unit that receives at least one of the following in the year in which the teacher

accepts employment pursuant to sub-subdivision c. of subdivision (1) of this subsection:

a. Small county school system supplemental funding.

b. Supplemental funding for local school administrative units in low-wealth counties.

(3) Local funds. – Matching funds provided by an eligible employer to enable an eligible employee to qualify for the signing bonus program established by this section.

(4) Teacher. – Teachers and instructional support personnel.

(b) Signing Bonus Program. – To the extent funds are provided for this purpose, the Department of Public Instruction shall establish and administer a signing bonus program for teachers. Signing bonuses shall be provided each school year to all eligible employees who are employed by an eligible employer as long as they are matched on the basis of one dollar ($1.00) in State funds for every one dollar ($1.00) in local funds, up to one thousand dollars ($1,000) in State funds.

(c) Limited Exclusion from Future Signing Bonuses. – A teacher who receives a signing bonus pursuant to this section is ineligible to receive another signing bonus pursuant to this section or a similar enactment of the General Assembly for at least two full school years. This section shall not apply to any legislatively mandated bonuses received by teachers that are not signing bonuses.

(d) Bonuses as Additions. – The bonuses awarded pursuant to this section shall be in addition to any regular wage or other bonus a teacher receives or is scheduled to receive.

(e) Not for Retirement. – Notwithstanding G.S. 135-1(7a), the bonuses awarded pursuant to this section are not compensation under Article 1 of Chapter 135 of the General Statutes, Retirement System for Teachers and State Employees."

SECTION 7A.5.(b) This section applies beginning with eligible employees who accept employment as a teacher with an eligible employer for the 2023-2024 school year.

PRINCIPAL SALARY SCHEDULE

SECTION 7A.6.(a) The following annual salary schedule for principals shall apply for the 2023-2024 fiscal year, beginning July 1, 2023:

2023-2024 Principal Annual Salary Schedule

Avg. Daily Membership	Base	Met Growth	Exceeded Growth
0-200	$74,437	$81,880	$89,324
201-400	$78,158	$85,974	$93,790
401-700	$81,880	$90,068	$98,257
701-1,000	$85,602	$94,162	$102,722
1,001-1,600	$89,324	$98,257	$107,188
1,601+	$93,045	$102,350	$111,654

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. 115C-83.15(c), for each school the principal supervised in one or more prior 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 as follows:

a. Between July 1, 2023, and December 31, 2023, if the school growth score shows the school exceeded expected growth.

b. Between January 1, 2024, and June 30, 2024, if the higher school growth score in one of the two prior school years shows that the school exceeded expected growth.

(2) A principal shall be paid according to the Met Growth column of the schedule as follows:

a. Between July 1, 2023, and December 31, 2023, if the school growth score shows the school met expected growth or the principal supervised a school in the prior school year that was not eligible to receive a school growth score.

b. Between January 1, 2024, and June 30, 2024, if any of the following apply:

1. The higher school growth score in one of the two prior school years shows that the school met expected growth.

2. The principal supervised a school in the two prior school years that was not eligible to receive a school growth score.

(3) A principal shall be paid according to the Base column, as follows:

a. Between July 1, 2023, and December 31, 2023, if the school growth score shows the school did not meet expected growth or the principal has not supervised any school as a principal for a majority of the prior school year.

b. Between January 1, 2024, and June 30, 2024, if any of the following apply:

1. The school growth scores from the two prior school years show that the school did not meet expected growth in both years.

2. The principal has not supervised any school as a principal for a majority of the two prior school years.

SECTION 7A.6.(b) For purposes of determining the average daily membership of a principal's school, the following shall apply:

(1) The following amounts shall be used during the following time periods:

a. Between July 1, 2023, and December 31, 2023, the average daily membership for the school from the 2022-2023 school year. If the school did not have an average daily membership in the 2022-2023 school year, the projected average daily membership for the school for the 2023-2024 school year.

b. Between January 1, 2023, and June 30, 2023, the average daily membership for the school for the 2023-2024 school year.

(2) The average daily membership of a principal's school shall include the average daily membership of any prekindergarten students in membership at the school.

SECTION 7A.6.(c) For purposes of determining the school growth scores for each school the principal supervised in one or more prior school years, the following school growth scores shall be used during the following time periods:

(1) Between July 1, 2023, and December 31, 2023, the school growth score from the 2021-2022 school year.

(2) Between January 1, 2023, and June 30, 2023, the school growth scores from the 2021-2022 and 2022-2023 school years.

SECTION 7A.6.(d) Beginning with the 2017-2018 fiscal year, in lieu of providing annual longevity payments to principals paid on the principal salary schedule, the amounts of those longevity payments are included in the annual amounts under the principal salary schedule.

SECTION 7A.6.(e) A principal compensated in accordance with this section for the 2023-2024 fiscal year shall receive an amount equal to the greater of the following:

(1) The applicable amount on the salary schedule for the applicable year.
(2) For principals who were eligible for longevity in the 2016-2017 fiscal year, the sum of the following:
a. The salary the principal received in the 2016-2017 fiscal year pursuant to Section 9.1 or Section 9.2 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 2016-2017 fiscal year based on the principal's current years of service.
(3) For principals who were not eligible for longevity in the 2016-2017 fiscal year, the salary the principal received in the 2016-2017 fiscal year pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.

SECTION 7A.6.(f) It is the intent of the General Assembly to implement the following annual salary schedule for principals for the 2024-2025 fiscal year, beginning July 1, 2024:

2024-2025 Principal Annual Salary Schedule

Avg. Daily Membership	Base	Met Growth	Exceeded Growth
0-200	$76,298	$83,927	$91,557
201-400	$80,112	$88,123	$96,135
401-700	$83,927	$92,320	$100,713
701-1,000	$87,742	$96,516	$105,290
1,001-1,600	$91,557	$100,713	$109,868
1,601+	$95,371	$104,909	$114,445

BONUSES FOR PRINCIPALS

SECTION 7A.7.(a) The Department of Public Instruction shall administer a bonus in the 2023-2024 fiscal year to any principal who supervised a school as a principal for a majority of the previous school year if that school was in the top fifty percent (50%) of school growth in the State during the previous school year, calculated by the State Board pursuant to G.S. 115C-83.15(c), as follows:

2023-2024 Principal Bonus Schedule

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

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

SECTION 7A.7.(b) The bonus awarded pursuant to this section shall be in addition to any regular wage or other bonus the principal receives or is scheduled to receive.

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

SECTION 7A.7.(d) It is the intent of the General Assembly that funds provided pursuant to this section will supplement principal compensation and not supplant local funds.

SECTION 7A.7.(e) The bonus provided pursuant to this section shall be paid no later than October 31, 2023, to qualifying principals employed as of October 1, 2023.

ASSISTANT PRINCIPAL SALARIES

SECTION 7A.8.(a) For the 2023-2024 fiscal year, beginning July 1, 2023, assistant principals shall receive a monthly salary based on the salary schedule for teachers 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.8.(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.8.(c) Participants in an approved full-time master's in school administration program shall receive up to a 10-month stipend during the internship period of the master's program. The stipend shall be at the beginning salary of an assistant principal or, for a teacher who becomes an intern, at least as much as that person would earn as a teacher on the teacher salary schedule. The North Carolina Principal Fellows Program or the school of education where the intern participates in a full-time master's in school administration program shall supply the Department of Public Instruction with certification of eligible full-time interns.

SECTION 7A.8.(d) Beginning with the 2017-2018 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.8.(e) An assistant principal compensated in accordance with this section for the 2023-2024 fiscal year shall receive an amount equal to the greater of the following:

(1) The applicable amount on the salary schedule for the applicable year.

(2) For assistant principals who were eligible for longevity in the 2016-2017 fiscal year, the sum of the following:

a. The salary the assistant principal received in the 2016-2017 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 2016-2017 fiscal year based on the assistant principal's current years of service.

(3) For assistant principals who were not eligible for longevity in the 2016-2017 fiscal year, the salary the assistant principal received in the 2016-2017 fiscal year pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.

CENTRAL OFFICE SALARIES

SECTION 7A.9.(a) For the 2023-2024 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 two and one-half percent (2.5%).

SECTION 7A.9.(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 for the 2024-2025 fiscal year, beginning July 1, 2024, by two and one-half percent (2.5%).

SECTION 7A.9.(c) The monthly salary maximums that follow apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2023-2024 fiscal year, beginning July 1, 2023:

	2023-2024 Fiscal Year Maximum
School Administrator I	$7,246

School Administrator II	$7,677
School Administrator III	$8,135
School Administrator IV	$8,453
School Administrator V	$8,790
School Administrator VI	$9,312
School Administrator VII	$9,683

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

SECTION 7A.9.(d) The monthly salary maximums that follow apply to superintendents for the 2023-2024 fiscal year, beginning July 1, 2023:

	2023-2024 Fiscal Year Maximum
Superintendent I	$10,264
Superintendent II	$10,876
Superintendent III	$11,529
Superintendent IV	$12,222
Superintendent V	$12,957

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

SECTION 7A.9.(e) Longevity pay for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers shall be as provided for State employees under the North Carolina Human Resources Act.

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

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

SECTION 7A.9.(h) It is the intent of the General Assembly that the monthly salary maximums that follow shall apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2024-2025 fiscal year, beginning July 1, 2024:

	2024-2025 Fiscal Year Maximum
School Administrator I	$7,427
School Administrator II	$7,869
School Administrator III	$8,338
School Administrator IV	$8,664
School Administrator V	$9,010
School Administrator VI	$9,545

School Administrator VII	$9,925

SECTION 7A.9.(i) It is the intent of the General Assembly that the monthly salary maximums that follow shall apply to superintendents for the 2024-2025 fiscal year, beginning July 1, 2024:

	2024-2025 Fiscal Year Maximum
Superintendent I	$10,521
Superintendent II	$11,148
Superintendent III	$11,817
Superintendent IV	$12,528
Superintendent V	$13,281

NONCERTIFIED PERSONNEL SALARIES

SECTION 7A.10.(a) For the 2023-2024 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, full-time employees on a 12-month contract, by two and one-half percent (2.5%).

(2) For the following employees, by an 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.10.(b) For the 2024-2025 fiscal year, beginning July 1, 2024, 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 as follows:

(1) For permanent, full-time employees on a 12-month contract, by two and one-half percent (2.5%).

(2) For the following employees, by an 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/ESCHEAT FUND FOR STUDENT FINANCIAL AID PROGRAMS

SECTION 8.1.(a) The funds appropriated by this act from the Escheat Fund for the 2023-2025 fiscal biennium for student financial aid shall be allocated in accordance with G.S. 116B-7. Notwithstanding any other provision of Chapter 116B of the General Statutes, if the interest income generated from the Escheat Fund is less than the amounts referenced in this act, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this act; however, under no circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B-6(f). If any funds appropriated from the Escheat Fund by this act for student financial aid remain uncommitted aid as of the end of a fiscal year, the funds shall be returned to the Escheat Fund, but only to the extent the funds exceed the amount of the Escheat Fund income for that fiscal year.

SECTION 8.1.(b) The State Education Assistance Authority (Authority) shall conduct periodic evaluations of expenditures of the student financial aid programs administered

by the Authority to determine if allocations are utilized to ensure access to institutions of higher education and to meet the goals of the respective programs. The Authority 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.

UNC BUILDING RESERVE STUDY

SECTION 8.2.(a) For purposes of this section, the following definitions shall apply:

(1) Building. – A building that is operated or maintained by The University of North Carolina or a constituent institution of The University of North Carolina.

(2) Building reserve model. – The formula used by The University of North Carolina System Office to determine the operating and maintenance costs for buildings once construction of those buildings is complete.

SECTION 8.2.(b) No later than April 1, 2024, the Board of Governors of The University of North Carolina shall study and report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the building reserve model. At a minimum, the report shall include the following information:

(1) For all buildings, disaggregated by constituent institution and fund source, the following:

a. Expenditures related to operation and maintenance costs for the 2022-2023 fiscal year, including expenditures disaggregated on the basis of at least the following building reserve model outputs and expenses:

1. Personnel and fringe benefits.
2. Utilities and insurance.
3. Custodial and supplies.
4. Facilities and maintenance.
5. Information technology.

b. The number of full-time equivalent positions for building operation and maintenance used in the 2022-2023 fiscal year, including at least positions that align with the following building reserve model outputs and expenses:

1. Building environmental service technician and supervisor.
2. Building environmental service supervisor.
3. Facilities maintenance technician mechanical.
4. Public safety officer.
5. Environmental health and safety professional.
6. Information technology networking analyst.
7. Information technology networking technician.
8. Facilities maintenance technician trades.

c. Recurring expenditures generated by the current building reserve model, taking into account all gross square feet and building types, for at least the outputs and expenses identified in sub-subdivision a. of this subdivision.

d. The number of full-time positions generated by the current building reserve model, taking into account all gross square feet and building types, for at least the outputs and expenses identified in sub-subdivision b. of this subdivision.

(2) An analysis of the findings in subdivision (1) of this subsection, including at least the following information:
a. Any instances where the current building reserve model aligns or misaligns with full-time equivalent positions and actual expenditures of the constituent institutions.
b. Any substantial differences among constituent institutions in actual operating and maintenance expenditures compared to projected expenditures under the building reserve model.
c. Recommendations to improve the process of providing operation and maintenance funds for buildings.

COMPLETION ASSISTANCE PROGRAMS

SECTION 8.3.(a) For purposes of this section, the term "eligible constituent institutions" refers to the following constituent institutions of The University of North Carolina:
(1) Elizabeth City State University.
(2) Fayetteville State University.
(3) North Carolina Agricultural and Technical State University.
(4) North Carolina Central University.
(5) The University of North Carolina at Asheville.
(6) The University of North Carolina at Pembroke.
(7) Winston-Salem State University.

SECTION 8.3.(b) The Board of Governors of The University of North Carolina shall establish a Completion Assistance Program (Program) at each eligible constituent institution. At a minimum, to the extent funds are provided for this purpose, each Program shall meet the following criteria:
(1) A student enrolled in a Program established by this section may receive up to one thousand dollars ($1,000) per academic year under that Program to pay for the costs of continuing attendance and earning necessary credit hours at the eligible constituent institution.
(2) A student shall be eligible to receive funds under a Program if the student meets at least the following requirements:
a. Needs financial assistance to remain enrolled at the eligible constituent institution and earn credits necessary to graduate on time.
b. Is a resident for tuition purposes, as provided in G.S. 116-143.1.
c. Meets satisfactory academic progress, as determined by the Board.
d. Has completed or is on track to complete at least 60 academic credit hours by the end of the semester in which the funds are provided.
e. Has completed the Free Application for Federal Student Aid (FAFSA) for the academic year in which the funds are provided.
f. Has an unpaid balance with the eligible constituent institution. This may include an unpaid balance for tuition, fees, room, board, or other expenses of attendance.

SECTION 8.3.(c) The Board of Governors of The University of North Carolina shall report on each Completion Assistance Program established pursuant to this section to the Joint Legislative Education Oversight Committee no later than March 15 of each year. The report shall include, at a minimum, an analysis of the impact of each Program on the following:
(1) On-time graduation rates.
(2) Student debt at graduation.

SECTION 8.3.(d) Of the nonrecurring funds appropriated in this act to the Board of Governors of The University of North Carolina for each year of the 2023-2025 fiscal biennium

for Completion Assistance Programs, the Board shall allocate these funds each year on an equal basis among all eligible constituent institutions.

ESTABLISH THE SCHOOL OF CIVIC LIFE AND LEADERSHIP AT THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

SECTION 8.5.(a) The Board of Trustees of the University of North Carolina at Chapel Hill, in consultation with the Board of Governors of The University of North Carolina, the Provost of the University of North Carolina at Chapel Hill, and faculty and administration officials at the University of North Carolina at Chapel Hill, shall establish the School of Civic Life and Leadership at the University of North Carolina at Chapel Hill (the School). The School shall provide course opportunities for students and house the Program on Public Discourse. Courses may focus on the development of democratic competencies informed by American history and the American political tradition, with the purpose of fostering public discourse and civil engagement necessary to promote democracy and benefit society. The School may also develop programming addressing these topics and provide resources to students, faculty, and the general public, as needed.

SECTION 8.5.(b) If the nonrecurring funds appropriated in this act to the Board of Governors of The University of North Carolina for the 2023-2025 fiscal biennium to be allocated to the University of North Carolina at Chapel Hill for the School of Civic Life and Leadership are insufficient to establish the School pursuant to subsection (a) of this section, the University of North Carolina at Chapel Hill shall expend sufficient additional funds to achieve that purpose.

SECTION 8.5.(c) No later than March 15, 2024, the Board of Trustees of the University of North Carolina at Chapel Hill shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on progress made toward establishing the School of Civic Life and Leadership and factors affecting the long-term sustainability of the School.

REDUCE NUMBER OF REQUIRED UNC LABORATORY SCHOOLS FROM NINE TO EIGHT

SECTION 8.6.(a) G.S. 116-239.5(a) reads as rewritten:

"(a) The Board of Governors, upon recommendation by the President, shall designate constituent institutions to submit proposals to establish at least ~~nine~~ eight laboratory schools in total to serve public school students in accordance with the provisions of this Article. The Board of Governors shall select constituent institutions with high-quality educator preparation programs as demonstrated by the annual performance measures reported by the constituent institutions in accordance with G.S. 115C-296.35. The Board of Governors' Subcommittee on Laboratory Schools established under G.S. 116-239.7 shall review the proposals and approve at least ~~nine~~ eight of the proposals to establish laboratory schools. The Subcommittee may select a constituent institution to operate more than one laboratory school. The Subcommittee shall oversee the operations of those laboratory schools to meet the purposes set forth in this Article."

SECTION 8.6.(b) G.S. 116-239.7(a1) reads as rewritten:

"(a1) Approval of Laboratory Schools. – The Board of Governors, upon the recommendation of the President, shall designate constituent institutions to establish and operate a total of at least ~~nine~~ eight laboratory schools. The chancellor of each constituent institution shall adopt and submit to the Subcommittee a proposal to operate one or more laboratory schools in one or more local school administrative units that meet the minimum threshold for the number of low-performing schools located in a unit under G.S. 116-239.6(4). The proposal shall include the governance structure of the laboratory school. The Subcommittee shall evaluate the proposals for approval or disapproval by considering the design components and the strategic focus of the laboratory school and any other standards developed by the Subcommittee to be applicable to all laboratory schools. The Subcommittee shall also consider the location of each laboratory school

so that, to the extent possible, there is a geographically diverse distribution of the laboratory schools throughout the State. From the proposals submitted to the Subcommittee, the Subcommittee shall approve the establishment of at least ~~nine~~ eight laboratory schools."

COLLABORATORY REPORT ON RECOVERY COURT STUDY RESULTS

SECTION 8.11.(a) Of the funds appropriated in this act from the Opioid Abatement Fund established pursuant to Section 9F.1 of S.L. 2021-180, as amended by Section 9F.1 of S.L. 2022-74, to the Board of Governors of The University of North Carolina to be allocated to the University of North Carolina at Chapel Hill for the North Carolina Collaboratory (Collaboratory), the Collaboratory shall study existing judicially managed accountability and recovery courts (JMARCs), including those drug treatment courts and JMARCs partially or fully exempted from Article 62 of Chapter 7A of the General Statutes under G.S. 7A-802. These funds shall not revert at the end of the 2023-2024 fiscal year but shall remain available until expended.

SECTION 8.11.(b) No later than October 1, 2024, the Collaboratory shall report on the results of the study required by subsection (a) of this section to the following entities:

(1) The Joint Legislative Oversight Committee on Health and Human Services.
(2) The Joint Legislative Oversight Committee on Justice and Public Safety.
(3) The Joint Legislative Education Oversight Committee.
(4) The chairs of the House and Senate Appropriations Committees on Health and Human Services.
(5) The chairs of the House and Senate Appropriations Committees on Justice and Public Safety.
(6) The chairs of the House and Senate Appropriations Committees on Education.

SECTION 8.11.(c) The report required by subsection (b) of this section shall include, at a minimum, each of the following:

(1) Executive summary of the study and its findings.
(2) Summary of each JMARC's operating model.
(3) Summary of each JMARC's funding sources.
(4) Analysis of demand and capacity for each JMARC.
(5) Summary of need and local interest for additional JMARCs.
(6) Feasibility of JMARCs operating across counties and across judicial districts.
(7) Proposed JMARC expansion plan.
(8) List of funding sources to support the expansion plan outlined in subdivision (7) of this subsection.

SECTION 8.11.(d) This section is effective when it becomes law.

REQUIRE COMPREHENSIVE TRANSITION POSTSECONDARY PROGRAMS REPORT AND ESTABLISH CTP PROGRAM AT UNC-W

SECTION 8.12.(a) Article 35A of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-298. Report.**

The University of North Carolina System Office shall report to the Joint Legislative Education Oversight Committee by March 15 of each year on the impact on participants of CTP Programs at constituent institutions of The University of North Carolina. At a minimum, the report shall include the following information for each CTP Program at a constituent institution:

(1) Admissions requirements.
(2) Number of participants.
(3) Participant outcomes, including credits earned toward a degree, diploma, or certificate and job placements for participants and graduates."

SECTION 8.12.(b) Of the recurring funds appropriated in this act to the Board of Governors of The University of North Carolina for the 2023-2025 fiscal biennium to be allocated

to the University of North Carolina at Wilmington (UNC-W), UNC-W shall establish a certificate accomplishment program to be approved by the United States Department of Education as a Comprehensive Transition Postsecondary (CTP) Program (Program) for students with intellectual disabilities in accordance with the Higher Education Opportunity Act of 2008, 20 U.S.C. §§ 1140f through 1140i.

SECTION 8.12.(c) No later than March 15, 2025, UNC-W shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on its progress in establishing the Program pursuant to subsection (a) of this section. The report shall include at least the following information:

(1) Steps taken and steps remaining to establish the Program.
(2) Proposed or actual admissions requirements for the Program.
(3) Support services to be provided by the Program, including the eligibility of participants to receive college credits.
(4) Actual or estimated number of participants in the Program.
(5) Estimated additional costs to provide scholarships to students participating in the Program under the Comprehensive Transition Postsecondary Scholarship Program established pursuant to Article 35A of Chapter 116 of the General Statutes.
(6) Whether the Program has been approved by the United States Department of Education and, if not, a time line for approval.

NC PLANT SCIENCES INITIATIVE

SECTION 8.13.(a) Of the recurring funds appropriated in this act to the Board of Governors of The University of North Carolina to be allocated to North Carolina State University (NC State) and North Carolina Agricultural and Technical State University (NC A&T) for the North Carolina Plant Sciences Initiative (Initiative), NC State and NC A&T shall each contract with SAS Institute, Inc., to establish or maintain a software platform to use data collection via in-field sensors to improve agricultural systems and agricultural profitability and to detect and respond to plant disease. Funds shall be used for software, equipment installation, cloud hosting, and technical support. NC State and NC A&T shall collaborate in the creation and use of these platforms as much as practicable.

SECTION 8.13.(b) No later than August 15, 2025, NC State and NC A&T shall jointly report to the Joint Legislative Education Oversight Committee on the impact of the Initiative on the following:

(1) The sustainability and profitability of agricultural systems in the State, including any improved efficiencies.
(2) Research grants secured by each constituent institution.
(3) Student and faculty recruitment and retention.
(4) Engagement and collaboration with private farmers in the State.
(5) Faculty research on agriculture.
(6) Collaboration between NC State and NC A&T.

UNIVERSITY OF NORTH CAROLINA SYSTEM FACULTY RETIREMENT INCENTIVE PROGRAM

SECTION 8.14.(a) For purposes of this section, the term "identified faculty member" means a full-time, tenured faculty member employed by a constituent institution of The University of North Carolina who meets all of the following criteria:

(1) Is at least 55 years of age.
(2) Meets either of the following criteria:

a. Is eligible to commence retirement with an early or service retirement allowance under the Teachers' and State Employees' Retirement System (TSERS).
b. Is vested in the Optional Retirement Program (ORP) for The University of North Carolina.

(3) Does not receive disability or workers' compensation benefits.

SECTION 8.14.(b) For the 2023-2025 fiscal biennium, the Board of Governors of The University of North Carolina shall establish a Faculty Retirement Incentive Pilot Program (Program) for constituent institutions of The University of North Carolina to award severance payments to identified faculty members to provide long-term cost-savings and improved operational efficiencies for The University of North Carolina. Funds for the Program shall be distributed among constituent institutions based on criteria established by the President of The University of North Carolina. The Program shall meet at least the following requirements:

(1) An identified faculty member shall be selected to receive a payment under the Program in the discretion of the constituent institution where the identified faculty member is employed.
(2) Severance payments shall be equivalent to the identified faculty member's base salary from the prior academic year.
(3) Severance payments shall be exempt from payroll deductions for retirement contributions and shall not be considered compensation for purposes of the supplemental plans administered by The University of North Carolina or plans administered by the Supplemental Retirement Board of Trustees under G.S. 135-96.
(4) If an identified faculty member does not qualify for the full employer premium contribution for retiree health coverage provided under TSERS or ORP, then the constituent institution where the identified faculty member is employed may provide the faculty member, in addition to a severance payment, an amount equivalent to 12 months of the full employer contribution to the employee health insurance premium.

SECTION 8.14.(c) By December 1, 2024, and annually thereafter while funds are expended under the Program, the Board of Governors shall report at least the following information on the Program to the Joint Legislative Education Oversight Committee and the Fiscal Research Division, disaggregated by constituent institution:

(1) The number of identified faculty members that received funds under the Program.
(2) The total amount paid out by the Program.

SECTION 8.14.(d) The nonrecurring funds appropriated to the Board of Governors of The University of North Carolina in this act for the 2023-2024 fiscal year for the University of North Carolina System Faculty Retirement Incentive Program, as enacted by this section, shall not revert to the General Fund at the end of the 2023-2024 fiscal year but shall remain available until expended.

REVISE POSTSECONDARY ATTAINMENT GOAL REPORTING TIME

SECTION 8.15. Section 1(c) of S.L. 2019-55 reads as rewritten:

"**SECTION 1.(c)** Beginning ~~September 1, 2020,~~ March 1, 2024, and every ~~September~~ March 1 thereafter, the myFutureNC Commission, which is a statewide commission focusing on postsecondary educational attainment in North Carolina, shall report to the General Assembly, as provided by G.S. 120-29.5, and to the Joint Legislative Education Oversight Committee on the progress of the State reaching the postsecondary attainment goal set forth in G.S. 116C-10, as enacted by this act, and activities by the Commission to further North Carolina towards the postsecondary attainment goal."

WATER SAFETY ACT OF 2023

SECTION 8.16.(a) Water Research Funding. – Funds appropriated in this act to the North Carolina Collaboratory (Collaboratory) for the 2023-2024 fiscal year for research and other programs related to per- and poly-fluoroalkyl substances (PFAS) and the Collaboratory's general research programs shall be allocated as follows:

(1) Twenty million dollars ($20,000,000) in nonrecurring funds for programs related to management of aqueous film-forming foams (AFFF) containing PFAS used by local fire departments and for other PFAS-related research. For purposes of this act, "local fire department" means a fire department operated, regulated, or managed by one or more units of State or local government, including those located at or serving public airports. These funds are allocated to the Collaboratory for the following purposes:

a. To conduct a voluntary buyback program for stocks of PFAS-containing AFFF owned or stored by local fire departments. The program may also include the purchase and distribution of replacement PFAS-free foams.

b. To develop, acquire, analyze, and deploy facilities and technologies to safely store and destroy PFAS-containing AFFF, including technologies available outside of the State.

c. To plan and construct an AFFF firefighting training site that will allow fire departments to train with both PFAS-containing AFFF and AFFF that does not contain PFAS while minimizing the environmental impacts of this training. The facility shall be designed to contain runoff from PFAS-containing AFFF and shall be sited at the Office of the State Fire Marshal's Advanced Rescue Training Facility in Stanly County. The Office of the State Fire Marshal shall determine types of AFFF that will be used for training at the site.

d. To provide competitive research grants for (i) human exposure and other studies intended to assess the long-term health risk to firefighters and other emergency response personnel and their family members from exposure to PFAS-containing AFFF and related PFAS-containing materials and (ii) other research related to PFAS in water and air, PFAS toxicology and human exposure, and the mitigation, removal, or destruction of PFAS and PFAS-containing materials.

e. To fund upgrades to laboratory space at the Textile Protection and Comfort Center at North Carolina State University to accommodate aerosol studies that simulate airborne PFAS particulate exposure.

(2) Four million dollars ($4,000,000) in recurring funds for other PFAS research projects. In its expenditure of the funds allocated by this subsection, the Collaboratory shall prioritize funding of a multiyear human exposure study related to per- and poly-fluoroalkyl substances (PFAS) in North Carolina counties identified with higher than average PFAS exposure risks from inhalation, ingestion, and dermal exposure. Selection of study participants shall prioritize counties and communities (i) with a primary drinking water source from the Haw or the Cape Fear River, (ii) located near industrial processes that use or create PFAS or chemical precursors to PFAS that may become PFAS compounds once released, (iii) located within the Cape Fear and Lumber River Basins, and (iv) that may present a particularized risk, exposure, or other health factors deemed appropriate by the Collaboratory.

The Collaboratory may engage expertise from the Departments of Environmental Quality and Health and Human Services and may utilize the Office of Strategic Partnerships within the Office of State Budget and Management to assist in working with State and local agencies.

(3) Two million dollars ($2,000,000) in recurring funds for water-related research for emerging compounds, water quality improvements, or other discretionary research deemed important to the State by the Collaboratory.

SECTION 8.16.(b) Report. – The Collaboratory shall include in the report required by G.S. 116-256 documentation of its use of the funds allocated by this section and updates regarding the research funded by this section.

SECTION 8.16.(c) HMSI Research Grants. – Section 8.9(a) of S.L. 2021-180 reads as rewritten:

"**SECTION 8.9.(a)** The North Carolina Collaboratory (Collaboratory), established pursuant to Article 31A of Chapter 116 of the General Statutes, shall establish a research grant program for the following constituent institutions of The University of North Carolina identified as Historically Minority-Serving Institutions (HMSIs): Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, the University of North Carolina at Pembroke, and Winston-Salem State University. The Collaboratory shall establish an application process and criteria for research grants that include a focus on areas within the Collaboratory's mission ~~of facilitating research related to the environmental and economic components of the management of the natural resources within the State and of new technologies for habitat, environmental, and water quality improvements and other areas of public health.~~as set forth in G.S. 116-255.

The Collaboratory may award one or more research grants each fiscal year to each of the six HMSI constituent institutions to be used to expand their research capacity while being in service to the needs of the State. Of the funds appropriated by this act for the research grant program, the Collaboratory shall determine the amount of the research grant for each HMSI constituent institution in a fiscal year."

SECTION 8.16.(d) Public Water Supply Fluoridation Study. – The Commission for Public Health shall perform a review of the National Toxicity Program's September 2022 draft report titled "Monograph on the State of the Science Concerning Fluoride Exposure and Neurodevelopmental and Cognitive Health Effects: A Systematic Review," as well as the studies reviewed in the report, and any other studies the Commission finds relevant to an assessment of the association between fluoride exposure and IQ in children. Based on this review, the Commission shall determine whether sufficient evidence exists for a link between fluoride in the public water supply and cognitive decline or any other neurological detriment in children.

SECTION 8.16.(e) The Commission shall make a report to the General Assembly on or before February 1, 2024, of its findings and recommendations, including a recommendation on whether the current standard for fluoride established in the Commission's rules (i) is protective of public health and (ii) should be lowered. If the Commission makes the determination regarding a link between fluoride in public water supplies and neurological impacts in children as described in subsection (a) of this section, then the Commission shall direct the Department of Health and Human Services to create a list of the private and public water utilities in the State, their fluoride concentration, the number of children or households to which they provide water, and any other information that it deems pertinent. The Department shall include with the list a ranking of the risk to children of the water supplied by each utility.

SECTION 8.16.(f) Revenue Sharing and Funding Availability. – G.S. 116-255(c) reads as rewritten:

"(c) Funding Conditions and Restrictions. – The following applies to funding received by the Collaboratory:

…

(7) The Collaboratory may negotiate or impose data use, data management, and revenue sharing requirements for intellectual property developed through its research awards using State funds, including, but not limited to, contractual terms that provide for gross revenue distribution to the General Fund for future research and development projects.

(8) Funds appropriated by the General Assembly to the Collaboratory (i) shall not revert to the General Fund but shall remain available until expended and (ii) shall not apply to the carryforward limitation imposed on constituent institutions of The University of North Carolina by G.S. 116-30.3."

SECTION 8.16.(g) Effective Date. – Subsections (a) and (b) of this section become effective July 1, 2023. The remainder of this section is effective when it becomes law.

UNC-W RESEARCH PROGRAMS IN CRITICAL WORKFORCE AREAS FUNDS AND REPORT

SECTION 8.17. Of the recurring funds appropriated in this act to the Board of Governors of The University of North Carolina for the 2023-2025 fiscal biennium to be allocated to the University of North Carolina at Wilmington (UNC-W) for research programs, UNC-W shall expand research programs in critical research areas to maintain its classification in the Carnegie Classification of Institutions of Higher Education as R2 – High Research Activity. UNC-W shall use these funds only to expand relevant research programs in critical research areas and shall not supplant other funds already allocated for these purposes. By March 15, 2024, and every year thereafter in which these funds are provided, UNC-W shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the use of the funds. The report shall include at least the following information:

(1) A detailed explanation of how the funds are used, including all expansions on research programs supported by these funds since the previous report and the nature of each expansion.

(2) All critical research areas at the university, as defined by UNC-W.

(3) The impact of the expansions identified in subdivision (1) of this section on the critical research areas identified in subdivision (2) of this section, including the extent to which the expansions support the continued classification of UNC-W as a High Research Activity institution.

(4) Recommended actions to maintain the classification of UNC-W as a High Research Activity institution or to improve that classification to R1 – Very High Research Activity.

(5) Any other matter UNC-W deems relevant to the efficient and effective expenditure of these funds.

REVISE DISTINGUISHED PROFESSORS ENDOWMENT TRUST FUND

SECTION 8.18.(a) Part 4A of Article 1 of Chapter 116 of the General Statutes reads as rewritten:

"Part 4A. Distinguished Professors Endowment Trust Fund.

"**§ 116-41.13. ~~Distinguished Professors Endowment Trust Fund; purpose.~~Purpose.**

The General Assembly of North Carolina recognizes that the public university system would be greatly strengthened by the addition of distinguished ~~scholars.~~ scholars for degree programs in STEM subject areas. It further recognizes that private as well as State support is preferred in helping to obtain distinguished scholars for the State universities and that private support will help strengthen the commitment of citizens and organizations in promoting excellence throughout all State universities. It is the intent of the General Assembly to establish a trust fund to provide the opportunity to each State university to receive and match challenge grants to create endowments for selected distinguished professors for degree programs in STEM subject areas to

occupy chairs within the university. The associated foundations that serve the universities shall solicit and receive gifts from private sources to provide for matching funds to the trust fund challenge grants for the establishment of endowments for chairs for degree programs in STEM subject areas within universities.

"**§ 116-41.13A. ~~Distinguished Professors Endowment Trust Fund; definitions.~~Definitions.**

The following definitions apply in this Part:

(1) ~~"Focused growth institution" means~~ Focused growth institution. – Any of the following:

a. Elizabeth City State ~~University,~~ University.

b. Fayetteville State ~~University,~~ University.

c. North Carolina Agricultural and Technical ~~University,~~ University.

d. North Carolina Central ~~University,~~ University.

e. The University of North Carolina at ~~Pembroke,~~ Pembroke.

f. Western Carolina ~~University, and~~ University.

g. Winston-Salem State University.

(2) ~~"Special needs institution" means the~~ Special needs institution. – Any of the following:

a. The North Carolina School of the Arts, redesignated effective August 1, 2008, as the "University of North Carolina School of the ~~Arts," and~~ Arts."

b. The University of North Carolina at Asheville.

(3) STEM subject area. – Any subject area in a field of scholarship related to science, technology, engineering, or mathematics. A subject area in a field of scholarship related to journalism or law is not a STEM subject area.

"**§ 116-41.14. ~~Distinguished Professors Endowment Trust Fund; establishment;~~ Establishment of the Fund; maintenance.**

There is established a Distinguished Professors Endowment Trust Fund to be maintained by the Board to provide challenge grants to the constituent institutions. All appropriated funds deposited into the trust fund shall be invested pursuant to G.S. 116-36. Interest income accruing to that portion of the trust fund not matched shall increase the total funds available for challenge grants.

"**§ 116-41.15. ~~Distinguished Professors Endowment Trust Fund; allocation;~~ Allocation; administration.**

(a) For constituent institutions other than focused growth institutions and special needs institutions, the amount appropriated to the trust shall be allocated by the Board as follows:

(1) According to one of the following:

~~(1)~~a. On the basis of one three hundred thirty-four thousand dollar ($334,000) challenge grant for each six hundred sixty-six thousand dollars ($666,000) raised from private ~~sources; or~~sources.

~~(2)~~b. On the basis of one one hundred sixty-seven thousand dollar ($167,000) challenge grant for each three hundred thirty-three thousand dollars ($333,000) raised from private ~~sources; or~~sources.

~~(3)~~c. On the basis of one challenge grant of up to six hundred sixty-seven thousand dollars ($667,000) for funds raised from private sources in twice the amount of the challenge grant.

(2) If an institution chooses to pursue the use of the allocated challenge grant funds described in either ~~subdivision (1), subdivision (2),~~ sub-subdivision a., sub-subdivision b., or ~~subdivision (3)~~ sub-subdivision c. of subdivision (1) of this subsection, the challenge grant funds shall be matched by funds from private sources on the basis of two dollars of private funds for every one dollar of State funds.

(b) For focused growth institutions and special needs institutions, the amount appropriated to the trust shall be allocated by the Board as follows:

(1) According to one of the following:

~~(1)~~a. On the basis of one five hundred thousand dollar ($500,000) challenge grant for each five hundred thousand dollars ($500,000) raised from private ~~sources; or~~sources.

~~(2)~~b. On the basis of one two hundred fifty thousand dollar ($250,000) challenge grant for each two hundred fifty thousand dollars ($250,000) raised from private ~~sources; or~~sources.

~~(3)~~c. On the basis of one challenge grant of up to one million dollars ($1,000,000) for funds raised from private sources in the same amount as the challenge grant.

(2) If an institution chooses to pursue the use of the allocated challenge grant funds described in either ~~subdivision (1), subdivision (2),~~ sub-subdivision a., sub-subdivision b., or ~~subdivision (3)~~ sub-subdivision c. of subdivision (1) of this subsection, the challenge grant funds shall be matched by funds from private sources on the basis of one dollar of private funds for every dollar of State funds.

(c) Matching funds shall come from contributions made after July 1, 1985, and pledged for the purposes specified by G.S. 116-41.14. Each participating constituent institution's board of trustees shall establish its own Distinguished Professors Endowment Trust ~~Fund,~~ Fund and shall maintain it pursuant to the provision of G.S. 116-36 to function as a depository for private contributions and for the State matching funds for the challenge grants. The State matching funds shall be transferred to the constituent institution's Endowment Fund upon notification that the institution has received and deposited the appropriate amount required by this section in its own Distinguished Professors Endowment Trust Fund. Only the net income from that account shall be expended in support of the distinguished professorship thereby created.

"**§ 116-41.16. ~~Distinguished Professors Endowment Trust Fund; contribution~~ Contribution commitments.**

(a) For constituent institutions other than focused growth institutions and special needs institutions, contributions may also be eligible for matching ~~if there is:~~as follows:

(1) If there is one of the following:

~~(1)~~a. A commitment to make a donation of at least six hundred sixty-six thousand dollars ($666,000), as prescribed by G.S. 143C-4-5, and an initial payment of one hundred eleven thousand dollars ($111,000) to receive a grant described in ~~G.S. 116-41.15(a)(1); or~~G.S. 116-41.15(a)(1)a.

~~(2)~~b. A commitment to make a donation of at least three hundred thirty-three thousand dollars ($333,000), as prescribed by G.S. 143C-4-5, and an initial payment of fifty-five thousand five hundred dollars ($55,500) to receive a grant described in ~~G.S. 116-41.15(a)(2); or~~G.S. 116-41.15(a)(1)b.

~~(3)~~c. All of the following:

1. A commitment to make a donation in excess of six hundred sixty-six thousand dollars ($666,000), as prescribed by ~~G.S. 143-31.4, and an~~ G.S. 143C-4-5.
2. An initial payment of one-sixth of the committed amount to receive a grant described in ~~G.S. 116-41.15(a)(3); and if the~~ G.S. 116-41.15(a)(1)c.
3. The initial payment is accompanied by a written pledge to provide the balance within five years after the date of the initial

payment. Each payment on the balance shall be no less than the amount of the initial payment and shall be made on or before the anniversary date of the initial payment.

(2) Pledged contributions may not be matched prior to the actual collection of the total funds. Once the income from the institution's Distinguished Professors Endowment Trust Fund can be effectively used pursuant to G.S. 116-41.17, the institution shall proceed to implement plans for establishing an endowed ~~chair.~~chair in a STEM subject area.

(b) For focused growth institutions and special needs institutions, contributions may also be eligible for matching ~~if there is:~~as follows:

(1) If all of the following occur:

a. One of the following occurs:

~~(1)~~1. A commitment to make a donation of at least five hundred thousand dollars ($500,000), as prescribed by G.S. 143C-4-5, and an initial payment of eighty-three thousand three hundred dollars ($83,300) to receive a grant described in ~~G.S. 116-41.5(b)(1); or~~G.S. 116-41.15(b)(1)a.

~~(2)~~2. A commitment to make a donation of at least two hundred fifty thousand dollars ($250,000), as prescribed by G.S. 143C-4-5, and an initial payment of forty-one thousand six hundred dollars ($41,600) to receive a grant described in ~~G.S. 116-41.15(b)(2); or~~G.S. 116-41.15(b)(1)b.

~~(3)~~3. A commitment to make a donation in excess of five hundred thousand dollars ($500,000), as prescribed by ~~G.S. 143-31.4,~~ G.S. 143C-4-5, and an initial payment of one-sixth of the committed amount to receive a grant described in ~~G.S. 116-41.15(b)(3); and if the~~ G.S. 116-41.15(b)(1)c.

b. The initial payment is accompanied by a written pledge to provide the balance within five years after the date of the initial payment. Each payment on the balance shall be no less than the amount of the initial payment.

(2) Pledged contributions may not be matched prior to the actual collection of the total funds. Once the income from the institution's Distinguished Professors Endowment Trust Fund can be effectively used pursuant to G.S. 116-41.17, the institution shall proceed to implement plans for establishing an endowed ~~chair.~~chair in a STEM subject area.

"**§ 116-41.17. ~~Distinguished Professors Endowment Trust Fund; establishment~~ Establishment of chairs.**

(a) ~~When~~ The board of trustees may recommend to the Board, for its approval, the establishment of an endowed chair or chairs in a STEM subject area when the sum of the challenge grant and matching funds in the Distinguished Professors Endowment Trust Fund ~~reaches:~~reaches one of the following:

(1) One million dollars ($1,000,000), if the sum of funds described in ~~G.S. 116-41.15(a)(1) or G.S. 116-41.15(b)(1); or~~G.S. 116-41.15(a)(1)a. or G.S. 116-41.15(b)(1)a.

(2) Five hundred thousand dollars ($500,000), if the sum of funds described in ~~G.S. 116-41.15(a)(2) or G.S. 116-41.15(b)(2); or~~G.S. 116-41.15(a)(1)b. or G.S. 116-41.15(b)(1)b.

(3) An amount up to two million dollars ($2,000,000), if the sum of funds described in ~~G.S. 116-41.15(a)(3) or G.S. 116-41.15(b)(3);~~G.S. 116-41.15(a)(1)c. or G.S. 116-41.15(b)(1)c.

~~the board of trustees may recommend to the Board, for its approval, the establishment of an endowed chair or chairs.~~

(b) The Board, in considering whether to approve the ~~recommendation,~~ recommendation made pursuant to subsection (a) of this section, shall include in its consideration the programs already existing in The University of North Carolina. If the Board approves the recommendation, the chair or chairs shall be established. The chair or chairs, the property of the constituent institution, may be named in honor of a donor, benefactor, or honoree of the institution, at the option of the board of trustees.

"**§ 116-41.18. ~~Distinguished Professors Endowment Trust Fund; selection~~ Selection of Distinguished Professors.**

(a) Each constituent institution that receives, through private gifts and an allocation by the Board of Governors, funds for the purpose shall, under procedures established by rules of the Board of Governors and the board of trustees of the constituent institution, select a holder of the Distinguished ~~Professorship.~~ Professorship in a STEM area. Once given, that designation shall be retained by the distinguished professor as long as ~~he~~ the distinguished professor remains in the full-time service of the institution as a faculty member, or for more limited lengths of time when authorized by the Board of Governors and the board of trustees at the institution when the Distinguished Professorship is originally established or vacated. When a distinguished professorship becomes vacant, it shall remain assigned to the institution and another distinguished professor shall be selected under procedures established by rules of the Board of Governors and the board of trustees of the constituent institution.

(a1) No rule shall prevent the constituent institutions of The University of North Carolina from selecting holders of Distinguished Professorships from among existing faculty members or newly hired faculty members.

(b) The Board of Governors of The University of North Carolina shall promulgate rules to implement this section.

(c) There is appropriated from the General Fund to the Board of Governors of The University of North Carolina the sum of two million dollars ($2,000,000) for fiscal year 1985-86, and the sum of two million dollars ($2,000,000) for fiscal year 1986-87, to implement this section.

"**§ 116-41.19. ~~Distinguished Professors Endowment Trust Fund; promulgation of rules.~~Promulgation of rules; list of STEM subject areas.**

(a) The Board of Governors of The University of North Carolina shall promulgate rules to implement this Part.

(b) No later than December 15, 2024, and annually thereafter, the Board of Governors shall identify and provide to the Joint Legislative Education Oversight Committee a list of degree programs in STEM subject areas and the number of distinguished professorships at each constituent institution funded pursuant to this Part in each STEM subject area. The Board of Governors shall make the list of degree programs in STEM subject areas available on its website."

SECTION 8.18.(b) The nonrecurring funds appropriated in this act to the Distinguished Professors Endowment Trust Fund for the 2023-2025 fiscal biennium shall be used to provide matching funds only for selected distinguished professors in STEM subject areas, as defined by the Board of Governors, in accordance with Part 4A of Article 1 of Chapter 116 of the General Statutes, as amended by this section.

SECTION 8.18.(c) Subsection (a) of this section is effective when this act becomes law and applies to distinguished professorships established on or after that date.

COLLABORATORY STUDY NEXT-GENERATION ENERGY AND RESEARCH DEVELOPMENT

SECTION 8.19.(a) Of the nonrecurring funds appropriated in this act for the 2023-2024 fiscal year to the Board of Governors of The University of North Carolina to be allocated to the University of North Carolina at Chapel Hill for the North Carolina Collaboratory (Collaboratory) for next-generation energy and research development, the Collaboratory shall develop academic research partnerships with North Carolina businesses working in the field of next-generation energies and shall leverage those partnerships to perform research and development on next-generation energy technologies, including, but not limited to, lithium batteries; computer chip manufacturing; small modular- or micro-nuclear technologies; hydrogen storage, production, and transportation; and grid modeling across numerous scenarios for power generation, storage, and distribution. These funds shall not revert at the end of the 2023-2024 fiscal year but shall remain available until expended.

SECTION 8.19.(b) The Collaboratory shall report on its activities pursuant to subsection (a) of this section by March 15, 2024, and annually thereafter while funds are expended under this section, to the Joint Legislative Education Oversight Committee. The report shall include, at a minimum, all academic research partnerships established pursuant to this section, the research and development projects undertaken alone or via those partnerships, and the results of those projects, if any.

PART VIII-A. UNIVERSITY/STATE EDUCATION ASSISTANCE AUTHORITY

PERMIT NCSSM AND UNCSA TUITION SCHOLARSHIPS TO BE USED FOR SUMMER TUITION AND ESTABLISH INSTITUTIONAL TRUST FUND

SECTION 8A.3.(a) Part 6 of Article 23 of Chapter 116 of the General Statutes reads as rewritten:

"Part 6. Tuition Grant for High School Graduates of the North Carolina School of Science and Mathematics and the University of North Carolina School of the Arts.

"**§ 116-209.89. Definitions.**

The following definitions apply in this Part:

(1) Academic term. – Any of the following:

a. One fall semester.

b. One spring semester.

c. One summer term.

(2) Summer term. – All instruction received in one summer between academic years.

"**§ 116-209.90. Tuition grants for graduates to attend a constituent institution.**

(a) Within the funds available, a high school graduate from the North Carolina School of Science and Mathematics (NCSSM) or the University of North Carolina School of the Arts (UNCSA) in each school year who meets the following conditions shall be eligible for a tuition grant awarded under this Part:

(1) Is a resident for tuition purposes under the criteria set forth in G.S. 116-143.1 and in accordance with the coordinated and centralized residency determination process administered by the Authority.

(2) Enrolls as a full-time student in a constituent institution of The University of North Carolina in the next academic year after graduation.

(b) Students who receive initial tuition grants as a cohort of a high school graduating class of NCSSM or UNCSA shall also be eligible to apply for tuition grants for subsequent academic ~~years~~ terms for up to a total of ~~four~~ eight academic ~~years,~~ terms, provided that tuition grants are only used for undergraduate tuition.

(b1) A student must be continuously enrolled in an undergraduate program at a constituent institution of The University of North Carolina after the award of the initial tuition grant to be eligible for tuition grants in subsequent academic ~~years.~~ terms. The Authority shall have the

discretion to waive this requirement if the student is able to demonstrate that any of the following have substantially disrupted or interrupted the student's pursuit of a degree: (i) a military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term disability, or (iv) other extraordinary hardship.

(c) The amount of the tuition grant to each graduate shall be determined and distributed as provided in G.S. 116-209.91.

"**§ 116-209.91. Administration of tuition grants.**

(a) The Authority shall administer the tuition grants provided for in this Part pursuant to guidelines and procedures established by the Authority consistent with its practices for administering State-funded financial aid. The guidelines and procedures shall include an application process and schedule, notification and disbursement procedures, standards for reporting, and standards for return of tuition grants when a student withdraws. The Authority shall not approve any grant until it receives proper certification from the appropriate constituent institution that the student applying for the grant is an eligible student. Upon receipt of the certification, the Authority shall remit, at the times it prescribes, the tuition grant to the constituent institution on behalf, and to the credit, of the student. In the event a student on whose behalf a tuition grant has been paid is not enrolled in an undergraduate program and carrying a minimum academic load as of the tenth classroom day following the beginning of the school term for which the tuition grant was paid, the constituent institution shall refund the full amount of the tuition grant to the Authority.

(b) Except as otherwise provided in this section, the amount of the grant awarded to a student shall cover the tuition cost at the constituent institution in which the student is enrolled. No tuition grant awarded to a student under this section shall exceed the cost of attendance at a constituent institution for which the student is enrolled.

(c) If a student, who is eligible for a tuition grant under this section, also receives a scholarship or other grant covering the cost of attendance at the constituent institution for which the tuition grant is awarded, then the amount of the tuition grant shall be reduced by an appropriate amount determined by the Authority so that the total amount of scholarships and grants received by the student does not exceed the cost of attendance for the institution. The cost of attendance shall be determined by the Authority for each constituent institution.

(c1) The Authority shall place all funds appropriated to, or otherwise received by, the Authority for the award of tuition grants under this Part into an institutional trust fund established in accordance with the provisions of G.S. 116-36.1. All interest earned on these funds shall also be placed in the institutional trust fund established pursuant to this subsection. The monies in the institutional trust fund may be used only for the purposes set forth in this Part.

(d) In the event there are not sufficient funds to provide each eligible student who has applied in accordance with the application process and the schedule established by the Authority with a full tuition grant as provided by this Part, each eligible student shall receive a pro rata share of funds available for the academic ~~year~~ term covered by the appropriation in the preceding fiscal year.

(e) The Authority may use up to five percent (5%) of the funds appropriated each year for tuition grants under this Part for administrative costs."

SECTION 8A.3.(b) G.S. 116-209.90(a), as amended by subsection (a) of this section, reads as rewritten:

"(a) Within the funds available, an eligible graduate in each school year who meets the following conditions shall qualify for a tuition grant awarded under this Part:

(1) Is a resident for tuition purposes under the criteria set forth in G.S. 116-143.1 and in accordance with the coordinated and centralized residency determination process administered by the Authority.

(2) Enrolls as a full-time student in an eligible institution of higher education in the next academic year after graduation.

(3) Submits a completed Free Application for Federal Student Aid (FAFSA) form."

SECTION 8A.3.(c) G.S. 116-209.91(c1), as enacted by subsection (a) of this section, becomes effective June 30, 2023. Subsection (b) of this section applies beginning with graduates from the 2023-2024 school year. Except as otherwise provided, this section is effective when it becomes law and applies beginning with graduates of the North Carolina School of Science and Mathematics and the University of North Carolina School of the Arts from the 2022-2023 school year.

EXPAND ELIGIBILITY FOR OPPORTUNITY SCHOLARSHIPS, REQUIRE A SEQUENCE OF COURSES FOR EARLY HIGH SCHOOL GRADUATION, AND ESTABLISH THE EARLY GRADUATE SCHOLARSHIP PROGRAM

SECTION 8A.6.(a) G.S. 115C-562.1(3) is repealed.

SECTION 8A.6.(b) G.S. 115C-562.1 is amended by adding a new subdivision to read:

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

a. Is eligible to attend a North Carolina public school pursuant to Article 25 of this Chapter. A child who is the age of 4 on or before April 16 is eligible to attend the following school year if the principal, or equivalent, of the school in which the child seeks to enroll finds that the student meets the requirements established by the Authority pursuant to G.S. 115C-562.2(d) and those findings are submitted to the Authority.

b. Has not been enrolled in a postsecondary institution as a full-time student taking at least 12 hours of academic credit.

c. Has not been placed in a nonpublic school or facility by a public agency at public expense.

d. Meets one of the following criteria:

1. 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 sub-sub-subdivision.

2. Is a child in foster care as defined in G.S. 131D-10.2. The Authority shall not consider the household income of the foster parent, as defined in G.S. 131D-10.2, in determining the eligibility of a foster care child."

SECTION 8A.6.(c) G.S. 115C-562.3 reads as rewritten:

"**§ 115C-562.3. Verification of eligibility; information from other State agencies.**

(a) To verify that the domicile requirements of G.S. 115C-366 are met for State residency, the Authority shall establish a domicile determination system and shall establish rules for determination of domicile within the State in accordance with this subsection. The Division of Motor Vehicles of the Department of Transportation, the Department of Public Instruction, the Department of Commerce, the Department of Health and Human Services, the Department of Revenue, the State Board of Elections, and the State Chief Information Officer each shall expeditiously cooperate with the Authority in verifying electronically, or by other similarly effective and efficient means, evidence submitted to the Authority for the purposes of

establishing the domicile required by G.S. 115C-366 for State residency. The Authority shall accept any of the following as evidence of domicile within the State:

(1) Verified State drivers license or State identification card.
(2) Verified State voter registration.
(3) Verified receipt of public benefits from a State agency.
(4) Verified filing of State income taxes for the year prior to application.
(5) Verified enrollment in a North Carolina public school at the time of application.
(6) An electronically submitted copy of one of the following current documents that show the name of the parent and an address within the State:
a. A utility bill.
b. A bank statement.
c. A government check.
d. A paycheck.
e. Any other government document.

(a1) ~~The~~ In addition to the requirements of subsection (a) of this section, the Authority may seek verification of information on any application for scholarship grants from eligible students. The Authority shall select and verify six percent (6%) of applications annually, including those with apparent errors on the face of the application. The Authority shall establish rules for the verification process and may use the federal verification requirements process for free and reduced-price lunch applications as guidance for those rules. If a household fails to cooperate with verification efforts, the Authority shall revoke the award of the scholarship grant to the eligible student.

(b) Household members of applicants for scholarship grants shall authorize the Authority to access information needed for verification efforts conducted under this section held by other State agencies, including the Department of Revenue, the Department of Health and Human Services, and the Department of Public Instruction. ~~The Department of Public Instruction shall provide the Authority with public school enrollment information to establish eligibility pursuant to G.S. 115C-562.1(3)a., as needed.~~

(c) By December 1 of each year, the Department of Public Instruction shall provide the Authority the average State per pupil allocation for that fiscal year to determine the maximum scholarship amount for eligible students to be awarded in the following fiscal year in accordance with G.S. 115C-562.2(b)."

SECTION 8A.6.(d) G.S. 115C-562.7 is amended by adding a new subsection to read:

"(d) For any fiscal year in which the Authority uses funds from the Reserve as provided under G.S. 115C-562.8(e), the Authority shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division of the General Assembly by April 1 of that fiscal year on at least the following:

(1) The methodology used by the Authority for determining the awards for the school year, including the number of eligible students and the amount of scholarship grants that were awarded under G.S. 115C-562.2.
(2) The actual number of eligible students and the amount of scholarship grants received by eligible students for that school year.
(3) The amount of funds used from the Reserve, as permitted under G.S. 115C-562.8(e), to fully fund the awards.
(4) Any legislative recommendations, including funding amounts, for the scholarship grant program for the next fiscal year."

SECTION 8A.6.(e) G.S. 115C-562.8 is amended by adding a new subsection to read:

"(e) The Authority shall make reasonable efforts to ensure the amount of scholarship grants awarded for a school year do not exceed the funds that are available for the awards to eligible students in each fiscal year. However, notwithstanding subsection (a) of this section, to ensure that as many eligible students receive scholarship grants in a timely manner as possible, the Authority may use up to thirty percent (30%) of the unencumbered cash balance in the Reserve in a fiscal year if the funds required to award scholarship grants to eligible students for a school year exceed the funds available for the distribution of those awards. If the Authority expends funds in excess of those available in the Reserve for a particular school year, the Authority shall submit the report required by G.S. 115C-562.7(b1)."

SECTION 8A.6.(f) Notwithstanding G.S. 115C-562.3(a), as enacted by this section, as part of a student's application for a scholarship grant pursuant to Part 2A of Article 39 of Chapter 115C of the General Statutes for the 2023-2024 school year that is submitted on or after the effective date of this section, and for all applications for the 2024-2025 school year, a parent shall certify to the State Education Assistance Authority that the domicile requirements of G.S. 115C-562.1(3a), as enacted by this section, are met for eligibility purposes in lieu of submitting evidence electronically to the State Education Assistance Authority through a domicile determination system. The State Education Assistance Authority shall select six percent (6%) of the applications submitted on or after the effective date of this section for the 2023-2024 and 2024-2025 school years to verify the domicile requirements are met for the award of a scholarship grant to an eligible student. As evidence of domicile, the State Education Assistance Authority may accept the submission of any of the documents set forth under G.S. 115C-562.3(a). If a parent fails to cooperate with verification efforts under this section, the State Education Assistance Authority shall revoke the award of the scholarship grant to the eligible student. In addition, if the State Education Assistance Authority determines that the certification of the parent contains falsified information, the parent may be subject to administrative, civil, or criminal penalties. The State Education Assistance Authority shall include a notice of the potential for the imposition of penalties when requesting certification as part of the application process.

SECTION 8A.6.(g) G.S. 115C-562.1(3c) and (5c) are repealed.

SECTION 8A.6.(h) G.S. 115C-562.1, as amended by subsection (b) of this section, reads as rewritten:

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

a. Is eligible to attend a North Carolina public school pursuant to Article 25 of this Chapter. A child who is the age of 4 on or before April 16 is eligible to attend the following school year if the principal, or equivalent, of the school in which the child seeks to enroll finds that the student meets the requirements established by the Authority pursuant to G.S. 115C-562.2(d) and those findings are submitted to the Authority.

b. Has not been enrolled in a postsecondary institution as a full-time student taking at least 12 hours of academic credit.

c. Has not been placed in a nonpublic school or facility by a public agency at public expense.

~~d. Meets one of the following criteria:~~

~~1. 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 sub-sub-subdivision.~~

~~2. Is a child in foster care as defined in G.S. 131D-10.2. The Authority shall not consider the household income of the foster parent, as defined in G.S. 131D-10.2, in determining the eligibility of a foster care child.~~"

SECTION 8A.6.(i) G.S. 115C-562.2 reads as rewritten:

"**§ 115C-562.2. Scholarship grants.**

(a) The Authority shall make available no later than February 1 annually applications to eligible students for the award of scholarship grants to attend any nonpublic ~~school.~~ school on a full- or part-time basis. Information about scholarship grants and the application process shall be made available on the Authority's Web site. Beginning March 15, the Authority shall begin awarding scholarship grants ~~according to the following criteria:~~to students who have applied by March 1 in the following order:

(1) ~~First priority shall be given to eligible~~ Eligible students who received a scholarship grant for the school year prior to the school year for which the students are ~~applying if those students have applied by March 1.~~applying.

(2) ~~After scholarship grants have been awarded to prior recipients as provided in subdivision (1) of this subsection, scholarships shall be awarded with remaining funds as follows:~~Eligible students qualifying for a scholarship grant in the amount provided under subdivision (1) of subsection (b2) of this section.

~~a. At least fifty percent (50%) of the remaining funds shall be used to award scholarship grants to eligible students residing in households with an income level not in excess of the amount required for the student to qualify for the federal free or reduced price lunch program.~~

~~b. Repealed by Session Laws 2020-97, s. 3.3(a), effective September 4, 2020.~~

~~c. Any remaining funds shall be used to award scholarship grants to all other eligible students.~~

(3) Eligible students qualifying for a scholarship grant in the amount provided under subdivision (2) of subsection (b2) of this section.

(4) Eligible students qualifying for a scholarship grant in the amount provided under subdivision (3) of subsection (b2) of this section.

(5) All other students.

~~(b) Scholarship grants awarded to eligible students residing in households with an income level not in excess of the amount required for the student to qualify for the federal free or reduced price lunch program shall be, per year per eligible student, in an amount of up to ninety percent (90%) as a full-time student or up to forty-five percent (45%) as a part-time student of the average State per pupil allocation for average daily membership in the prior fiscal year. Scholarship grants awarded to eligible students residing in households with an income level in excess of the amount required for the student to qualify for the federal free or reduced price lunch program shall be for amounts of not more than ninety percent (90%) of the required tuition and fees as a full-time student or forty-five percent (45%) of the required tuition and fees as a part-time student for the nonpublic school the eligible child will attend. Tuition and fees for a nonpublic school may include tuition and fees for books, transportation, equipment, or other items required by the nonpublic school. No scholarship grant shall exceed, per year per eligible student, an amount equal to ninety percent (90%) for a full-time student or forty-five percent (45%) for a part-time student of the average State per pupil allocation for average daily membership in the prior fiscal year, and no scholarship grant shall exceed the required tuition and fees for the nonpublic school the eligible student will attend.~~

(b1) Repealed by Session Laws 2021-180, s. 8A.3(e), effective July 1, 2021.

(b2) Beginning with the 2024-2025 school year, scholarship grants shall be awarded to eligible students as follows:

(1) For students either (i) residing in households with an income level not in excess of the amount required for the student to qualify for the federal free or reduced-price lunch program or (ii) who are a child in foster care as defined in G.S. 131D-10.2, per year per eligible student, an amount of up to one hundred percent (100%) of the average State per pupil allocation for average daily membership in the prior fiscal year.

(2) For students residing in households with an income level between the amount required for the student to qualify for the federal free or reduced-price lunch program and not in excess of two hundred percent (200%) of that amount, per year per eligible student, an amount of up to ninety percent (90%) of the average State per pupil allocation for average daily membership in the prior fiscal year.

(3) For students residing in households with an income level of between two hundred percent (200%) of the amount required for the student to qualify for the federal free or reduced-price lunch program and not in excess of four hundred fifty percent (450%) of that amount, per year per eligible student, an amount of up to sixty percent (60%) of the average State per pupil allocation for average daily membership in the prior fiscal year.

(4) For all students, per year per eligible student, an amount of up to forty-five percent (45%) of the average State per pupil allocation for average daily membership in the prior fiscal year, unless the student qualifies for a higher amount under this subsection.

(b3) Tuition and fees for a nonpublic school may include tuition and fees for books, transportation, equipment, or other items required by the nonpublic school.

(b4) No scholarship grant shall exceed, per year per eligible student, an amount equal to one hundred percent (100%) of the average State per pupil allocation for average daily membership in the prior fiscal year, and no scholarship grant shall exceed the required tuition and fees for the nonpublic school the eligible student will attend.

…."

SECTION 8A.6.(j) G.S. 115C-562.3, as amended by subsection (c) of this section, reads as rewritten:

"**§ 115C-562.3. Verification of eligibility; information from other State agencies.**

(a) To verify that the domicile requirements of G.S. 115C-366 are met for State residency, the Authority shall establish a domicile determination system and shall establish rules for determination of domicile within the State in accordance with this subsection. The Division of Motor Vehicles of the Department of Transportation, the Department of Public Instruction, the Department of Commerce, the Department of Health and Human Services, the Department of Revenue, the State Board of Elections, and the State Chief Information Officer each shall expeditiously cooperate with the Authority in verifying electronically, or by other similarly effective and efficient means, evidence submitted to the Authority for the purposes of establishing the domicile required by G.S. 115C-366 for State residency. The Authority shall accept any of the following as evidence of domicile within the State:

(1) Verified State drivers license or State identification card.

(2) Verified State voter registration.

(3) Verified receipt of public benefits from a State agency.

(4) Verified filing of State income taxes for the year prior to application.

(5) Verified enrollment in a North Carolina public school at the time of application.

(6) An electronically submitted copy of one of the following current documents that show the name of the parent and an address within the State:
a. A utility bill.
b. A bank statement.
c. A government check.
d. A paycheck.
e. Any other government document.

(a1) In addition to the requirements of subsection (a) of this section, the Authority may seek verification of information on any application for scholarship grants from eligible students. The Authority shall select and verify ~~six percent (6%)~~ four percent (4%) of applications for scholarship grant funds awarded under G.S. 115C-562.2(b2)(1) through (b2)(3) annually, including those with apparent errors on the face of the application. The Authority shall establish rules for the verification process and may use the federal verification requirements process for free and reduced-price lunch applications as guidance for those rules. If a household fails to cooperate with verification efforts, the Authority shall revoke the award of the scholarship grant to the eligible student.

(b) Household members of applicants for scholarship grants shall authorize the Authority to access information needed for verification efforts conducted under this section held by other State agencies, including the Department of Revenue, the Department of Health and Human Services, and the Department of Public Instruction.

(c) By December 1 of each year, the Department of Public Instruction shall provide the Authority the average State per pupil allocation for that fiscal year to determine the maximum scholarship amount for eligible students to be awarded in the following fiscal year in accordance with ~~G.S. 115C-562.2(b).~~G.S. 115C-562.2(b2)."

SECTION 8A.6.(k) G.S. 115C-562.8, as amended by subsection (e) of this section, reads as rewritten:

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

(a) The Opportunity Scholarship Grant Fund Reserve is established as a reserve to be administered by the Board of Governors of The University of North Carolina for the purpose of allocating funds to the Authority for the award of scholarship grants in accordance with this Part. The Reserve shall consist of monies appropriated from the General Fund to the Reserve by the General Assembly and any interest accrued to it thereon. These funds shall be used to award scholarship grants to eligible students for the school year that begins in the fiscal year following the fiscal year in which the appropriation is made to the Reserve. The Board of Governors shall only use monies in the Reserve in accordance with the purposes set forth in this section. Funds appropriated in a particular fiscal year to be used for the award of scholarships in the following fiscal year that are unexpended at the end of the fiscal year after the fiscal year in which the funds were appropriated shall be first used for the purpose set forth in subdivision (1) of subsection (d) of this section, if applicable. After funds are used for this purpose, any unexpended funds from the funds appropriated in a particular fiscal year to be used for the award of scholarships in the following fiscal year shall be carried forward for one fiscal year and may be used for the purposes set forth in this section. Funds carried forward pursuant to this section that have not been spent within one fiscal year shall revert to the General Fund.

(b) The General Assembly finds that, due to the critical need in this State to provide opportunity for school choice for North Carolina students, it is imperative that the State provide an increase of funds for 15 years to the Opportunity Scholarship Grant Fund Reserve. Therefore, there is appropriated from the General Fund to the Reserve the following amounts for each fiscal year to be used for the purposes set forth in this section:

Fiscal Year	**Appropriation**
2017-2018	$44,840,000
2018-2019	$54,840,000

2019-2020	$64,840,000
2020-2021	$74,840,000
2021-2022	$84,840,000
2022-2023	$94,840,000
2023-2024	$176,540,000
2024-2025	$191,540,000
2025-2026	~~$206,540,000~~$415,540,000
2026-2027	~~$221,540,000~~$430,540,000
2027-2028	~~$236,540,000~~$445,540,000
2028-2029	~~$251,540,000~~$460,540,000
2029-2030	~~$266,540,000~~$475,540,000
2030-2031	~~$281,540,000~~$490,540,000
2031-2032	~~$296,540,000~~$505,540,000

For the 2032-2033 fiscal year and each fiscal year thereafter, there is appropriated from the General Fund to the Reserve the sum of ~~three hundred eleven million five hundred forty thousand dollars ($311,540,000)~~ five hundred twenty million five hundred forty thousand dollars ($520,540,000) to be used for the purposes set forth in this section. When developing the base budget, as defined by G.S. 143C-1-1, for each fiscal year specified in this subsection, the Director of the Budget shall include the appropriated amount specified in this subsection for that fiscal year.

(c) Of the funds allocated to the Authority to award scholarship grants under this Part, the Authority may retain up to two and one-half percent (2.5%) of the funds appropriated each fiscal year for administrative costs associated with the scholarship grant program.

(d) Any unexpended funds at the end of a fiscal year from the funds appropriated in a particular fiscal year to be used for the award of scholarships in the following fiscal year shall be used as follows:

(1) Up to five hundred thousand dollars ($500,000) may be used by the Authority to contract with a nonprofit corporation representing parents and families for outreach and scholarship education and application assistance for parents and students pursuant to Part 4A of this Article.

(2) Any remaining funds shall be carried forward for one fiscal year pursuant to subsection (a) of this section.

(e) The Authority shall make reasonable efforts to ensure the amount of scholarship grants awarded for a school year do not exceed the funds that are available for the awards to eligible students in each fiscal year. However, notwithstanding subsection (a) of this section, to ensure that as many eligible students receive scholarship grants in a timely manner as possible, the Authority may use up to thirty percent (30%) of the unencumbered cash balance in the Reserve in a fiscal year if the funds required to award scholarship grants to eligible students for a school year exceed the funds available for the distribution of those awards. If the Authority expends funds in excess of those available in the Reserve for a particular school year, the Authority shall submit the report required by G.S. 115C-562.7(b1)."

SECTION 8A.6.(*l*) G.S. 115C-12(9d)a. reads as rewritten:

"a. The Board may develop exit standards that shall be required for high school graduation. The Board shall develop a sequence of courses that shall be available in all public school units to allow a student to complete the credits required for graduation in a three-year period. The Board shall indicate on a student's transcript if the student graduates from a public high school within three years of entering the ninth grade. A governing body of a public school unit shall not require any additional credits beyond those mandated by the Board for high school

graduation. The Board shall require the following for high school graduation:

1. Successful completion of instruction in cardiopulmonary resuscitation as provided in G.S. 115C-81.25(c)(10).
2. A passing grade in the semester course on the Founding Principles of the United States of America and the State of North Carolina described in G.S. 115C-81.45(d)(1)."

SECTION 8A.6.(m) G.S. 115C-12(9d)b.2. reads as rewritten:

"2. The Board shall not require any student to prepare a high school graduation project as a condition of graduation from high ~~school; local boards of education may, however, require their students to complete a high school graduation as provided in G.S. 115C-47(54a).~~school."

SECTION 8A.6.(n) G.S. 115C-47(54a) is repealed.

SECTION 8A.6.(o) G.S. 115C-12(32) reads as rewritten:

"(32) Duty to Encourage Early Entry of Motivated Students into Four-Year College Programs. –

a. The State Board of Education, in cooperation with the Education Cabinet, shall work with local school administrative units, the constituent institutions of The University of North Carolina, local community colleges, and private colleges and universities to (i) encourage early entry of motivated students into two-year or four-year ~~college~~ postsecondary programs and to (ii) ensure that there are opportunities at two-year and four-year institutions for academically talented high school students to get an early start on college coursework, either at nearby institutions or through distance learning.

b. The State Board of Education shall also adopt policies directing school guidance counselors in all public school units to make ninth grade students aware of the potential to complete the high school courses required for college entry in a three-year ~~period.~~period and for the availability of early graduate scholarships under Part 7 of Article 23 of Chapter 116 of the General Statutes for those students."

SECTION 8A.6.(p) G.S. 115C-47 is amended by adding a new subdivision to read:

"(53a) To Encourage Early High School Graduation. – Local boards of education shall offer a sequence of courses in accordance with G.S. 115C-12(9d) and advise students using this sequence to graduate within three years of entering the ninth grade of the availability of early graduate scholarships under Part 7 of Article 23 of Chapter 116 of the General Statutes."

SECTION 8A.6.(q) G.S. 115C-218.85(a) is amended by adding a new subdivision to read:

"(6) A charter school shall offer a sequence of courses in accordance with G.S. 115C-12(9d) and shall advise students using this sequence to graduate within three years of entering the ninth grade of the availability of early graduate scholarships under Part 7 of Article 23 of Chapter 116 of the General Statutes."

SECTION 8A.6.(r) G.S. 115C-238.66(1) is amended by adding a new sub-subdivision to read:

"f. The board of directors shall offer a sequence of courses in accordance with G.S. 115C-12(9d) and shall advise students using this sequence to graduate within three years of entering the ninth grade of the

availability of early graduate scholarships under Part 7 of Article 23 of Chapter 116 of the General Statutes."

SECTION 8A.6.(s) The governing body of a public school unit shall report to the Department of Public Instruction on the number of rising eleventh graders utilizing the sequence of courses to complete the credits required for graduation in a three-year period by May 15, 2025, and May 15, 2026. The Department of Public Instruction shall report the total number of rising eleventh graders utilizing the sequence of courses to complete the credits required for graduation in a three-year period by public school unit to the Fiscal Research Division by June 1, 2025, and June 1, 2026.

SECTION 8A.6.(t) The State Board of Education shall adopt an emergency rule no later than August 1, 2023, to establish the graduation requirements and sequence of courses required by this section. Governing bodies of public school units shall advise students beginning with the 2023-2024 school year of this sequence, the option to graduate within three years of entering the ninth grade, and the availability of early graduate scholarships. Students enrolled in the tenth grade during the 2023-2024 school year who complete the sequence of courses required for graduation in a three-year period shall be eligible to graduate in the 2024-2025 school year.

SECTION 8A.6.(u) Article 23 of Chapter 116 of the General Statutes is amended by adding a new Part to read:

"Part 6. The Early Graduate Scholarship Program.

"**§ 116-209.100. Definitions.**

The following definitions apply to this Part:

(1) Eligible postsecondary institution. – A school that is:

a. A constituent institution of The University of North Carolina as defined in G.S. 116-2(4).

b. A community college as defined in G.S. 115D-2(2).

c. A nonprofit postsecondary institution as defined in G.S. 116-280(3).

(2) Matriculated status. – Being recognized as a student in a defined program of study leading to a degree, diploma, or certificate at an eligible postsecondary institution.

(3) Program. – The Early Graduate Scholarship Program.

(4) Reserve Fund. – Reserve Fund for Early Graduate Scholarships.

(5) Scholarship. – An Early Graduate Scholarship for education awarded under this Part.

"**§ 116-209.101. Eligibility requirements for a scholarship and duration of scholarship.**

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

(1) Graduate from a State public high school within three years of entering the ninth grade. The Department of Public Instruction shall indicate on a student's transcript provided to the Authority that the student is an early graduate pursuant to this section.

(2) Qualify as a resident for tuition purposes under the criteria set forth in G.S. 116-143.1 and in accordance with the coordinated and centralized residency determination process administered by the Authority.

(3) Meet enrollment standards by being admitted, enrolled, and classified as a student in a matriculated status at an eligible postsecondary institution.

(4) Submit a Free Application for Federal Student Aid (FAFSA).

(b) A student is eligible to receive the scholarship for no more than two semesters in the two academic years immediately following the student's graduation from high school.

"**§ 116-209.102. Scholarship amounts; amounts dependent on availability of funds.**

(a) The amount of a scholarship awarded under this Part to a student at an eligible postsecondary institution shall be determined annually by the Authority using a payment schedule that is based upon a corresponding value of student financial need as defined by federal methodology to the income eligibility for a scholarship grant awarded under G.S. 115C-562.2. The Authority shall publish the payment schedule for the Program in an easily accessible and understandable format. No scholarship awarded to a student under this Part shall exceed the cost of attendance at the eligible postsecondary institution in which the student is enrolled.

(b) If a student who is eligible for a scholarship under this Part also receives a scholarship or other grant covering the cost of attendance at the eligible postsecondary institution for which the scholarship is awarded, then the amount of the scholarship shall be reduced by an appropriate amount determined by the Authority so that the total amount of scholarships and grants received by the student does not exceed the cost of attendance for the institution. The cost of attendance shall be determined by the Authority for each eligible postsecondary institution.

(c) In the event there are not sufficient funds to provide each eligible student who has applied in accordance with the application process and the schedule established by the Authority with a full scholarship as provided by this Part, the Authority shall first award scholarships to those students whose student financial need as defined by federal methodology corresponds to those eligible to be awarded scholarship grants in accordance with G.S. 115C-562.2(b2)(1) and (b2)(2).

"**§ 116-209.103. Scholarship administration; reporting requirements.**

(a) The scholarships provided for in this Part shall be administered by the Authority under rules adopted by the Authority in accordance with the provisions of this Part. The rules shall include an application process and schedule, notification and disbursement procedures, and standards for reporting.

(b) The Authority shall report no later than December 1, 2026, and annually thereafter to the Joint Legislative Education Oversight Committee. The report shall contain, for the previous academic year, the dollar amount of awards disbursed, the number of eligible students receiving funds, and a breakdown of the eligible postsecondary institutions that received the funds.

(c) Scholarship funds unexpended shall remain available for future scholarships to be awarded under this Part.

"**§ 116-209.104. Reserve Fund for Early Graduate Scholarships.**

(a) There is established the Reserve Fund for Early Graduate Scholarships as a reserve consisting of the following monies:

(1) Funds appropriated by the General Assembly for the Program from the General Fund in the Current Operations Appropriations Act for a fiscal year.

(2) All interest earned on these funds.

(b) Monies in the Reserve Fund shall not revert at the end of each fiscal year but shall remain available until expended for the purposes of this Part.

(c) The Authority may use up to one and one-half percent (1.5%) of the funds available in the Reserve Fund each fiscal year for administrative costs related to the Program."

SECTION 8A.6.(v) Subsections (a) through (f) of this section are effective when they become law and apply to applications for scholarship grants beginning with the 2023-2024 school year. Applications submitted for the 2023-2024 school year prior to the effective date of this section shall be deemed to have met the requirements of G.S. 115C-562.1(3a)a., as enacted by this section, and shall not be required to meet the verification requirement of G.S. 115C-562.3(a), as enacted by this section. Subsections (g) through (k) of this section become effective July 1, 2023, and apply to applications for scholarship grants beginning with the 2024-2025 school year. Subsection (u) of this section is effective when it becomes law, and scholarships shall be awarded as provided in that section beginning with the 2025-2026 school year. Except as otherwise provided, this section is effective when it becomes law.

CONFORM IN-STATE TUITION FOR MILITARY-RELATED INDIVIDUALS TO FEDERAL LAW

SECTION 8A.10.(a) G.S. 115D-39(a) reads as rewritten:

"(a) The State Board of Community Colleges shall fix and regulate all tuition and fees charged to students for applying to or attending any institution pursuant to this Chapter.

The receipts from all student tuition and fees, other than student activity fees, shall be State funds and shall be deposited as provided by regulations of the State Board of Community Colleges.

The legal resident limitation with respect to tuition, set forth in G.S. 116-143.1 and G.S. 116-143.3, shall apply to students attending institutions operating pursuant to this ~~Chapter; provided, however, that when~~ Chapter, except as follows:

(1) When an employer other than the ~~Armed Forces,~~ employer of a qualifying federal services member, as that term is defined in G.S. 116-143.3, pays tuition for an employee to attend an institution operating pursuant to this Chapter and when the employee works at a North Carolina business location, the employer shall be charged the in-State tuition ~~rate; provided further, however, a~~ rate.

(2) A community college may charge in-State tuition to up to one percent (1%) of its out-of-state students, rounded up to the next whole number, to accommodate the families transferred by business, the families transferred by industry, or the civilian families ~~transferred by the Armed Forces,~~ of qualifying federal services member transferred to a permanent duty station, consistent with the provisions of G.S. 116-143.3, into the State.

(3) ~~Notwithstanding these requirements, a~~ A refugee who lawfully entered the United States and who is living in this State shall be deemed to qualify as a domiciliary of this State under G.S. 116-143.1(a)(1) and as a State resident for community college tuition purposes as defined in G.S. 116-143.1(a)(2).

(4) ~~Also, a~~ A nonresident of the United States who has resided in North Carolina for a 12-month qualifying period and has filed an immigrant petition with the United States Immigration and Naturalization Service shall be considered a State resident for community college tuition purposes."

SECTION 8A.10.(b) G.S. 116-143.3 reads as rewritten:

"**§ 116-143.3. Tuition of ~~Armed Forces personnel~~ qualifying federal services members and their spouses and dependents.**

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

(1) ~~The term "abode" shall mean the~~ Abode. – The place where a person actually lives, whether temporarily or permanently; the term "abide" shall mean to live in a given place.

(2) ~~The term "Armed Forces" shall mean the~~ Armed Forces. – The United States Air Force, Army, Coast Guard, Marine Corps, and Navy; the North Carolina National Guard; and any reserve component of the foregoing.

(2a) Dependent. – A spouse or dependent child.

(3) Repealed by Session Laws 2007-484, s. 15, effective August 30, 2007.

(4) Qualifying federal services member. – Any of the following:

a. A member of the Armed Forces who is on active duty for a period of more than 30 days, as defined in 10 U.S.C. § 101.

b. A member of the Foreign Service, as defined in 22 U.S.C. § 3903, who is on active duty for a period of more than 30 days.

(b) Any ~~active duty member of the Armed Forces qualifying for admission~~ qualifying federal services member admitted to an institution of higher ~~education~~ education, as defined in ~~G.S. 116-143.1(a)(3)~~ G.S. 116-143.1(a)(3), but not qualifying as a resident for tuition purposes

under G.S. 116-143.1 shall be charged the in-State tuition rate and applicable mandatory fees for enrollments while the ~~member of the Armed Forces is abiding in this State incident to active military duty~~ qualifying federal services member's permanent duty station is in this State. In the event the ~~active duty member of the Armed Forces~~ qualifying federal services member is reassigned outside of North Carolina or retires, the member shall continue to be eligible for the in-State tuition rate and applicable mandatory fees so long as the member is continuously enrolled in the degree or other program in which the member was enrolled at the time the member is reassigned. In the event the qualifying federal services member is an active duty member of the Armed Forces and receives an Honorable Discharge from military service, the member shall continue to be eligible for the in-State tuition rate and applicable mandatory fees so long as the member establishes residency in North Carolina within 30 days after the discharge and is continuously enrolled in the degree or other program in which the member was enrolled at the time the member is discharged.

(b1), (b2) Repealed by Session Laws 2004-130, s. 1, effective August 1, 2004.

(c) Any ~~dependent relative of a member of the Armed Forces who is abiding in this State incident to active military duty, as defined by the Board of Governors of The University of North Carolina and by the State Board of Community Colleges while sharing the abode of that member~~ dependent of a qualifying federal services member with a permanent duty station in this State shall be eligible to be charged the in-State tuition rate, if the dependent ~~relative~~ qualifies for admission to an institution of higher ~~education~~ education, as defined in G.S. 116-143.1(a)(3). The dependent ~~relatives~~ shall comply with the requirements of the Selective Service System, if applicable, in order to be accorded this benefit. In the event the ~~member of the Armed Forces~~ qualifying federal services member is reassigned outside of North Carolina or retires, the dependent ~~relative~~ shall continue to be eligible for the in-State tuition rate and applicable mandatory fees so long as the dependent ~~relative~~ is continuously enrolled in the degree or other program in which the dependent ~~relative~~ was enrolled at the time the member is reassigned or retires. In the event the qualifying federal services member is an active duty member of the Armed Forces and receives an Honorable Discharge from military service, the dependent ~~relative~~ shall continue to be eligible for the in-State tuition rate and applicable mandatory fees so long as the dependent ~~relative~~ establishes residency within North Carolina within 30 days after the discharge and is continuously enrolled in the degree or other program in which the dependent ~~relative~~ was enrolled at the time the member is discharged.

(c1) A dependent ~~relative~~ child who resides with a member of the Armed Forces who is reassigned outside of the State incident to active military duty shall remain eligible to be charged the in-State tuition rate if all of the following are met:

(1) At the time the dependent ~~relative~~ child applies for admission to the institution of higher education, as defined in G.S. 116-143.1(a)(3), the dependent ~~relative~~ child both:
   a. Is enrolled in a North Carolina high school.
   b. Meets the requirements of subsection (c) of this section.
(2) Upon admission, the dependent ~~relative~~ child enrolls in the institution of higher education no later than the fall academic semester immediately following notice of admission and remains continuously enrolled.

(d) The person applying for the benefit of this section has the burden of proving entitlement to the benefit.

(e) A person charged less than the out-of-state tuition rate solely by reason of this section shall not, during the period of receiving that benefit, qualify for or be the basis of conferring the benefit of G.S. 116-143.1(g), (h), (i), (j), (k), or (*l*)."

SECTION 8A.10.(c) G.S. 116-235(b)(1) reads as rewritten:

"(1) Admission of Students. – The School shall admit students in accordance with criteria, standards, and procedures established by the Board of Trustees. To be

eligible to be considered for admission, an applicant must be either a legal resident of the State, as defined by G.S. 116-143.1(a)(1), or a ~~student whose parent is an active duty member of the Armed Forces, as defined by G.S. 116-143.3(2), who is abiding in this State incident to active military duty at the time the application is submitted,~~ dependent of a qualifying federal services member eligible under G.S. 116-143.3, provided the student shares the abode of that parent; eligibility to remain enrolled in the School shall terminate at the end of any school year during which a student becomes a nonresident of the State. The Board of Trustees shall ensure, insofar as possible without jeopardizing admission standards, that an equal number of qualified applicants is admitted to the program and to the residential summer institutes in science and mathematics from each of North Carolina's congressional districts. In no event shall the differences in the number of qualified applicants offered admission to the program from each of North Carolina's congressional districts be more than two and one-half percentage points from the average number per district who are offered admission."

SECTION 8A.10.(d) This section is effective when it becomes law. Qualifying federal services members and their spouses and dependent children shall be eligible to be charged the in-State tuition rate beginning with the 2024-2025 academic year.

ALLOW PREAPPROVAL OF PESA EXPENSES IN LIEU OF EXPENSE REPORTS, AS RECOMMENDED BY THE INTERNAL AUDITOR

SECTION 8A.11.(a) G.S. 115C-592(b2) reads as rewritten:

"(b2) Disbursement and Deposit of Awards. – Scholarship funds shall be used only for tuition and qualifying education expenses as provided in G.S. 115C-595. Recipients shall receive the scholarship funds in two equal amounts, one-half in each semester of the school year. The first deposit of funds to a PESA shall be subject to the execution of the parental agreement required by G.S. 115C-595. The parent shall then receive an electronic account with the prepaid funds loaded in the electronic account at the beginning of the school year. ~~After the initial disbursement of funds, each subsequent, semester disbursement of funds shall be subject to the submission by the parent of an expense report. The expense report shall be submitted electronically and shall include documentation that the student received an education, as described in G.S. 115C-595(a)(1), for no less than 70 days of the applicable semester.~~ Requests for qualifying educational expenses are subject to a preapproval process established by the Authority prior to the disbursement of funds from the electronic account. An expense report shall not be required for any expenses that have been preapproved by the Authority. The electronic account shall be renewed upon the receipt of the parental agreement under G.S. 115C-595 for recipients awarded scholarship funds in subsequent school years."

SECTION 8A.11.(b) G.S. 115C-595(a)(1) reads as rewritten:

"(1) Use at least a portion of the scholarship funds to provide an ~~education~~ education, for no less than 70 days of each semester, to the eligible student in, at a minimum, the subjects of English language arts, mathematics, social studies, and science."

SECTION 8A.11.(c) This section is effective when it becomes law.

PERSONAL EDUCATION STUDENT ACCOUNT UNEXPENDED FUNDS TO ESTABLISH AN INSTITUTIONAL TRUST FUND

SECTION 8A.13.(a) G.S. 115C-600 reads as rewritten:

"**§ 115C-600. Funds for Personal Education Student Accounts.**

(a) The General Assembly finds that due to the continued growth and ongoing need in this State to provide opportunity for school choice for children with disabilities, it is imperative

that the State provide an increase in funds of at least one million dollars ($1,000,000) each fiscal year for 10 years for the Personal Education Student Accounts for Children with Disabilities Program. To that end, there is appropriated from the General Fund to the Board of Governors of The University of North Carolina the following amounts each fiscal year to be allocated to the Authority for the Program in accordance with this Article:

Fiscal Year	Appropriation
2023-2024	$48,943,166
2024-2025	$49,943,166
2025-2026	$50,943,166
2026-2027	$51,943,166
2027-2028	$52,943,166
2028-2029	$53,943,166
2029-2030	$54,943,166
2030-2031	$55,943,166
2031-2032	$56,943,166
2032-2033 and each subsequent fiscal year thereafter	$57,943,166

When developing the base budget, as defined by G.S. 143C-1-1, for each fiscal year specified in this section, the Director of the Budget shall include the appropriated amount specified in this section for that fiscal year.

(b) The Authority shall make reasonable efforts to ensure the amount of scholarship funds awarded for a school year do not exceed the funds that are available for awards to eligible students in each fiscal year. However, to ensure that as many eligible students receive scholarship funds in a timely manner as possible, at the end of each fiscal year, the Authority shall place any unexpended funds appropriated for the Program into an institutional trust fund established in accordance with the provisions of G.S. 116-36.1 to accrue a cash balance in the institutional trust fund of up to ten million dollars ($10,000,000). The Authority shall use these funds to award scholarship funds in any fiscal year that the funds required to award scholarships to eligible students for a school year exceed the funds available for the distribution of those awards. All interest earned on these funds shall also be placed in the institutional trust fund established pursuant to this subsection. For any fiscal year in which funds are expended from the institutional trust fund, the Authority shall submit a report as required by G.S. 115C-598(b). In any fiscal year in which the cash balance of the institutional trust fund equals ten million dollars ($10,000,000), any unexpended funds remaining at the end of the fiscal year from the funds appropriated for the Program shall revert to the General Fund."

SECTION 8A.13.(b) G.S. 115C-598 reads as rewritten:

"**§ 115C-598. Reporting requirements.**

(a) The Authority shall report annually, no later than October 15, to the Joint Legislative Education Oversight Committee on the following information from the prior school year:

(1) Total number, grade level, race, ethnicity, and sex of eligible students receiving scholarship funds.

(2) Total amount of scholarship funding awarded.

(3) Number of students previously enrolled in public schools in the prior semester by the previously attended local education agency.

(4) Nonpublic schools in which scholarship recipients are enrolled, including numbers of scholarship recipients at each nonpublic school.

(5) The number of substantiated cases of fraud by recipients and the number of parents or students removed from the program for noncompliance with the provisions of this Article.

(b) For any fiscal year in which the Authority uses funds as provided under G.S. 115C-600(b), the Authority shall report to the Joint Legislative Education Oversight

Committee and the Fiscal Research Division of the General Assembly by April 1 of that fiscal year on at least the following:

(1) The methodology used by the Authority for determining the awards for the school year, including the number of eligible students and the amount of scholarship funds that were awarded under G.S. 115C-592.

(2) The actual number of eligible students and the amount of scholarship funds received by eligible students for that school year.

(3) The amount of funds used pursuant to G.S. 115C-600(b) to fully fund the awards.

(4) Any legislative recommendations, including funding amounts, for the Program for the next fiscal year."

SECTION 8A.13.(c) G.S. 115C-597(a)(4) reads as rewritten:

"(4) Monitoring and control of spending scholarship funds deposited in a ~~personal education savings account.~~PESA."

SECTION 8A.13.(d) This section is effective June 30, 2023, and applies beginning with the award of scholarship funds for the 2023-2024 school year.

PCP AND PSYCHIATRISTS FORGIVABLE LOAN PROGRAM

SECTION 8A.14.(a) Definitions. – The following definitions apply in this section:

(1) Authority. – The State Education Assistance Authority.

(2) Eligible county. – A county designated as a development tier one or development tier two area in the annual ranking performed by the Department of Commerce pursuant to G.S. 143B-437.08.

(3) Eligible school. – A medical school at an institution of higher education that is any of the following:

a. A postsecondary constituent institution of The University of North Carolina, as defined in G.S. 116-2(4).

b. An eligible private postsecondary institution, as defined in G.S. 116-280(3).

(4) Eligible student. – A person enrolled in an eligible school for the purpose of becoming licensed as a physician or psychiatrist under Article 1 of Chapter 90 of the General Statutes.

(5) Loan. – A forgivable loan made under the Program.

(6) Program. – Primary Care Providers and Psychiatrists Forgivable Loan Program.

SECTION 8A.14.(b) Program; Purpose. – Of the nonrecurring funds appropriated from the ARPA Temporary Savings Fund to the Board of Governors of The University of North Carolina for the 2023-2025 fiscal biennium to be allocated to the State Education Assistance Authority, there is established the Primary Care Providers and Psychiatrists Forgivable Loan Program to be administered by the Authority. The purpose of the Program is to provide forgivable loans to eligible students who agree to practice primary care medicine or psychiatry on a full-time basis in an eligible county.

SECTION 8A.14.(c) Eligibility. – The Authority shall establish the criteria for initial and continuing eligibility to participate in the Program, as follows:

(1) All loan recipients shall be residents of North Carolina and shall attend an eligible school.

(2) The Authority shall adopt standards deemed appropriate by the Authority to ensure that only qualified, potential recipients receive a loan under the Program. The standards shall include priority for applicants from eligible counties and may include minimum grade point average and satisfactory academic progress.

(3) To the extent funds provided pursuant to this act are insufficient to award forgivable loans to all interested eligible students, the Authority may establish a lottery process for selection of loan recipients from among qualified applicants within criteria established by this section.

SECTION 8A.14.(d) Loan Terms and Conditions. – To the extent funds are made available for the Program, the following terms and conditions shall apply to each loan made pursuant to this section:

(1) Promissory note. – All loans shall be evidenced by promissory notes made payable to the Authority.

(2) Interest. – All promissory notes shall bear an interest rate established by the Authority that does not exceed ten percent (10%) and is in relation to the current interest rate for non-need-based federal loans made pursuant to Title IV of the Higher Education Act of 1965, as amended. Interest shall accrue from the date of disbursement of the loan funds.

(3) Loan amount. – Loans shall be awarded to eligible students in an amount of twenty-five thousand dollars ($25,000) per academic year, per eligible student, up to one hundred thousand dollars ($100,000).

(4) Forgiveness and repayment. – The Authority shall forgive loans as follows:

a. In an amount of twenty-five thousand dollars ($25,000) for each year that the recipient is licensed and practicing primary care medicine or psychiatry on a full-time basis in an eligible county, up to a maximum of one hundred thousand dollars ($100,000) over four years.

b. If a loan recipient is practicing in a county that loses its status as an eligible county before the recipient completes his or her service obligation, the Authority shall continue to provide loan forgiveness in accordance with this section as long as the recipient practices in that county without a break in service.

c. The Authority shall collect cash repayments when service repayment is not completed. The Authority shall establish the terms for cash repayment, including a minimum monthly repayment amount and maximum period of time to complete repayment.

(5) Death and disability. – The Authority shall forgive all or part of a loan if it determines that it is impossible for the recipient to repay the loan in cash or service because of the death or disability of the recipient.

(6) Hardship. – The Authority may grant a forbearance, a deferment, or both in hardship circumstances when a good-faith effort has been made to repay the loan in a timely manner.

(7) Other. – The Authority may establish other terms and conditions that are necessary or convenient to effectuate the Program.

SECTION 8A.14.(e) Rulemaking Authority. – The Authority may adopt rules necessary to implement, administer, market, and enforce the provisions of this section.

SECTION 8A.14.(f) Report to the General Assembly. – The Authority shall report no later than December 1, 2025, and annually thereafter while loans are held or forgiven by the Authority to the Joint Legislative Education Oversight Committee and the Joint Legislative Oversight Committee on Health and Human Services regarding the Program and loans awarded pursuant to the Program, including at least the following information:

(1) Forgivable loans awarded under the Program, including the following:

a. Demographic information regarding loan recipients.

b. Number of loan recipients by eligible medical school.

(2) Placement and repayment rates, including the following:

a. Number of loan recipients who have been employed in primary care medicine or psychiatry on a full-time basis in an eligible county within two years of graduation from an eligible medical school.
b. Number of loan recipients who have elected cash repayment in lieu of service repayment and their years of service, if any, prior to beginning cash repayment.

(3) Recommendations to improve the Program and increase the number of licensed physicians practicing primary care medicine and psychiatry in eligible counties.

SECTION 8A.14.(g) This section applies beginning with eligible students enrolled in the 2024-2025 academic year.

PART IX. HEALTH AND HUMAN SERVICES

PART IX-A. AGING AND ADULT SERVICES

CONFORMING PARITY CHANGES PERTAINING TO MONTHLY PAYMENTS FOR STATE-COUNTY SPECIAL ASSISTANCE RECIPIENTS RESIDING IN IN-HOME LIVING ARRANGEMENTS

SECTION 9A.1. G.S. 108A-47.1, as amended by Section 9A.3 of S.L. 2021-180, reads as rewritten:

"**§ 108A-47.1. Special Assistance in-home payments.**

(a) The Department of Health and Human Services ~~may~~ shall use funds from the existing State-County Special Assistance budget to provide Special Assistance payments to eligible individuals 18 years of age or older in in-home living arrangements. The standard monthly payment to individuals enrolled in the Special Assistance in-home program shall be one hundred percent (100%) of the monthly payment the individual would receive if the individual resided in an adult care home and qualified for Special ~~Assistance, except if a lesser payment amount is appropriate for the individual as determined by the local case manager.~~ Assistance. The Department shall implement Special Assistance in-home eligibility policies and procedures to assure that in-home program participants are those individuals who need and, but for the in-home program, would seek placement in an adult care home facility. The Department's policies and procedures shall include the use of ~~a functional~~ an assessment.

(b) All county departments of social services shall participate in the State-County Special Assistance in-home program by making Special Assistance in-home slots available to individuals who meet the eligibility requirements established by the Department pursuant to subsection (a) of this section. ~~By February 15, 2013, the Department shall establish a formula to determine the need for additional State-County Special Assistance in-home slots for each county. Beginning July 1, 2014, and each July 1 thereafter, the Department shall review and revise the formula as necessary.~~"

PART IX-B. CENTRAL MANAGEMENT AND SUPPORT

REPORTS BY NON-STATE ENTITIES ON THE USE OF DIRECTED GRANT FUNDS

SECTION 9B.1. The Department of Health and Human Services shall submit to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division all reports received under 9 NCAC 03M .0205 from non-State entities, as defined in G.S. 143C-1-1, that are recipients of nonrecurring funds allocated in this Part as a directed grant according to the following schedule:

(1) By November 1, 2024, all reports on the use of directed grant funds received under this Part for the 2023-2024 fiscal year.

(2) By November 1, 2025, all reports on the use of directed grant funds received under this Part for the 2024-2025 fiscal year.

COMMUNITY HEALTH GRANT PROGRAM

SECTION 9B.2.(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 2023-2025 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.2.(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, after-hours care; and collaboration between the applicant and a community hospital or other safety net organizations.

SECTION 9B.2.(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.2.(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 2023-2025 fiscal biennium for administrative purposes.

SECTION 9B.2.(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 of 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.2.(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.

FUNDS FOR NC DENTAL SOCIETY FOUNDATION'S MISSIONS OF MERCY DENTAL CLINICS

SECTION 9B.3. Funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, Office of Rural Health, and allocated as a directed grant to the NC Dental Society Foundation for its Missions of Mercy dental clinics shall not be spent for any purpose other than to provide direct services to patients and to purchase necessary dental supplies. None of these directed grant funds may be spent for administrative purposes.

EXPANSION OF THE NC LOAN REPAYMENT PROGRAM/INCENTIVES FOR HEALTH PROVIDERS IN RURAL AND UNDERSERVED AREAS

SECTION 9B.4.(a) Of the funds appropriated in this act from the ARPA Temporary Savings Fund to the Department of Health and Human Services, Division of Central Management and Support, Office of Rural Health (ORH), for the North Carolina Loan Repayment Program (NC LRP), the following sums shall be allocated for use as provided in this section:

(1) The sum of fifteen million dollars ($15,000,000) in nonrecurring funds for the 2023-2024 fiscal year and the sum of fifteen million dollars ($15,000,000) in nonrecurring funds for the 2024-2025 fiscal year shall be allocated to support the recruitment and retention of additional licensed providers eligible to participate in the NC LRP other than those delineated in subdivisions (2) and (3) of this subsection.

(2) The sum of fifteen million dollars ($15,000,000) in nonrecurring funds for the 2023-2024 fiscal year and the sum of fifteen million dollars ($15,000,000) in nonrecurring funds for the 2024-2025 fiscal year shall be allocated to establish within the NC LRP a new initiative targeting the recruitment and retention of additional licensed primary care physicians in rural and medically underserved areas of the State.

(3) The sum of ten million dollars ($10,000,000) in nonrecurring funds for the 2023-2024 fiscal year and the sum of ten million dollars ($10,000,000) in nonrecurring funds for the 2024-2025 fiscal year shall be allocated to establish within the NC LRP a new behavioral health provider initiative targeting the recruitment and retention of additional licensed psychiatrists and additional nurse practitioners and physician assistants specializing in mental or behavioral health in rural and medically underserved areas of the State. Under this new behavioral health provider initiative, the ORH shall expand the NC LRP to include the recruitment and retention of mental health and behavioral health providers eligible to participate in the North Carolina State Loan Repayment Program (SLRP).

SECTION 9B.4.(a1) With respect to the new initiatives authorized by subdivisions (a)(2) and (a)(3) of this section:

(1) For eligible providers with educational loan debt, loan repayment incentives shall not exceed the maximum amounts otherwise allowed under the NC LRP.

(2) For eligible providers without educational loan debt, bonus payment incentives shall not exceed the maximum amounts otherwise allowed under the NC LRP.

(3) Private practice settings located in rural and medically underserved areas of the State are deemed automatically eligible practice sites.

SECTION 9B.4.(b) For each year of the 2023-2025 fiscal biennium, the ORH may use up to five percent (5%) of the total amount of funds allocated by this section for the following purposes:

(1) For administrative costs related to the NC LRP, including costs related to establishing and administering the new primary care physician initiative authorized by subdivision (a)(2) of this section and the new behavioral health providers initiative authorized by subdivision (a)(3) of this section, including expansion of the NC LRP to include mental health and behavioral health providers eligible to participate in the SLRP.

(2) To enter into a contract with the North Carolina Area Health Education Center (AHEC) Program for the development and implementation of a plan to (i) target, recruit, and enroll additional NC LRP participants, as specified in subsection (a) this section, and (ii) retain these providers in rural and medically underserved areas of the State following completion of their service commitments.

SECTION 9B.4.(c) The ORH shall collect and maintain data on the length of time each NC LRP participant remains employed within the same county as the practice site selected for his or her service commitment, or in a county adjacent to the practice site selected for his or her service commitment.

SECTION 9B.4.(d) By January 15, 2025, and January 15, 2026, the ORH shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the use of funds allocated by subsection (a) of this section. The report shall include at least all of the following:

(1) A list of expenditures funded by State appropriations.

(1a) The total number of additional licensed providers enrolled in the NC LRP that received incentives funded by subdivision (a)(1) of this section, broken down by provider category, practice site, and the type and amount of incentive provided to each NC LRP participant.

(2) The total number of licensed primary care physicians enrolled in the initiative authorized by subdivision (a)(2) of this section, broken down by physician type, practice site, and the type and amount of incentive provided to each NC LRP participant.

(3) The total number of behavioral health providers enrolled in the NC LRP following implementation of the expansion authorized by subdivision (a)(3) of this section, broken down by provider category, practice site, and the type and amount of incentive provided to each NC LRP participant.

(4) The length of time each NC LRP participant remains employed at a practice site in a rural and medically underserved area.

(5) Recommendations for improving recruitment and retention efforts under the NC LRP.

EXPANSION OF THE MEDICAL ASSISTANT APPRENTICESHIP INITIATIVE PILOT PROGRAM

SECTION 9B.5.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, Office of Rural Health, the sum of one million seven hundred three thousand two hundred fifty dollars ($1,703,250) in nonrecurring funds for the 2023-2024 fiscal year and the sum of one million seven hundred three thousand two hundred fifty dollars ($1,703,250) in nonrecurring funds for the 2024-2025 fiscal year is allocated as a directed grant to the North Carolina Community Health Center Association (NCCHCA), a nonprofit organization, to fund expansion of its Medical Assistant Apprenticeship Initiative (MAAI) pilot program through the addition of a combined total of at least 50 new apprentice placements at the following sites:

(1) Rural Health Group, Inc., a community health center and nonprofit organization with existing MAAI pilot program sites located in Edgecombe, Granville, Halifax, Northampton, Vance, and Warren Counties.
(2) OIC Family Medical Center, a federally qualified health center that is a division of the nonprofit organization known as Opportunities Industrialization Center (OIC), Inc., which has existing MAAI pilot program sites located in Edgecombe and Nash Counties.
(3) New MAAI pilot program sites at additional community health centers, including each of the following community health centers:
a. Cabarrus Rowan Community Health Centers, Inc., located in Cabarrus County and Rowan County.
b. Kintegra Health located in Davidson County.
c. United Health Centers located in Forsyth County.

SECTION 9B.5.(b) The NCCHCA shall include the following information in the two reports required under Section 9B.1 of this act:
(1) An itemized list of program expenditures funded by the grant, including the number and location of all apprentice placements and the number and location of all new pilot program sites.
(2) The number of medical assistant apprentices who successfully complete the program and attain certification.
(3) A description of any benefits derived by community health centers as a result of their participation in the MAAI pilot program.
(4) Any other information the NCCHCA deems relevant to evaluating the success of the MAAI pilot program.

FUNDS FOR TELEHEALTH INFRASTRUCTURE GRANT PROGRAM

SECTION 9B.7A.(a) Of the funds appropriated in this act from the ARPA Temporary Savings Fund to the Department of Health and Human Services, Division of Central Management and Support, Office of Rural Health (ORH), the sum of ten million dollars ($10,000,000) in nonrecurring funds for the 2023-2024 fiscal year and the sum of ten million dollars ($10,000,000) in nonrecurring funds for the 2024-2025 fiscal year shall be allocated for the telehealth infrastructure grant program authorized by subsection (b) of this section.

SECTION 9B.7A.(b) The ORH shall establish a telehealth infrastructure grant program to award grants on a competitive basis to rural healthcare providers to be used to purchase equipment, high-speed internet access, and any other infrastructure necessary to establish telehealth services, defined as the use of two-way, real-time interactive audio and video where the healthcare provider and the patient can hear and see each other. In awarding grants under this program, the ORH is subject to the following requirements and limitations:
(1) Priority shall be given to independent primary care practices and independent obstetrics and gynecology practices.
(2) The maximum amount of a grant award is two hundred fifty thousand dollars ($250,000) per grantee.

SECTION 9B.7A.(c) By April 1, 2024, and by April 1, 2025, the ORH shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the grants awarded under this section. The report shall include at least all of the following information:
(1) A list of grant recipients.
(2) The total amount of grant funds awarded to each recipient.

PART IX-C. CHILD AND FAMILY WELL-BEING [RESERVED]

PART IX-D. CHILD DEVELOPMENT AND EARLY EDUCATION

NC PRE-K PROGRAMS/STANDARDS FOR FOUR- AND FIVE-STAR 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 4 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) Multiyear Contracts. – The Division of Child Development and Early Education shall require the NC Pre-K contractor to issue multiyear contracts for licensed private child care centers providing NC Pre-K classrooms.

SECTION 9D.1.(c) Building Standards. – Notwithstanding G.S. 110-91(4), private child care facilities and public schools operating NC Pre-K classrooms shall meet the building standards for preschool students as provided in G.S. 115C-521.1.

SECTION 9D.1.(d) Programmatic Standards. – Except as provided in subsection (c) of this section, entities operating NC Pre-K 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 Pre-K Committees. – Local NC Pre-K committees shall use the standard decision-making process developed by the Division of Child Development and Early Education in awarding NC Pre-K 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 Pre-K program by local partnerships shall be subject to the financial and compliance audits authorized under G.S. 143B-168.14(b).

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
0 – 5	200%
6 – 12	133%

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 full-time copayment. Copayments for part-time care shall be seventy-five percent (75%) of the full-time 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. 110-106 and licensed child care centers and homes 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 two 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, unless prohibited by subsection (g) of this section.

(3) No payments shall be made for transportation services charged by child care facilities.

(4) 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.

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

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 home-based 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. 110-106 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 Pre-K Program or Head Start.

SECTION 9D.3.(k) Department of Defense-certified child care facilities licensed pursuant to G.S. 110-106.2 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. 143B-168.15(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.

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 funds to pay the costs of necessary child care for minor children of needy families. The mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy

allocation. The Department of Health and Human Services shall use the following method when allocating federal and State child care funds, not including the aggregate mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation:

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

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

a. The amount of funds used for preventing termination of services and the repayment of any federal funds.

b. The date the remaining funds were distributed to counties.

c. As a result of funds withheld under this subdivision and after funds have been distributed, any counties that did not receive at least the amount the counties received the previous year and the amount by which funds were decreased.

The Division shall submit a report in each year of the 2023-2025 fiscal biennium 30 days after the funds withheld pursuant to this subdivision are distributed but no later than April 1 of each respective year.

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

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

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

(1) Deem a county's initial allocation as the county's expenditure in the previous fiscal year or a prorated share of the county's previous fiscal year expenditures 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 5 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 5 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 ten percent (10%) 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 2023-2025 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 2023-2025 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 2023-2025 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, to be included in its annual report as required under G.S. 143B-168.12(d), 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 2012-2013 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 2023-2025 fiscal biennium shall be administered and distributed in the following manner:

(1) Capital expenditures are prohibited for the 2023-2025 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 2023-2025 fiscal biennium.

For the 2023-2025 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. 143B-168.12(d) a report on the use of State funds for fundraising. The report shall include the following:

(1) The amount of funds expended on fundraising.

(2) Any return on fundraising investments.

(3) Any other information deemed relevant.

SMART START LITERACY INITIATIVE/DOLLY PARTON'S IMAGINATION LIBRARY

SECTION 9D.6.(a) A portion of the funds allocated in this act to the North Carolina Partnership for Children, Inc., from the Department of Health and Human Services, shall continue to be used to increase access to Dolly Parton's Imagination Library, an early literacy program that mails age-appropriate books on a monthly basis to children registered for the program.

SECTION 9D.6.(b) The North Carolina Partnership for Children, Inc., may use up to one percent (1%) of the funds for statewide program management and up to one percent (1%) of the funds for program evaluation. Funds allocated under this section shall not be subject to administrative costs requirements under Section 9D.5(b) of this act, nor shall these funds be subject to the child care services funding requirements under G.S. 143B-168.15(b), child care subsidy expansion requirements under G.S. 143B-168.15(g), or the match requirements under Section 9D.5(d) of this act.

INCREASE CAPACITY/FAMILY CHILD CARE HOMES

SECTION 9D.10.(a) G.S. 110-86(3) reads as rewritten:

"(3) Child care facility. – Includes child care centers, family child care homes, and any other child care arrangement not excluded by G.S. 110-86(2), that provides child care, regardless of the time of day, wherever operated, and whether or not operated for profit.

a. A child care center is an arrangement where, at any one time, there are three or more preschool-age children or nine or more school-age children receiving child care.

b. A family child care home is a child care arrangement located in a residence where, at any one time, more than two children, but less than ~~nine~~ 10 children, receive child ~~care.~~care, provided the arrangement is in accordance with G.S. 110-91(7)b."

SECTION 9D.10.(b) G.S. 110-91(7)b. reads as rewritten:

"b. Family Child Care Home Capacity. – ~~Of the children present at any one time in a family child care home, no more than five children shall~~

~~be preschool-aged, including the operator's own preschool-age children.~~A family child care home is allowed to provide care for one of the following groups of children, including the operator's own preschool-age children and excluding the operator's own school-age children up to 13 years of age:

1. A maximum of eight children, with no more than five children who are from birth to 5 years of age, plus three school-age children.
2. A maximum of three children from birth to 24 months of age, plus three children from 2 to 5 years of age and three school-age children up to 13 years of age, for a total of nine children.
3. A maximum of 10 children if all children are older than 24 months of age."

EXTEND COMPENSATION GRANTS FOR CHILD CARE PROGRAMS

SECTION 9D.11. Section 9L.2(b)(1)a. of S.L. 2021-180, as amended by Section 9L.2(a) of S.L. 2022-74, reads as rewritten:

"a. A minimum of two hundred six million dollars ($206,000,000) but no more than two hundred fifteen million dollars ($215,000,000) to (i) reduce the waitlist for children eligible for subsidized child care who are in foster care and (ii) after addressing the waitlist under item (i) of this sub-subdivision, work toward reducing the waitlist for children eligible for subsidized child care. Additionally, the Division shall use a portion of these funds to ~~temporarily increase the child care subsidy reimbursement rates to those recommended in the 2018 Child Care Market Rate Study until the funds expire on September 30, 2024.~~extend the compensation grants portion of the child care stabilization grants, as authorized under Section 3.2(a) of S.L. 2021-25, until these funds are exhausted."

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.

DURATION OF MEDICAID PROGRAM MODIFICATIONS

SECTION 9E.3. Except for statutory changes or where otherwise specified, the Department of Health and Human Services shall not be required to maintain, after June 30, 2025, any modifications to the Medicaid program required by this Subpart.

ADMINISTRATIVE HEARINGS FUNDING

SECTION 9E.4. 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 2023-2024 fiscal year and the sum of one million dollars ($1,000,000) for the 2024-2025 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. 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.5.(a) The Department of Health and Human Services, Division of Health Benefits (DHB), receivables reserved at the end of the 2023-2024 and 2024-2025 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.5.(b) For the 2023-2024 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 2024-2025 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 2023-2024 fiscal year, the amount of thirty-one million three hundred sixty-five thousand three hundred five dollars ($31,365,305).
   b. For the 2024-2025 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 DHB for uncompensated care.

LME/MCO INTERGOVERNMENTAL TRANSFERS

SECTION 9E.6.(a) The local management entities/managed care organizations (LME/MCOs) shall make intergovernmental transfers to the Department of Health and Human Services, Division of Health Benefits (DHB), in an aggregate amount of eighteen million twenty-eight thousand two hundred seventeen dollars ($18,028,217) in the 2023-2024 fiscal year and in an aggregate amount of eighteen million twenty-eight thousand two hundred seventeen dollars ($18,028,217) for the 2024-2025 fiscal year. The due date and frequency of the intergovernmental transfer required by this section shall be determined by DHB. The amount of the intergovernmental transfer that each individual LME/MCO is required to make in each fiscal year shall be as follows:

	2023-2024	2024-2025
Alliance Behavioral Healthcare	$4,907,800	$4,907,800
Eastpointe	$1,631,348	$1,631,348
Partners Health Management	$3,362,071	$3,362,071
Sandhills Center	$2,673,494	$2,673,494
Trillium Health Resources	$2,594,140	$2,594,140
Vaya Health	$2,859,364	$2,859,364

SECTION 9E.6.(b) In the event that a county disengages from an LME/MCO and realigns with another LME/MCO during the 2023-2025 fiscal biennium, DHB shall have the authority to reallocate the amount of the intergovernmental transfer that each affected LME/MCO is required to make under subsection (a) of this section, taking into consideration the change in catchment area and covered population, provided that the aggregate amount of the transfers received from all LME/MCOs in each year of the fiscal biennium is achieved.

DSH RECEIPTS FOR USE BY THE MEDICAID PROGRAM

SECTION 9E.7.(a) Of the federal disproportionate share adjustment receipts arising from certified public expenditures for the 2023-2024 fiscal year and the 2024-2025 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.

SECTION 9E.7.(b) This section shall expire on the date on which G.S. 108A-54.3A(24), as enacted under Section 1(b) of S.L. 2023-7, is effective.

ALLOW FOR EARLIER FUNDING FOR START-UP COSTS RELATED TO NC HEALTH WORKS

SECTION 9E.7A.(a) If this act becomes law before July 1, 2023, then Section 1.5(a) of S.L. 2023-7 reads as rewritten:

"**SECTION 1.5.(a)** For purposes of this section, the following terms have the same definition as in G.S. 108A-145.3: acute care hospital, critical access hospital, and hospital costs. For the State fiscal quarter beginning ~~October~~ July 1, 2023, each acute care hospital, except for critical access hospitals, is subject to an assessment of a percentage of its hospital costs. This hospital assessment shall be imposed by the Department of Health and Human Services (DHHS) in accordance with the procedures for hospital assessments under Part 1 of Article 7B of Chapter 108A of the General Statutes. DHHS shall calculate the hospital assessment percentage by dividing twelve million eight hundred thousand dollars ($12,800,000) by the total hospital costs for all acute care hospitals except for critical access hospitals. From the proceeds of this assessment, DHHS shall use the sum of four million dollars ($4,000,000) to provide funding to county departments of social services to support the counties with implementation of Section 1.1 of this act."

SECTION 9E.7A.(b) If this act becomes law before July 1, 2023, then Section 1.5(c) of S.L. 2023-7 reads as rewritten:

"**SECTION 1.5.(c)** Subsection (a) of this section expires ~~December 31,~~ September 30, 2023."

SECTION 9E.7A.(c) This section is effective when this act becomes law.

MEDICAID REBASE TRACKING, TRANSPARENCY, AND PREDICTABILITY

SECTION 9E.8.(a) Due to the uncertainty of the timing and rate of disenrollments for individuals who will lose their Medicaid coverage as a result of the unwinding of the public health emergency related to the COVID-19 pandemic, among other factors, the General Assembly intends to closely monitor the expenditures for the Medicaid program throughout the

2023-2025 fiscal biennium using the reports required by this section. In the event that the Medicaid program experiences, during either year of the 2023-2025 fiscal biennium, a shortfall of funding needed to maintain the existing scope of the Medicaid program, as modified by this act and any other act of the 2023 General Assembly, it is the intent of the General Assembly to appropriate funds from the Medicaid Contingency Reserve to the Division of Health Benefits, in accordance with the conditions described in G.S. 143C-4-11.

SECTION 9E.8.(b) The Department of Health and Human Services, Division of Health Benefits (DHB), shall, on the schedule outlined in subsection (c) of this section, report to the Office of State Budget Management, the Joint Legislative Oversight Committee on Medicaid, and the Fiscal Research Division on the following information:

(1) For the initial report, Medicaid enrollment projections for the 2023-2025 fiscal biennium. For each subsequent report, the actual enrollment relative to those projections.

(2) The year-to-date General Fund expenditures for Medicaid through the month prior to the month in which the report is due.

(3) Projections on Medicaid General Fund expenditures needed for the remaining months in the 2023-2025 fiscal biennium.

(4) Any Medicaid-related budget challenges identified by DHB for the 2023-2025 fiscal biennium and the 2025-2027 fiscal biennium, and the estimated cost related to those challenges. Challenges that have been identified in a previously submitted report for which there are no updates need not be identified in subsequent reports.

(5) Changes to the Medicaid program that are planned to be implemented at any time in the future under the authority granted under G.S. 108A-54(e)(1), the predicted impact of those changes to the Medicaid budget for the 2023-2025 fiscal biennium and the 2025-2027 fiscal biennium, and the anticipated implementation time line for those changes. Planned changes that have been identified in a previously submitted report for which there are no updates need not be identified in subsequent reports.

(6) Changes to the Medicaid program required under federal or State law that will be implemented, the predicted impact of those changes to the Medicaid budget for the 2023-2025 fiscal biennium and the 2025-2027 fiscal biennium, and the anticipated implementation time line for those changes. Changes that have been identified in a previously submitted report for which there are no updates need not be identified in subsequent reports.

(7) Any unanticipated costs to the Medicaid program that were not accounted for in either the model used to create Governor Cooper's Recommended Budget for the 2023-2025 fiscal biennium, or the projection contained in any prior report submitted under this section. Any unanticipated costs that have been identified in a previously submitted report for which there are no updates need not be identified in subsequent reports.

(8) The amount, if any, of funds DHB is requesting to be transferred out of the Medicaid Contingency Reserve, as established under G.S. 143C-4-11, and as much information as possible that meets the requirements under G.S. 143C-4-11(b)(3).

SECTION 9E.8.(c) The reports required under subsection (b) of this section shall be due on the following schedule:

(1) October 15, 2023.

(2) January 15, 2024.

(3) March 15, 2024.

(4) October 15, 2024.

(5) January 15, 2025.
(6) March 15, 2025.

USE OF THE 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 2023-2025 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 twenty million dollars ($120,000,000) in nonrecurring funds for the 2023-2024 fiscal year and the sum of one hundred twenty million dollars ($120,000,000) in nonrecurring funds for the 2024-2025 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 2023-2025 fiscal biennium and need not be transferred in one lump sum. Any amount of funds from the one hundred twenty million dollars ($120,000,000) made available under this subsection for transfer to DHB in the 2023-2024 fiscal year that has not been transferred to DHB for qualifying needs as of June 30, 2024, shall continue to be available for transfer to DHB as qualifying needs arise during the 2024-2025 fiscal year.

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 2023-2025 fiscal biennium.
(2) The amount requested provides a State share that will not result in total requirements that exceed one billion dollars ($1,000,000,000) in nonrecurring funds for the 2023-2025 fiscal biennium.

SECTION 9E.9.(d) Federal Fund Receipts. – Any federal funds received in any fiscal year by DHB that represent a return of State share already expended on a qualifying need

related to the funds received by DHB under this section shall be deposited into the Medicaid Transformation Fund.

SECTION 9E.9.(e) Reporting. – No later than January 15, 2024, and every six months thereafter until the final report due July 15, 2025, DHB shall report to the Joint Legislative Oversight Committee on Medicaid and the Fiscal Research Division on each expenditure that has been funded from the Medicaid Transformation fund in the preceding six months and whether that expenditure is expected to continue into the 2025-2027 fiscal biennium.

EXPAND NORTH CAROLINA INNOVATIONS WAIVER SLOTS

SECTION 9E.10.(a) The Department of Health and Human Services, Division of Health Benefits, shall amend the North Carolina Innovations waiver to increase the number of slots available under the waiver by 350 slots. These additional slots shall be made available on July 1, 2023, or upon approval by the Centers for Medicare and Medicaid Services, whichever is later.

SECTION 9E.10.(b) Effective when this act becomes law, Section 9F.14 of S.L. 2021-180 is repealed.

INCREASE PRIVATE DUTY NURSING RATES

SECTION 9E.12A. Beginning July 1, 2023, the Department of Health and Human Services, Division of Health Benefits, shall increase to thirteen dollars ($13.00) per 15 minutes the rate paid for private duty nursing services pursuant to Medicaid Clinical Coverage Policies 3G-1: Private Duty Nursing for Beneficiaries Age 21 and Older and 3G-2: Private Duty Nursing for Beneficiaries Under 21 Years of Age.

INCREASE WAGES OF DIRECT CARE WORKERS/INNOVATIONS WAIVER

SECTION 9E.15.(a) It is the intent of the General Assembly to assist in increasing the hourly wages of direct care workers who provide services to Medicaid beneficiaries receiving services through the North Carolina Innovations waiver program, to be termed "Innovations direct care workers" for the purpose of this act, by an industry average rate of six dollars and fifty cents ($6.50) per hour above the North Carolina industry average hourly wage rate, cited in the most recent report, if any, submitted to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice in accordance with Section 9D.15C of S.L. 2021-180.

To that end, the Department of Health and Human Services, Division of Health Benefits (DHB), shall provide a rate increase to providers who provide services to Medicaid beneficiaries receiving services through the North Carolina Innovations waiver program who are either (i) enrolled in the Medicaid program or (ii) approved financial managers or financial support agencies billing for waiver service hours provided by direct care workers that are hired by employers of record or managing employers under a self-directed option in accordance with Medicaid Clinical Coverage Policy 8-P: North Carolina Innovations.

SECTION 9E.15.(b) Upon implementation of the rate increase required by this section, DHB shall adjust the per member per month (PMPM) capitation amount paid to local management entities/managed care organizations. All LME/MCOs shall be required to implement the increase. This increase shall continue to apply when the BH IDD tailored plans become fully operational and are implemented. DHB shall determine the amount of rate increase under this section. The definition of an Innovations direct care worker under this section includes all workers required for compliance with, or delivery of, the relevant Innovations waiver service definitions and the delivery of a unit of Innovations services to individuals in the definition of direct care worker to be applied and shall include only caregivers who are contracted for the provision of services in a legally appropriate manner. The rate increase under this section shall be effective on the effective date approved by the Centers for Medicare and Medicaid Services.

SECTION 9E.15.(c) Prior to receiving the rate increase required under this section, providers who employ Innovations direct care workers shall attest and provide verification to the relevant LME/MCO that this increased funding is being used to the benefit of its Innovations direct care workers, including in the form of an increase in hourly wage, benefits, or associated payroll costs. DHB shall set the standards for documentation that shall be required for verification that the provider used the rate increase in the manner required by this section, and LME/MCOs shall use these same standards. DHB and LME/MCOs shall require verifiable methods of accounting, such as payroll-based journals. Providers receiving a rate increase under this section shall keep documentation of the use of that rate increase and make the documentation available upon request by DHB or by the relevant LME/MCO.

SECTION 9E.15.(d) In addition to other allowable reasons for recoupment of funds, DHB shall recoup part or all of the funds related to the rate increase received by a provider pursuant to this section if DHB determines that the provider did not use the increased funding to the benefit of its Innovations direct care worker employees.

ACCOUNT FOR DELAY OF BH IDD TAILORED PLANS

SECTION 9E.16.(a) Section 9D.7(a) of S.L. 2022-74 is repealed.

SECTION 9E.16.(b) 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 October 1, 2023. The initial term of the BH IDD tailored plan contract shall end September 30, 2024. The RFP for the operation of BH IDD tailored plans beginning October 1, 2024, shall be open to (i) PHPs, as defined in G.S. 58-93-5, and (ii) local management entities/managed care organizations under contract to operate a BH IDD tailored plan and that meet certain criteria established by DHHS.

SECTION 9E.16.(c) DHHS is directed to consult with staff from the Fiscal Research Division, the Legislative Drafting Division, and the Legislative Analysis Division regarding legislative changes to Chapter 122C, Chapter 108D, and any other chapter of the General Statutes to address the status of local management entities/managed care organizations, State-funded mental health services referred to as single-stream services, and BH IDD tailored plans upon the conclusion of the initial term of the BH IDD tailored plan contracts. DHHS shall submit a report containing specific legislative changes requested resulting from that consultation to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Oversight Committee on Medicaid and NC Health Choice no later than March 1, 2024.

SECTION 9E.16.(d) This section is effective when it becomes law.

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

SECTION 9E.19.(a) Section 9D.22(f) of S.L. 2021-180, as amended by Section 9D.9 of S.L. 2022-74, reads as rewritten:

"**SECTION 9D.22.(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.~~ section with a proposed start date of March 1, 2023. The new Medicaid covered services and rates shall be implemented ~~December 31, 2022. If approval from CMS is not granted by December 31, 2022, then~~ as soon as operationally feasible after the approval by CMS. DHB shall retroactively implement services and rates ~~upon approval from CMS to December 31, 2022.~~ to the date approved by CMS. The new Medicaid covered services and rates shall only be implemented to the extent allowable by CMS."

SECTION 9E.19.(a1) Section 9D.22(c) of S.L. 2021-180 reads as rewritten:

"**SECTION 9D.22.(c)** Services Covered. – The clinical coverage policy developed in accordance with this section shall provide Medicaid coverage of the following services in an acute care hospital setting when medically necessary and ordered by a physician or other appropriate provider:

…

Services developed in accordance with this subsection shall be considered outpatient services. Other ancillary services, such as laboratory services, imaging, and prescription drugs, shall continue to be billed as separate and additional services not included as part of this new Medicaid coverage. Notwithstanding G.S. 108D-35, any new services developed in accordance with this subsection shall be limited to beneficiaries enrolled in NC Medicaid Direct or in a BH IDD tailored plan, as defined in G.S. 108D-1. Standard benefit plans, as defined in G.S. 108D-1, shall not be required to cover these newly developed services."

SECTION 9E.19.(b) This section is effective retroactively to December 31, 2022.

DRAFT SMI/SED WAIVER

SECTION 9E.19A.(a) The Department of Health and Human Services, Division of Health Benefits, shall develop a proposed Medicaid 1115 demonstration waiver focused on adults with serious mental illness (SMI), children with serious emotional disturbance (SED), or both. This proposed SMI/SED waiver shall include all of the following:

(1) Receipt of federal financial participation for covered services furnished to Medicaid beneficiaries during stays greater than 15 days for acute care in psychiatric hospitals or residential treatment settings that qualify as institutions of mental disease (IMDs).

(2) Detailed ways in which DHB shall ensure good quality of care in IMDs.

(3) Methods to address improved access to community-based services for beneficiaries with SMI or SED.

(4) Goals to be achieved through the waiver that include the following:

a. Reduced utilization and lengths of stay in hospital emergency departments among Medicaid beneficiaries with SMI or SED while awaiting mental health treatment in specialized settings.

b. Reduced preventable readmissions to acute care hospitals and residential settings by Medicaid beneficiaries with SMI or SED.

c. Improved availability of crisis stabilization services.

d. Improved access to community-based services to address the chronic mental health care needs of Medicaid beneficiaries with SMI or SED.

e. Improved care coordination and continuity of care following episodes of acute care in hospitals and residential treatment facilities.

SECTION 9E.19A.(b) No later than September 1, 2024, DHB shall submit to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice a report that provides details on the proposed 1115 waiver developed under subsection (a) of this section, a copy of the draft waiver, and estimated costs or savings to the State were the waiver to be implemented.

NORTH CAROLINA – PSYCHIATRY ACCESS LINE

SECTION 9E.19B. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Health Benefits, the sum of one million eight hundred fifty thousand dollars ($1,850,000) in recurring funds for the 2023-2024 fiscal year and the sum of one million nine hundred fifty thousand dollars ($1,950,000) in recurring funds for the 2024-2025 fiscal year shall be used for the North Carolina – Psychiatry Access Line (NC-PAL), a partnership between the Department of Health and Human Services and the Department of Psychiatry & Behavioral Sciences at Duke University. No later than September 1, 2024, and September 1,

2025, NC-PAL shall submit to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division the following information:

(1) The number of consultations provided over the previous fiscal year, broken down by consultations provided by NC-PAL Child Psychiatry and NC-PAL Perinatal Psychiatry.

(2) The geographic regions of the State utilizing the services offered by NC-PAL, by county.

(3) The percentage of NC-PAL consultations that resulted in treatment of an individual by that individual's primary care provider, rather than referral to a specialist.

(4) The estimated number of avoided emergency department visits resulting from the services provided through NC-PAL.

(5) The results of any new pilot program offering consultations with county department of social services offices or residential providers and whether those consultations reduced placement disruptions for children in the custody of county departments of social services or the need for crisis intervention.

ADDITIONAL MEDICAID SERVICES FOR FOSTER YOUTH

SECTION 9E.21.(a) The General Assembly finds that youth receiving foster care services through the county child welfare agencies are entitled to trauma-informed interventions and therapy that are also evidence-based, evidence-informed, or both. The Department of Health and Human Services, Division of Health Benefits (DHB), shall convene a workgroup composed of county child welfare agencies, representatives with lived experience in child welfare, the nonprofit corporation Benchmarks, prepaid health plans, and local management entities/managed care organizations (LME/MCOs) to identify innovative Medicaid service options to address any gaps in the care of children receiving foster care services. As participants in the workgroup, LME/MCOs shall be responsible for communicating with healthcare providers in their catchment area the opportunity to submit concept papers to this workgroup on either of the following items:

(1) Identification of models of community evidence-based practices that support a foster child returning to the child's family in a timely manner and diverting higher level foster care placements.

(2) Identification of model short-term residential treatment options that serve children with high acuity needs that divert a child from higher level placements such as psychiatric residential treatment facility placement. The provision of stepdown options from higher levels of care may be considered.

SECTION 9E.21.(b) No later than three months after the workgroup has completed its work under subsection (a) of this section, DHB shall begin distributing funding, as appropriated in this act and to the extent allowed under G.S. 108A-54.1A, to LME/MCOs for the purposes of the expansion of a Medicaid service or modality that is not available in a particular county or region. DHB may prioritize the distribution of funds under this section based upon the areas with the greatest need, as identified by the workgroup convened under subsection (a) of this section. DHB shall require all of the following from any LME/MCO receiving funding under this subsection:

(1) Time lines for, and establishment of, first- and second-year deliverables for any service that may be a phased-in service.

(2) Identification of required funding, including start-up funding and a three-year budget, including projected revenue sources and amounts.

(3) Specific outcome measures with the attestation of the timely submission of the data to the applicable prepaid health plan and DHB. These outcomes shall be aligned with child welfare safety and permanency measures and shall support positive childhood outcomes.

SECTION 9E.21.(c) The Department of Health and Human Services (DHHS) shall provide training to all county departments of social services and shall offer training to tribal welfare offices on any Medicaid services funded under subsection (b) of this section and may delegate that training to the relevant LME/MCO. Further, DHHS shall continue to provide to the relevant county departments of social services and tribal welfare offices status updates on implementation within any impacted counties and regions.

SECTION 9E.21.(d) This section is effective when it becomes law.

CHILDREN AND FAMILIES SPECIALTY PLAN

SECTION 9E.22.(a) The Department of Health and Human Services (DHHS) shall issue an initial request for proposals (RFP) to procure a single statewide children and families (CAF) specialty plan contract with services to begin no later than December 1, 2024. The RFP shall be subject to the requirements in G.S. 108D-62, as enacted by subsection (k) of this section. DHHS shall define the services available under the CAF specialty plan and the Medicaid and NC Health Choice beneficiaries who are eligible to enroll in the CAF specialty plan, except as otherwise specified in this act or in law. For the purposes of this section, the CAF specialty plan shall be as defined under G.S. 108D-1, as amended by subsection (c) of this section.

SECTION 9E.22.(b) DHHS shall request approval from the Centers for Medicare and Medicaid Services (CMS) to require that a child who is automatically enrolled in the children and families specialty plan under G.S. 108D-62(f) may not elect to enroll instead in a standard benefit plan or a behavioral health and intellectual/developmental disabilities tailored plan unless doing so is in the best interest of the child, as determined by the county department of social services after consultation with the entity operating a CAF specialty plan.

SECTION 9E.22.(c) 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 and NC Health Choice 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.22.(d) 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 ~~disenroll~~ request disenrollment from the PHP without cause only during the times specified in 42 C.F.R. § 438.56(c)(2), except that enrollees who are in any of the following groups may request to disenroll at any time:

(1) Beneficiaries who meet the definition of Indian under 42 C.F.R. § 438.14(a).

(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.~~

(5) Beneficiaries who are receiving long-term services and supports in institutional or community-based settings.

(6) Any other beneficiaries who are not required to enroll in a PHP under G.S. 108D-40.

(7) Beneficiaries who are described in G.S. 108D-40(a)(12).

…."

SECTION 9E.22.(e) 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.22.(f) 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 children and families 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 private residential treatment facilities.

A closed network is the network of providers that have contracted with the entity operating the CAF specialty plan to furnish these services to enrollees."

SECTION 9E.22.(g) G.S. 108D-35(b) reads as rewritten:

"(b) The capitated contracts required by this section shall not cover any of the following:

(1) Medicaid services covered by the local management entities/managed care organizations (LME/MCOs) under the combined 1915(b) and (c) ~~waivers~~ waivers, 1915(b)(3) services, and any services approved under the 1915(i) option shall not be covered under a standard benefit plan, except that all capitated PHP contracts shall cover the following services:

a. Inpatient behavioral health services.

b. Outpatient behavioral health emergency room services.

c. Outpatient behavioral health services provided by direct-enrolled providers.

d. Mobile crisis management services.
e. Facility-based crisis services for children and adolescents.
f. Professional treatment services in a facility-based crisis program.
g. Outpatient opioid treatment services.
h. Ambulatory detoxification services.
i. Nonhospital medical detoxification services.
j. Partial hospitalization.
k. Medically supervised or alcohol and drug abuse treatment center detoxification crisis stabilization.
l. Research-based intensive behavioral health treatment.
m. Diagnostic assessment services.
n. Early and Periodic Screening, Diagnosis, and Treatment services.
o. Peer support services.
p. Behavioral health urgent care services.
q. Substance abuse comprehensive outpatient treatment program services.
r. Substance abuse intensive outpatient program services.
s. Social settings detoxification services.

~~In accordance with this subdivision, 1915(b)(3) services shall not be covered under a standard benefit plan.~~

…."

SECTION 9E.22.(h) G.S. 108D-40 reads as rewritten:

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

(a) Capitated PHP contracts shall cover all Medicaid 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). Recipients~~ G.S. 108D-60(a)(10), except as described in subdivision (14) of this subsection. Except as provided in G.S. 108D-60(a)(11), recipients in this category shall have the option to voluntarily enroll with a ~~PHP,~~ PHP operating a standard benefit plan, provided that (i) a recipient electing to enroll with a PHP operating a standard benefit plan would only have access to the behavioral health services covered by ~~PHPs according to G.S. 108D-35(1)~~ standard benefit plans and would no longer have access to the behavioral health services excluded from standard benefit plans under G.S. 108D-35(1) and (ii) the recipient's informed consent shall be required prior to the recipient's enrollment with a ~~PHP.~~ PHP operating a standard benefit plan. Recipients in this category shall include, at a minimum, recipients who meet any of the following criteria:

…

(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:

…

~~c. 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.22.(i) G.S. 108D-45 reads as rewritten:

"**§ 108D-45. Number and nature of ~~capitated PHP contracts.~~contracts for standard benefit plans.**

The number and nature of the contracts for standard benefit plans required under ~~G.S. 108D-65(3)~~ G.S. 108D-65(6) shall be as follows:

…

~~(3) The limitations on the number of contracts established in this section shall not apply to BH IDD tailored plans described in G.S. 108D-60.~~

…."

SECTION 9E.22.(j) 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, except that recipients who are also described in G.S. 108D-40(a)(14) shall be enrolled in accordance with G.S. 108D-62. Except as provided in subdivision (11) of this subsection, recipients described in G.S. 108D-40(a)(12) 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 benefit plan or the CAF specialty plan 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.

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).~~who are not enrolled in a BH IDD tailored plan or the CAF specialty plan."

SECTION 9E.22.(k) 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) All of the following shall apply with regard to the CAF specialty plan:

(1) The capitated contract for the CAF specialty plan shall be the result of a request for proposals issued by the Department. Only entities that meet the definition of PHP under G.S. 58-93-5 or under this Chapter are eligible to respond to the request for proposals issued by the Department to operate the CAF specialty plan. Each eligible responding entity may submit only one response to an RFP 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 coordination 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 healthcare 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 any of the following services:

(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 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 or 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.

(2) Adults identified on an open child protective services in-home family services agreement case and any minor children living in the same home.

(3) Adults identified in an open Eastern Band of Cherokee Indians Department of Public Health and Human Services Family Safety program case and any children living in the same home.

(4) The minor siblings of a child in foster care who lived in the same home as that child at the time of the child's removal and with whom household reunification efforts are ongoing.

(5) Recipients who have a child temporarily in foster care if all of the following are met:

a. A court of competent jurisdiction has not found that aggravated circumstances exist in accordance with G.S. 7B-901(c).

b. A court of competent jurisdiction has not found that a plan of reunification would be unsuccessful or would be inconsistent with the child's health or safety in accordance with G.S. 7B-906.1(d).

c. The recipient is any of the following:

1. A parent.

2. A caretaker relative.

3. A custodian.

4. A guardian.

(6) Any other recipients who have had involvement with the child welfare system and whom the Department has determined would benefit from enrollment in the CAF specialty plan.

(e) The following Medicaid recipients shall be not eligible to enroll in the CAF specialty plan:

(1) Recipients who require services that are excluded from coverage by the CAF specialty plan under subsection (c) of this section.
(2) Temporary safety provider caregivers identified on an open child protective services in-home family services agreement case or an open Eastern Band of Cherokee Indians Department of Public Health and Human Services Family Safety program case.
(3) Recipients who are excluded from PHP coverage under G.S. 108D-40(a).

(f) Recipients described in subdivision (d)(1) of this section shall be automatically enrolled in the CAF specialty plan, unless they are also described in G.S. 108D-40(a)(5), in which case they may enroll voluntarily. All other recipients described under subsection (d) of this section may enroll voluntarily in the CAF specialty plan.

(g) Except as limited by any provision of a waiver or State Plan amendment approved by CMS, recipients eligible to enroll in the CAF specialty plan under subsection (d) of this section shall have the option to enroll with a PHP operating a standard benefit plan or, if eligible under G.S. 108D-40(a)(12), a BH IDD tailored plan. A recipient enrolled in the CAF specialty plan who elects 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). The recipient's informed consent, or, as applicable, the informed consent of the recipient's custodian or guardian, shall be required prior to the recipient's enrollment with a PHP 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.22.(*l*) 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 to operate the combined Medicaid Waiver program authorized under Section 1915(b) and Section 1915(c) of the Social Security Act or to operate a ~~BH IDD tailored plan.~~capitated PHP contract under Article 4 of Chapter 108D of the General Statutes.

…."

SECTION 9E.22.(m) 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,~~ July 1, 2021, 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).~~ who are enrolled in a standard benefit plan.

(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).~~who are covered by the those waivers and who are not enrolled in a standard benefit plan.

…

(f) ~~Entities~~ LME/MCOs operating the BH IDD tailored plans under G.S. 108D-60 may continue to manage 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).~~who are not enrolled in a BH IDD tailored plan or the CAF specialty plan."

SECTION 9E.22.(n) 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."

SECTION 9E.22.(o) Except as otherwise provided, this section is effective when it becomes law.

AGENCY REQUESTED CHANGES/DHB

SECTION 9E.23.(a1) G.S. 108A-68.2 reads as rewritten:

"**§ 108A-68.2. Beneficiary lock-in program for certain controlled substances.**

(a) The following definitions apply in this section:

…

(2) Lock-in program. – ~~A requirement that a Medicaid beneficiary select a single prescriber and a single pharmacy for obtaining covered substances.~~A requirement, consistent with 42 C.F.R. § 431.54(e), that restricts the number of prescribers from whom, and the number of pharmacies from which, a Medicaid beneficiary may obtain covered substances.

(3) Prepaid health plan or PHP. – As defined in G.S. 108D-1.

…

~~(d) This section does not apply to any lock-in program for Medicaid beneficiaries who are not enrolled in a Prepaid Health Plan.~~

(e) A ~~Prepaid Health Plan may~~ PHP shall develop a lock-in program for Medicaid beneficiaries who meet ~~any of the following criteria:~~the criteria established in the Department's Outpatient Pharmacy Clinical Coverage Policy adopted in accordance with G.S. 108A-54.2.

~~(1) Have filled six or more prescriptions for covered substances in a period of two consecutive months.~~

~~(2) Have received prescriptions for covered substances from three or more providers in a period of two consecutive months.~~

~~(3) Are recommended as a candidate for the lock-in program by a provider.~~

(f) A lock-in program developed pursuant to subsection (e) of this section shall comply with all of the following:

(1) A beneficiary shall not be subject to the lock-in program until the ~~Prepaid Health Plan~~ PHP has notified the beneficiary in writing that the beneficiary will be subject to the lock-in program.

(2) A beneficiary subject to the lock-in program shall be given the opportunity to select a single prescriber and a single pharmacy from a list of prescribers and pharmacies in the ~~Prepaid Health Plan's~~ PHP's provider network. The beneficiary may be allowed to select up to two prescribers and two pharmacies when medically necessary, as designated by the State, in accordance with 42 C.F.R. § 431.54(e). For any beneficiary who fails to select ~~a single prescriber, the Prepaid Health Plan shall use algorithmic guidelines to assign the beneficiary a single prescriber from a list of prescribers in the Prepaid Health Plan's network. For any beneficiary who fails to select a single pharmacy,~~ prescribers or pharmacies, the ~~Prepaid Health Plan~~ PHP shall use algorithmic guidelines to assign the beneficiary ~~a single pharmacy from a list of~~ prescribers or pharmacies enrolled in the ~~Prepaid Health Plan's~~ PHP's network.

(3) A beneficiary shall not be required to use the single prescriber or single pharmacy selected for the lock-in program to obtain prescriptions drugs covered by the Medicaid program or the ~~Prepaid Health Plan~~ PHP that are not covered substances.

(f1) If a PHP finds that a beneficiary has utilized Medicaid services at a frequency or amount that is not medically necessary, as determined in accordance with utilization guidelines established by the State, the restrictions in subsection (f) of this section may be imposed for a period of two years.

(g) A ~~Prepaid Health Plan's~~ PHP's use of a lock-in program developed pursuant to subsection (e) of this section shall not constitute a violation of the terms of a contract between the ~~Prepaid Health Plan~~ PHP and the Department that relate to a beneficiary's ability to utilize a prescriber or pharmacy of choice."

SECTION 9E.23.(a2) G.S. 58-51-37(*l*) reads as rewritten:

"(*l*) An insurer's use of a lock-in program developed pursuant to G.S. 58-51-37.1 or G.S. 108A-68.2 is not a violation of this section."

SECTION 9E.23.(a3) Subsection (a1) of this section is effective on the later of the date this act becomes law or the date that the NC Health Choice program is eliminated, as approved by the Centers for Medicare and Medicaid Services (CMS) in accordance with Section 9D.15(a) of S.L. 2022-74.

SECTION 9E.23.(b1) G.S. 150B-1(e)(25) reads as rewritten:

"(25) The Department of Health and Human Services with respect to disputes involving the performance, terms, or conditions of a contract between the Department and ~~a~~ any of the following:

a. A prepaid health plan, as defined in G.S. 108D-1.

b. A prepaid inpatient health plan, as defined in 42 C.F.R. § 438.2.

c. A primary care case management entity, as defined in 42 C.F.R. § 438.2."

SECTION 9E.23.(b2) Subsection (b1) of this section applies to disputes arising on or after the date this act becomes law.

SECTION 9E.23.(c1) G.S. 108A-54.3A reads as rewritten:

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

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

…

(b) The applicable federal poverty guidelines for the eligibility categories in subsection (a) of this section shall be updated annually on April 1 immediately following publication of the federal poverty guidelines."

SECTION 9E.23.(c2) The Revisor of Statutes shall replace all references to "G.S. 108A-54.3A(24)" with "G.S. 108A-54.3A(a)(24)" throughout the General Statutes.

SECTION 9E.23.(c3) Subsection (c1) of this section is effective retroactively to June 26, 2020.

SECTION 9E.23.(d1) G.S. 108A-55.4 reads as rewritten:

"**§ 108A-55.4. ~~Insurers to provide certain information to~~ Requirements related to insurers and the Department of Health and Human Services.**

…

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

…

(4) ~~Respond~~ With regard to any inquiry by the Division or its authorized contractor regarding a claim for payment for any health care item or service that is submitted not later than three years after the date of the provision of the health care item or ~~service.~~service, respond within 60 days of receipt of the inquiry.

…

(e) All third parties, as defined under 42 U.S.C. § 1396a(a)(25), requiring prior authorization of an item or service furnished to an individual eligible to receive medical assistance shall accept an authorization provided by the Department that the item or service for which third-party reimbursement is being sought is a covered service or item for that individual under the North Carolina Medicaid State Plan, or under a relevant waiver of the State Plan, as if that authorization is the prior authorization made by the third party for the item or service."

SECTION 9E.23.(d2) Subsection (d1) of this section is effective January 1, 2024.

SECTION 9E.23.(e1) G.S. 108A-54.3A(24), as enacted by Section 1.1(b) of S.L. 2023-7, reads as rewritten:

"(24) Individuals described in section 1902(a)(10)(A)(i)(VIII) of the Social Security Act who are in compliance with any federally approved work requirements established in the State Plan and in rule. Coverage for individuals under this subdivision is available through an Alternative Benefit Plan that is established by the Department consistent with federal requirements, unless that individual is exempt from mandatory enrollment in an Alternative Benefit Plan under 42 C.F.R. § 440.315."

SECTION 9E.23.(e2) Subsection (e1) of this section is effective on the later of the following dates:

(1) The date approved by the Centers for Medicare and Medicaid Services for Medicaid coverage to begin in North Carolina for individuals described in section 1902(a)(10)(A)(i)(VIII) of the Social Security Act.

(2) The date this act becomes law.

SECTION 9E.23.(f) Except as otherwise provided, this section is effective on the date this act becomes law.

ENSURE ADHERENCE TO MEDICAID STATE PLAN/REIMBURSEMENTS FOR AMBULATORY SURGICAL CENTERS

SECTION 9E.24. Consistent with the Medicaid State Plan, Attachment 4.19-B, Section 9, Page 2, the Department of Health and Human Services, Division of Health Benefits, shall set and adjust rates for new services provided by licensed ambulatory surgical centers so that these services are reimbursed at ninety-five percent (95%) of the Medicare Ambulatory Surgical Centers fee schedule in effect as of January 1 of each year.

INCREASE MEDICAID PERSONAL NEEDS ALLOWANCE

SECTION 9E.25. The Department of Health and Human Services, Division of Health Benefits (DHB), is directed to increase the personal needs allowance from thirty dollars ($30.00) to seventy dollars ($70.00) for individual Medicaid recipients who are institutionalized and from sixty dollars ($60.00) to one hundred forty dollars ($140.00) for married couples who are Medicaid recipients when both spouses are institutionalized. DHB shall deduct the applicable increased monthly amounts for personal needs from the total monthly income taken into consideration when applying the individual's or couple's income to the cost of institutionalized care. DHB shall submit to the Centers for Medicare and Medicaid Services (CMS) any amendments to the NC Medicaid State Plan or other documents necessary to implement this section. The increase in the personal needs allowance shall be implemented only upon approval and only as of the date approved by CMS.

CONTINUE TO ADDRESS THE REIMBURSEMENT METHODOLOGY USED FOR SERVICES PROVIDED TO SENIOR DUAL ELIGIBLES

SECTION 9E.26.(a) It is the intent of the General Assembly to continue to address the need for changes to the Medicaid reimbursement methodology used for certain services provided to seniors aged 65 and older who are dually enrolled in Medicare and Medicaid. The Department of Health and Human Services, Division of Health Benefits (DHB), shall explore all options available to increase access to Medicaid services for dual eligibles that provide alternatives to nursing home placements, including adult care homes, special care units, and in-home living, and do so in consultation with relevant stakeholders. The following actions shall be taken by DHB, but DHB shall not implement any changes, new programs, or new services if that implementation exceeds DHB's authority under G.S. 108A-54(e)(1) or creates a recurring cost to the State that would reasonably be anticipated to exceed a future authorized budget for the Medicaid program:

(1) Make a formal request to the Centers for Medicare and Medicaid Services for coverage by the Medicare program of services provided to individuals who reside in adult care homes, assisted living settings, or special care units, or to support in-home living of older individuals.

(2) Develop the proposed changes to the current Medicaid personal care services under Clinical Coverage Policy 3L required to implement a per diem payment for personal care services provided in a congregate setting in a manner, similar to the payment methodology used by Washington state, as outlined in the

report to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice entitled "Establish New Adult Care Home Payment Methodology" dated June 10, 2022.

(3) Develop the proposed service definition and draft clinical coverage policy for Adult Care Home Congregate Care Services (ACH CCS) as a new Medicaid covered service, as outlined in the report to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice entitled "Establish New Adult Care Home Payment Methodology" dated June 10, 2022. Additionally, DHB shall develop the proposed per diem rate methodology to be used for these services and create the proposed new independent assessment tool to be used.

(4) Identify what amendments may be needed to the 1115 waiver for Medicaid transformation or the Medicaid State Plan to provide more appropriate reimbursement for services provided to Medicaid recipients residing in adult care homes or other congregate settings.

(5) Propose any pilot program or new Medicaid demonstration waiver to support alternatives to nursing home placement for seniors.

(6) Design innovative payment and service delivery models, including Dual Eligible Special Needs Plans (D-SNPs) and Institutional Equivalent Special Needs Plans (IE-SNPs) for assisted living facilities and adult care homes.

SECTION 9E.26.(b) No later than March 1, 2024, DHB shall submit a report to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice and the Fiscal Research Division on all of the following as they relate to requirements under subsection (a) of this section:

(1) The details of the request required to be submitted to CMS and the response to the request by CMS.

(2) A draft of the proposed changes to Clinical Coverage Policy 3L and the annual cost or savings to the State associated with the implementation of those changes.

(3) A draft of the proposed service definition for ACH CSS and the associated per diem rate methodology and assessment tool. This includes the annual cost or savings to the State associated with the implementation of any or all of these items.

(4) A draft of any 1115 waiver or State Plan amendments developed in accordance with subdivision (4) of subsection (a) of this section. This includes the annual cost or savings to the State associated with the implementation of the waiver or State Plan amendments.

(5) Details on any pilot program or new Medicaid demonstration waiver being proposed and any annual cost or savings to the State associated with the implementation of each proposed pilot program or demonstration waiver.

(6) Details and a draft of any innovative payment and service delivery models developed, including Dual Eligible Special Needs Plans (D-SNPs) and Institutional Equivalent Special Needs Plans (IE-SNPs) for assisted living facilities and adult care homes.

(7) A description of the stakeholders involved in the development of any plan or proposal.

(8) Any recommended legislative changes.

HASP/FREESTANDING PSYCHIATRIC HOSPITALS

SECTION 9E.27.(a) The Department of Health and Human Services, Division of Health Benefits (DHB), shall develop a proposal to allow freestanding psychiatric hospitals to receive reimbursements through the healthcare access and stabilization program (HASP)

authorized under G.S. 108A-148.1, enacted by Section 1.4 of S.L. 2023-7, that are contingent upon the receipt of the nonfederal share of the reimbursements through hospital assessments in which those hospitals participate. In developing the proposal, DHB shall consider whether to assess freestanding psychiatric hospitals under the existing hospital assessment structures in Article 7B of Chapter 108A of the General Statutes or whether to develop another assessment structure. The proposal shall ensure that the entire nonfederal share of the HASP reimbursements to freestanding psychiatric hospitals is funded by increased receipts from hospital assessments. DHB shall create all draft documents required to request federal approval of the developed proposal. No documents shall be submitted requesting federal approval of the developed proposal without further authorization from the General Assembly. DHB shall consult with staff from the Fiscal Research Division, the Legislative Drafting Division, and the Legislative Analysis Division to develop the proposed legislative changes necessary to impose the requisite hospital assessments.

SECTION 9E.27.(b) By March 1, 2024, DHB shall submit a report to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice with all of the following information related to the proposal developed under subsection (a) of this section:

(1) A detailed description of the proposal.
(2) Copies of the draft documents required to request the federal approval needed to implement the developed proposal.
(3) Proposed legislative changes that would be needed to implement the proposal.
(4) An analysis of any impact to the HASP reimbursements to hospitals other than freestanding psychiatric hospitals that might occur due to the limit on provider assessments established under 42 C.F.R. § 433.68(f).

SECTION 9E.27.(c) This section is effective the date this act becomes law.

PRIMARY CARE PAYMENT REFORM TASK FORCE

SECTION 9E.28.(a) There is established the North Carolina Primary Care Payment Reform Task Force (Task Force) within the Department of Health and Human Services, Division of Health Benefits, for budgetary purposes only.

The Task Force shall be composed of the following members:

(1) The Deputy Secretary for NC Medicaid, or the Deputy Secretary's designee.
(2) The Commissioner of the Department of Insurance, or the Commissioner's designee.
(3) The Executive Administrator of the North Carolina State Health Plan for Teachers and State Employees (State Health Plan), or the Executive Administrator's designee.
(4) The Director of the North Carolina Area Health Education Centers Program, or the Director's designee.
(5) The Director of the North Carolina Health Information Exchange Authority, or the Director's designee.
(6) A physician representative of the North Carolina primary care community, as selected by the North Carolina Academy of Family Physicians.
(7) An advanced practice registered nurse representative of the North Carolina primary care community, as selected by the North Carolina Nurses Association.
(8) A representative of the North Carolina commercial health insurance community, as selected by the North Carolina Association of Health Plans.
(9) A representative of a prepaid health plan that is under a capitated contract with the Department for the delivery of Medicaid services, as selected by the North Carolina Association of Health Plans.

All members of the Task Force are voting members. Any vacancies that occur for any membership positions that are not held as a function of office shall be filled by the selecting body upon vacancy. The Deputy Secretary for NC Medicaid, or the Deputy Secretary's designee, shall serve as the chair of the Task Force.

SECTION 9E.28.(b) The Task Force established under subsection (a) of this section shall have the following duties:

(1) Establish a definition of primary care to be utilized by the Task Force. This term should be applicable to services and care provided under the NC Medicaid program, the State Health Plan, and commercial insurance.

(2) Conduct an actuarial evaluation of the current healthcare spend on primary care services, both as it relates to the NC Medicaid program and the commercial market, including Medicare Advantage plans.

(3) Determine the adequacy of the primary care delivery system in North Carolina, including the impact this system has on the supply of the primary care providers in this State.

(4) Study the primary care payment landscape in other states, specifically considering states that have implemented a minimum primary care spend.

(5) Identify data collection and measurement systems to inform creation of a primary care investment target for the NC Medicaid program, the State Health Plan, and commercial insurance. This includes a method by which to measure improvements made toward that target.

(6) Evaluate the need for a permanent Primary Care Payment Reform Task Force, or other similar entity, including which State agency or body is best suited to oversee the work of that group.

(7) Perform any other studies, evaluations, or determinations the Task Force considers necessary.

SECTION 9E.28.(c) No later than April 1, 2024, the Task Force shall submit a report with its findings and recommendations to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Oversight Committee on Medicaid and NC Health Choice. These findings and recommendations shall include specific, concrete, and actionable steps to be undertaken by the State and upon which the General Assembly could act.

SECTION 9E.28.(d) This section shall expire on May 1, 2024.

PART IX-F. HEALTH SERVICE REGULATION

EXTENSION OF TEMPORARY CERTIFICATE OF NEED EXEMPTION

SECTION 9F.1. Section 9E.4A(c) of S.L. 2021-180 reads as rewritten:

"**SECTION 9E.4A.(c)** This section is effective 30 days after this act becomes law, and expires ~~December 31, 2024.~~December 31, 2027."

CERTIFICATE OF NEED EXEMPTION FOR PHYSICIAN OFFICE-BASED VASCULAR ACCESS FOR HEMODIALYSIS

SECTION 9F.2.(a) G.S. 131E-175 is amended by adding the following new subdivisions to read:

"(13) That physicians providing care for vascular access sites in nonlicensed settings should be given an opportunity to obtain a license to provide those services to ensure the safety of patients and the provision of quality care.

(14) That demand for establishing and maintaining alternative settings for vascular access procedures, which are commonly performed in emergency departments, is increasing at a rapid rate as more North Carolinians are living longer with end-stage renal disease.

(15) That continuing to treat vulnerable patients with end-stage renal disease in nonhospital settings lowers costs, reduces overnight hospital stays, and keeps patients healthier."

SECTION 9F.2.(b) G.S. 131E-178 reads as rewritten:

"**§ 131E-178. Activities requiring certificate of ~~need.~~need; limited exemptions for gastrointestinal endoscopy and vascular access for hemodialysis.**

(a) No person shall offer or develop a new institutional health service without first obtaining a certificate of need from the ~~Department; provided, however, no~~ Department, except as provided in subsections (a1) and (a2) of this section.

(a1) No person who provides gastrointestinal endoscopy procedures in one or more gastrointestinal endoscopy rooms located in a nonlicensed setting, shall be required to obtain a certificate of need to license that setting as an ambulatory surgical facility with the existing number of gastrointestinal endoscopy rooms, provided ~~that:~~that the person meets all of the following criteria:

(1) The license application is postmarked for delivery to the Division of Health Service Regulation by December 31, ~~2006;~~2006.

(2) The applicant verifies, by affidavit submitted to the Division of Health Service Regulation within 60 days of the effective date of this act, that the facility was in operation as of the effective date of this act or that the completed application for the building permit for the facility was submitted by the effective date of this ~~act;~~act.

(3) The facility has been accredited by The Accreditation Association for Ambulatory Health Care, ~~The Joint Commission on Accreditation of Healthcare Organizations,~~ The Joint Commission, or The American Association for Accreditation of Ambulatory Surgical Facilities by the time the license application is postmarked for delivery to the Division of Health Service Regulation of the ~~Department; and~~Department.

(4) The license application includes a commitment to and a plan for serving indigent and medically underserved populations.

All other persons proposing to obtain a license to establish an ambulatory surgical facility for the provision of gastrointestinal endoscopy procedures shall be required to obtain a certificate of need. The annual State Medical Facilities Plan shall not include policies or need determinations that limit the number of gastrointestinal endoscopy rooms that may be approved.

(a2) No person who provides vascular access for hemodialysis in a physician office-based vascular access center located in a nonlicensed setting shall be required to obtain a certificate of need to license that setting as an ambulatory surgical facility with the existing number of vascular access procedure rooms, provided that the person meets all of the following criteria:

(1) The license application is postmarked for delivery to the Division of Health Service Regulation by December 31, 2023.

(2) The applicant verifies, by affidavit submitted to the Division of Health Service Regulation within 60 days after the effective date of this act, that the facility was in operation as of the effective date of this act or that the completed application for the building permit for the facility was submitted by the effective date of this act.

(3) The facility has been accredited by the Accreditation Association for Ambulatory Health Care, The Joint Commission, or the American Association for Accreditation of Ambulatory Surgical Facilities by the time the license application is postmarked for delivery to the Division of Health Service Regulation of the Department.

(4) The license application includes a commitment to and a plan for serving indigent and medically underserved populations.

All other persons proposing to obtain a license to establish an ambulatory surgical facility for the provision of vascular access site management shall be required to obtain a certificate of need. The annual State Medical Facilities Plan shall not include policies or need determinations that limit the number of vascular access procedure rooms that may be approved.

…."

SECTION 9F.2.(c) This section becomes effective October 1, 2023.

ELIMINATION OF CERTIFICATE OF NEED REVIEW FOR KIDNEY DISEASE TREATMENT CENTERS, INCLUDING FREESTANDING DIALYSIS UNITS

SECTION 9F.3.(a) G.S. 131E-176, as amended by Section 3.1 of S.L. 2023-7, reads as rewritten:

"**§ 131E-176. Definitions.**

The following definitions apply in this Article:

…

(2) Bed capacity. – Space used exclusively for inpatient care, including space designed or remodeled for licensed inpatient beds even though temporarily not used for such purposes. The number of beds to be counted in any patient room shall be the maximum number for which adequate square footage is provided as established by rules of the Department except that single beds in single rooms are counted even if the room contains inadequate square footage. ~~The term "bed capacity" also refers to the number of dialysis stations in kidney disease treatment centers, including freestanding dialysis units.~~

…

(5) Change in bed capacity. – Any of the following:

a. Any relocation of health service facility ~~beds, or dialysis stations~~ beds from one licensed facility or campus to another.

b. Any redistribution of health service facility bed capacity among the categories of health service facility bed.

c. Any increase in the number of health service facility ~~beds, or dialysis stations in kidney disease treatment centers, including freestanding dialysis units.~~beds.

…

(9b) Health service facility. – A hospital; long-term care hospital; rehabilitation facility; nursing home facility; adult care home; ~~kidney disease treatment center, including freestanding hemodialysis units;~~ intermediate care facility for individuals with intellectual disabilities; home health agency office; diagnostic center; hospice office, hospice inpatient facility, hospice residential care facility; and ambulatory surgical facility.

(9c) Health service facility bed. – A bed licensed for use in a health service facility in the categories of (i) acute care beds; (iii) rehabilitation beds; (iv) nursing home beds; (v) intermediate care beds for individuals with intellectual disabilities; (vii) hospice inpatient facility beds; (viii) hospice residential care facility beds; (ix) adult care home beds; and (x) long-term care hospital beds.

…

(16) New institutional health services. – Any of the following:

…

d. The offering of ~~dialysis services or~~ home health services by or on behalf of a health service facility if those services were not offered within the previous 12 months by or on behalf of the facility.

…."

SECTION 9F.3.(b) G.S. 131E-183(a)(1) reads as rewritten:

"(1) The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, ~~dialysis stations,~~ operating rooms, or home health offices that may be approved."

SECTION 9F.3.(c) This section becomes effective October 1, 2023.

ELIMINATION OF CERTIFICATE OF NEED REVIEW FOR LINEAR ACCELERATORS

SECTION 9F.4. Effective October 1, 2023, G.S. 131E-176(14g) and G.S. 131E-176(16)f1.5a. are repealed.

CERTIFICATE OF NEED EXEMPTION FOR THE RELOCATION OF AN EXISTING INSTITUTIONAL HEALTH SERVICE OR HEALTH SERVICE FACILITY WITHIN THE SAME COUNTY

SECTION 9F.5.(a) G.S. 131E-184, as amended by Section 3.1 of S.L. 2023-7, is amended by adding a new subsection to read:

"(i) The Department shall exempt from certificate of need review the relocation of an institutional health service or a health service facility for which a certificate of need has already been issued; provided, however, that the relocation of the institutional health service or health service facility is to another site within the same county."

SECTION 9F.5.(b) This section becomes effective October 1, 2023.

CERTIFICATE OF NEED REFORM FOR MAGNETIC RESONANCE IMAGING SCANNERS

SECTION 9F.6.(a) G.S. 131E-176, as amended by this act and Section 3.3 of S.L. 2023-7, reads as rewritten:

"**§ 131E-176. Definitions.**

The following definitions apply in this Article:

…

(2d) Capital expenditure. – An expenditure for a project, including but not limited to the cost of construction, engineering, and equipment which under generally accepted accounting principles is not properly chargeable as an expense of operation and maintenance. Capital expenditure includes, in addition, the fair market value of an acquisition made by donation, lease, or comparable arrangement by which a person obtains equipment, the expenditure for which would have been considered a capital expenditure under this Article if the person had acquired it by purchase. A capital expenditure does not include an expenditure for, or the fair market value of, a magnetic resonance imaging scanner located in a county that meets either of the following criteria:

a. Has a population greater than 125,000 according to the 2020 federal decennial census or any subsequent federal decennial census.

b. Has a population of 125,000 or less according to the 2020 federal decennial census or any subsequent federal decennial census and does not have a hospital presently operating in the county.

…

(7a) Diagnostic center. – "Diagnostic center" means a freestanding facility, program, or provider, including but not limited to, physicians' offices, clinical laboratories, radiology centers, and mobile diagnostic programs, in which the total cost of all the medical diagnostic equipment utilized by the facility which cost ten thousand dollars ($10,000) or more exceeds three million dollars

($3,000,000). ~~No facility, program, or provider, including, but not limited to, physicians' offices, clinical laboratories, radiology centers, or mobile diagnostic programs, shall be deemed a diagnostic center solely by virtue of having a magnetic resonance imaging scanner in a county with a population of greater than 125,000 according to the 2020 federal decennial census or any subsequent federal decennial census.~~ In determining whether the medical diagnostic equipment in a diagnostic center costs more than three million dollars ($3,000,000), the costs of the equipment, studies, surveys, designs, plans, working drawings, specifications, construction, installation, and other activities essential to acquiring and making operational the equipment shall be ~~included.~~ included; provided, however, that the costs associated with a magnetic resonance imaging scanner shall not be included if the magnetic resonance imaging scanner is located in a county that meets either of the following criteria: (i) has a population greater than 125,000 according to the 2020 federal decennial census or any subsequent federal decennial census or (ii) has a population of 125,000 or less according to the 2020 federal decennial census or any subsequent federal decennial census and does not have a hospital presently operating in the county. The capital expenditure for the equipment shall be deemed to be the fair market value of the equipment or the cost of the equipment, whichever is greater. Beginning September 30, 2022, and on September 30 each year thereafter, the cost threshold amount in this subdivision shall be adjusted using the Medical Care Index component of the Consumer Price Index published by the U.S. Department of Labor for the 12-month period preceding the previous September 1.

…

(14m) Magnetic resonance imaging scanner. – Medical imaging equipment that uses nuclear magnetic resonance. This term includes fixed and mobile medical imaging equipment that uses nuclear magnetic resonance.

…

(14o) Major medical equipment. – "Major medical equipment" means a single unit or single system of components with related functions which is used to provide medical and other health services and which costs more than two million dollars ($2,000,000). In determining whether the major medical equipment costs more than two million dollars ($2,000,000), the costs of the equipment, studies, surveys, designs, plans, working drawings, specifications, construction, installation, and other activities essential to acquiring and making operational the major medical equipment shall be included. The capital expenditure for the equipment shall be deemed to be the fair market value of the equipment or the cost of the equipment, whichever is greater. Major medical equipment does not include replacement equipment as defined in this ~~section or magnetic~~ section. Major medical equipment also does not include magnetic resonance imaging scanners in counties ~~with~~ that meet either of the following criteria: (i) have a population greater than 125,000 according to the 2020 federal decennial census or any subsequent federal decennial ~~census.~~ census or (ii) have a population of 125,000 or less according to the 2020 federal decennial census or any subsequent federal decennial census and do not have a hospital presently operating in the county. Beginning September 30, 2022, and on September 30 each year thereafter, the cost threshold amount in this subdivision shall be adjusted using the Medical Care Index component of the Consumer Price Index published by the U.S. Department of Labor for the 12-month period preceding the previous September 1.

…

(16) New institutional health services. – Any of the following:

…

f1. The acquisition by purchase, donation, lease, transfer, or comparable arrangement of any of the following equipment by or on behalf of any person:

1. Air ambulance.
2. Repealed by Session Laws 2005-325, s. 1, effective for hospices and hospice offices December 31, 2005.
3. Cardiac catheterization equipment.
4. Gamma knife.
5. Heart-lung bypass machine.
~~5a. Linear accelerator.~~
6. Lithotriptor.
7. Magnetic resonance imaging scanner. This sub-sub-subdivision applies only to counties ~~with~~ that meet both of the following criteria: (i) have a population of 125,000 or less according to the 2020 federal decennial census or any subsequent federal decennial ~~census.~~census and (ii) have a hospital presently operating in the county.
8. Positron emission tomography scanner.
9. Simulator.

…."

SECTION 9F.6.(b) Subsection (a) of this section becomes effective three years from the date the Department of Health and Human Services (DHHS) issues the first directed payment in accordance with the Healthcare Access and Stabilization Program (HASP) under G.S. 108A-148.1, as enacted by Section 1.4 of S.L. 2023-7, and applies to activities occurring on or after that date. The Secretary of Health and Human Services shall notify the Revisor of Statutes when DHHS has issued the first directed payment in accordance with HASP and the date of issuance. If DHHS has not made any HASP directed payments by June 30, 2025, then subsection (a) of this section shall expire on that date.

SECTION 9F.6.(c) Except as otherwise provided, this section is effective when it becomes law.

ELIMINATION OF CERTIFICATE OF NEED REVIEW FOR THE CONVERSION OF SPECIALTY AMBULATORY SURGICAL PROGRAMS TO MULTISPECIALTY PROGRAMS AND FOR THE ADDITION OF A SPECIALTY TO A SPECIALTY AMBULATORY SURGICAL PROGRAM

SECTION 9F.7. Effective October 1, 2023, G.S. 131E-176(16)r. is repealed.

CERTIFICATE OF NEED REFORMS FOR AMBULATORY SURGICAL FACILITIES

SECTION 9F.8.(a) G.S. 131E-176, as amended by this act and Section 3.2 of S.L. 2023-7, reads as rewritten:

"**§ 131E-176. Definitions.**

The following definitions apply in this Article:

…

(9b) Health service facility. – A hospital; long-term care hospital; rehabilitation facility; nursing home facility; adult care home; intermediate care facility for individuals with intellectual disabilities; home health agency office; diagnostic center; hospice office, hospice inpatient facility, hospice residential

care facility; and ambulatory surgical facility. The term "health service facility" does not include a qualified ~~urban~~ ambulatory surgical facility.

…

(21a) Qualified ~~urban~~ ambulatory surgical facility. – An ambulatory surgical facility that ~~meets~~ elects to opt out of the certificate of need requirements established by this Article by demonstrating to the satisfaction of the Department that the facility meets all of the following criteria:

a. Is licensed by the Department to operate as ~~an~~ a qualified ambulatory surgical facility.

b. Has a single specialty or multispecialty ambulatory surgical program.

c. Is located in a county ~~with~~ that meets one of the following criteria:

1. Has a population greater than 125,000 according to the 2020 federal decennial census or any subsequent federal decennial census.

2. Has a population of 125,000 or less according to the 2020 federal decennial census or any subsequent federal decennial census and does not have a hospital presently operating in the county.

…."

SECTION 9F.8.(b) G.S. 131E-146(3), as amended by Section 3.2 of S.L. 2023-7, reads as rewritten:

"(3) "Qualified ~~urban~~ ambulatory surgical facility" means an ambulatory surgical facility that meets ~~the definition of G.S. 131E-176(21a).~~ all of the following criteria:

a. Has a single specialty or multispecialty ambulatory surgical program.

b. Is located in a county that (i) has a population of 125,000 or less according to the 2020 federal decennial census or any subsequent federal decennial census and does not have a hospital presently operating in the county or (ii) has a population greater than 125,000 according to the 2020 federal decennial census or any subsequent federal decennial census."

SECTION 9F.8.(c) G.S. 131E-147 reads as rewritten:

"**§ 131E-147. Licensure requirement.**

(a) No person shall operate an ambulatory surgical facility or a qualified ambulatory surgical facility without a license obtained from the Department.

(b) Applications shall be available from the Department, and each application filed with the Department shall contain all necessary and reasonable information that the Department may by rule require. A license shall be granted to the applicant upon a determination by the Department that the applicant has complied with the provisions of this Part and the rules promulgated by the Commission under this Part. The Department shall charge the applicant a nonrefundable annual base license fee in the amount of eight hundred fifty dollars ($850.00) plus a nonrefundable annual per-operating room fee in the amount of seventy-five dollars ($75.00).

(c) A license to operate an ambulatory surgical facility or a qualified ambulatory surgical facility shall be annually renewed upon the filing and the department's approval of a renewal application. The renewal application shall be available from the Department and shall contain all necessary and reasonable information that the Department may by rule require.

(d) Each license shall be issued only for the premises and persons named in the application and shall not be transferable or assignable except with the written approval of the Department.

(e) Licenses shall be posted in a conspicuous place on the licensed premises."

SECTION 9F.8.(d) An ambulatory surgical facility that obtained a license under Part 4 of Article 6 of Chapter 131E of the General Statutes prior to July 1, 2025, may submit a renewal application to operate as a qualified ambulatory surgical facility upon the expiration of its current license. The Department of Health and Human Services shall approve each renewal application submitted pursuant to this subsection provided the applicant pays the prescribed fee for a renewal application to operate as a qualified ambulatory surgical facility and meets all of the applicable licensure criteria.

SECTION 9F.8.(e) G.S. 131E-147.5, as enacted by Section 3.2 of S.L. 2023-7, reads as rewritten:

"**§ 131E-147.5. Charity care requirement for qualified ~~urban~~ ambulatory surgical facilities; annual report.**

(a) The percentage of each qualified ~~urban~~ ambulatory surgical facility's total earned revenue that is attributed to self-pay and Medicaid revenue shall be equivalent to at least four percent (4%), calculated as follows: the Medicare allowable amount for self-pay and Medicaid surgical cases minus all revenue earned from self-pay and Medicaid cases, divided by the total earned revenues for all surgical cases, divided by the total earned revenues for all surgical cases performed in the facility for procedures for which there is a Medicare allowable fee.

(b) Each qualified ~~urban~~ ambulatory surgical facility shall annually report to the Department in the manner prescribed by the Department the percentage of the facility's earned revenue that is attributed to self-pay and Medicaid revenue, as calculated in accordance with subsection (a) of this section."

SECTION 9F.8.(f) Subsections (a) through (e) of this section become effective two years from the date the Department of Health and Human Services (DHHS) issues the first directed payment in accordance with the Healthcare Access and Stabilization Program (HASP) under G.S. 108A-148.1, as enacted by Section 1.4 of S.L. 2023-7, and apply to activities occurring on or after that date. The Secretary of Health and Human Services shall notify the Revisor of Statutes when the DHHS has issued the first directed payment in accordance with HASP and the date of issuance. If the DHHS has not made any HASP directed payments by June 30, 2025, then subsections (a) through (d) of this section shall expire on that date.

SECTION 9F.8.(g) Except as otherwise provided, this section is effective when it becomes law.

REPEAL OF TERRITORIAL LIMITATIONS APPLICABLE TO HOSPITAL AUTHORITIES

SECTION 9F.9. Effective July 1, 2023, G.S. 131E-20 is repealed.

DIVISION OF HEALTH SERVICE REGULATION REPORT

SECTION 9F.10. Beginning September 1, 2023, and every six months thereafter, the Department of Health and Human Services, Division of Health Service Regulation, shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on all of the following for the six-month period preceding the date of the report:

(1) For each facility type the DHSR has a duty imposed by State or federal law to inspect:
   a. The number of facilities seeking initial licensure in the State.
   b. The number of facilities licensed and operating in the State.
   c. The frequency of the inspection requirement.
   d. Whether the DHSR is current on completing the required inspections.

(2) For the Complaint Intake Unit:
   a. The number of complaints received for each facility type.
   b. The applicable time line for investigating these complaints.

c. Whether the DHSR is current on investigating these complaints.

(3) The total amount of compensatory time accrued by staff, broken down by Section.

(4) The total amount of overtime hours worked by staff, broken down by Section.

(5) The total amount of lapsed salary funds and, of that amount, the total amount used for the following purposes, broken down by Section:

a. To hire temporary or contract staff to assist the DHSR in performing its duties.

b. To provide overtime compensation to staff.

c. To provide salary supplements to staff.

d. To provide performance bonuses to staff.

(6) An explanation of any problems the DHSR is experiencing with recruiting or retaining staff, broken down by Section.

PART IX-G. MENTAL HEALTH/DEVELOPMENTAL DISABILITIES/SUBSTANCE ABUSE SERVICES

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

SECTION 9G.1.(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.1.(b) During each year of the 2023-2025 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.1.(c) If, on or after June 1, 2024, the Office of State Budget Management (OSBM) certifies a Medicaid budget surplus and sufficient cash in Budget Code 14445 to meet total obligations for the 2023-2024 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.2.(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.2.(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 this subsection, "medically indigent" shall mean uninsured persons who (i) are financially unable to obtain private insurance coverage, as determined by DHHS and (ii) are not eligible for government-funded health coverage such as Medicare or Medicaid.

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

SECTION 9G.2.(c) Funds to be Held in Statewide Reserve. – Funds appropriated in this act to DHHS for the purchase of local inpatient psychiatric beds or bed days shall not be allocated to LME/MCOs but shall be held in a statewide reserve at the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to pay for services authorized by the LME/MCOs and billed by the hospitals through the LME/MCOs. LME/MCOs shall remit claims for payment to DHHS within 15 working days after receipt of a clean claim from the hospital and shall pay the hospital within 30 working days after receipt of payment from DHHS.

SECTION 9G.2.(d) Ineffective LME/MCO Management of Beds or Bed Days. – If DHHS determines that (i) an LME/MCO is not effectively managing the beds or bed days for which it has responsibility, as evidenced by beds or bed days in the local hospital not being utilized while demand for services at the State psychiatric hospitals has not decreased, or (ii) the LME/MCO has failed to comply with the prompt payment provisions of this section, DHHS may contract with another LME/MCO to manage the beds or bed days or, notwithstanding any other provision of law to the contrary, may pay the hospital directly.

SECTION 9G.2.(e) Reporting by LME/MCOs. – LME/MCOs shall be required to report to DHHS regarding the utilization of these beds or bed days.

SECTION 9G.2.(f) Reporting by DHHS. – By no later than December 1, 2024, and by no later than December 1, 2025, DHHS shall report to the Joint Legislative Oversight

Committee on Health and Human Services and the Fiscal Research Division on all of the following:

(1) A uniform system for beds or bed days purchased during the preceding fiscal year from (i) existing State appropriations and (ii) local funds.

(2) An explanation of the process used by DHHS to ensure that, except as otherwise provided in subsection (a) of this section, local inpatient psychiatric beds or bed days purchased in accordance with this section are utilized solely for individuals who are medically indigent, along with the number of medically indigent individuals served by the purchase of these beds or bed days.

(3) The amount of funds used to pay for facility-based crisis services, along with the number of individuals who received these services and the outcomes for each individual.

(4) The amount of funds used to pay for nonhospital detoxification services, along with the number of individuals who received these services and the outcomes for each individual.

(5) Other DHHS initiatives funded by State appropriations to reduce State psychiatric hospital use.

IMPROVING THE ASSESSMENT AND PLACEMENT OF JUVENILES PRESENTING TO THE HOSPITAL FOR MENTAL HEALTH TREATMENT

SECTION 9G.2A.(a) G.S. 122C-142.2 reads as rewritten:

"**§ 122C-142.2. Presentation at a hospital for mental health ~~treatment.~~treatment; assessment and placement upon discharge.**

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

(1) Assessment. – A comprehensive clinical assessment, psychiatric evaluation, or a substantially equivalent assessment.

(2) ~~Director.~~ County director. – The director of the county department of social services ~~in the county in which the juvenile resides or is found,~~ with custody of the juvenile, or the county director's representative as authorized in G.S. 108A-14.

(3) Reserved for future codification purposes.

(4) Rapid Response Team. – A Department of Health and Human Services team of representatives from all of the following:

a. The Division of Child and Family Well-Being.

b. The Division of Health Benefits.

c. The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

d. The Division of Social Services.

(b) If a juvenile in the custody of a department of social services presents to a hospital emergency department for mental health treatment, the hospital shall contact the county director to notify the county director of the juvenile's presentment to the emergency department. The county director shall contact the appropriate LME/MCO or prepaid health plan ~~within~~ as soon as practicable and, in any event, no later than 24 hours of the ~~determination that the juvenile should not remain at the hospital and no appropriate placement is immediately available,~~ start of the juvenile's stay in the hospital to request an assessment.

(c) Consistent with the care coordination responsibilities under G.S. 122C-115.4(b)(5), the LME/MCO or prepaid health plan must, when applicable or required by their contract with the Department, arrange for an assessment to be performed by ~~either~~ the juvenile's clinical home provider; the hospital, if able and willing; or other qualified licensed clinician within ~~five business days~~ 72 hours following notification under subsection (b) of this section from the county

director. The hospital shall cooperate with the LME/MCO or prepaid health plan to provide access to the juvenile during the juvenile's stay in the hospital.

(d) Based on the findings and recommendations of ~~the assessment,~~ an assessment conducted as required by this section, all of the following must occur:

(1) If the comprehensive clinical assessment recommends a traditional foster home or a Level I group home, the county director shall identify and provide the placement within five business days. The county department of social services shall be responsible for transporting the juvenile to the identified placement ~~within~~ as soon as practicable but no later than five business days.

(2) If the assessment recommends a level of care requiring prior authorization by the LME/MCO or prepaid health plan, the LME/MCO or prepaid health plan shall authorize an appropriate level of care and identify appropriate providers within five business days and assign a care ~~coordinator~~ manager for the duration that the LME/MCO or prepaid health plan provides services to the juvenile. Once an appropriate level of care has been authorized and providers identified, the county director shall place the juvenile in the appropriate placement ~~within~~ as soon as practicable but no later than five business days. The county department of social services shall be responsible for transporting the juvenile to the identified placement.

(d1) The hospital shall not release the juvenile unless at least one of the following conditions exists:

(1) The juvenile meets hospital discharge criteria.

(2) The placement as recommended by the assessment is available.

(3) The consent of the individual or county director authorized to consent to treatment pursuant to G.S. 7B-505.1.

(e) The county department of social services shall provide ongoing case management, virtually or in person, to address the juvenile's educational and social needs during the juvenile's stay in the hospital. The hospital shall cooperate with the county department of social services to provide access to the juvenile during the juvenile's stay in the hospital.

(f) ~~If, on~~ The county director, an LME/MCO, or a prepaid health plan shall notify the Rapid Response Team of any of the following circumstances:

(1) After completion of the assessment, the county director under subdivision (d)(1) of this section or the LME/MCO or prepaid health plan under subdivision (d)(2) of this section ~~is~~ anticipates being unable to identify an appropriate available placement or treatment provider for the ~~juvenile, or if the~~ juvenile.

(2) The assessment recommendations ~~differ, the director shall immediately notify the Department of Health and Human Services' Rapid Response Team.~~ differ from the preferences of the individual or county director authorized to consent to treatment pursuant to G.S. 7B-505.1 or from services readily available.

(3) There are delays in accessing needed behavioral health assessments.

(4) The juvenile has been released from the hospital in violation of subsection (d1) of this section.

(f1) Notification provided to the Rapid Response Team by the county director, LME/MCO, or prepaid health plan as required under subsection (f) of this section does not relieve the county director, LME/MCO, prepaid health plan, or any other entity from carrying out the county director's, LME/MCO's, or prepaid health plan's responsibilities to the juvenile.

(f2) The county director, pursuant to ~~G.S. 7B-302(a1)(1), is~~ G.S. 7B-302(a1)(1), and the LME/MCO, or the prepaid health plan, are authorized to disclose confidential information to the Rapid Response Team to ensure the juvenile is protected from abuse or neglect and for the provision of protective services to the juvenile. All confidential information disclosed to the

Rapid Response Team shall remain confidential, shall not be further redisclosed unless authorized by State or federal law or regulations, and shall not be considered a public record. ~~Notification to the Rapid Response Team does not relieve the director, LME/MCO, prepaid health plan, or any other entity from carrying out their responsibilities to the juvenile.~~

(g) ~~The Rapid Response Team shall be comprised of representatives of the Department of Health and Human Services from the Division of Social Services; the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services; and the Division of Health Benefits.~~ Upon receipt of a notification ~~from a director,~~ made in accordance with subsection (f) of this section, the Rapid Response Team shall evaluate the information provided ~~and coordinate a response~~ to determine if action from the Rapid Response Team is necessary to address the immediate needs of the ~~juvenile, which may include any of the following:~~juvenile. If action is necessary, the Rapid Response Team shall develop a plan with the county department of social services, LME/MCO, or prepaid health plan regarding the steps needed to meet the treatment needs of the juvenile. Any plan shall include the means by which to monitor the implementation of the plan.

~~(1) Identifying an appropriate level of care for the juvenile.~~

~~(2) Identifying appropriate providers or other placement for the juvenile.~~

~~(3) Making a referral to qualified services providers.~~

~~(4) Developing an action plan to ensure the needs of the juvenile are met.~~

~~(5) Developing a plan to ensure that relevant parties carry out any responsibilities to the juvenile.~~

(h) Meetings of the Rapid Response Team convened under this section shall be limited to members of the Rapid Response Team and individuals invited to the meeting by the Rapid Response Team, which may include individuals from the relevant county department of social services, LME/MCOs, and prepaid health plans. The meetings of the Rapid Response Team shall not be open to the public. Subsection (f2) of this section shall apply to any information gathered in preparation of, or for use at, the meeting. Information shared at a Rapid Response Team meeting, documents created during the course of a meeting, or documents created during the course of evaluating information and developing a plan in accordance with subsection (g) of this section shall not be public record and shall not be disclosed or redisclosed unless authorized under State or federal law.

(i) An LME/MCO or prepaid health plan shall provide a monthly notice to the Division of Social Services of the Department of Health and Human Services that contains all of the following information for the preceding month:

(1) The number of notifications the LME/MCO or prepaid health plan has received from the county department of social services regarding the need for an assessment under this section.

(2) The length of time to find appropriate placement for a juvenile who has presented at a hospital for mental health treatment.

(3) The number and type of recommendations made in accordance with subsection (d) of this section."

SECTION 9G.2A.(b) This section is effective when it becomes law.

AGENCY REQUESTED CHANGES/BEHAVIORAL HEALTH

SECTION 9G.7A.(a1) Part 2 of Article 4 of Chapter 122C of the General Statutes is amended by adding the following new sections to read:

"**§ 122C-115.5. Alignment of counties with an area authority.**

(a) No county shall withdraw from an area authority nor shall an area authority be dissolved without prior approval of the Secretary.

(b) A county that wishes to disengage from one area authority and realign with another area authority operating a Medicaid waiver contract may do so with the approval of the Secretary.

The Secretary shall adopt rules to establish a process for county disengagement that shall ensure, at a minimum, the following:

(1) Provision of services is not disrupted by the disengagement.

(2) The timing of the disengagement is accounted for and does not conflict with setting capitation rates.

(3) Adequate notice is provided to the affected counties, the Department of Health and Human Services, and the General Assembly.

(4) Provisions exist for the distribution of any real property no longer within the catchment area of the area authority.

(c) Area authorities may add one or more additional counties to their existing catchment area upon the adoption of a resolution to that effect by a majority of the members of the area board and the approval of the Secretary.

(d) The Secretary shall direct the dissolution of an area authority upon any of the following:

(1) The termination of a BH IDD tailored plan contract with an area authority.

(2) The Secretary's delivery of a notice of noncompliance to an area authority under G.S. 122C-124.2(c)(2) or G.S. 122C-124.2(d)(4).

(3) The Secretary's assumption of full control of all powers of an area authority under G.S. 122C-125.

(e) When an area authority is dissolved at the direction of the Secretary, the following shall occur:

(1) The Secretary shall deliver a notice of dissolution to the board of county commissioners of each of the counties in the dissolved area authority.

(2) An area authority that is dissolved by the Secretary in accordance with the provisions of this section shall be dissolved on a time line established by the Department.

(3) The area authority being dissolved shall cooperate with the Secretary in order to ensure the uninterrupted provision of services to Medicaid recipients and the other individuals who received services through the area authority.

(4) The Secretary shall reassign the counties aligned with the area authority being dissolved to one or more area authorities that are under contract for the operation of a BH IDD tailored plan.

(5) The Secretary shall reassign the State-funded services contract between the area authority being dissolved and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to the area authorities receiving the realigned counties.

(6) The Secretary shall effectuate and oversee the orderly transfer of all management responsibilities, operations, and contracts of the area authority being dissolved, including the responsibility of paying providers for covered services that are subsequently rendered.

(7) The Secretary shall arrange for the providers of services to be reimbursed from the remaining fund balance or risk reserve of the area authority being dissolved, or from other funds of the Department if necessary, for proper, authorized, and valid claims for services rendered that were not previously paid by the area authority being dissolved. In the event there are insufficient assets to satisfy the liabilities of the area authority being dissolved, it shall be the responsibility of the Secretary to satisfy the liabilities of the area authority being dissolved.

(8) Effective until the date that BH IDD tailored plans begin operating, risk reserve funds of the area authority being dissolved may be used only to pay authorized and approved provider claims. Any funds remaining in the risk

reserve transferred under this subdivision shall become part of the risk reserve of the area authorities receiving the realigned counties and shall be subject to the same restrictions on the use of the risk reserve applicable to those area authorities.

(9) The Secretary may assume control, in part or in full, of the financial affairs of the area authority and appoint an administrator to exercise the powers assumed by the Secretary. This assumption of control shall have the effect of divesting the area authority of its authority as to the powers assumed, including service delivery, adoption of budgets, expenditures of money, and all other financial powers conferred on the area authority by law.

(10) County funding of the area authority shall continue and shall not be reduced as a result of the dissolution. A county shall not withdraw funds previously obligated or appropriated to the area authority.

(11) Any fund balance or risk reserve available to an area authority at the time of its dissolution that is not utilized to pay liabilities shall be transferred to one or more area authorities contracted to operate the 1915(b)/(c) Medicaid Waiver or a BH IDD tailored plan in all or a portion of the catchment area of the dissolved area authority, as directed by the Department in accordance with G.S. 122C-115.6.

(12) Effective until the date that BH IDD tailored plans begin operating, if the fund balance transferred from the dissolved area authority under subdivision (11) of this subsection is insufficient to constitute fifteen percent (15%) of the anticipated operational expenses arising from assumption of responsibilities from the dissolved area authority, the Secretary shall guarantee the operational reserves for the area authority assuming the responsibilities under the 1915(b)/(c) Medicaid Waiver until the assuming area authority has reestablished fifteen percent (15%) operational reserves.

"**§ 122C-115.6. Transfer of area authority fund balance upon county realignment.**

(a) When a county disengages from one area authority and realigns with another area authority under G.S. 122C-115.5, regardless of whether the realignment was due to reassignment by the Secretary or another process, a portion of the risk reserve and other funds of the area authority from which the county is disengaging shall be transferred to the area authority with which the county is realigning. The amount of risk reserve and other funds to be transferred shall be determined by the Department in accordance with a formula or formulas developed in accordance with this section.

(b) Any formula developed by the Department under this section shall consider the stability of both the area authority from which the county is disengaging and the area authority with which the county is realigning. The formula shall support (i) the ability for each area authority to carry out its responsibilities under State law, (ii) the successful operation of the 1915(b)/(c) waivers, (iii) the capitated arrangements authorized by G.S. 108D-60(b), and (iv) the successful operation of BH IDD tailored plans under G.S. 108D-60. The formula shall assure that the area authority from which the county is disengaging retains sufficient funds to pay any outstanding liabilities to healthcare providers, staff-related expenses, and other liabilities.

(c) The area authority from which the county is disengaging and the area authority with which the county is realigning shall provide the Department with all financial information requested by the Department that is necessary to determine the amount of funds to be transferred using the formula or formulas developed under this section, upon any of the following:

(1) The Secretary's approval of a county disengagement under G.S. 122C-115.5.

(2) The Secretary's delivery of a notice of dissolution to the area authority under G.S. 122C-115.5(e)(1).

(d) Prior to finalizing any formula developed under this section, the Department shall post the proposed formula on its website and provide notice of the proposed formula to all area authorities, the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Medicaid and NC Health Choice, and the Fiscal Research Division. The Department shall accept public comment on the proposed formula. The Department shall post the final version of the formula on its website.

(e) The Department may amend the formula as needed to ensure the requirements of subsection (b) of this section are met. Prior to finalizing any amended formula developed under this section, the Department shall post the proposed formula on its website and provide notice of the proposed formula to all area authorities, the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Medicaid and NC Health Choice, and the Fiscal Research Division. The Department shall accept public comment on the proposed formula. The Department shall post the final version of the formula on its website.

(f) Beginning July 15, 2023, and quarterly thereafter, the Department shall report to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Medicaid and NC Health Choice, and the Fiscal Research Division on any funds transferred as a result of disengagements during the previous quarter.

(g) The development and application of the formula or formulas under this section shall be exempt from the rulemaking requirements and contested case provisions of Chapter 150B of the General Statutes, as provided in G.S. 150B-1(d)(33) and G.S. 150B-1(e)(27)."

SECTION 9G.7A.(a2) G.S. 122C-3 reads as rewritten:

"**§ 122C-3. Definitions.**

The following definitions apply in this Chapter:

…

(2b) ~~"Behavioral~~ Behavioral health and intellectual/developmental disabilities tailored ~~plan"~~ plan or ~~"BH~~ BH IDD tailored ~~plan" has the same meaning as~~ plan. – As defined in G.S. 108D-1.

…

(29b) ~~"Prepaid~~ Prepaid health ~~plan" has the same meaning as~~ plan. – As defined in G.S. 108D-1.

…

(35b) Specialty services. – Services that are provided to consumers from low-incidence populations.

~~(35c) State or Local Consumer Advocate. The individual carrying out the duties of the State or Local Consumer Advocacy Program Office in accordance with Article 1A of this Chapter.~~

(35d) Standard benefit plan. – As defined in G.S. 108D-1.

(35e) State Plan. – The State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services.

~~(35e)~~(35f) State resources. – State and federal funds and other receipts administered by the Division.

…."

SECTION 9G.7A.(a3) G.S. 122C-112.1(a)(25) is repealed.

SECTION 9G.7A.(a4) G.S. 122C-115 reads as rewritten:

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

(a) A county shall provide mental health, developmental disabilities, and substance abuse services in accordance with rules, policies, and guidelines adopted pursuant to statewide restructuring of the management responsibilities for the delivery of services for individuals with mental illness, intellectual or other developmental disabilities, and substance abuse disorders ~~under a 1915(b)/(c) Medicaid Waiver~~ through an area authority. ~~Beginning July 1, 2012, the~~

~~catchment area of an area authority shall contain a minimum population of at least 300,000. Beginning July 1, 2013, the catchment area of an area authority shall contain a minimum population of at least 500,000.~~ To the extent this section conflicts with G.S. 153A-77 or G.S. 122C-115.1, the provisions of this section control.

~~(a1) Effective July 1, 2012, the Department shall reduce the administrative funding for LMEs that do not comply with the minimum population requirement of 300,000 to a rate consistent with the funding rate provided to LMEs with a population of 300,000.~~

~~(a2) Effective July 1, 2013, the Department shall reassign management responsibilities for Medicaid funds and State funds away from LMEs that are not in compliance with the minimum population requirement of 500,000 to LMEs that are fully compliant with all catchment area requirements, including the minimum population requirements specified in this section.~~

~~(a3) A county that wishes to disengage from a local management entity/managed care organization and realign with another multicounty area authority operating under the 1915(b)/(c) Medicaid Waiver may do so with the approval of the Secretary. The Secretary shall adopt rules to establish a process for county disengagement that shall ensure, at a minimum, the following:~~

~~(1) Provision of services is not disrupted by the disengagement.~~

~~(2) The disengaging county either is in compliance or plans to merge with an area authority that is in compliance with population requirements provided in G.S. 122C-115(a) of this section.~~

~~(3) The timing of the disengagement is accounted for and does not conflict with setting capitation rates.~~

~~(4) Adequate notice is provided to the affected counties, the Department of Health and Human Services, and the General Assembly.~~

~~(5) Provision for distribution of any real property no longer within the catchment area of the area authority.~~

…

~~(c1) Area authorities may add one or more additional counties to their existing catchment area upon the adoption of a resolution to that effect by a majority of the members of the area board and the approval of the Secretary.~~

(d) Except as otherwise provided in this subsection, counties shall not reduce county appropriations and expenditures for current operations and ongoing programs and services of area authorities ~~or county programs~~ because of the availability of State-allocated funds, fees, capitation amounts, or fund balance to the area ~~authority or county program.~~ authority. Counties may reduce county appropriations by the amount previously appropriated by the county for one-time, nonrecurring special needs of the area ~~authority or county program.~~authority.

…."

SECTION 9G.7A.(a5) G.S. 122C-115.3 is repealed.

SECTION 9G.7A.(a6) G.S. 122C-124.1 is repealed.

SECTION 9G.7A.(a7) G.S. 122C-124.2 reads as rewritten:

"**§ 122C-124.2. Actions by the Secretary to ensure effective management of behavioral health services under the 1915(b)/(c) Medicaid Waiver.**

…

(b) The Secretary's certification under subsection (a) of this section shall be in writing and signed by the Secretary and shall contain a clear and unequivocal statement that the Secretary has determined the local management entity/managed care organization to be in compliance with all of the following requirements:

(1) The LME/MCO has made adequate provision against the risk of insolvency ~~and~~ and, in accordance with G.S. 122C-125.3, is either (i) ~~is~~ not required to be under a corrective action plan ~~in accordance with G.S. 122C-125.2~~ or (ii) ~~is~~ in compliance with a corrective action ~~plan required under G.S. 122C-125.2.~~plan.

…

(c) If the Secretary does not provide a local management entity/managed care organization with the certification of compliance required by this section based upon the LME/MCO's failure to comply with any of the requirements specified in subdivisions (1) through (3) of subsection (b) of this section, the Secretary shall do the following:

…

~~(3) Not later than 10 days after the Secretary's notice of noncompliance is provided to the LME/MCO, assign the Contract of the noncompliant LME/MCO to a compliant LME/MCO.~~

~~(4) Oversee the transfer of the operations and contracts from the noncompliant LME/MCO to the compliant LME/MCO in accordance with the provisions in subsection (e) of this section.~~

(5) Direct the dissolution of the LME/MCO in accordance with G.S. 122C-115.5(d).

(d) If, at any time, in the Secretary's determination, a local management entity/managed care organization is not in compliance with a requirement of the Contract other than those specified in subdivisions (1) through (3) of subsection (b) of this section, then the Secretary shall do all of the following:

…

~~(5) Upon a final determination that an LME/MCO is noncompliant, allow no more than 30 days following the date of notification of the final determination of noncompliance for the noncompliant LME/MCO to complete negotiations for a merger or realignment with a compliant LME/MCO that is satisfactory to the Secretary.~~

~~(6) If the noncompliant LME/MCO does not successfully complete negotiations with a compliant LME/MCO as described in subdivision (5) of this subsection, assign the Contract of the noncompliant LME/MCO to a compliant LME/MCO.~~

~~(7) Oversee the transfer of the operations and contracts from the noncompliant LME/MCO to the compliant LME/MCO in accordance with the provisions in subsection (e) of this section.~~

(8) Upon a final determination that an LME/MCO is noncompliant, direct the dissolution of the LME/MCO in accordance with G.S. 122C-115.5(d).

~~(e) If the Secretary assigns the Contract of a noncompliant local management entity/managed care organization to a compliant LME/MCO under subdivision (3) of subsection (c) of this section, or under subdivision (6) of subsection (d) of this section, the Secretary shall oversee the orderly transfer of all management responsibilities, operations, and contracts of the noncompliant LME/MCO to the compliant LME/MCO. The noncompliant LME/MCO shall cooperate with the Secretary in order to ensure the uninterrupted provision of services to Medicaid recipients. In making this transfer, the Secretary shall do all of the following:~~

~~(1) Arrange for the providers of services to be reimbursed from the remaining fund balance or risk reserve of the noncompliant LME/MCO, or from other funds of the Department if necessary, for proper, authorized, and valid claims for services rendered that were not previously paid by the noncompliant LME/MCO.~~

~~(2) Effectuate an orderly transfer of management responsibilities from the noncompliant LME/MCO to the compliant LME/MCO, including the responsibility of paying providers for covered services that are subsequently rendered.~~

~~(3) Oversee the dissolution of the noncompliant LME/MCO, including transferring to the compliant LME/MCO all assets of the noncompliant~~

~~LME/MCO, including any balance remaining in its risk reserve after payments have been made under subdivision (1) of this subsection. Risk reserve funds of the noncompliant LME/MCO may be used only to pay authorized and approved provider claims. Any funds remaining in the risk reserve transferred under this subdivision shall become part of the compliant LME/MCO's risk reserve and subject to the same restrictions on the use of the risk reserve applicable to the compliant LME/MCO. If the risk reserves transferred from the noncompliant LME/MCO are insufficient, the Secretary shall guarantee any needed risk reserves for the compliant LME/MCO arising from the additional risks being assumed by the compliant LME/MCO until the compliant LME/MCO has established fifteen percent (15%) risk reserves. All other assets shall be used to satisfy the liabilities of the noncompliant LME/MCO. In the event there are insufficient assets to satisfy the liabilities of the noncompliant LME/MCO, it shall be the responsibility of the Secretary to satisfy the liabilities of the noncompliant LME/MCO.~~

~~(4) Following completion of the actions specified in subdivisions (1) through (3) of this subsection, direct the dissolution of the noncompliant LME/MCO and deliver a notice of dissolution to the board of county commissioners of each of the counties in the dissolved LME/MCO. An LME/MCO that is dissolved by the Secretary in accordance with the provisions of this section may be dissolved at any time during the fiscal year.~~

…

(g) As used in this section, the following terms mean:

…

(2) Contract. – The contract between the Department of Health and Human Services and a local management entity for the operation of the 1915(b)/(c) Medicaid ~~Waiver.~~waiver or a BH IDD tailored plan."

SECTION 9G.7A.(a8) G.S. 122C-125 reads as rewritten:

"**§ 122C-125. Area ~~Authority financial~~ authority failure; State assumption of ~~financial~~ control.**

(a) At any time that the Secretary of the Department of Health and Human Services determines that an area authority is in imminent danger of failing ~~financially and of~~ financially, failing to provide ~~direct~~ minimally adequate services to ~~clients,~~ clients in need in a timely manner, or failing to execute on priority infrastructure, services, and supports that are needed across the State related to mental health, intellectual or other developmental disabilities, and substance use disorder, the Secretary, after providing written notification of the Secretary's intent to the area board and after providing the area authority an opportunity to be heard, may assume ~~control of the financial affairs~~ control, in part or in full, of the area authority and appoint an administrator to exercise the powers ~~assumed.~~ assumed by the Secretary. This assumption of control shall have the effect of divesting the area authority of its ~~powers~~ authority as to the powers assumed, which may include service delivery, adoption of budgets, expenditures of money, and all other financial powers conferred ~~in~~ on the area authority by law.

(b) County funding of the area authority shall continue when the ~~State~~ Secretary has assumed control ~~of the financial affairs~~ of the area ~~authority.~~ authority under this section. At no time after the ~~State~~ Secretary has assumed this control shall a county withdraw funds previously obligated or appropriated to the area authority. ~~The Secretary shall adopt rules to define imminent danger of failing financially and of failing to provide direct services to clients.~~

(c) Upon the Secretary's assumption of ~~financial control,~~ partial control of an area authority under this section, the Department shall, in conjunction with the area authority, develop and implement a corrective plan of action and provide notification to the area authority's board of directors of the plan. The Department shall also keep the county board of commissioners and

the area authority's board of directors informed of any ongoing concerns or problems with the area authority's finances.

(d) Upon the Secretary's assumption of full control of all powers of an area authority under this section, the Secretary shall direct the dissolution of the area authority in accordance with G.S. 122C-115.5(d)(3).

(e) The Department shall develop definitions of the following terms used in this section: "imminent danger of failing financially," "failing to provide minimally adequate services to clients in need in a timely manner," and "failing to execute on priority infrastructure, services, and supports that are needed across the State related to mental health, intellectual or other developmental disabilities, and substance use disorder." The Department may amend the definitions developed under this section. Prior to implementing a definition, whether initial or amended, the Department shall do all of the following:

(1) Post the proposed definition on its website and provide notice of the proposed definition to all area authorities, the Joint Legislative Oversight Committee on Health and Human Services, and the Joint Legislative Oversight Committee on Medicaid.

(2) Accept public comment on the proposed definition.

(3) Post the final version of the definition on its website.

(f) The development of definitions under subsection (e) of this section shall be exempt from the rulemaking requirements of Chapter 150B of the General Statutes, as provided in G.S. 150B-1(d)(34)."

SECTION 9G.7A.(a9) G.S. 122C-125.2 is repealed.

SECTION 9G.7A.(a10) Article 4 of Chapter 122C of the General Statutes is amended by adding a new section to read:

"**§ 122C-125.3. LME/MCO solvency; corrective action plan.**

(a) The Department shall establish, in its contracts with LME/MCOs, solvency standards based on industry-standard financial accounting measures, such as the current ratio of assets to liabilities, defensive interval ratio of current assets to average monthly expenditure, capital reserves, and profit and loss. The contracts shall require the development of a corrective action plan when an LME/MCO does not meet the solvency standards specified in the contract.

(b) Each LME/MCO shall provide the Department with monthly financial reports containing the data needed to calculate the financial accounting measures and assess the LME/MCO's adherence to the solvency standards established in contract.

(c) On a quarterly basis, beginning on April 1, 2024, the Department shall publish to its website a dashboard reporting all of the following information for each LME/MCO for the previous quarter:

(1) Each solvency standard applicable to the LME/MCO under its contracts with the Department, including any applicable minimum or maximum threshold.

(2) The financial position of the LME/MCO relative to each solvency standard applicable to the LME/MCO under its contracts with the Department.

(3) Whether the LME/MCO is under any corrective action plan related to the solvency standards applicable to the LME/MCO under its contracts with the Department, and whether the LME/MCO is in compliance with any such corrective action plan.

(d) The Department shall notify the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Medicaid and NC Health Choice, and the Fiscal Research Division when the information required under subsection (c) of this section has been published to the Department's website."

SECTION 9G.7A.(a11) G.S. 108D-60 is amended by adding a new subsection to read:

"(c) Notwithstanding G.S. 108D-40(a)(12) and subdivision (10) of subsection (a) of this section, upon the dissolution of an area authority under G.S. 122C-115.5 and as part of the orderly transfer of operations of the area authority being dissolved, the enrollees of the area authority being dissolved temporarily may be served through one or any combination of the following delivery systems:

(1) The fee-for-service program.

(2) An arrangement authorized under subsection (b) of this section.

(3) A standard benefit plan.

(4) Any other system allowed under State law for the delivery of Medicaid services or mental health, intellectual and developmental disabilities, and substance use disorder services."

SECTION 9G.7A.(a12) G.S. 150B-1(d) is amended by adding two new subdivisions to read:

"(33) The Department of Health and Human Services with respect to the development and application of any formula under G.S. 122C-115.6.

(34) The Department of Health and Human Services with respect to the development of definitions under G.S. 122C-125(e)."

SECTION 9G.7A.(a13) G.S. 150B-1(e)(21) reads as rewritten:

"(21) The Department of Health and Human Services for actions taken under ~~G.S. 122C-124.2.~~G.S. 122C-124.2 and G.S. 122C-115.5(d)."

SECTION 9G.7A.(a14) G.S. 150B-1(e) is amended by adding a new subdivision to read:

"(27) The Department of Health and Human Services with respect to the development and application of any formula under G.S. 122C-115.6."

SECTION 9G.7A.(a15) Section 3.5A of S.L. 2021-62 is repealed.

SECTION 9G.7A.(a16) Section 9D.13(b) of S.L. 2022-74 is repealed.

SECTION 9G.7A.(b1) G.S. 122C-102(b) is amended by adding a new subdivision to read:

"(13) Identification of priority infrastructure, services, and supports that are needed across the State related to mental health, intellectual or other developmental disabilities, and substance use disorder."

SECTION 9G.7A.(b2) G.S. 122C-112.1(a) is amended by adding a new subdivision to read:

"(40) Direct and oversee the allocation and use of single-stream funding to support priority infrastructure, services, and supports, including those identified in the State Plan under G.S. 122C-102(b)."

SECTION 9G.7A.(b3) G.S. 122C-112.1(b) reads as rewritten:

"(b) The Secretary may do the following:

…

(4) Accept, allocate, and spend any federal funds for mental health, intellectual or other developmental disabilities, ~~and~~ or substance ~~abuse~~ use disorder activities that may be made available to the State by the federal ~~government.~~ Government for purposes of funding the priority infrastructure, services, and supports identified in the State Plan under G.S. 122C-102(b)(13). This Chapter shall be liberally construed in order that the State and its citizens may benefit fully from these funds. Any federal funds received shall be deposited with the Department of State Treasurer and shall be appropriated by the General Assembly for the mental health, intellectual or other developmental disabilities, or substance ~~abuse~~ use disorder purposes specified.

(4a) Spend any State funds allocated for mental health, intellectual or other developmental disabilities, and substance use disorder services and supports

to contract for the provision of priority infrastructure, services, and supports identified in the State Plan under G.S. 122C-102(b)(13).

…."

SECTION 9G.7A.(b4) G.S. 122C-117(a)(1) reads as rewritten:

"(1) Engage in comprehensive planning, budgeting, implementing, and monitoring of community-based mental health, intellectual or other developmental disabilities, and substance ~~abuse services.~~use disorder services in coordination with the Secretary and in accordance with direction from the Secretary regarding the use or allocation of single-stream funding to support priority infrastructure, services, and supports identified in the State Plan under G.S. 122C-102(b)(13)."

SECTION 9G.7A.(c1) G.S. 122C-112.1(a)(6) reads as rewritten:

"(6) Establish comprehensive, cohesive oversight and monitoring procedures and processes to ensure continuous compliance by area authorities, ~~county programs,~~ third-party contractors of area authorities, and all providers of public services with State and federal policy, law, and standards. The procedures shall include the development and use of critical performance measures and report cards for each area ~~authority and county program.~~authority."

SECTION 9G.7A.(c2) G.S. 122C-112.1(a)(9) reads as rewritten:

"(9) Provide ongoing and focused technical assistance to area authorities ~~and county programs~~ in the implementation of the LME functions and the establishment and operation of community-based programs. ~~The technical assistance required under this subdivision includes, but is not limited to, the technical assistance required under G.S. 122C-115.4(d)(2).~~ The Secretary shall include in the State Plan a mechanism for monitoring the Department's success in implementing this duty and the progress of area authorities ~~and county programs~~ in achieving these functions."

SECTION 9G.7A.(c3) G.S. 122C-115.4(c) reads as rewritten:

"(c) Subject to subsection (b) of this ~~section and~~ section, all applicable State and federal laws and ~~rules~~ rules, and contractual requirements established by the Secretary, an LME may contract with a public or private entity for the implementation of LME functions designated under subsection (b) of this section. An LME shall cancel any such contract when directed by the Secretary under G.S. 122C-142(a)."

SECTION 9G.7A.(c4) Subsections (d) and (e) of G.S. 122C-115.4 are repealed.

SECTION 9G.7A.(c5) G.S. 122C-115.4(f)(3) is repealed.

SECTION 9G.7A.(c6) G.S. 122C-142(a) reads as rewritten:

"(a) When ~~the~~ an area authority contracts with persons for the provision of services, it shall use the standard contract adopted by the Secretary and shall assure that these contracted services meet the requirements of applicable State ~~statutes and the rules of the Commission and the Secretary. However, an~~ and federal laws and rules. An area authority may amend the contract to comply with any court-imposed duty or responsibility. An area authority that is operating under a Medicaid waiver may amend the contract subject to the approval of the Secretary. Terms of the standard contract shall require the area authority to monitor the contract to assure that State and federal laws and rules ~~and State statutes~~ are met. It shall also place an obligation upon the entity providing services to provide to the area authority timely data regarding the clients being served, the services provided, and the client outcomes. The Secretary may also monitor contracted services ~~to assure that rules and State statutes are met.~~for compliance with the area authority's contractual requirements with the Department and State and federal law. If an area authority's oversight of a contract for services results in noncompliance, the Secretary may direct the area authority to cancel the contract for services."

SECTION 9G.7A.(c7) Subsections (c3) and (c6) of this section apply to area authority contracts with persons for the provision of services entered into on or after the date this act becomes law.

SECTION 9G.7A.(d1) G.S. 126-5 reads as rewritten:

"**§ 126-5. Employees subject to Chapter; exemptions.**

(a) This Chapter applies to all of the following:

(1) All State employees not exempted by this section.

(2) All employees of the following local entities:

~~a. Area mental health, developmental disabilities, and substance abuse authorities, except as otherwise provided in Chapter 122C of the General Statutes.~~

b. Local social services departments.

c. County health departments and district health departments.

d. Local emergency management agencies that receive federal grant-in-aid funds.

An employee of a consolidated county human services agency created pursuant to G.S. 153A-77(b) is not considered an employee of an entity listed in this subdivision.

…

(c1) Except as to Articles 6 and 7 of this Chapter, this Chapter does not apply to any of the following:

…

(39) All employees of area authorities, as defined under G.S. 122C-3.

…."

SECTION 9G.7A.(d2) Subsection (d1) of this section applies to employees of area mental health, developmental disabilities, and substance abuse authorities, defined as area authorities under G.S. 122C-3, hired after the date this act becomes law.

SECTION 9G.7A.(e) Except as otherwise provided, this section is effective on the date this act becomes law.

APPROVAL REQUIRED FOR SALARIES OF LME/MCO AREA DIRECTORS AND EMPLOYEES

SECTION 9G.7B.(a) G.S. 122C-112.1(a) reads as rewritten:

"(a) The Secretary shall do all of the following:

…

(20) Monitor the fiscal and administrative practices of area authorities and county programs to ensure that the programs are accountable to the State for the management and use of federal and State funds allocated for mental health, developmental disabilities, and substance abuse services. The Secretary shall ensure maximum accountability by area authorities and county programs for rate-setting methodologies, reimbursement procedures, billing procedures, provider contracting procedures, record keeping, documentation, and other matters pertaining to financial management and fiscal accountability. The Secretary shall further ensure that the practices are consistent with professionally accepted accounting and management principles.

(20a) Review and approve an area director's salary, in accordance with G.S. 122C-121(a1).

(20b) Review and approve certain salaries of employees of the area authority, in accordance with G.S. 122C-154.

…."

SECTION 9G.7B.(b) G.S. 122C-121(a1) reads as rewritten:

"(a1) The area board shall establish the area director's salary ~~under Article 3 of Chapter 126 of the General Statutes. Notwithstanding G.S. 126-9(b), an area director may be paid a salary that is in excess of the salary ranges established by the State Human Resources Commission. Any salary that is higher than the maximum of the applicable salary range shall be supported by documentation of comparable salaries in comparable operations within the region and shall also include the specific amount the board proposes to pay the director.~~ subject to approval by the Secretary. The area board shall not authorize any salary adjustment ~~that is above the normal allowable salary range~~ without obtaining prior approval from ~~the Director of the Office of State Human Resources.~~the Secretary."

SECTION 9G.7B.(c) G.S. 122C-154 reads as rewritten:

"**§ 122C-154. Personnel.**

(a) For the purpose of personnel administration under this Article, Chapter 126 of the General Statutes applies unless otherwise provided.

(b) Employees under the direct supervision of the area director are employees of the area authority. ~~For the purpose of personnel administration, Chapter 126 of the General Statutes applies unless otherwise provided in this Article.~~ Employees appointed by the county program director are employees of the county. In a multicounty program, employment of county program staff shall be as agreed upon in the interlocal agreement adopted pursuant to G.S. 122C-115.1.

(c) Notwithstanding G.S. 126-9(b), an employee of an area authority may be paid a salary that is in excess of the salary ranges established by the State Human Resources Commission. Any salary that is higher than the maximum of the applicable salary range shall be supported by documentation of comparable salaries in comparable operations within the region and shall also include the specific amount the board proposes to pay the employee. The area board shall not authorize any salary adjustment that is above the normal allowable salary range without obtaining prior approval from the Director of the Office of State Human Resources.

(d) Approval of the Secretary is required for any salary of an area authority employee that is set at, or increased to, an annual amount of one hundred thousand dollars ($100,000) or more."

SECTION 9G.7B.(d) This section is effective when it becomes law and applies to any salaries established or adjusted on or after that date.

USE OF OPIOID SETTLEMENT FUNDS

SECTION 9G.8.(a) The following definitions apply in this section:

(1) Department. – The Department of Health and Human Services.

(2) Opioid Abatement Fund. – The Fund created by Section 9F.1 of S.L. 2021-180, as amended by Section 9F.1 of S.L. 2022-74.

(3) Opioid Abatement Reserve. – The Reserve created by Section 9F.1 of S.L. 2021-180, as amended by Section 9F.1 of S.L. 2022-74.

SECTION 9G.8.(b) The State Controller shall transfer from the Opioid Abatement Reserve to the Opioid Abatement Fund the sum of nine million one hundred ninety-two thousand four hundred sixty-one dollars ($9,192,461) in nonrecurring funds for the 2023-2024 fiscal year and the sum of nine million nine hundred seventy-eight thousand four hundred sixty-two dollars ($9,978,462) in nonrecurring funds for the 2024-2025 fiscal year. These funds are appropriated to be used and allocated as follows:

(1) Five million dollars ($5,000,000) in nonrecurring funds for the 2023-2024 fiscal year and five million dollars ($5,000,000) in nonrecurring funds for the 2024-2025 fiscal year to the Department of Health and Human Services to award grants on a competitive basis, based on a process prescribed by the Department, to nonprofit organizations that have the capacity to provide evidence-based opioid use disorder treatment to individuals who are uninsured or underinsured.

(2) Four million one hundred ninety-two thousand four hundred sixty-one dollars ($4,192,461) in nonrecurring funds for the 2023-2024 fiscal year and four million nine hundred seventy-eight thousand four hundred sixty-two dollars ($4,978,462) in nonrecurring funds for the 2024-2025 fiscal year to the Board of Governors of The University of North Carolina to be allocated to the University of North Carolina at Chapel Hill for the North Carolina Collaboratory, to be used as follows:

a. Three hundred thousand dollars ($300,000) in nonrecurring funds for the 2023-2024 fiscal year to conduct the study on judicially managed accountability and recovery courts authorized by Section 8.11 of this act.

b. Three million eight hundred ninety-two thousand four hundred sixty-one dollars ($3,892,461) in nonrecurring funds for the 2023-2024 fiscal year and four million nine hundred seventy-eight thousand four hundred sixty-two dollars ($4,978,462) in nonrecurring funds for the 2024-2025 fiscal year to make grants available on a competitive basis prescribed by the UNC Collaboratory to each campus of the constituent institutions of The University of North Carolina for opioid abatement research and development projects.

REPORT ON IMPLEMENTATION STATUS OF NEW ELECTRONIC HEALTH RECORDS SYSTEM AT STATE PSYCHIATRIC HOSPITALS

SECTION 9G.9. By December 1, 2023, and by December 1, 2024, the Department of Health and Human Services, Division of State-Operated Healthcare Facilities, shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services on the status of the following:

(1) Execution of a contract that provides for full implementation of a new electronic health records system within each of the State psychiatric hospitals under the jurisdiction of the Secretary of Health and Human Services pursuant to G.S. 122C-181.

(2) Full implementation of a new electronic health records system within each of the State psychiatric hospitals under the jurisdiction of the Secretary of Health and Human Services pursuant to G.S. 122C-181.

(3) Training of the State's psychiatric hospitals' staff on the use of the newly implemented electronic health records system.

PART IX-H. PUBLIC HEALTH

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

SECTION 9H.1.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for each year of the 2023-2025 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.1.(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 two years.

SECTION 9H.1.(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. 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.1.(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.

REPORT ON PREMIUM ASSISTANCE PROGRAM WITHIN AIDS DRUG ASSISTANCE PROGRAM

SECTION 9H.2. Upon a determination by the Department of Health and Human Services, Division of Public Health, that, in six months or less, it will no longer be feasible to operate the health insurance premium assistance program implemented within the North Carolina AIDS Drug Assistance Program (ADAP) on a cost-neutral basis or in a manner that achieves savings to the State, the Department shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services notifying the Committee of this determination along with supporting documentation and a proposed course of action with respect to health insurance premium assistance program participants.

LIMITATION ON USE OF STATE FUNDS

SECTION 9H.3. G.S. 143C-6-5.5 reads as rewritten:

"**§ 143C-6-5.5. Limitation on use of State funds for abortions.**

(a) No State funds may be used for the performance of abortions or to support the administration of any governmental health plan or government-offered insurance policy offering abortion, except that this prohibition shall not apply where (i) the life of the mother would be endangered if the unborn child were carried to term or (ii) the pregnancy is the result of a rape or incest. Nothing in this section shall be construed to limit medical care provided after a spontaneous miscarriage.

(b) No State funds may be used by a State agency to renew or extend existing contracts or enter into new contracts for the provision of family planning services, pregnancy prevention activities, or adolescent parenting programs with any provider that performs abortions. Nothing in this subsection shall be construed to prevent a State agency from paying any healthcare provider for services authorized under the State Health Plan for Teachers and State Employees or the Medicaid program."

USE OF JUUL SETTLEMENT FUNDS

SECTION 9H.4.(a) There is appropriated from the Youth Electronic Nicotine Dependence Abatement Fund created in Section 9G.10(a) of S.L. 2021-180 to the Department of Health and Human Services, Division of Public Health (DPH), the sum of eleven million two hundred fifty thousand dollars ($11,250,000) in nonrecurring funds for the 2023-2024 fiscal year and the sum of eleven million two hundred fifty thousand dollars ($11,250,000) in nonrecurring funds for the 2024-2025 fiscal year to be allocated and used as follows:

(1) Up to seven hundred fifty thousand dollars ($750,000) in nonrecurring funds for each year of the 2023-2025 fiscal biennium shall be used to support data monitoring to track tobacco/nicotine use and exposure among youth and young adults and populations at risk; for independent evaluation of the reach, effectiveness, and outcomes of the State's evidence based programs designed to help youth addicted to nicotine through electronic cigarettes and other new and emerging tobacco and nicotine products quit; and to prepare the report required by subsection (c) of this section.

(2) The remainder of these allocated funds for each year of the 2023-2025 fiscal biennium shall be used to fund evidence-based electronic cigarette and nicotine dependence prevention and cessation activities targeting students in grades four through 12.

SECTION 9H.4.(b) Funds allocated under subsection (a) of this section shall remain available for expenditure in the amounts and for the purposes specified in subsection (a) of this section until expended.

SECTION 9H.4.(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 Youth Electronic Nicotine Dependence Abatement Fund during the preceding fiscal year. The report shall include at least all of the following:

(1) An itemized list of expenditures and for each expenditure, an indication of the authority under this section for the expenditure.

(2) An evaluation of the reach, effectiveness, and outcomes of each activity funded pursuant to subdivision (a)(2) of this section.

(3) An evaluation of the reach, effectiveness, and outcomes of each activity funded by Section 9G.10 of S.L. 2021-180, as amended by Section 9G.3 of S.L. 2022-74.

INCREASE IN AUTOPSY FEES

SECTION 9H.9.(a) Effective January 1, 2024, G.S. 130A-389 reads as rewritten:

"**§ 130A-389. Autopsies.**

(a) ~~If,~~ The Chief Medical Examiner or a competent pathologist designated by the Chief Medical Examiner shall perform an autopsy or other study in each of the following cases:

(1) 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~~ made.

(2) 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.~~judge.

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.

(a1) The fee for the autopsy or other study shall be ~~two~~ five thousand eight hundred dollars ~~($2,800)~~ ($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)~~ three thousand six hundred twenty-five dollars ($3,625) and the State shall pay the remaining balance of ~~one thousand fifty dollars ($1,050).~~two thousand one hundred seventy-five dollars ($2,175).

(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~~ five thousand eight hundred dollars ~~($2,800).~~($5,800).

…."

SECTION 9H.9.(b) By October 1, 2024, and biennially thereafter, the Department of Health and Human Services, Division of Public Health, shall analyze the autopsy fee established by subsection (a1) of G.S. 130A-389, as amended by this act, and report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the following:

(1) The results of the analysis and any recommended changes to the fee or how the fee is apportioned between the State and counties.

(2) For the preceding biennium, the number of autopsies performed by each autopsy center within the North Carolina medical examiner system and the total amount of fees paid to each autopsy center.

CAROLINA PREGNANCY CARE FELLOWSHIP

SECTION 9H.11.(a) Of the funds appropriated in this act from the ARPA Temporary Savings Fund to the Department of Health and Human Services, Division of Public Health, the sum of six million dollars ($6,000,000) in nonrecurring funds for the 2023-2024 fiscal year shall be allocated to Carolina Pregnancy Care Fellowship (CPCF), a nonprofit corporation, to be used as follows:

(1) The sum of two million six hundred fifty thousand dollars ($2,650,000) in nonrecurring funds for the 2023-2024 fiscal year shall be used to provide grants for services to pregnancy centers located in this State.

(2) The sum of one million dollars ($1,000,000) in nonrecurring funds for the 2023-2024 fiscal year shall be used to provide the following grants to pregnancy centers located in this State:

a. Grants to purchase durable medical equipment.
b. Grants to pay for pregnancy care training and training on the use of durable medical equipment.

(3) The sum of two hundred fifty thousand dollars ($250,000) in nonrecurring funds for the 2023-2024 fiscal year shall be used to provide grants to pregnancy centers located in this State to cover the cost of nonreligious, nonsectarian educational training and resources regarding pregnancy.

(4) The sum of two million one hundred thousand dollars ($2,100,000) in nonrecurring funds for the 2023-2024 fiscal year shall be allocated to fund operation of the CPCF Circle of Care Program.

SECTION 9H.11.(b) The CPCF shall establish an application process for the grants authorized by subdivisions (a)(1) through (a)(3) of this section, and any pregnancy center located in this State that applies for these grant funds through the established application process is eligible to receive these grant funds.

SECTION 9H.11.(c) The CPCF may not use more than ten percent (10%) of the funds allocated by this section for administrative purposes.

SECTION 9H.11.(d) Funds allocated under this section shall be used for nonsectarian, nonreligious purposes only.

SECTION 9H.11.(e) By July 1, 2025, the CPCF shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the use of funds allocated under this section. The report shall include at least the following:

(1) The identity and a brief description of each grantee and the amount of funding awarded to each grantee.
(2) The number of persons served by each grantee.
(3) The number of persons served by the Circle of Care Program.

EXPANSION OF PERMISSIBLE USES FOR NEWBORN SCREENING EQUIPMENT REPLACEMENT AND ACQUISITION FUND

SECTION 9H.14. 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~~ purchase, replace, maintain, or support 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."

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

PART IX-J. SOCIAL SERVICES

TANF BENEFIT IMPLEMENTATION

SECTION 9J.1.(a) The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2022-2025," 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 of 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 2022-2025, 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 2023-2025 fiscal biennium, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the 2022-2023 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 2023-2024 fiscal year or the 2024-2025 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. 143B-150.6, 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. 143B-153(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 IV-E reimbursements.

USE 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. § 1087*ll* 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 2023-2025 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 2023-2025 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 that 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. 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 2023-2025 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.

PERMANENCY INNOVATION INITIATIVE/CODIFY SUPPLEMENTATION OF FEDERAL FUNDS REQUIREMENT

SECTION 9J.8. G.S. 131D-10.9B is amended by adding a new subsection to read:

"(b1) State funds provided for the Permanency Innovation Initiative Fund shall be used to supplement, not supplant, all available federal matching funds."

REPORT ON CERTAIN SNAP AND TANF EXPENDITURES

SECTION 9J.9.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Social Services (Division), for each year of the 2023-2025 fiscal biennium for a report on certain Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) expenditures shall be allocated for vendor costs to generate the data regarding expenditures of those programs. The vendor shall generate data to be submitted to the Division that includes, at a minimum, each of the following:

(1) The dollar amount and number of transactions accessed or expended out-of-state, by state, for both SNAP benefits and TANF benefits.

(2) The amount of benefits expended out-of-state, by state, from active cases for both SNAP and TANF.

(3) The dollar amount and number of transactions of benefits accessed or expended in this State, by types of retailers or institutions, for both SNAP and TANF.

SECTION 9J.9.(b) Upon receiving the expenditures data for SNAP and TANF from the vendor, the Division shall evaluate the data. After evaluating the expenditures data, the Division shall submit a report on its analysis of the data by June 30 and December 31 of each year to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The Division shall post its report required by this subsection on its website and otherwise make the data available by June 30 and December 31 of each year. In the first report required by this section, the Division shall report how this data is used to investigate fraud and abuse in both SNAP and TANF. The Division shall also report on other types of data and how that data is utilized in the detection of fraud and abuse.

SECTION 9J.9.(c) The Division shall maintain the confidentiality of information not public under Chapter 132 of the General Statutes. The Division shall properly redact any information subject to reporting under this section to prevent identification of individual recipients of SNAP or TANF benefits.

FOSTER CARE TRAUMA-INFORMED ASSESSMENT

SECTION 9J.12.(a) Appropriation; Purpose. – Of the funds appropriated in this act to the Department of Health and Human Services, Division of Social Services (Division), the sum of seven hundred fifty thousand dollars ($750,000) in nonrecurring funds for the 2023-2024 fiscal year shall be used for the development of a foster care trauma-informed, standardized assessment. The Division shall develop the assessment in partnership with the divisions, individuals, agencies, and organizations set forth in subsection (b) of this section. The purpose of the assessment is to assist children (i) who are at risk of entry into foster care or currently in foster care and have experienced trauma warranting the involvement of the Division of Social Services (Division) and other child welfare agencies and (ii) who, as a result of the trauma, are at a higher risk of needing behavioral health or intellectual or developmental disability services.

SECTION 9J.12.(b) Membership. – The partnership developing the trauma-informed, standardized assessment shall consist of all of the following members:

(1) Representatives from all of the following divisions of the Department of Health and Human Services: the Division of Social Services, the Division of Health Benefits, the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Division of Family and Child Well-Being.

(2) Prepaid health plans, as defined in G.S. 108D-1, and primary care case management entities, as defined in 42 C.F.R. § 438.2, that serve children at risk of entry into foster care and children who are currently in foster care.
(3) Representatives from county departments of social services.
(4) Benchmarks, a nonprofit corporation.
(5) Individuals with lived experiences.
(6) Others identified by the partnership based upon areas of expertise.

SECTION 9J.12.(c) Plan Development. – In developing the trauma-informed, standardized assessment, the partnership shall develop a rollout plan with a goal of implementing the trauma-informed, standardized assessment statewide in all 100 counties. The rollout plan shall include all of the following:

(1) The development of the trauma-informed, standardized assessment template by December 31, 2023.
(2) The finalized trauma-informed, standardized assessment template by June 30, 2024, including the standardized training curriculum, methodology for training, the selection of a vendor to manage and conduct the training and determine the process for the statewide rollout, and coordination with tribal jurisdictions.
(3) The phased-in approach of the trauma-informed, standardized assessment beginning on July 1, 2024, and operating statewide by June 30, 2025.
(4) The establishment of a base rate for the trauma-informed, standardized assessment that supports the oversight, training, and monitoring of the fidelity to the trauma-informed, standardized assessment.
(5) The establishment of a standardized workflow of notifications to the payers and child welfare agencies, including the following recommended service processes:
    a. Time lines for recommended access and implementation of services from date of referral.
    b. Network and provider capacity to meet expected time lines. In the event the behavioral health service provision is in a region served by a BH IDD tailored plan or in an LME/MCO catchment area that has a gap in provider capacity to meet the recommended time lines, the network shall be open to providers for additional provider enrollment.
(6) The identification of core outcomes to measure the success of the project and impact of youth receiving the trauma-informed, standardized assessments in a timely manner by a trained workforce.
(7) The establishment of a statewide implementation training plan that includes oversight of fidelity to the trauma-informed, standardized assessment for staff conducting the assessment within specified time frames. Medicaid managed care plans shall be required to open their provider networks to obtain the necessary number of trauma-informed providers if the existing network cannot meet the needs of the community. The training plan shall be enacted and implemented within the same time lines established with the rollout schedule.

SECTION 9J.12.(d) Guidelines. – In developing the trauma-informed, standardized assessment and the rollout plan, the Department of Health and Human Services shall ensure the trauma-informed, standardized assessment does, at a minimum, all of the following:

(1) That juveniles between the ages of 4 and 17 being placed into foster care receive a trauma-informed, standardized assessment within 10 working days of their referral.

(2) That each juvenile who is included in any Medicaid children and families specialty plan, regardless of their type of placement, receives a trauma-informed, standardized assessment.
(3) That each trauma-informed, standardized assessment may be administered in a face-to-face or telehealth encounter.
(4) That the county department of social services makes the referral for a trauma-informed, standardized assessment within five working days of a determination of abuse or neglect of the juvenile in accordance with G.S. 7B-302.
(5) After obtaining parental consent, that a juvenile is able to receive a trauma-informed, standardized assessment if the county department of social services makes the determination that the juvenile is at imminent risk for entry into foster care.
(6) Allows for individuals between the ages of 18 and 21 to receive an assessment, if necessary.
(7) Provides an evidence-informed and standardized template and content for the assessment.
(8) In the event the juvenile has an assigned care manager under the Medicaid program, that the responsible care management entity is notified of the referral for the assessment and to whom.

SECTION 9J.12.(e) Implementation Requirements. – The Department of Health and Human Services shall also do all of the following in implementing the trauma-informed, standardized assessment and the rollout plan:

(1) Leverage the expertise and lessons learned from the entities included in the partnership who have successfully implemented trauma-informed, standardized assessments and training venues.
(2) Complete any required documentation and, as applicable, leverage all available federal revenues for such activities, including opioid settlements, Medicaid, federal block grant funds, and social services or behavioral plans or grants.
(3) Amend any existing contracts between the Department and entities who have the expertise to manage the trauma-informed, standardized assessment and the rollout plan to include the creation of a training plan and requirements to monitor implementation of the assessment and rollout plan to ensure the fidelity of the service and delivery are maintained.
(4) Create a Division of Social Services Statewide Dashboard representing the status of the trauma-informed, standardized assessment implementation and the rollout plan, updated monthly, that includes all of the following:
    a. Referrals.
    b. Case management.
    c. Assessments.
    d. Lag between referrals, assessments, and service initiation.
    e. Youth personal outcomes, not based on process, but instead focused on supporting permanency.
    f. Any other elements identified by the partnership.

TRANSPORTATION OF HIGH-RISK JUVENILES

SECTION 9J.13. Article 9 of Chapter 7B of the General Statutes is amended by adding a new section to read:

"**§ 7B-905.2. Transportation of high-risk juveniles.**

(a) The director of a county department of social services who has invoked the jurisdiction of the court under this Article, and who is serving as custodian over a juvenile, is authorized to make a written request to a high-risk juvenile transporter to transport a high-risk juvenile upon determining assistance with placement responsibilities for the juvenile is necessary. If a high-risk juvenile transporter agrees to provide transportation pursuant to this section, transportation shall be provided in the county in which the juvenile resides but is not limited to transportation within that county. For purposes of this section, the following definitions shall apply:

(1) High-risk juvenile. – A juvenile who is under 18 years of age who has been abused or neglected, who has serious emotional, mental, or behavioral disturbances that pose a risk of harm to self or others, and who resides outside of a residential placement due to the serious emotional, mental, or behavioral disturbances.

(2) High-risk juvenile transporter. – A law enforcement agency, the Division of Juvenile Justice of the Department of Public Safety, or the Department of Adult Correction and includes the designated staff of those agencies.

(b) In providing transportation as required by this section, a high-risk juvenile transporter may use reasonable force to restrain the high-risk juvenile if it appears necessary to protect the high-risk juvenile transporter or other individuals. Any use of restraints shall be as reasonably determined by the high-risk juvenile transporter to be necessary under the circumstances for the safety of the high-risk juvenile, the high-risk juvenile transporter, or other persons.

(c) No high-risk juvenile transporter providing transportation of a high-risk juvenile may be held criminally or civilly liable for assault, false imprisonment, or other torts or crimes on account of reasonable measures taken under the authority of this Article. Additionally, a high-risk juvenile transporter is immune from any civil or criminal liability that might otherwise be incurred or imposed as a result of any omission or action taken pursuant to the requirements of this section, provided the high-risk juvenile transporter was acting in good faith. The immunity established by this subsection does not extend to gross negligence, wanton conduct, or intentional wrongdoing that would otherwise be actionable.

(d) The director of the county department of social services may enter into a "transportation agreement" with a high-risk juvenile transporter to establish requirements, procedures, and guidelines for transporting high-risk juveniles. The cost and expenses of transporting a high-risk juvenile pursuant to this section are the responsibility of the county department of social services having custody of the high-risk juvenile."

PART IX-K. VOCATIONAL REHABILITATION SERVICES [RESERVED]

PART IX-L. HHS MISCELLANEOUS

PROHIBITION ON PASSIVE INCOME FROM SUPERVISION AGREEMENTS AND COLLABORATIVE PRACTICE AGREEMENTS BETWEEN PHYSICIANS AND CERTIFIED NURSE MIDWIVES AND NURSE PRACTITIONERS

SECTION 9L.2.(a) G.S. 90-18.2 reads as rewritten:

"**§ 90-18.2. Limitations on nurse practitioners.**

…

(g) Neither a primary supervising physician nor a backup supervising physician, as those terms are defined in 21 NCAC 36 .0801, shall require payment or be paid for the performance of any activity in accordance with a collaborative practice agreement, as defined in 21 NCAC 32M .0101, with a nurse practitioner, including supervision, as defined in 21 NCAC 36 .0801, and any activity under 21 NCAC 36 .0810 or 21 NCAC 32M .0110.

(h) A physician violating subsection (g) of this section shall be guilty of a Class 2 misdemeanor. A physician violating subsection (g) of this section shall also be subject to a fine not to exceed one thousand dollars ($1,000) for the first violation or five thousand dollars ($5,000) for a second or subsequent violation. A violation of subsection (g) of this section shall be considered unprofessional conduct under this Article and shall be grounds for discipline under G.S. 90-14(a)(6)."

SECTION 9L.2.(b) G.S. 90-178.3 reads as rewritten:

"**§ 90-178.3. Regulation of midwifery.**

…

(d) Neither a primary supervising physician nor a backup supervising physician, as those terms are defined in 21 NCAC 36 .0801, shall require payment or be paid for the performance of any activity in accordance with a supervision agreement, as described in 21 NCAC 33 .0104, with a certified nurse midwife, including supervision, as defined in 21 NCAC 36 .0801, and any activity under 21 NCAC 33 .0104.

(e) A physician violating subsection (d) of this section shall be guilty of a Class 2 misdemeanor. A physician violating subsection (d) of this section shall also be subject to a fine not to exceed one thousand dollars ($1,000) for the first violation or five thousand dollars ($5,000) for a second or subsequent violation. A violation of subsection (d) of this section shall be considered unprofessional conduct as defined in G.S. 90-14(a) and shall be grounds for discipline by the North Carolina Medical Board."

SECTION 9L.2.(c) This section applies to collaborative practice agreements under 21 NCAC 36 .0810 and 21 NCAC 32M .0110 and supervision agreements under 21 NCAC 33 .0104 entered into, renewed, re-signed, or amended on or after the date this section becomes law.

SECTION 9L.2.(d) The North Carolina Medical Board and the North Carolina Board of Nursing shall adopt temporary rules to implement the provisions of this act. These temporary rules shall remain in effect until permanent rules that replace the temporary rules become effective.

SECTION 9L.2.(e) Subsections (a) through (c) of this section become effective October 1, 2023, and apply to acts occurring on or after that date. The remainder of this section is effective when it becomes law.

ANESTHESIA CARE/TEFRA COMPLIANCE

SECTION 9L.3.(a) Article 1 of Chapter 90 of the General Statutes is amended by adding a new section to read:

"**§ 90-18.8. Anesthesiologist TEFRA compliance.**

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

(1) Anesthesia care. – The performance of activities by a certified registered nurse anesthetist under 21 NCAC 36 .0226.

(2) Anesthesiologist. – A licensed physician who has successfully completed an anesthesiology training program approved by the Accreditation Committee on Graduate Medical Education or the American Osteopathic Association or who is credentialed to practice anesthesiology by a hospital or an ambulatory surgical facility.

(3) Certified registered nurse anesthetist. – A licensed registered nurse who completes a program accredited by the Council on Accreditation of Nurse Anesthesia Educational Programs, is credentialed as a certified registered nurse anesthetist by the Council on Certification of Nurse Anesthetists, and who maintains recertification through the Council on Recertification of Nurse Anesthetists and performs nurse anesthesia activities in collaboration with a physician, dentist, podiatrist, or other lawfully qualified health care provider. Nurse anesthesia activities do not constitute the practice of medicine.

(4) Medical direction. – The direction of anesthesia care by an anesthesiologist to up to four certified registered nurse anesthetists performing concurrent cases.
(5) Supervision. – Overseeing the activities of, and accepting responsibility for, the anesthesia services rendered by a certified registered nurse anesthetist for purposes of reimbursement and not as a standard of care.
(6) TEFRA. – The Tax Equity and Fiscal Responsibility Act of 1982, Public Law 97-248.

(b) Compliance. – Consistent with TEFRA, an anesthesiologist supervising a certified registered nurse anesthetist performing anesthesia care must comply with all of the following requirements in order to bill any third-party payor for medical direction services:
(1) Perform a pre-anesthetic examination and evaluation and document it in the medical record.
(2) Prescribe the anesthesia plan.
(3) Personally participate in and document the most demanding procedures in the anesthesia plan, including induction and emergence, if applicable.
(4) Ensure that any procedures in the anesthesia plan that the anesthesiologist does not perform are performed by a certified nurse anesthetist or anesthesiologist assistant, as appropriate.
(5) Monitor the course of anesthesia administration at frequent intervals and document that they were present during some portion of the anesthesia monitoring.
(6) Remain physically present and available for immediate diagnosis and treatment of emergencies."

SECTION 9L.3.(b) Article 3 of Chapter 58 of the General Statutes is amended by adding a new section to read:

"**§ 58-3-301. Medical direction of nurse anesthetists.**

(a) Definitions. – The following definitions apply in this section:
(1) Anesthesia care. – The performance of activities by a certified registered nurse anesthetist under 21 NCAC 36 .0226.
(2) Anesthesiologist. – A licensed physician who has successfully completed an anesthesiology training program approved by the Accreditation Committee on Graduate Medical Education or the American Osteopathic Association or who is credentialed to practice anesthesiology by a hospital or an ambulatory surgical facility.
(3) Certified registered nurse anesthetist. – A licensed registered nurse who completes a program accredited by the Council on Accreditation of Nurse Anesthesia Educational Programs, is credentialed as a certified registered nurse anesthetist by the Council on Certification of Nurse Anesthetists, and who maintains recertification through the Council on Recertification of Nurse Anesthetists and performs nurse anesthesia activities in collaboration with a physician, dentist, podiatrist, or other lawfully qualified health care provider. Nurse anesthesia activities do not constitute the practice of medicine.
(4) Medical direction. – The direction of anesthesia care by an anesthesiologist to up to four certified registered nurse anesthetists performing concurrent cases.
(5) Supervision. – Overseeing the activities of, and accepting responsibility for, the anesthesia services rendered by a certified registered nurse anesthetist for purposes of reimbursement and not as a standard of care.
(6) TEFRA. – The Tax Equity and Fiscal Responsibility Act of 1982, Public Law 97-248.

(b) An insurer offering a health benefit plan in this State shall reimburse claims for medical direction of a nurse anesthetist at fifty percent (50%) of the rate of reimbursement the

anesthesiologist would have received for services if the services had been performed without the nurse anesthetist.

(c) Consistent with TEFRA, an insurer offering a health benefit plan in this State shall require that any anesthesiologist supervising a certified registered nurse anesthetist performing anesthesia care comply with all of the following requirements in order for a claim for medical direction services to be payable under that health benefit plan:

(1) Perform a pre-anesthetic examination and evaluation and document it in the medical record.

(2) Prescribe the anesthesia plan.

(3) Personally participate in and document the most demanding procedures in the anesthesia plan, including induction and emergence, if applicable.

(4) Ensure that any procedures in the anesthesia plan that the anesthesiologist does not perform are performed by a certified nurse anesthetist or anesthesiologist assistant, as appropriate.

(5) Monitor the course of anesthesia administration at frequent intervals and document that they were present during some portion of the anesthesia monitoring.

(6) Remain physically present and available for immediate diagnosis and treatment of emergencies.

(7) Provide indicated post-anesthesia care."

SECTION 9L.3.(c) G.S. 135-48.51 reads as rewritten:

"**§ 135-48.51. Coverage and operational mandates related to Chapter 58 of the General Statutes.**

The following provisions of Chapter 58 of the General Statutes apply to the State Health Plan:

…

(11a) G.S. 58-3-301, Medical direction of nurse anesthetists.

…."

SECTION 9L.3.(d) G.S. 58-93-120 reads as rewritten:

"**§ 58-93-120. Other laws applicable to PHPs.**

The following provisions of this Chapter are applicable to PHPs in the manner in which they are applicable to insurers:

…

(14a) G.S. 58-3-301, Medical direction of nurse anesthetists.

…."

SECTION 9L.3.(e) The Department of Health and Human Services, Division of Health Benefits (DHB), shall review the Medicaid State Plan and all applicable Medicaid clinical coverage policies to ensure that the Medicaid program is paying anesthesiologists for medical direction of nurse anesthetists at fifty percent (50%) of the reimbursement the anesthesiologist would receive if they performed the work alone. DHB shall further ensure that all requirements for reimbursement of anesthesiologist medical direction services are in compliance with the Tax Equity and Fiscal Responsibility Act of 1982, Public Law 97-248 (TEFRA). This includes verification that all prepaid health plans and local management entities/managed care organizations are also in compliance.

SECTION 9L.3.(f) Subsection (a) of this section becomes effective October 1, 2023, and applies to services rendered on or after that date. Subsections (b) and (c) of this section become effective October 1, 2023, and apply to insurance contracts issued, renewed, or amended on or after that date. The remainder of this section is effective when it becomes law.

MEDICAL BILLING TRANSPARENCY

SECTION 9L.4.(a) Article 3 of Chapter 58 of the General Statutes is amended by adding a new section to read:

"**§ 58-3-295. Contract requirements for limitations on billing by in-network health service facilities.**

(a) The following definitions apply in this section:

(1) Health service facility. – As defined in G.S. 131E-176(9b) and including any office location of the facility.

(2) Healthcare provider. – Any individual licensed, registered, or certified under Chapter 90 of the General Statutes, or under the laws of another state, to provide healthcare services in the ordinary care of business or practice, as a profession, or in an approved education or training program in any of the following:

a. Anesthesia or anesthesiology.

b. Emergency services, as defined under G.S. 58-3-190(g).

c. Pathology.

d. Radiology.

e. Rendering assistance to a physician performing any of the services listed in this subdivision.

(3) Out-of-network provider. – A healthcare provider that has not entered into a contract or agreement with an insurer to participate in one or more of the insurer's provider networks for the provision of healthcare services at a pre-negotiated rate.

(b) All contracts or agreements for participation as an in-network health service facility between an insurer offering at least one health benefit plan in this State and a health service facility at which there are out-of-network providers who may be part of the provision of covered services to an insured while receiving care at the health service facility shall require that an in-network health service facility give written notification to an insured that has scheduled an appointment at that health service facility. This written notice shall include all of the following:

(1) All of the healthcare providers that will be rendering services to the insured and that are not participating as in-network healthcare providers in the applicable insurer's network.

(2) The estimated cost to the insured of the covered healthcare services being rendered by the out-of-network providers identified in subdivision (1) of this subsection.

(c) The written notice required under subsection (b) of this section shall be given at least 72 hours prior to the rendering of healthcare services at the in-network health service facility. If there are not at least 72 hours between the time that the appointment for healthcare services is made and the scheduled appointment, then the in-network health service facility shall give the required written notice to the insured on the day the appointment is scheduled, unless the healthcare services provided are emergency services. If the healthcare services provided are emergency services, then the in-network health service facility shall give written notice to the insured as soon as reasonably possible.

(d) If any provision of this section conflicts with the federal Consolidated Appropriations Act, 2021, P.L. 116-260, and any amendments to that act or regulations promulgated pursuant to that act, then the provisions of P.L. 116-260 will be applied."

SECTION 9L.4.(b) This section becomes effective October 1, 2023, and applies to contracts entered into, amended, or renewed on or after that date.

PART IX-M. DHHS BLOCK GRANTS

DHHS BLOCK GRANTS

SECTION 9M.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 FAMILIES (TANF) FUNDS	FY 2023-2024	FY 2024-2025
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
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
19. Division of Social Services TANF Modernization	1,667,571	1,667,571
Transfers to Other Block Grants		
Division of Child Development and Early Education		
20. Transfer to the Child Care and Development Fund	21,773,001	21,773,001
Division of Social Services		
21. Transfer to Social Services Block Grant for Child Protective Services – Training	285,612	285,612
22. Transfer to Social Services Block Grant for Child Protective Services	5,040,000	5,040,000
23. Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	13,097,783	13,166,244
24. Transfer to Social Services Block Grant – Foster Care Services	3,422,219	3,422,219
25. Transfer to Social Services Block Grant – Child Advocacy Centers	1,582,000	1,582,000
TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	**$312,353,987**	**$312,353,987**
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS		
Local Program Expenditures		
Division of Child Development and Early Education		
01. Subsidized Child Care	$34,440,000	$35,440,000
TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS	**$34,440,000**	**$35,440,000**
SOCIAL SERVICES BLOCK GRANT		

Local Program Expenditures		
Divisions of Social Services and Aging and Adult Services		
01. County Departments of Social Services	$19,905,849	$19,837,388
02. County Departments of Social Services (Transfer From TANF)	13,097,783	13,166,244
03. EBCI Tribal Public Health and Human Services	244,740	244,740
04. Child Protective Services (Transfer From TANF)	5,040,000	5,040,000
05. State In-Home Services Fund	1,943,950	1,943,950
06. Adult Protective Services	2,138,404	2,138,404
07. State Adult Day Care Fund	1,994,084	1,994,084
08. Child Protective Services/CPS Investigative Services – Child Medical Evaluation Program	901,868	901,868
09. Special Children Adoption Incentive Fund	462,600	462,600
10. Child Protective Services – Child Welfare Training for Counties (Transfer From TANF)	285,612	285,612
11. Home and Community Care Block Grant (HCCBG)	2,696,888	2,696,888
12. Child Advocacy Centers (Transfer from TANF $1,582,000)	6,356,525	6,356,525
13. Guardianship – Division of Social Services	1,802,671	1,802,671
14. Foster Care Services (Transfer From TANF)	3,422,219	3,422,219
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
15. Mental Health Services – Adult and Child/Developmental Disabilities Program/ Substance Abuse Services – Adult	4,149,595	4,149,595
DHHS Program Expenditures		
Division of Services for the Blind		

16. Independent Living Program & Program Oversight	3,880,429	3,880,429
Division of Health Service Regulation		
17. Adult Care Licensure Program	557,598	557,598
18. Mental Health Licensure and Certification Program	266,158	266,158
Division of Aging and Adult Services		
19. Guardianship	3,825,443	3,825,443
DHHS Administration		
20. Division of Aging and Adult Services	743,284	743,284
21. Division of Social Services	1,042,894	1,042,894
22. Office of the Secretary/Controller's Office	639,167	639,167
23. Legislative Increases/Fringe Benefits	293,655	587,310
24. Division of Child Development and Early Education	13,878	13,878
25. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	28,325	28,325
26. Division of Health Service Regulation	258,960	258,960
TOTAL SOCIAL SERVICES BLOCK GRANT	**$75,992,579**	**$76,286,234**
LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT		
Local Program Expenditures		
Division of Social Services		
01. Low-Income Energy Assistance Program (LIEAP)	$67,836,069	$67,836,069
02. Crisis Intervention Program (CIP)	45,214,330	45,214,330
Local Administration		
Division of Social Services		
03. County DSS Administration	8,789,246	8,789,246

DHHS Administration		
Division of Social Services		
04. Administration	10,000	10,000
05. Energy Portal (FIS Transaction Fees)	25,000	25,000
Division of Central Management and Support		
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
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	$289,070,072	$289,070,072
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 (TEACH Program $3,800,000)	61,980,526	61,980,526
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	68,000	68,000
Division of Child and Family Well-Being		
12. Child Care Health Consultation Contracts	62,205	62,205
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	**$411,280,123**	**$411,280,123**
COMMUNITY 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 (Division of Child and Family Well-Being)	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. Administration	332,351	332,351
08. Adult/Child Mental Health Services	350,150	350,150
Division of Public Health		
09. NC Detect – Behavioral Health ER	35,000	35,000
TOTAL COMMUNITY MENTAL HEALTH SERVICES BLOCK GRANT	**$36,565,772**	**$36,565,772**
SUBSTANCE USE PREVENTION, TREATMENT, AND RECOVERY SERVICES 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 (Healing Transitions $200,000)	41,951,849	41,951,848
DHHS Program Expenditures		
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
04. Crisis Solutions Initiatives – Collegiate Wellness/Addiction Recovery	1,545,205	1,545,205
05. Veterans Initiatives	250,000	250,000

06. Triangle Residential Options for Substance Abusers, Inc., (TROSA)	3,225,000	3,225,000
DHHS Administration		
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
07. Administration	2,297,852	2,297,852
08. Controlled Substance Reporting System	675,000	675,000
TOTAL SUBSTANCE USE PREVENTION, TREATMENT, AND RECOVERY SERVICES 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 (Prevent Blindness $575,000; Nurse-Family Partnership $950,000)	$11,169,581	$11,169,581
Division of Public Health		
02. Women's and Children's Health Services (March of Dimes $350,000; Teen Pregnancy Prevention Initiatives $650,000; Perinatal & Neonatal Outreach Coordinator Contracts $440,000; Mountain Area Pregnancy Services $50,000)	3,914,007	3,914,007
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		
10. Division of Public Health Administration	340,646	340,646
11. 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
DHHS Program Expenditures		
Division of Public Health		
02. HIV/STD Prevention and Community Planning	135,063	135,063
03. Oral Health Preventive Services	150,000	150,000
04. Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	217,935	217,935
05. Performance Improvement and Accountability	560,182	560,182
06. State Center for Health Statistics	48,000	48,000
DHHS Administration		
Division of Public Health		
07. Division of Public Health	65,000	65,000
TOTAL PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	**$4,257,622**	**$4,257,622**
COMMUNITY SERVICES BLOCK GRANT		
01. Community Action Agencies	$21,695,970	$20,244,923
02. Limited Purpose Agencies/Discretionary Funding	457,553	504,718
03. Office of Economic Opportunity	1,077,552	1,124,718

04. Office of the Secretary/DIRM (Accountable Results for Community Action (AR4CA) Replacement System)	560,000	560,000
05. Office of Economic Opportunity – Workforce Investment Opportunities Act (WIOA)	60,000	60,000
TOTAL COMMUNITY SERVICES BLOCK GRANT	**$23,851,075**	**$22,494,359**

GENERAL PROVISIONS

SECTION 9M.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 9M.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 2023-2024 and 2024-2025, 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 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 9M.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 2023-2024 and 2024-2025, or until a new schedule is enacted by the General Assembly.

SECTION 9M.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. However, the Office of State Budget and Management shall have the authority to realign appropriated funds in the Maternal and Child Health Block Grant between the categories to maintain federal compliance and programmatic alignment, so long as the realignment does not result in a reduction of funds designated for subrecipients under subsection (a) of 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 Use Prevention, Treatment, and Recovery Services Block Grant or (ii) Item 01 or 02 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 9M.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 9M.1.(g) The sum of eighty million ninety-three thousand five hundred sixty-six dollars ($80,093,566) for each year of the 2023-2025 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 9M.1.(h) The sum of eleven million three hundred eighty-seven thousand one hundred ninety dollars ($11,387,190) for each year of the 2023-2025 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 2023-2024 and 2024-2025 shall not be less than the total expended from State and local funds for the 2012-2013 fiscal year.

SECTION 9M.1.(i) The sum of four million one thousand six hundred seventy-six dollars ($4,001,676) for each year of the 2023-2025 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 9M.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 2023-2025 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 9M.1.(k) Of the three million five hundred thirty-eight thousand five hundred forty-one dollars ($3,538,541) allocated in this section in TANF funds to the Department of Health and Human Services, Division of Public Health, for each year of the 2023-2025 fiscal biennium for teen pregnancy prevention initiatives, the sum of five hundred thousand dollars ($500,000) in each year of the 2023-2025 fiscal biennium shall be used to provide services for youth in foster care or the juvenile justice system.

SOCIAL SERVICES BLOCK GRANT

SECTION 9M.1.(*l*) The sum of nineteen million nine hundred five thousand eight hundred forty-nine dollars ($19,905,849) for the 2023-2024 fiscal year and the sum of nineteen million eight hundred thirty-seven thousand three hundred eighty-eight dollars ($19,837,388) for the 2024-2025 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 2023-2024 fiscal year and the sum of thirteen million one hundred sixty-six thousand two hundred forty-four dollars ($13,166,244) for the 2024-2025 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 9M.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 2023-2025 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 9M.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 9M.1.(o) Social Services Block Grant funds appropriated for the Special Children Adoption Incentive Fund shall require a fifty percent (50%) local match.

SECTION 9M.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 2023-2025 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 9M.1.(q) The sum of six million three hundred fifty-six thousand five hundred twenty-five dollars ($6,356,525) appropriated in this act in the Social Services Block Grant for each fiscal year of the 2023-2025 fiscal biennium 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 9M.1.(r) The sum of three million eight hundred twenty-five thousand four hundred forty-three dollars ($3,825,443) for each fiscal year of the 2023-2025 fiscal biennium appropriated in this act in the Social Services Block Grant to the Department of Health and Human Services, Division of 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 2023-2024 and 2024-2025 fiscal years.

SECTION 9M.1.(s) Of the two million one hundred thirty-eight thousand four hundred four dollars ($2,138,404) appropriated in this act in the Social Services Block Grant to the Division of Aging and Adult Services for Adult Protective Services for each year of the 2023-2025 fiscal biennium, the sum of eight hundred ninety-three thousand forty-one dollars ($893,041) for each year of the 2023-2025 fiscal biennium 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 9M.1.(t) 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 9M.1.(u) The sum of sixty-seven million eight hundred thirty-six thousand sixty-nine dollars ($67,836,069) for each year of the 2023-2025 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 fifty percent (150%) 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.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 9M.1.(v) 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 9M.1.(w) 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.

SECTION 9M.1.(x) Of the sixty-one million nine hundred eighty thousand five hundred twenty-six dollars ($61,980,526) appropriated in this act in the Child Care and Development Block Grant for the 2024-2025 fiscal year to the Department of Health and Human Services, Division of Child Development and Early Education, the sum of one million three hundred fifty thousand dollars ($1,350,000) shall be used to establish 18 new positions.

COMMUNITY MENTAL HEALTH SERVICES BLOCK GRANT

SECTION 9M.1.(y) The sum of five million four hundred sixteen thousand seven hundred fifty-six dollars ($5,416,756) for each year of the 2023-2025 fiscal biennium appropriated in this act in the Community Mental Health Services Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, is to be used for Mental Health Services – First Psychotic Symptom Treatment.

SECTION 9M.1.(z) Of the funds appropriated in this act in the Community Mental Health Services Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for each fiscal year of the 2023-2025 fiscal biennium, the sum of three hundred fifty thousand one hundred fifty dollars ($350,150) shall be used for 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.

SUBSTANCE USE PREVENTION, TREATMENT, AND RECOVERY SERVICES BLOCK GRANT

SECTION 9M.1.(aa) Of the two million two hundred ninety-seven thousand eight hundred fifty-two dollars ($2,297,852) provided in this section in the Substance Use Prevention, Treatment, and Recovery Services Block Grant for each year of the 2023-2025 fiscal biennium to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for administration, the sum of nine hundred fifty-nine thousand four hundred dollars ($959,400) shall be used to support nine new positions.

SECTION 9M.1.(bb) Notwithstanding any other provision of law or provision of the Committee Report described in Section 43.2 of S.L. 2022-74 to the contrary, the sum of one million five hundred thousand dollars ($1,500,000) in nonrecurring funds provided to Haywood County and the sum of one million five hundred thousand dollars ($1,500,000) in nonrecurring funds provided to Madison County under the federal Substance Abuse Prevention and Treatment Block Grant in Item 3 of Section 9L.1(a) and Section 9L.1(z2)(1) of S.L. 2021-180, as amended in Section 9L.1 of S.L. 2022-74, for the 2022-2023 fiscal year for substance use treatment shall remain available for expenditure in the 2023-2024 fiscal year.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 9M.1.(cc) 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 2023-2024 fiscal year or the 2024-2025 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 9M.1.(dd) Of the three million nine hundred fourteen thousand seven dollars ($3,914,007) provided in this section in the Maternal and Child Health Block Grant for each year of the 2023-2025 fiscal biennium to the Department of Health and Human Services, Division of Public Health, for Women's and Children's Health Services, the sum of three hundred four thousand six hundred fifteen dollars ($304,615) in nonrecurring funds for each year of the 2023-2025 fiscal biennium shall be used for the following initiatives:

(1) The sum of seventy-five thousand dollars ($75,000) for the 2023-2024 fiscal year and the sum of one hundred seventy-five thousand dollars ($175,000) for the 2024-2025 fiscal year for the Healthy Beginnings Program evaluation.

(2) The sum of twenty-five thousand dollars ($25,000) for the 2023-2024 fiscal year for the Perinatal Health Equity Collective for training and toolkit development.

(3) The sum of one hundred twenty-nine thousand six hundred fifteen dollars ($129,615) for the 2023-2024 fiscal year for a doula initiative.

(4) The sum of seventy-five thousand dollars ($75,000) for each year of the 2023-2025 fiscal biennium for the Adolescent Parenting Program (AP2) pilot program.

(5) The sum of fifty-four thousand six hundred fifteen dollars ($54,615) for the 2024-2025 fiscal year for perinatal incarceration supports.

SECTION 9M.1.(ee) 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 2023-2025 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 9M.1.(ff) The sum of eighty thousand six hundred sixty-nine dollars ($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 2023-2025 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 9M.1.(gg) At least ninety percent (90%) of the funds allocated for Mountain Area Pregnancy Services, a nonprofit organization, in the Maternal and Child Health Block Grant for each year of the 2023-2025 fiscal biennium shall be used for direct services.

SECTION 9M.1.(hh) Notwithstanding any provision of law to the contrary, the Department of Health and Human Services, Division of Public Health, 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.

PART X. AGRICULTURE AND CONSUMER SERVICES

LARGE ANIMAL HEALTH ENHANCEMENT FUND

SECTION 10.1.(a) Funds appropriated in this act to the Department of Agriculture and Consumer Services for the enhancement of large animal veterinary services in the State shall be allocated to the Large Animal Healthcare Enhancement Fund created in Article 88 of Chapter 106 of the General Statutes, as enacted by subsection (b) of this section, for the purposes set forth therein.

SECTION 10.1.(b) Chapter 106 of the General Statutes is amended by adding a new Article to read:

"Article 88.

"Large Animal Healthcare Enhancement Act.

"**§ 106-1071. Title.**

This Article shall be known and may be cited as the "Large Animal Healthcare Enhancement Act of 2023."

"**§ 106-1072. Definitions.**

The following definitions apply in this Article:

(1) Advisory Committee. – The Large Animal Healthcare Enhancement Advisory Committee, as established by G.S. 106-1073.

(2) Authority. – The North Carolina Agricultural Finance Authority, as created by G.S. 122D-4.

(3) Board. – The North Carolina Board of Agriculture, as created by G.S. 106-2.

(4) Commissioner. – The Commissioner of Agriculture.

(5) Department. – The Department of Agriculture and Consumer Services.

(6) Designated county. – A county in this State with a population of less than 100,000 people according to the latest decennial census.

(7) Fund. – The Large Animal Healthcare Enhancement Fund, as created by G.S. 106-1074.

(8) Large animal veterinarian. – A person who is actively engaged in and is licensed to practice veterinary medicine pursuant to Article 11 of Chapter 90 of the General Statutes and whose specialties include livestock, poultry, or equine animals.

(9) Large animal veterinary medicine. – The practice of veterinary medicine, as defined in G.S. 90-181, for livestock, poultry, or equine animals.

"**§ 106-1073. Advisory Committee.**

(a) Committee Established. – The Large Animal Healthcare Enhancement Advisory Committee is established within the North Carolina Agricultural Finance Authority and shall consist of membership as follows:

(1) The Commissioner of Agriculture or an employee of the Department designated by the Commissioner, who shall serve as chair.

(2) The State Veterinarian or the State Veterinarian's designee.

(3) A member of the Food Animal Scholars Program steering and mentoring committee.

(4) Two practicing large animal veterinarians, to be appointed by the Commissioner. The veterinarians shall have different specialties in their practice.

(5) Two representatives of the livestock industry, to be appointed by the Commissioner. The representatives shall represent different segments of the livestock industry.

(6) The Executive Director of the Authority or the Executive Director's designee, who shall not be a voting member.

The Commissioner and the State Veterinarian may each designate one additional at-large member of the Advisory Committee.

(b) Terms of Members. – Members of the Advisory Committee shall serve terms of four years, beginning effective July 1 of the year of appointment.

(c) Vacancies. – Any appointment to fill a vacancy on the Commission created by the resignation, dismissal, death, or disability of a member shall be made by the original appointing authority and shall be for the balance of the unexpired term.

(d) Removal. – The appointing authority shall have the power to remove any member of the Commission appointed by that authority from office for misfeasance, malfeasance, or nonfeasance.

(e) Reimbursement. – The members of the Commission shall receive per diem and necessary travel and subsistence expenses in accordance with the provisions of G.S. 138-5.

(f) Meetings. – The Advisory Committee shall meet at least once every six months and may meet more often upon the call of the chair. A majority of the members of the Commission shall constitute a quorum for the transaction of business.

(g) Ethics. – Members of the Advisory Committee are public servants as defined by G.S. 138A-3(70).

(h) Staff. – The staff of the Authority shall serve as staff to assist the Advisory Committee in carrying out administrative functions in the discharge of its duties and responsibilities.

"**§ 106-1074. Large Animal Healthcare Enhancement Fund.**

(a) Fund Created. – The Large Animal Healthcare Enhancement Fund is created as a special fund within the Department of Agriculture and Consumer Services. The Fund shall be administered by the Authority. The purpose of the fund is to make grants to encourage veterinary students to enter and stay in large animal veterinarian practice and to support large animal veterinarian practices to enable them to better serve their designated counties.

(b) Fund Sources. – The Fund shall consist of any money appropriated to it by the General Assembly and any money received from public or private sources. Unexpended, unencumbered money in the Fund from sources other than appropriations from the General Assembly shall not revert and shall remain available for expenditure in accordance with this section. The Authority may use up to five percent (5%) of General Fund appropriations in each fiscal year for administrative support.

(c) Grant Eligibility. – A large animal veterinarian who practices or plans to practice in one or more designated counties may be eligible for a grant of up to twenty-five thousand dollars ($25,000) per fiscal year. Applicants shall apply in a format to be determined by the Advisory Commission, but the application shall require the applicant to state the designated counties in which the large animal veterinarian is practicing or plans to practice, the amount of funding requested, and the approved use for which the applicant intends to use the funds. When determining which applicants shall be awarded grant funds, the Advisory Committee shall consider all of the following criteria:

(1) The geographic area of the State that an applicant serves or would serve and the need for large animal veterinary services in that area of the State.

(2) The number of designated counties that an applicant serves or would serve.

(3) The number of different large animal veterinarian specialties in which the applicant practices.

(4) The percentage of time the applicant devotes to large animal veterinary services.

(5) Any additional criteria the Advisory Committee determines to be appropriate.

(d) Uses of Grant Funds. – The grant recipient may use the funds to support the recipient's large animal veterinary practice, including any of the following:

(1) The repayment of educational loans related to the recipient's veterinary degree.

(2) The purchase of equipment or technology for use in the recipient's large animal veterinary practice.

(3) Any additional uses the Advisory Committee determines is appropriate to promote and develop large animal veterinarians to practice in designated counties.

(e) Limitations. –The Advisory Committee shall review applicants on an annual basis to determine eligibility under the criteria developed under subsection (c) of this section. The Advisory Committee shall also review each recipient of grant funds at the end of each fiscal year. A recipient whose veterinary license expires, is revoked, or is suspended during the fiscal year in which the grant is awarded, or who fails to practice large animal veterinary medicine in the designated counties named in the recipient's application, shall repay the amount received from the Fund.

(f) Report. – The Agricultural Finance Authority shall report no later than October 1 each year to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division of the General Assembly regarding the implementation of this section during the previous fiscal year. The report shall include a list of the recipients of grants from the Fund for the previous fiscal year, the amount of the grants received, how recipients used awarded grant funds, and whether any awarded funds were required to be repaid by recipients."

SECTION 10.1.(c) The Agricultural Finance Authority, in consultation with the Large Animal Healthcare Enhancement Advisory Committee established by G.S. 106-1073, as enacted by subsection (b) of this section, shall adopt temporary rules to implement this section as soon as practicable and shall concurrently begin adopting permanent rules to replace the temporary rules.

SECTION 10.1.(d) This section is effective when it becomes law.

NORTH CAROLINA AGRICULTURE MANUFACTURING AND PROCESSING INITIATIVE

SECTION 10.2.(a) Findings and Purpose. – The General Assembly finds that the lack of capacity for value-added processing of agricultural commodities near the farms where those commodities are produced in the State creates competitive disadvantages to North Carolina

farmers by imposing increased transportation costs to remote commodity processing facilities and presenting economic barriers to farmers who wish to participate in the market for higher profit margin processed food products. The General Assembly further finds that grants to increase agricultural processing opportunities in the State will create jobs and increase local property tax bases in this State; will benefit agricultural and farming operations in the State with decreased costs and increased profit options; and is consistent with promoting agricultural operations, a vital sector of the State's economy. The purpose of this section is to create seed capital to fund and promote the establishment of value-adding agricultural manufacturing and food processing facilities across the State to fill existing gaps in the processing of agricultural products and to create a diverse and economically competitive array of high value-added goods and products manufactured in this State from agricultural products grown or produced in this State.

SECTION 10.2.(b) Establishment. – There is created within the Department of Agriculture and Consumer Services (Department), the North Carolina Agricultural Manufacturing and Processing Initiative (NCAMPI). Funds allocated to NCAMPI by this section will be used for the following activities:

(1) Up to two hundred thousand dollars ($200,000) of funds in the first year of the program for the Department to assess the State's agricultural economy with the assistance of independent industry-recognized experts to identify and assess opportunities to increase access to value-added processing of commodities produced in the State and address categorical or geographical gaps in agricultural manufacturing and processing.

(2) Up to two hundred fifty thousand dollars ($250,000) of the funds provided in each year of the program for the Department to market and recruit agricultural manufacturing and processing facilities to fill identified gaps in access to such facilities by North Carolina farmers based on the assessment described in subdivision (1) of this subsection.

(3) Remaining NCAMPI funds to provide grants to agricultural manufacturing facilities for site development, infrastructure costs (including water, wastewater, or transportation improvements), building construction or rehabilitation costs, or equipment. New facilities and expansions of existing facilities will be eligible for grants under this subdivision. Before entering into a grant agreement, the Department must find that the total benefits of the project to the State outweigh its costs and render the grant appropriate for the project.

SECTION 10.2.(c) Administration of Initiative. – In consultation with the nonprofit corporation with which the Department of Commerce contracts pursuant to G.S. 143B-431.01(b), the Department shall develop guidelines related to the administration of NCAMPI. The guidelines shall require a finding that a grant under this section is necessary for the construction or expansion of a facility engaged in agricultural manufacturing and processing in this State. 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 its website and provide notice to persons who have requested notice of proposed guidelines. In addition, the Department shall accept oral and written comments on the proposed guidelines and shall, in its discretion, consider those comments before finalizing the guidelines. Guidelines adopted under this section shall not be subject to the requirements of Article 2A of Chapter 150B of the General Statutes and shall include all of the following:

(1) Criteria for evaluating grant applicants, including job creation, concentration of production of the agricultural product the facility will process in proximity to the proposed location, and reductions in transportation costs and estimated damage rates for agricultural products due to greater proximity to the manufacturing or processing facility.

(2) A system for determining grant eligibility, the amounts of awards, not to exceed five million dollars ($5,000,000) per facility, and the required cost-share for grant recipients. The Department may consider the economic development tier of the county of a grant recipient under G.S. 143B-437.08 in setting cost-share amounts.

SECTION 10.2.(d) Report. – Until all funds allocated by this section have been expended, the Department shall annually report no later than October 1 on NCAMPI activities during the prior fiscal year to the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division. The report shall include, at a minimum, all of the following:

(1) Total amount of grants awarded.
(2) A list of award recipients and the amount awarded to each recipient.
(3) Matching funds required.
(4) Activities to ready sites and associated costs.
(5) Any major employers located at an improved or acquired site.
(6) Any unallocated amount for grants remaining in the NCAMPI Fund.
(7) Assessment of additional remaining needs for agricultural manufacturing and processing facilities in the State.

SECTION 10.2.(e) Funding. – Of the funds appropriated from the interest earned in the State Fiscal Recovery Reserve to the Department of Agriculture and Consumer Services, the sum of ten million dollars ($10,000,000) in nonrecurring funds for the 2023-2024 fiscal year and the sum of eight million nine hundred thirty-nine thousand two hundred sixty-five dollars ($8,939,265) in nonrecurring funds for the 2024-2025 fiscal year shall be used for NCAMPI. Notwithstanding any provision of G.S. 143C-1-2(b) to the contrary, these funds shall not revert at the end of the fiscal year in which they are appropriated but shall remain available for the purposes set forth in this section. The Department may use up to one percent (1%) of the funds allocated by this section for administrative costs of program administration.

FARMERS APPRECIATION DAY FUNDS

SECTION 10.3. Of the funds appropriated to the Department of Agriculture and Consumer Services, the sum of one hundred thousand dollars ($100,000) in nonrecurring funds for the 2023-2024 fiscal year shall be used as a directed grant for N.C. Grange Mutual Insurance Company (NC Grange), a nonprofit corporation, to develop a plan to raise awareness of and promote the first annual North Carolina Farmers Appreciation Day. These funds shall be disbursed to NC Grange at the discretion of the Department upon the request of NC Grange for that purpose and shall be subject to Section 5.3(b)(4) of this act.

ANIMAL WASTE FERTILIZER CONVERSION COST-SHARE PROGRAM

SECTION 10.4.(a) Funding. – Funds appropriated in this act to provide a directed grant to the NC Foundation for Soil and Water Conservation, Inc., a nonprofit corporation, shall be used to establish a cost-share program for statewide deployment of processes and technologies developed for conversion of animal waste to fertilizer through the Foundation's Innovative Livestock Waste Management programs.

SECTION 10.4.(b) Program. – The program shall provide cost-share grants for eligible projects with grant funding limited to one grant for eligible projects associated with any particular liquid animal waste management system. Application processes and criteria for the award of grants shall be determined by the Foundation.

SECTION 10.4.(c) Cost-Share. – Persons receiving grants under this section shall provide a match in cash or in-kind equivalents equal to one dollar ($1.00) for every one dollar ($1.00) distributed to them from the program.

SECTION 10.4.(d) Report. – The Foundation shall report no later than October 1 of each year regarding activities funded by this section during the previous fiscal year. The report shall include a list of projects funded, scope and location of each project, and the total quantity of liquid animal waste management system residual sludges converted to fertilizer or other soil additives during that year. The Foundation shall provide a final report no later than October 1, 2028, providing the data required by this section for the entire five years of the program.

SECTION 10.4.(e) Definitions. – The following definitions apply in this section:

(1) Eligible entity. – Any person who owns or operates an anaerobic lagoon or other liquid animal waste management system treating animal waste from a livestock operation that generates sludge suitable for conversion into fertilizer products.

(2) Eligible project. – Costs associated with the site engineering, permitting, acquisition, or installation of sludge collection and processing equipment needed for production of fertilizers and other soil additives meeting applicable State and federal requirements for use in agricultural operations.

(3) Foundation. – The NC Foundation for Soil and Water Conservation, Inc., a nonprofit corporation.

(4) Livestock. – Cattle, sheep, swine, goats, farmed cervids, or bison.

(5) Person. – Any individual, trust, estate, partnership, receiver, association, company, limited liability company, corporation, or other entity or group.

(6) Program. – The Animal Waste Fertilizer Conversion Cost-Share Program created by this section.

SECTION 10.4.(f) Reversion. – Funds allocated in this section that are not expended or encumbered by June 30, 2028, shall revert to the General Fund.

SECTION 10.4.(g) Administrative Expenses. – The Foundation may retain up to four percent (4%) of the funds allocated by this section for its expenses in administering the program.

TOBACCO FARM LIFE MUSEUM

SECTION 10.5.(a) The Tobacco Trust Fund Commission shall assume from the Tobacco Farm Life Museum, Inc., the ownership and administration of the Tobacco Farm Life Museum in Johnston County.

SECTION 10.5.(b) Of the funds appropriated from the General Fund to the Department of Agriculture and Consumer Services for the Tobacco Trust Fund Commission, the sum of three hundred seventy-five thousand dollars ($375,000) in the 2023-2024 fiscal year and three hundred fifty thousand dollars ($350,000) in the 2024-2025 fiscal year shall be used for the operation, administration, and new positions to staff the Tobacco Farm Life Museum.

SECTION 10.5.(c) G.S. 143-719 is amended by adding a new subsection to read:

"(d) Tobacco Farm Life Museum Fund. – The Tobacco Farm Life Museum Fund (Museum Fund) is created as a special, interest-bearing revenue fund within the Tobacco Trust Fund.

(1) Sources of Funding. – Notwithstanding Chapter 146 of the General Statutes, the Fund consists of (i) all revenue derived from donations, gifts, devises, grants, admissions, and fees collected by or for the benefit of the Tobacco Farm Life Museum Fund, (ii) the net proceeds derived from the sale of real property pursuant to G.S. 146-30(d)(15), and (iii) interest on funds in the Fund credited by the State Treasurer pursuant to G.S. 147-69.2 and G.S. 147-69.3.

(2) Uses. – The Fund shall be treated as a special trust fund and may be used to pay costs associated with the operation, interpretation, development, expansion, preservation, and maintenance of the Tobacco Farm Life Museum.

(3) Reports. – The chair of the Commission shall include in the report required by G.S. 143-722 a report on the Museum Fund that includes the source and amounts of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

SECTION 10.5.(d) G.S. 146-30 reads as rewritten:

"**§ 146-30. Application of net proceeds.**

…

(d) Notwithstanding any other provision of this Subchapter, the following exceptions apply:

…

(15) The net proceeds derived from the sale of real property from the Tobacco Farm Life Museum donated to the State and allocated to the Tobacco Trust Fund Commission shall be deposited in the Tobacco Farm Life Museum Fund, created in G.S. 143-719, and shall be used in accordance with that section."

SECTION 10.5.(e) This section becomes effective only when the Tobacco Farm Life Museum transfers and conveys all of its assets to the State. The Tobacco Trust Fund Commission shall notify the Revisor of Statutes when the transfer is complete. This section expires July 1, 2028.

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	$1,560,286
2.	Neighborhood Revitalization	7,521,789
3.	Economic Development	13,482,687
4.	Infrastructure	18,994,905
5.	Rural Community Development	4,748,726
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 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 may take the action without consulting the Commission.

SECTION 11.1.(e) Report. – By September 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 (HUD):

(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 HUD:

(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) Infrastructure. – For purposes of this section, eligible activities under the Infrastructure Category in subsection (a) of this section shall be defined as provided in the HUD State Administered Community Development Block Grant definition of the term "infrastructure." Notwithstanding the provisions of subsection (d) of this section, funds allocated to the Infrastructure Category in subsection (a) of this section shall not be reallocated to any other category.

SECTION 11.1.(i) 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 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. 143B-437.08, and in rural census tracts, as defined in G.S. 143B-472.127(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. 143B-437.08. 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 HUD:

(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.(j) 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 in-kind funds identified. To allow the Department of Commerce and the Department of Environmental Quality 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 Departments of Commerce and Environmental Quality 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.
(3) All deobligated funds allocated to the Department of Environmental Quality 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 Infrastructure Category.
b. 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.

NC BIOTECHNOLOGY CENTER

SECTION 11.3.(a) Except for the funds appropriated in subsection (b) of this section, funds appropriated in this act to the Department of Commerce for the North Carolina

Biotechnology Center (Center) for each fiscal year in the 2023-2025 biennium shall be allocated for the following purposes in the following proportions:

(1) Twenty-one percent (21%) for job creation, including funding for the AgBiotech Initiative, economic and industrial development, and related activities.

(2) Sixty-five percent (65%) for science and commercialization, including science and technology development, Centers of Innovation, business and technology development, education and training, and related activities.

(3) Fourteen percent (14%) for Center operations, including administration, professional and technical assistance and oversight, corporate communications, human resource management, financial and grant administration, legal, and accounting.

SECTION 11.3.(b) Of the funds appropriated in this act to the Department of Commerce for the Center, five hundred thousand dollars ($500,000) of recurring funds in each fiscal year of the biennium shall be used to support funding for early stage loans to North Carolina agricultural technology companies.

SECTION 11.3.(c) The Center shall not use any of the recurring funds allocated in subsection (b) of this section for administrative costs and shall report on the expenditure of those funds each year pursuant to Section 11.2 of this act.

SECTION 11.3.(d) The Center shall prioritize funding and distribution of loans over funding and distribution of grants.

SECTION 11.3.(e) Up to ten percent (10%) of the sum of each of the allocations in subsection (a) of this section may be reallocated to subdivision (a)(1) or subdivision (a)(2) of this section if, in the judgment of Center management, the reallocation will advance the mission of the Center.

NC BIOTECHNOLOGY CENTER PROFIT SHARING MODIFICATION

SECTION 11.4. The Attorney General's Office and the North Carolina Biotechnology Center (the Center) shall renegotiate the memorandum of understanding entered into pursuant to Section 20.8 of S.L. 2001-424, and its amendments, to provide that the Center is required to pay the State fifty percent (50%) of only those net profits that exceed one million dollars ($1,000,000).

MODIFICATION FOR GOLDEN LEAF

SECTION 11.5. G.S. 143-712 reads as rewritten:

"**§ 143-712. Articles of incorporation; reporting.**

The Attorney General shall draft articles of incorporation for the Golden LEAF Foundation to enable the Golden LEAF Foundation to carry out its mission as set out in the Consent Decree. The articles of incorporation shall provide for the following:

(1) ~~Consultation; reporting. – The Golden LEAF Foundation shall consult with the Joint Legislative Commission on Governmental Operations prior to the board of directors (i) adopting bylaws and (ii) adopting the annual operating budget.~~ Reporting. – The Golden LEAF Foundation shall ~~also~~ report on its programs and activities to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, and the Joint Legislative Economic Development and Global Engagement Oversight Committee on or before September 15 of each fiscal year and more frequently as requested by any of these entities. The report shall include all of the following information:

a. Grants made in the prior fiscal year, including the amount, term, and purpose of the grant.

b. Outcome data collected by the Golden LEAF Foundation, including the number of jobs created.
c. Cumulative grant data by program and by county.
d. Unaudited actual administrative expenses and grants made in the prior fiscal year.
e. Current fiscal year budget, planned activities, and goals for the current fiscal year.

The Golden LEAF Foundation shall also provide to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Joint Legislative Economic Development and Global Engagement Oversight Committee an itemized report of its administrative expenses for the previous fiscal year by September 15 of each year, a copy of its annual audited financial statement for the previous fiscal year within 30 days of having received an audit report from an independent auditor, and a copy of its annual federal income tax return for the previous fiscal year within 30 days of filing.

(1a) Amendment of articles of incorporation. – The Golden LEAF Foundation may periodically amend its articles of incorporation to maintain conformity with the provisions of this Article and any other act of the General Assembly. Subject to the conditions set forth in G.S. 55A-10-02, 55A-10-05, 120-76.1, and Article XIV of the Articles of Incorporation, the Golden LEAF Foundation shall consult with the Joint Legislative Commission on Governmental Operations prior to submitting articles of amendment to the Secretary of State.

…."

NASCAR ALL-STAR RACE FUNDING CLARIFICATION

SECTION 11.8.(a) Funds appropriated in this act from the interest in the State Fiscal Recovery Reserve to the Department of Commerce for the NASCAR All-Star Race at the North Wilkesboro Speedway, LLC, may be used for repairs, renovations, and other capital improvements at the speedway if the Department enters into an agreement with the grant recipient to host (i) the 2023 NASCAR All-Star Race and (ii) one additional NASCAR Series race at the speedway before the end of the 2028 race season. These funds may be used by the grant recipient to cover expenditures made prior to the effective date of this act.

SECTION 11.8.(b) If the grant recipient receives funds pursuant to subsection (a) of this section but does not host (i) the 2023 NASCAR All-Star Race and (ii) one additional NASCAR Series race at the speedway before the end of the 2028 race season, the grant recipient must forfeit the grant awarded under this section and is liable for the amounts received.

NCINNOVATION

SECTION 11.9. Chapter 143 of the General Statutes is amended by adding a new Article to read:

"Article 76B.
"NCInnovation.

"**§ 143-728. NCInnovation.**

(a) Findings. – The General Assembly of North Carolina finds the following:
(1) North Carolina is competing with other states for the ability to commercialize innovations resulting from in-State, world-class educational and research entities.
(2) The State has opportunities for greater job growth and economic prosperity, particularly in rural areas, by fully optimizing the commercialization of innovations sourced to this State.

(3) These opportunities include the creation of new jobs and companies both from university-based research and other in-State research resulting in products that have commercial potential.

(4) Other states have successfully used a public-private partnership model to create jobs from innovation efforts, to accelerate commercial opportunities from innovation efforts, especially from public universities, and to support the commercial growth and scale of emerging technologies.

(5) North Carolina will benefit from similar efforts to accelerate commercialization of theoretical and applied science and inventions stemming from the efforts and activities of its educational facilities and other resident research entities.

(b) Purpose. – The purpose of this section is to establish a framework whereby the State may provide funds to NCInnovation, which shall hold the funds for the benefit of the State to develop a network of regional innovation hubs, to incentivize applied research opportunities, and to support the commercial growth and scale of emerging technologies to promote the welfare of the people of the State and to maximize the economic growth in the State through expansion of both (i) the State's high technology research and development capabilities and (ii) the State's product and process innovation and commercialization.

(c) Endowment. – NCInnovation is approved to receive funds from the State for the purposes and on the terms and conditions set forth in this Article.

(d) Requirements. – In order to receive and retain the endowment, all of the following requirements must be met:

(1) NCInnovation shall adhere to the following governance provisions related to its governing board:

a. The board shall be composed of 13 voting members as follows: four members appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives, four members appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate, and the remaining members elected as provided in the bylaws of NCInnovation. The directors shall hold staggered four-year terms and shall elect their own chair from among their number. Appointing and electing authorities shall ensure that appointed and elected members have expertise and experience in one or more of the following areas: research, development, product commercialization, entrepreneurial business development, and capital formation.

b. NCInnovation shall comply with the limitations on lobbying set forth in section 501(c)(3) of the Internal Revenue Code.

c. No State employee or elected official may serve on the board.

d. The board shall meet at least quarterly at the call of its chair.

e. The amount of State funds that may be used for the annual salary of any one officer or employee of NCInnovation shall not exceed the greater of (i) one hundred forty thousand dollars ($140,000), (ii) the amount most recently set by the General Assembly in a Current Operations Appropriations Act, or (iii) a salary in excess of the amounts provided in this sub-subdivision, provided that the salary is supported by documentation of comparable salaries in comparable operations, the salary is approved by the board, the salary is included in the report required to be filed pursuant to this section, and the excess is paid out of private funds of NCInnovation until such funds are exhausted prior to paying out of other funds, including State funds.

Members of the board may not be compensated for their services but may, in the sole discretion of the board, be reimbursed for any or all reasonable expenses incurred in attending meetings of the board or any committee thereof or otherwise in carrying out the purposes and requirements of this Article.

(2) NCInnovation shall amend its articles of incorporation to enable NCInnovation to carry out the purposes and requirements of this Article. The articles of incorporation, as amended, shall provide for the following:

a. Consultation; reporting. – NCInnovation shall consult with the Joint Legislative Commission on Governmental Operations prior to the board of directors adopting any amendment to its bylaws. NCInnovation shall also report on its programs and activities to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on or before September 15 of each fiscal year and more frequently as requested by any of these entities. The report shall include all of the following information:

1. Every investment, equity stake acquired, or other funding award of any kind made in furtherance of the purposes of NCInnovation in the prior fiscal year. This information shall include, at a minimum, the amount, term, and purpose of the award.
2. Outcome data collected by NCInnovation, including the number of jobs created.
3. Cumulative investment, equity stake information, and other funding award data by program and by county.
4. An unaudited report, itemized by category, of its overhead and administrative costs for the previous fiscal year.
5. Current fiscal year budget, planned activities, and goals for the current fiscal year.
6. Developed performance metrics of entities in which NCInnovation has taken an equity stake or to which NCInnovation has made a funding award or other investment, including any returns on investment.
7. A detailed explanation of how annual salaries are determined, including base pay schedules and any additional salary amounts or bonuses that may be earned as a result of job performance. The explanation shall include the means used by NCInnovation to foster employee efforts in rural and low-income areas in the State.

NCInnovation shall also provide to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division a copy of its annual audited financial statement for the previous fiscal year within 30 days of having received an audit report from an independent auditor and a copy of its annual federal income tax return for the previous fiscal year within 30 days of filing. In addition, the State Auditor may perform audits of NCInnovation pursuant to Article 5A of Chapter 147 of the General Statutes to ensure that funds are being managed in accordance with the provisions of this Article.

b. Disposal of State funds. – NCInnovation shall not dispose of State funds pursuant to G.S. 55A-12-02 without the approval of the General Assembly.

c. Charter repeal. – The charter of NCInnovation may be repealed at any time by the General Assembly pursuant to Section 1 of Article VIII of the North Carolina Constitution. NCInnovation shall not amend its articles of incorporation without the approval of the General Assembly.

d. Dissolution. – NCInnovation may be dissolved pursuant to Chapter 55A of the General Statutes or by the General Assembly. Upon dissolution, all (i) remaining, unencumbered State funds together with simple interest of one and one-half percent (1.5%) per annum on the beginning balance of State funds, such simple interest to stop accruing after 10 years, and (ii) unencumbered assets acquired with State funds and then owned by NCInnovation shall be transferred to the General Fund.

(3) NCInnovation performs its duties for the benefit of the State. NCInnovation shall, at a minimum, perform the duties listed in this subdivision. Where those duties involve the distribution of State funds, NCInnovation may consult with the North Carolina Collaboratory (Collaboratory), established under G.S. 116-255, for purposes of making determinations regarding terms and amounts of distributions and shall use the Collaboratory to manage the distributions.

a. Assist in targeting applied scientific research and development conducted by colleges and universities and community colleges in the State. NCInnovation may enter into contracts with the Board of Governors of The University of North Carolina and the State Board of Community Colleges for purposes of assigning intellectual property and resources to assist in development and activities or to facilitate faculty and staff assisting NCInnovation, as needed.

b. Assist in commercializing results and products stemming from the efforts listed in sub-subdivision a. of this subdivision.

c. Foster the creation of, and sustainment of, businesses throughout all regions of the State undertaking operations based on the commercialization stemming from sub-subdivision b. of this subdivision.

d. Otherwise (i) identify other products of research and development with significant commercial potential outside of this State that are underutilized or underfunded and to recruit the entities responsible for such products to this State and (ii) assist early-stage and start-up businesses in the State with innovations with commercial potential when those businesses are not affiliated with State educational institutions.

e. Build long-term entrepreneurial capacity and facilitate the increase of venture capital funding availability in the State.

f. Facilitate the creation of pathways to follow-on financing in the State.

g. Engage in other activities primarily intended to otherwise provide resources and funding to create and operate regional networks, support university-funded research and applications, fund cooperative award agreements, increase capital for accelerating commercialized innovation, and support the growth of business operations resulting from these efforts.

h. Protect the use of State funds by requiring that, at a minimum, the recipient continues activity in this State at a level sufficient and for a

time period, not less than five years, to ensure that the benefit to the State outweighs the cost of support. In addition, NCInnovation shall, as a condition of distributing State funds, require the recipient to (i) have its headquarters and principal place of business in the State and (ii) be organized under the laws of this State.

(4) NCInnovation shall contract with an independent investment manager to handle activities related to managing State funds. The contract shall establish the investment manager's compensation, including any management fee, which may not exceed a commercially reasonable amount. The investment manager shall disclose to NCInnovation any interest that it or an owner, stockholder, partner, officer, director, member, employee, or agent of the investment manager has in a recipient of State funds or other support from NCInnovation to the extent the investment manager is aware of such recipients. NCInnovation may draw from, distribute, and otherwise expend State funds, including, without limitation, to make investments, in accordance with this Article, and such activities are subject to the reporting requirements of this Article. The activities and investments of the investment manager are not subject to the reporting requirements of this Article.

(5) NCInnovation shall have received from fundraising efforts and sources, other than the endowment or other funds from the State, commitments to donate at least twenty-five million dollars ($25,000,000) in private funds for support of its operations. The minimum commitment amount required by this subdivision must be received within five years of the receipt of the endowment.

(6) NCInnovation shall adopt and provide to the Joint Legislative Commission on Governmental Operations a resolution or policy regarding conflicts of interest to guide actions by the governing board members, officers, and employees of NCInnovation in the performance of their duties and to prevent such persons from benefiting from or holding an equity position in any intellectual property, licensing, or business entity supported or funded by NCInnovation. The conflict of interest policy shall contain, at a minimum, that no subject person of NCInnovation may take any official action or use the subject person's official position to profit in any manner the subject person, the subject person's immediate family, a business with which the subject person or the subject person's immediate family has a business association, or a client of the subject person or the subject person's immediate family with whom the subject person, or the subject person's immediate family, has an existing business relationship. No subject person shall attempt to profit from a proposed project lead if the profit is greater than that which would be realized by other persons living in the area where the project lead is located. If the profit under this subdivision would be greater for the subject person than other persons living in the area where the project lead is located, not only shall the subject person abstain from voting on that issue, but, once the conflict of interest is apparent, the subject person shall not discuss the project lead with any other subject person except to state that a conflict of interest exists. Under this subdivision, a subject person is presumed to profit if the profit would be realized by the subject person, the subject person's immediate family, a business with which the subject person or the subject person's immediate family has a business association, or a client of the subject person or the subject person's immediate family with whom the subject person, or the subject person's immediate family has an existing business relationship with a company that is the subject of a

proposed project lead. No subject person, in contemplation of official action by the subject person, or in reliance on information that was made known to the subject person in the subject person's official capacity and that has not been made public, shall (i) acquire a pecuniary interest in any property, transaction, or enterprise or gain any pecuniary benefit that may be affected by such information or official action or (ii) intentionally aid another to do any of the above acts. As used in this subdivision, the following terms mean:

a. Board. – The governing board of NCInnovation.

b. Board member. – A member of the board.

c. Business association. – A director, employee, officer, or partner of a business entity, or owner of more than ten percent (10%) interest in any business entity.

d. Immediate family. – Spouse, children, parents, brothers, and sisters.

e. Official action. – Actions taken in connection with the subject person's duties, including, but not limited to, voting on matters before the board, discussing investment matters with other subject persons in an effort to further the matter after the conflict of interest has been discovered, or taking actions in the course and scope of the position as a subject person and actions leading to or resulting in profit.

f. Profit. – Receive monetary or economic gain or benefit, including an increase in value whether or not recognized by sale or trade.

g. Subject person. – A board member, officer, or employee of NCInnovation.

(7) NCInnovation adopts and publishes a resolution or policy regarding gifts to guide actions by the governing board members, officers, and employees of NCInnovation in the performance of their duties. The gift policy required by this subdivision shall, at a minimum, prohibit an employee, officer, or member of the board of NCInnovation from knowingly accepting a gift from a person whom the employee, officer, or member of the board knows or has reason to know (i) is seeking to do business of any kind in the State or (ii) has financial interests that may be substantially and materially affected, in a manner distinguishable from the public generally, by the performance or nonperformance of official duties of the employee, officer, or member of the board. This prohibition shall not apply to either of the following:

a. Gifts given to the employee, officer, or member of the board where the gift is food or beverages, transportation, lodging, entertainment, or related expenses associated with responsibilities or duties the employee, officer, or member of the board is responsible for conducting on behalf of NCInnovation, provided (i) the employee, officer, or member of the board did not solicit the gift and did not accept the gift in exchange for the performance or nonperformance of corporate duties and (ii) the employee, officer, or member of the board reports electronically to the corporation within 30 days of receipt of the gift, including a description and value of the gift and a description of how the gift contributed to responsibilities or duties on behalf of NCInnovation.

b. Gifts of personal property valued at less than one hundred dollars ($100.00) given to the employee, officer, or member of the board in the commission of corporate duties if the gift is given as a personal gift in another country as part of an overseas trade mission and the giving

and receiving of such personal gifts is considered a customary protocol in the other country.

(8) NCInnovation shall maintain separate accounting records for and separate accounts for State funds and private funds and shall not commingle State funds and private funds. NCInnovation shall maintain records and accounts according to generally accepted accounting principles.

(9) NCInnovation shall limit the use of State funds for the severance pay of the chief executive officer and other officers of the nonprofit corporation to no more than the salary limitation contained in subdivision (1) of this subsection.

(10) NCInnovation complies with the following with respect to State funds:

a. Returns, rights, and earnings of any kind received after and resulting from investment or use of the endowment shall be used for the same purposes for which the endowment may be used.

b. Funds shall not be used to hire a lobbyist.

c. No more than one percent (1%) of State funds may be used annually for overhead and administrative costs. NCInnovation shall prioritize the use of private funds for overhead and administrative costs to the extent practicable.

(11) An officer, employee, or member of a governing board of NCInnovation is not a State employee, is not covered by Chapter 126 of the General Statutes, and is not entitled to State-funded employee benefits, including membership in the Teachers' and State Employees' Retirement System and the State Health Plan for Teachers and State Employees.

(e) Public Records; Open Meetings. – NCInnovation is not subject to the Open Meetings Law as provided in Article 33C of Chapter 143 of the General Statutes and the Public Records Act as provided in Chapter 132 of the General Statutes.

(f) Definitions. – The following definitions apply in this Article:

(1) Endowment. – Funds provided to NCInnovation by the State upon meeting the requirements set forth in this section.

(2) NCInnovation. – NCInnovation, Inc., a North Carolina nonprofit corporation under section 501(c)(3) of the Internal Revenue Code, provided it has its headquarters and principal place of business in the State and meets the requirements of this section necessary to receive and retain the endowment.

(3) State funds. – The endowment and future funds received from the State."

EDPNC MARKETING FUNDING EXTENSION

SECTION 11.10. Section 11.4(b) of S.L. 2022-74 reads as rewritten:

"**SECTION 11.4.(b)** There is appropriated from the Economic Development Project Reserve established in Section 2.2 of S.L. 2021-180 to the Department of Commerce for the nonprofit corporation with which the Department contracts pursuant to G.S. 143B-431.01(b) the sum of sixty million dollars ($60,000,000) to be used for the following purposes in the following amounts:

(1) Thirty million dollars ($30,000,000) for travel and tourism marketing of the State.

(2) Thirty million dollars ($30,000,000) for business marketing of the State.

Of the funds allocated in subdivisions (1) and (2) of this subsection, the nonprofit corporation shall use no more than twenty million dollars ($20,000,000) for each purpose by June 30, 2023, and the remainder of the funds allocated by this section by ~~December 31, 2024.~~ June 30, 2025. The nonprofit corporation may use up to three percent (3%) of the total funds allocated in this section for administrative costs."

MODIFICATIONS TO MEGASITES PROGRAM

SECTION 11.11.(a) Of the funds appropriated in this act to the Department of Commerce for the 2023-2024 fiscal year, the nonrecurring sum of ten million dollars ($10,000,000) shall be allocated to the North Carolina Megasite Fund established in Section 11.11(b) of S.L. 2022-74 to be used to support local governments or a partnership of local governments in conducting due diligence as described in subdivision (4a) of Section 11.11(a) of S.L. 2022-74, as amended by subsection (b) of this section.

SECTION 11.11.(b) Section 11.11 of S.L. 2022-74 reads as rewritten:

"**MEGASITES READINESS PROGRAM**

"**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~~ including, but not limited to, the aerospace, automotive, clean energy, food processing, semiconductor, 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~~ seven megasites for preferred development and marketing.

(2) ~~Enable~~ Assist local governments or a partnership of local governments ~~to acquire~~ in the acquisition of a newly identified or existing megasite.

(3) Support local governments or a partnership of local governments to ~~install~~ analyze, plan, 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.

(4a) Support local governments or a partnership of local governments in conducting due diligence, including, but not limited to, the following: site characteristics, preliminary engineering reports for water and wastewater provision to the site, assessments related to road and highway infrastructure to serve the site, and other assessments as needed.

(5) Facilitate coordination between the economic development ~~entities and~~ entities, the North Carolina Department of Environmental ~~Quality~~ Quality, and the North Carolina Department of Transportation to expedite ~~any environmental~~ needs related to timely site development.

…

"**SECTION 11.11.(d)** Allocation. – EDPNC shall allocate monies in the Fund on the following basis:

(1) The first one million dollars ($1,000,000) appropriated to the Fund shall be allocated 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~~ seven megasites best positioned for advanced manufacturing site selection searches conducted by major employers. Amounts allocated under this subdivision in excess of what is required after the competitive bid process shall be allocated to expand the evaluation to include sites in this State less than 1,000 acres that are best positioned for industrial development.

(2) All other funds appropriated to the Fund for local government grants shall be allocated for the ~~acquisition of~~ activities outlined in subdivisions (a)(2) through (a)(5) of this section for megasites determined pursuant to subdivision (1) of this subsection. ~~A grant for a megasite is limited to eighty-five percent (85%) of the lesser of the property's purchase price or tax value. The~~

~~percentage actually provided in the grant shall be determined by EDPNC based~~ EDPNC shall prioritize local government grants that have the greatest potential to reduce the time for site readiness and reduce the risk of unforeseen conditions that could affect the site viability for advanced manufacturing projects. EDPNC shall base the grant amount on total development needs for the megasite, prior investment in the megasite by one or more local governments, the ability of one or more local governments to invest in the megasite, and the ability and level of participation promised by the local government in exchange for a grant from the Fund. Monies may only be granted for, and used to acquire, a megasite for which (i) one or more local governments have a binding option or offer to purchase and (ii) all basic due diligence ~~must be complete,~~ has been completed, including, but not limited to, boundary surveys, title searches, State Historic Preservation Office reviews, and wetlands delineation.

"**SECTION 11.11.(e)** Matching Funds. – ~~The~~ If a grant is awarded that includes site acquisition assistance, the local governments to which a grant is awarded shall provide the remainder of the cost of purchasing the megasite not provided by the grant.

…."

SHELLFISH GROWERS LOAN PROGRAM MODIFICATION

SECTION 11.13.(a) G.S. 113-211 reads as rewritten:

"**§ 113-211. Shellfish Growers Loan Program.**

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

(1) Applicable federal rate. – The minimum interest rate that the Internal Revenue Service sets and adjusts monthly for private loans.

(1a) Department. – The Department of Commerce.

(2) Governmental crop insurance. – Insurance coverage through the United States Department of Agriculture Noninsured Crop Disaster Assistance Program.

~~(3) Prime rate. – The interest rate that a commercial bank holds out as its lowest rate for a loan with less than a 36-month term to its most creditworthy borrowers.~~

…

(b) Program. – There is established the Shellfish Growers Loan Program to be administered by the Rural Center. The program shall provide a revolving source of low-interest working capital and equipment loans to emerging and existing small shellfish growers in this State. Funds credited to the program are available in perpetuity and must be used only to provide loans to eligible businesses or for administrative expenses as allowed in this section.

(c) Loans. – The following shall apply to the program and loans made under the program:

(1) A loan provided under the program shall have a fixed interest rate that is equal to the ~~prime~~ applicable federal rate plus two and one-quarter percent (2.25%) and shall be amortized over the term of the loan. For the purposes of each loan, the qualifying lender shall use the applicable federal interest rate that aligns with the term of the loan and shall match the applicable federal rate for the month in which the qualifying business receives the loan.

…

(2) A working capital loan shall have a term of at least 12 months and shall not exceed ~~24~~ 72 months.

(3) An equipment loan shall have a term of at least 12 months and shall not exceed ~~60~~ 72 months.

…

(7) Loans are made pursuant to an agreement with a qualifying business that includes at least the following:

…

e. A provision requiring proof that the qualifying business ~~possesses current~~ has submitted a completed application for governmental crop insurance to protect from disasters.

f. A provision allowing for losses from disasters in excess of governmental crop insurance coverage on loans made to the qualifying business to be covered by the program funds up to the remaining unpaid principal loaned to the qualifying business but not repaid at the time of the loss.

…."

SECTION 11.13.(b) The qualifying lender shall seek to renegotiate the interest rate for any loans already disbursed or agreed to regarding loans that are already issued on or before the date this section becomes law, if the new interest rate at that time is lower than the interest rate currently agreed to between the qualifying lender and qualifying business.

SECTION 11.13.(c) This section is effective when it becomes law.

NC INNOVATION COUNCIL MODIFICATION

SECTION 11.14.(a) G.S. 169-4(a) reads as rewritten:

"**§ 169-4. North Carolina Innovation Council established.**

(a) The North Carolina Innovation Council (Innovation Council or Council) is established. The Innovation Council shall be administratively housed in the Department of Commerce. The purpose of the Innovation Council is to support innovation, investment, and job creation within North Carolina by encouraging participation in the regulatory sandbox. The Council is empowered to set standards, principles, guidelines, and policy priorities for the types of innovations that the regulatory sandbox program will support. The Council shall be responsible for admission into the regulatory sandbox program and for assigning selected participants to the applicable State agency."

SECTION 11.14.(b) This section is effective when it becomes law.

PART XII. ENVIRONMENTAL QUALITY

REDIRECT CERTAIN PRIOR WATER AND WASTEWATER FUNDS

SECTION 12.2A. Funds allocated to the Town of Norwood for the expansion of Lake Tillery by subdivision (a)(3a) of Section 12.13 of S.L. 2021-180, as enacted by subsection 6.1(a) of S.L. 2022-6, shall instead be provided to Montgomery County as a construction grant for a water or wastewater project. The limits set forth in G.S. 159G-36(c)(3) shall not apply to grants awarded from funds allocated by this subsection. Funds allocated by this subdivision in excess of the amounts needed to complete these projects shall revert to the Drinking Water Reserve and the Wastewater Reserve and may be used for other eligible projects for the purposes set forth in subdivisions (2) through (3a) of G.S. 159G-34(a) and subdivisions (2) through (3a) of G.S. 159G-33(a).

VIABLE UTILITY RESERVE GRANT CRITERIA

SECTION 12.3. G.S. 159G-35(c) reads as rewritten:

"(c) Viable Utility Reserve. – The Local Government Commission and the Authority shall jointly develop evaluation criteria for grants from the Viable Utility Reserve. Criteria shall also be developed concerning distressed units for which the Local Government Commission has exercised its authority under Article 11 of Chapter 159 of the General Statutes to assume control,

in whole or in part, of the financial affairs of an applicant. These evaluation criteria shall be used to review applications and award grants as provided in G.S. 159G-39."

PROHIBIT CAP AND TRADE REQUIREMENTS FOR CO2 EMISSIONS

SECTION 12.5.(a) Article 21B of Chapter 143 of the General Statutes is amended by adding a new section to read:

"**§ 143-215.107E. Prohibit cap and trade requirements for carbon dioxide (CO2) emissions.**

Neither the Governor, nor any of the agencies of the State, including the Utilities Commission, the Department of Environmental Quality, and the Environmental Management Commission, may require an electric public utility, as defined in G.S. 62-126.3(7), or persons who operate an electric generating facility the primary purpose of which is for the person's own use and not for the primary purpose of producing electricity for sale to or for the public for compensation, to participate in a program that requires such utilities to obtain allowances to offset their CO2 emissions, commonly characterized as emissions cap-and-trade programs, CO2 budget trading programs, or cap-and-invest initiatives. In addition, the Governor and the Department are expressly prohibited from entering into any agreement with other states obligating North Carolina's participation in any program requiring acquisition of allowances to offset CO2 emissions by such utilities."

SECTION 12.5.(b) This section is effective when it becomes law.

PROHIBITION ON STATE OR REGIONAL EMISSIONS STANDARDS FOR NEW MOTOR VEHICLES

SECTION 12.6.(a) Article 21B of Chapter 143 of the General Statutes is amended by adding a new section to read:

"**§ 143-215.107F. Prohibit requirements for control of emissions from new motor vehicles.**

Notwithstanding any authorization granted under 42 U.S.C. § 7507, no agency of the State, including the Department of Environmental Quality, the Environmental Management Commission, the Department of Transportation, or the Department of Administration, may adopt and enforce standards relating to control of emissions from new motor vehicles or new motor vehicle engines, including requirements that mandate the sale or purchase of "zero-emission vehicles," or electric vehicles as defined in G.S. 20-4.01. The prohibitions of this section shall not be construed to effect requirements for the vehicle emissions testing and maintenance program established pursuant to G.S. 143-215.107A."

SECTION 12.6.(b) This section is effective when it becomes law.

REDUCE EMISSIONS INSPECTIONS REQUIREMENTS

SECTION 12.7.(a) G.S. 20-183.2(b) reads as rewritten:

"(b) Emissions. – A motor vehicle is subject to an emissions inspection in accordance with this Part if it meets all of the following requirements:

…

~~(3) It is (i) a vehicle with a model year within 20 years of the current year and older than the three most recent model years or (ii) a vehicle with a model year within 20 years of the current year and has 70,000 miles or more on its odometer.~~

(3a) It is a vehicle with a model year within 20 years of the current year and earlier than the 2017 model year.

…."

SECTION 12.7.(b) G.S. 143-215.107A(c) reads as rewritten:

"(c) Counties Covered. – Motor vehicle emissions inspections shall be performed in ~~the following counties: Alamance, Buncombe, Cabarrus, Cumberland, Davidson, Durham, Forsyth,~~

~~Franklin, Gaston, Guilford, Iredell, Johnston, Lincoln, Mecklenburg, New Hanover, Randolph, Rowan, Union, and Wake.~~Mecklenburg County."

SECTION 12.7.(c) No later than December 31, 2023, the Department of Environmental Quality shall prepare and submit to the United States Environmental Protection Agency for approval by that agency a proposed North Carolina State Implementation Plan amendment based on the change to the motor vehicle emissions testing program provided in this section.

SECTION 12.7.(d) Subsections (a) and (b) of this section become effective on the first day of a month that is 60 days after the Secretary of the Department of Environmental Quality certifies to the Revisor of Statutes that the United States Environmental Protection Agency has approved an amendment to the North Carolina State Implementation Plan submitted as required by subsection (c) of this section and applies to motor vehicles inspected, or due to be inspected, on or after that date. The Secretary shall provide this notice of approval along with the effective date of this section on its website and by written or electronic notice to emissions inspection mechanic license holders, emissions inspection station licensees, and self-inspector licensees in the county where motor vehicle emissions inspection requirements are removed by this section. The remainder of this section is effective when it becomes law.

DAM SAFETY EMERGENCY FUND/OVERTOPPING STUDIES

SECTION 12.8. G.S. 143-215.32A reads as rewritten:

"**§ 143-215.32A. Dam Safety Emergency Fund.**

(a) Establishment; Purpose. – There is established the Dam Safety Emergency Fund within the Department, as set forth in this section. The Fund shall be used to defray expenses incurred by the Department in developing and implementing an emergency dam safety remedial ~~plan.~~plan and assessing overtopping risk for high hazard and intermediate hazard dams.

(b) Eligible Expenses. – The Fund may be used for ~~expenses incurred in developing~~ the following expenses:

(1) Developing and implementing an emergency dam safety remedial plan that has been approved by the Department, including expenses incurred to contract with any third party for services related to plan development or implementation.

(2) Performing overtopping studies for dams categorized by the Department as high hazard or intermediate hazard for which the Department currently has no or inadequate overtopping risk information.

(c) Conditions for Use. – These funds shall be used upon the Department's determination that sufficient funds or corrective action cannot be obtained from other sources without incurring a delay that would significantly increase the threat to life or risk of damage to property or the environment.

(d) Cost Recovery. – Costs of site investigation and the development and implementation of an emergency dam safety remedial plan, including attorney's fees and other expenses of bringing the cost recovery action, may be recovered from the owners of the dam by appropriate legal action by the Commission. Funds recovered pursuant to this subsection shall be used to reimburse the Dam Safety Emergency Fund.

(e) Standards for Funded Activities. – Emergency dam safety remedial plan development and implementation activities and overtopping studies shall be conducted in accordance with standards set forth in G.S. 143-215.29."

DISCHARGES OF HIGHLY TREATED WASTEWATER

SECTION 12.9.(a) G.S. 143-215.1 is amended by adding a new subsection to read:

"(c8) Permitted Discharges of Highly Treated Domestic Wastewater. –

(1) Subject only to the limitations set forth in subdivision (2) of this subsection, the Department shall authorize permitted discharges of highly treated domestic wastewater to surface waters of the State, including wetlands, perennial streams, and unnamed tributaries of named and classified streams where the 7Q10 flow or 30Q2 flow of the receiving waterbody is estimated to be low flow or zero flow, as determined by the United States Geological Survey, from wastewater treatment systems capable of meeting the following water quality-based effluent limitations:

a. Biological oxygen demand (BOD_5), 5mg/L.
b. NH_3, 0.5mg/L monthly average, 1.0 mg/L daily maximum.
c. Total nitrogen, 4mg/L monthly average.
d. Total phosphorus, 1.0mg/L monthly average, 2.0mg/L daily maximum.
e. Fecal coliforms, 14 colonies/100mL.
f. Dissolved oxygen, 6mg/L, or 1mg/L more than the BOD_5 concentration.
g. Turbidity, 1 Nephelometric Turbidity Units.
h. Total suspended solids, 5mg/L monthly average.
i. Nitrate, 1mg/L monthly average.

(2) In addition to the requirements set forth in subdivision (1) of this subsection, only the following requirements shall apply to wastewater discharges to be authorized pursuant to this subsection:

a. No discharge shall be permitted to classified shellfish waters or outstanding resource waters. Discharges to unnamed tributaries of classified shellfish waters, however, shall be authorized in compliance with the requirements of this section.
b. The limitation of flow for any wastewater discharge shall be no more than one-tenth of the flow generated by the one-year, 24-hour storm event given the drainage area and calculated using the rational method. The rational method shall be used to calculate the peak runoff for the one-year, 24-hour precipitation event in cubic foot per second. The peak runoff shall then be divided by 10 and multiplied by 646,272 to convert the result to gallons per day of allowable discharge at the point studied.
c. Discharges shall be limited based on the ability of the receiving waters to hydraulicly accept the proposed flow, as demonstrated by being equal to or less than one-tenth of the flow using the rational method.
d. All discharges shall be directed to buffer systems that utilize low-energy methodologies to function as a buffer between the discharge and the receiving waters. Buffer systems shall:
    1. Consist of one of the following: (i) high-rate infiltration basins that utilize engineered materials to achieve high rates of infiltration, which engineered materials shall have an ASTM gradation of a clean washed coarse grained sand; (ii) constructed free surface wetlands having a hydraulic residence time of 14 days; and (iii) other suitable technologies that provide a physical or hydraulic residence time buffer, or both, between the discharge and the receiving waters.
    2. Discharge to areas that are 50 feet upland of the receiving waters or wetlands at a non-erosive velocity equal to or less than 2 feet per second through an appropriately designed

energy dissipater, or other applicable designs, that meet the standard of practice for professional engineers for such devices.

3. Divide the subsequent outfall to the receiving stream so that no one particular outfall exceeds 1 cubic foot per second based on the average daily flow of the discharge. Discharges from buffer systems shall be allowed to be placed at increments along a stream or receiving waters at a distance of no less than 50 linear feet.

(3) For purposes of this subsection, the following definitions apply:

a. 7Q10 flow. – A method to calculate the minimum average flow of a receiving water for a period of seven consecutive days that has an average recurrence of once in 10 years.

b. 30Q2 flow. – A method to calculate the minimum average flow of a receiving water for a period of 30 consecutive days that has an average recurrence of once in two years.

c. Highly treated domestic wastewater. – Wastewater effluent from treatment systems that receive flows from sources of domestic wastewater that meet the effluent limitations as set forth in subdivision (1) of this subsection.

d. Rational method. – The method of computing storm drainage flow rates (Q) by use of the formula Q = CIA. For purposes of this sub-subdivision, the following definitions apply:

1. C. – The rational coefficient describing the stormwater runoff characteristics of the drainage.

2. I. – The rainfall intensity for the one-year, 24-hour precipitation event given by the National Oceanic and Atmospheric Administration through its online precipitation data server or other appropriate sources in units of inches per hour.

3. A. – The catchment area tributary to the point being studied as further defined using methodologies that meet the standard of practice for such work, including, but not limited to, web-based data and tools provided by the United States Geological Survey or by other analysis using topographic data that follows the standard of practice for such work by licensed professional engineers in units of acres.

(4) Once an applicant has submitted data to demonstrate the proposed discharge will meet the requirements of subdivisions (1) and (2) of this subsection, signed and sealed by a professional engineer licensed in accordance with the provisions of Chapter 89C of the General Statutes, the application shall be deemed complete for the purposes of review by the Department."

SECTION 12.9.(b) If rules are required in order to implement the requirements of this section, the Department of Environmental Quality shall adopt temporary rules no later than 60 days after this section becomes law. Any temporary rules adopted in accordance with this section shall remain in effect until permanent rules that replace the temporary rules become effective. Rules adopted pursuant to this section shall not, however, impose additional requirements on permitting of the discharge of highly treated domestic wastewater over that established under G.S. 143-215.1(c8), as enacted by subsection (a) of this section.

SECTION 12.9.(c) This section is effective when it becomes law. G.S. 143-215.1(c8), as enacted by subsection (a) of this section, applies to permits for new or expanded wastewater discharge facilities issued on or after that date.

RIGHT TO APPLY FOR AND OBTAIN A PERMIT

SECTION 12.10.(a) G.S. 143-211 is amended by adding a new subsection to read:

"(d) It is furthermore declared to be the public policy of the State that a strong economy is critical to robust environmental protection. Transparent and responsive permitting supports both the economy and environmental management. To maintain the public trust necessary for the support of environmental programs, the issuance of environmental permits should not be based on the financial or political influence of a permit applicant but solely on the demonstration of the applicant's compliance and likelihood to comply in the future with applicable environmental statutes and rules."

SECTION 12.10.(b) Article 7 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-279.18. Right to apply and obtain permits.**

Except to the extent required by federal or State law, the Department of Environmental Quality shall not refuse to accept an application for a permit, authorization, or certification or refuse to issue any permit, authorization, or certificate based solely on the failure of an applicant to obtain another permit, authorization, or certification required for the same project. For purposes of this section, failure to obtain a permit, authorization, or certification shall not include denial of the permit, authorization, or certification by the Department based on the standards for approval of the permit, authorization, or certification provided by law."

SECTION 12.10.(c) G.S. 113A-54(a) reads as rewritten:

"(a) A draft erosion and sedimentation control plan must contain the applicant's address and, if the applicant is not a resident of North Carolina, designate a North Carolina agent for the purpose of receiving notice from the Commission or the Secretary of compliance or noncompliance with the plan, this Article, or any rules adopted pursuant to this Article. Except as provided in subsection (a1) of this section, if the applicant is not the owner of the land to be disturbed, the draft erosion and sedimentation control plan must include the owner's written consent for the applicant to submit a draft erosion and sedimentation control plan and to conduct the anticipated land-disturbing activity. The Commission shall approve, approve with modifications, or disapprove a draft erosion and sedimentation control plan for those land-disturbing activities for which prior plan approval is required within 30 days of receipt. The Commission shall not deny a draft erosion and sedimentation control plan based solely upon the applicant's need to obtain other environmental permits, authorizations, or certifications for the project, aside from a permit required for stormwater discharges from construction sites pursuant to 40 C.F.R. § 122.26; the Commission shall, however, condition approval of a draft erosion and sedimentation control plan upon the applicant's compliance with federal and State water quality laws, regulations, and ~~rules.~~ rules, including the applicant's receipt of other environmental permits, authorizations, or certifications that may be required for the project. Failure to approve, approve with modifications, or disapprove a completed draft erosion and sedimentation control plan within 30 days of receipt shall be deemed approval of the plan. If the Commission disapproves a draft erosion and sedimentation control plan or a revised erosion and sedimentation control plan, it must state in writing the specific reasons that the plan was disapproved. Failure to approve, approve with modifications, or disapprove a revised erosion and sedimentation control plan within 15 days of receipt shall be deemed approval of the plan. The Commission may establish an expiration date for erosion and sedimentation control plans approved under this Article."

SECTION 12.10.(d) G.S. 113A-61 reads as rewritten:

"**§ 113A-61. Local approval of erosion and sedimentation control plans.**

…

(b) Local governments shall review each erosion and sedimentation control plan submitted to them and within 30 days of receipt thereof shall notify the person submitting the plan that it has been approved, approved with modifications, or disapproved. A local government shall only approve a plan upon determining that it complies with all applicable State and local regulations for erosion and sedimentation control.

(b1) A local government shall not deny a draft erosion and sedimentation control plan based solely upon the applicant's need to obtain other environmental permits, authorizations, or certifications for the project, aside from a permit required for stormwater discharges from construction sites pursuant to 40 C.F.R. § 122.26; the local government shall, however, condition approval of a draft erosion and sedimentation control plan upon the applicant's compliance with federal and State water quality laws, regulations, and ~~rules.~~ rules, including the applicant's receipt of other environmental permits, authorizations, or certifications that may be required for the project. A local government shall disapprove an erosion and sedimentation control plan if implementation of the plan would result in a violation of rules adopted by the Environmental Management Commission to protect riparian buffers along surface waters. A local government may disapprove an erosion and sedimentation control plan or disapprove a transfer of a plan under subsection (b3) of this section upon finding that an applicant or a parent, subsidiary, or other affiliate of the applicant:

…."

AIR PERMITTING REVISIONS

AIR PERMITTING REVIEW AND ISSUANCE TIME LINES

SECTION 12.11.(a) G.S. 143-215.108(d)(2) reads as rewritten:

"(2) The Commission shall adopt rules specifying the times within which it must act upon applications for permits required by Title V and other permits required by this section. ~~The times specified shall be extended for the period during which the Commission is prohibited from issuing a permit under subdivisions (3) and (4) of this subsection.~~ The rules shall provide, at a minimum, that the Department shall issue the permit, deny the permit, or publish the permit for public notice and comment within 90 calendar days of receipt of a complete application for a minor modification, within 270 calendar days of receipt of an application for a major modification, or within 15 months of receipt of a complete application for a renewal permit. The Commission shall inform a permit applicant as to whether or not the application is complete within the time specified in the rules for action on the application. If the Commission fails to act on an application for a permit required by Title V or this section within the time period specified, ~~the failure to act on the application constitutes a final agency decision to deny the permit. A permit applicant, permittee, or other person aggrieved, as defined in G.S. 150B-2, may seek judicial review of a failure to act on the application as provided in G.S. 143-215.5 and Article 4 of Chapter 150B of the General Statutes. Notwithstanding the provisions of G.S. 150B-51, upon review of a failure to act on an application for a permit required by Title V or this section, a court may either: (i) affirm the denial of the permit or (ii) remand the application to the Commission for action upon the application within a specified time.~~ the permit applicant, permittee, or other person aggrieved, as defined in G.S. 150B-2, may commence a contested case under G.S. 150B-23(a4)."

TITLE V RESEARCH AND DEVELOPMENT EXEMPTION

SECTION 12.11.(b) The Environmental Management Commission shall begin rulemaking to create a Title V permit exemption for non-major research and development activities consistent with the Environmental Protection Agency's position regarding exemption for such activities as set forth in the July 10, 1995, "White Paper for Streamlined Development of Part 70 Permit Applications." The rules shall include, at a minimum, allowance levels and minor permit modification thresholds to promote greater flexibility in research and development activities and to allow facilities subject to Title V permit requirements flexibility to work with the Department of Environmental Quality and notify them of research activities with a minor permit modification to maintain compliance. The Commission shall complete draft rulemaking activities and submit a Title V program amendment request to the Environmental Protection Agency no later than July 1, 2025.

PRE-PERMITTING ACTIVITIES

SECTION 12.11.(c) G.S. 143-215.108A reads as rewritten:

"**§ 143-215.108A. Control of sources of air pollution; construction of new facilities; alteration or expansion of existing facilities.**

(a) New Facilities. – ~~A~~ Except as provided in subsection (b1) of this section, a person may not, without obtaining a permit under G.S. 143-215.108, construct or operate an air contaminant source, equipment, or associated air cleaning device at a site or facility where, at the time of the construction, there is no other air contaminant source, equipment, or associated air cleaning device for which a permit is required under G.S. 143-215.108. ~~A person may, however, undertake the following activities prior to obtaining a permit if the person complies with the requirements of this section:~~

~~(1) Clearing and grading.~~

~~(2) Construction of access roads, driveways, and parking lots.~~

~~(3) Construction and installation of underground pipe work, including water, sewer, electric, and telecommunications utilities.~~

~~(4) Construction of ancillary structures, including fences and office buildings, that are not a necessary component of an air contaminant source, equipment, or associated air cleaning device for which a permit is required under G.S. 143-215.108.~~

(b) Permitted Facilities. – A person who holds a permit under G.S. 143-215.108 may apply to the Commission for a modification of the permit to allow the person to alter or expand the physical arrangement or operation of an air contaminant source, equipment, or associated air cleaning device in a manner that alters the emission of air contaminants. ~~The~~ Except as provided in subsection (b1) of this section, the permittee may not operate the altered, expanded, or additional air contaminant source, equipment, or associated air cleaning device in a manner that alters the emission of any air contaminant without obtaining a permit modification under G.S. 143-215.108. A permittee may, however, alter or expand the physical arrangement or operation of an air contaminant source, equipment, or associated air cleaning device at a facility permitted under G.S. 143-215.108 if the permittee complies with the requirements of this section. At least 15 days prior to commencing alteration or expansion under this subsection, the permittee shall give notice by publication and shall submit to the Commission a notice of the permittee's intent to alter or expand the physical arrangement or operation of an air contaminant source, equipment, or associated air cleaning device. Notice by publication shall be in a newspaper having general circulation in the county or counties where the facility is to be located; shall be at the permittee's own expense; shall include a statement that written comment may be submitted to the Commission, that the Commission will consider any comment that it receives, and the Commission's address for submission of written comment; and shall include all the information required by subdivisions (1) through (6) of this subsection. The permittee shall submit a proof of

publication of the notice to the Commission within 15 days of the date of publication. The notice of intent to the Commission shall include all of the following:

…

(b1) A person who (i) has filed an application under this Article to construct or operate an air contaminant source, equipment, or associated air cleaning device at a site or facility or (ii) holds a permit under G.S. 143-215.108 and who has applied to the Commission for a modification of the permit to allow the person to alter or expand the physical arrangement or operation of an air contaminant source, equipment, or associated air cleaning device in a manner that alters the emission of air contaminants may undertake the following activities prior to obtaining a permit if the person complies with the requirements of this section:

(1) Clearing and grading.

(2) Construction of access roads, driveways, and parking lots.

(3) Construction and installation of underground pipe work, including water, sewer, electric, and telecommunications utilities.

(4) Construction of ancillary structures, including fences and office buildings, and support equipment, including standby generators and fire pumps, that are not a necessary component of an air contaminant source, equipment, or associated air cleaning device for which a permit is required under G.S. 143-215.108.

…."

EXPEDITED PERMITTING FOR AIR PERMITS

SECTION 12.11.(d) G.S. 143-215.108 is amended by adding two new subsections to read:

"(k) Expedited Processing. – The Environmental Management Commission shall adopt rules for the expedited processing of applications by the Department, including, but not limited to, the expedited fee and the procedures for expediting the application completeness determination, technical review, and permit issuance. The rules shall provide, at a minimum, the following:

(1) The Department shall issue the permit, deny the permit, or publish the permit for public notice and comment within 60 calendar days of receipt of a complete application for a minor modification, within 180 calendar days of receipt of an application for a major modification or a new facility.

(2) When an application for an expedited permit is pending before the Department and the Department has not issued or denied the permit or proceeded to public notice within the time specified in subdivision (1) of this subsection, the Department shall refund the expedited processing fee collected under subdivision (3) of this subsection. Any fee refund under this subsection shall not otherwise affect the application process, and the permit shall be issued, denied, or otherwise processed as provided by law.

(3) For expedited processing under this section, the Commission may set and the Department shall collect an expedited processing fee of up to two hundred percent (200%) of the otherwise applicable air permit fee set by the Commission pursuant to G.S. 143-215.3.

(*l*) Expedited Review. – The Commission shall adopt rules for the expedited joint processing of applications by a qualified professional and the Department. The rules shall provide, at a minimum, the following:

(1) The Department shall select professionals with qualifications as the Department may specify to review specified air permit applications.

(2) A permit applicant may retain at the applicant's expense a professional to prepare and certify the application completeness check, technical review, and statement of compliance with all federal and State requirements. This

professional reviewer shall meet qualifications specified by the Department, and the Department shall maintain a list of qualified professional reviewers and post the list to the Department's website. These professional reviewers shall be independent of any professional retained by the permit applicant to prepare the application, and the Department shall specify standards for independence.

(3) The Department shall prepare the permit for issuance or public notice within 30 days of receipt of a complete application with the technical review and certification of compliance with all federal and State requirements from the professional reviewer under subdivision (2) of this subsection."

SECTION 12.11.(e) Funds appropriated in this act to the Department of Environmental Quality in the 2024-2025 fiscal year for expedited air permit start-up expenses may be used by the Department to establish a time-limited position or to contract for engineering review and permit application processing services to support the expedited permitting programs established in subsection (d) of this section. It is the intent of the General Assembly that this program become self-supporting through the collection of the expedited permitting fees authorized by subsection (d) of this section.

STORMWATER AND NPDES PERMIT REVISIONS

STORMWATER PERMITTING REVISIONS

SECTION 12.12.(a) G.S. 143-214.7 is amended by adding a new subsection to read:

"(b5) The Department shall approve or deny a stormwater permit within 60 processing days and, except as modified by subdivision (2) of this subsection, a failure to do so within that time period shall be deemed an approval of the stormwater permit. For purposes of calculating processing days under this subsection, the following criteria shall be applied:

(1) The processing time shall begin on the first business day that the application is received by the Department through (i) electronic means, (ii) first-class, registered, or certified mail, or (iii) hand delivery by the applicant.

(2) Within five business days, the Department shall perform an initial review of the application for completeness and notify the applicant if it finds the application incomplete, specifying in that notification the deficiencies identified by the Department's initial review. Such notice may be sent electronically or by certified or registered mail. Calculation of processing days after a notice of incompleteness shall be handled as follows:

a. If the applicant responds within 10 business days with information addressing the identified permit deficiencies, the Department shall have 45 days following the receipt of the applicant response to approve or deny the permit.

b. If no response with information addressing the identified application deficiencies is received from the applicant within 10 business days, the running of processing days shall pause on the tenth day following the day that such notice is sent and shall resume on the first business day that the requested information is received by the Department through (i) electronic means, (ii) first-class, registered, or certified mail, or (iii) hand delivery by the applicant.

(3) After the applicant's response to any deficiencies identified in the initial review, a subsequent determination of the application to be incomplete shall be considered as a subsequent review. Any comments or requests for additional information made by the Department during a subsequent review that are not directly related to the applicant's attempt to satisfy specific initial

review comments are considered to be comments that were failed to be properly made during initial review, and the process days shall continue to run during the request for comment period unless the applicant takes longer than three business days to respond to electronic comments or one week from the postmarked day to respond to comments received by mail, in which case the processing days shall pause as described in sub-subdivision (2)b. of this subsection."

SECTION 12.12.(b) The Commission shall adopt amendments to its relevant permitting rules to reflect the statutory changes made by subsection (a) of this section.

SECTION 12.12.(c) Subsections (a) and (b) of this section become effective January 1, 2024.

LIMIT AUTHORIZATION TO CONSTRUCT TO PUBLICLY OWNED TREATMENT WORKS

SECTION 12.12.(d) G.S. 143-215.1(a) reads as rewritten:

"(a) Activities for Which Permits Required. – Except as provided in subsection (a6) of this section, no person shall do any of the following things or carry out any of the following activities unless that person has received a permit from the Commission and has complied with all conditions set forth in the permit:

(1) Make any outlets into the waters of the State.

(2) ~~Construct or operate~~ Operate any sewer system, treatment works, or disposal system within the State.

(3) Alter, extend, or change the ~~construction or~~ method of operation of any sewer system, treatment works, or disposal system within the State.

(3a) Construct or change the construction of any publicly owned sewer system, treatment works, or disposal system within the State.

…."

LIMIT REVIEW OF MINOR MODIFICATIONS OF PRETREATMENT PROGRAM INDUSTRIAL USERS

SECTION 12.12.(e) G.S. 143-215.3(a)(14) reads as rewritten:

"(14) To certify and approve, by appropriate delegations and conditions in permits required by G.S. 143-215.1, requests by publicly owned treatment works to implement, administer and enforce a pretreatment program for the control of pollutants which pass through or interfere with treatment processes in such treatment works; and to require such programs to be developed where necessary to comply with the Federal Water Pollution Control Act and the Resource Conservation and Recovery Act, including the addition of conditions and compliance schedules in permits required by G.S. 143-215.1. Pretreatment programs submitted by publicly owned treatment works shall include, at a minimum, the adoption of pretreatment standards, a permit or equally effective system for the control of pollutants contributed to the treatment works, and the ability to effectively enforce compliance with the program. No pretreatment program for a publicly owned treatment works shall implement pretreatment permit modification requirements that impose review requirements in excess of annual reporting requirements for pretreatment programs required by the U.S. Environmental Protection Agency."

EXPRESS PERMITTING REVISIONS

SECTION 12.13.(a) G.S. 143B-279.13 reads as rewritten:

"**§ 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 to become~~ shall be 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 express permitting options for programs in addition to those listed in subsection (a) of this section where it deems there to be a need or where it determines an express permitting option would create greater efficiencies for the permitting process.

(b) The Department of Environmental Quality ~~may determine~~ shall set the fees for express application review under the express review ~~program.~~ program at a level sufficient to cover all program expenses. Notwithstanding G.S. 143-215.3D, the maximum permit application fee to be charged under subsection (a) of this section for the express review of a project application ~~requiring all of the permits under subdivisions (1) through (5) of subsection (a) of this section~~ shall not exceed five thousand five hundred dollars ~~($5,500). Notwithstanding G.S. 143-215.3D, the maximum permit application fee to be charged for the express review of a project application requiring all of the permits under subdivisions (1) through (4) of subsection (a) of this section shall not exceed four thousand five hundred dollars ($4,500). Notwithstanding G.S. 143-215.3D, the maximum permit application fee charged for the express review of a project application for any other combination of permits under subdivisions (1) through (5) of subsection (a) of this section shall not exceed four thousand dollars ($4,000). Express review of a project application involving additional permits or certifications issued by the Department of Environmental Quality other than those under subdivisions (1) through (5) of subsection (a) of this section may be allowed by the Department, and, notwithstanding~~ ($5,500) per permit, approval, or certification. Notwithstanding G.S. 143-215.3D or any other statute or rule that sets a permit fee, the maximum permit application fee charged for the express review of a project application that includes a permit, approval, or certification designated for express review under subsection (a1) of this section shall not exceed four thousand dollars ($4,000), plus one hundred fifty percent (150%) of the fee that would otherwise apply by statute or rule for that particular ~~permit~~ permit, approval, or certification. Additional fees, not to exceed fifty percent (50%) of the original permit application fee under this section, may be charged for subsequent reviews due to the insufficiency of the permit applications. ~~The Department of Environmental Quality may establish the procedure by which the amount of the fees under this subsection is determined, and the fees and procedures are not rules under G.S. 150B-2(8a) for the express review program under this section.~~

(b1) When an application for an express stormwater permit under Part 1 of Article 21 of Chapter 143 of the General Statutes is pending before the Department and the Department has not complied with the permit issuance time limits identified in subsection (b5) of G.S. 143-214.7, the Department shall refund the higher fees which were required to be submitted by the applicant as a condition of filing the permit application under this section that are in excess of the fee amount otherwise charged for a permit application under G.S. 143-214.7. Any fee refund under this subsection shall not otherwise affect the application process, and the permit shall be issued, denied, or otherwise processed as provided by law.

…."

SECTION 12.13.(b) No later than July 1, 2025, the Department shall adopt rules, not including rules related to fees, to implement the express permitting program as amended by subsection (a) of this section.

SECTION 12.13.(c) Until the effective date of the rules required by subsection (b) of this section, the Department may continue to operate and administer the program as it did prior to the enactment of this section.

DEQ FEE REVISIONS

WATER QUALITY AND STORMWATER FEES

SECTION 12.14.(a) 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).~~four thousand six hundred twenty-five dollars ($4,625).

(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).~~one thousand one hundred fifty dollars ($1,150).

(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).~~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).~~one thousand seven hundred sixty dollars ($1,760).

(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).

(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 an authorization to construct for a wastewater treatment plant expansion, upgrade, replacement, or repair is one thousand dollars ($1,000).

(10) NPDES Stormwater Permits. – The permit fee and annual fee for NPDES stormwater permits is as follows:

a. The fee for an industrial NPDES individual permit is one thousand two hundred dollars ($1,200).

b. The fee for coverage under a construction or industrial NPDES general permit is one hundred twenty dollars ($120.00).

c. The fee for an NPDES MS4 major permit is four thousand two hundred dollars ($4,200).

d. The fee for an NPDES MS4 minor permit is one thousand dollars ($1,000).

e. The fee for an NPDES no exposure certification is two hundred fifty dollars ($250.00), 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 (i) a permit for the construction of a new sewer ~~system or for~~ system, (ii) a permit for the extension of an existing sewer ~~system~~ system, or (iii) a variance request is ~~four hundred eighty dollars ($480.00).~~six hundred dollars ($600.00).

(2) State Stormwater Permits. – ~~The application fee for~~ The 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).~~G.S. 143-215.1 is as follows:

a. The fee for a new permit or a major modification of an existing development project permit is based on the number of stormwater control measures (SCMs) proposed in the permit as set forth in this sub-subdivision. The term "major modification" is defined in 15A NCAC 02H .1002.

1. For two or fewer SCMs, one thousand four hundred dollars ($1,400).

2. For more than two and fewer than six SCMs, one thousand eight hundred dollars ($1,800).

3. For six or more SCMs, two thousand two hundred dollars ($2,200).

b. The fee for a minor modification of a State stormwater permit is seven hundred dollars ($700.00). The term "minor modification" is defined in 15A NCAC 02H .1002.

c. The fee for a renewal or transfer of a State stormwater permit is one thousand dollars ($1,000).

d. The fee for a combination renewal and transfer of a State stormwater permit is one thousand five hundred dollars ($1,500).

e. The fee for new coverage under a general permit is seven hundred dollars ($700.00).

(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).

…."

HAZARDOUS WASTE FEE

SECTION 12.14.(b) 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

SECTION 12.14.(c) 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.~~$750.00.

(14) Tire Monofill – $1,000.

(14a) Post-Closure Tire Monofill – $500.00.

(15) ~~Incinerator – $500.~~Incinerator accepting less than 200 tons per day of solid waste – $500.00.

(15a) Incinerator accepting more than 200 tons per day of solid waste – $1,000.

(16) Large Compost Facility – ~~$500.~~$800.00.

(16a) Small Compost Facility – $300.00.

(17) Land Clearing and Inert Debris Landfill – ~~$500.~~$900.00.

(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) 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 of five hundred dollars ($500.00).

(d4) When a cumulative impact review is required to be conducted in accordance with G.S. 130A-294(a)(4)c. 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 subdivision (4), (7), (10), or (14a) 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 fifty dollars ($750.00) during each year

that the facility is conducting assessment and corrective action activities, until released from the requirement by the Department.

…."

SEPTAGE MANAGEMENT FEE

SECTION 12.14.(d) 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 fifty 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) 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).

…."

COAL ASH MANAGEMENT ACT FEE

SECTION 12.14.(e) 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.

…."

PLAN REVIEW AND PERMIT FEES

SECTION 12.14.(f) 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~~$1,010
More than 1000 but no more than 2000	~~$840~~$1,050
More than 2000 but no more than 3000	~~$870~~$1,090
More than 3000 but no more than 4000	~~$1350~~$1,690
More than 4000 but no more than 5000	~~$1460~~$1,830
More than 5000 but no more than 7500	~~$1925~~$2,410
More than 7500 but no more than 10,000	~~$2065~~$2,580
More than 10,000 but no more than 25,000	~~$2600~~$3,250
More than 25,000 but no more than 50,000	~~$2925~~$3,660
More than 50,000 but no more than 75,000	~~$4250~~$5,310
More than 75,000 but no more than 100,000	~~$4675~~$5,840
More than 100,000 but no more than 250,000	~~$5100~~$6,380
More than 250,000 but no more than 500,000	~~$5525~~$6,910
More than 500,000	~~$5950~~$7,440.

(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 FEES

SECTION 12.14.(g) 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 12.14.(h) G.S. 90A-47.4 reads as rewritten:

"**§ 90A-47.4. Fees; certificate renewals.**

(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."

LAB CERTIFICATION FEES

SECTION 12.14.(i) Definitions. – For purposes of this section and its implementation, "Lab Certification Fee Rule" means 15A NCAC 02H .0806 (Fees Associated with Certification Program).

SECTION 12.14.(j) Lab Certification Fee Rule. – Until the effective date of the revised permanent rule that the Environmental Management Commission is required to adopt pursuant to subsection (*l*) of this section, the Commission shall implement the Lab Certification Fee Rule as provided in subsection (k) of this section.

SECTION 12.14.(k) Implementation. – Laboratory certification fees shall be revised as follows:

(1) The fee for municipal, industrial, and other laboratories analyzing only samples for field parameters shall be increased from one hundred fifty dollars ($150.00) to two hundred fifty dollars ($250.00).
(2) The fee for commercial laboratories analyzing only samples for field parameters shall be increased from three hundred dollars ($300.00) to five hundred dollars ($500.00).
(3) The minimum fee for municipal, industrial, and other laboratories shall be increased from one thousand seven hundred fifty dollars ($1,750) to two thousand dollars ($2,000).
(4) The minimum fee for other commercial laboratories shall be increased from three thousand five hundred dollars ($3,500) to six thousand five hundred dollars ($6,500).

(5) To reflect the additional costs of certifying labs located outside the State, the minimum fee for those labs shall be set at one hundred fifty percent (150%) of the amounts set out in subdivisions (1) through (4) of this subsection.

SECTION 12.14.(*l*) Additional Rulemaking Authority. – The Commission shall adopt a rule to amend the Lab Certification Fee Rule consistent with subsection (k) of this section. Notwithstanding G.S. 150B-19(4), the rule adopted by the Commission pursuant to this section shall be substantively identical to the provisions of subsection (k) of this section. Rules adopted pursuant to this section are not subject to Part 3 of Article 2A of Chapter 150B of the General Statutes. Rules adopted pursuant to this section shall become effective as provided in G.S. 150B-21.3(b1), as though 10 or more written objections had been received as provided in G.S. 150B-21.3(b2).

SECTION 12.14.(m) Applicability and Sunset. – This section and rules adopted pursuant to this section apply to all applications for certification submitted on or after July 1, 2023. Subsections (i) through (*l*) of this section expire when permanent rules adopted as required by subsection (*l*) of this section become effective.

SECTION 12.14.(n) G.S. 143-215.3(a)(10) reads as rewritten:

"(10) To require a laboratory facility that performs any tests, analyses, measurements, or monitoring required under this Article or Article 21B of this Chapter to be certified annually by the Department, to establish standards that a laboratory facility and its employees must meet and maintain in order for the laboratory facility to be certified, and to charge a laboratory facility a fee for certification. Fees collected under this subdivision shall be credited to the Water and Air Account and used to administer this subdivision. Beginning July 1, 2025, and every two years thereafter, the Commission shall adjust the fees imposed pursuant to this subdivision to cover the costs of legislatively mandated salary and benefits revisions for the employees administering the laboratory facility certification program. These fees shall be applied to the cost of certifying ~~commercial, industrial, and municipal~~ laboratory facilities."

WIND ENERGY FACILITY FEES

SECTION 12.14.(o) G.S. 143-215.119(c) reads as rewritten:

"(c) Fees. – An applicant for a permit for a proposed wind energy facility or proposed wind energy facility expansion under this section shall submit with the application required pursuant to subsection (a) of this section, an application fee ~~of three thousand five hundred dollars ($3,500).~~not to exceed one and one-quarter percent (1.25%) of the actual cost of construction, alteration, repair, or expansion of the wind energy facility."

SECTION 12.14.(p) Article 21C of Chapter 143 of the General Statutes is amended by adding a new section to read:

"**§ 143-215.125A. Annual fee.**

The Department shall charge permittees an annual fee of four hundred dollars ($400.00) per permitted turbine payable on or before September 1 for the previous fiscal year to be applied to the costs of administering this Article. The Department may charge a late fee of seventy-five dollars ($75.00) per month per permit for every month or partial month that payment of the annual operating fee is delinquent."

PART XIII. LABOR

BE PRO BE PROUD REPORTING

SECTION 13.1. The North Carolina Home Builders Educational and Charitable Foundation shall submit a report by February 1 of each year in which it spends State funds appropriated by this act for the Be Pro Be Proud initiative to the chairs of the Joint Legislative

Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division regarding the activities undertaken with the funds appropriated by this section.

PART XIV. NATURAL AND CULTURAL RESOURCES

NC SYMPHONY CHALLENGE GRANT

SECTION 14.1.(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 2023-2025 fiscal biennium shall be allocated to the North Carolina Symphony as provided in this section. It is the intent of the General Assembly that the North Carolina Symphony raise at least six million dollars ($6,000,000) in non-State funds for the 2023-2024 fiscal year and seven million dollars ($7,000,000) in non-State funds for the 2024-2025 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 14.1.(b) For the 2023-2024 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 2023-2024 fiscal year.

SECTION 14.1.(c) For the 2024-2025 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 three 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 2024-2025 fiscal year.

RENAME SECCA

SECTION 14.2. The Department of Natural and Cultural Resources shall rename the Southeastern Center for Contemporary Art as the North Carolina Museum of Art–Winston-Salem.

ACCESSIBLE PARKS GRANTS

SECTION 14.4.(a) Grant Purposes. – Of the funds appropriated in this act from the interest earned in the State Fiscal Recovery Reserve to the Department of Natural and Cultural Resources, the sum of ten million dollars ($10,000,000) is allocated to the Parks and Recreation

Trust Fund to provide matching grants to local parks facilities for persons with disabilities and shall be used exclusively for grants to local government units or public authorities, as defined in G.S. 159-7, for construction of special facilities or adaptation of existing facilities that meet the unique needs of persons with disabilities or that enable them to participate in recreational and sporting activities, regardless of their abilities.

SECTION 14.4.(b) Match. – Notwithstanding any provision of G.S. 143B-135.56 to the contrary, a local government unit or public authority receiving a grant under this section shall provide matching funds in the amount of one dollar ($1.00) of local funds for every five dollars ($5.00) of State funds.

SECTION 14.4.(c) Limitation. – Grants made under this section shall not exceed five hundred thousand dollars ($500,000) per project.

GREAT TRAILS STATE PROGRAM

SECTION 14.6.(a) Of the funds appropriated from the interest earned in the State Fiscal Recovery Reserve to the Department of Natural and Cultural Resources, five million dollars ($5,000,000) in nonrecurring funds for the 2023-2024 fiscal year is allocated to the Great Trails Fund established in subsection (c) of this section to be used for new trail development and extension of existing trails as described in subsection (c) of this section.

SECTION 14.6.(b) Definitions. – The following definitions apply in this section:

(1) Department. – The Department of Natural and Cultural Resources.

(2) Eligible entity. – Any of the following:

a. A municipality or county.

b. A regional council of government created pursuant to Part 2 of Article 20 of Chapter 160A of the General Statutes.

c. A public authority, as defined in G.S. 159-7.

d. A nonprofit entity, provided the entity demonstrates in a manner acceptable to the Department that the unit or units of local government where the eligible trail project will be conducted have been notified of and support the trail project.

(3) Eligible trail project. – Any of the following:

a. Planning, design, and related environmental assessment or permitting activities for trails.

b. Land and easement acquisition for trails.

c. Construction of trails and trail structures.

d. Trail amenities.

e. Maintenance activities, which includes rehabilitation of trails and trail structures, the installation of water bars, the relocation of eroded trail segments, and other activities that will mitigate erosion or deterioration of trails or prevent future erosion or deterioration of trails.

f. Matching funds for grants awarded by the federal government or any other non-State source or entity to an eligible entity for any of the purposes set forth in this subdivision.

(4) Secretary. – The Secretary of the Department of Natural and Cultural Resources.

(5) Trail. – Includes paved trails or greenways, natural surface trails, biking trails, equestrian trails, and any other type of trail recognized by the Department. The term does not include a series of tourism attractions related to a particular theme that are jointly marketed based on that theme and are interconnected only by vehicular roadways.

(6) Trail amenities. – Markers, signage, benches, water fountains, restroom facilities, bathhouses, campsites, docks, boat ramps, parking facilities, picnic facilities, equipment rental facilities, and other improvements or structures intended to enhance visitor experience for trail users.

(7) Trail structures. – Bridges, boardwalks, retaining walls, and other structures that are necessary for visitors to use the trail to travel from one location to another. For paddle trails, trail structures includes waterway access points and watercraft launch structures.

SECTION 14.6.(c) Fund Created. – The Great Trails State Program is established as a special fund within the Department of Natural and Cultural Resources. These funds shall be used by the Department to provide grants to an eligible entity for eligible trail projects, with priority given to projects for the purposes set forth in sub-subdivisions a., b., and c. of subdivision (3) of subsection (b) of this section. The following requirements and limitations apply to these grants:

(1) The Department is authorized to accept applications for grants authorized by this section and evaluate them based on criteria that includes the amount of additional funding being provided from other sources for the proposed project, current access to trails and other outdoor recreational facilities in the area of the proposed project, and the size and demographics of the population served by the proposed project. Notwithstanding G.S. 143B-135.56, an eligible entity receiving a grant from the Department shall provide a match as set forth in this subsection.

(2) Match. – Grants shall be matched by an eligible entity receiving a grant as follows:

a. The Department may determine the amount of match based on the wealth of the county where the trail project is located. In the case of trail projects in more than one county, the match shall be based on the lowest wealth county.

b. The match shall be no greater than one non-State dollar ($1.00) for every one dollar ($1.00) from the Fund, and no less than one non-State dollar ($1.00) for every four dollars ($4.00) from the Fund.

c. The match may include cash, fee waivers, in-kind services, the donation of assets, the provision of infrastructure, or a combination of these. Non-cash matches must be quantifiable and documented in a manner as the Department may specify.

(3) Limitation. – Grants made under this subsection shall not exceed five hundred thousand dollars ($500,000) per project.

SECTION 14.6.(d) Reports. – The Department shall provide an initial report no later than October 1, 2023, to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division regarding the process for awarding grants and the metrics the Department intends to use in evaluating grant applications for the Great Trails Fund pursuant to this section. Thereafter, the Department shall report annually no later than October 11 regarding the use of funds allocated by this section. The annual report will include a list of grant recipients and amounts, a description of trail projects funded, and a summary of non-State funds leveraged with grant funding. The Department may discontinue annual reporting upon providing a final summary report after it awards all funds allocated by this section. These reports may be included as a part of the report required by G.S. 143B-135.102.

SECTION 14.6.(e) Administrative Expenses. – The Department may use up to one percent (1%) of the funds appropriated by this section for operating and administrative expenses.

LAND AND WATER FUND ADMINISTRATIVE EXPENSES

SECTION 14.8. G.S. 143B-135.234 is amended by adding a new subsection to read:

"(e) Administrative Expenses. – Of the funds appropriated to the Fund, the Trustees may use no more than three percent (3%) for operating expenses associated with programs and activities authorized by this Part."

AMERICA'S 250TH LOCAL GRANTS

SECTION 14.9.(a) Funds appropriated in this act to the Department of Natural and Cultural Resources (the Department) for America's 250th Local Grants shall be used for a grant program to facilitate participation in America's 250th anniversary activities, as set forth in this section.

SECTION 14.9.(b) The Department shall use up to one million dollars ($1,000,000) in fiscal year 2023-2024 for grants of ten thousand dollars ($10,000) each to county governments whose county commissioners have adopted a resolution creating a commemoration committee or otherwise designated a group to ensure North Carolina's commemoration of the semiquincentennial occurs in their county. Any funds allocated under this subsection but not spent or encumbered by June 30, 2024, may be reallocated by the Department for grants under subsection (c) of this section and shall be in addition to the allocations made in that subsection.

SECTION 14.9.(c) The Department shall use five hundred thousand dollars ($500,000) in fiscal year 2023-2024 and six hundred thousand dollars ($600,000) in fiscal year 2024-2025 to provide matching grants to local governments and nonprofits for commemoration activities, including Revolutionary War research, development of educational resources, wayside installation, and event needs. The Department may consider county tier designations under G.S. 143B-437.08, for the county in which the project is located, in determining match amounts awarded under this subsection.

SECTION 14.9.(d) The Department may use up to five percent (5%) of the funds allocated by this section to administer the grant program and provide technical assistance to counties.

AMERICA'S SEMIQUINCENTENNIAL COMMITTEE

SECTION 14.10.(a) There is created the America's Semiquincentennial Committee (the Committee).

SECTION 14.10.(b) Membership. – The Committee shall be composed of seven members, as follows:

(1) Three members appointed by the President Pro Tempore of the Senate, one of whom shall be a member of the Senate and the remainder of whom shall be members of the public.

(2) Three members appointed by the Speaker of the House of Representatives, one of whom shall be a member of the House of Representatives and the remainder of whom shall be members of the public.

(3) One member jointly appointed by the President Pro Tempore of the Senate and the Speaker of the House of Representatives who shall be a noted historian with expertise regarding the American Revolution.

SECTION 14.10.(c) Terms; Chairs; Vacancies; Quorum. – Members shall serve a term of three years. The Committee shall have two cochairs which shall be the legislative member designated by the President Pro Tempore of the Senate and the legislative member designated by the Speaker of the House of Representatives. The Committee shall meet upon the call of the cochairs. Vacancies shall be filled by the appointing authority. A quorum of the Committee shall be a majority of the members.

SECTION 14.10.(d) Duties. – The Committee shall (i) study appropriate means for the State to celebrate the two hundred fiftieth anniversary of the founding of our nation and (ii) report the means and anticipated costs of the celebratory events to the General Assembly.

SECTION 14.10.(e) Compensation; Administration. – Members of the Committee shall receive subsistence and travel allowances at the rates set forth in G.S. 120-3.1, 138-5, or 138-6, as appropriate. The Committee may contract for consultants or hire employees in accordance with G.S. 120-32.02. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. Upon the direction of the Legislative Services Commission, the Directors of Legislative Assistants of the Senate and of the House of Representatives shall assign clerical staff to the Committee. The expenses for clerical employees shall be borne by the Committee.

SECTION 14.10.(f) Reports; Termination. – The Committee shall make an interim report to the 2025 Regular Session of the 2025 General Assembly and a final report to the 2026 Regular Session of the 2025 General Assembly no later than January 14, 2026. The Committee shall terminate on January 15, 2026.

SECTION 14.10.(g) This section is effective when it becomes law.

PART XV. WILDLIFE RESOURCES COMMISSION

COMMISSION BASE BUDGET CORRECTION

SECTION 15.1. During the budget certification process for the 2023-2024 fiscal year, the Wildlife Resources Commission, in conjunction with the Office of State Budget and Management (OSBM), shall redistribute two million two hundred forty-nine thousand nine dollars ($2,249,009) from the over-realized receipts departmentwide reserve to the appropriate fund codes in the General Fund used to support Commission operations. In the redistribution of receipts directed by this section, the Commission and OSBM shall neither increase or decrease the Commission's net General Fund appropriation, nor create a negative General Fund appropriation at the fund code level.

RENAME OUTDOOR HERITAGE ADVISORY COUNCIL

SECTION 15.2.(a) Part 36 of Article 7 of Chapter 143B of the General Statutes reads as rewritten:

"Part 36. ~~Outdoor Heritage Advisory Council.~~North Carolina Youth Outdoor Engagement Commission.

"**§ 143B-344.60. ~~Outdoor heritage advisory council.~~North Carolina Youth Outdoor Engagement Commission.**

(a) The ~~Outdoor Heritage Advisory Council~~ North Carolina Youth Outdoor Engagement Commission (hereinafter "Commission") is established within the North Carolina Wildlife Resources Commission for organizational and budgetary purposes only. The ~~Council~~ Commission shall exercise all of its statutory powers independent of control by the Executive Director of the Wildlife Resources Commission. The ~~Council~~ Commission shall (i) advise State agencies and the General Assembly on the promotion of outdoor recreational activities, including, but not limited to, hiking, horseback riding, boating, sport shooting and archery, bird watching and wildlife watching, camping, swimming, hunting, trapping, and fishing in order to preserve North Carolina's outdoor heritage for future ~~generations.~~generations and (ii) use grants and programming to promote the outdoor recreational activities described in this subsection.

(b) The ~~Council~~ Commission shall consist of 13 members, appointed as follows:

(1) Four members appointed by the General Assembly, upon the recommendation of the President Pro Tempore of the Senate.

(2) Four members appointed by the General Assembly, upon the recommendation of the Speaker of the House of Representatives.

(3) Three members appointed by the Governor.

(4) One member appointed by the Commissioner of Agriculture.

(5) One member appointed by the chair of the Wildlife Resources Commission.

All members of the ~~Council~~ Commission shall have knowledge and experience in outdoor recreational activities and have a demonstrated interest in promoting outdoor heritage.

(c) The terms of the initial members of the ~~Council~~ Commission shall commence October 1, 2015. Of the Governor's initial appointments, one member shall be designated to serve a term of three years, one member shall be designated to serve a term of two years, and one member shall be designated to serve a term of one year. Of the initial appointments by the President Pro Tempore of the Senate, one member shall be designated to serve a term of three years, one member shall be designated to serve a term of two years, and one member shall be designated to serve a term of one year. Of the initial appointments by the Speaker of the House of Representatives, one member shall be designated to serve a term of three years, one member shall be designated to serve a term of two years, and one member shall be designated to serve a term of one year. The members appointed by the Commissioner of Agriculture and the chair of the Wildlife Resources Commission shall each serve an initial term of four years. After the initial appointees' terms have expired, all members shall be appointed for a term of four years.

Any appointment to fill a vacancy on the ~~Council~~ Commission created by the resignation, dismissal, death, or disability of a member shall be for the balance of the unexpired term.

(d) The initial chair of the ~~Council~~ Commission shall be designated by the Governor from the ~~Council~~ Commission members. Subsequent chairs shall be elected by the ~~Council~~ Commission for terms of two years.

(e) The ~~Council~~ Commission shall meet quarterly and at other times at the call of the chair. A majority of members of the ~~Council~~ Commission shall constitute a quorum.

(f) ~~Council~~ Commission members shall be reimbursed for expenses incurred in the performance of their duties in accordance with G.S. 138-5 and G.S. 138-6, as applicable. The reimbursements authorized by this subsection may be provided from the North Carolina ~~Outdoor Heritage Trust Fund for Youth Outdoor Heritage Promotion.~~Youth Outdoor Engagement Fund.

(g) The Executive Director of the Wildlife Resources Commission shall provide clerical and other assistance as needed, including, but not limited to, office space, transportation support, and support for equipment and information technology needs of the ~~Council.~~Commission.

(h) The ~~Council~~ Commission shall be exempt from Article 3 of Chapter 143 of the General Statutes but may use the services of the Department of Administration in procuring goods and services for the ~~Council.~~Commission.

"**§ 143B-344.62. ~~Outdoor Heritage Advisory Council~~ North Carolina Youth Outdoor Engagement Commission – executive director; staff.**

The ~~Council~~ Commission may, subject to appropriations or other funds that accrue to it, employ an executive director to carry out the day-to-day responsibilities and business of the ~~Council.~~ Commission. The executive director shall serve at the pleasure of the ~~Council.~~ Commission. The executive director, also subject to appropriations or other funds that accrue to the ~~Council,~~ Commission, may hire additional staff and consultants to assist in the discharge of the executive director's responsibilities, as determined by the ~~Council.~~Commission.

"**§ 143B-344.64. ~~Outdoor Heritage Advisory Council~~ North Carolina Youth Outdoor Engagement Commission – report.**

On or before December 1, 2019, and at least annually thereafter, the ~~Council~~ Commission shall submit a report to the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division regarding its activities, initiatives, partnerships, and use of donated and appropriated funds."

SECTION 15.2.(b) G.S. 126-5(c1)(36) reads as rewritten:

"(36) Employees of the ~~Outdoor Heritage Advisory Council.~~North Carolina Youth Outdoor Engagement Commission."

SECTION 15.2.(c) This section is effective when it becomes law.

PART XVI. ADMINISTRATIVE OFFICE OF THE COURTS

COLLECTION OF WORTHLESS CHECKS

SECTION 16.1. Notwithstanding the provisions of G.S. 7A-308(c), the Judicial Department may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2023, for the purchase or repair of office or information technology equipment during the 2023-2024 fiscal year and may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2024, for the purchase or repair of office or information technology equipment during the 2024-2025 fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the Office of State Budget and Management on the equipment to be purchased or repaired and the reasons for the purchases.

MAGISTRATE-CLERK STAFFING PROGRAM

SECTION 16.2. G.S. 7A-133 is amended by adding a new subsection to read:

"(c1) Notwithstanding the minimum staffing numbers in subsection (c) of this section, the clerk of superior court in a county, with the written or emailed consent of the chief district court judge, may hire one deputy or assistant clerk in lieu of one of the magistrate positions allocated to that county. To provide accessibility for law enforcement and citizens, the clerk of superior court's office shall provide some of the services traditionally provided by the magistrates' office during some or all of the regular courthouse hours.

The Administrative Office of the Courts shall report by March 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 regarding each of the following:

(1) All deputy or assistant clerk positions previously filled pursuant to this subsection if the position remains filled pursuant to this subsection.

(2) New deputy or assistant clerk positions filled pursuant to this subsection."

CLARIFY TRIAL COURT ADMINISTRATOR NUMBERS AND LOCATIONS

SECTION 16.3.(a) G.S. 7A-355, as amended by Section 16.26 of this act, reads as rewritten:

"**§ 7A-355. Trial court administrators.**

The following districts or sets of districts as defined in G.S. 7A-41.1(a) shall have trial court ~~administrators: Set of districts 10A, 10B, 10C, 10D; District 22, District 27B, and District 28, and such~~ administrators, including other districts or sets of districts as may be designated by the Administrative Office of the ~~Courts.~~Courts:

Set of districts	10A, 10B, 10C, 10D, 10E, 10F
Set of districts	14A, 14B, 14C
Set of districts	16A, 16B
Set of districts	24A, 24B, 24C, 24D, 24E
Set of districts	31A, 31B, 31C, 31D
Set of districts	26A, 26B, 26C, 26D, 26E, 26F, 26G, 26H
District	39"

SECTION 16.3.(b) This section is effective when it becomes law.

TECHNICAL CHANGES TO ASSISTANT DISTRICT ATTORNEY ALLOCATIONS

SECTION 16.4.(a) G.S. 7A-60(a1) reads as rewritten:

"(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties and the number of full-time assistant district attorneys set forth in the following table:

Prosecutorial District	No. of Full-Time Asst. District Counties	Attorneys
…		
10	Wake	~~44~~45
…		
14	Cumberland	~~25~~26
…		
26	Mecklenburg	~~58~~62
…		
31	Forsyth	~~27~~28
…		
37	Randolph	~~10~~11
…		
43	Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain."	~~15~~16

SECTION 16.4.(b) G.S. 7A-60(a1), as amended by subsection (a) of this section, reads as rewritten:

"(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties and the number of full-time assistant district attorneys set forth in the following table:

Prosecutorial District	No. of Full-Time Asst. District Counties	Attorneys
…		
36	Burke, Caldwell	~~10~~11
…."		

SECTION 16.4.(c) Subsection (b) of this section becomes effective January 1, 2027. The remainder of this section becomes effective July 1, 2023.

ADDITION OF DISTRICT COURT JUDGES TO MULTIPLE COUNTIES, SPLIT OF DISTRICT COURT DISTRICT 43, TECHNICAL CORRECTION FOR MAGISTRATE ALLOCATION NUMBERS, AND ADDITION OF MAGISTRATES TO MULTIPLE COUNTIES

SECTION 16.5.(a) G.S. 7A-133(a), as amended by Section 16.26 of this act, reads as rewritten:

"(a) Each district court district shall have the numbers of judges as set forth in the following table:

District	Judges	County
…		
5	~~9~~10	Sampson Duplin Jones Onslow
…		
17	4~~5~~	Alamance
…		
22	~~4~~5	Caswell Rockingham
…		

34	45	Alleghany
		Ashe
		Wilkes
		Yadkin
…		
4343A	64	Cherokee
		Clay
		Graham
		~~Haywood~~
		~~Jackson~~
		Macon
		~~Swain.~~Swain
43B	3	Haywood
		Jackson."

SECTION 16.5.(b) G.S. 7A-133(c) reads as rewritten:

"(c) Each county shall have the numbers of magistrates and additional seats of district court, as set forth in the following table:

County	Magistrates Min.	Additional Seats of Court
…		
Gates	23	
…		
Martin	34	
…		
Pitt	11.513	Farmville
		Ayden
…		
Jones	23	
…		
New Hanover	1214	
Pender	4.85	
…		
Hertford	34	
…		
Wake	23.532	Apex, Wendell,
		Fuquay-Varina,
		Wake Forest
Harnett	87	Dunn
…		
Cumberland	1920	
Bladen	34	
…		
Durham	1318	
…		
Hoke	34	
…		
Stokes	34	
Surry	65	Mt. Airy
Guilford	25.432	High Point
Cabarrus	910	Kannapolis

Montgomery	~~3~~4	
…		
Anson	~~3~~4	
…		
Forsyth	~~16~~20	Kernersville
Alexander	~~3~~4	
…		
Davie	~~3~~4	
…		
Alleghany	~~2~~3	
…		
Yadkin	~~3~~4	
…		
Mecklenburg	~~31.5~~38.5	
…		
Henderson	~~6.5~~7	
McDowell	~~3~~4	
…		
Transylvania	~~3~~4	
Cherokee	~~3~~4	
Clay	~~2~~3	
Graham	~~2~~3	
…		
Jackson	~~3~~4	
Macon	~~3~~4	

…."

SECTION 16.5.(c) G.S. 7A-133(c), as amended by subsection (b) of this section, reads as rewritten:

"(c) Each county shall have the numbers of magistrates and additional seats of district court, as set forth in the following table:

County	Magistrates Min.	Additional Seats of Court
…		
Duplin	~~4~~5	
Jones	~~3~~4	
…		
Stanly	~~5~~6	
…		
Ashe	~~3~~4	

…."

SECTION 16.5.(d) Subsection (a) of this section becomes effective January 1, 2025, and elections conducted in 2024 shall be held accordingly. The remainder of this section becomes effective July 1, 2023.

MODIFY LOCAL JUDICIALLY MANAGED ACCOUNTABILITY AND RECOVERY COURT REPORTING AND MAKE TECHNICAL CORRECTION

SECTION 16.6.(a) G.S. 7A-801 reads as rewritten:

"**§ 7A-801. Monitoring and annual report.**

The Administrative Office of the Courts shall monitor all ~~State-recognized and funded~~ local judicially managed accountability and recovery courts, prepare an annual report on the

implementation, operation, and effectiveness of the ~~statewide~~ State judicially managed accountability and recovery court program, and submit the report to the ~~General Assembly~~ chairs of the House and Senate Appropriations Committees on Justice and Public Safety by March 1 of each year. Each judicially managed accountability and recovery court and any court authorized to remain a drug treatment court under G.S. 7A-802, shall submit evaluation reports to the Administrative Office of the Courts as requested."

SECTION 16.6.(b) G.S. 7A-796 reads as rewritten:

"**§ 7A-796. Local judicially managed accountability and recovery court committees.**

Each judicial district choosing to establish a local judicially managed accountability and recovery court shall form a local judicially managed accountability and recovery court committee, which shall be comprised to assure representation appropriate to the type or types of local judicially managed accountability and recovery court operations to be conducted in the district and shall consist of persons appointed by the senior resident superior court judge with the concurrence of the chief district court judge and the district attorney for that district, chosen from the following list:

…

(20) Any other persons selected by the local ~~management~~ judicially managed accountability and recovery court committee.

The local ~~drug treatment~~ judicially managed accountability and recovery court ~~management~~ committee shall develop local guidelines and procedures, not inconsistent with the State guidelines, that are necessary for the operation and evaluation of the local ~~drug treatment~~ judicially managed accountability and recovery court."

SECTION 16.6.(c) This section is effective when it becomes law.

ADD SUPERIOR COURT JUDGE TO SUPERIOR COURT DISTRICTS 2 AND 38

SECTION 16.7.(a) G.S. 7A-41(a), as amended by Section 16.26 of this act, reads as rewritten:

"(a) The counties of the State are organized into judicial divisions and superior court districts, and each superior court district has the counties, and the number of regular resident superior court judges set forth in the following table, and for districts of less than a whole county, as set out in subsection (b) of this section:

Judicial Division	Superior Court District	Counties	No. of Resident Judges
…			
First	2	Beaufort, Hyde, Martin, Tyrrell, Washington	~~1~~2
…			
Fifth	38	Gaston	~~2~~3

…."

SECTION 16.7.(b) This section becomes effective January 1, 2025, and elections conducted in 2024 shall be held accordingly.

REPORTING REQUIREMENT FOR THE NC LEGAL EDUCATION ASSISTANCE FOUNDATION (NC LEAF) AND RESTRICTIONS ON USE OF FUNDS

SECTION 16.9.(a) No later than February 1 of each fiscal year of the 2023-2025 fiscal biennium, the NC Legal Education Assistance Foundation (NC LEAF) shall report to the Joint Legislative Oversight Committee on Justice and Public Safety, at a minimum, all of the following:

(1) An accounting of all loan repayment assistance funds distributed during the prior year.
(2) The number of individuals that received funds from the Foundation during the prior year.
(3) The job titles and salaries of the individuals that received funds from the Foundation during the prior year.

SECTION 16.9.(b) Funds provided to the North Carolina Legal Education Assistance Foundation (NC LEAF) for the 2023-2025 fiscal biennium shall not be used to provide assistance to attorneys working for Legal Aid of North Carolina, Inc.

SECTION 16.9.(c) Subsection (b) of this section becomes effective July 1, 2023. The remainder of this section is effective when it becomes law.

RAISE MANDATORY RETIREMENT AGE FOR APPELLATE JUDGES

SECTION 16.14.(a) Article 1B of Chapter 7A of the General Statutes is repealed.

SECTION 16.14.(b) G.S. 7A-5 reads as rewritten:

"**§ 7A-5. ~~Organization.~~Organization and age limit for service as justice or judge.**

(a) The appellate division of the General Court of Justice consists of the Supreme Court and the Court of Appeals.

(b) No justice or judge of the appellate division of the General Court of Justice may continue in office beyond the last day of the month in which the justice or judge attains 76 years of age, but justices and judges so retired may be recalled for periods of temporary service as provided in this Subchapter."

SECTION 16.14.(c) G.S. 7A-39.3(a) reads as rewritten:

"(a) Justices of the Supreme Court and judges of the Court of Appeals who have not reached the mandatory retirement age specified in ~~G.S. 7A-4.20,~~ G.S. 7A-5(b), but who have retired under the provisions of G.S. 7A-39.2, or under the Uniform Judicial Retirement Act after having completed 12 years of creditable service, may apply as provided in G.S. 7A-39.6 to become emergency justices or judges and upon being commissioned as an emergency justice or emergency judge shall be subject to temporary recall to active service in place of a justice or judge who is temporarily incapacitated as provided in G.S. 7A-39.5."

SECTION 16.14.(d) G.S. 7A-39.6 reads as rewritten:

"**§ 7A-39.6. Application to the Governor; commission as emergency justice or emergency judge.**

No retired justice of the Supreme Court or retired judge of the Court of Appeals may become an emergency justice or emergency judge except upon his written application to the Governor certifying his desire and ability to serve as an emergency justice or emergency judge. If the Governor is satisfied that the applicant qualifies under G.S. 7A-39.3(a) to become an emergency justice or emergency judge and that he is physically and mentally able to perform the official duties of an emergency justice or emergency judge, he shall issue to such applicant a commission as an emergency justice or emergency judge of the court from which he retired. The commission shall be effective upon the date of its issue and shall terminate when the judge to whom it is issued reaches the maximum age for judicial service under ~~G.S. 7A-4.20(a).~~G.S. 7A-5(b)."

SECTION 16.14.(e) G.S. 7A-39.15(a) reads as rewritten:

"(a) A retired justice or judge of the Appellate Division of the General Court of Justice is eligible to be appointed as an emergency recall judge of the Court of Appeals ~~under~~ if the justice or judge meets each of the following ~~circumstances:~~requirements:

(1) The justice or judge has retired under the provisions of the Consolidated Judicial Retirement Act, Article 4 of Chapter 135 of the General Statutes, or is eligible to receive a retirement allowance under that ~~act;~~act.
(2) The justice or judge has not reached the mandatory retirement age specified in ~~G.S. 7A-4.20;~~G.S. 7A-5(b).

(3) The justice or judge has served a total of at least five years as a judge or justice of the General Court of Justice, provided that at least six months was served in the Appellate Division, whether or not otherwise eligible to serve as an emergency justice or judge of the Appellate Division of the General Court of ~~Justice;~~Justice.

(4) The judicial service of the justice or judge ended within the preceding 15 ~~years; and~~years.

(5) The justice or judge has applied to the Governor for appointment as an emergency recall judge of the Court of Appeals in the same manner as is provided for application in G.S. 7A-53. If the Governor is satisfied that the applicant meets the requirements of this section and is physically and mentally able to perform the duties of a judge of the Court of Appeals, the Governor shall issue a commission appointing the applicant as an emergency recall judge of the Court of Appeals until the applicant reaches the mandatory retirement age for judges of the Court of Appeals specified in ~~G.S. 7A-4.20.~~G.S. 7A-5(b).

Any former justice or judge of the Appellate Division of the General Court of Justice who otherwise meets the requirements of this section to be appointed an emergency recall judge of the Court of Appeals, but who has already reached the mandatory retirement age for judges of the Court of Appeals set forth in ~~G.S. 7A-4.20,~~ G.S. 7A-5(b), may apply to the Governor to be appointed as an emergency recall judge of the Court of Appeals as provided in this section. If the Governor issues a commission to the applicant, the retired justice or judge is subject to recall as an emergency recall judge of the Court of Appeals as provided in this section."

SECTION 16.14.(f) Article 7 of Chapter 7A of the General Statutes is amended by adding a new section to read:

"**§ 7A-40.1. Age limit for service as superior court judge; exception.**

No superior court judge may continue in office beyond the last day of the month in which the superior court judge attains 72 years of age, but superior court judges so retired may be recalled for periods of temporary service as provided in this Subchapter."

SECTION 16.14.(g) G.S. 7A-45.2 reads as rewritten:

"**§ 7A-45.2. Emergency special judges of the superior court; qualifications, appointment, removal, and authority.**

(a) Any justice or judge of the appellate division of the General Court of Justice ~~who:~~that meets each of the following requirements may apply to the Governor for appointment as an emergency special superior court judge in the same manner as is provided for application as an emergency superior court judge in G.S. 7A-53:

(1) Retires under the provisions of the Consolidated Judicial Retirement Act, Article 4 of Chapter 135 of the General Statutes, or who is eligible to receive a retirement allowance under that ~~act;~~act.

(2) Has not reached the mandatory retirement age specified in ~~G.S. 7A-4.20;~~G.S. 7A-5(b).

(3) Has served at least five years as a superior court judge or five years as a justice or judge of the appellate division of the General Court of Justice, or any combination thereof, whether or not eligible to serve as an emergency justice or judge of the appellate division of the General Court of ~~Justice; and~~Justice.

(4) Whose judicial service ended within the preceding 10 ~~years;~~years.

~~may apply to the Governor for appointment as an emergency special superior court judge in the same manner as is provided for application as an emergency superior court judge in G.S. 7A-53.~~ If the Governor is satisfied that the applicant meets the requirements of this section and is physically and mentally able to perform the duties of a superior court judge, the Governor shall issue a commission appointing the applicant as an emergency special superior court judge until

the applicant reaches the mandatory retirement age for superior court judges specified in ~~G.S. 7A-4.20.~~G.S. 7A-40.1.

(b) Any emergency special superior court judge appointed as provided in this section shall:

(1) Have the same powers and duties, when duly assigned to hold court, as provided for an emergency superior court judge by ~~G.S. 7A-48;~~G.S. 7A-48.

(2) Be subject to assignment in the same manner as provided for an emergency superior court judge by G.S. 7A-46 and ~~G.S. 7A-52(a);~~G.S. 7A-52(a).

(3) Receive the same compensation, expenses, and allowances, when assigned to hold court, as an emergency superior court judge as provided by ~~G.S. 7A-52(b);~~G.S. 7A-52(b).

(4) Be subject to the provisions and requirements of the Canons of Judicial ~~Conduct; and~~Conduct.

…

(c) Upon reaching mandatory retirement age for superior court judges as set forth in ~~G.S. 7A-4.20,~~ G.S. 7A-40.1, any emergency special superior court judge appointed pursuant to this section, whose commission has expired, may be recalled as a recalled emergency special superior court judge to preside over any regular or special session of the superior court ~~under~~ if each of the following ~~circumstances:~~requirements is satisfied:

(1) The judge shall consent to the ~~recall;~~recall.

(2) The Chief Justice may order the ~~recall;~~recall.

(3) Prior to ordering recall, the Chief Justice shall be satisfied that the recalled judge is capable of efficiently and promptly discharging the duties of the office to which ~~recalled;~~recalled.

(4) Jurisdiction of a recalled emergency special superior court judge is as set forth in ~~G.S. 7A-48;~~G.S. 7A-48.

(5) Orders of recall and assignment shall be in writing and entered upon the minutes of the court to which ~~assigned; and~~the judge is assigned.

…

(d) Any former justice or judge of the appellate division of the General Court of Justice who otherwise meets the requirements of subsection (a) of this section to be appointed an emergency special superior court judge but has already reached the mandatory retirement age for superior court judges set forth in ~~G.S. 7A-4.20~~ G.S. 7A-40.1 on retirement may, in lieu of serving as an emergency judge of the court from which he retired, apply to the Governor to be appointed as an emergency special superior court judge as provided in this section. If the Governor issues a commission to the applicant, the retired justice or judge is subject to recall as an emergency special superior court judge as provided in subsection (c) of this section.

…."

SECTION 16.14.(h) G.S. 7A-52(a) reads as rewritten:

"(a) Judges of the district court and judges of the superior court who have not reached the mandatory retirement age specified in ~~G.S. 7A-4.20,~~ G.S. 7A-40.1 and G.S. 7A-140.1, respectively, but who have retired under the provisions of G.S. 7A-51, or under the Uniform Judicial Retirement Act after having completed five years of creditable service, may apply as provided in G.S. 7A-53 to become emergency judges of the court from which they retired. From the commissioned emergency district, superior, and special superior court judges, the Chief Justice of the Supreme Court shall create two lists of active emergency judges and two lists of inactive emergency judges. For emergency superior and special superior court judges, the active list shall be limited to a combined total of 10 emergency judges; all other emergency superior and special superior court judges shall be on an inactive list. For emergency district court judges, the active list shall be limited to 25 emergency judges; all other emergency district court judges shall be on an inactive list. There is no limit to the number of emergency judges on either inactive

list. In the Chief Justice's discretion, emergency judges may be added or removed from their respective active and inactive lists, as long as the respective numerical limits on the active lists are observed. The Chief Justice is requested to consider geographical distribution in assigning emergency judges to an active list but may utilize any factor in determining which emergency judges are assigned to an active list. The Chief Justice of the Supreme Court may order any emergency district, superior, or special superior court judge on an active list who, in ~~his~~ the Chief Justice's opinion, is competent to perform the duties of a ~~judge,~~ judge and to hold regular or special sessions of the court from which the judge retired, as needed. Order of assignment shall be in writing and entered upon the minutes of the court to which ~~such~~ the emergency judge is assigned. An emergency judge shall only be assigned in the event of a:

…."

SECTION 16.14.(i) G.S. 7A-53 reads as rewritten:

"**§ 7A-53. Application to the Governor; commission as emergency judge.**

No retired judge of the district or superior court may become an emergency judge except upon ~~his~~ the judge's written application to the Governor certifying ~~his~~ the judge's desire and ability to serve as an emergency judge. If the Governor is satisfied that the applicant qualifies under G.S. 7A-52(a) to become an emergency judge and ~~that he~~ the applicant is physically and mentally able to perform the official duties of an emergency judge, ~~he~~ the Governor shall issue to ~~such~~ the applicant a commission as an emergency judge of the court from which ~~he~~ the applicant retired. The commission shall be effective upon the date of its issue and shall terminate when the judge to whom it is issued reaches the maximum age for judicial service under ~~G.S. 7A-4.20(a).~~G.S. 7A-40.1 or G.S. 7A-140.1, whichever is applicable."

SECTION 16.14.(j) Article 14 of Chapter 7A of the General Statutes is amended by adding a new section to read:

"**§ 7A-140.1. Age limit for service as district judge; exception.**

No district judge may continue in office beyond the last day of the month in which the district judge attains 72 years of age, but district judges so retired may be recalled for periods of temporary service as provided in this Subchapter."

SECTION 16.14.(k) G.S. 7A-170(b) reads as rewritten:

"(b) No magistrate may continue in office beyond the last day of the month in which the magistrate reaches the mandatory retirement age for ~~justices and~~ district judges ~~of the General Court of Justice~~ specified in ~~G.S. 7A-4.20.~~G.S. 7A-140.1."

SECTION 16.14.(*l*) G.S. 135-57(b) reads as rewritten:

"(b) Any member who is a justice or judge of the General Court of Justice shall be automatically retired as of the ~~first~~ last day of the calendar month ~~coinciding with or next following the later of January 1, 1974, or his attainment of his seventy-second birthday; provided, however, that no judge who is a member on January 1, 1974, shall be forced to retire under the provisions of this subsection at an earlier date than the last day that he is permitted to remain in office under the provisions of G.S. 7A-4.20.~~in which the justice or judge reaches the maximum age for judicial service under G.S. 7A-5(b), 7A-40.1, or 7A-140.1, whichever is applicable."

SECTION 16.14.(m) This section is effective when it becomes law and applies to justices, judges, and magistrates serving on or after that date, provided that nothing in this section shall be construed to automatically halt the retirement process of a justice, judge, or magistrate that has already initiated that process.

MODIFY MEMBERS AND REPORTING REQUIREMENTS OF THE SENTENCING AND POLICY ADVISORY COMMISSION AS RECOMMENDED BY THE SENTENCING AND POLICY ADVISORY COMMISSION

SECTION 16.16.(a) G.S. 164-37 reads as rewritten:

"**§ 164-37. Membership; chairman; meetings; quorum.**

The Commission shall consist of ~~28~~ 29 members as follows:

(1) The Chief Justice of the North Carolina Supreme Court shall appoint a sitting or former Justice or judge of the General Court of Justice, who shall serve as Chairman of the ~~Commission;~~Commission.

(2) The Chief Judge of the North Carolina Court of Appeals, or another judge on the Court of Appeals, serving as ~~his designee;~~the Chief Judge's designee.

(3) The Secretary of the Department of Adult Correction or ~~his designee;~~the Secretary's designee.

…

(5) The Chairman of the Post-Release Supervision and Parole Commission, or ~~his designee;~~the Chairman's designee.

(6) The President of the Conference of Superior Court Judges or ~~his designee;~~the President's designee.

(7) The President of the District Court Judges Association or ~~his designee;~~the President's designee.

(8) The President of the North Carolina Sheriff's Association or ~~his designee;~~the President's designee.

(9) The President of the North Carolina Association of Chiefs of Police or ~~his designee;~~the President's designee.

(10) One member of the public at large, who is not currently licensed to practice law in North Carolina, to be appointed by the ~~Governor;~~Governor.

(11) One member to be appointed by the Lieutenant ~~Governor;~~Governor.

(12) Three members of the House of Representatives, to be appointed by the Speaker of the ~~House;~~House.

(13) Three members of the Senate, to be appointed by the President Pro Tempore of the ~~Senate;~~Senate.

(14) The President Pro Tempore of the Senate shall appoint the representative of the North Carolina System of Community ~~Sentencing Association~~ Colleges who has knowledge of programs provided to offenders in the criminal justice system or to juveniles in the juvenile justice system that is recommended by the President of that ~~organization;~~organization.

(15) The Speaker of the House of Representatives shall appoint the member of the business community that is recommended by the President of the North Carolina Retail Merchants ~~Association;~~Association.

(16) The Chief Justice of the North Carolina Supreme Court shall appoint the criminal defense attorney that is recommended by the President of the North Carolina ~~Academy of Trial Lawyers;~~Advocates for Justice.

(17) The President of the Conference of District Attorneys or ~~his designee;~~the President's designee.

(18) The Lieutenant Governor shall appoint the member of the North Carolina Victim Assistance Network that is recommended by the President of that ~~organization;~~organization.

(19) A rehabilitated former prison inmate, to be appointed by the Chairman of the ~~Commission;~~Commission.

(20) The President of the North Carolina Association of County Commissioners or ~~his designee;~~the President's designee.

(21) The Governor shall appoint the member of the academic community, with a background in criminal justice or corrections policy, that is recommended by the President of The University of North ~~Carolina;~~Carolina.

(22) The Attorney General, or a member of ~~his~~ the Attorney General's staff, to be appointed by the Attorney ~~General;~~General.

…

(24) A ~~member of the Justice Fellowship Task Force, who is a resident of North Carolina,~~ citizen of this State who works in either the criminal justice system or the juvenile justice system, depending on the current work of the Sentencing and Policy Advisory Commission, to be appointed by the Chairman of the Sentencing and Policy Advisory Commission.

(25) The President of the ~~Association~~ North Carolina Conference of Clerks of Superior ~~Court of North Carolina,~~ Court, or ~~his designee.~~the President's designee.

…

(27) The Secretary of the Department of Public Safety or the Secretary's designee.

The Commission shall have its initial meeting no later than September 1, 1990, at the call of the Chairman. The Commission shall meet a minimum of four regular meetings each year. The Commission may also hold special meetings at the call of the Chairman, or by any four members of the Commission, upon such notice and in such manner as may be fixed by the rules of the Commission. A majority of the members of the Commission shall constitute a quorum."

SECTION 16.16.(b) G.S. 164-47 reads as rewritten:

"**§ 164-47. Biennial Report on Recidivism.**

The Judicial Department, through the North Carolina Sentencing and Policy Advisory ~~Commission, the Division of Prisons of the Department of Adult Correction, and the Division of Community Supervision and Reentry of~~ Commission and the Department of Adult ~~Correction~~ Correction, shall jointly conduct ongoing evaluations of community corrections programs and in-prison treatment programs and make a biennial report to the General Assembly. The report shall include composite measures of program effectiveness based on recidivism rates, other outcome measures, and costs of the programs.

During the 1998-99 fiscal year, the Sentencing and Policy Advisory Commission shall coordinate the collection of all data necessary to create an expanded database containing offender information on prior convictions, current conviction and sentence, program participation, and outcome measures. Each program to be evaluated shall assist the Commission in the development of systems and collection of data necessary to complete the evaluation process. The first evaluation report shall be presented to the Chairs of the Senate and House Appropriations Committees and the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety by April 15, 2000, and future reports shall be made by April 15 of each even-numbered year."

SECTION 16.16.(c) G.S. 164-50 reads as rewritten:

"**§ 164-50. Annual report on implementation of Justice Reinvestment Project.**

The Judicial Department, through the North Carolina Sentencing and Policy Advisory ~~Commission,~~ Commission and the ~~Division~~ Department of ~~Prisons~~ Adult Correction, shall jointly conduct ongoing evaluations regarding the implementation of the Justice Reinvestment Act of 2011. The Commission shall present the first evaluation report to the Joint Legislative Correction, Crime Control, and Juvenile Justice Oversight Committee and to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety by April 15, 2012, and future reports shall be made annually by April 15 of each year."

CONSOLIDATE COURTS IN ROBESON COUNTY

SECTION 16.17. No later than January 1, 2025, Robeson County shall cease the use of satellite court locations.

CREATE NEW SPECIAL SUPERIOR COURT JUDGES

SECTION 16.19.(a) G.S. 7A-45.1 reads as rewritten:

"**§ 7A-45.1. Special judges.**

…

(a10) Except for the judgeships abolished pursuant to subsection (a8) of this section, and except as provided in subsection (a12) of this section, upon the retirement, resignation, removal from office, death, or expiration of the term of any special superior court judge on or after September 1, 2014, each judgeship shall be filled for a full ~~five-year~~ eight-year term beginning upon the judge's taking office according to the following procedure prescribed by the General Assembly pursuant to Article IV, Section 9(1) of the North Carolina Constitution. As each judgeship becomes vacant or the term expires, the Governor shall submit the name of a nominee for that judgeship to the General Assembly for confirmation by ratified joint resolution. Upon each such confirmation, the Governor shall appoint the confirmed nominee to that judgeship.

However, upon the failure of the Governor to submit the name of a nominee within 90 days of the occurrence of the vacancy or within 90 days of the expiration of the judge's term, as applicable, the President Pro Tempore of the Senate and the Speaker of the House of Representatives jointly shall submit the name of a nominee to the General Assembly. The appointment shall then be made by enactment of a bill. The bill shall state the name of the person being appointed, the office to which the appointment is being made, and the county of residence of the appointee.

The Governor may withdraw any nomination prior to it failing on any reading, and in case of such withdrawal the Governor shall submit a different nomination within 45 days of withdrawal. If a nomination shall fail any reading, the Governor shall submit a different nomination within 45 days of such failure. In either case of failure to submit a new nomination within 45 days, the President Pro Tempore of the Senate and the Speaker of the House of Representatives shall submit the name of a nominee to the General Assembly under the procedure provided in the preceding paragraph.

No person shall occupy a special superior court judgeship authorized under this subsection in any capacity, or have any right to, claim upon, or powers of those judgeships, unless that person's nomination has been confirmed by the General Assembly by joint resolution or appointed through the enactment of a bill upon the failure of the Governor to submit a nominee. Until confirmed by the General Assembly and appointed by the Governor, or appointed by the General Assembly upon the failure of the Governor to appoint a nominee, and qualified by taking the oath of office, a nominee is neither a de jure nor a de facto officer.

…

(a12) In addition to any other special superior court judges authorized by law, effective January 1, 2024, the General Assembly may appoint by enactment of a bill 10 special superior court judges to serve terms expiring at the earlier of (i) eight years from the date that each judge takes office or (ii) the date of the judge's death, retirement, resignation, or removal from office. A bill appointing a special superior court judge under this subsection shall state the name of the person being appointed, the office to which the appointment is being made, and the judicial division of residence of the appointee. Five of these judges shall be nominated by the Speaker of the House of Representatives, one residing in each of the five judicial divisions listed under G.S. 7A-41, and five shall be nominated by the President Pro Tempore of the Senate, one residing in each of the five judicial divisions listed under G.S. 7A-41.

Upon the natural expiration of the term of a special superior court judge appointed pursuant to this subsection, or upon the expiration of a term due to a judge's death, retirement, resignation, or removal from office, a successor shall be appointed to a new term in the same manner and for the same length as other judges appointed pursuant to this subsection. The legislative officer who nominated the special superior court judge whose term has ended shall nominate the new special superior court judge.

A special superior court judge takes the same oath of office and is subject to the same requirements and disabilities as are or may be prescribed by law for regular judges of the superior court, save the requirement of residence in a particular district.

(b) A special judge is subject to removal from office for the same causes and in the same manner as a regular judge of the superior court, and a vacancy occurring in the office of special ~~judge~~ judge, except as provided for in subsection (a12) of this section, is filled by the Governor by appointment for the unexpired term.

…."

SECTION 16.19.(b) Notwithstanding any other provision of law to the contrary, special superior court judgeships in place as of April 1, 2023, whether filled or vacant, shall be extended to an eight-year term. This subsection shall apply to all special superior court judges currently filling these judgeships, whether serving an appointment for a full term or serving the remainder of an unexpired term, in which case the unexpired term shall be similarly extended to be an eight-year term.

MODIFY JUDICIAL STANDARDS COMMISSION MEMBERSHIP

SECTION 16.20.(a) G.S. 7A-375(a) reads as rewritten:

"(a) Composition. – The Judicial Standards Commission shall consist of the following residents of North Carolina: ~~two~~

(1) Two Court of Appeals ~~judges, two~~ judges, each appointed by the Chief Justice of the Supreme Court.

(2) Two superior court ~~judges, and two~~ judges, each appointed by the Chief Justice of the Supreme Court.

(3) Two district court judges, each appointed by the Chief Justice of the Supreme ~~Court; four members of the State Bar who have actively practiced in the courts of the State for at least 10 years, elected by the State Bar Council; and four~~ Court.

(4) Four judges appointed by the General Assembly in accordance with G.S. 120-121, selected as follows:

a. One district court judge recommended by the President Pro Tempore of the Senate.

b. One district court judge recommended by the Speaker of the House of Representatives.

c. One superior court judge recommended by the President Pro Tempore of the Senate.

d. One superior court judge recommended by the Speaker of the House of Representatives.

(5) Four citizens who are not judges, active or retired, nor members of the State Bar, two appointed by the Governor, and two appointed by the General Assembly in accordance with G.S. 120-121, one upon recommendation of the President Pro Tempore of the Senate and one upon recommendation of the Speaker of the House of Representatives.

The General Assembly shall also appoint alternate Commission members for the Commission members the General Assembly has appointed to serve in the event of scheduling conflicts, conflicts of interest, disability, or other disqualification arising in a particular case. The alternate members shall have the same qualifications for appointment as the original members."

SECTION 16.20.(b) This section is effective when it becomes law and shall be utilized in the appointment of members to the Judicial Standards Commission following the conclusion of the terms of each of the four members previously elected by the State Bar Council.

FACILITATE DETERMINATIONS REGARDING FACIAL CHALLENGES TO THE VALIDITY OF AN ACT OF THE GENERAL ASSEMBLY AND MODIFY THE PROVISIONS REGARDING APPEALS OF RIGHT TO THE NORTH CAROLINA SUPREME COURT

SECTION 16.21.(a) G.S. 1-267.1 reads as rewritten:

"Article 26A.

"Three-Judge Panel for Redistricting Challenges and for Certain Challenges to State Laws.

"**§ 1-267.1. Three-judge panel for actions challenging plans apportioning or redistricting State legislative or congressional districts; claims challenging the facial validity of an act of the General Assembly.**

(a) Any action challenging the validity of any act of the General Assembly that apportions or redistricts State legislative or congressional districts shall be filed in the Superior Court of Wake ~~County and~~ County. Any action that is a facial challenge to the validity of an act of the General Assembly shall be, unless filed in the Superior Court of Wake County, transferred pursuant to G.S. 1A-1, Rule 42(b)(4), to the Superior Court of Wake County.

All actions referenced in this subsection shall be heard and determined by a three-judge panel of the Superior Court of Wake County organized as provided by subsection ~~(b)~~ (b2) of this section.

~~(a1) Except as otherwise provided in subsection (a) of this section, any facial challenge to the validity of an act of the General Assembly shall be transferred pursuant to G.S. 1A-1, Rule 42(b)(4), to the Superior Court of Wake County and shall be heard and determined by a three judge panel of the Superior Court of Wake County, organized as provided by subsection (b2) of this section.~~

~~(b) Whenever any person files in the Superior Court of Wake County any action challenging the validity of any act of the General Assembly that apportions or redistricts State legislative or congressional districts, a copy of the complaint shall be served upon the senior resident superior court judge of Wake County, who shall be the presiding judge of the three judge panel required by subsection (a) of this section. Upon receipt of that complaint, the senior resident superior court judge of Wake County shall notify the Chief Justice, who shall appoint two additional resident superior court judges to the three judge panel of the Superior Court of Wake County to hear and determine the action. Before making those appointments, the Chief Justice shall consult with the North Carolina Conference of Superior Court Judges, which shall provide the Chief Justice with a list of recommended appointments. To ensure that members of the three judge panel are drawn from different regions of the State, the Chief Justice shall appoint to the three judge panel one resident superior court judge from the First through Third Judicial Divisions and one resident superior court judge from the Fourth through Fifth Judicial Divisions. In order to ensure fairness, to avoid the appearance of impropriety, and to avoid political bias, no member of the panel, including the senior resident superior court judge of Wake County, may be a former member of the General Assembly. Should the senior resident superior court judge of Wake County be disqualified or otherwise unable to serve on the three judge panel, the Chief Justice shall appoint another resident superior court judge of Wake County as the presiding judge of the three judge panel. Should any other member of the three judge panel be disqualified or otherwise unable to serve on the three judge panel, the Chief Justice shall appoint as a replacement another resident superior court judge from the same group of judicial divisions as the resident superior court judge being replaced.~~

~~(b1) Any facial challenge to the validity of an act of the General Assembly filed in the Superior Court of Wake County, other than a challenge to plans apportioning or redistricting State legislative or congressional districts that shall be heard pursuant to subsection (b) of this section, or any claim transferred to the Superior Court of Wake County pursuant to subsection (a1) of this section, shall be assigned by the senior resident Superior Court Judge of Wake County to a three judge panel established pursuant to subsection (b2) of this section.~~

(b2) For each challenge ~~to the validity of statutes and acts subject to subsection (a1)~~ referenced in subsection (a) of this section, the Chief Justice of the Supreme Court shall appoint three ~~resident~~ superior court judges to a three-judge panel of the Superior Court of Wake County to hear the challenge. The Chief Justice shall appoint a presiding judge of each three-judge panel.

~~To ensure that members of each three-judge panel are drawn from different regions of the State, the Chief Justice shall appoint to each three-judge panel one resident superior court judge from the First or Second Judicial Division, one resident superior court judge from the Third or Fourth Judicial Division, and one resident superior court judge from the Fifth Judicial Division.~~ Should any member of a three-judge panel be disqualified or otherwise unable to serve on the three-judge panel or be removed from the panel at the discretion of the Chief Justice, the Chief Justice shall appoint as a replacement another ~~resident~~ superior court ~~judge from the same group of judicial divisions as the resident superior court judge being replaced.~~judge. No member of the panel on an action challenging the validity of any act of the General Assembly that apportions or redistricts State legislative or congressional districts may be a former member of the General Assembly.

(c) No order or judgment shall be entered affecting the validity of any act of the General Assembly that apportions or redistricts State legislative or congressional districts, or finds that an act of the General Assembly is facially invalid on the basis that the act violates the North Carolina Constitution or federal law, except by a three-judge panel of the Superior Court of Wake County organized as provided by subsection ~~(b) or subsection~~ (b2) of this section. In the event of disagreement among the three ~~resident~~ superior court judges comprising a three-judge panel, then the opinion of the majority shall prevail.

(d) This section applies only to civil proceedings. Nothing in this section shall be deemed to apply to criminal proceedings, to proceedings under Chapter 15A of the General Statutes, to proceedings making a collateral attack on any judgment entered in a criminal proceeding, or to civil proceedings filed by a taxpayer pursuant to G.S. 105-241.17.

(e) For the purposes of this section, the position of superior court judge shall include regular, special, and emergency superior court judges."

SECTION 16.21.(b) G.S. 1A-1, Rule 42 of the North Carolina Rules of Civil Procedure reads as rewritten:

"**Rule 42. Consolidation; separate trials.**

(a) Consolidation. – Except as provided in subdivision (b)(2) of this section, when actions involving a common question of law or fact are pending in one division of the court, the judge may order a joint hearing or trial of any or all the matters in issue in the actions; ~~he~~ the judge may order all the actions consolidated; and ~~he~~ the judge may make such orders concerning proceedings therein as may tend to avoid unnecessary costs or delay. When actions involving a common question of law or fact are pending in both the superior and the district court of the same county, a judge of the superior court in which the action is pending may order all the actions consolidated, and ~~he~~ the judge may make such orders concerning proceedings therein as may tend to avoid unnecessary costs or delay.

(b) Separate trials. –

…

(4) Pursuant to G.S. 1-267.1, any facial challenge to the validity of an act of the General Assembly, other than a challenge to plans apportioning or redistricting State legislative or congressional districts, shall be heard by a three-judge panel in the Superior Court of Wake County if a claimant raises such a challenge in the claimant's complaint or amended complaint in any court in this State, or if such a challenge is raised by the defendant in the defendant's answer, responsive pleading, or within 30 days of filing the defendant's answer or responsive pleading. In that event, the court shall, on its own ~~motion,~~ motion or the motion of a party, transfer that portion of the action challenging the validity of the act of the General Assembly to the Superior Court of Wake County for resolution by a ~~three-judge~~ three-judge panel if, after all other matters in the action have been resolved, a determination as to the facial validity of an act of the General Assembly must be made in order to completely resolve any matters in the case. The court in which the action

originated shall maintain jurisdiction over all matters other than the challenge to the act's facial validity. For a motion filed under Rule 11 or Rule 12(b)(1) through (7), the original court shall rule on the motion, however, it may decline to rule on a motion that is based solely upon Rule 12(b)(6). If the original court declines to rule on a Rule 12(b)(6) motion, the motion shall be decided by the three-judge panel. The original court shall stay all matters that are contingent upon the outcome of the challenge to the act's facial validity pending a ruling on that challenge and until all appeal rights are exhausted. Once the three-judge panel has ruled and all appeal rights have been exhausted, the matter shall be transferred or remanded to the three-judge panel or the trial court in which the action originated for resolution of any outstanding matters, as appropriate."

SECTION 16.21.(c) G.S. 7A-27(b) reads as rewritten:

"(b) Except as provided in subsection (a) of this section, appeal lies of right directly to the Court of Appeals in any of the following cases:

…

(3) From any interlocutory order or judgment of a superior court or district court in a civil action or proceeding that does any of the following:

…

g. Denies, upon the court's own motion or the motion of a party, the transfer of an action or proceeding pursuant to Rule 42(b)(4) of the North Carolina Rules of Civil Procedure.

…."

SECTION 16.21.(d) G.S. 7A-30 reads as rewritten:

"**§ 7A-30. Appeals of right from certain decisions of the Court of Appeals.**

Except as provided in G.S. 7A-28, an appeal lies of right to the Supreme Court from any decision of the Court of Appeals rendered in a case:

(1) Which directly involves a substantial question arising under the Constitution of the United States or of this ~~State, or~~State.

~~(2) In which there is a dissent when the Court of Appeals is sitting in a panel of three judges. An appeal of right pursuant to this subdivision is not effective until after the Court of Appeals sitting en banc has rendered a decision in the case, if the Court of Appeals hears the case en banc, or until after the time for filing a motion for rehearing of the cause by the Court of Appeals has expired or the Court of Appeals has denied the motion for rehearing.~~"

SECTION 16.21.(e) Subsection (d) of this section is effective when it becomes law and applies to appellate cases filed with the Court of Appeals on or after that date. The remainder of this section is effective when it becomes law and applies to civil actions pending or filed on or after that date.

INCLUDE DOLLAR AMOUNTS ON COURT COST WAIVER REPORT

SECTION 16.22.(a) G.S. 7A-350 reads as rewritten:

"**§ 7A-350. Annual report on criminal court cost waivers.**

The Administrative Office of the Courts shall maintain records of all cases in which a judge makes a finding of just cause to grant a waiver of criminal court costs under G.S. 7A-304(a) and shall report on those ~~waivers~~ waivers, including an exact or best estimate of the dollar amount of each waiver, to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1 of each year. The report shall aggregate the waivers by the district in which the waiver or waivers were granted and by the name of each judge granting a waiver or waivers."

SECTION 16.22.(b) This section becomes effective January 1, 2024, and applies to waivers granted on or after that date.

COMPETITIVE GRANTS FOR NONPROFIT ORGANIZATIONS PROVIDING SERVICES TO VICTIMS OF HUMAN TRAFFICKING

SECTION 16.23.(a) Article 29 of Chapter 7A of the General Statutes is amended by adding a new section to read:

"**§ 7A-354.1. Human Trafficking Commission Competitive Grant Program.**

(a) Established. – The Human Trafficking Commission shall develop and implement the Human Trafficking Commission Competitive Grant Program.

(b) Criteria. – The following criteria shall apply to the Grant Program:

(1) Grant applicants shall satisfy all of the following:

a. Be a nonprofit corporation.

b. Provide direct services to victims of human trafficking, which may include case management, client safety, client well-being, and other services, including health, transportation, housing, education, and employment assistance.

c. Be ineligible for a grant under the provisions of G.S. 50B-9 and G.S. 143B-394.21.

d. Submit a detailed proposal of its human trafficking service program which shall, at a minimum, include each of the following:

1. A description of the geographic area the organization serves and the needs of victims of human trafficking in that area.

2. A plan to address the needs of victims, including the goals and objectives of each proposed initiative.

3. The time line for implementing each proposed initiative to achieve the desired objective and the names of any partners with whom the organization will be working and the role of those partners in the proposed initiative.

4. A list of the specific services each proposed initiative will deliver, which may include case management, client safety, client well-being, and other services, including health, transportation, housing, education, and employment assistance.

5. The anticipated planning and administrative costs for each proposed initiative, sorted by type, including staffing, fixed costs, contracts, and information technology.

6. A description of the organization's capacity to implement its plan to address the needs of victims, including the organization's staffing level, systems, partnerships, existing funding, and existing programs.

7. Any additional information deemed appropriate by the Commission.

(2) The Commission shall coordinate outreach efforts with the North Carolina Council for Women and Youth Involvement (Council), State agencies, and local partners to make information regarding the grant funds available to eligible organizations within two weeks after this section becomes law.

(3) The Commission shall, upon receipt of all applications by the deadlines set by the Commission, expeditiously award and disburse grant funds.

(4) Grant recipients shall comply with all reporting requirements in G.S. 143C-6-23 and the contract between the recipient and the Commission.

(c) Grant Maximum. – The Commission shall set the maximum amount of each grant based upon the availability of funds, provided that no grantee shall receive more than fifty thousand dollars ($50,000) in grant funds over any period of two calendar years.

(d) Grantee Reporting. – No later than June 30 of each year following a year in which a grantee received funds pursuant to the Grant Program created under this section, each grantee shall submit a report to the Commission that includes all of the following:

(1) Progress on the development and implementation of each of its program initiatives.

(2) Progress on meeting goals and objectives for each program initiative.

(3) The number of human trafficking victims assisted through each program initiative.

(4) A description and explanation of any delays in implementation of program initiatives.

(5) A description and explanation of any changes in the proposal submitted pursuant to sub-subdivision d. of subdivision (1) of subsection (b) of this section.

(6) Planning and administrative costs to date for each program initiative, sorted by type, including staffing, fixed costs, contracts, and information technology.

(7) Any additional information required by the Commission.

The Commission shall post on its website the reports required by this subsection.

(e) Commission Reporting. – No later than April 1 of each year, the Commission shall submit a report on the grants awarded in the previous year to the Senate Appropriations Committee on Justice and Public Safety, the House of Representatives Appropriations Committee on Justice and Public Safety, the Joint Legislative Oversight Committee on Justice and Public Safety, and the Fiscal Research Division. The report shall contain all of the following:

(1) The number of applications received.

(2) The number of grants awarded.

(3) The names and locations of the grant recipients.

(4) The amount of each grant awarded.

(5) A description of the human trafficking initiatives funded by each grant awarded under this section, including the geographic area in which services were provided.

(6) The total number of victims of human trafficking that were served, to date, by each recipient receiving a grant under this section."

SECTION 16.23.(b) The funds appropriated in this act to the Administrative Office of the Courts, Human Trafficking Commission (Commission), to create a human trafficking competitive grant program shall be used to develop and implement the Human Trafficking Commission Competitive Grant Program created in subsection (a) of this section.

PROVIDE FOR WORK OR WORK-RELATED ACTIVITIES AS AN ALTERNATIVE REMEDY TO INCARCERATION FOR INDIVIDUALS WHO ARE DETERMINED TO BE DELINQUENT ON CHILD SUPPORT PAYMENTS

SECTION 16.24.(a) G.S. 50-13.4(f) reads as rewritten:

"(f) Remedies for enforcement of support of minor children shall be available as follows:

…

(9) An order for the periodic payments of child support or a child support judgment that provides for periodic payments is enforceable by proceedings for civil contempt, and disobedience may be punished by proceedings for criminal contempt, as provided in Chapter 5A of the General Statutes.

Notwithstanding the provisions of G.S. 1-294, an order for the payment of child support which has been appealed to the appellate division is enforceable

in the trial court by proceedings for civil contempt during the pendency of the appeal. Upon motion of an aggrieved party, the court of the appellate division in which the appeal is pending may stay any order for civil contempt entered for child support until the appeal is decided, if justice requires.

As a special condition of a contempt order, the court may direct the person into job search or duly specific education training. If the court selects this option, the court shall review the person's progress in 30-day intervals, at a minimum, unless the person is enrolled and actively participating in work-specific training. The person's enrollment in work-specific training shall not exceed six months, and the person shall satisfy all of the following requirements:

a. Pay a minimum of fifty dollars ($50.00) monthly of child support.
b. Notify the court upon completion from work-specific training.
c. Notify the court within 14 days of failing to satisfy the attendance requirements of work-specific training.

…."

SECTION 16.24.(b) This section is effective when it becomes law and applies to orders entered on or after that date.

ALLOW FOR AN EXPEDITED LICENSURE PROCESS FOR ATTORNEYS WHO ARE MILITARY-TRAINED APPLICANTS OR MILITARY SPOUSES

SECTION 16.25.(a) G.S. 93B-15.1 reads as rewritten:

"**§ 93B-15.1. Licensure for individuals with military training and experience; proficiency examination; licensure by endorsement for military spouses; temporary license.**

…

(e) ~~Nothing in this section shall be construed to apply to~~ If a military spouse applies under this section to be licensed in this State for the practice of law as regulated under Chapter 84 of the General ~~Statutes.~~Statutes, then the military spouse shall comply with G.S. 84-4.3 and other applicable provisions of Chapter 84 of the General Statutes.

…."

SECTION 16.25.(b) Chapter 84 of the General Statutes is amended by adding a new section to read:

"**§ 84-4.3. Limited practice for military spouse expedited licensure.**

(a) If a military-trained applicant or military spouse is issued a license to practice law under G.S. 93B-15.1, the licensee must be actively supervised by an attorney with a current license to practice law in good standing in this State for a period of three years from the date of issuance. The supervising attorney must be employed at the same firm as the military-trained applicant or military spouse. The military-trained applicant or military spouse must submit the name and information of the supervising attorney to the North Carolina State Bar. If the supervising attorney no longer is able to supervise the military-trained applicant or military spouse during the three-year period, the military-trained applicant or military spouse shall identify a new supervising attorney to the North Carolina State Bar as soon as practicable.

(b) Upon the completion of the three-year period, the military-trained applicant or military spouse shall be granted a license to practice law without the requirement of supervision as long as the military-trained applicant or military spouse is in good standing with the North Carolina State Bar.

(c) Any military-trained applicant or military spouse who applies for a license in accordance with this section is not required to pay any application of licensure fee under this Chapter. Upon completion of the three-year period, the military-trained applicant or military spouse shall pay the applicable fees as a licensed attorney under this Chapter.

(d) The military-trained applicant or military spouse applying for a license to practice law under this section shall not be required to have been actively practicing law as their principal means of livelihood in a reciprocal jurisdiction prior to the date of application but must have a license to practice law in good standing in a reciprocal jurisdiction."

SECTION 16.25.(c) The North Carolina State Bar shall adopt temporary rules to implement the provisions of this section.

SECTION 16.25.(d) This section becomes effective October 1, 2023, and applies to applications for licensure on or after that date.

NUMERICALLY REALIGN SUPERIOR, DISTRICT COURT, AND PUBLIC DEFENDER DISTRICTS WITH PROSECUTORIAL DISTRICTS

SECTION 16.26.(a) G.S. 7A-41 reads as rewritten:

"**§ 7A-41. Superior court divisions and districts; judges.**

(a) The counties of the State are organized into judicial divisions and superior court districts, and each superior court district has the counties, and the number of regular resident superior court judges set forth in the following table, and for districts of less than a whole county, as set out in subsection (b) of this section:

Judicial Division	Superior Court District	Counties	No. of Resident Judges
…			
First	~~3A~~3	Pitt	2
Second	~~3B~~4	Carteret, Craven, Pamlico	3
Second	~~4~~5	Duplin, Jones, Onslow, Sampson	2
Second	~~5A~~6A	(part of New Hanover, Pender see subsection (b))	1 5
Second	~~5B~~6B	(part of New Hanover, see subsection (b))	1
Second	~~5C~~6C	(part of New Hanover, see subsection (b))	1
First	~~6A~~7A	Halifax	1
First	~~6B~~7B	Bertie, Hertford, Northampton	1
First	~~7A~~8A	Nash	1
First	~~7B~~8B	(part of Wilson, part of Edgecombe, see subsection (b))	1
First	~~7C~~8C	(part of Wilson, part of Edgecombe, see subsection (b))	1
Second	~~8A~~9A	Lenoir and Greene	1
Second	~~8B~~9B	Wayne	1
First	~~9~~11	Franklin, Granville, Person, Vance, Warren	2
…			
Third	~~11A~~12	Harnett, Lee	1

Third	~~11B~~13	Johnston	2
Third	~~12A~~14A	(part of Cumberland, see subsection (b))	1
Third	~~12B~~14B	(part of Cumberland, see subsection (b))	1
Third	~~12C~~14C	(part of Cumberland, see subsection (b))	2
Second	~~13A~~15A	Bladen, Columbus	1
Second	~~13B~~15B	Brunswick	1
First	~~14A~~16A	(part of Durham, see subsection (b))	1
First	~~14B~~16B	(part of Durham, see subsection (b))	3
Third	~~15A~~17	Alamance	2
Fourth	~~15B~~18	Orange, Chatham	2
Third	~~16A~~21	Anson, Richmond, Scotland	2
Second	~~16B~~20	Robeson	2
Fourth	~~17A~~22	Caswell, Rockingham	2
Fourth	~~17B~~23	Stokes, Surry	1
Fourth	~~18A~~24A	(part of Guilford, see subsection (b))	1
Fourth	~~18B~~24B	(part of Guilford, see subsection (b))	1
Fourth	~~18C~~24C	(part of Guilford, see subsection (b))	1
Fourth	~~18D~~24D	(part of Guilford, see subsection (b))	1
Fourth	~~18E~~24E	(part of Guilford, see subsection (b))	1
Fourth	~~19A~~25	Cabarrus	1
Third	~~19B~~37	Randolph	2
Fourth	~~19C~~27	Rowan	1
Third	~~19D~~29	Hoke, Moore	2
Third	~~20A~~28	Montgomery, Stanly	2
Third	~~20B~~30	Union	2
Fourth	~~21A~~31A	(part of Forsyth, see subsection (b))	2
Fourth	~~21B~~31B	(part of Forsyth, see subsection (b))	1
Fourth	~~21C~~31C	(part of Forsyth, see subsection (b))	1
Fourth	~~21D~~31D	(part of Forsyth, see subsection (b))	1
Fourth	~~22A~~32	Alexander, Iredell	2
Fourth	~~22B~~33	Davidson, Davie	2
Fourth	~~23~~34	Alleghany, Ashe, Wilkes, Yadkin	1
Fifth	~~24~~35	Avery, Madison, Mitchell, Watauga, Yancey	2

Fifth	~~25A~~36	Burke, Caldwell	2
Fifth	~~25B~~19	Catawba	2
…			
Fifth	26D	(part of Mecklenburg, see subsection (b))	1
Fifth	26E	(part of Mecklenburg, see subsection (b))	1
Fifth	26F	(part of Mecklenburg, see subsection (b))	1
Fifth	26G	(part of Mecklenburg, see subsection (b))	1
Fifth	26H	(part of Mecklenburg, see subsection (b))	1
Fifth	~~27A~~38	Gaston	2
Fifth	~~27B~~39	Cleveland, Lincoln	2
Fifth	~~28~~40	Buncombe	2
Fifth	~~29A~~41	McDowell, Rutherford	1
Fifth	~~29B~~42	Henderson, Polk, Transylvania	1
Fifth	~~30A~~43A	Cherokee, Clay, Graham, Macon, Swain	1
Fifth	~~30B~~43B	Haywood, Jackson	1.

(b) For superior court districts of less than a whole county, or with part of one county with part of another, the composition of the district and the number of judges is as follows:

(1) District ~~5A:~~ 6A: New Hanover County: VTD CF01, VTD CF02, VTD CF03, VTD H01, VTD W25, VTD W27; Pender County. It has one judge.

(2) District ~~5B:~~ 6B: New Hanover County: VTD H02, VTD H03, VTD H04, VTD H05, VTD H06, VTD H07, VTD H08, VTD H09, VTD M02, VTD M05, …

(3) District ~~5C:~~ 6C: New Hanover County: VTD FP01, VTD FP02, VTD FP03, …

(4) District ~~7B:~~ 8B: Edgecombe County: VTD: 1101: Block(s) 0650213001035; …

(5) District ~~7C:~~ 8C: Edgecombe County: VTD: 0101, VTD: 0102, VTD: 0103, …

(12) District ~~12A:~~ 14A: Cumberland County: VTD: AH49, VTD: CC18: Block(s) …

(13) District ~~12B:~~ 14B: Cumberland County: VTD: CC01, VTD: CC03, VTD: …

(14) District ~~12C:~~ 14C: Cumberland County: VTD: AL51, VTD: CC04, VTD: …

(15) District ~~14A:~~ 16A: Durham County: VTD: 09, VTD: 12, VTD: 13, VTD: 14, …

(16) District ~~14B:~~ 16B: Durham County: VTD: 01, VTD: 02, VTD: 03, VTD: 04, …

(17) District ~~18A:~~ 24A: Guilford County: VTD: FEN1, VTD: FEN2, VTD: G04, …

(18) District ~~18B:~~ 24B: Guilford County: VTD: H01, VTD: H02, VTD: H03, VTD: …

(19) District ~~18C:~~ 24C: Guilford County: VTD: CG1, VTD: CG2, VTD: CG3A, …

(20) District ~~18D:~~ 24D: Guilford County: VTD: G01, VTD: G11, VTD: G12, …

(21) District ~~18E:~~ 24E: Guilford County: VTD: G02, VTD: G03, VTD: G07, VTD: …

(22) District ~~21A:~~ 31A: Forsyth County: VTD: 051, VTD: 052, VTD: 053, VTD: …

(23) District ~~21B:~~ 31B: Forsyth County: VTD: 042, VTD: 043, VTD: 501, VTD: …

(24) District ~~21C:~~ 31C: Forsyth County: VTD: 011, VTD: 012, VTD: 013, VTD: …

(25) District ~~21D:~~ 31D: Forsyth County: VTD: 081, VTD: 082, VTD: 083, VTD: …

(b1) The qualified voters of ~~District 4~~ District 5 shall elect all judges established for ~~District 4~~ District 5 in subsection (a) of this section, but only persons who reside in Onslow County may be candidates for one of the judgeships and only persons who reside in Duplin, Jones, or Sampson County may be candidates for the remaining judgeship.

…."

SECTION 16.26.(b) G.S. 7A-133 reads as rewritten:

"**§ 7A-133. Numbers of judges by districts; numbers of magistrates and additional seats of court, by counties.**

(a) Each district court district shall have the numbers of judges as set forth in the following table:

District	Judges	County
…		
~~3A~~3	6	Pitt
~~3B~~4	6	Craven
		Pamlico
		Carteret
~~4~~5	9	Sampson
		Duplin
		Jones
		Onslow
~~5~~6	9	New Hanover
		Pender
~~6~~7	4	Northampton
		Bertie
		Hertford
		Halifax
~~7~~8	7	Nash
		Edgecombe
		Wilson
~~8~~9	6	Wayne
		Greene
		Lenoir
~~9~~11A	5	Granville
		(part of Vance see subsection (b))
		Franklin
		Person
~~9B~~11B	2	Warren
		(part of Vance see subsection (b))

…		
~~11~~12	11	Harnett
		Johnston
		Lee
~~12~~14	10	Cumberland
~~13~~15	7	Bladen
		Brunswick
		Columbus
~~14~~16	7	Durham
~~15A~~17	4	Alamance
~~15B~~18	5	Orange
		Chatham
~~16A~~21	4	Scotland
		Anson
		Richmond
~~16B~~20	6	Robeson
~~17A~~22	4	Caswell
		Rockingham
~~17B~~23	4	Stokes
		Surry
~~18~~24	14	Guilford
~~19A~~25	6	Cabarrus
~~19B~~37	5	Randolph
~~19C~~27	5	Rowan
~~19D~~29	5	Hoke, Moore
~~20A~~28	3	Montgomery, Stanly
~~20B~~30A	5	Union
~~21~~31	11	Forsyth
~~22A~~32	6	Alexander
		Iredell
~~22B~~33	6	Davidson
		Davie
~~23~~34	4	Alleghany
		Ashe
		Wilkes
		Yadkin
~~24~~35	4	Avery
		Madison
		Mitchell
		Watauga
		Yancey
~~25~~36	10	Burke
		Caldwell
		Catawba
…		
~~27A~~38	7	Gaston
~~27B~~39	6	Cleveland
		Lincoln
~~28~~40	7	Buncombe
~~29A~~41	4	McDowell
		Rutherford

~~29B~~42	5	Henderson Polk Transylvania
~~30~~43	6	Cherokee Clay Graham Haywood Jackson Macon Swain.

(b) For district court districts of less than a whole county, or with part or all of one county with part of another, the composition of the district is as follows:

(1) District Court ~~District 9~~ District 11A consists of Person, Franklin and Granville Counties and the remainder of Vance County not in District Court ~~District 9B.~~District 11B.

(2) District Court ~~District 9B~~ District 11B consists of Warren County and VTD EH1, VTD MIDD, VTD NH1, VTD NH2, VTD TWNS, VTD WMSB of Vance County.

(3) District Court ~~District 20C~~ District 30B consists of the remainder of Union County not in District Court ~~District 20B.~~District 30A.

(4) District Court ~~District 20B~~ District 30A consists of Precinct 01: Tract 204.01:

…

The names and boundaries of voting tabulation districts specified for Mecklenburg County, Wake County, and Vance County in this section are as shown on the 2010 Census Redistricting TIGER/Line Shapefiles. Precinct boundaries for Union County are those shown on the Legislative Services Office's redistricting computer database on January 1, 2005; and for other counties are those reported by the United States Bureau of the Census under Public Law 94-171 for the 1990 Census in the IVTD Version of the TIGER files.

(b1) The qualified voters of District Court ~~District 11~~ District 12 shall elect all eight judges established for the District in subsection (a) of this section, but only persons who reside in Johnston County may be candidates for five of the judgeships, only persons who reside in Harnett County may be candidates for two of the judgeships, and only persons who reside in Lee County may be candidates for the remaining judgeship.

(b2) The qualified voters of District Court District ~~13~~ 15 shall elect all seven judges established for the District in subsection (a) of this section, but only persons who reside in Bladen County may be candidates for one of those judgeships, only persons who reside in Columbus County may be candidates for two of those judgeships, and only persons who reside in Brunswick County may be candidates for four of those judgeships. These district court judgeships shall be numbered and assigned for residency purposes as follows:

…

(b3) The qualified voters of District Court ~~District 22A~~ District 32 shall elect all five judges established for the District in subsection (a) of this section, but only persons who reside in Alexander County may be candidates for two of the judgeships, and only persons who reside in Iredell County may be candidates for three of the judgeships.

(b4) The qualified voters of District Court ~~District 22B~~ District 33 shall elect all six judges established for the District in subsection (a) of this section, but only persons who reside in Davie County may be candidates for two of the judgeships, and only persons who reside in Davidson County may be candidates for four of the judgeships.

(b5) The qualified voters of ~~District 16A~~ District 21 shall elect all judges established for ~~District 16A~~ District 21 in subsection (a) of this section, but only persons who reside in Anson County may be candidates for one of the judgeships, only persons who reside in Scotland County

may be candidates for one of the judgeships, and only persons who reside in Richmond County may be candidates for the remaining judgeships. In order to implement this section the following shall apply in order to transition from at large seats to residency requirements:

…

(b6) The qualified voters of ~~District 20A~~ District 28 shall elect all judges established for ~~District 20A~~ District 28 in subsection (a) of this section, but only persons who reside in Montgomery County may be candidates for one of the judgeships, and only persons who reside in Montgomery or Stanly County may be candidates for the remaining judgeships.

(b7) Subject to the provisions of this subsection, the qualified voters of ~~District 25~~ District 36 shall elect all judges established for ~~District 25~~ District 36 in subsection (a) of this section, but only persons who reside in Catawba County may be candidates for five of the judgeships, and only persons who reside in Burke or Caldwell County may be candidates for the remaining judgeships. In order to implement this section the following shall apply in order to transition from at large seats to residency requirements:

…

(2) Transition of seats; vacancies. – Upon each of the first three district court judgeship vacancies occurring in District Court ~~District 25~~ District 36 after July 1, 2018, due to death, resignation, removal, or retirement of a person who is a resident of Catawba County holding a judgeship on July 1, 2018, that vacancy shall be filled according to law for the remainder of the unfilled term. At the next general election held for that district court judgeship, only persons who reside in Burke or Caldwell County may be candidates for that district court judgeship. Any primary associated with that general election for that district court judgeship after the completion of the term shall also be held accordingly, in accordance with this subsection.

(3) Notification to State Board. – Upon each of the first three district court judgeship vacancies occurring after July 1, 2018, in District Court ~~District 25~~ District 36 due to the death, resignation, removal, or retirement of a person who is a resident of Catawba County holding a judgeship on July 1, 2018, the Director of the Administrative Office of the Courts shall provide written notice of the vacancy to the State Board of Elections and Ethics Enforcement. During the filing period for that district court judgeship at the next general election held for that district court judgeship, the State Board of Elections and Ethics Enforcement shall ensure that only persons who reside in Burke or Caldwell County may file as candidates for that district court judgeship in accordance [with] this subsection.

…

(b8) The qualified voters of District Court District ~~19D~~ 29 shall elect all judges established for District ~~19D~~ 29 in subsection (a) of this section, but only persons who reside in Hoke County may be candidates for one of the judgeships, and only persons who reside in Hoke or Moore County may be candidates for the remaining judgeships."

SECTION 16.26.(c) G.S. 7A-60(a1) reads as rewritten:

"(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties and the number of full-time assistant district attorneys set forth in the following table:

Prosecutorial District	Counties	No. of Full-Time Asst. District Attorneys
…		
19	Catawba	10
…		

~~44~~ ~~Catawba~~ ~~10~~"

SECTION 16.26.(d) Section 3(d) of S.L. 2018-121, as amended by Section 13(a) of S.L. 2021-91, reads as rewritten:

"**SECTION 3.(d)** The office and term of the district attorney for Prosecutorial District 36 formerly consisting of Burke, Caldwell, and Catawba Counties is terminated upon the expiration of the term expiring December 31, 2026. Effective January 1, 2027, District 36 formerly consisting of Burke, Caldwell, and Catawba Counties is reassigned as provided in this section. All open investigations and pending cases for Prosecutorial District 36 formerly consisting of Burke, Caldwell, and Catawba Counties shall be transferred to either District 36 or ~~District 44,~~ District 19, as enacted by this section. Burke and Caldwell Counties remain in District 36, as enacted by this section, and the total number of ADAs in that district is ~~10.~~ 11. Catawba County is added to ~~District 44,~~ District 19, and the total number of ADAs in that district is 10."

SECTION 16.26.(e) 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**
…	
~~3A~~3	Pitt
~~3B~~4	Craven, Pamlico, Carteret
~~5~~6	New Hanover, Pender
…	
~~12~~14	Cumberland
~~14~~16	Durham
~~15B~~18	Orange, Chatham
~~16A~~21	Scotland, Hoke
~~16B~~20	Robeson
~~18~~24	Guilford
~~21~~31	Forsyth
…	
~~27A~~38	Gaston
~~27B~~39	Cleveland, Lincoln
~~28~~40	Buncombe
~~29A~~41	McDowell, Rutherford
~~29B~~42	Henderson, Polk, Transylvania

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."

SECTION 16.26.(f) The Revisor of Statutes is authorized to reorder the Superior Court Districts in G.S. 7A-41, the District Court Districts in G.S. 7A-133, and the Prosecutorial Districts in G.S. 7A-60 to ensure that all districts are listed in alphabetical and numerical order.

SECTION 16.26.(g) Subsections (a), (b), and (e) of this section become effective October 1, 2023. Subsections (c) and (d) of this section become effective January 1, 2027. Except as otherwise provided, this section is effective when it becomes law.

ADMINISTRATIVE OFFICE OF THE COURTS USE OF COURT INFORMATION TECHNOLOGY FUND

SECTION 16.27. The Administrative Office of the Courts may use up to the sum of three million eight hundred fifty thousand dollars ($3,850,000) of receipts in the Court Information Technology Fund (Budget Code: 22006, Fund Code: 2006) in each fiscal year of the 2023-2025 fiscal biennium to create up to 34 time-limited positions to support the implementation of court technology.

EXPAND AUTHORITY TO PROVIDE LOCAL SUPPLEMENTS TO CERTAIN COURT POSITIONS

SECTION 16.28.(a) G.S. 7A-300.1 reads as rewritten:

"**§ 7A-300.1. Local supplementation of salaries for certain officers and employees.**

…

~~(b) This section applies only to (i) cities with a population of 300,000 or more according to the most recent estimate of the Office of State Budget and Management and (ii) counties with a population of 300,000 or over according to the most recent estimate of the Office of State Budget and Management.~~"

SECTION 16.28.(b) This section is effective when it becomes law.

EXTEND REVERSION DATE OF CERTAIN COURT-RELATED DIRECTED GRANTS

SECTION 16.29.(a) Notwithstanding any provision of law to the contrary, the funds appropriated in S.L. 2021-180 to be allocated as directed grants to Cumberland County, Forsyth County, Harnett County, Haywood County, Onslow County, Pitt County, Robeson County, and Wayne County to be used to support innovative court pilot programs shall not revert until June 30, 2025.

SECTION 16.29.(b) Notwithstanding any provision of law to the contrary, the funds appropriated in S.L. 2021-180 to be allocated as a directed grant to Cumberland County to be used to support a Human Trafficking Court pilot program shall not revert until June 30, 2025.

MODIFY REIMBURSEMENT RULES FOR APPELLATE JUDGES AND JUSTICES

SECTION 16.30.(a) G.S. 7A-10(b1) reads as rewritten:

"(b1) In addition to the reimbursement for travel and subsistence expenses authorized by subsection (b) of this section, and notwithstanding G.S. 138-6, each justice whose permanent residence is at least 50 miles from the City of Raleigh shall also be reimbursed for the mileage the justice travels each trip to the City of Raleigh from the justice's home for business of the court. The reimbursement authorized by this subsection shall be calculated for each justice by multiplying the actual round-trip mileage from that justice's home to the City of Raleigh by a rate-per-mile established by the Director of the Administrative Office of the Courts, but not to exceed the business standard mileage rate set by the Internal Revenue Service. The duty station for any justice of the Supreme Court whose permanent residence is at least 30 miles from the City of Raleigh and outside of Wake County at the time the justice takes office as a justice of the Supreme Court shall be the county seat of the county in which the justice's permanent residence is located at the time of election or appointment to the office of justice of the Supreme Court for the purpose of determining eligibility for mileage reimbursement. If a justice who has previously qualified for mileage reimbursement under this subsection relocates the justice's permanent residence ~~outside of~~ to a county non-contiguous to the county of residence used in determining that justice's eligibility for reimbursement under this subsection, that justice shall not be eligible for reimbursement for mileage and the justice's duty station shall be Wake County."

SECTION 16.30.(b) G.S. 7A-18(a1) reads as rewritten:

"(a1) In addition to the reimbursement for travel and subsistence expenses authorized by subsection (a) of this section, and notwithstanding G.S. 138-6, each judge whose permanent residence is at least 50 miles from the City of Raleigh shall also be reimbursed for the mileage

the judge travels each trip to the City of Raleigh from the judge's home for business of the court. The reimbursement authorized by this subsection shall be calculated for each judge by multiplying the actual round-trip mileage from that judge's home to the City of Raleigh by a rate-per-mile established by the Director of the Administrative Office of the Courts, but not to exceed the business standard mileage rate set by the Internal Revenue Service. The duty station for any judge of the Court of Appeals whose permanent residence is at least 30 miles from the City of Raleigh and outside of Wake County at the time the judge takes office as a judge of the Court of Appeals shall be the county seat of the county in which that judge's permanent residence is located at the time of election or appointment to the office of judge of the Court of Appeals for the purpose of determining eligibility for mileage reimbursement. If a judge who has previously qualified for mileage reimbursement under this subsection relocates the judge's permanent residence ~~outside of~~ to a county non-contiguous to the county of residence used in determining that judge's eligibility under this subsection, that judge shall not be eligible for reimbursement for mileage and the judge's duty station shall be Wake County."

SECTION 16.30.(c) This section is effective when it becomes law and applies to travel occurring on or after that date.

EXPAND ENTITLEMENT TO DISTRICT ATTORNEY INVESTIGATORS

SECTION 16.31. G.S. 7A-69 reads as rewritten:

"**§ 7A-69. ~~Investigatorial assistants.~~District attorney investigators.**

~~The~~ Each district attorney ~~in prosecutorial districts 1, 3B, 4, 5, 7, 8, 11, 12, 13, 14, 15A, 15B, 16A, 18, 19B, 20A, 20B, 21, 22A, 22B, 24, 25, 26, 27A, 27B, 28, 29A, 29B, and 30~~ is entitled to at least one ~~investigatorial assistant, and the district attorney in prosecutorial district 10 is entitled to two investigatorial assistants,~~ district attorney investigator to be appointed by the district attorney and to serve at ~~his~~ the district attorney's pleasure.

It shall be the duty of the ~~investigatorial assistant~~ district attorney investigator to investigate cases preparatory to trial and to perform such other Duties as may be assigned by the district attorney. The ~~investigatorial assistant is~~ district attorney investigators are entitled to reimbursement for ~~his~~ subsistence and travel expenses to the same extent as State employees generally."

MODIFY DISTRICT ATTORNEY WITNESS REIMBURSEMENT

SECTION 16.32.(a) G.S. 7A-314 reads as rewritten:

"**§ 7A-314. Uniform fees for witnesses; experts; limit on number.**

…

(b) A witness entitled to a fee set forth in subsections (a) or (a1) of this section, and a law-enforcement officer who qualifies as a witness, shall be entitled to receive an allowance or reimbursement for travel expenses as follows:

(1) A witness whose residence is outside the county of appearance but within 75 miles of the place of appearance shall be entitled to receive mileage reimbursement at the rate currently authorized for State employees, for each mile necessarily traveled from his place of resident to the place of appearance and return, each day. Reimbursements to witnesses acting on behalf of the court or prosecutorial offices shall be paid in accordance with the rules established by the Administrative Office of the Courts. Reimbursements to witnesses provided under G.S. 7A-454 shall be in accordance with rules established by the Office of Indigent Defense Services.

(2) A witness whose residence is outside the county of appearance and more than 75 miles from the place of appearance shall be entitled to receive mileage reimbursement at the rate currently authorized State employees for one round-trip from his place of residence to the place of appearance. A witness

required to appear more than one day shall be entitled to receive an allowance or reimbursement for ~~actual~~ expenses incurred for lodging and meals not to exceed the maximum currently authorized for State employees, in lieu of daily mileage. ~~Reimbursements~~ Allowances or reimbursements to witnesses acting on behalf of the court or prosecutorial offices shall be paid in accordance with the rules established by the Administrative Office of the Courts. Reimbursements and travel allowances to witnesses provided under G.S. 7A-454 shall be in accordance with rules established by the Office of Indigent Defense Services.

(c) A witness who resides in a state other than North Carolina and who appears for the purpose of testifying in a criminal action and proves his attendance may be compensated at the rate allowed to State officers and employees by subdivisions (1) and (2) of G.S. 138-6(a) for one round-trip from the witness's place of residence to the place of appearance, and five dollars ($5.00) for each day that the witness is required to travel and attend as a witness, upon order of the court based upon a finding that the person was a necessary witness. If such a witness is required to appear more than one day, the witness is also entitled to an allowance or reimbursement for ~~actual~~ expenses incurred for lodging and meals, not to exceed the maximum currently authorized for State employees. Reimbursements and travel allowances to witnesses acting on behalf of the court or prosecutorial offices shall be paid in accordance with the rules established by the Administrative Office of the Courts. Reimbursements to witnesses provided under G.S. 7A-454 shall be in accordance with rules established by the Office of Indigent Defense Services.

…."

SECTION 16.32.(b) This section is effective when it becomes law and applies to travel occurring on or after that date.

PART XVII. INDIGENT DEFENSE SERVICES

NEW PUBLIC DEFENDER DISTRICTS

SECTION 17.1.(a) G.S. 7A-498.7(a), as amended by Section 16.26 of this act, 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**
…	
5	Duplin, Jones, Onslow, Sampson
…	
13	Johnston
…	
15	Bladen, Brunswick, Columbus
…	
17	Alamance
…	
43A	Cherokee, Clay, Graham Macon, Swain
43B	Haywood, Jackson

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."

SECTION 17.1.(b) This section becomes effective January 1, 2024.

ALLOW THE ADMINISTRATIVE OFFICE OF THE COURTS TO SHARE CERTAIN INFORMATION WITH THE OFFICE OF INDIGENT DEFENSE SERVICES

SECTION 17.3.(a) G.S. 132-1.4(k) reads as rewritten:

"(k) The following court records are public records and may be withheld only when sealed by court order: ~~arrest~~

(1) Arrest and search warrants that have been returned by law enforcement ~~agencies,~~ agencies.

(2) ~~indictments,~~ Indictments.

(3) ~~criminal summons,~~ Criminal summonses.

(4) ~~and nontestimonial~~ Nontestimonial identification orders.

Nothing in this subsection shall preclude the Administrative Office of the Courts from entering into a sharing agreement with the Office of Indigent Defense Services for the purpose of generating reliable statistical information to evaluate services provided."

SECTION 17.3.(b) This section is effective when it becomes law.

SET TEMPORARY MAXIMUM FOR ATTORNEY COMPENSATION RATES SET BY THE INDIGENT DEFENSE SERVICES COMMISSION

SECTION 17.4. Notwithstanding any provision of law to the contrary, until July 1, 2025, all attorney compensation rates set by the Indigent Defense Services Commission shall not exceed the amount for each rate as of April 1, 2023.

PART XVIII. JUSTICE

MODIFY CRIMINAL JUSTICE FELLOWS PROGRAM

SECTION 18.3.(a) G.S. 17C-20 reads as rewritten:

"**§ 17C-20. Definitions.**

As used in this Article, the following definitions apply:

…

(5) Eligible county. – A county with a population of less than ~~200,000~~ 230,000 according to the latest federal decennial census.

…."

SECTION 18.3.(b) G.S. 17C-22 reads as rewritten:

"**§ 17C-22. North Carolina Criminal Justice Fellows Program established; administration.**

…

(b) Program Administrator. – The Director of the Division shall select a member of the Division staff, with the consent of the Committee, to serve as the Program administrator. The Program administrator will be responsible for all administrative duties and oversight of the Program as established by the Committee. The Program administrator will conduct recruitment efforts to include the following:

~~(1) Target eligible counties.~~

(2) Target high school graduates who, due to economic circumstances, are displaced, unemployed, or underemployed.

(3) Target high school seniors who demonstrate an interest in being employed in an eligible criminal justice profession.

(4) Engage with employees of eligible criminal justice professions and leaders in eligible counties for input in the Program.

(5) Attend high school career days, job fairs, and other activities to recruit qualified individuals into the Program.

(c) Awards of Forgivable Loans. – The Program shall provide forgivable loans of up to three thousand one hundred fifty-two dollars ($3,152.00) per ~~year for up to~~ year, totaling a maximum of six thousand three hundred four dollars ($6,304.00) over two ~~years~~ years, to selected individuals. If the Committee, in its sole discretion, determines that circumstances warrant an extension of the period over which the Program shall provide forgivable loans to a selected individual, the Committee may extend that period to three years but may not increase the maximum loan amount. The funds from the forgivable loans may be used for tuition, fees, and the cost of books. The Committee may determine the maximum amount of loan proceeds that may be applied to community college fees and course textbooks. The number of forgivable loans awarded annually shall not exceed 100 and the total number of recipients in the Program each year shall not exceed 200. The Committee shall select recipients no later than June 1 of each year.

…

(h) Recipient Obligations. – A recipient must become and remain a ~~full-time~~ student at a North Carolina community college in an Applied Associate Degree in Criminal Justice or in a Committee-approved related field of study at all times during each of the recipient's two academic years of community college study and pursue continuously studies that will qualify the recipient to be employed in an eligible criminal justice profession upon graduation. The recipient must maintain a minimum cumulative 2.0 GPA throughout the course of study and also maintain appropriate credit hours for each semester to obtain an Applied Associate Degree in Criminal Justice or Committee-approved field of study within two years. If the Committee, in its sole discretion, determines that circumstances warrant an extension of the period within which the recipient must obtain an Applied Associate Degree in Criminal Justice or Committee-approved field of study, the Committee may extend that period by up to 12 additional months. The recipient must also accept employment in an eligible county in an eligible criminal justice profession for at least four out of five years following graduation. The Committee may adopt additional recipient obligations it deems appropriate.

…."

SECTION 18.3.(c) This section is effective when it becomes law and applies to individuals participating in the Program on or after that date and to Committee extension determinations made on or after that date.

PART XIX. ADULT CORRECTION [RESERVED]

PART XIX-A. DEPARTMENT OF ADULT CORRECTION ADMINISTRATION

NO TRANSFER OF POSITIONS TO OTHER STATE AGENCIES

SECTION 19A.1.(a) Notwithstanding any other provision of law, and except as otherwise provided in subsection (b) of this section, the Office of State Budget and Management shall not transfer any positions, personnel, or funds from the Department of Adult Correction to any other State agency during the 2023-2025 fiscal biennium unless the transfer was included in the base budget for one or both fiscal years of the biennium.

SECTION 19A.1.(b) This section shall not apply to consolidation of information technology positions into the Department of Information Technology pursuant to G.S. 143B-1325.

STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM FUNDING TRANSFER

SECTION 19A.2. Of the funds appropriated in this act for the Statewide Misdemeanant Confinement Program:

(1) The sum of one million dollars ($1,000,000) shall be transferred each fiscal year to the North Carolina Sheriffs' Association, Inc., a nonprofit corporation, to support the Program and for administrative and operating expenses of the Association and its staff.

(2) The sum of two hundred twenty-five thousand dollars ($225,000) shall be allocated each fiscal year to the Department of Adult Correction for its administrative and operating expenses for the Program.

(3) Up to the sum of five hundred thousand dollars ($500,000) may be used in each fiscal year of the 2023-2025 fiscal biennium to reimburse sheriffs utilizing inmate labor pursuant to the provisions of Section 19C.10 of S.L. 2021-180.

REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL EXPENSES

SECTION 19A.3. Notwithstanding G.S. 143C-6-9, the Department of Adult Correction may use funds available to the Department for the 2023-2025 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. Beginning October 1, 2023, the Department shall report quarterly 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.

TRANSFER A PORTION OF ANSON CORRECTIONAL INSTITUTION TO PROVERBS 226 NONPROFIT CORPORATION

SECTION 19A.4.(a) The State of North Carolina shall convey to Proverbs 226, a North Carolina nonprofit corporation, for consideration of one dollar ($1.00), all its right, title, and interest in the property located in Anson County, North Carolina, to be described as a subdivision consisting of approximately 23 acres from the property generally described in the Anson County Register of Deeds deed referenced in Book 073 Page 399. The conveyance is subject to a reversionary interest reserved by the State. The property shall be conveyed to Proverbs 226 for so long as it is utilized for programs serving the North Carolina Department of Adult Correction or its successors. The Department of Adult Correction and Proverbs 226 shall mutually agree upon the boundaries of the property to be subdivided for conveyance to Proverbs 226.

SECTION 19A.4.(b) The State of North Carolina shall convey the real property described in subsection (a) of this section "as is" "where is" without warranty and subject to any existing easements, covenants, earlier grants to others by the State Property Office, or other restrictions of record. In the event the State of North Carolina requires future easements through this property, Proverbs 226 shall grant these easements without limitation. The State makes no representations or warranties concerning the title to the property, the boundaries of the property, the uses to which the property may be put, zoning, local ordinances, or any physical, environmental, health, and safety conditions relating to the property. All costs associated with the conveyance of the property, including, but not limited to, subdivision, surveying, engineering services, permitting, and utility connections, shall be borne by Proverbs 226.

SECTION 19A.4.(c) The conveyance of the State's right, title, and interest in the portion conveyed of Anson Correctional Institution shall be exempt from the provisions of Article 7 of Chapter 146 of the General Statutes. The conveyance shall comply with the

provisions of Article 16 of Chapter 146 of the General Statutes, provided that the provisions of G.S. 146-74 shall not apply.

PART XIX-B. PRISONS

CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT

SECTION 19B.1. 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 2023-2025 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 REPORT

SECTION 19B.2.(a) The Department of Adult Correction shall report the following information to the Joint Legislative Oversight Committee on Justice and Public Safety by February 1, 2024, and by February 1, 2025:

(1) The total number of permanent nursing positions allocated to the Department, the number of filled positions, the number of positions that have been vacant for more than six months, and information regarding the location of both filled and vacant positions.

(2) The extent to which temporary contract services are being used to staff vacant nursing positions, the method for funding the contract services, and any cost differences between the use of permanent employees versus contract employees.

(3) A progress report on the implementation of its plan to (i) reduce the use of contract services to provide nursing in State prisons and (ii) attract and retain qualified nurses for employment in permanent positions in State prisons.

SECTION 19B.2.(b) 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.

CODIFY DEPARTMENT REPORT ON PRISON PERSONNEL MATTERS

SECTION 19B.3. Part 2 of Article 16 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-1457.2. Report on prison personnel matters.**

The Department shall report the following information to the Joint Legislative Oversight Committee on Justice and Public Safety by February 1 of each year:

(1) The number of Department employees charged with the commission of a criminal offense committed in a State prison and during the employee's work hours. The information shall be provided by State facility and shall specify the offense charged and the outcome of the charge.

(2) The number of employees disciplined, demoted, or separated from service due to personal misconduct. To the extent it does not disclose confidential personnel records, the information shall be organized by type of misconduct, nature of corrective action taken, and outcome of the corrective action.

(3) The hiring and screening process, including any required credentials or skills, criminal background checks, and personality assessments. The information shall also include the process the Department uses to verify the information provided by an applicant."

DOT CONTRACT OF INMATE LITTER CREW

SECTION 19B.4.(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 19B.4.(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.

REQUEST FOR PROPOSALS FOR PRISON TECHNOLOGY

SECTION 19B.5.(a) Section 19C.11(b) of S.L. 2021-180 reads as rewritten:

"**SECTION 19C.11.(b)** The Department of ~~Public Safety~~ Adult Correction shall, in consultation with the vendor, report on the expenditure of the funds awarded pursuant to subsection (a) of this section to the Joint Legislative Oversight Committee on Justice and Public Safety no later than October ~~1, 2022, in an interim report and no later than October 1, 2023, in a final report.~~1 of each year in which the funds are expended, provided that if the funds are exhausted after a report has already been submitted for that year, a final report shall be submitted no later than May 1 of the following year."

SECTION 19B.5.(b) This section is effective when it becomes law.

TECHNICAL CORRECTION FOR INMATE WELFARE FUND

SECTION 19B.6.(a) G.S. 148-2(c) reads as rewritten:

"(c) Notwithstanding G.S. 147-77, Article 6A of Chapter 147 of the General Statutes, or any other provision of law, the Division of Prisons of the Department of Adult Correction may deposit revenue from prison canteens in local banks. The profits from prison canteens shall be deposited with the State Treasurer on a monthly basis in a fund denominated as the ~~Correction~~ Inmate Welfare Fund. Once the operating budget for the ~~Correction~~ Inmate Welfare Fund has been met, an amount equal to the funds allocated to each prison unit on a per inmate per year basis shall be credited to the Crime Victims Compensation Fund established in G.S. 15B-23G as soon as practicable after the total amount paid to each unit per inmate per year has been determined."

SECTION 19B.6.(b) This section is effective when it becomes law.

TECHNICAL CORRECTION RELATED TO NEW DEPARTMENT OF ADULT CORRECTION

SECTION 19B.7.(a) G.S. 148-32.1(b2) reads as rewritten:

"(b2) The Statewide Misdemeanant Confinement Program is established. The Program shall provide for the housing of misdemeanants from all counties serving sentences imposed for a period of more than 90 days and for all sentences imposed for impaired driving under G.S. 20-138.1, regardless of length. Those misdemeanants shall be confined in local confinement facilities except as provided in subsections (b3) and (b4) of this section. The Program shall address methods for the placement and transportation of inmates and reimbursement to counties for the housing of those inmates. Any county that voluntarily agrees to house misdemeanants

from that county or from other counties pursuant to the Program may enter into a written agreement with the Division of ~~Adult Correction and Juvenile Justice~~ Prisons to do so.

The North Carolina Sheriffs' Association shall:

…."

SECTION 19B.7.(b) This section is effective when it becomes law.

PART XIX-C. COMMUNITY SUPERVISION

INTERSTATE COMPACT FEES TO SUPPORT TRAINING PROGRAMS AND EQUIPMENT PURCHASES SECTIONS

SECTION 19C.1.(a) Notwithstanding the provisions of G.S. 148-65.7, fees collected for the Interstate Compact Fund during the 2023-2025 fiscal biennium may be used by the Department of Adult Correction during the 2023-2025 fiscal biennium to provide training programs and equipment purchases for the Division of Community Supervision and Reentry, but only to the extent sufficient funds remain available in the Fund to support the mission of the Interstate Compact Program.

SECTION 19C.1.(b) No later than October 1 of each fiscal year, the Department of Adult Correction shall report to the Joint Legislative Oversight Committee on Justice and Public Safety on the amount of funds used pursuant to this section and for what purposes the funds were used.

MAKE DRUG AND ALCOHOL SCREENING A REGULAR CONDITION OF PROBATION

SECTION 19C.2.(a) G.S. 15A-1343(b) reads as rewritten:

"(b) Regular Conditions. – As regular conditions of probation, a defendant must:

…

(16) ~~Supply a breath, urine, or blood specimen~~ Submit to drug and alcohol screening for analysis of the possible presence of prohibited drugs or alcohol when instructed by the defendant's probation officer for purposes directly related to the probation supervision. If the results of the analysis are positive, the probationer may be required to reimburse the Division of Community Supervision and Reentry of the Department of Adult Correction for the actual costs of drug or alcohol screening and testing.

…

In addition to these regular conditions of probation, a defendant required to serve an active term of imprisonment as a condition of special probation pursuant to G.S. 15A-1344(e) or G.S. 15A-1351(a) shall, as additional regular conditions of probation, obey the rules and regulations of the Division of Prisons of the Department of Adult Correction and, if applicable, the Division of Juvenile Justice of the Department of Public Safety, governing the conduct of inmates while imprisoned and report to a probation officer in the State of North Carolina within 72 hours of his discharge from the active term of imprisonment.

Regular conditions of probation apply to each defendant placed on supervised probation unless the presiding judge specifically exempts the defendant from one or more of the conditions in open court and in the judgment of the court. It is not necessary for the presiding judge to state each regular condition of probation in open court, but the conditions must be set forth in the judgment of the court.

Defendants placed on unsupervised probation are subject to the provisions of this subsection, except that defendants placed on unsupervised probation are not subject to the regular conditions contained in subdivisions (2), (3), (6), (8), (13), (14), (15), (16) and (17) of this subsection."

SECTION 19C.2.(b) This section becomes effective August 1, 2023, and applies to drug and alcohol screening performed on or after that date.

EXPAND AUTHORITY TO INCREASE WAGES PAID TO WORKING NORTH CAROLINA INMATES

SECTION 19C.3.(a) G.S. 148-18(a) reads as rewritten:

"(a) Prisoners employed by Correction Enterprises shall be compensated as set forth in Article 14 of this Chapter. Prisoners participating in work assignments established by the Division of Prisons shall be compensated at rates fixed by the Division of Prisons of the Department of Adult Correction's rules and regulations; provided, that no prisoner so paid shall receive more than one dollar ($1.00) per day, unless the prisoner is performing work for the Division's BRIDGE Program or the Secretary determines that the work assignment requires special skills or training. Upon approval of the Secretary, inmates working for the BRIDGE Program or in job assignments requiring special skills or training may be paid up to five dollars ($5.00) per day. The Correction Enterprises Fund shall be the source of wages and allowances provided to inmates who are employed by the Division of Prisons of the Department of Adult Correction in work assignments established by the Division of Prisons."

SECTION 19C.3.(b) This section is effective when it becomes law and applies to work performed on or after that date.

MODIFY PRISON CHAPLAIN EDUCATION REQUIREMENTS

SECTION 19C.4.(a) The Department of Adult Correction shall have no written or unwritten policy setting mandatory minimum educational requirements for persons serving as community-funded or volunteer chaplains.

SECTION 19C.4.(b) This section is effective when it becomes law.

EXTEND SUNSET DATE FOR USE OF SECURITY GUARDS AT STATE PRISONS

SECTION 19C.5.(a) Section 4.15(c) of S.L. 2020-3, as amended by Section 2 of S.L. 2020-15, Section 19D.2 of S.L. 2021-180, Section 12 of S.L. 2022-58, and Section 19D.1 of S.L. 2022-74, reads as rewritten:

"**SECTION 4.15.(c)** This section is effective when it becomes law and expires ~~upon the earlier of January 1, 2024, or the date of completion of the Youth Development Center in Rockingham County.~~on June 30, 2025."

SECTION 19C.5.(b) This section is effective when it becomes law.

REVISE LAW GOVERNING THE MEDICAL RELEASE OF INMATES

SECTION 19C.6.(a) Article 84B of Chapter 15A of the General Statutes reads as rewritten:

"Article 84B.
"Medical Release of Inmates.

"**§ 15A-1369. Definitions.**

~~For purposes of this Article, the term:~~The following definitions apply to this Article:

(1) ~~"Commission" means the~~ Commission. – The Post-Release Supervision and Parole Commission.

(1a) ~~"Department" means the~~ Department. – The Department of Adult Correction.

…

(3) ~~"Geriatric" describes an inmate~~ Geriatric. – An inmate who is ~~65~~ 55 years of age or older and suffers from chronic infirmity, illness, or disease ~~related to aging~~ that has progressed such that the inmate is medically incapacitated ~~to the extent that he or she does not pose a~~ and is also determined to pose either no risk or low risk to public ~~safety risk.~~safety.

(4) ~~"Inmate" means any~~ Inmate. – Any person sentenced to the custody of the Department.

(5) ~~"Medical release" means a~~ Medical release. – A program enabling the Commission to release inmates who are permanently and totally disabled, terminally ill, or geriatric.

(6) ~~"Medical release plan" means a~~ Medical release plan. – A comprehensive written medical and psychosocial care plan that is specific to the inmate and includes, at a ~~minimum:~~minimum, all of the following:

a. The proposed course of ~~treatment;~~treatment.

b. The proposed site for treatment and post-treatment ~~care;~~care.

c. Documentation that medical providers qualified to provide the medical services identified in the medical release plan are prepared to provide those ~~services; and~~services.

d. The financial program in place to cover the cost of this plan for the duration of the medical release, which shall include eligibility for enrollment in commercial insurance, Medicare, or Medicaid or access to other adequate financial resources for the duration of the medical release.

(7) ~~"Permanently and totally disabled" describes an~~ Permanently and totally disabled. – An inmate who, as determined by a licensed physician, suffers from permanent and irreversible physical incapacitation as a result of an existing physical or medical condition that was unknown at the time of sentencing or, since the time of sentencing, has progressed to render the inmate permanently and totally ~~disabled, such that the inmate does not pose a public safety risk.~~disabled.

(8) ~~"Terminally ill" describes an~~ Terminally ill. – An inmate who, as determined by a licensed physician, has an incurable condition caused by illness or disease that was unknown at the time of sentencing or, since the time of sentencing, has progressed to render the inmate terminally ill, and that will likely produce death within ~~six~~ nine months, and that is so debilitating ~~such~~ that the inmate ~~does not pose a~~ poses no risk or low risk to public ~~safety risk.~~safety.

…

"**§ 15A-1369.2. Eligibility.**

(a) Except as otherwise provided in this section, notwithstanding any other provision of law, an inmate is eligible to be considered for medical release if the Department determines that the inmate ~~is:~~meets both of the following criteria:

(1) ~~Diagnosed~~ The inmate is diagnosed as permanently and totally disabled, terminally ill, or geriatric under the procedure described in ~~G.S. 15A-1369.3(b)(1); and~~G.S. 15A-1369.3(b)(1).

(2) ~~Incapacitated~~ The inmate is incapacitated to the extent that the inmate ~~does not pose a~~ poses no risk or low risk to public ~~safety risk.~~safety.

…

"**§ 15A-1369.3. Procedure for medical release.**

…

(b) The referral shall include an assessment of the inmate's medical and psychosocial condition and the risk the inmate poses to society, as follows:

(1) The Department medical director, or a designee of the director who is a licensed physician, shall review the case of each inmate who meets the eligibility requirements for medical release set forth in G.S. 15A-1369.2. Any physician who examines an inmate being considered for medical release shall prepare a written diagnosis that ~~includes:~~includes both of the following:

a. A description of any and all terminal conditions, physical incapacities, and chronic ~~conditions; and~~conditions.

b. A prognosis concerning the likelihood of recovery from any and all terminal conditions, physical incapacities, and chronic conditions.

…

"**§ 15A-1369.4. Conditions of medical release.**

(a) The Commission shall set reasonable conditions upon an inmate's medical release that shall apply through the date upon which the inmate's sentence would have expired. These conditions shall include all of the following:

…

(3) That the released inmate shall be subject to supervision by the Division of Community Supervision ~~and Reentry~~ of the Department of Adult Correction and shall permit officers from the Division to visit the inmate at reasonable times at the inmate's home or elsewhere.

…."

SECTION 19C.6.(b) Notwithstanding the provisions of G.S. 15A-1369.3(f), an inmate who received a medical release denial under Article 84B of Chapter 15A of the General Statutes prior to the effective date of this section may reapply or be reconsidered for medical release under Article 84B of Chapter 15A of the General Statutes, as amended by subsection (a) of this section. Any denial of a reapplication or reconsideration authorized under this subsection shall be subject to the provisions of G.S. 15A-1369.3(f).

SECTION 19C.6.(c) This section is effective when it becomes law.

PART XIX-D. REHABILITATION AND REENTRY [RESERVED]

PART XIX-E. PUBLIC SAFETY [RESERVED]

PART XIX-F. DEPARTMENT OF PUBLIC SAFETY ADMINISTRATION

NO TRANSFER OF POSITIONS TO OTHER STATE AGENCIES

SECTION 19F.1.(a) Notwithstanding any other provision of law, and except as otherwise provided in subsection (b) of this section, the Office of State Budget and Management shall not transfer any positions, personnel, or funds from the Department of Public Safety to any other State agency during the 2023-2025 fiscal biennium unless the transfer was included in the base budget for one or both fiscal years of the biennium.

SECTION 19F.1.(b) This section shall not apply to consolidation of information technology positions into the Department of Information Technology pursuant to G.S. 143B-1325.

COMPETITIVE GRANTS TO SHERIFFS' OFFICES FOR ADDICTION TREATMENT IN JAILS

SECTION 19F.3.(a) Section 19A.10(f) of S.L. 2021-180 reads as rewritten:

"**SECTION 19A.10.(f)** The working group created under subsection (e) of this section shall establish the operational criteria and application process for the grant program created by this section and shall communicate information regarding the grant program to all sheriffs' offices in the State. The working group shall evaluate applications for each of the categories under subsection (b) of this section and may award lower amounts than requested to individual sheriffs' offices in order to assure broader access to funds. The working group may establish protocols for the allotment of funds to assure that funds can be expended efficiently. The working group shall ensure all Federal Drug Administration (FDA)-approved Buprenorphine and Naltrexone drug regimens for the treatment of opioid dependence through Medication-Assisted Treatment (MAT) in jails be considered as options for treatment under this grant."

SECTION 19F.3.(b) This section is effective when it becomes law.

PART XIX-G. LAW ENFORCEMENT

STATE CAPITOL POLICE/CREATION OF RECEIPT-SUPPORTED POSITIONS

SECTION 19G.1.(a) Creation of Receipt-Supported Positions Authorized. – The State Capitol Police may contract with State agencies for the creation of receipt-supported positions to provide security services to the buildings occupied by those agencies.

SECTION 19G.1.(b) Annual Report Required. – No later than September 1 of each fiscal year, the State Capitol Police shall report to the Joint Legislative Oversight Committee on Justice and Public Safety the following information for the fiscal year in which the report is due:

(1) A list of all positions in the State Capitol Police. For each position listed, the report shall include at least the following information:
   a. The position type.
   b. The agency to which the position is assigned.
   c. The source of funding for the position.
(2) For each receipt-supported position listed, the contract and any other terms of the contract.

SECTION 19G.1.(c) Additional Reporting Required Upon Creation of Receipt-Supported Positions. – In addition to the report required by subsection (b) of this section, the State Capitol Police shall report the creation of any position pursuant to subsection (a) of this section 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 and to the Fiscal Research Division within 30 days of the position's creation. A report submitted pursuant to this section shall include at least all of the following information:

(1) The position type.
(2) The agency to which the position is being assigned.
(3) The position salary.
(4) The total amount of the contract.
(5) The terms of the contract.

SECTION 19G.1.(d) Format of Reports. – Reports submitted pursuant to this section shall be submitted electronically and in accordance with any applicable General Assembly standards.

USE OF SEIZED AND FORFEITED PROPERTY

SECTION 19G.2.(a) Seized and forfeited assets transferred to the Department of Justice, Department of Public Safety, and Department of Adult Correction during the 2023-2025 fiscal biennium 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 Public Safety, and Department of Adult Correction shall each make the following reports 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:

(1) A report upon receipt of any assets.
(2) A report that shall be made prior to 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 made no later than September 1 of each year.

SECTION 19G.2.(b) 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 Public Safety, and Department of Adult Correction are prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 19G.2.(c) 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.

SECTION 19G.2.(d) The Joint Legislative Oversight Committee on Justice and Public Safety shall study the impact on State and local law enforcement efforts of the receipt of seized and forfeited assets. The Committee shall report its findings and recommendations prior to the convening of the 2024 Regular Session of the 2023 General Assembly.

PROPERTY OWNERS PROTECTION ACT

SECTION 19G.5.(a) G.S. 14-159.13 reads as rewritten:

"**§ 14-159.13. Second degree trespass.**

(a) Offense. – A person commits the offense of second degree trespass if, without authorization, ~~he~~ the person enters or remains ~~on premises of another:~~ on any of the following:

(1) ~~After he~~ On premises of another after the person has been notified not to enter or remain there by the owner, by a person in charge of the premises, by a lawful occupant, or by another authorized ~~person; or~~ person.

(2) ~~That~~ On premises that are posted, in a manner reasonably likely to come to the attention of intruders, with notice not to enter the premises.

(3) On the curtilage of a dwelling of another between the hours of midnight and 6:00 A.M.

(b) ~~Classification. Second degree trespass is a Class 3 misdemeanor.~~ Penalties. – A violation of subdivision (a)(1) or (a)(2) of this section is a Class 3 misdemeanor. A violation of subdivision (a)(3) of this section is a Class 2 misdemeanor."

SECTION 19G.5.(b) This section becomes effective December 1, 2023, and applies to offenses committed on or after that date.

PART XIX-H. JUVENILE JUSTICE

LIMIT USE OF COMMUNITY PROGRAM FUNDS

SECTION 19H.1.(a) Funds appropriated in this act to the Department of Public Safety for the 2023-2025 fiscal biennium for community program contracts, that are not required for or used for community program contracts, may be used only for the following:

(1) Other statewide residential programs that provide Level 2 intermediate dispositional alternatives for juveniles.

(2) Statewide community programs that provide Level 2 intermediate dispositional alternatives for juveniles.

(3) Regional programs that are collaboratives of two or more Juvenile Crime Prevention Councils which provide Level 2 intermediate dispositional alternatives for juveniles.

(4) The Juvenile Crime Prevention Council funds to be used for the Level 2 intermediate dispositional alternatives for juveniles listed in G.S. 7B-2506(13) through (23).

SECTION 19H.1.(b) Funds appropriated by this act to the Department of Public Safety for the 2023-2025 fiscal biennium for community programs may not be used for staffing, operations, maintenance, or any other expenses of youth development centers or detention facilities.

SECTION 19H.1.(c) The Department of Public Safety shall submit an electronic report by October 1 of each year of the 2023-2025 fiscal biennium on all expenditures made in the preceding fiscal year from the miscellaneous contract line in Fund Code 1230 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 and the Fiscal Research Division. The report shall include all of the following: an itemized list of the contracts that have been executed, the amount of each contract, the date the contract was executed, the purpose of the contract, the number of juveniles that will be served and the manner in which they will be served, the amount of money transferred to the Juvenile Crime Prevention Council fund, and an itemized list of grants allocated from the funds transferred to the Juvenile Crime Prevention Council fund.

PART XIX-I. EMERGENCY MANAGEMENT AND NATIONAL GUARD

EMERGENCY MANAGEMENT MODIFICATIONS

SECTION 19I.1.(a) The funds appropriated to the Division of Emergency Management of the Department of Public Safety in (i) the Committee Report, as described in Section 39.2 of S.L. 2018-5, for GuardianAngel Emergency Management Personnel/Equipment Tracking Tool referenced in Item 12 on Page E9 of that report and (ii) the Committee Report, as described in Section 43.2 of S.L. 2021-180, for Asset Tracking and Management – UNC referenced in Item 152 on Page E51 of that report, shall instead be used by the Division, the North Carolina National Guard, and other agencies for funding for licenses and payment of vendor fees for personnel and equipment tracking and management capabilities.

SECTION 19I.1.(b) This section is effective when it becomes law.

COMPETITIVE EMERGENCY MANAGEMENT GRANTS

SECTION 19I.2.(a) The funds appropriated in this act to the Department of Public Safety, Division of Emergency Management, to provide competitive grants to county emergency management agencies established in accordance with G.S. 166A-19.15 shall only be awarded to county emergency management agencies located in counties with a population of 230,000 or fewer, based upon the 2021 Certified County Population Estimates from the State Demographer in the Office of State Budget and Management, as of July 1, 2021. Grants shall be used to ensure local emergency management offices are adequately equipped, trained, and prepared for all hazards and emergencies. The Division shall develop policies and procedures to implement a competitive grant program consistent with this section.

SECTION 19I.2.(b) The Division shall report on the awarding of grant funds pursuant to subsection (a) of this section by April 1, 2024.

CYBERSECURITY REPORTING

SECTION 19I.3.(a) Part 8 of Article 1A of Chapter 166A of the General Statutes is amended by adding a new section to read:

"**§ 166A-19.78A. Cybersecurity reporting.**

Requests from local jurisdictions, State agencies, or critical infrastructure partners for operational support from or access to operational cyber resources shall be sent to the North Carolina Emergency Management 24-Hour Watch for intake and activation as needed."

SECTION 19I.3.(b) This section is effective when it becomes law.

PART XX. ADMINISTRATION

DOA/E-PROCUREMENT TRANSACTION FEES

SECTION 20.1. Article 3 of Chapter 143 of the General Statutes is amended by adding a new section to read:

"**§ 143-48.3A. Electronic procurement fees.**

The Department of Administration shall impose a transaction fee of one and seventy-five hundredths percent (1.75%) on purchase orders for material goods. The Department shall not increase or decrease the transaction fee on purchase orders for material goods or impose a transaction fee on purchase orders for services without the express authorization of the General Assembly."

CHANGE REPORTING REQUIREMENT FOR DOMESTIC VIOLENCE AND SEXUAL ASSAULT GRANTS

SECTION 20.2.(a) G.S. 50B-9(c) reads as rewritten:

"(c) On or before September 1, the North Carolina Council for Women and Youth Involvement shall report on the quarterly distributions of ~~the~~ grants from the Domestic Violence Center Fund for the current fiscal year and the prior fiscal year to the chairs of the House Appropriations Committee on General Government and the Senate Appropriations Committee on General Government and Information Technology and to the Fiscal Research Division. The report shall include the following:

(1) Date, amount, and recipients of the fund disbursements.

(2) Eligible programs which are ineligible to receive funding during the relative reporting cycle as well as the reason of the ineligibility for that relative reporting cycle."

SECTION 20.2.(b) G.S. 143B-394.21(c) reads as rewritten:

"(c) On or before September 1, the North Carolina Council for Women and Youth Involvement shall report on the quarterly distributions of ~~the~~ grants from the Sexual Assault and Rape Crisis Center Fund for the current fiscal year and the prior fiscal year to the chairs of the House Appropriations Committee on General Government, the chairs of the Senate Appropriations Committee on General Government and Information Technology, and the Fiscal Research Division. The report shall include the following:

(1) Date, amount, and recipients of the fund disbursements.

(2) Eligible programs which are ineligible to receive funding during the relative reporting cycle, as well as the reason of the ineligibility for that relative reporting cycle."

PART XXI. ADMINISTRATIVE HEARINGS

INCREASE COMPENSATION FOR RULES REVIEW COMMISSION MEMBERS

SECTION 21.1. G.S. 143B-30.1(d) reads as rewritten:

"(d) Members of the Commission who are not officers or employees of the State shall receive compensation of two hundred fifty dollars ~~($200.00)~~ ($250.00) for each day or part of a day of service plus reimbursement for travel and subsistence expenses at the rates specified in G.S. 138-5. Members of the Commission who are officers or employees of the State shall receive reimbursement for travel and subsistence at the rate set out in G.S. 138-6."

PART XXII. OFFICE OF STATE AUDITOR [RESERVED]

PART XXIII. BUDGET AND MANAGEMENT

NCPRO/EXTENSION OF OPERATIONS

SECTION 23.1. Section 4.3(a) of S.L. 2020-4, as amended by Section 3.5 of S.L. 2021-1, Section 23.2 of S.L. 2021-180, and Section 6.1 of S.L. 2021-189, 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, as defined in Section 1.2 of S.L. 2020-4, and the American Rescue Plan Act, as defined in Section 1.1 of S.L. 2021-25 and Section 4.9(b) of S.L. 2021-180. 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,~~ June 30, 2025, and the Office shall cease to operate upon expiration of the authorization."

STATEWIDE FEDERAL MATCHING AND ADMINISTRATION FUNDS

SECTION 23.2.(a) Of the funds appropriated in this act to the Office of State Budget and Management (OSBM) from the Federal Infrastructure Match Reserve, the sum of ten million dollars ($10,000,000) in nonrecurring funds for the 2023-2024 fiscal year shall be used by OSBM as follows:

(1) Five million dollars ($5,000,000) to aid State agencies in hiring time-limited positions or third-party contractors to assist the agencies in applying for federal grants available under the Infrastructure Investment and Jobs Act (IIJA) (P.L. 117-58), the Chips and Science Act of 2022 (CHIPS) (P.L. 117-167), and the Inflation Reduction Act of 2022 (IRA) (P.L. 117-169).

(2) Five million dollars ($5,000,000) to provide funds to State agencies that must meet a state match requirement in order to procure federal funds from the IIJA, CHIPS, or IRA. The funds allocated in this subdivision may not be provided to a State agency for any federal grant (i) for which the agency is allocated funds from the Federal Infrastructure Match Reserve in this act or (ii) for which state matching funds are included in the agency's base budget.

SECTION 23.2.(b) Funds appropriated for the purposes authorized in subsection (a) of this section that are unencumbered on June 30, 2024, shall not revert to the Federal Infrastructure Match Reserve but shall remain available for the purposes authorized in subsection (a) of this section until the funds are expended.

SECTION 23.2.(c) Not later than February 1, 2024, and February 1 of each year thereafter until the funds are expended, OSBM shall submit a written report to the Senate Appropriations Committee on General Government and Information Technology, the House of Representatives Appropriations Committee on General Government, the Joint Legislative Oversight Committee on General Government, and the Fiscal Research Division which shall include all of the following:

(1) For each agency that requested funds from OSBM to meet the federal state match requirement for IIJA, CHIPS, or IRA:

a. The number of grant applications submitted to federal agencies and the number of grants awarded to the agency as a result of the applications.

b. The name of each federal agency to which the agency submitted a grant application, the name of each federal grant applied for, the type of federal grant (formula, competitive, or other), and a brief description of the purpose of the federal grant. If the type of funding was identified as "other," the type of funding must be clearly identified.

c. The amount of federal funds the agency applied for and the amount of the state match requirement for each federal grant application.

d. The amount of federal funds awarded and the amount of funds allocated to the agency by OSBM to meet the federal state match requirement.

(2) The agencies that used funds allocated by OSBM to hire time-limited positions to assist in applying for IIJA, CHIPS, or IRA grants, the amount of

funds allocated to each agency to hire these time-limited positions, and the number of time-limited positions hired by each agency.

(3) The agencies that used funds allocated by OSBM to hire third-party contractors to assist in applying for IIJA, CHIPS, or IRA grants, the amount of funds allocated to each agency to hire these third-party contractors, and the names of the third-party contractors.

PART XXIV. BUDGET AND MANAGEMENT – SPECIAL APPROPRIATIONS

REGISTER OF DEEDS GRANT PROGRAM

SECTION 24.6. Of the funds appropriated in this act to the Office of State Budget and Management – Special Appropriations for the 2023-2024 fiscal year, the sum of two hundred thousand dollars ($200,000) in nonrecurring funds shall be used to create a grant program for county register of deeds offices. The Office of State Budget and Management (OSBM) shall administer the program and disburse grant funds as follows:

(1) County register of deeds offices shall apply for the funds in the manner prescribed by OSBM.

(2) Applicants shall use grant funds for the preservation of historic records and files. Allowable uses of the funds include, but are not limited to, document restoration, reparation, deacidification, and placement in protected archival binders.

(3) Funds may be used for document digitization only if the original documents will continue to be maintained and preserved.

(4) The maximum grant amount to each office shall be two thousand dollars ($2,000). Additional grant funds shall be disbursed in a second round of applications based on availability of funds. The maximum amount of the second-round grants shall be determined by OSBM. The provisions of this section shall apply if a second round of grants is administered.

(5) Grantees must provide a one hundred percent (100%) match for all grant funds awarded.

PART XXV. OFFICE OF STATE CONTROLLER

AUTHORIZE STATE CONTROLLER TO RETAIN PRIVATE COUNSEL, DESIGNATE EXEMPT POSITIONS, AND SET SALARY OF EXEMPT POSITIONS

SECTION 25.1.(a) G.S. 143B-426.38 reads as rewritten:

"**§ 143B-426.38. Organization and operation of office.**

…

(d) The State Controller may, subject to the provisions of G.S. 147-64.7(b)(2), obtain the services of independent public accountants, attorneys, qualified management consultants, and other professional persons or experts to carry out his powers and duties. Notwithstanding G.S. 147-17 and G.S. 114-2.3, the State Controller may retain private counsel to represent his or her interests in litigation related to his or her financial management of State appropriations by the General Assembly. Notwithstanding the provisions of G.S. 143C-6-9(b), the State Controller may use lapsed salary savings to retain private counsel to provide litigation services.

(e) The State Controller shall have legal custody of all books, papers, documents, email files, organizational internet domain names, digital files, online website content, and other records of the office.

…."

SECTION 25.1.(b) G.S. 126-5 reads as rewritten:

"**§ 126-5. Employees subject to Chapter; exemptions.**

…

(c14) Notwithstanding any provision of this Chapter to the contrary, each Council of State agency and the Office of the State Controller has the sole authority to set the salary of its exempt policymaking and exempt managerial positions within the minimum rates, and the maximum rates plus ten percent (10%), established by the State Human Resources Commission under G.S. 126-4(2).

…

(d) (1) Exempt Positions in Cabinet Department. – Subject to this Chapter, which is known as the North Carolina Human Resources Act, the Governor may designate a total of 425 exempt positions throughout the following departments and offices:

…

(2) Exempt Positions in Council of State Departments and ~~Offices.~~ Offices and the Office of the State Controller. – The Secretary of State, the Auditor, the Treasurer, the Attorney General, the Superintendent of Public Instruction, the Commissioner of Agriculture, the Commissioner of Insurance, ~~and~~ the Labor ~~Commissioner~~ Commissioner, and the State Controller may designate exempt positions. The number of exempt policymaking positions in each department headed by an elected department head listed in this subdivision is limited to 25 exempt policymaking positions or two percent (2%) of the total number of full-time positions in the department, whichever is greater. The number of exempt managerial positions is limited to 25 positions or two percent (2%) of the total number of full-time positions in the department, whichever is greater. The number of exempt policymaking positions designated by the Superintendent of Public Instruction is limited to 70 exempt policymaking positions or two percent (2%) of the total number of full-time positions in the department, whichever is greater. The number of exempt managerial positions designated by the Superintendent of Public Instruction is limited to 70 exempt managerial positions or two percent (2%) of the total number of full-time positions in the department, whichever is greater. The total number of exempt positions, policymaking and managerial, designated by the Office of the State Controller is limited to 10.

…

(4) Vacancies. – In the event of a vacancy in the Office of ~~Governor or in~~ Governor, the office of a member of the Council of State, or the Office of the State Controller, the person who succeeds to or is appointed or elected to fill the unexpired term shall make designations in a letter to the Director of the Office of State Human Resources, the Speaker of the House of Representatives, and the President of the Senate within 180 days after the oath of office is administered to that person.

…."

OVERPAYMENTS AUDIT

SECTION 25.2.(a) During the 2023-2025 fiscal biennium, receipts generated by the collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors shall be deposited in Special Reserve Account 24172 as required by G.S. 147-86.22(c).

SECTION 25.2.(b) Of the funds appropriated in this act from Special Reserve Account 24172, and for each fiscal year of the 2023-2025 fiscal biennium, two hundred fifty

thousand dollars ($250,000) of the funds shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs.

SECTION 25.2.(c) The State Controller shall report annually to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into Special Reserve Account 24172 and the disbursement of that revenue.

PART XXVI. ELECTIONS

SBE/POST-ELECTION AUDIT REPORT

SECTION 26.2. G.S. 163-182.12A reads as rewritten:

"**§ 163-182.12A. Post-election audits.**

(a) After conducting a post-election ~~audit,~~ audit for each election as required by this Chapter, except for a general election, the State Board shall produce a report which summarizes the audit, including the rationale for and the findings of the audit. ~~The~~ After conducting a post-election audit for a general election, the State Board shall produce a report which shall include all of the following:

(1) A summary of the types of post-election audits required by law and the requirements for conducting each of the audits.

(2) A summary of the results of each of the post-election audits described in subdivision (1) of this subsection.

(3) A detailed description of each of the post-election audits described in subdivision (1) of this subsection, including any issues that could have affected the outcome of the election and the manner in which those issues were resolved.

(4) A description of any systemic issues that were identified during the post-election audits and any recommendations on the manner in which those issues should be addressed to ensure election security and integrity.

(5) The ways in which the public were allowed to observe and comment on the conduct of the post-election audits, as authorized by law.

(6) Any other matters deemed appropriate by the State Board.

(b) Each report required by subsection (a) of this section shall be submitted to the Joint Legislative Elections Oversight Committee and the Joint Legislative Oversight Committee on General Government within 10 business days of the date the audit is completed."

SBE/PROHIBIT ERIC MEMBERSHIP

SECTION 26.3.(a) Section 26.3 of S.L. 2022-74 is repealed.

SECTION 26.3.(b) The State may not become a member of the Electronic Registration Information Center, Inc. (ERIC).

PART XXVII. GENERAL ASSEMBLY

CONTINUING LEGAL EDUCATION EXEMPTION FOR FULL-TIME ATTORNEYS FOR GENERAL ASSEMBLY

SECTION 27.1.(a) Finding. – The General Assembly finds that licensed attorneys who are full-time employees of the North Carolina General Assembly draft the general and local laws of this State, which requires extensive writing skills and researching capabilities similar to those required of full-time judicial law clerks employed by the judicial branch and full-time law professors. These full-time law clerks and full-time law professors have been granted exemptions from the continuing legal education requirements established by the North Carolina State Bar for any calendar year in which they serve some portion thereof in their capacity as a law clerk or law professor. Further, licensed attorneys who are members of the General Assembly have also been

granted an exemption from continuing legal education requirements for any calendar year in which they serve some portion thereof as a member of the General Assembly. The General Assembly finds that given the similarities of the professional skills and abilities required by licensed attorneys who are full-time judicial law clerks, full-time law professors, and full-time employees of the General Assembly to perform their duties, there is ample justification for providing that licensed attorneys who are full-time employees of the General Assembly should be granted an exemption from the continuing legal education requirements established by the North Carolina State Bar for any calendar year in which they serve some portion thereof in their capacity as full-time employees of the General Assembly.

SECTION 27.1.(b) Full-Time Attorneys for General Assembly. – Notwithstanding any other provision of law or rule, the North Carolina State Bar Council shall adopt rules in accordance with Article 4 of Chapter 84 of the General Statutes to provide that full-time employees of the North Carolina General Assembly are exempt from the continuing legal education requirements established by the North Carolina State Bar for any calendar year in which they serve some portion thereof in their capacity as full-time employees of the North Carolina General Assembly. Rules adopted pursuant to this section are not subject to Part 3 of Article 2A of Chapter 150B of the General Statutes. Until such time that the Bar Council adopts rules as required by this section, full-time employees of the North Carolina General Assembly shall be exempt from the continuing legal education requirements established by the North Carolina State Bar for any calendar year in which they serve some portion thereof in their capacity as full-time employees of the North Carolina General Assembly.

SECTION 27.1.(c) This section is effective when it becomes law.

GA/STUDY OSHR POLICIES AND PROCEDURES FOR HIRING STATE EMPLOYEES

SECTION 27.3.(a) The Joint Legislative Oversight Committee on General Government shall study the Office of State Human Resource's (OSHR) policies and procedures for hiring State employees with an emphasis on identifying ways to reduce the amount of time it takes for State agencies to hire State employees. The inquiry may include, but is not limited to, examination of the following:

(1) Review of the State application process, focusing on time to fill and time to hire.

(2) Review of the hiring process, including offer acceptance rate.

(3) Any other matter relevant to ways to reduce any inefficiency or delay in the OSHR's recruitment and hiring process.

SECTION 27.3.(b) The OSHR shall provide any information and data requested by the Committee for purposes of conducting the study. Not later than February 1, 2024, the Committee shall submit a report of its findings and conclusions, including any recommendations for legislation, to the Senate Appropriations Committee on General Government and Information Technology, the House of Representatives Appropriations Committee on General Government, and the Fiscal Research Division.

PART XXVIII. GOVERNOR [RESERVED]

PART XXIX. HOUSING FINANCE AGENCY

REPORTING REQUIREMENTS

SECTION 29.1.(a) Sub-subdivision e. of subdivision (7) of Section 3 of S.L. 2017-119 is repealed.

SECTION 29.1.(b) G.S. 122A-16 reads as rewritten:

"**§ 122A-16. Oversight by committees of General Assembly; annual ~~reports.~~report; audit; construction of Chapter.**

(a) Oversight. – The Finance Committee of the House of ~~Representatives and~~ Representatives, the Finance Committee of the ~~Senate~~ Senate, and the Joint Legislative Oversight Committee on General Government shall exercise continuing oversight of the Agency in order to assure that the Agency is effectively fulfilling its statutory ~~purpose; provided, however, that nothing in this Chapter shall be construed as required by the Agency to receive legislative approval for the exercise of any of the powers granted by this Chapter.~~purpose.

(b) Comprehensive Report. – The Agency shall, ~~promptly following the close of each fiscal year,~~ on or before February 15 of each year, submit an annual comprehensive report of its activities for the preceding year to the Governor, the Office of State Budget and Management, State Auditor, ~~the aforementioned committees of the General Assembly and~~ the Local Government ~~Commission. Each such~~ Commission, the Joint Legislative Oversight Committee on General Government, and the Fiscal Research Division. The comprehensive report required under this subsection shall ~~set forth a complete operating and financial statement of the Agency during such year.~~include at least all of the following:

(1) The goals and objectives of each program administered by the Agency.

(2) The number and types of activities funded by the Agency.

(3) The number of individuals or families served for each program administered by the Agency.

(4) The information required under G.S. 45-104, 122A-5.15, and Section 20.1 of S.L. 2005-276.

(c) Audit. – The Agency shall cause an audit of its books and accounts to be made at least once in each year by an independent certified public accountant and the cost thereof may be paid from any available moneys of the Agency. ~~The Agency shall on January 1 and July 1 of each year submit a written report of its activities to the Joint Legislative Commission on Governmental Operations. The Agency shall also at the end of each fiscal year submit a written report of its budget expenditures by line item to the Joint Legislative Commission on Governmental Operations.~~

(d) Construction. – Nothing in this Chapter shall be construed as requiring the Agency to receive legislative approval for the exercise of any of the powers granted by this Chapter."

SECTION 29.1.(c) Section 20.1(a) of S.L. 2005-276 reads as rewritten:

"**SECTION 20.1.(a)** Funds appropriated in this act to the Housing Finance Agency for the federal HOME Program shall be used to match federal funds appropriated for the HOME Program. In allocating State funds appropriated to match federal HOME Program funds, the Agency shall give priority to HOME Program projects, as follows:

(1) First priority to projects that are located in counties designated as Tier One, Tier Two, or Tier Three Enterprise Counties under G.S. 105-129.3; and

(2) Second priority to projects that benefit persons and families whose incomes are fifty percent (50%) or less of the median family income for the local area, with adjustments for family size, according to the latest figures available from the United States Department of Housing and Urban Development.

~~The~~ As part of the report required under G.S. 122A-16, the Housing Finance Agency shall report ~~to the Joint Legislative Commission on Governmental Operations by April 1 of each year concerning~~ on the status of the HOME Program and shall include in the report information on priorities met, types of activities funded, and types of activities not funded."

SECTION 29.1.(d) G.S. 45-104(f) reads as rewritten:

"(f) ~~The~~ As part of the report required under G.S. 122A-16, the Housing Finance Agency shall report ~~to the General Assembly describing~~ on the operation of the program established by this act ~~not later than May 1 of each year~~ until the funds are completely disbursed from the State Home Foreclosure Prevention Trust Fund. Information in the report shall be presented in

aggregate form and may include the number of clients helped, the effectiveness of the funds in preventing home foreclosure, recommendations for further efforts needed to reduce foreclosures, and provide any other aggregated information the Housing Finance Agency determines is pertinent or that the General Assembly requests."

SECTION 29.1.(e) G.S. 122A-5.14(d) is repealed.

SECTION 29.1.(f) G.S. 122A-5.15(d) reads as rewritten:

"(d) ~~By February 1 of each year, the~~ As part of the report required under G.S. 122A-16, the Agency shall report ~~to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division~~ on the number of loans made under this section, the amount of each loan, and whether the low-income housing development is located in a low-, moderate-, or high-income county, as designated by the Agency."

SECTION 29.1.(g) Subsections (b) and (c) of G.S. 122A-16, as amended by subsection (b) of this section, and subsections (c), (d), and (f) of this section become effective July 1, 2023, and apply to reports due on or after that date. The remainder of this section becomes effective July 1, 2023.

HFA/INCREASE PROJECT CAPS FOR WORKFORCE HOUSING LOAN PROGRAM

SECTION 29.2. G.S. 122A-5.15(c) reads as rewritten:

"(c) A taxpayer allocated a federal low-income housing tax credit under section 42 of the Code to construct or substantially rehabilitate a qualified North Carolina low-income housing development is eligible for a loan under the Workforce Housing Loan Program if the taxpayer satisfies the loan criteria established by the Agency. The loan criteria shall support the financing of similar types of developments as provided in G.S. 105-129.42 and shall be developed in partnership with developers of low-income housing in the State who receive a federal low-income housing tax credit under section 42 of the Code. The Agency shall take into consideration all eligible sources of funding for each development project, including whether there are other eligible sources of funding available for the development project. No loan made to a taxpayer under this section shall exceed ~~two~~ three million dollars ~~($2,000,000)~~ ($3,000,000) if the low-income housing development is located in a low-income county, as designated by the Agency; ~~one million five hundred~~ two million dollars ~~($1,500,000)~~ ($2,000,000) in a moderate-income county, as designated by the Agency; and ~~two hundred fifty~~ five hundred thousand dollars ~~($250,000)~~ ($500,000) in a high-income county, as designated by the Agency."

HFA/SUPPORTIVE HOUSING DEVELOPMENT PROGRAM/HOMELESS VETERANS AND VICTIMS OF DOMESTIC VIOLENCE/SEXUAL ASSAULT/HUMAN TRAFFICKING

SECTION 29.3.(a) Of the funds appropriated in this act to the Housing Finance Agency, Supportive Housing Development Program, (hereinafter "Agency"), the sum of ten million dollars ($10,000,000) in nonrecurring funds for each fiscal year of the 2023-2025 fiscal biennium shall be used as follows:

(1) Five million dollars ($5,000,000) for housing serving homeless veterans.

(2) Five million dollars ($5,000,000) for housing serving victims of domestic violence, sexual assault, and human trafficking.

SECTION 29.3.(b) Prior to disbursing the funds provided in subsection (a) of this section, the Agency shall consult with the North Carolina Governor's Working Group about housing serving homeless veterans and the North Carolina Council for Women and Youth Involvement and the North Carolina Human Trafficking Commission about housing serving victims of domestic violence, sexual assault, and human trafficking for the purpose of determining the greatest housing needs of those respective populations and how the Program funds can best be used to address those needs. Until all the funds provided in subsection (a) of

this section have been expended, the Agency shall include in the annual report required by G.S. 122A-16 all of the following for the preceding fiscal year:

(1) The total number of loans made and the amount of each loan.
(2) The name of each loan recipient, by county.
(3) A description of the housing which will be financed, in whole or in part, with the loan funds and the population to be served by the housing.

PART XXIX-A. OFFICE OF STATE HUMAN RESOURCES

OSHR/HUMAN CAPITAL RESOURCE MANAGEMENT

SECTION 29.1A.(a) Of the funds appropriated in this act to the Office of State Human Resources (OSHR), the sum of five million six hundred thousand dollars ($5,600,000) in nonrecurring funds for the 2023-2024 fiscal year shall be used to plan and design a system to replace the currently used human capital resources management (HCM) components, such as recruitment/applicant tracking, organizational management, and personnel management, under the purview of OSHR. The replacement system shall not include the existing enterprise payroll, accounting, and finance system operations and functions under the purview of the Office of State Controller (Controller). OSHR shall consult with the State Chief Information Officer (State CIO) and Controller in planning and designing the replacement system and shall obtain the prior approval of the State CIO and Controller on the selection of final system functions and information technology vendors.

SECTION 29.1A.(b) Beginning January 1, 2024, OSHR shall provide quarterly reports to the Joint Legislative Committee on General Government on its progress in implementing the provisions of this section and, upon the completion of the implementation, shall provide a final report to the Committee.

PART XXX. INSURANCE

REGULATORY FEE & INSURANCE REGULATORY FUND

SECTION 30.1.(a) Notwithstanding the provisions of G.S. 58-6-25(b), the percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25(b) is two percent (2%) for the 2024 calendar year and the 2025 calendar year.

SECTION 30.1.(b) G.S. 58-6-25 reads as rewritten:

"**§ 58-6-25. Insurance regulatory charge.**

…

(b) Rates. – The rate of the charge for each taxable year shall be six and one-half percent (6.5%). When the Department prepares its budget request for each upcoming fiscal year, the Department shall propose a percentage rate of the charge levied in this section. The Governor shall submit that proposed rate to the General Assembly each fiscal year. It is the intent of the General Assembly ~~(i)~~ that the percentage rate not exceed the rate necessary to generate funds sufficient to defray the estimated cost of the operations of the Department for each upcoming fiscal year, including a reasonable margin for a reserve ~~fund, and (ii) that the amount of the reserve not exceed one-third of the estimated cost of operating the Department for each upcoming fiscal year.~~ that shall be used to provide for unanticipated expenditures requiring a budget adjustment as authorized by G.S. 143C-6-4. In calculating the amount of the reserve, the General Assembly shall consider all relevant factors that may affect the cost of operating the Department or a possible unanticipated increase or decrease in North Carolina premiums or other charge revenue.

…

(d) Use of Proceeds. – The Insurance Regulatory Fund is created ~~in the State treasury, under the control of the Office of State Budget and Management. The~~ as an interest-bearing

special fund to which the proceeds of the charge levied in this section and all fees collected under Articles 69 through 71 of this Chapter and under Articles 9 and 9C of Chapter 143 of the General Statutes shall be ~~credited to the Fund. The Fund shall be placed in an interest-bearing account and any interest or other income derived from the Fund shall be credited to the Fund.~~ credited. Moneys in the Fund may be spent only pursuant to appropriation by the General ~~Assembly~~ Assembly, and ~~in accordance with the line item budget enacted by the General Assembly. The~~ the Fund is subject to the provisions of the State Budget ~~Act, except that no unexpended surplus of the Fund shall revert to the General Fund.~~ Act. All money credited to the Fund shall be used to reimburse the General Fund for the following:

…."

DOI/VOLUNTEER FIRE DEPARTMENT FUND

SECTION 30.2.(a) G.S. 58-87-1 reads as rewritten:

"**§ 58-87-1. Volunteer Fire Department Fund.**

…

(a1) Grant Program. – An eligible fire department may apply to the Commissioner for a grant under this section. In awarding grants under this section, the Commissioner must, to the extent possible, select applicants from all parts of the State based upon need. The Commissioner must award the grants on May 15, or on the first business day after May 15 if May 15 falls on a weekend or a holiday, of each year subject to the following limitations:

(1) The size of a grant may not exceed ~~thirty~~ forty thousand dollars ~~($30,000).~~($40,000).

…

(b) Eligible Fire Department. – A fire department is eligible for a grant under this section if it meets all of the conditions of this subsection. No fire department may be declared ineligible for a grant solely because it is classified as a municipal fire department. The required conditions are:

(1) Repealed by Session Laws 2016-78, s. 2.1(a), effective June 30, 2016.

(2) It consists entirely of volunteer members, with the exception that the unit may have paid members to fill the equivalent of ~~six~~ eight full-time paid positions.

(3) It has been certified by the Department of Insurance.

…."

SECTION 30.2.(b) G.S. 58-87-1(a1), as enacted by subsection (a) of this section, expires June 30, 2025.

SECTION 30.2.(c) For the 2023-2024 fiscal year only, the Commissioner of Insurance shall reserve one million dollars ($1,000,000) of the funds in the Volunteer Fire Department Fund to provide grants to eligible fire departments in the event of an emergency. For purposes of this subsection, the term "emergency" has the same meaning as in G.S. 166A-19.3(6). Emergency reserve grants shall not exceed fifty thousand dollars ($50,000) and shall be used for purposes consistent with G.S. 58-87-1(a1)(3). Any unspent funds remaining in the emergency reserve on June 30 of each fiscal year of the 2023-2025 fiscal biennium shall revert to the Volunteer Fire Department Fund. If an eligible fire department is awarded an emergency reserve grant and thereafter receives a monetary settlement from its insurance carrier for the same loss or damages for which the grant was awarded, the fire department shall reimburse the State for the amount of the grant.

SECTION 30.2.(d) Within 60 days after all grants have been awarded under this section, the Commissioner shall submit a written report to the Senate Appropriations Committee on General Government and Information Technology, the House of Representatives Appropriations Committee on General Government, the Joint Legislative Oversight Committee on General Government, and the Fiscal Research Division which shall be posted on the Department of Insurance's website and shall contain all of the following:

(1) For grants under subsection (a) of this section:
a. The total number of grants awarded.
b. A list of the eligible fire departments that were awarded grants and the county in which each eligible fire department is located.
c. The amount of the grant award to each eligible fire department.
(2) For emergency reserve grants under subsection (c) of this section:
a. The total number of grants awarded.
b. A list of the eligible fire departments that were awarded grants and the county in which each eligible fire department is located.
c. The amount of the grant award to each eligible fire department.
d. A description of the emergency for which grant funds were awarded.

DOI/ADMINISTRATION OF WORKERS' COMPENSATION FUND FOR CERTAIN SAFETY WORKERS

SECTION 30.3.(a) G.S. 58-87-10 reads as rewritten:

"**§ 58-87-10. Workers' Compensation Fund for the benefit of certain safety workers.**

…

(d) Administration. – The ~~State Fire and Rescue Commission, established under G.S. 58-78-1,~~ Department of Insurance shall administer the Workers' Compensation Fund and shall perform this duty by contracting with a third-party administrator. The contracting procedure is not subject to Article 3C of Chapter 143 of the General Statutes. The reasonable and necessary expenses incurred by the ~~Commission~~ Department in administering the Fund shall be paid out of the Fund by the State Treasurer. The ~~Commission~~ Department may adopt rules to implement this section. The ~~State Fire and Rescue Commission~~ Department shall include both of the following in its contracts with the third-party administrator:

(1) All provisions of Section 2(d) of ~~S.L. 2014-64 in all future contracts with its workers' compensation third party administrators.~~S.L. 2014-64.
(2) A clause explicitly stating that no commissions of any kind may be paid to any agent, broker, or other person from the Fund.

(e) Revenue Source. – Revenue is credited to the Workers' Compensation Fund from a portion of the proceeds of the tax levied under G.S. 105-228.5(d)(3). In addition, every eligible unit and eligible entity that elects to participate shall pay into the Fund an amount set annually by the ~~State Fire and Rescue Commission~~ Commissioner of Insurance, in consultation with the State Fire and Rescue Commission, to ensure that the Fund will be able to meet its payment obligations under this section. The amount shall be set as an amount for each member of the roster of the eligible unit or for each employee or volunteer of an eligible entity, and the amount may vary based on whether an individual is a volunteer, a part-time employee, or a full-time employee. The payment shall be made to the ~~State Fire and Rescue Commission~~ Department on or before July 1 of each year. The ~~Commission~~ Department shall remit the payments it receives to the State Treasurer, who shall credit the payments to the Fund.

…

(g) Allocation of Taxes. – ~~The study conducted under subsection (f) of this section shall be reviewed by the Office of State Budget and Management.~~ On or before March 1 of each year, ~~the Office of State Budget and Management, in consultation with~~ the Department of ~~Insurance,~~ Insurance must notify the Secretary of Revenue of the amount required to meet the needs of the Fund, as determined by the ~~study,~~ study conducted under subsection (f) of this section, for the upcoming fiscal year. The Secretary of Revenue shall remit that amount, subject to the twenty percent (20%) limitation in G.S. 105-228.5(d)(3), to the Fund.

(h) Reports. – The Department of Insurance shall, on a quarterly basis, report to the State Fire and Rescue Commission on its activities conducted pursuant to this section."

SECTION 30.3.(b) G.S. 58-87-10(d)(2), as enacted by subsection (a) of this section, applies to contracts with workers' compensation third-party administrators executed or renewed on or after the date this section becomes law.

SECTION 30.3.(c) G.S. 58-78-5 reads as rewritten:

"**§ 58-78-5. State Fire and Rescue Commission – Powers and duties.**

(a) The Commission shall have the following powers and duties:

…

(16) To provide oversight for the workers' compensation benefits administered by the Department of Insurance under G.S. 58-87-10, to create a Volunteer Safety Workers' Compensation Board to assist it in performing this duty, and to reimburse the members of the Commission's Volunteer Safety Workers' Compensation Board in accordance with G.S. 138-5 for travel and subsistence expenses incurred by them.

…."

DOI/WORKERS' COMPENSATION FUND FOR FIREFIGHTERS AND EMS/RESCUE WORKERS

SECTION 30.5. Notwithstanding the provisions of G.S. 58-87-10, for the 2023-2024 fiscal year and the 2024-2025 fiscal year, the Commissioner of Insurance shall not set an amount to be paid by every eligible unit and eligible entity, as those terms are defined in G.S. 58-87-10(a), that elects to participate in the Workers' Compensation Fund created pursuant to G.S. 58-87-10(b). For the 2023-2024 fiscal year and the 2024-2025 fiscal year, no eligible unit or eligible entity shall be required to submit to the Commissioner of Insurance any payment to participate in the Fund.

VOLUNTEER RESCUE UNITS/EQUIPMENT & CAPITAL IMPROVEMENTS

SECTION 30.6.(a) Grants Authorized. – Of the funds appropriated in this act to the Department of Insurance, the sum of one million dollars ($1,000,000) in nonrecurring funds for each year of the 2023-2025 fiscal biennium shall be used by the Department to establish and administer a grant program to provide grants to eligible standalone volunteer rescue units (hereinafter "unit") for the purpose of purchasing equipment and making capital improvements. Grants for equipment shall not be more than twenty-five thousand dollars ($25,000) to each unit in each fiscal year and not more than two hundred thousand dollars ($200,000) for capital improvements in each fiscal year. Each grant applicant shall match an equipment grant with ten percent (10%) of the grant amount in non-State funds and a capital improvement grant with five percent (5%) of the grant amount in non-State funds. An applicant may apply for a grant under this section in each fiscal year of the 2023-2025 fiscal biennium. Each applicant may be awarded only one grant in each fiscal year of the 2023-2025 fiscal biennium. For purposes of this section, the term "eligible standalone volunteer rescue unit" means a volunteer rescue unit under G.S. 58-87-5(b) that is not combined with a rescue/EMS, EMS units that are volunteer fire departments that are a part of a county's EMS system plan, EMS units providing rescue or rescue and emergency medical services, or any other unit of any type providing rescue and/or emergency services.

SECTION 30.6.(b) In awarding grants under this section, the Department shall, to the extent possible, select applicants from all parts of the State. Grants shall be made as soon as practicable. If, in any fiscal year, the Department has not disbursed all of the grant funds appropriated for the grant program as provided in subsection (a) of this section, the Department shall allow applicants who have not received grant funds in that fiscal year to apply for a grant, and the applicant shall match the grant funds as provided in subsection (a) of this section. Grants authorized by this section shall be awarded in addition to and shall not supplant any amount of the grant awarded to an eligible standalone volunteer rescue unit under G.S. 58-87-5. Any funds

appropriated for the grant program authorized by subsection (a) of this section that are unencumbered at the end of each fiscal year of the 2023-2025 fiscal biennium shall not revert to the Volunteer Rescue/EMS Fund but shall remain available for providing grants as authorized by this section.

SECTION 30.6.(c) Report. – Within 60 days after all grants have been awarded under subsection (a) of this section, the Department shall submit a written report to the Senate Appropriations Committee on General Government and Information Technology, the House of Representatives Appropriations Committee on General Government, the Joint Legislative Oversight Committee on General Government, and the Fiscal Research Division which shall include all of the following:

(1) The total number of grants awarded, by county.

(2) The name of each eligible standalone volunteer rescue unit to which a grant was awarded, by county and by city, if applicable.

(3) The amount of the grant awarded to each eligible standalone volunteer rescue unit.

VOLUNTEER FIRE DEPARTMENTS/APPARATUS TIRE REPLACEMENT

SECTION 30.7.(a) Grants Authorized. – Of the funds appropriated in this act to the Department of Insurance, the sum of one million dollars ($1,000,000) in nonrecurring funds for each fiscal year of the 2023-2025 fiscal biennium shall be used by the Department to establish and administer a grant program to provide grants in an amount of not more than ten thousand dollars ($10,000) to eligible fire departments under G.S. 58-87-1(b) for the purpose of replacing fire apparatus tires. Grants shall be awarded only to applicants who certify in writing the need to remove fire apparatus tires from service because of any of the following reasons: (i) tread wear beyond the minimum tread depth, (ii) fire conditions that caused damage to the tires, such as coming into contact with fire retardant and/or running over glass, debris, oil, or chemicals, (iii) tire damage, such as cuts, bulges, and cracks, and (iv) evidence of dry rot or sidewall cracking. Applicants shall use the grant funds only for the purpose of replacing fire apparatus tires and shall not use the funds for any other purpose. Applicants are not required to provide a match for grant funds. An applicant may apply for a grant under this section in each fiscal year of the 2023-2025 fiscal biennium. Each applicant may be awarded only one grant in each fiscal year of the 2023-2025 fiscal biennium.

SECTION 30.7.(b) In awarding grants under this section, the Department shall, to the extent possible, select applicants from all parts of the State. Grants shall be made as soon as practicable. If, in any fiscal year, the Department has not disbursed all the grant funds appropriated for the grant program authorized by subsection (a) of this section, the Department shall allow applicants who have not received grant funds in that fiscal year to apply for a grant. Grants authorized by this section shall be awarded in addition to and shall not supplant any amount of the grant awarded to an eligible fire department under G.S. 58-87-1. Any funds appropriated for the grant program authorized by subsection (a) of this section that are unencumbered at the end of each fiscal year of the 2023-2025 fiscal biennium shall not revert to the Volunteer Fire Department Fund but shall remain available for providing grants as authorized by this section.

SECTION 30.7.(c) Report. – Within 60 days after all grants have been awarded under subsection (a) of this section, the Department shall submit a written report to the Senate Appropriations Committee on General Government and Information Technology, the House of Representatives Appropriations Committee on General Government, the Joint Legislative Oversight Committee on General Government, and the Fiscal Research Division which shall include all of the following:

(1) The total number of grants awarded, by county.

(2) The name of each eligible fire department to which a grant was awarded, by county and by city, if applicable.
(3) The amount of the grant awarded to each eligible fire department.

OFFICE OF STATE FIRE MARSHAL ESTABLISHED

SECTION 30.8.(a) Chapter 58 of the General Statutes is amended by adding a new Article to read:

"Article 78A.
"Office of the State Fire Marshal.
"**§ 58-78A-1. Office of the State Fire Marshal.**

(a) The Office of the State Fire Marshal is created within the Department of Insurance and that office may exercise its prescribed duties independently of the Department. The Commissioner shall provide general administrative support to the Office of the State Fire Marshal.

(b) The "State Fire Marshal," as used in this Article and elsewhere in the General Statutes, shall be the head of the Office of the State Fire Marshal and shall be a person appointed by the Commissioner by and with the consent of the Senate. The State Fire Marshal shall be a person other than the Commissioner and shall serve a three-year term. If a vacancy arises or exists pursuant to this subsection when the General Assembly is not in session, the Commissioner may appoint a State Fire Marshal to serve on an interim basis pending confirmation by the Senate. For the purposes of this subsection, the General Assembly is not in session only (i) prior to convening of the Regular Session, (ii) during any adjournment of the Regular Session for more than 10 days, and (iii) after sine die adjournment of the Regular Session."

SECTION 30.8.(b) G.S. 58-80-1 reads as rewritten:

"**§ 58-80-1. Purpose of Article; meaning of "State Fire Marshal".**

The purpose of this Article shall be the creation of a State Volunteer Fire Department to provide protection for property lying outside the boundaries of municipalities, and to render assistance anywhere within the State of North Carolina, in municipalities or counties, in emergencies caused by fire, floods, tornadoes, or otherwise, in the manner and subject to the conditions provided in this Article. ~~As used in this Article and elsewhere in the General Statutes, "State Fire Marshal" means the Commissioner of Insurance of the State of North Carolina.~~"

SECTION 30.8.(c) G.S. 14-410(c)(3) reads as rewritten:

"(3) State Fire Marshal. – Defined in ~~G.S. 58-80-1.~~G.S. 58-78A-1."

SECTION 30.8.(d) Notwithstanding G.S. 58-78A-1, as enacted by subsection (a) of this section, the Commissioner of the Department of Insurance shall serve as the State Fire Marshal until the Senate confirms an independent State Fire Marshal as authorized by this section.

SECTION 30.8.(e) This section becomes effective January 1, 2024.

PART XXXI. INSURANCE – INDUSTRIAL COMMISSION

INDUSTRIAL COMMISSION/BASE BUDGET ADJUSTMENT

SECTION 31.2.(a) The Office of State Budget and Management shall, in conjunction with the North Carolina Industrial Commission, adjust the Commission's base budget for each fiscal year of the 2025-2027 fiscal biennium to use proceeds from the insurance regulatory charge established under G.S. 58-6-25 to reimburse the General Fund for operations of the Commission as authorized by G.S. 58-6-25(d)(11).

SECTION 31.2.(b) Notwithstanding the provisions of G.S. 58-6-25 or any other provision of law, the Department of Insurance shall not reimburse the General Fund for the appropriation made in this act for the purpose of compensating persons erroneously convicted of felonies as authorized by Article 8 of Chapter 148 of the General Statutes.

PART XXXII. LIEUTENANT GOVERNOR [RESERVED]

PART XXXIII. MILITARY AND VETERANS AFFAIRS

VETERANS HOME TRUST FUND/TRANSFER TO VETERANS CEMETERY TRUST FUND

SECTION 33.1. G.S. 143B-1293 reads as rewritten:

"**§ 143B-1293. North Carolina Veterans Home Trust Fund.**

…

(d) Miscellaneous. – The following provisions apply to the trust fund created in subsection (a) of this section:

…

(1a) ~~The~~ Of the funds deposited in the trust fund each fiscal year, the Department of Military and Veterans Affairs shall transfer ten percent (10%) of ~~the unspent receipts collected in each~~ those funds that are unspent on June 30 of each fiscal year from the trust fund to the North Carolina Veterans Cemeteries Trust Fund on ~~or before~~ June 30 of each fiscal year.

…."

VETERANS HOME TRUST FUND/ROUTINE REPAIRS TO STATE VETERANS HOMES

SECTION 33.2. Of the funds appropriated in this act to the Department of Military and Veterans Affairs for the 2023-2024 fiscal year, the Department shall reserve the sum of one million five hundred thousand dollars ($1,500,000) to be used to make routine repairs and renovations to buildings and facilities at State veteran homes. Funds held in reserve as required by this section shall not be used for "unforeseen circumstances," as that term is defined in G.S. 143C-6-4(b)(3). Funds for unforeseen circumstances shall be spent only as authorized by G.S. 143C-6-4.

VETERANS LIFE CENTER CHALLENGE GRANT

SECTION 33.3. Part 1 of Article 14 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-1218. Veterans Life Center; challenge grant to provide rehabilitation and reintegration services to veterans.**

(a) There is hereby established in the Department of Military and Veterans Affairs a challenge grant program for the Veterans Life Center (hereinafter "Center"), a nonprofit corporation, which shall be administered by the Department as provided in this section. Funds appropriated by the General Assembly for the challenge grant program shall be used to allocate funds to the Center for the purpose of providing rehabilitation and reintegration services and support to veterans across the State, and those funds shall not be used for any other purpose without the express authorization of the General Assembly.

(b) To receive State funds under this section, the Center shall raise at least seven hundred fifty thousand dollars ($750,000) in non-State funds in each fiscal year. The Center shall demonstrate, to the satisfaction of the Department, that it has raised the funds required by this subsection prior to the allocation of State funds. The Department shall disburse State funds on a dollar-for-dollar basis each quarter so that the Center will receive a State dollar for each non-State dollar raised by the Center, but in no case shall the Department disburse State funds to the Center if it has not raised the required non-State funds. The Center shall not supplant, shift, or reallocate Center funds for the purpose of achieving the non-State dollar amount of seven hundred fifty thousand dollars ($750,000) required by this subsection.

(c) Not later than July 1 of each year, the Department shall submit a written report to the Joint Legislative Oversight Committee on General Government and the Fiscal Research Division on all of the following information, and the Center shall provide the information to the Department in the manner and time period requested by the Department for purposes of preparing the report:

(1) The total number of veterans served.

(2) The types of services provided to veterans, and the number of veterans who received each type of service.

(3) Demographics of the veterans served, including each veteran's county of residence.

(4) Average length of stay for veterans, and the average number of veterans in the Center facility on a daily basis.

(5) The total number of veterans who completed the care program, and the number who received postgraduate mentoring from the Center."

DMVA/CHILDREN OF VETERANS' SCHOLARSHIPS

SECTION 33.4.(a) G.S. 143B-1225 reads as rewritten:

"**§ 143B-1225. Scholarship.**

(a) A scholarship granted pursuant to this Part shall consist of the following benefits in either a State or private educational institution:

…

(6) A student who has been awarded a scholarship under this section shall maintain a cumulative grade point average of 2.0 throughout the four academic years for which the student is eligible for a scholarship under this section.

…."

SECTION 33.4.(b) G.S. 143B-1227 reads as rewritten:

"**§ 143B-1227. Administration and funding.**

(a) The administration of the scholarship program shall be vested in the Department of Military and Veterans Affairs, and the disbursing and accounting activities required shall be a responsibility of the Department of Military and Veterans Affairs. The Veterans' Affairs Commission shall determine the eligibility of applicants, select the scholarship recipients, establish the effective date of scholarships, and may suspend or revoke scholarships if the Veterans' Affairs Commission finds that the recipient does not comply with the registration requirements of the Selective Service System or does not maintain an adequate academic status, or if the recipient engages in riots, unlawful demonstrations, the seizure of educational buildings, or otherwise engages in disorderly conduct, breaches of the peace or unlawful assemblies. The Department of Military and Veterans Affairs shall maintain the primary and necessary records, and the Veterans' Affairs Commission shall promulgate such rules and regulations not inconsistent with the other provisions of this Part as it deems necessary for the orderly administration of the program. It may require of State or private educational institutions, as defined in this Part, such reports and other information as it may need to carry out the provisions of this ~~Part.~~ Part; provided, however, the Veterans' Affairs Commission shall require State and private educational institutions to report no later than December 15 of each year the number of scholarship recipients who maintained a cumulative grade point average of 2.0 and the number of scholarship recipients who completed the degree requirements for graduation. The Department of Military and Veterans Affairs shall disburse scholarship payments for recipients certified eligible by the Department of Military and Veterans Affairs upon certification of enrollment by the enrolling institution.

…."

SECTION 33.4.(c) G.S. 143B-1228 reads as rewritten:

"**§ 143B-1228. Report on scholarships.**

By January 1 of each year, the Department of Military and Veterans Affairs shall report to the Joint Legislative Oversight Committee on General Government, the Senate Appropriations Committee on General Government and Information Technology, the House of Representatives Appropriations Committee on General Government, and the Fiscal Research Division the following data on the Scholarships for Children of Wartime Veterans program:

…

(2) Number of scholarships awarded in each of the past five fiscal years and sorted by:

…

j. Number of scholarship recipients who maintained a cumulative grade point average of 2.0."

SANDHILLS STATE VETERANS CEMETERY

SECTION 33.6. Of the funds appropriated in this act to the Department of Military and Veterans Affairs for the 2023-2024 fiscal year, the sum of three hundred thousand dollars ($300,000) in nonrecurring funds shall be used to contract with one or more persons or businesses to improve the appearance of Sandhills State Veterans Cemetery and to perform all the services and activities, including, but not limited to, grounds maintenance, equipment maintenance, and headstone marker operations, required to bring Sandhills State Veterans Cemetery into compliance with the operational standards promulgated by the National Cemetery Administration in the U.S. Department of Veterans Affairs. Not later than November 30, 2023, the Department shall report to the Joint Legislative Oversight Committee on General Government, the House of Representatives Appropriations Committee on General Government, and the Senate Appropriations Committee on General Government and Information Technology on the following:

(1) The names of the persons or businesses with whom the Department contracted to provide the services and activities required by this section.

(2) The services and activities performed by each person or business and the amount paid to each person or business pursuant to the contract.

DMVA UPDATE AND PUBLISH RESOURCE GUIDE

SECTION 33.7. Notwithstanding any provision of S.L. 2021-180 or the Committee Report described in Section 43.2 of that act to the contrary, the sum of fifty thousand dollars ($50,000) in nonrecurring funds for each year of the 2021-2023 fiscal biennium appropriated to the Department of Military and Veterans Affairs shall be used to publish a new Department of Military and Veterans Affairs Resource Guide (for veterans, active military, and their families) no later than June 30, 2023.

DMVA FILL VETERAN SERVICES OFFICER POSITIONS

SECTION 33.8. The Department of Military and Veterans Affairs shall fill all Veteran Services Officer (VSO) positions that are vacant on the date this act becomes law. The Department shall not, in the 2023-2024 fiscal year or the 2024-2025 fiscal year, use lapsed salaries resulting from vacant VSO positions to hire temporary employees. If the Department does not fill the vacant VSO positions in the 2023-2025 fiscal biennium, the funds appropriated for the position or positions shall revert to the General Fund on June 30 of each fiscal year.

DMVA FILL INTERNAL AUDITOR AND PROGRAM ANALYST POSITIONS

SECTION 33.9. In collaboration with the Office of State Budget and Management, the Department of Military and Veterans Affairs shall make every effort to fill the Program Analyst and Internal Auditor positions authorized by Section 23.5 and Section 23.6 of S.L.

2021-180. If the Department does not fill either or both positions in the 2023-2025 fiscal biennium, the Department shall not use the lapsed salaries resulting from the vacant position or positions to hire temporary employees and the funds appropriated for the position or positions shall revert to the General Fund on June 30 of each fiscal year.

DMVA/REDUCE VETERAN HOMELESSNESS AND HOUSING INSECURITY

SECTION 33.10.(a) Notwithstanding the provisions of G.S. 143B-1293, of the funds appropriated in this act to the Department of Military and Veterans Affairs, the Department shall use the sum of ten million dollars ($10,000,000) in nonrecurring funds in each year of the 2023-2025 fiscal biennium to establish and administer a grant program to address homelessness and housing instability in the State's veteran population. In developing the criteria for determining the eligibility of applicants for grants and the amount of the grants, the Department shall regularly consult with the North Carolina Governor's Working Group (on service members, veterans, and their families) (hereinafter "NCGWG") and OPERATION: HOME Task Force (hereinafter "OHTF"); provided, however, all of the following shall apply to the grant program:

(1) Grant funds shall be awarded only to existing community-based programs with a proven track record of providing direct services to veterans to help reduce homelessness and housing instability among the State's veteran population. Priority shall be given to programs that, in addition to providing direct housing services to veterans, also provide other supportive services that aid veterans in moving into stable or permanent housing, such as education, workforce training, substance abuse treatment, and/or mental health treatment.

(2) The Department shall work with NCGWG and OHTF to identify existing community-based programs as described in subdivision (1) of this subsection and to make those programs aware of the grant program established under this section and the program's eligibility criteria. The Department shall also include information about the grant program and program eligibility criteria on its website.

(3) To the extent possible given the number and presence of existing community-based programs across the State that meet the requirement established in subdivision (1) of this subsection, grants shall be awarded to existing community-based programs in each of the 13 regions in the State included on the Balance of State Continuum of Care map created by the North Carolina Coalition to End Homelessness.

(4) Grant amounts may vary depending upon the grantee's ability to provide direct service to veterans. In determining a grantee's ability to provide direct services, the Department, in consultation with NCGWG and OHTF, shall consider the grantee's past performance in reducing homelessness and housing instability in the State's veteran population and providing direct services to veterans, managing grant funds, the number of staff employed by the grantee, the number of volunteers engaged with the grantee, and staff/volunteer experience in effectively managing grant funds.

(5) A grantee shall use no more than two percent (2%) of the grant funds awarded for administrative expenses.

(6) The Department shall provide interim reports not later than December 1, 2023, and March 1, 2024, and a final report not later than April 15, 2025, on the implementation of the grant program to the Joint Legislative Oversight Committee on General Government, the House Appropriations Committee on General Government, and the Senate Appropriations Committee on General

Government and Information Technology which shall include all of the following:

a. The criteria developed for determining the eligibility of applicants for grants and the process used to evaluate and select grantees.
b. The total number of grants awarded, the amount of each grant, and the justification used by the Department, in consultation with NCGWG and OHTF, to determine the grant amount.
c. The name of each grantee and the region in which the grantee is located.
d. The number of veterans served by the grantee and a description of the services provided to those veterans, including any supportive services offered in addition to housing.
e. For the April 15, 2025, report only, the number of veterans who sought housing assistance from the grantee more than once within the prior 12 months and what, if any, actions were taken by the grantee to try to mitigate the veterans' return to homelessness or housing instability.

SECTION 33.10.(b) The Department shall seek out and apply for grant funds that can be used to provide services and support for the State's veterans experiencing homelessness or housing insecurity, including the Homeless Provider Grant and Per Diem Program administered by the United States Department of Veterans Affairs. Not later than February 1, 2024, and February 1 of each year thereafter, the Department shall report to the Joint Legislative Oversight Committee on General Government, the House Appropriations Committee on General Government, the Senate Appropriations Committee on General Government and Information Technology, and the Fiscal Research Division on all of the following:

(1) The names of the grants applied for and a description of the eligibility criteria for each grant. If the State does not currently meet eligibility criteria for a grant, a description of what action, if any, the State can take to satisfy the eligibility criteria for future applications.
(2) The names of any grants awarded to the State, the names of the grantors, and the amounts of the grants.
(3) Any restrictions on the use of the grants awarded to the State.
(4) Recommendations for future legislation to effectively reduce homelessness and housing instability in the State's veteran population.

HOUSING SOLUTIONS FOR SERVICE-CONNECTED DISABLED AND AGING VETERANS

SECTION 33.11. Notwithstanding the provisions of G.S. 143B-1293, of the funds appropriated in this act to the Department of Military and Veterans Affairs, the sum of three million dollars ($3,000,000) in nonrecurring funds for each fiscal year of the 2023-2025 fiscal biennium shall be allocated as a directed grant to Purple Heart Homes, Inc., a nonprofit corporation, to provide personalized housing solutions for service-connected disabled and aging veterans and their families across the State. The grant funds shall be distributed equally to the Charlotte office, Piedmont Chapter, High Country Chapter, and North Wake Chapter. Each office/chapter may use not more than two percent (2%) of the grant funds for administrative costs. By September 1, 2024, Purple Heart Homes, Inc., shall provide a report to the Senate Appropriations Committee on General Government and Information Technology, the House of Representatives Appropriations Committee on General Government, the Joint Legislative Oversight Committee on General Government, and the Fiscal Research Division on the use of these funds, including the number of individuals or families served, the types of services provided to those individuals or families, and the outcomes.

HOUSING CONSTRUCTION PROJECT ASSISTANCE FOR VETERANS

SECTION 33.12. Notwithstanding the provisions of G.S. 143B-1293, of the funds appropriated in this act to the Department of Military and Veterans Affairs, the sum of one million five hundred thousand dollars ($1,500,000) in nonrecurring funds for each fiscal year of the 2023-2025 fiscal biennium shall be allocated as a directed grant to Military Missions In Action (hereinafter "MMIA"), a nonprofit corporation, to provide support to veterans who need construction project assistance due to disabilities or substandard living conditions and to homeless veterans. MMIA shall not use more than two percent (2%) of the grant funds for administrative costs. By September 1, 2024, MMIA shall provide a report to the Senate Appropriations Committee on General Government and Information Technology, the House of Representatives Appropriations Committee on General Government, the Joint Legislative Oversight Committee on General Government, and the Fiscal Research Division on the use of these funds, including the number of individuals or families served and the types of services provided to those individuals or families.

PART XXXIV. REVENUE

DEPARTMENT OF REVENUE SYSTEMS PROJECTS UPDATE REPORT CLARIFICATION

SECTION 34.1.(a) Section 8.1(b) of S.L. 2019-246, as enacted by Section 34.4 of S.L. 2021-180 and amended by Section 5.6(d) of S.L. 2022-13, reads as rewritten:

"**SECTION 8.1.(b)** By January 1, 2022, and ~~monthly~~ quarterly thereafter, the Department of Revenue shall submit a written report to the chairs of the House Appropriations Committee on General Government and the Senate Appropriations Committee on General Government and Information Technology and the Fiscal Research Division. The ~~monthly~~ quarterly report shall include an update on the following:

(1) The status of the power of attorney registration project required by subsection (a) of this section.

(2) The status of the Collections Case Management system implementation and the IBM 4100 replacement project currently underway in the Department.

(3) The status of the Department's ability to make the programmatic changes necessary to implement the graduated penalty for failure to pay tax when due that will apply to tax assessed on or after July 1, 2024."

SECTION 34.1.(b) Section 34.1 of S.L. 2022-74 is repealed.

ASSIGNMENT OF DEPARTMENT OF REVENUE LAW ENFORCEMENT AGENTS

SECTION 34.2. G.S. 105-236.1 reads as rewritten:

"**§ 105-236.1. Enforcement of revenue laws by revenue law enforcement agents.**

(a) General. – The Secretary may appoint employees of the ~~Unauthorized Substances Tax Section of the Tax Enforcement Division~~ Department to serve as revenue law enforcement officers having the responsibility and subject-matter jurisdiction to enforce the excise tax on unauthorized substances imposed by Article 2D of this Chapter.

(a1) The Secretary may appoint up to 11 employees of the ~~Motor Fuels Investigations Section of the Tax Enforcement Division~~ Department to serve as revenue law enforcement officers having the responsibility and subject-matter jurisdiction to enforce the taxes on motor fuels imposed by Articles 36B, 36C, and 36D of this Chapter and by Chapter 119 of the General Statutes.

(a2) The Secretary may appoint employees of the ~~Criminal Investigations Section of the Tax Enforcement Division~~ Department to serve as revenue law enforcement officers having the responsibility and subject-matter jurisdiction to enforce the following tax violations and criminal offenses:

…."

DOR ADMINISTRATIVE COSTS FOR COLLECTING PREPAID WIRELESS TELECOMMUNICATIONS SERVICE CHARGES

SECTION 34.3. G.S. 143B-1414 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 five hundred thousand dollars ($500,000)~~ in the amount of seven hundred fifty thousand dollars ($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 impacts 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.

…."

TAX FRAUD ANALYTICS

SECTION 34.4. Of the funds appropriated in this act to the Department of Revenue, the sum of four million four hundred thousand dollars ($4,400,000) in recurring funds for each fiscal year of the 2023-2025 fiscal biennium shall be used to continue and expand the Department's tax fraud analysis contract through the Government Data Analytics Center (GDAC). These funds shall be used in each fiscal year to fund detection analytics, information reporting, collections case management, collections optimization, managed services, and technical infrastructure. The Department of Revenue shall continue to coordinate with the GDAC and utilize the subject matter expertise and technical infrastructure available through existing GDAC public-private partnerships for fraud detection and analytics infrastructure.

REV/SCRAP TIRE DISPOSAL TAX-USE OF PROCEEDS

SECTION 34.5. G.S. 105-187.19(a) reads as rewritten:

"(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 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 impacts employees funded by the Scrap Tire Disposal Tax."

REV/WHITE GOODS DISPOSAL TAX-USE OF PROCEEDS

SECTION 34.6. 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 reserve funds that impacts employees funded by the White Goods 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."

REV/SOLID WASTE DISPOSAL TAX-USE OF PROCEEDS

SECTION 34.7. 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 impacts employees funded 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:

(1) Fifty percent (50%) to the Inactive Hazardous Sites Cleanup Fund established by G.S. 130A-310.11.

(2) Thirty-seven and one-half percent (37.5%) to cities and counties in the State on a per capita basis, using the most recent annual estimate of population certified by the State Budget Officer. One-half of this amount must be distributed to cities, and one-half of this amount must be distributed to counties. For purposes of this distribution, the population of a county does not include the population of a city located in the county.

A city or county is excluded from the distribution under this subdivision if it does not provide solid waste management programs and services and is not responsible by contract for payment for these programs and services. The Department of Environmental Quality must provide the Secretary with a list of the cities and counties that are excluded under this subdivision. The list must be provided by May 15 of each year and applies to distributions made in the fiscal year that begins on July 1 of that year.

Funds distributed under this subdivision must be used by a city or county solely for solid waste management programs and services.

(3) Twelve and one-half percent (12.5%) to the General Fund."

PART XXXV. SECRETARY OF STATE

INCREASE FEES FOR LOBBYISTS AND LOBBYIST PRINCIPALS

SECTION 35.1.(a) G.S. 120C-201 reads as rewritten:

"**§ 120C-201. Lobbyist's registration fee.**

A fee of ~~two hundred fifty dollars ($250.00)~~ five hundred dollars ($500.00) is due and payable to the Secretary of State at the time of each lobbyist registration. Fees so collected shall be deposited in the General Fund of the State. The fees required under this section shall be paid electronically."

SECTION 35.1.(b) G.S. 120C-207 reads as rewritten:

"**§ 120C-207. Lobbyist principal's fees.**

A fee of ~~two hundred fifty dollars ($250.00)~~ five hundred dollars ($500.00) is due and payable to the Secretary of State at the time the principal's first authorization statement is filed each calendar year for a lobbyist. Fees so collected shall be deposited in the General Fund of the State. The fees required under this section shall be paid electronically."

PART XXXVI. TREASURER

PUBLIC SAFETY EMPLOYEES' DEATH BENEFITS

SECTION 36.1.(a) Notwithstanding any other provision of Article 12A of Chapter 143 of the General Statutes, when any law enforcement officer is murdered by use of a firearm while off duty but en route to perform his or her official duties, the surviving spouse of the law enforcement officer or, if there is no surviving spouse, the surviving dependent children of the law enforcement officer shall be awarded the death benefits authorized by G.S. 143-166.3(a) and G.S. 143-166.3(e).

SECTION 36.1.(b) This section is effective retroactive to October 12, 2022, and applies only to incidents described in subsection (a) of this section that occurred on or after October 12, 2022, and before October 31, 2022.

TREASURER TO DESIGNATE LEGAL COUNSEL FOR ADMINISTRATION OF BENEFIT PROGRAMS

SECTION 36.2. G.S. 135-6 is amended by adding a new subsection to read:

"(u) Notwithstanding G.S. 114-2.3 and G.S. 147-17, the Treasurer may designate legal counsel, including private counsel, to represent the interests of the administration of benefit programs under this Chapter."

BOND REFERENDUM TRANSPARENCY

SECTION 36.3.(a) G.S. 159-61(d) reads as rewritten:

"(d) The form of the question as stated on the ballot shall be in substantially the following words:

~~"Shall~~ "Additional property taxes may be levied on property located in (name of unit of local government) in an amount sufficient to pay the principal of and interest on bonds if approved by the following ballot question. Shall the order authorizing $ _____ bonds plus interest for (briefly stating the purpose) and providing that additional taxes may be levied in an amount sufficient to pay the principal of and interest on the bonds be approved?

[ ] YES

[ ] NO""

SECTION 36.3.(b) This section becomes effective December 31, 2023, and applies to bond referendums conducted on or after that date.

PART XXXVII. [RESERVED]

PART XXXVIII. INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY INTERNAL SERVICE FUND

SECTION 38.1A. The Department of Information Technology shall include in the rates submitted pursuant to G.S. 143B-1333 an additional amount not exceeding three million five hundred fifty thousand dollars ($3,550,000) for each year of the 2023-2025 fiscal biennium to be charged to agencies for the Security Operations Center and Privacy Office Support. The rates shall not include and agencies shall not be charged the one million one hundred twenty-six thousand dollars ($1,126,000) requested for other positions within the Department.

PART XXXIX. SALARIES AND BENEFITS

ELIGIBLE STATE-FUNDED EMPLOYEES AWARDED LEGISLATIVE SALARY INCREASES/EFFECTIVE JULY 1, 2023, AND JULY 1, 2024

SECTION 39.1.(a) Effective July 1, 2023, except as provided by subsection (b) of this section, a person (i) whose salary is set by this Part, pursuant to the North Carolina Human Resources Act, or as otherwise authorized in this act, and (ii) who is employed in a State-funded position on June 30, 2023, is awarded:

(1) A legislative salary increase in the amount of two and fifty-hundredths percent (2.50%) of annual salary in the 2023-2024 fiscal year.

(2) Any salary adjustment otherwise allowed or provided by law.

SECTION 39.1.(a1) Effective July 1, 2024, except as provided by subsection (b) of this section, a person (i) whose salary is set by this Part, pursuant to the North Carolina Human Resources Act, or as otherwise authorized in this act, and (ii) who is employed in a State-funded position on June 30, 2024, is awarded:

(1) A legislative salary increase in the amount of two and fifty-hundredths percent (2.50%) of annual salary in the 2024-2025 fiscal year.

(2) Any salary adjustment otherwise allowed or provided by law.

SECTION 39.1.(b) For the 2023-2025 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) Officers and employees to which the annual salary schedules in Section 39.15, Section 39.16, or Section 39.18 of this act apply.

(6) 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) Part-time employees shall receive the increases 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 increases 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.

LABOR MARKET ADJUSTMENT RESERVE

SECTION 39.2.(a) Of the 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 twenty-five percent (25%) 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.

(5) Funds must be used to increase salaries paid to employees and shall not be used to supplant other funding sources or for any other purpose.

SECTION 39.2.(b) The provisions of subsection (a) of this section do not apply to the State Highway Patrol or the State Bureau of Investigation, and no allocations shall be made to those agencies for labor market adjustments.

SECTION 39.2.(c) The Director of the Budget may adjust a State agency's budgeted receipts to provide an equivalent two percent (2%) Labor Market Adjustment Salary Reserve for the 2023-2025 fiscal biennium subject to the requirements in subsection (a) of this section, provided that sufficient receipts are available. Agency receipts needed to implement this section are appropriated for the 2023-2024 fiscal year and the 2024-2025 fiscal year.

SECTION 39.2.(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 display 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 September 30, 2023. By October 31, 2023, the OSHR shall submit the report containing the agency responses to the Fiscal Research Division.

GOVERNOR AND COUNCIL OF STATE

SECTION 39.4.(a) Effective July 1, 2023, G.S. 147-11(a) reads as rewritten:

"(a) The salary of the Governor shall be ~~one hundred sixty-five thousand seven hundred fifty dollars ($165,750)~~ one hundred ninety-eight thousand one hundred twenty dollars ($198,120) annually, payable monthly."

SECTION 39.4.(a1) Effective July 1, 2024, G.S. 147-11(a), as amended by subsection (a) of this section, reads as rewritten:

"(a) The salary of the Governor shall be ~~one hundred ninety-eight thousand one hundred twenty dollars ($198,120)~~ two hundred three thousand seventy-three dollars ($203,073) annually, payable monthly."

SECTION 39.4.(b) Effective July 1, 2023, the annual salaries for members of the Council of State, payable monthly, are set as follows:

Council of State	Annual Salary
Lieutenant Governor	$157,403
Attorney General	157,403
Secretary of State	157,403
State Treasurer	157,403
State Auditor	157,403
Superintendent of Public Instruction	157,403
Agriculture Commissioner	157,403
Insurance Commissioner	157,403
Labor Commissioner	157,403

SECTION 39.4.(b1) Effective July 1, 2024, the annual salaries for members of the Council of State, payable monthly, are set as follows:

Council of State	Annual Salary
Lieutenant Governor	$168,384
Attorney General	168,384
Secretary of State	168,384
State Treasurer	168,384
State Auditor	168,384
Superintendent of Public Instruction	168,384
Agriculture Commissioner	168,384
Insurance Commissioner	168,384
Labor Commissioner	168,384

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 39.5.(a) Effective July 1, 2023, the annual salaries, payable monthly, for the following executive branch officials for the 2023-2024 fiscal year are as follows:

Executive Branch Officials	Annual Salary
Chairman, Alcoholic Beverage Control Commission	$134,770
State Controller	187,661
Commissioner of Banks	151,258
Chair, Board of Review, Division of Employment Security	148,368
Members, Board of Review, Division of Employment Security	146,555
Chairman, Parole Commission	148,368
Full-time Members of the Parole Commission	137,181
Chairman, Utilities Commission	168,185
Members of the Utilities Commission	151,258
Executive Director, North Carolina Agricultural Finance Authority	131,245

SECTION 39.5.(b) Effective July 1, 2024, the annual salaries, payable monthly, for the following executive branch officials for the 2024-2025 fiscal year are as follows:

Executive Branch Officials	Annual Salary
Chairman, Alcoholic Beverage Control Commission	$138,139

State Controller	192,353
Commissioner of Banks	155,039
Chair, Board of Review, Division of Employment Security	152,077
Members, Board of Review, Division of Employment Security	150,219
Chairman, Parole Commission	152,077
Full-time Members of the Parole Commission	140,611
Chairman, Utilities Commission	172,390
Members of the Utilities Commission	155,039
Executive Director, North Carolina Agricultural Finance Authority	134,526

JUDICIAL BRANCH

SECTION 39.6.(a) Effective July 1, 2023, the annual salaries, payable monthly, for the following judicial branch officials for the 2023-2024 fiscal year are as follows:

Judicial Branch Officials	**Annual Salary**
Chief Justice, Supreme Court	$198,120
Associate Justice, Supreme Court	192,978
Chief Judge, Court of Appeals	189,926
Judge, Court of Appeals	184,996
Judge, Senior Regular Resident Superior Court	170,000
Judge, Superior Court	165,000
Chief Judge, District Court	163,462
Judge, District Court	158,654
Chief Administrative Law Judge	138,493
District Attorney	150,851
Assistant Administrative Officer of the Courts	145,267
Public Defender	150,851
Director of Indigent Defense Services	155,476

SECTION 39.6.(a1) Effective July 1, 2024, the annual salaries, payable monthly, for the following judicial branch officials for the 2024-2025 fiscal year are as follows:

Judicial Branch Officials	**Annual Salary**
Chief Justice, Supreme Court	$203,073
Associate Justice, Supreme Court	197,802
Chief Judge, Court of Appeals	194,674
Judge, Court of Appeals	189,621
Judge, Senior Regular Resident Superior Court	174,250
Judge, Superior Court	169,125
Chief Judge, District Court	167,548
Judge, District Court	162,620
Chief Administrative Law Judge	141,955
District Attorney	154,622
Assistant Administrative Officer of the Courts	148,899
Public Defender	154,622
Director of Indigent Defense Services	159,363

SECTION 39.6.(b) The district attorney of a judicial district, with the approval of the Administrative Officer of the Courts, and the public defender of a judicial district, with the approval of the Commission on Indigent Defense Services, shall set the salaries of assistant district attorneys and assistant public defenders in that district such that the average salary of those assistants in that district, for the 2023-2024 fiscal year, does not exceed ninety-two

thousand four hundred forty-nine dollars ($92,449) and the minimum salary of any assistant is at least forty-six thousand six hundred nineteen dollars ($46,619), effective July 1, 2023.

SECTION 39.6.(b1) The district attorney of a judicial district, with the approval of the Administrative Officer of the Courts, and the public defender of a judicial district, with the approval of the Commission on Indigent Defense Services, shall set the salaries of assistant district attorneys and assistant public defenders in that district such that the average salary of those assistants in that district, for the 2024-2025 fiscal year, does not exceed ninety-four thousand seven hundred sixty dollars ($94,760) and the minimum salary of any assistant is at least fifty thousand eight hundred fifty-nine dollars ($50,859), effective July 1, 2024.

CLERKS OF SUPERIOR COURT

SECTION 39.7.(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~~$106,908
20-29	~~115,280~~118,162
30-49	~~126,259~~129,415
50-99	~~137,238~~140,669
100 and above	~~139,983~~143,483

If the number of State-funded assistant and deputy clerks of court as determined by the Administrative Office of Court's workload formula changes, the salary of the clerk shall be changed, on July 1 of the fiscal year for which the change is reported, to the salary appropriate for that new number, except that the salary of an incumbent clerk shall not be decreased by any change in that number during the clerk's continuance in office."

SECTION 39.7.(a1) 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:

Assistants and Deputies	Annual Salary
0-19	~~$106,908~~$109,581
20-29	~~118,162~~121,116
30-49	~~129,415~~132,650
50-99	~~140,669~~144,186
100 and above	~~143,483~~147,070

If the number of State-funded assistant and deputy clerks of court as determined by the Administrative Office of Court's workload formula changes, the salary of the clerk shall be changed, on July 1 of the fiscal year for which the change is reported, to the salary appropriate for that new number, except that the salary of an incumbent clerk shall not be decreased by any change in that number during the clerk's continuance in office."

ASSISTANT AND DEPUTY CLERKS OF COURT

SECTION 39.8.(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~~$38,930
Maximum	~~68,828~~71,925

Deputy Clerks	Annual Salary
Minimum	~~$33,419~~$34,923
Maximum	~~54,056~~56,489"

SECTION 39.8.(a1) 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	~~$38,930~~$39,903
Maximum	~~71,925~~73,723

Deputy Clerks	Annual Salary
Minimum	~~$34,923~~$35,796
Maximum	~~56,489~~57,901"

MAGISTRATES

SECTION 39.9.(a) Effective July 1, 2023, G.S. 7A-171.1(a)(1) reads as rewritten:

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

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

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	~~$43,462~~$45,418
Step 1	~~$46,670~~$48,770
Step 2	~~$50,131~~$52,387
Step 3	~~$53,795~~$56,216
Step 4	~~$58,186~~$60,804
Step 5	~~$63,473~~$66,329
Step 6	~~$69,401.~~$72,524."

SECTION 39.9.(a1) Effective July 1, 2024, G.S. 7A-171.1(a)(1), as amended by subsection (a) of this section, reads as rewritten:

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

(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate

is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6:

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	~~$45,418~~$46,553
Step 1	~~$48,770~~$49,989
Step 2	~~$52,387~~$53,697
Step 3	~~$56,216~~$57,621
Step 4	~~$60,804~~$62,324
Step 5	~~$66,329~~$67,987
Step 6	~~$72,524.~~$74,337."

LEGISLATIVE EMPLOYEES

SECTION 39.10.(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, 2023, shall be legislatively increased by two and fifty-hundredths percent (2.50%).

SECTION 39.10.(a1) 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, 2024, shall be legislatively increased by two and fifty-hundredths percent (2.50%).

SECTION 39.10.(b) Nothing in this act limits any of the provisions of G.S. 120-32.

GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 39.11.(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 twenty-eight thousand one hundred sixty dollars ($128,160), 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 39.11.(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 twenty-eight thousand one hundred sixty dollars ($128,160),~~ one hundred thirty-one thousand three hundred sixty-four dollars ($131,364), 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/READING CLERKS

SECTION 39.12.(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 ($493.00)~~ five hundred five dollars ($505.00) 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 39.12.(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 five dollars ($505.00)~~ five hundred eighteen dollars ($518.00) 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 39.13.(a) Community college personnel shall receive the following legislative salary increases:

(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 two and fifty-hundredths percent (2.50%).

(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 two and fifty-hundredths percent (2.50%).

SECTION 39.13.(b) Effective July 1, 2023, the minimum salaries for nine-month, full-time curriculum community college faculty for the 2023-2024 fiscal year are as follows:

Education Level	**Minimum Salary 2023-2024**
Vocational Diploma/Certificate or Less	41,260
Associate Degree or Equivalent	41,834
Bachelor's Degree	44,323
Master's Degree or Education Specialist	46,532
Doctoral Degree	49,716

SECTION 39.13.(b1) Effective July 1, 2024, the minimum salaries for nine-month, full-time curriculum community college faculty for the 2024-2025 fiscal year are as follows:

Education Level	**Minimum Salary 2024-2025**
Vocational Diploma/Certificate or Less	42,292
Associate Degree or Equivalent	42,880
Bachelor's Degree	45,431
Master's Degree or Education Specialist	47,695
Doctoral Degree	50,959

SECTION 39.13.(c) No full-time faculty member shall earn less than the minimum salary for the faculty member's 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.

THE UNIVERSITY OF NORTH CAROLINA

SECTION 39.14. The University of North Carolina shall receive the following legislative salary increases:

(1) Effective July 1, 2023, the Board of Governors of The University of North Carolina shall provide SHRA employees, EHRA employees, and teachers employed by the North Carolina School of Science and Mathematics with an across-the-board salary increase in the amount of two and fifty-hundredths percent (2.50%).

(2) Effective July 1, 2024, the Board of Governors of The University of North Carolina shall provide SHRA employees, EHRA employees, and teachers employed by the North Carolina School of Science and Mathematics with an across-the-board salary increase in the amount of two and fifty-hundredths percent (2.50%).

CORRECTIONAL OFFICERS/YOUTH COUNSELORS/YOUTH COUNSELOR TECHNICIANS/YOUTH SERVICES BEHAVIORAL SPECIALISTS – SALARY SCHEDULE

SECTION 39.15.(a) State employees serving as correctional officers in the Department of Adult Correction shall be compensated at a specific pay rate on the basis of a salary schedule determined according to the duration of the employee's correctional officer work experience.

SECTION 39.15.(a1) State employees serving in the Department of Public Safety, Division of Juvenile Justice and Delinquency Prevention, shall be compensated at a specific pay rate set on the basis of a salary schedule determined according to the duration of the employee's work experience, as follows:

(1) Youth Counselor Technicians shall be paid under the Correctional Officer I salary schedule.

(2) Youth Services Behavioral Specialists shall be paid under the Correctional Officer II salary schedule.

(3) Youth Counselors shall be paid under the Correctional Officer III salary schedule.

SECTION 39.15.(b) The following annual salary schedule applies under subsections (a) and (a1) of this section for the 2023-2025 fiscal biennium, effective for each year on July 1, 2023, and July 1, 2024, respectively:

	FY 2023-24			FY 2024-25		
Experience						
	COI	**COII**	**COIII**	**COI**	**COII**	**COIII**
0	$36,179	$37,369	$39,966	$37,083	$38,303	$40,965
1	$38,711	$39,985	$42,763	$39,679	$40,985	$43,832
2	$41,034	$42,384	$45,330	$42,060	$43,444	$46,463
3	$43,085	$44,503	$47,597	$44,162	$45,616	$48,787
4	$44,809	$46,283	$49,501	$45,929	$47,440	$50,739
5	$46,153	$47,671	$50,986	$47,307	$48,863	$52,261
6+	$47,076	$48,625	$52,005	$48,253	$49,841	$53,305

SECTION 39.15.(c) If an employee will not receive a salary increase during a fiscal year because the employee's salary exceeds the scheduled salary level, then the employee shall

receive an annual salary increase equal to the amount of the across-the-board legislative salary increase authorized in this Part for that fiscal year.

STATE LAW ENFORCEMENT OFFICER SALARY SCHEDULE

SECTION 39.16.(a) Law enforcement officers of the State Highway Patrol, State Bureau of Investigation, and Alcohol Law Enforcement shall be compensated pursuant to an experience-based salary schedule and shall be compensated based on the officer's respective work experience pursuant to the salary schedule in subsection (b) of this section.

SECTION 39.16.(b) The following annual salary schedule applies under subsection (a) of this section for the 2023-2025 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	52,487	55,636
1	55,899	59,253
2	59,533	63,105
3	63,403	67,207
4	67,524	71,575
5	71,914	76,229
6+	76,588	81,183

PROBATION AND PAROLE OFFICERS/JUVENILE COURT COUNSELORS – SALARY SCHEDULE

SECTION 39.18.(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 39.18.(a1) State employees serving in the Department of Public Safety, Division of Juvenile Justice and Delinquency Prevention, as Juvenile Court Counselors shall be compensated under the probation and parole officer salary schedule.

SECTION 39.18.(b) The following annual salary schedule applies under subsections (a) and (a1) of this section for the 2023-2025 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	43,681	44,773
1	46,520	47,683
2	49,544	50,783
3	52,765	54,084
4	56,195	57,600
5	59,847	61,343
6+	63,738	65,331

SECTION 39.18.(c) If an employee will not receive a salary increase during a fiscal year because the employee's salary exceeds the scheduled salary level, then the employee shall receive an annual salary increase equal to the amount of the across-the-board legislative salary increase authorized in this Part for that fiscal year.

PAY PLAN RESERVE

SECTION 39.19. G.S. 143C-4-9(a) reads as rewritten:

"(a) Creation. – The Pay Plan Reserve is established within the General Fund. The General Assembly shall appropriate in the Current Operations Appropriations Act (Act) or other

appropriations act a specific amount to this reserve for allocation, on an as-needed basis only, to fund statutory and scheduled pay expenses authorized by:

(1) G.S. 20-187.3, and the Act, for troopers of the State Highway Patrol compensated pursuant to an experience-based salary schedule.
(2) G.S. 7A-102.
(3) G.S. 7A-171.1.
(4) Teacher Salary Schedule, as enacted by the General Assembly.
(5) Pay Plans for Principals and Assistant Principals, as enacted by the General Assembly.
(6) The Act, for law enforcement officers of the State Bureau of Investigation and Alcohol Law Enforcement.
(7) The Act, for correctional officers and other employees compensated pursuant to the Correctional Officer Salary Schedule.
(8) The Act, for probation and parole officers and other employees compensated pursuant to the Probation and Parole Officer Salary Schedule."

STATE AGENCY TEACHERS

SECTION 39.20. 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 under this act.

MOST STATE EMPLOYEES

SECTION 39.21. 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 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.

ALL STATE SUPPORTED PERSONNEL

SECTION 39.22.(a) The legislative salary increases 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 2024-2025 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. 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.(c) 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.

OTHER SALARY ADJUSTMENTS/UNC & COMMUNITY COLLEGE NURSING FACULTY

SECTION 39.23. Of the funds appropriated in this act, effective July 1, 2023, the annual salaries of nursing faculty positions at The University of North Carolina and in the North Carolina Community College System shall be increased such that:

(1) The starting pay of nursing faculty positions shall be increased by at least ten percent (10%).

(2) No nursing faculty member's annual salary shall be increased by more than fifteen percent (15%).

MITIGATE BONUS LEAVE

SECTION 39.24. During the 2023-2025 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 March 1, 2025, a report on the position characteristics of employees participating in the program shall be submitted to the respective agency head or employing agency and to the Fiscal Research Division.

USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED INCREASES

SECTION 39.25.(a) The Office of State Budget and Management shall ensure that the appropriations made by this act for legislatively mandated salary increases and employee benefits are used only for those purposes.

SECTION 39.25.(b) If the Director of the Budget determines that funds appropriated to a State agency for legislatively mandated salary increases and employee benefits exceed the amount required by that agency for those purposes, the Director may reallocate those funds to other State agencies that received insufficient funds for legislatively mandated salary increases and employee benefits.

SECTION 39.25.(c) Funds appropriated for legislatively mandated salary and employee benefit increases may not be used to adjust the budgeted salaries of vacant positions, to provide salary increases in excess of those required by the General Assembly, or to increase the budgeted salary of filled positions to the minimum of the position's respective salary range.

SECTION 39.25.(d) Any funds appropriated for legislatively mandated salary and employee benefit increases in excess of the amounts required to implement the increases shall be credited to the Pay Plan Reserve.

SECTION 39.25.(e) No later than May 1, 2024, for the 2023-2024 fiscal year, and subsequently May 1, 2025, for the 2024-2025 fiscal year, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division 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 for each year of the 2023-2025 fiscal biennium:

(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 credited to the Pay Plan Reserve.

SALARY-RELATED CONTRIBUTIONS

SECTION 39.26.(a) Effective for the 2023-2025 fiscal biennium, required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of the employee's salary. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

SECTION 39.26.(b) Effective July 1, 2023, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2023-2024 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	16.74%	16.74%	6.84%	33.45%	19.12%
Disability	0.11%	0.11%	0.11%	0.00%	0.00%
Death	0.13%	0.13%	0.00%	0.00%	0.00%
Retiree Health	7.14%	7.14%	7.14%	7.14%	7.14%
NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%
Total Contribution Rate	24.12%	29.12%	14.09%	40.59%	26.26%

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, 2024, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2024-2025 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	17.09%	17.09%	6.84%	37.61%	22.51%

Disability	0.13%	0.13%	0.13%	0.00%	0.00%
Death	0.13%	0.13%	0.00%	0.00%	0.00%
Retiree Health	6.99%	6.99%	6.99%	6.99%	6.99%
NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%
Total Contribution Rate	24.34%	29.34%	13.96%	44.60%	29.50%

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.(d) Effective July 1, 2023, the annual employer contributions for the 2023-2024 fiscal year, payable monthly, by the State to the North Carolina State Health Plan for Teachers and State Employees for each covered employee and retiree are as follows:

(1) For employees, a maximum of seven thousand five hundred fifty-seven dollars ($7,557).

(2) For retirees, a recommended amount of five thousand five hundred twenty-five dollars ($5,525).

SECTION 39.26.(e) Effective July 1, 2024, the annual employer contributions for the 2024-2025 fiscal year, payable monthly, by the State to the North Carolina State Health Plan for Teachers and State Employees for each covered employee and retiree are as follows:

(1) For employees, a maximum amount of eight thousand ninety-five dollars ($8,095).

(2) For retirees, a recommended amount of five thousand four hundred five dollars ($5,405).

1% COST-OF-LIVING SUPPLEMENTS FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM

SECTION 39.27.(a) G.S. 135-5 is amended by adding two new subsections to read:

"(zzz) On or before October 31, 2023, a one-time 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 one percent (1%) 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.

(aaaa) 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 39.27.(b) G.S. 135-65 is amended by adding two new subsections to read:

"(kk) On or before October 31, 2023, a one-time 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 one percent (1%) 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.

(*ll*) 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 39.27.(c) G.S. 120-4.22A is amended by adding two new subsections to read:

"(ee) In accordance with subsection (a) of this section, on or before October 31, 2023, a one-time 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 one percent (1%) 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.

(ff) In accordance with subsection (a) of this section, 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 39.27.(d) Notwithstanding any other provision of law to the contrary, in order to administer the one-time cost-of-living supplement for retirees provided for in subsections (a), (b), and (c) of this section, the Retirement Systems Division of the Department of State Treasurer may increase receipts from the retirement assets of the corresponding retirement system or pay costs associated with the administration of the payment directly from the retirement assets.

UNFUNDED LIABILITY SOLVENCY RESERVE

SECTION 39.28.(a) G.S. 143C-4-10 reads as rewritten:

"**§ 143C-4-10. Unfunded Liability Solvency Reserve.**

…

~~(e) Use of Funds Appropriated by the General Assembly or Transferred From the General Fund Based on Estimated State Tax Revenue Growth. On the first day of each fiscal year, the total amount of funds (i) appropriated by the General Assembly to the Reserve as specified in subdivision (c)(1) of this section and (ii) transferred into the Reserve under G.S. 143C-4-2(i) or (j) as specified in subdivision (c)(1a) of this section, as of the last day of the preceding fiscal year shall be used to appropriate an additional employer contribution to the Health Benefit Trust and the Retirement System.~~

(e1) Use of Funds Transferred ~~From Savings Achieved by State Debt Refinancing.~~ into the Reserve. – As soon as practicable after funds are transferred into the ~~Reserve under G.S. 142-15.4 and G.S. 142-96, as specified in subdivision (c)(2) of this section,~~ Reserve, the State Controller, in conjunction with the State Treasurer, shall transfer the total amount of these funds to the Health Benefit ~~Fund and the Retirement System. These funds shall be divided between the Health Benefit Fund and the Retirement System according to each program's~~

~~proportion of the State's total unfunded liability of both programs as reported in the most recent Annual Comprehensive Financial Report issued by the State Controller.~~Fund.

~~(e2) Use of Funds Transferred From Insurance Rebates. As soon as practicable after funds are transferred into the Reserve as specified in subdivision (c)(3) of this section, the State Controller, in conjunction with the State Treasurer, shall transfer the total amount of these funds to the Health Benefit Fund and the Retirement System. These funds shall be divided between the Health Benefit Fund and the Retirement System according to each program's proportion of the State's total unfunded liability of both programs as reported in the most recent Annual Comprehensive Financial Report issued by the State Controller.~~

…."

SECTION 39.28.(b) This section is effective when it becomes law and applies to fiscal years beginning on or after July 1, 2023.

AUTHORIZE STATE TREASURER TO PAY PREMIUMS TO PURCHASE ALTERNATIVE COVERAGE IN LIEU OF STATE HEALTH PLAN

SECTION 39.29.(a) G.S. 135-48.30(a) is amended by adding a new subdivision to read:

"(19) Optionally offer to pay premiums to purchase alternative coverage in lieu of coverage under the Plan under G.S. 135-48.39A."

SECTION 39.29.(b) Part 3 of Article 3B of Chapter 135 of the General Statutes is amended by adding a new section to read:

"**§ 135-48.39A. Premiums to purchase alternative coverage for retirees in lieu of coverage under the Plan.**

(a) The State Treasurer may offer to pay or reimburse premiums for alternative health benefit plan coverage in lieu of coverage under the State Health Plan. If the State Treasurer elects to offer premium payments in lieu of coverage, then the State Treasurer shall adopt rules for and limitations on doing so.

(b) Premium payments in lieu of coverage shall be limited to persons eligible for coverage under the following, and the State Treasurer may vary the amounts of premium payments depending on the category of eligibility:

(1) G.S. 135-48.40(a)(1).
(2) G.S. 135-48.40(a)(2).
(3) G.S. 135-48.40(b)(3).
(4) G.S. 135-48.40(b)(4).
(5) G.S. 135-48.40(c)(2).

(c) Notwithstanding the eligibility for coverage provided in Part 4 of this Article, coverage outside of the Plan shall be in lieu of coverage under the Plan during the period for which the Plan member chooses premium payments in lieu of coverage."

SECTION 39.29.(c) This section becomes effective January 1, 2024.

STATE HEALTH PLAN HOSPITAL SAVINGS INITIATIVE

SECTION 39.30.(a) Intent. – It is the intent of the General Assembly to realize savings to the State Health Plan for Teachers and State Employees by requiring urban hospitals to reduce healthcare costs to the citizens of this State as a requirement for hospital licensure. It is also the intent of the General Assembly to (i) annually establish a hospital healthcare savings target and (ii) realize these targeted savings by authorizing the Board of Trustees of the State Health Plan for Teachers and State Employees, or its claims processor, to apportion the targeted savings among urban hospitals and enter into contracts with these hospitals to achieve the apportioned savings. The hospital healthcare savings target established by the General Assembly for the 2026 calendar year is one hundred twenty-five million dollars ($125,000,000).

SECTION 39.30.(b) Article 5 of Chapter 131E of the General Statutes is amended by adding a new section to read:

"**§ 131E-78.1. Required healthcare savings agreements between urban hospitals and the State Health Plan.**

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

(1) State Health Plan. – The State Health Plan for Teachers and State Employees authorized under Article 3B of Chapter 135 of the General Statutes.

(2) Urban hospital. – Any hospital (i) located in a county with a population greater than 210,000 according to the 2020 federal decennial census or any subsequent federal decennial census or (ii) identified as an academic medical center teaching hospital in Appendix F of the 2023 State Medical Facilities Plan. The term does not include any hospital designated by the federal Centers for Medicare and Medicaid Services as a critical access hospital, a rural hospital, or a rural emergency hospital.

(b) Required Healthcare Savings Agreement. – The Department shall not issue or renew a license to operate an urban hospital unless the license applicant provides proof that it has entered into a healthcare savings agreement with the Board of Trustees of the State Health Plan, or its claims processor, in accordance with G.S. 135-48.36."

SECTION 39.30.(c) G.S. 135-48.1 reads as rewritten:

"**§ 135-48.1. General definitions.**

As used in this Article unless the context clearly requires otherwise, the following definitions apply:

…

(20) Urban hospital. – As defined in G.S. 131E-78.1."

SECTION 39.30.(d) G.S. 135-48.22 reads as rewritten:

"**§ 135-48.22. Board powers and duties.**

The Board of Trustees shall have the following powers and duties:

…

(7) Apportion and enter into contracts to achieve the General Assembly's hospital healthcare savings target, as provided in G.S. 135-48.36."

SECTION 39.30.(e) Article 3B of Chapter 135 of the General Statutes is amended by adding a new section to read:

"**§ 135-48.36. Hospital healthcare savings target and apportionment.**

(a) Hospital Healthcare Savings Target. – No later than July 1 of each year, the General Assembly shall establish an annual target for hospital healthcare cost savings for the following calendar year. If no target is established, the target established for the previous calendar year shall apply.

(b) Savings Target Apportionment. – The Board of Trustees, or its claims processor, shall apportion the hospital healthcare savings target among urban hospitals licensed and operating in this State. This apportionment shall be based on each urban hospital's portion of claims paid to urban hospitals by the Plan during the five previous years.

(c) Healthcare Savings Agreements. – The Board of Trustees, or its claims processor, shall contract with urban hospitals to establish healthcare savings agreements. For purposes of this section, a "healthcare savings agreement" means a contractual agreement between an urban hospital and the Board of Trustees, or its claims processor, that sets allowable charges or obligates the hospital to implement cost reduction practices necessary to achieve that hospital's portion of the General Assembly's annual hospital healthcare savings target.

(d) Independent Actuary. – The Board of Trustees shall retain an independent actuary to assess whether a healthcare savings agreement achieves the required savings. The actuary shall measure the savings relative to a baseline that projects claims for each urban hospital with

medical trend, the impact of any benefit changes adopted by the Board of Trustees, and the impact of any contract between the Board of Trustees and its claims processor.

(e) Good Faith and Appeal Requirements. – In apportioning the annual hospital healthcare savings target and negotiating healthcare savings agreements, the Board of Trustees shall operate in good faith. Before determining that proposed healthcare savings agreement does not achieve a hospital's portion of the General Assembly's annual hospital healthcare savings target, the Board of Trustees shall provide the hospital an opportunity to appeal the determination.

(f) Rules. – The State Treasurer shall adopt rules under G.S. 135-48.25 to implement this section. These rules shall include all of the following:

(1) A methodology for apportioning the hospital healthcare savings target among urban hospitals licensed and operating in this State.

(2) Guidelines for negotiating healthcare savings agreements.

(3) A process for an urban hospital to appeal a determination by the Board of Trustees that the healthcare savings agreement executed by the urban hospital did not achieve the required savings. This process shall include both of the following:

a. An opportunity for the urban hospital to review the assumptions and methods used by the independent actuary retained by the Board of Trustees under subsection (c) of this section.

b. An opportunity to present an alternative assessment by an actuary retained by the urban hospital.

(g) Report. – The Board of Trustees shall report annually to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division no later than August 1. The report shall include all of the following:

(1) A summary of the apportionment of the hospital healthcare savings target among urban hospitals licensed and operating in this State.

(2) Whether the healthcare savings target was reached, in total and by each urban hospital."

SECTION 39.30.(f) Subsection (b) of this section becomes effective January 1, 2026, and applies to applicants seeking to obtain or renew a license on or after that date to operate an urban hospital, as defined by G.S. 131E-78.1, as enacted by this act. The remainder of this section becomes effective January 1, 2025.

PART XL. CAPITAL

CAPITAL IMPROVEMENT & REPAIRS AND RENOVATIONS APPROPRIATIONS

SECTION 40.1.(a) The following agency capital improvement projects have been assigned a project code for reference to allocations in this Part, past allocations, and for intended project support by the General Assembly for future fiscal years:

Agency Capital Improvement Project	Project Code
Department of Agriculture and Consumer Services	
Tidewater Research Station–Swine Unit Replacements	DACS21-2
NCFS–Region 1 Headquarters	DACS21-4
Troxler Science Building–Overflow Parking	DACS23-1
Western NC Farmers Market	DACS23-2
Raleigh State Farmers Market–Improvements	DACS23-3
Pesticide Storage, Loading, & Cleaning Facilities	DACS23-4
Cherry Research Station–Administrative Office	DACS23-5
Griffith Forest Center–Central Warehouse & Office	DACS23-6
NCFS–Property Purchase	DACS23-7

Department of Environmental Quality	
Reedy Creek Laboratory	DEQ21-1
Department of Health and Human Services	
Walter B. Jones–New Medical Office Bldg.	DHHS23-1
Broughton Hospital–New Maintenance & Warehouse Facility	DHHS23-2
Cherry Hospital–New Maintenance Bldg.	DHHS23-3
Department of Natural and Cultural Resources	
Fort Fisher Aquarium–Aquarium Expansion	DNCR21-5
NC Museum of History–Expansion	DNCR21-13
Zoo–New Aviary	DNCR23-1
Town Creek Indian Mound State Historic Site–	
Visitor Center & Exhibit Improvements	DNCR23-6
State Historic Sites–Three New Visitor Centers	DNCR23-7
Thomas Day House–Site Development	DNCR23-8
Energy Savings Equipment/ESCO	DNCR23-9
State Capitol/African-American Monument	DNCR23-10
Charlotte Hawkins Brown Museum & State Historic Site–	
Economic & Community Feasibility Study	DNCR23-11
Lake Waccamaw State Park–New Campground	DNCR23-12
Lumber River State Park–Wire Pasture Access Development	DNCR23-13
Department of Administration	
State Government Executive Headquarters	DOA22-1
Department of Instruction Building Renovation	DOA22-3
State Agency Lease	DOA23-2
Archdale Building Demolition	DOA23-3
Caswell Square Demolition	DOA23-4
Parking Deck– Bath Building Site	DOA23-5
Department of Adult Correction	
Stun Fencing	DAC23-1
DARTCenter– Exterior Envelope Repairs	DAC23-2
Sampson CC–Gatehouse	DAC23-3
Gaston CC–Modular Medical Office	DAC23-4
Eastern CI–Drainage and Paving	DAC23-5
Storage Buildings	DAC23-6
Department of Public Safety	
State Highway Patrol–	
Viper Building	DPS21-6
Auditorium	DPS23-3
Cadet Dormitory 1	DPS23-7
State Bureau of Investigation–	
Headquarters & Building 12 Renovation	DPS21-9
Logistics Building– Phase 1	DPS23-11
Juvenile Justice–	
New Youth Detention Center	DPS23-1
Cabarrus YDC–Perimeter Fence Modifications	DPS23-5
Cabarrus–New Modular Office	DPS23-6

Emergency Management–	
Badin Logistics Support Center Shed	DPS23-8
Badin Warehouse Expansion	DPS23-9
Badin Lot Acquisition	DPS23-10
National Guard–	
Ballentine Building/NCNG Museum	NG23-2
Constable Building	NG23-3
Winston-Salem FMS 7 Storage Bldg. HAZMAT/POL	NG23-7
Winston-Salem FMS 7 Storage Bldg.	NG23-8
Louisburg Readiness Center	NG23-9
Department of Public Instruction	
Center for the Advancement of Teaching	DPI21-1
Department of Transportation	
North Carolina Global TransPark Authority–	
Aircraft Maintenance Repair & Overhaul Facility	TRAN23-1
General Assembly	
Education Campus Project	NCGA21-3
Education Campus Parking Deck	NCGA23-1
The University of North Carolina	
Appalachian State University–	
Peacock Hall/Business	UNC/ASU21-1
Hickory Campus	UNC/ASU22-1
Walker Hall–Interior Renovation	UNC/ASU23-1
University of North Carolina at Charlotte–	
Smith Hall–Comprehensive Renovation	UNC/CLT23-1
University of North Carolina at Chapel Hill–	
Nursing School Renovation	UNC/CH20-2
Elizabeth City State University–	
Flight School	UNC/ECS21-4
Infrastructure Repairs–Phase 3	UNC/ECS23-1
East Carolina University–	
Brody School of Medicine	UNC/ECU21-1
Howell Science Building North–Comprehensive Renovation	UNC/ECU23-1
Medical Examiner Office	UNC/ECU23-3
Regional Children's Behavioral Health Facility	UNC/ECU23-4
Fayetteville State University–	
College of Education	UNC/FSU21-2
H.L. Cook Building–Renovation & Addition	UNC/FSU23-2
North Carolina Agricultural & Technical State University–	
Marteena Hall–Renovation, Phase 2	UNC/A&T23-1
North Carolina Central University–	
Dent Building–Comprehensive Renovation	UNC/NCC23-1
Edmonds Classroom Building–Comprehensive Renovation	UNC/NCC23-2
University Theater Renovation	UNC/NCC23-3
North Carolina State University–	
S.T.E.M. Building	UNC/NCS20-1

Mann Hall–Renovation, Phase 2	UNC/NCS23-1
Business School	UNC/NCS23-2
North Carolina School of Science and Math–	
Morganton Campus	
Wellness Center	UNC/SSM23-1
Durham Campus	
Renovation of Residence Halls	UNC/SSM23-2
University of North Carolina at Asheville–	
Lipinsky Hall–Comp. Modernization/Addition	UNC/AVL23-1
University of North Carolina at Greensboro–	
Moore Building–Renovation	UNC/GBO23-1
University of North Carolina at Pembroke–	
Health Sciences Center	UNC/PEM21-1
Givens Performing Arts Center–Renovation	UNC/PEM23-1
University of North Carolina School of the Arts–	
Stevens Center–Renovation, Phase 2	UNC/SA23-1
University of North Carolina at Wilmington–	
Cameron Hall–Comprehensive Renovation/Expansion	UNC/WIL23-1
Kenan Auditorium–Comprehensive Renovation/Expansion	UNC/WIL23-2
DeLoach Hall–Modernization	UNC/WIL23-3
Western Carolina University–	
Replacement Engineering Building	UNC/WCU23-1
Winston-Salem State University–	
K.R. Williams Auditorium	UNC/WSS21-1
Eller Hall–Renovation & Elevator Addition	UNC/WSS23-1
Pegram Hall–Renovation & Elevator Addition	UNC/WSS23-2
UNC Board of Governors–	
UNC Lease Funds	UNC/BOG21-1
NC Care Health Clinics	UNC/BOG23-1
NC Care Hospital Investment	UNC/BOG23-2
Children's Hospital	UNC/BOG23-3
PBS North Carolina	UNC/PBS23-1
Repairs and Renovations–The University of North Carolina	UNC/R&R21
Repairs and Renovations–State Agencies (non-UNC)	R&R21
OSBM Flexibility Funds	FLEX21
SCIF-Related Personnel	PERS21
Debt Payoff	DST23-1
Wildlife Resources Commission–Setzer Hatchery Revision	WRC23-1

SECTION 40.1.(b) This subsection authorizes the following capital projects in the 2023-2025 fiscal biennium based upon projected cash flow needs for the authorized projects. The authorizations provided in this subsection represent the maximum amount of funding from the State Capital and Infrastructure Fund that may be expended on each project and do not reflect authorizations from other non-State Capital and Infrastructure Fund sources. An additional action by the General Assembly is required to increase the maximum authorization for any of the projects listed:

Capital Improvements–		
State Capital and Infrastructure Fund	**Previous Project Authorization**	**New/Updated Project Authorization**
DACS21-2	$3,518,000	$7,018,000
DACS21-4	4,000,000	7,350,000

1	DACS23-1	N/A	2,500,000
2	DACS23-2	N/A	200,000
3	DACS23-3	N/A	13,000,000
4	DACS23-4	N/A	1,750,000
5	DACS23-5	N/A	749,000
6	DACS23-6	N/A	750,000
7	DACS23-7	N/A	12,000,000
8	DEQ21-1	55,000,000	68,300,000
9	DHHS23-1	N/A	1,352,000
10	DHHS23-2	N/A	5,983,000
11	DHHS23-3	N/A	5,405,000
12	DNCR21-5	15,000,000	45,000,000
13	DNCR23-1	N/A	60,000,000
14	DNCR23-6	N/A	5,500,000
15	DNCR23-7	N/A	16,721,240
16	DNCR23-8	N/A	4,000,000
17	DNCR23-9	N/A	1,400,000
18	DNCR23-10	N/A	3,000,000
19	DNCR23-11	N/A	250,000
20	DNCR23-12	N/A	3,000,000
21	DNCR23-13	N/A	2,500,000
22	DOA22-1	88,000,000	88,000,000
23	DOA22-3	15,000,000	60,000,000
24	DOA23-2	N/A	15,000,000
25	DOA23-3	N/A	11,000,000
26	DOA23-4	N/A	15,000,000
27	DOA23-5	N/A	30,000,000
28	DAC23-1	N/A	23,992,000
29	DAC23-2	N/A	2,960,212
30	DAC23-3	N/A	1,521,000
31	DAC23-4	N/A	1,078,000
32	DAC23-5	N/A	4,394,178
33	DAC23-6	N/A	3,488,000
34	DPS21-6	7,139,374	10,634,998
35	DPS23-1	N/A	40,450,000
36	DPS23-3	N/A	35,000,000
37	DPS23-5	N/A	886,000
38	DPS23-6	N/A	690,000
39	DPS23-7	N/A	25,845,000
40	DPS23-8	N/A	527,000
41	DPS23-9	N/A	5,048,828
42	DPS23-10	N/A	4,198,414
43	DPS23-11	N/A	13,883,000
44	NG23-2	N/A	12,500,000
45	NG23-3	N/A	16,428,582
46	NG23-7	N/A	278,208
47	NG23-8	N/A	250,000
48	NG23-9	N/A	3,666,667
49	DPI21-1	23,416,952	30,416,952
50	TRAN23-1	N/A	350,000,000
51	NCGA21-3	269,000,000	340,000,000

NCGA23-1	N/A	60,000,000
UNC/ASU21-1	25,000,000	40,000,000
UNC/ASU22-1	9,000,000	50,000,000
UNC/ASU23-1	N/A	18,000,000
UNC/CLT23-1	N/A	36,000,000
UNC/ECS23-1	N/A	20,000,000
UNC/ECU21-1	215,000,000	265,000,000
UNC/ECU23-1	N/A	46,000,000
UNC/ECU23-3	N/A	35,000,000
UNC/ECU23-4	N/A	50,000,000
UNC/FSU23-2	N/A	10,000,000
UNC/GBO23-1	N/A	24,200,000
UNC/A&T23-1	N/A	9,700,000
UNC/NCC23-1	N/A	12,073,798
UNC/NCC23-2	N/A	12,999,424
UNC/NCC23-3	N/A	8,500,000
UNC/NCS23-1	N/A	30,000,000
UNC/NCS23-2	N/A	4,500,000
UNC/SSM23-1	N/A	12,000,000
UNC/SSM23-2	N/A	25,206,993
UNC/AVL23-1	N/A	26,150,000
UNC/PEM23-1	N/A	61,000,000
UNC/SA23-1	N/A	51,000,000
UNC/WIL23-1	N/A	40,050,000
UNC/WIL23-2	N/A	21,600,000
UNC/WIL23-3	N/A	12,150,000
UNC/WCU23-1	N/A	95,300,000
UNC/WSS23-1	N/A	10,800,000
UNC/WSS23-2	N/A	16,000,000
UNC/PBS23-1	N/A	49,500,000
UNC/BOG21-1	15,000,000	18,750,000
UNC/BOG23-1	N/A	210,000,000
UNC/BOG23-2	N/A	150,000,000
UNC/BOG23-3	N/A	500,000,000
FLEX21	100,000,000	175,000,000
WRC/23-1	N/A	10,000,000

SECTION 40.1.(c) 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 Section 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 Section 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) shall not apply to the projects listed in Section 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).

SECTION 40.1.(d) For project code R&R21, the provisions of Section 40.1(c) of S.L. 2021-180 shall apply to funds allocated for the project code during the 2023-2025 fiscal biennium.

SECTION 40.1.(g) For project code UNC/WIL23-1, notwithstanding G.S. 143C-4-5, the University of North Carolina at Wilmington is authorized to spend up to forty-four million five hundred thousand dollars ($44,500,000) on the project but shall commit to providing funding of at least four million four hundred fifty thousand dollars ($4,450,000) from non-State sources on or before December 31, 2025, as a match for the intended State allocations totaling forty million fifty thousand dollars ($40,050,000) for the project.

SECTION 40.1.(h) For project code UNC/WIL23-2, notwithstanding G.S. 143C-4-5, the University of North Carolina at Wilmington is authorized to spend up to twenty-four million dollars ($24,000,000) on the project but shall commit to providing funding of at least two million four hundred thousand dollars ($2,400,000) from non-State sources on or before December 31, 2025, as a match for the intended State allocations totaling twenty-one million six hundred thousand dollars ($21,600,000) for the project.

SECTION 40.1.(j) For project code DST23-1, the Department of State Treasurer may use funds allocated for the project code to redeem or purchase and cancel bonds that have debt service paid from the State Capital and Infrastructure Fund if (i) the cost of redeeming or purchasing and canceling those bonds is less than the estimated market value the bonds would have if not redeemed or purchased and canceled or (ii) the bonds were purchased by one or more of funds listed in G.S. 147-69.2(a) between May 1, 2023, and June 30, 2023, in a principal amount not to exceed forty million dollars ($40,000,000).

SECTION 40.1.(*l*) For project code WRC23-1, the Wildlife Resources Commission is authorized to spend up to twenty-nine million seven hundred thousand dollars ($29,700,000) on the project but shall commit to providing funding of at least nineteen million seven hundred thousand dollars ($19,700,000) in non-State funds from the Commission's endowment as a match to the intended State allocations totaling ten million dollars ($10,000,000) for the project. The Commission shall use the endowment funds described in this subsection on the project prior to expending any State funds.

SECTION 40.1.(m) For project code DOA23-4, the Department of Administration shall not demolish the structure sited at 216 W. Jones Street, at the corner of West Jones and North Dawson streets in Raleigh, otherwise known as the Old Health Building, Building Asset ID: 9806.

SECTION 40.1.(n) For project code DOA23-5, the Department of Administration shall site the project on the parcel of real property identified with Wake County real estate ID# 0080466.

SECTION 40.1.(o) Section 40.1(h1) of S.L. 2021-180 reads as rewritten:

"**SECTION 40.1.(h1)** For project code UNC/BOG21-1, The University of North Carolina System Office shall enter into a lease agreement for space sufficient to relocate staff and operations located in the City of Raleigh. The lease term shall be for no less than three years and no more than ~~four~~ five years. The Board of Governors of The University of North Carolina shall be responsible for selection and approval of all lease terms not otherwise specified in this subsection. All staff and operations shall be relocated to the leased space on or before December 31, 2022."

SECTION 40.1.(p) Notwithstanding any provision of S.L. 2021-180, S.L. 2022-74, or any other provision of law to the contrary, (i) for project code DOA22-1, the State Controller shall transfer unspent and unencumbered funds allocated for the project to the State Capital and Infrastructure Fund and (ii) for project code NCGA21-3, with the exception of forty million dollars ($40,000,000) to remain available to expend on the project, the State Controller shall transfer all unspent and unencumbered funds to the State Capital and Infrastructure Fund. The General Assembly intends to appropriate funds for these project codes in future fiscal years. This subsection shall have no impact on the amounts authorized for these projects.

SECTION 40.1.(q) Notwithstanding the State Medical Facilities Plan, Article 9 of Chapter 131E of the General Statutes, or any other provision of law to the contrary, the Katie

Blessing Foundation, a nonprofit corporation, shall be exempt from certificate of need review for the construction of any behavioral health-related facilities or beds funded by the nonrecurring grant allocated in this Part in the amount of fifteen million dollars ($15,000,000) for the 2023-2024 fiscal year, provided those facilities and beds shall be subject to existing licensure laws and requirements.

SECTION 40.1.(r) Subsection (p) of this section becomes effective June 30, 2023. The remainder of this section becomes effective July 1, 2023.

SECTION 40.1.(s) For project code TRAN23-1, the North Carolina Global TransPark Authority (Authority) shall be considered the funded agency, pursuant to G.S. 143-135.26(1), and, notwithstanding G.S. 143-341 or any other provision of law to the contrary, shall have final authority over any aspect of the project. The Authority shall use up to five million dollars ($5,000,000) allocated in this Part for the 2023-2024 fiscal year for project planning. The Office of State Budget and Management shall disburse additional funding that has been allocated by the General Assembly for the project during the 2023-2025 fiscal biennium and subsequent fiscal years contingent upon the Authority entering into an intergovernmental services agreement with an agency of the United States for the use of the facility being constructed under this project code. The Authority shall repay the total amount of three hundred fifty million dollars ($350,000,000) intended to be allocated from the State Capital and Infrastructure Fund for the project in an amount of no less than fifteen million dollars ($15,000,000) annually, commencing on the first year the federal government agency takes occupancy of the facility under the terms of the intergovernmental services agreement. Reimbursement funds submitted by the Authority pursuant to this subsection shall be credited to the State Capital and Infrastructure Fund.

SIX-YEAR INTENDED PROJECT ALLOCATION SCHEDULE

SECTION 40.2. 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 will begin or be completed in fiscal years outside of the 2023-2025 fiscal biennium and estimated amounts (in thousands) needed for completion of those projects:

Project Code	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28	FY28-29
PERS21	2,000	2,000	2,000	2,000	2,000	2,000
UNC/R&R21	280,503	250,000	200,000	200,000	200,000	200,000
R&R21	200,000	200,000	200,000	200,000	200,000	200,000
DACS21-2	N/A	2,000	1,500	N/A	N/A	N/A
DACS21-4	N/A	1,850	1,500	N/A	N/A	N/A
DACS23-3	N/A	3,000	2,000	4,000	4,000	N/A
DEQ21-1	3,325	28,650	17,075	N/A	N/A	N/A
DNCR21-13	N/A	N/A	N/A	N/A	22,000	15,000
DNCR23-1	3,000	3,000	30,000	24,000	N/A	N/A
DNCR23-7	2,000	7,721.24	7,000	N/A	N/A	N/A
DOA22-1	N/A	N/A	8,800	22,000	35,200	22,000
DOA22-3	N/A	21,000	N/A	24,000	N/A	N/A
DOA23-2	3,750	3,750	3,750	3,750	N/A	N/A
DOA23-3	N/A	N/A	11,000	N/A	N/A	N/A
DOA23-4	N/A	N/A	15,000	N/A	N/A	N/A
DOA23-5	N/A	N/A	30,000	N/A	N/A	N/A

1	DAC23-1	4,776.39	9,607.8	9,607.8	N/A	N/A	N/A
2	DAC23-6	N/A	449	2,439	600	N/A	N/A
3	DPS21-6	N/A	836.88	2,658.75	N/A	N/A	N/A
4	DPS21-9	3,268.1	30,000	19,793.24	N/A	N/A	N/A
5	DPS23-1	N/A	600	10,000	29,850	N/A	N/A
6	DPS23-3	N/A	4,400	8,500	13,600	8,500	N/A
7	DPS23-7	3,706	11,069.5	11,069.5	N/A	N/A	N/A
8	DPS23-9	1,000	2,024.4	2,024.4	N/A	N/A	N/A
9	DPS23-11	2,028.5	5,927.25	5,927.25	N/A	N/A	N/A
10	NG23-2	1,500	6,000	5,000	N/A	N/A	N/A
11	TRAN23-1	50,000	125,000	125,000	50,000	N/A	N/A
12	NCGA21-3	20,000	135,000	145,000	N/A	N/A	N/A
13	NCGA23-1	N/A	N/A	60,000	N/A	N/A	N/A
14	WRC23-1	4,000	3,000	3,000	N/A	N/A	N/A
15	UNC/BOG21-1	3,750	3,750	3,750	3,750	N/A	N/A
16	UNC/ASU21-1	N/A	7,500	7,500	N/A	N/A	N/A
17	UNC/ASU22-1	N/A	4,100	12,300	14,350	10,250	N/A
18	UNC/ASU23-1	N/A	1,800	6,300	9,900	N/A	N/A
19	UNC/CLT23-1	N/A	3,600	N/A	12,600	19,800	N/A
20	UNC/CH20-2	N/A	N/A	10,750	N/A	N/A	N/A
21	UNC/BOG23-3	100,000	85,000	70,000	122,500	122,500	N/A
22	UNC/ECU21-1	N/A	20,000	84,007.3	85,742.72	N/A	N/A
23	UNC/ECU23-1	N/A	4,600	13,800	16,100	11,500	N/A
24	UNC/NCS20-1	N/A	6,025.2	22,224.8	N/A	N/A	N/A
25	UNC/PEM21-1	N/A	N/A	N/A	N/A	36,400	22,750
26	UNC/PEM23-1	N/A	6,100	24,400	30,500	N/A	N/A
27	UNC/ECS21-4	N/A	15,827.27	4,172.73	N/A	N/A	N/A
28	UNC/ECS23-1	N/A	2,000	8,000	10,000	N/A	N/A
29	UNC/FSU21-2	N/A	36,376.1	6,573.9	N/A	N/A	N/A
30	UNC/FSU23-2	1,000	3,500	5,500	N/A	N/A	N/A
31	UNC/A&T23-1	970	3,395	5,335	N/A	N/A	N/A
32	UNC/NCC23-1	1,207.4	N/A	4,829.5	6,036.9	N/A	N/A
33	UNC/NCC23-2	N/A	1,299.94	N/A	4,549.8	7,149.68	N/A
34	UNC/NCC23-3	N/A	850	N/A	2,975	4,675	N/A
35	UNC/NCS23-1	N/A	3,000	27,000	N/A	N/A	N/A
36	UNC/SSM23-2	N/A	12,750	7,978.5	4,478.5	N/A	N/A
37	UNC/AVL23-1	2,615	6,537.5	11,767.5	5,230	N/A	N/A
38	UNC/GBO23-1	N/A	2,420	N/A	8,470	13,310	N/A
39	UNC/SA23-1	N/A	5,100	12,750	22,950	10,200	N/A
40	UNC/WIL23-1	N/A	4,005	10,012.5	16,020	10,012.5	N/A
41	UNC/WIL23-2	N/A	2,160	5,400	8,640	5,400	N/A
42	UNC/WIL23-3	N/A	1,215	4,860	6,075	N/A	N/A
43	UNC/WCU23-1	N/A	N/A	2,000	9,530	N/A	33,355
44	UNC/WSS21-1	N/A	N/A	N/A	N/A	22,800	14,250
45	UNC/WSS23-1	N/A	800	1,080	N/A	3,780	5,140
46	UNC/WSS23-2	N/A	800	1,600	N/A	5,600	8,000
47	UNC/PBS23-1	N/A	4,950	N/A	17,325	27,225	N/A
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NON-GENERAL FUND/NON-SCIF CAPITAL PROJECT AUTHORIZATIONS

SECTION 40.4.(a) The General Assembly authorizes the following 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:

Name of Project	Amount of Non-General Fund/Non-SCIF Funding Authorized FY 2023-2024	FY 2024-2025
Department of Natural and Cultural Resources		
Brunswick Town State Historic Site–		
Historical Restorations	$150,000	$0
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
Department of Public Safety		
Alcoholic Beverage Control–		
Warehouse Precast Repair	275,000	0
ABC New Campus–Advanced Planning	4,700,000	0
Department of Adult Correction		
Old Craggy Laundry Wastewater/Stormwater Repl.	742,000	0
Wildlife Resources Commission		
Land Acquisition	5,000,000	5,000,000
Game Land Improvements	2,000,000	0
Caswell Depot Expansion	2,460,000	0
Mills River Equipment Storage	355,000	0
Morganton Depot Equipment Storage	340,000	0
Rhems Depot Equipment Storage	415,000	0
Troy Depot Office/Shop & Storage	1,900,000	0
Shooting Range Office & Classroom Constr.	3,100,000	0
Mount Holly Depot	0	2,400,000
Marion Aquaculture Building	0	600,000
TOTAL AMOUNT OF NON-GENERAL FUND/NON-SCIF CAPITAL PROJECTS AUTHORIZED	**$50,337,000**	**$8,300,000**

SECTION 40.4.(b) From funds deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services pursuant to G.S. 146-30, the sum of seventy-five thousand dollars ($75,000) for the 2023-2024 fiscal year and the sum of seventy-five thousand dollars ($75,000) for the 2024-2025 fiscal year shall be transferred to the Department of Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its plant conservation program under Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, and environmental studies, and for the management of the plant conservation program preserves owned by the Department.

VARIOUS CAPITAL CHANGES

SECTION 40.5.(a) G.S. 143C-8-10 is repealed.

SECTION 40.5.(b) G.S. 143C-8-11 reads as rewritten:

"**§ 143C-8-11. Reversion of appropriation; lapse of project authorization; transfer of funds remaining after project completion.**

(a) Reversion of Appropriation. – A State agency shall begin the planning of or the construction of an authorized capital improvement project during the fiscal year in which the funds are appropriated. If it does not, the Director may credit the appropriation to the ~~Project Reserve Account,~~ State Capital and Infrastructure Fund, unless otherwise required by law. ~~If the Director does not credit the appropriation to the Project Reserve Account, the appropriation shall revert to the principal fund from which it was appropriated.~~ The Director may, for good cause, allow a State agency to take up to an additional 12 months to take the actions required by this subsection.

(b) Lapse of Project Authorization. – Authorizations for capital improvement projects shall lapse if any of the following occur: (i) the appropriation for a capital improvement project reverts, (ii) the construction of a project does not begin during the first two fiscal years in which funds are appropriated, or (iii) the Director redirects funds appropriated for a capital improvement project in accordance with G.S. 143C-6-2. The Director may, for good cause, allow a State agency to take up to an additional 12 months to begin construction of a project; however, if the Director approves an extension of time under this subsection and construction of the project has not begun by the end of the extension, the authorization for the project shall lapse.

(c) Funds Remaining After Project Completion. – The State Controller shall transfer any balance of State funds appropriated for a capital project that remains unspent and unencumbered two years after completion of the project in accordance with this section. If applicable law requires a particular disposition of the funds, then the transfer shall be made in accordance with that requirement. Otherwise, the ~~transfer shall be made in accordance with the following requirements:~~

~~(1) If the funds were initially allocated from the Reserve for Repairs and Renovations, then the funds shall be transferred to that Reserve.~~

~~(2) All other funds~~ balance shall be transferred to the ~~Project Reserve Account~~ State Capital and Infrastructure Fund created by ~~G.S. 143C-8-10.~~G.S. 143C-4-3.1."

SECTION 40.5.(c) G.S. 143C-4-3.1 reads as rewritten:

"**§ 143C-4-3.1. State Capital and Infrastructure Fund.**

…

(g) Unexpended Funds. – Funds appropriated for a project that are unspent and unencumbered upon completion of the project shall revert to the Fund. For the purposes of this subsection, a project includes any allocation from the Fund to a State agency or The University of North Carolina.

…."

SECTION 40.5.(d) Section 40.6(g)(3) of S.L. 2022-74 reads as rewritten:

"(3) Third, to be deposited into the ~~Downtown Government Complex Reserve, established in Section 2.2 of this act.~~State Capital and Infrastructure Fund."

SECTION 40.5.(e) Section 40.3(f) of S.L. 2021-180, as enacted by Section 18.2 of S.L. 2022-6, reads as rewritten:

"**SECTION 40.3.(f)** Notwithstanding any other provision of law to the contrary, there shall be no local match required for the North Topsail Beach Shoreline Protection – Phases 1–4 project referenced in ~~subsection (b)~~ subsection (c) of this section."

SECTION 40.5.(f) Section 9.3 of S.L. 2023-11 reads as rewritten:

"**SECTION ~~9.3.~~ 9.3.(a)** Subdivision (65) of Section 40.17(a) of S.L. 2021-180, as enacted by Section 40.2(a) of S.L. 2022-74, reads as rewritten:

"(65) The funds for Ball's Creek Camp Ground in the sum of three hundred thousand dollars ($300,000) for the 2021-2022 fiscal year shall instead be provided to Ball's Creek Campground History & Learning Center, Inc., a nonprofit

corporation, to be used for repairs and renovations to Ball's Creek Camp Ground."

"**SECTION 9.3.(b)** Section 40.2 of S.L. 2022-74 is amended by adding a new subsection to read:

""**SECTION 40.2.(i)** Notwithstanding any provision of law or the Committee Report referenced in Section 43.2 of this act to the contrary, the allocation of two hundred thousand dollars ($200,000) from the State Capital and Infrastructure Fund to Ball's Creek Campground for capital improvements or equipment shall instead be provided to Ball's Creek Campground History & Learning Center, Inc., a nonprofit corporation, for capital improvements or equipment.""

SECTION 40.5.(g) Part 24 of S.L. 2022-74 is amended by adding a new section to read:

"**REPEAL GRANT ALLOCATION**

"**SECTION 24.5.** Notwithstanding any provision of law or the Committee Report referenced in Section 43.2 of this act to the contrary, the directed grant in the amount of fifty thousand dollars ($50,000) in nonrecurring funds for the 2022-2023 fiscal year shall not be provided to Ace Speedway Racing, Ltd., and the funds shall revert."

SECTION 40.5.(h) The State Controller shall transfer all funds remaining in (i) the Government Complex Reserve established in Section 2.2(r) of S.L. 2022-74 and (ii) the Capital Project Inflationary Reserve established in Section 40.7 of S.L. 2022-74 to the State Capital and Infrastructure Fund.

SECTION 40.5.(i) Section 2.2(r) and Section 40.7 of S.L. 2022-74 are repealed.

SECTION 40.5.(j) Section 40.17(a)(55) of S.L. 2021-180, as enacted by Section 9.1(d) of S.L. 2021-189 and amended by Section 18.1 of S.L. 2022-6, reads as rewritten:

"(55) The funds for Nikwasi Town Cherokee Settlement in the sum of seven hundred thirteen thousand four hundred dollars ($713,400) for the 2021-2022 fiscal year and the funds for Watauga Town Cherokee Settlement in the sum of one hundred thousand dollars ($100,000) for the 2021-2022 fiscal year shall instead be provided as ~~follows:~~

~~a.~~ ~~A~~ a grant in the sum of ~~six~~ eight hundred thirteen thousand four hundred dollars ~~($600,000)~~ ($813,400) to Mainspring Conservation Trust, Inc., a nonprofit corporation, for ~~the purchase of approximately 0.6 acres at the site of~~ land acquisition at the ~~Cherokee settlement of~~ Nikwasi Town ~~in the Town of Franklin in Macon County with a conservation and preservation easement to be held by the Department of Natural and Cultural Resources.~~and Watauga Town Cherokee mound sites.

~~b.~~ ~~A grant in the sum of one hundred thirteen thousand four hundred dollars ($113,400) to the Department of Natural and Cultural Resources for the purchase of a conservation and preservation easement of approximately 0.7 acres at the site of the Cherokee settlement of Nikwasi Town in the Town of Franklin in Macon County.~~"

SECTION 40.5.(k) Section 1(e) of S.L. 2020-81, as amended by Section 40.1(*l*) of S.L. 2021-180, reads as rewritten:

"**SECTION 1.(e)** For project code UNC/CH20-1, notwithstanding G.S. 143C-4-5, the University of North Carolina at Chapel Hill is authorized to spend up to one hundred fifty million dollars ($150,000,000) on the project, but shall commit to providing funding of at least ~~seventy-five~~ ninety-seven million dollars ~~($75,000,000)~~ ($97,000,000) from non-State sources on or before June 30, ~~2022,~~ 2024, as a match for the intended State allocations totaling ~~seventy-five~~ fifty-three million dollars ~~($75,000,000)~~ ($53,000,000) for the project."

GRANTS TO NON-STATE ENTITIES

SECTION 40.7. Requirements. – For purposes of this Part, nonrecurring funds allocated from the State Capital and Infrastructure Fund as grants to non-State entities, as defined by G.S. 143C-1-1(d), are subject to all of the following requirements:

(1) As soon as practicable after the effective date of this act, each State agency administering grants shall begin disbursement of funds to each grantee non-State entity when all applicable requirements are met. However, disbursement of grant funds allocated for the 2023-2024 fiscal year shall commence no later than 100 days after the date this act becomes law, and disbursement in full to all grantees shall be completed no later than nine months after the date this act becomes law. Disbursement of grants allocated for the 2024-2025 fiscal year shall be completed no later than 100 days after the beginning of the 2024-2025 fiscal year.

(2) G.S. 143C-6-23(b) through (f) and (f2) through (k) apply to the grants.

(3) Notwithstanding any provision of G.S. 143C-1-2(b) to the contrary, unless otherwise indicated, nonrecurring funds appropriated in this Part as grants shall not revert until expended or the particular project has been completed.

(4) Grants to each grantee non-State entity shall be used for nonsectarian, nonreligious purposes only.

(5) By January 1, 2024, and then quarterly thereafter, the Office of State Budget and Management shall report to the Fiscal Research Division on the schedule for and status of grant disbursement. At a minimum, the report shall include the following for each grant:

a. The date when the disbursing agency issued the initial contract.

b. The date when the contract was sent to the grantee non-State entity.

c. The date when the fully executed contract was returned to the disbursing agency.

d. The date when the contract was executed.

e. The date when a grant was disbursed in full.

PART XLI. TRANSPORTATION

CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND

SECTION 41.1.(a) Subsections (b) and (c) of Section 41.1 of S.L. 2022-74 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	$3,170.2 million
For Fiscal Year 2026-2027	$3,216.9 million
For Fiscal Year 2027-2028	$3,265.1 million
For Fiscal Year 2028-2029	$3,382.0 million
For Fiscal Year 2029-2030	$3,436.4 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	$2,487.2 million
For Fiscal Year 2026-2027	$2,514.8 million
For Fiscal Year 2027-2028	$2,652.8 million
For Fiscal Year 2028-2029	$2,728.1 million
For Fiscal Year 2029-2030	$2,771.7 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 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.

CONTINGENCY FUNDS

SECTION 41.2.(a) The funds appropriated in this act to the Department of Transportation, Construction – Contingency Fund Code for the 2023-2024 fiscal year shall be allocated statewide for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, railroad infrastructure, and spot safety projects, including pedestrian walkways that enhance highway safety. Projects funded pursuant to this subsection require prior approval by the Secretary of Transportation. Funds allocated under this subsection shall not revert at the end of the applicable fiscal year but shall remain available until expended. The use of funds that do not revert under this subsection is not restricted to the fiscal year in which the funds were allocated.

SECTION 41.2.(b) The Department of Transportation shall report to the members of the General Assembly on projects funded pursuant to subsection (a) of this section in each member's district prior to construction. The Department shall make a quarterly comprehensive report on the use of these funds to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

CAPITAL AND RENOVATIONS

SECTION 41.3. For the 2023-2025 fiscal biennium, the funds appropriated in this act from the Highway Fund to the Department of Transportation for capital and renovations shall be used as follows:

Item	**FY 2023-24**	**FY 2024-25**
Avery Maintenance Engineer Office	2,628,000	
Cherry Branch Shore Power	2,104,000	
Clay Maintenance Engineer Office and Equipment Shop	261,354	
Hyde Maintenance Office and Equipment Shop	2,485,045	
Iredell Maintenance Engineer and Bridge Maintenance Office	1,628,865	
Replace Rooftop HVAC Units – Century Center	649,500	
Rowan District Engineer Office	627,426	
Surry District Engineer Office	1,231,450	
Watauga District Engineer Office	1,070,041	
Total	**$12,685,681**	

POWELL BILL FUNDS

SECTION 41.5. For the 2023-2025 fiscal biennium:

(1) The Department of Transportation shall not reduce the funds appropriated under this act to the State Aid – Powell Bill Fund for allocation under the Powell Bill (G.S. 136-41.1 through G.S. 136-41.4).

(2) Notwithstanding G.S. 136-41.1(a), eligible municipalities with a population of 400,000 or more shall receive the same amount of Powell Bill Program funds allocated for the 2020-2021 fiscal year. The remaining Powell Bill

Program funds shall be allocated to municipalities with a population of less than 400,000 in accordance with the requirements of G.S. 136-41.1(a).

FACILITIES MAINTENANCE DIVISION POSITIONS

SECTION 41.6.(a) Of the funds appropriated in this act to the Department of Transportation, Facilities Maintenance Division (FMD), the Department shall create 14 full-time equivalent (FTE) Maintenance and Construction Tech III positions (FMD positions). The FMD positions shall be assigned to the 14 local highway division offices and integrated into the current FMD organizational structure set up for regional maintenance of the Division of Motor Vehicles offices. The FMD positions shall be responsible for building inspections, maintenance, repairs and support for State-owned buildings, and management of contracts necessary to complete tasks. Operational funds based on needs shall be allotted by the FMD main office for support of the local highway divisions and district. The FMD shall submit a report on the implementation status of this section by October 1, 2023, and May 1, 2024, to the House of Representatives Appropriations Committee on Transportation, Senate Appropriations Committee on the Department of Transportation, Joint Legislative Transportation Oversight Committee (JLTOC), and the Fiscal Research Division. The report shall include the status of creating and filling positions, lease of trucks, purchase of rolling stock and other supplies, and methodology for allocation of operational funds for the local highway divisions and amount of funds spent. The FMD shall include a needs assessment for additional staffing and funding for routine building maintenance activities.

SECTION 41.6.(b) By August 1 of each year, the Facilities Maintenance Division shall submit a report to the Joint Legislative Transportation Oversight Committee (JLTOC) and the Fiscal Research Division. The report shall include the following information:

(1) Capital projects status to include each project undertaken, amount of funds expended, and planned completion and, if additional appropriations are required, include amount needed for completion of the project.

(2) Information on the contract, including whether the Department of Administration administered the contract and whether the contract was managed by DOT.

(3) Update of building replacement schedules for upcoming budget planning.

AED REPORT

SECTION 41.6A. By March 1, 2024, the Department of Transportation shall submit a report to the House Appropriations Committee on Transportation, the Senate Appropriations Committee on the Department of Transportation, and the Fiscal Research Division on the status of purchase and installation of the automated external defibrillator (AED) devices. The report shall include the number of AED devices purchased, location and building purpose of installation, number of replacement AED devices, amount of credit or rebate applied toward new purchases, and total amount spent for purchase and installation of AED devices.

ROAD AND BRIDGE NAMING

SECTION 41.7. Notwithstanding any provision of law to the contrary, the Department of Transportation shall designate as follows:

(1) A section of Interstate 40 in Catawba County named in honor of Cherie Killian Berry, the first female Commissioner of Labor in North Carolina.

(2) The bridge on U.S. Highway 74 that crosses over the Catawba River at the Mecklenburg County and Gaston County line and is numbered 350091 by the Department as the "Representative Dana B. Bumgardner Bridge."

(3) A bridge to be constructed on Interstate Highway 77 southbound that crosses over Interstate Highway 40 in Statesville as the "Sheriff Godfrey "Click" Kimball Bridge."
(4) The bridges on U.S. Highway 1 that cross over North Carolina Highway 2 in Moore County as the "George Little Bridges."
(5) The bridge on North Carolina Highway 49 that crosses over the Tuckertown Reservoir in Davidson County as the "Senator Stan Bingham Bridge."

INCREASE CAP ON CERTAIN PUBLIC PRIVATE PARTNERSHIPS

SECTION 41.9A. G.S. 136-18 reads as rewritten:

"**§ 136-18. Powers of Department of Transportation.**

The Department of Transportation has the following powers:

…

(39a) a. The Department of Transportation ~~or Turnpike Authority, as applicable,~~ and Turnpike Authority may enter into up to three agreements each with a private entity as provided under subdivision (39) of this section for which the provisions of this section apply.

…."

CLARIFY FERRY OPERATING BUDGET REQUIREMENTS

SECTION 41.11. Section 41.15A of S.L. 2021-180 is amended by adding the following new subsections to read:

"**SECTION 41.15A.(c)** Notwithstanding subsections (a) and (b) of this section, the Committee Report described in Section 43.2 of this act, and any other provision of law, the Department of Transportation may maintain field, program, administrative, or any other fund codes it determines to be necessary within its internal SAP accounting system to implement this section. The Department shall combine these internal fund codes to show only Fund Code 7825 for Ferry Operations in the North Carolina Accounting System and North Carolina Financial System and any successor accounting systems. To the extent practicable, the Department shall combine these internal fund codes to show only Fund Code 7825 in reports required by the General Assembly and any other public reports.

"**SECTION 41.15A.(d)** Notwithstanding any other provision of law, the Office of State Budget and Management may make changes to the Integrated Budget Information System, North Carolina Accounting System, North Carolina Financial System, or any successor systems to those listed to comply with this section."

FERRY VESSEL REPLACEMENT PLAN

SECTION 41.11A.(a) Plan. – The Ferry Division of the Department of Transportation shall develop a plan for replacing its fleet. The plan shall identify each vessel owned by the Department of Transportation at the time of publication of the report and, in addition, include all of the following information:

(1) The date each vessel entered service.
(2) The routes and division served by each vessel.
(3) An assessment of the condition of each vessel.
(4) The estimated remaining service life of each vessel.
(5) A schedule for replacing each vessel that includes all of the following:
  a. A rank order prioritization of vessel replacement that includes the estimated replacement date for each vessel.
  b. The class of vessel each vessel currently in service will be replaced with.
  c. The costs the Division will incur to replace each vessel.

(6) Any funds dedicated or identified for replacing vessels, including the amount and source of the funds.

(7) A list of potential interventions, if any, that could extend the life of each vessel currently in service. This list shall include (i) the cost of the intervention and (ii) the additional extended life the intervention would provide for the vessel.

The Division shall submit this plan to the chairs of the Joint Legislative Transportation Oversight Committee, the chairs of the House and Senate Transportation Appropriations Committees, and the Fiscal Research Division no later than March 1, 2024.

SECTION 41.11A.(b) Effective Date. – This section is effective when it becomes law.

FERRY MAINTENANCE REPORT

SECTION 41.11B.(a) The Ferry Division of the Department of Transportation shall report on the use of funds appropriated for marine and facilities maintenance for each year of the 2023-2025 fiscal biennium. The report shall include all of the following:

(1) The projects on which the funds were used.

(2) The amount of funds used for each project.

(3) Whether the work on the project was performed by a contractor or by the Division.

(4) For all work performed by a contractor, the name of the contracting company.

SECTION 41.11B.(b) The Division shall submit this report to the chairs of the Joint Legislative Transportation Oversight Committee, the chairs of the House and Senate Transportation Appropriations Committees, and the Fiscal Research Division on June 30, 2024, and June 30, 2025.

AUTHORIZE TOLLING ON ALL FERRY ROUTES

SECTION 41.11C.(a) G.S. 136-82 reads as rewritten:

"**§ 136-82. Department of Transportation to establish and maintain ferries.**

…

(b) Tolling of ~~Certain~~ Ferry Routes. – The Board of Transportation shall establish tolls on ~~the passenger-only Hatteras-Ocracoke ferry route. The Board of Transportation shall continue tolling the following ferry routes:~~all ferry routes.

~~(1) Southport-Fort Fisher.~~

~~(2) Cedar Island-Ocracoke.~~

~~(3) Swan Quarter-Ocracoke.~~

~~(b1) Untolled Ferry Routes. – Except as provided in subsection (b) of this section, ferry routes are exempt from tolls. The Board of Transportation shall not establish tolls on a ferry route exempt from tolls.~~

…

(f4) Commuter Pass. – The Board of Transportation shall authorize the sale of an annual commuter pass for all tolled ferry routes.

…."

SECTION 41.11C.(b) For the 2024-2025 fiscal year, the cost of a commuter pass under G.S. 136-82(f4), as enacted by subsection (a) of this section, shall be set at the same rate in effect on the effective date of this act.

AUTHORIZE CARRYFORWARD OF FERRY FUNDS

SECTION 41.11D. G.S. 136-82(h) reads as rewritten:

"(h) Transfer of Funds. – Notwithstanding G.S. 136-44.2(f), G.S. 136-44.2(f1), and any other provision of law to the contrary, beginning with the 2021-2022 fiscal year, no later than 45 days after the first day of the fiscal year, the Department of Transportation shall transfer from the

Highway Fund to the Ferry Systemwide fund code within the Ferry Capital Special Fund all ~~unexpended~~ unallotted and unencumbered funds appropriated to the Ferry Division's budget from the prior fiscal year. ~~Any funds categorized as unencumbered shall be deposited in the Ferry Systemwide fund code. Any funds categorized as encumbered shall be deposited into a specified fund code for encumbrances.~~"

STUDY INCREASING FERRY DIVISION'S CAPACITY FOR VESSEL MAINTENANCE

SECTION 41.11E.(a) Study. – The Ferry Division of the Department of Transportation shall study increasing its in-house capacity for vessel maintenance, including maintenance related to credit dry-dock examinations required by the United States Coast Guard. This study shall include all of the following:

(1) An evaluation of all of the following options for increasing in-house capacity for vessel maintenance:
   a. Expanding berths and staffing at Manns Harbor.
   b. Using existing State-owned properties for dry-dock availability.
   c. Purchasing or leasing additional property elsewhere along the North Carolina coast. The evaluation of this option shall include the identification of specific sites or regions where potential additional shipyard capacity may be found and whether the local population of that site or region possesses sufficient skilled labor to support vessel maintenance.
   d. Any other option that could potentially increase in-house capacity for vessel maintenance.

(2) For each option evaluated pursuant to subdivision (1) of this subsection, the Division shall assess both of the following:
   a. The total costs the Division will incur for each option.
   b. The steps that would be necessary to implement each option and a proposed time line for implementation.

(3) An assessment of whether the presence of skilled employment in the local population is sufficient to support vessel maintenance.

The Division shall report the findings of this study, including any legislative recommendations, to the chairs of the Joint Legislative Transportation Oversight Committee, the chairs of the House and Senate Transportation Appropriations Committees, and the Fiscal Research Division no later than March 1, 2024.

SECTION 41.11E.(b) Effective Date. – This section is effective when it becomes law.

S-LINE ANNUAL REPORT

SECTION 41.12. Beginning October 1, 2023, the Department of Transportation, Rail Division, shall report annually on the status of the S-Line rail corridor reconstruction project between Raleigh and Ridgeway to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division. This report shall include the status of the acquisition of the project; the total allocations of any funds to the project and their source, including Highway Fund, Highway Trust Fund, and federal funds; and the amount of funds disbursed, including the recipients of those funds. The report shall include any details of lease agreements made with any property owners along the corridor after acquisition is completed. The report shall include an estimated time line, or dates of work completed, of the major project phases, including acquisition, preconstruction, construction, and project closeout. The report shall show the amount of federal funds associated with each State appropriation for the project and detail the award or awards associated with that appropriation.

PASSENGER RAIL FLEET PLAN AND COST ESTIMATES

SECTION 41.13. The Department of Transportation, Rail Division, shall submit a report on its passenger rail fleet plan to the Joint Legislative Transportation Oversight Committee (JLTOC) and the Fiscal Research Division by December 31, 2023. The report shall include all of the following information regarding new passenger rail rolling stock:

(1) The source of funds for purchasing the new passenger rail rolling stock.
(2) The cost to purchase the new passenger rail rolling stock.
(3) The delivery time line for the new passenger rail rolling stock.
(4) The expected annual cost for maintenance and contractor services for the new passenger rail rolling stock.
(5) The annual total cost for the existing passenger rail fleet.
(6) A comparison of the annual total cost for the existing passenger rail fleet to the expected annual total cost for the new passenger rail rolling stock.

OSBM TO CERTIFY RAIL & INTEGRATED MOBILITY DIVISION BUDGETS

SECTION 41.13A.(a) The Director of the Office of State Budget and Management (OSBM), in consultation with the Chief Financial Officer of the Department of Transportation, shall certify for Fund Codes 7829 and 7831 line item expenditure accounts in the major account groups per the State Budget Manual and the Office of the State Controller's Chart of Accounts as appropriated by the General Assembly.

SECTION 41.13A.(b) Positions in Fund Codes 7829 and 7831 shall be budgeted to the Personal Services major account group and shall not be budgeted to agency receipts.

SECTION 41.13A.(c) Fund Codes 0035, 0036, 0037, 7705, and 7845 are eliminated.

SECTION 41.13A.(d) Fund Code 7831 shall be renamed "Integrated Mobility Division."

SECTION 41.13A.(e) Notwithstanding subsections (a), (b), and (c) of this section, the Department of Transportation may maintain field, program, administrative, or any other fund codes it determines to be necessary within its internal SAP accounting system to implement this section. The Department shall combine these internal fund codes to show only Fund Codes 7829 and 7831, for Rail and Integrated Mobility Division, respectively, in the North Carolina Accounting System and North Carolina Financial System and any successor accounting systems. To the extent practicable, the Department shall combine these internal fund codes to show only Fund Codes 7829 and 7831 in reports required by the General Assembly and any other public reports.

SECTION 41.13A.(f) Notwithstanding any other provision of law, the Office of State Budget and Management may make changes to the Integrated Budget Information System, North Carolina Accounting System, North Carolina Financial System, or any successor systems to those listed to comply with this section.

SECTION 41.13A.(g) G.S. 136-44.2(f1)(2) reads as rewritten:

"(2) The unallotted and unencumbered balances on the last day of the fiscal year for the following:
a. Funds appropriated from the Highway Fund for the multimodal <u>aid and public assistance</u> programs of the Department, consisting of funds for bicycle and pedestrian, railroad, aviation, and public transportation programs, excluding funds deposited in the Freight Rail & Rail Crossing Safety Improvement Fund.
b. Funds appropriated from the Highway Fund for the construction programs of the Department, consisting of funds for secondary construction, access and public service roads, spot safety

improvement, small urban construction, and economic development programs."

STUDY ON DMV MAIL FLOW AND ROUTING

SECTION 41.14A.(a) Study. – The Division of Motor Vehicles of the North Carolina Department of Transportation, in consultation with the Department of Administration, shall study the flow and routing of mail related to the Division's provision of services and other business. The study shall consider all of the following:

(1) The legislative and administrative rule requirements that currently control the Division's flow and routing of mail.
(2) The effect that routing incoming mail destined for the Division's Rocky Mount office through the Division's Raleigh office has on the Division's provision of services and other business.
(3) The current routing and flow of outgoing mail the Division uses to (i) provide vehicle services, (ii) issue drivers licenses, and (iii) conduct other business.
(4) The current costs, including transportation costs, associated with mail service between the Division's Raleigh and Rocky Mount offices.
(5) The processing time for the Division's outgoing mail that is routed through the Division's Raleigh office.
(6) Potential new mail routing options that would increase efficiency and reduce costs.
(7) Potential new routing for mail services that originate and terminate at the Division's Rocky Mount office.
(8) Any cost-saving measures the Division could implement to realize cost savings with respect to its flow and routing of mail.
(9) Any legislative changes necessary to implement a more efficient and cost-effective routing of the Division's mail.
(10) The impact any potential change to the Division's mail flow and routing would have on the Department of Administration's provision of mail services to State agencies under G.S. 143-341.

The Division shall report the findings of this study, including any legislative recommendations, to the chairs of the Joint Legislative Transportation Oversight Committee, the chairs of the House and Senate Transportation Appropriations Committees, the chairs of the House and Senate General Government Appropriations Committees, and the Fiscal Research Division no later than October 1, 2023.

SECTION 41.14A.(b) Effective Date. – This section is effective when it becomes law.

HUNTERSVILLE DMV VEHICLE SERVICES OFFICE

SECTION 41.14B. Notwithstanding any other provision of law, of the full-time equivalent (FTE) positions assigned to the Division of Motor Vehicles of the North Carolina Department of Transportation, the Department shall reclassify four FTEs to be assigned for the creation of a vehicles services office at the Division's Huntersville location. The Division shall report on the status of the office's creation to the chairs of the Joint Legislative Transportation Oversight Committee, the chairs of the House and Senate Transportation Appropriations Committees, and the Fiscal Research Division no later than October 1, 2023.

DMV PRIVATIZATION STUDY

SECTION 41.14C.(a) Intent. – The General Assembly finds that the further privatization and modernization of services provided by the Division of Motor Vehicles of the North Carolina Department of Transportation, beyond those services already provided by

commission contractors under G.S. 20-63(h), would provide a more citizen-friendly service model for the taxpayers of the State. Therefore, it is the intent of the General Assembly to study viability and feasibility of further privatizing and modernizing the Division or its component parts.

SECTION 41.14C.(b) Request for Proposal. – The Legislative Service Officer (LSO), in conjunction with the Joint Legislative Transportation Oversight Committee (JLTOC), shall issue a Request for Proposals and select a consultant to study the feasibility and advisability of further privatizing and modernizing the Division.

SECTION 41.14C.(c) Study. – The consultant selected by the LSO and JLTOC shall study the feasibility and desirability of further privatizing the Division. The study shall consider all of the following:

(1) Potential improvements to the services provided by the Division that could be achieved through further privatization.
(2) How further privatization of the Division would interact with the current use of commission contractors under G.S. 20-63(h).
(3) Any legislation or rulemaking necessary to enact further privatization.
(4) Reliable economic data on the financial impact of further privatization.
(5) Potential strategies and frameworks for transitioning the Division into further privatization.
(6) How the State would maintain effective oversight as its direct role in the delivery of services is reduced through further privatization.
(7) The market interest of qualified vendors in assuming responsibility for services currently provided by the Division.
(8) Potential methods for selecting vendors or contractors if further privatization is enacted.
(9) Any modernization efforts, other than privatization, that would improve the Division's provision of services.

SECTION 41.14C.(d) Time Line. – The LSO and JLTOC shall issue an RFP for the study by September 1, 2023, and select a consultant by November 1, 2023. The consultant shall report the findings of this study, including any legislative recommendations, to the chairs of the JLTOC, the chairs of the House and Senate Transportation Appropriations Committees, and the Fiscal Research Division no later than March 1, 2024.

SECTION 41.14C.(e) Transfer of Funds. – Of the funds appropriated from the Highway Fund to the Department of Transportation, the Department shall transfer one hundred twenty-five thousand dollars ($125,000) to the General Assembly to select and retain a consultant to conduct the study required by subsection (b) of this section. Funds allocated by this subsection shall remain available until the conclusion of the study, and any funds unused at that time shall revert to the Highway Fund.

SECTION 41.14C.(f) Effective Date. – This section is effective when it becomes law.

INCREASE ELECTRIC AND HYBRID VEHICLE FEES

SECTION 41.14D.(a) G.S. 20-87 reads as rewritten:

"**§ 20-87. Passenger vehicle registration fees.**

These fees shall be paid to the Division annually for the registration and licensing of passenger vehicles, according to the following classifications and schedules:

…

(13) Additional fee for certain electric vehicles. – At the time of an initial registration or registration renewal, the owner of a plug-in electric vehicle that is not a low-speed vehicle and that does not rely on a nonelectric source of power shall pay a fee in the amount of ~~one hundred forty dollars and~~

~~twenty-five cents ($140.25)~~ one hundred eighty dollars ($180.00) in addition to any other required registration fees.

(13a) Additional fee for plug-in hybrid vehicles. – At the time of an initial registration or registration renewal, the owner of a plug-in hybrid vehicle shall pay a fee in the amount of ninety dollars ($90.00) in addition to any other required registration fees.

…."

SECTION 41.14D.(b) This section becomes effective January 1, 2024, and applies to vehicles registered on or after that date.

AUTHORIZE DMV TO IMPLEMENT TRANSACTION FEES ON ELECTRONIC PAYMENTS

SECTION 41.14E.(a) The Division of Motor Vehicles of the Department of Transportation shall develop a plan for adding a fee to transactions where it accepts electronic payment, as that term is defined in G.S. 147-86.20, to offset any service charge the Division pays for electronic payment service. The plan shall do both of the following:

(1) Determine the processes the Division will use to implement an electronic payment transaction fee.

(2) Determine the percentage transaction fee necessary to impose on parties using electronic payment to offset any service charges the Division pays.

(3) Estimate the costs the Division would incur implementing the changes required by the plan, if any.

(4) Estimate the cost-savings the Division will realize by charging an electronic payment transaction fee.

The Division shall submit this plan to the chairs of the Joint Legislative Transportation Oversight Committee, the chairs of the House and Senate Transportation Appropriations Committees, and the Fiscal Research Division no later than January 1, 2024.

SECTION 41.14E.(b) Article 1 of Chapter 20 of the General Statutes is amended by adding a new section to read:

"**§ 20-4.05. Authority of Division to charge transaction fee on electronic payments.**

When the Division accepts electronic payment, as that term is defined in G.S. 147-86.20, for any cost, fee, fine, or penalty imposed pursuant to this Chapter, the Division may add a transaction fee to each electronic payment transaction to offset the service charge the Division pays for electronic payment service. The Division's transaction fee shall not exceed two percent (2%) of the electronic payment."

SECTION 41.14E.(c) The Office of State Budget and Management shall add receipts to the base budget for transaction fees to be collected through electronic payments pursuant to G.S. 20-4.05 and adjust the receipts for fiscal year 2024-2025.

SECTION 41.14E.(d) Subsection (a) of this section is effective when it becomes law. The remainder of this section becomes effective July 1, 2024.

SPECIAL PERMITS FOR THE TRANSPORT AND DELIVERY OF STORAGE SHEDS

SECTION 41.14F.(a) G.S. 20-119 reads as rewritten:

"**§ 20-119. Special permits for vehicles of excessive size or weight; fees.**

…

(b3) The Department shall issue single trip permits for transport and delivery of storage sheds carried on trailers with a maximum width of 16 feet. The Department shall promulgate rules that set the days allowed for transport and delivery, times of day transport or delivery may occur, the display and use of banners and escort vehicles for public safety purposes, and any other reasonable rules as are necessary to promote public safety and commerce. For the purposes of this subsection, storage shed means any accessory structure, either freestanding or attached to

another structure, that is not classified for human habitation or occupancy and is intended to be used to store personal property.

(b4) For a special permit issued under this section for the transport and delivery of cargo, containers, or other equipment, the Department may allow travel after sunset if the Department determines it will be safe and expedite traffic flow. The Department shall not include a term or condition prohibiting travel after sunset for any permitted shipments going to or from international ports. Nothing in this subsection precludes the Department from restricting movements it determines to be unsafe.

…."

SECTION 41.14F.(b) This section becomes effective October 1, 2023.

INCREASE COMPENSATION TO COMMISSION CONTRACT AGENTS AND INCREASE PORTION OF TITLE & REGISTRATION FEES CREDITED TO HIGHWAY FUND

SECTION 41.15.(a) G.S. 20-63(h1) reads as rewritten:

"(h1) Commission contracts entered into by the Division under this subsection shall also provide for the payment of an additional ~~one dollar ($1.00)~~ two dollars ($2.00) of compensation to commission contract agents for any transaction assessed a fee under subdivision (a)(1), (a)(2), (a)(3), (a)(7), (a)(8), or (a)(9) of G.S. 20-85."

SECTION 41.15.(b) G.S. 20-85(a1) reads as rewritten:

"(a1) ~~One dollar ($1.00)~~ Two dollars ($2.00) of the fee imposed for any transaction assessed a fee under subdivision (a)(1), (a)(2), (a)(3), (a)(7), (a)(8), or (a)(9) of this section shall be credited to the North Carolina Highway Fund. The Division shall use the fees derived from transactions with commission contract agents for the payment of compensation to commission contract agents. An additional twenty cents (20¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited to the Mercury Pollution Prevention Fund in the Department of Environmental Quality."

SECTION 41.15.(c) This section becomes effective October 1, 2023, and applies to certificates of title issued or renewed on or after that date.

TRANSFER VACANT POSITIONS TO DIVISION OF AVIATION

SECTION 41.19. Notwithstanding any other provision of law to the contrary, of the full-time equivalent (FTE) positions assigned to the Department of Transportation, the Department shall reclassify four FTE positions to be assigned to the Division of Aviation according to the following schedule:

(1) Program Analyst II.
(2) Program Analyst II.
(3) Program Analyst I.
(4) Administrative Officer II.

PART XLII. FINANCE

REDUCE PERSONAL INCOME TAX RATE

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 of the taxpayer's North Carolina taxable income computed as follows:

Taxable Years Beginning	Tax
In 2022	4.99%
In 2023	4.75%
In 2024	~~4.6%~~4.5%

In 2025 and 2026	~~4.5%~~3.99%
In ~~2026~~2027	~~4.25%~~3.5%
In 2028	3.25%
In 2029	2.99%
After ~~2026~~2029	~~3.99%.~~2.49%."

SECTION 42.1.(b) This section is effective when it becomes law.

EXPAND AVIATION SALES TAX EXEMPTION SO THAT PARTS AND ACCESSORIES EXEMPTION ALIGNS WITH LABOR EXEMPTION FOR SAME TYPES OF AIRCRAFT

SECTION 42.12.(a) G.S. 105-164.3(197) reads as rewritten:

"(197) Qualified aircraft. – An aircraft with a maximum take-off weight of ~~more than 9,000 pounds but not in excess of 15,000 pounds.~~2,000 pounds and above."

SECTION 42.12.(b) G.S. 105-164.13(61a)m. reads as rewritten:

"m. Any of the following:

1. A qualified aircraft.
2. A qualified jet engine.
3. ~~An aircraft with a gross take-off weight of more than 2,000 pounds.~~"

SECTION 42.12.(c) This section becomes effective July 1, 2023, and applies to sales occurring on or after that date.

EXTEND SUNSET FOR AVIATION GASOLINE AND JET FUEL FOR USE IN COMMERCIAL AIRCRAFT

SECTION 42.13.(a) G.S. 105-164.13 reads as rewritten:

"**§ 105-164.13. Retail sales and use tax.**

The sale at retail and the use, storage, or consumption in this State of the following items are specifically exempted from the tax imposed by this Article:

…

(11b) Sales of aviation gasoline and jet fuel to an interstate air business for use in a commercial aircraft. For purposes of this subdivision, the term "commercial aircraft" has the same meaning as defined in subdivision (45a) of this section. This exemption also applies to aviation gasoline and jet fuel purchased for use in a commercial aircraft in interstate or foreign commerce by a person whose primary business is scheduled passenger air transportation. This subdivision expires January 1, ~~2024.~~2030.

…."

SECTION 42.13.(b) This section is effective when it becomes law.

EXPAND SALES TAX EXEMPTION FOR FUEL & CONSUMABLES USED BY BOATS TRANSPORTING FREIGHT ON INLAND AND INTRACOASTAL WATERWAYS

SECTION 42.14.(a) G.S. 105-164.13 reads as rewritten:

"**§ 105-164.13. Retail sales and use tax.**

The sale at retail and the use, storage, or consumption in this State of the following items are specifically exempted from the tax imposed by this Article:

…

(24) Sales of fuel and other tangible personal property for use or consumption by or on ~~ocean-going vessels which ply the high seas interstate or foreign commerce in the~~ a watergoing vessel when delivered to an officer or agent of the vessel for the use of the vessel engaged in either of the activities listed in this subdivision. Sales of fuel and other tangible personal property made to

officers, agents, members of the crew, or passengers of these vessels for their personal use are not exempt from payment of the sales tax. The activities are:

a. The transport of ~~freight~~ freight in intrastate, interstate, or foreign commerce, whether on the high seas, intracoastal waterways, sounds, or rivers.

b. ~~and/or~~ The transport of passengers for hire ~~exclusively, when delivered to an officer or agent of such vessel for the use of such vessel; provided, however, that sales of fuel and other tangible personal property made to officers, agents, members of the crew or passengers of such vessels for their personal use shall not be exempted from payment of the sales tax.~~exclusively on the high seas.

…."

SECTION 42.14.(b) This section becomes effective October 1, 2023, and applies to sales occurring on or after that date.

EXEMPT BREAST PUMPS, BREAST PUMP COLLECTION AND STORAGE SUPPLIES, AND REPAIR AND REPLACEMENT PARTS

SECTION 42.16.(a) G.S. 105-164.3 reads as rewritten:

"**§ 105-164.3. Definitions.**

The following definitions apply in this Article:

…

(22) Breast pump. – An electrically or manually controlled pump device designed or marketed to be used to express milk from a human breast during lactation. The term includes the electrically or manually controlled pump device and any battery, AC adapter, or other power supply unit packaged and sold with the pump device at the time of sale to power the pump device.

(#) Breast pump collection and storage supplies. – Items of tangible personal property designed or marketed to be used in conjunction with a breast pump to collect milk expressed from a human breast and to store collected milk until it is ready for consumption. The term includes breast shields and breast shield connectors, breast pump tubes and tubing adapters, breast pump valves and membranes, backflow protectors and backflow protector adaptors, bottles and bottle caps specific to the operation of the breast pump, breast milk storage bags, and other items that may be useful to initiate, support, or sustain breast-feeding using a breast pump during lactation that may be sold separately, but are generally sold as part of a breast pump kit. The term does not include (i) bottles and bottle caps not specific to the operation of the breast pump, (ii) breast pump travel bags and other similar carrying accessories, including ice packs, labels, and other similar products, (iii) breast pump cleaning supplies, (iv) nursing bras, bra pads, breast shells, and other similar products, and (v) creams, ointments, and other similar products that relieve breastfeeding-related symptoms or conditions of the breasts or nipples, unless sold as part of a breast pump kit pre-packaged by the breast pump manufacturer or distributor.

(#) Breast pump kit. – A kit that contains a breast pump and one or more of the following items: breast pump collection and storage supplies and other taxable items of tangible personal property that may be useful to initiate, support, or sustain breast-feeding using a breast pump during lactation, so long as the other taxable items of tangible personal property sold with the breast pump kit at the time of sale are less than ten percent (10%) of the total sales price of the breast pump kit.

…."

SECTION 42.16.(b) G.S. 105-164.13 reads as rewritten:

"**§ 105-164.13. Retail sales and use tax.**

The sale at retail and the use, storage, or consumption in this State of the following items are specifically exempted from the tax imposed by this Article:

…

(74) Sales of breast pumps, including repair and replacement parts, breast pump kits, and breast pump collection and storage supplies."

SECTION 42.16.(c) The Revisor of Statutes is authorized to renumber the subdivisions of G.S. 105-164.3 to ensure that the subdivisions are listed in alphabetical order and in a manner that reduces the current use of alphanumeric designations, to make conforming changes, and to reserve sufficient space to accommodate future additions to the statutory section.

SECTION 42.16.(d) This section becomes effective October 1, 2023, and applies to sales occurring on or after that date.

EXPAND 8% SHORT-TERM CAR RENTAL TAX TO INCLUDE PEER-TO-PEER RENTALS

SECTION 42.17.(a) G.S. 105-187.1(a) reads as rewritten:

"(a) The following definitions and the definitions in G.S. 105-164.3 apply to this Article:

…

(6) Retailer. – A retailer as defined in G.S. 105-164.3 who is engaged in the business of ~~selling, leasing, renting,~~ offering short-term leases or rentals, long-term leases or rentals, or ~~offering~~ vehicle subscriptions for motor vehicles.

(7) Short-term lease or rental. – A lease or rental of a motor vehicle or motor ~~vehicles,~~ vehicles by a person, including a vehicle sharing ~~service,~~ service or a peer-to-peer vehicle sharing provider, that is not a long-term lease or rental or a vehicle subscription.

(7a) Peer-to-peer vehicle sharing provider. – Defined in G.S. 20-280.15.

…."

SECTION 42.17.(b) G.S. 105-187.3(a) reads as rewritten:

"(a) Tax Base. – ~~The~~ Except as otherwise provided in G.S. 105-187.5, the tax imposed by this Article is applied to the sum of the retail value of a motor vehicle for which a certificate of title is issued and any fee regulated by G.S. 20-101.1. The tax does not apply to the sales price of a service contract, provided the charge is separately stated on the bill of sale or other similar document given to the purchaser at the time of the sale."

SECTION 42.17.(c) G.S. 105-187.4(a) reads as rewritten:

"(a) Method. – ~~The~~ Except as otherwise provided in G.S. 105-187.5, the tax imposed by this Article must be paid to the Commissioner when applying for a certificate of title for a motor vehicle. The Commissioner may not issue a certificate of title for a vehicle until the tax imposed by this Article has been paid. The tax may be paid in cash or by check."

SECTION 42.17.(d) G.S. 105-187.5 reads as rewritten:

"**§ 105-187.5. ~~Alternate tax for~~ Tax on a limited possession commitment.**

(a) Applicability. – A retailer listed in this section shall pay a tax on the gross receipts of a limited possession commitment in accordance with this section. The tax is for the privilege of using the highways of this State and is imposed on a retailer but is to be added to a limited possession commitment and paid by the person who enters into a limited possession commitment with the retailer. The retailers are:

(1) A retailer that purchases a motor vehicle for use as a limited possession commitment and makes an election under this section.

(2) A peer-to-peer vehicle sharing provider.

(a1) Election. – A retailer that has purchased a motor vehicle for a limited possession commitment may elect ~~not to pay~~ to pay the tax imposed by this section instead of the tax imposed by ~~this Article at the rate set in~~ G.S. 105-187.3 when applying for a certificate of ~~title for a motor vehicle purchased by the retailer for a limited possession commitment. A retailer who makes this election shall pay a tax on the gross receipts of the limited possession commitment of the vehicle.~~ title. To make the election, the retailer shall complete a form provided by the Division giving information needed to collect the alternate tax based on gross receipts. Once made, an election is irrevocable. The Division shall notify the Secretary of Revenue of a retailer who makes the election under this subsection.

(a2) Gross Receipts. – Gross receipts does not include the amount of any allowance given for a motor vehicle taken in trade as a partial payment on the limited possession commitment. The portion of a limited possession commitment billing or payment that represents any amount applicable to the sales price of a service contract as defined in G.S. 105-164.3 should not be included in the gross receipts subject to the tax imposed by this ~~Article.~~ section. The charge must be separately stated on documentation given to the purchaser at the time the limited possession commitment goes into effect, or on the monthly billing statement or other documentation given to the purchaser. When a limited possession commitment is sold to another retailer, the seller of the limited possession commitment should provide to the purchaser of the limited possession commitment the documentation showing that the service contract and applicable sales taxes were separately stated at the time the limited possession commitment went into ~~effect~~ effect, and the new retailer must retain the information to support an allocation for tax computed on the gross receipts subject to highway use tax. ~~Like the tax imposed by G.S. 105-187.3, this alternate tax is a tax on the privilege of using the highways of this State. The tax is imposed on a retailer, but is to be added to the limited possession commitment of a motor vehicle and thereby be paid by the person who enters into a limited possession commitment with a retailer.~~

(b) Rate. – The applicable tax rates on the gross receipts from a limited possession commitment are as listed in this subsection. ~~Gross receipts does not include the amount of any allowance given for a motor vehicle taken in trade as a partial payment on the limited possession commitment.~~ The maximum tax in G.S. 105-187.3(a1) on certain motor vehicles applies to a continuous limited possession commitment of such a motor vehicle to the same person. The applicable tax rates are as follows:

Type of Limited Possession Commitment	Tax Rate
Short-term lease or rental	8%
Vehicle subscription	5%
Long-term lease or rental	3%

~~(c) Method. – A retailer who elects to pay tax on the gross receipts of the limited possession commitment of a motor vehicle shall make this election when applying for a certificate of title for the vehicle. To make the election, the retailer shall complete a form provided by the Division giving information needed to collect the alternate tax based on gross receipts. Once made, an election is irrevocable.~~

(d) Administration. – ~~The Division shall notify the Secretary of Revenue of a retailer who makes the election under this section.~~ A retailer who ~~makes this election~~ pays the tax under this section shall report and remit to the Secretary the tax on the gross receipts of the limited possession commitment of the motor vehicle. The Secretary shall administer the tax imposed by this section on gross receipts in the same manner as the tax levied under G.S. 105-164.4(a)(2). The administrative provisions and powers of the Secretary that apply to the tax levied under G.S. 105-164.4(a)(2) apply to the tax imposed by this section. In addition, the Division may request the Secretary to audit a retailer who elects to pay tax on gross receipts under this section. When the Secretary conducts an audit at the request of the Division, the Division shall reimburse the Secretary for the cost of the audit, as determined by the Secretary. In conducting an audit of

a retailer under this section, the Secretary may audit any sales of motor vehicles made by the retailer."

SECTION 42.17.(e) G.S. 153A-156 reads as rewritten:

"**§ 153A-156. Gross receipts tax on short-term leases or rentals.**

(a) ~~As a substitute for and in replacement of the ad valorem tax, which is excluded by G.S. 105-275(42), a~~ A county may levy a gross receipts tax on the gross receipts from the short-term lease or rental of vehicles at retail to the general public. The tax rate shall not exceed one and one-half percent (1.5%) of the gross receipts from ~~such~~ the short-term leases or rentals.

(b) If a county enacts ~~the substitute and replacement~~ a gross receipts tax pursuant to this section, ~~any~~ an entity required to collect the tax shall include a provision in each retail short-term lease or rental agreement noting that the percentage amount enacted by the county of the total lease or rental price, excluding highway use tax, is being charged as a tax on gross receipts. For purposes of this section, the transaction giving rise to the tax ~~shall be deemed to have occurred~~ occurs at the location ~~of the entity from which~~ where the customer takes delivery of the vehicle. The tax shall be collected at the time of lease or rental and placed in a segregated account until remitted to the county.

…

(e) The ~~following~~ definitions in G.S. 105-187.1 apply in this ~~section:~~section.

~~(1) Short-term lease or rental. Defined in G.S. 105-187.1.~~

~~(2) Vehicle. Any of the following:~~

~~a. A motor vehicle of the passenger type, including a passenger van, minivan, or sport utility vehicle.~~

~~b. A motor vehicle of the cargo type, including cargo van, pickup truck, or truck with a gross vehicle weight of 26,000 pounds or less used predominantly in the transportation of property for other than commercial freight and that does not require the operator to possess a commercial drivers license.~~

~~c. A trailer or semitrailer with a gross vehicle weight of 6,000 pounds or less.~~

…."

SECTION 42.17.(f) G.S. 160A-215.1 reads as rewritten:

"**§ 160A-215.1. Gross receipts tax on short-term leases or rentals.**

(a) ~~As a substitute for and in replacement of the ad valorem tax, which is excluded by G.S. 105-275(42), a~~ A city may levy a gross receipts tax on the gross receipts from the short-term lease or rental of vehicles at retail to the general public. The tax rate shall not exceed one and one-half percent (1.5%) of the gross receipts from ~~such~~ the short-term leases or rentals.

(b) If a city enacts ~~the substitute and replacement~~ a gross receipts tax pursuant to this section, ~~any~~ an entity required to collect the tax shall include a provision in each retail short-term lease or rental agreement noting that the percentage amount enacted by the city of the total lease or rental price, excluding highway use tax, is being charged as a tax on gross receipts. For purposes of this section, the transaction giving rise to the tax ~~shall be deemed to have occurred~~ occurs at the location ~~of the entity from which~~ where the customer takes delivery of the vehicle. The tax shall be collected at the time of lease or rental and placed in a segregated account until remitted to the city.

…

(e) The ~~following~~ definitions in G.S. 105-187.1 apply in this ~~section:~~section.

~~(1) Short-term lease or rental. Defined in G.S. 105-187.1.~~

~~(2) Vehicle. Any of the following:~~

~~a. A motor vehicle of the passenger type, including a passenger van, minivan, or sport utility vehicle.~~

~~b. A motor vehicle of the cargo type, including cargo van, pickup truck, or truck with a gross vehicle weight rating of 26,000 pounds or less used predominantly in the transportation of property for other than commercial freight and that does not require the operator to posses a commercial drivers license.~~

~~c. A trailer or semitrailer with a gross vehicle weight of 6,000 pounds or less.~~

…."

SECTION 42.17.(g) G.S. 105-550 reads as rewritten:

"**§ 105-550. Definitions.**

The definitions in ~~G.S. 105-164.3~~ G.S. 105-164.3, G.S. 105-187.1, and the following definitions apply in this Article:

(1) Authority. – A regional public transportation authority or a regional transportation authority created pursuant to Article 26 or Article 27 of Chapter 160A of the General Statutes.

~~(2) Long-term lease or rental. – Defined in G.S. 105-187.1.~~

(3) Motorcycle. – Defined in G.S. 20-4.01.

(4) Repealed by Session Laws 1998-98, s. 33, effective August 14, 1998.

(5) Public transportation system. – Any combination of real and personal property established for purposes of public transportation. The systems may include one or more of the following: structures, improvements, buildings, equipment, vehicle parking or passenger transfer facilities, railroads and railroad rights-of-way, rights-of-way, bus services, shared-ride services, high-occupancy vehicle facilities, car-pool and vanpool programs, voucher programs, telecommunications and information systems, integrated fare systems, bus lanes, and busways. The term does not include, however, streets, roads, or highways except to the extent they are dedicated to public transportation vehicles or to the extent they are necessary for access to vehicle parking or passenger transfer facilities.

~~(6) Short-term lease or rental. – Defined in G.S. 105-187.1.~~

(7) U-drive-it vehicle. – Defined in G.S. 20-4.01."

SECTION 42.17.(h) G.S. 105-551 reads as rewritten:

"**§ 105-551. Tax on gross receipts authorized.**

(a) Tax. – The board of trustees of an Authority may levy a privilege tax on a retailer ~~who is engaged in the business of leasing or renting U-drive-it vehicles or motorcycles~~ described in this subsection based on the gross receipts derived by the retailer from the short-term lease or rental of ~~these~~ vehicles. The tax rate must be a percentage and may not exceed five percent (5%). ~~A tax levied under this section applies to short-term leases or rentals made by a retailer whose place of business or inventory is located within the territorial jurisdiction of the Authority.~~ This tax is in addition to all other taxes. The retailers subject to this section are:

(1) A retailer engaged in the business of leasing or renting U-drive-it vehicles or motorcycles and whose place of business or inventory is located within the territorial jurisdiction of the Authority.

(2) A peer-to-peer vehicle sharing provider if the customer takes delivery of the vehicle within the territorial jurisdiction of the Authority.

…."

SECTION 42.17.(i) G.S. 105-552 reads as rewritten:

"**§ 105-552. Collection and administration of gross receipts tax.**

…

(b) Collection. – A tax levied by an Authority under this Article shall be collected by the Authority but shall otherwise be administered in the same manner as the ~~optional~~ gross receipts

tax levied ~~by~~ under G.S. 105-187.5. Like the ~~optional~~ gross receipts tax, a tax levied under this Article is to be added to the lease or rental price of ~~a U-drive-it vehicle or motorcycle~~ the vehicle and thereby be paid by the person to whom it is leased or rented.

A tax levied under this Article applies regardless of whether ~~the~~ a retailer who ~~leases or rents the U-drive-it vehicle or motorcycle~~ has the option of paying the gross receipts tax under G.S. 105-187.5 has elected to pay the ~~optional~~ gross receipts tax on the lease or rental receipts from the vehicle. A tax levied under this Article must be paid to the Authority that levied the tax by the date ~~an optional~~ the gross receipts tax levied under G.S. 105-187.5 is payable or would be payable to the Secretary of Revenue ~~under G.S. 105-187.5~~ if the retailer who leases or rents the U-drive-it vehicle or motorcycle had elected to pay the optional gross receipts tax.

(c) Penalties and Remedies. – The penalties and remedies that apply to local sales and use taxes levied under Subchapter VIII of this Chapter apply to a tax levied under this Article. The board of trustees of an Authority may exercise any power the Secretary of Revenue or a board of county commissioners may exercise in collecting local sales and use taxes."

SECTION 42.17.(j) G.S. 20-280.15 reads as rewritten:

"**§ 20-280.15. Definitions.**

The following definitions apply in this Article:

(1) Airport operator. – As defined in G.S. 20-280.1.

~~(2) Peer-to-peer vehicle sharing. – The authorized use of a shared vehicle by an individual other than the shared vehicle owner through a peer-to-peer vehicle sharing program.~~

(3) Peer-to-peer vehicle sharing program. – A business platform that connects ~~shared~~ registered vehicle owners that have not made an election under G.S. 105-187.5 with drivers to enable the sharing of vehicles for financial consideration.

(4) Shared vehicle. – A vehicle that is available for sharing through a peer-to-peer vehicle sharing program.

~~(5) Shared vehicle owner. – The registered owner of a shared vehicle that is made available for sharing through a peer-to-peer vehicle sharing program.~~

(6) ~~Vehicle~~ Peer-to-peer vehicle sharing provider. – ~~The~~ A person or entity that operates, facilitates, or administers ~~the provision of personal vehicle sharing through~~ a peer-to-peer vehicle sharing program."

SECTION 42.17.(k) G.S. 20-280.17 reads as rewritten:

"**§ 20-280.17. Airport operators.**

An airport operator may (i) charge peer-to-peer vehicle sharing ~~programs~~ providers a reasonable fee for the use of the airport's facility, (ii) require an identifying decal be displayed on all shared vehicles that operate on airport property, (iii) require the purchase and use of equipment or establish other appropriate mechanisms for monitoring and auditing compliance, including having a peer-to-peer vehicle sharing ~~program~~ provider provide data for purposes of monitoring and auditing compliance, and (iv) designate a location where shared vehicles may stage on the airport operator's facility."

SECTION 42.17.(*l*) This section becomes effective October 1, 2023, and applies to gross receipts derived from rentals or leases billed on or after that date.

CHANGE METHOD OF TAXING SMOKELESS TOBACCO FROM COST-BASED TO WEIGHT-BASED AND EXPAND BASE TO INCLUDE ALTERNATIVE NICOTINE PRODUCTS

SECTION 42.18.(a) G.S. 105-113.4 reads as rewritten:

"**§ 105-113.4. Definitions.**

The following definitions apply in this Article:

(1) Affiliate. – A person who directly or indirectly controls, is controlled by, or is under common control with another person.

(1a) Affiliated manufacturer. – A manufacturer licensed under G.S. 105-113.12 who is an affiliate of a manufacturer licensed under G.S. 105-113.12.

(1b) Alternative nicotine product. – A noncombustible product that contains nicotine, whether natural or synthetic, but does not contain tobacco and is intended for human consumption, whether chewed, absorbed, dissolved, ingested, or by other means. This term does not include a vapor product or any product regulated by the United States Food and Drug Administration under Chapter V of the federal Food, Drug, and Cosmetic Act.

(1c) Cigar. – A roll of tobacco wrapped in a substance that contains tobacco, other than a cigarette.

~~(1c)~~(1d) Cigarette. – Any of the following:

a. A roll of tobacco wrapped in paper or in a substance that does not contain tobacco.

b. A roll of tobacco wrapped in a substance that contains tobacco and that, because of its appearance, the type of tobacco used in the filler, or its packaging and labeling, is likely to be offered to or purchased by a consumer as a cigarette described in subpart a. of this subdivision.

…

(11a) Tobacco product. – A cigarette, a cigar, a vapor product, an alternative nicotine product, or any other product that contains tobacco and is intended for inhalation or oral use. ~~The term includes a vapor product.~~

…."

SECTION 42.18.(b) G.S. 105-113.36A reads as rewritten:

"**§ 105-113.36A. Tax rates; liability for tax.**

(a) Tax Imposed. – An excise tax is levied on the sale, use, consumption, handling, or distribution of tobacco products at the following rates:

(1) On vapor products, the rate of five cents (5¢) per fluid milliliter of consumable product. All invoices for vapor products issued by manufacturers must state the amount of consumable product in milliliters.

(2) On cigars, the rate of twelve and eight-tenths percent (12.8%) of the cost price, subject to a cap of thirty cents (30¢) per cigar.

(3) On all other tobacco products, the rate of ~~twelve and eight-tenths percent (12.8%) of the cost price.~~forty-three cents (43¢) per ounce and a proportionate rate on all fractional parts of an ounce.

…

(f) Documentation. – If a person liable for the tax imposed by this Part cannot produce to the Secretary's satisfaction documentation of the cost ~~price~~ price, weight, or volume of the items subject to tax, based on the applicable tax imposed, the Secretary may determine a value based on the cost ~~price~~ price, weight, or volume of comparable items."

SECTION 42.18.(c) G.S. 105-113.38B reads as rewritten:

"**§ 105-113.38B. Records.**

In addition to the records required to be kept under G.S. 105-113.4G, a remote seller must maintain the following:

(1) A list, updated annually, showing the cost price paid by the remote seller for each stock keeping unit of ~~tobacco products.~~cigars.

(2) Invoices documenting remote or delivery sales to consumers in this State.

(3) Records necessary to document the cost ~~price~~ price or weight, based on the applicable tax imposed, of purchases of all tobacco products sold to consumers in this State."

SECTION 42.18.(d) G.S. 105-113.4D reads as rewritten:

"**§ 105-113.4D. Tax with respect to inventory on effective date of tax increase.**

Every person subject to the taxes levied in this Article who, on the effective date of a tax increase under this Article, has on hand any tobacco products must file a complete inventory of the tobacco products within 20 days after the effective date of the increase, and must pay an additional tax to the Secretary when filing the inventory. The amount of tax due is the amount due based on the difference between the former tax rate and the increased tax rate. For purposes of this section, a "tax increase" includes a new tax or a change to the methodology for calculating a tax that results in additional tax being due."

SECTION 42.18.(e) This section becomes effective January 1, 2025, and applies to sales or purchases occurring on or after that date.

ENACT NEW TRANSPORTATION COMMERCE TAX

SECTION 42.19.(a) Subchapter I of Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 5J.

"Transportation Commerce Tax.

"**§ 105-187.90. Definitions.**

The following definitions apply to this Article:

(1) Reserved for future codification purposes.

(2) Reserved for future codification purposes.

(3) Exclusive-ride service. – A for-hire ground transport service requested by a passenger who requests exclusive use of the vehicle.

(4) Reserved for future codification purposes.

(5) For-hire ground transport service. – Ground transportation in a passenger vehicle provided by a for-hire ground transport service provider for which a passenger is charged a fee.

(6) For-hire ground transport service provider. – A transportation network company as defined in G.S. 20-280.1 or a taxi service regulated under G.S. 160A-304.

(7) Reserved for future codification purposes.

(8) Reserved for future codification purposes.

(9) Shared for-hire ground transport service. – A for-hire ground transport service for which an individual has been matched with another individual by a for-hire ground transport service provider.

(10) Reserved for future codification purposes.

"**§ 105-187.91. Tax imposed.**

(a) Levy and Rates. – An excise tax at the rates listed in this subsection is imposed on the gross receipts derived from each for-hire ground transport service if the passenger boards the vehicle in this State and regardless of whether the service is completed. The rates are:

(1) For an exclusive-ride service, two percent (2%).

(2) For a shared-ride service, one percent (1%).

(b) Trust Tax. – The tax imposed by this Article is intended to be passed on to and borne by the purchaser of the for-hire ground transport service. The for-hire ground transport service provider, and not the vehicle driver, must collect the tax due. The tax is a debt from the purchaser to the for-hire ground transport service provider until paid and is recoverable at law by the for-hire ground transport service provider in the same manner as other debts. A for-hire ground transport service provider is considered to act as a trustee on behalf of the State when it collects tax from the purchaser on a taxable transaction. The tax must be stated and charged separately on any documentation provided to the purchaser by the for-hire ground transport service provider at the time of the transaction.

"**§ 105-187.92. Registration.**

(a) Requirement and Application. – A for-hire ground transport service provider that is not otherwise registered with the Department pursuant to G.S. 105-164.29 must register with the Department.

(b) Issuance. – A certificate of registration is not assignable and is valid only for the person in whose name it is issued. A copy of the certificate of registration must be displayed at each place of business.

(c) Term. – A certificate of registration is valid unless it is revoked for failure to comply with the provisions of this Article or becomes void. A certificate issued to a person who makes taxable sales or a person liable for tax under this Article becomes void if, for a period of 18 months, the person files no returns or files returns showing no sales.

(d) Revocation. – The failure of a retailer to comply with this Article is grounds for revocation of the person's certificate of registration. Before the Secretary revokes a person's certificate of registration, the Secretary must notify the person that the Secretary proposes to revoke the certificate of registration and that the proposed revocation will become final unless the person objects to the proposed revocation and files a request for a Departmental review within the time set in G.S. 105-241.11 for requesting a Departmental review of a proposed assessment. The notice must be sent in accordance with the methods authorized in G.S. 105-241.20. The procedures in Article 9 of this Chapter for review of a proposed assessment apply to the review of a proposed revocation.

"**§ 105-187.93. Administration.**

Except as otherwise provided in this Article, the tax imposed by this Article shall be collected and administered in the same manner as the State sales and use taxes imposed by Article 5 of this Chapter. The provisions of Article 9 of this Chapter that are not inconsistent with this Article, including administration, auditing, making returns, promulgation of rules and regulations by the Secretary, additional taxes, assessments and assessment procedure, imposition and collection of taxes and the lien thereof, and penalties are made a part of this Article and shall be applicable thereto.

"**§ 105-187.94. Exemptions and refunds.**

The exemptions and refunds allowed in Article 5 of this Chapter do not apply to sales that the State cannot constitutionally tax.

"**§ 105-187.95. Use of tax proceeds.**

Each quarter, the Secretary shall credit the net tax proceeds of the taxes collected under this Article to the Highway Fund. The Department of Transportation shall reimburse the Department for the cost of collection."

SECTION 42.19.(b) This section becomes effective January 1, 2025, and applies to for-hire ground transport services occurring on or after that date.

PART XLIII. 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.

COMMITTEE REPORT

SECTION 43.2.(a) The North Carolina Senate Appropriations Committee Report on the Current Operations Appropriations Act of 2023, Proposed Committee Substitute for H259, as amended, which was distributed in the Senate and used to explain this act, shall indicate action by the General Assembly on this act and shall, therefore, be used to construe this act, as provided in the State Budget Act, Chapter 143C of the General Statutes, as appropriate, and for these

purposes shall be considered a part of this act and, as such, shall be printed as a part of the Session Laws.

SECTION 43.2.(b) The budget enacted by the General Assembly is for the maintenance of the various departments, institutions, and other spending agencies of the State for the 2023-2025 biennial budget as provided in G.S. 143C-3-5. This budget includes the appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

The Director of the Budget submitted a recommended base budget to the General Assembly in the Governor's Recommended Budget for the 2023-2025 fiscal biennium, dated March 2023, and in the Budget Support Document for the various departments, institutions, and other spending agencies of the State. The adjustments to the recommended base budget made by the General Assembly are set out in the Committee Report.

SECTION 43.2.(c) The budget enacted by the General Assembly shall also be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other appropriate legislation. In the event that there is a conflict between the line-item budget certified by the Director of the Budget and the budget enacted by the General Assembly, the budget enacted by the General Assembly shall prevail.

SECTION 43.2.(d) Notwithstanding subsection (a) of this section, the following portions of the Committee Report are for reference, and do not expand, limit, or define the text of the Committee Report:

(1) Summary pages setting forth the enacted budget, the legislative changes, the revised budget, and the related FTE information for a particular budget code and containing no other substantive information.

(2) Summary pages setting forth the enacted budget, the legislative changes, the revised budget, and the related FTE information for multiple fund codes within a single budget code and containing no other substantive information.

REPORT BY FISCAL RESEARCH DIVISION

SECTION 43.3. The Fiscal Research Division shall issue a report on budget actions taken by the 2023 Regular Session of the General Assembly. The report shall be in the form of a revision of the Committee Report described in Section 43.2 of this act pursuant to G.S. 143C-5-5. The Director of the Fiscal Research Division shall send a copy of the report issued pursuant to this section to the Director of the Budget. The report shall be published on the General Assembly's internet website for public access.

APPROPRIATIONS LIMITATIONS AND DIRECTIONS APPLY

SECTION 43.4. Except where expressly repealed or amended by this act, the provisions of any legislation enacted during the 2023 Regular Session of the General Assembly affecting the State budget shall remain in effect.

MOST TEXT APPLIES ONLY TO THE 2023-2025 FISCAL BIENNIUM

SECTION 43.5. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2023-2025 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 43.6. 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 43.7. 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 43.8. Except as otherwise provided, this act becomes effective July 1, 2023.