

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2015-268
HOUSE BILL 259**

AN ACT MAKING TECHNICAL, CONFORMING, AND OTHER MODIFICATIONS TO
THE CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS
APPROPRIATIONS ACT OF 2015.

The General Assembly of North Carolina enacts:

PART I. GENERAL AND SALARY PROVISIONS

SECTION 1.1. Section 2.2(f) of S.L. 2015-241 reads as rewritten:

"**SECTION 2.2.(f)** Notwithstanding any other provision of law to the contrary, effective ~~June 30, 2015, July 1, 2015,~~ the following amounts shall be transferred to the State Controller to be deposited in the appropriate budget code as determined by the State Controller. These funds shall be used to support the General Fund appropriations as specified in this act for the 2015-2016 fiscal year and the 2016-2017 fiscal year.

...."

SECTION 1.2. G.S. 143C-9-3(a), as amended by Section 6.24 of S.L. 2015-241, reads as rewritten:

"(a) The "Settlement Reserve Fund" is established as a special fund ~~in the Office of State Budget and Management~~ to receive proceeds from tobacco litigation settlement agreements or final orders or judgments of a court in litigation between tobacco companies and the states."

SECTION 1.3. Section 6.20(b)(1)a. of S.L. 2015-241 reads as rewritten:

- "a. Department of Environment and Natural Resources –
1. Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund.
 2. Division of Air Quality Inspection and Maintenance Fees.
 3. Division of Air Quality Water and Air Quality Account.
 4. ~~Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund.~~
 - 5.4. Mercury Pollution Prevention Account."

PART II. INFORMATION TECHNOLOGY

SECTION 2.1. Section 7.3(a) of S.L. 2015-241 reads as rewritten:

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

| | FY 2015-2016 | FY 2016-2017 |
|---|---------------------|---------------------|
| Government Data Analytics Center | \$8,100,000 | \$8,100,000 |
| Improve Efficiency and Customer Service through IT Modernization | \$8,127,991 | \$8,061,512 |
| IT Restructuring | <u>\$2,775,184</u> | <u>\$2,978,812</u> |
| | <u>\$3,537,299</u> | <u>\$3,740,927</u> |
| Economic Modeling Initiative | \$500,000 | \$500,000 |
| Maintenance Management System Replacement | \$173,180 | \$129,901 |
| NC Connect | \$593,899 | \$788,503 |
| <u>E-Forms/Digital Signatures</u> | <u>\$762,115</u> | <u>\$762,115</u> |
| Law Enforcement Information Exchange | \$288,474 | 0" |

SECTION 2.2. G.S. 143B-1302(d), as enacted by Section 7A.2(b) of S.L. 2015-241, reads as rewritten:



"(d) State Ethics Act. – All employees of the Department shall be subject to the applicable provisions of the State Government Ethics Act under Chapter 138A of the General Statutes."

SECTION 2.4. Notwithstanding any provision of S.L. 2015-241 to the contrary, the following positions in that act shall be transferred from the Information Technology Internal Service Fund to the Information Technology Reserve Fund:

- (1) Position Number 60087223, State Chief Information Officer.
- (2) Position Number 60087293, Executive Assistant.
- (3) Position Number 60087581, Legislative Affairs/Program Coordinator.
- (4) Position Number 60093454, Director of Public Affairs.
- (5) Position Number 60087551, Information & Communications Specialist II.
- (6) Position Number 60087645, Agency General Counsel II.
- (7) Position Number 60093450, Communications Specialist.
- (8) Position Number 60087267, Information and Communications Specialist.

SECTION 2.5. Notwithstanding any provision of S.L. 2015-241 to the contrary, of the funds appropriated in that act to the Information Technology Reserve Fund, the sum of seven hundred sixty-two thousand one hundred fifteen dollars (\$762,115) for each year of the biennium shall be used to support the continued development of an enterprise electronic forms and digital signatures capability.

SECTION 2.6. Notwithstanding any provision of S.L. 2015-241 to the contrary, the requirement for "Process Management" in that act shall be moved from the Information Technology Reserve Fund to the Information Technology Fund (Fund Code 24667).

SECTION 2.8. G.S. 143B-1305(c), as enacted by Section 7A.2(b) of S.L. 2015-241, reads as rewritten:

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

...
(12) Department of Military and Veterans Affairs."

SECTION 2.9. Section 7.9(d) of S.L. 2015-241 reads as rewritten:

"SECTION 7.9(d) This section does not apply to any agency exempt under G.S. 147-33.80-G.S. 143B-1300(b)."

SECTION 2.11. G.S. 143B-1306(c), as enacted by Section 7A.2(b) of S.L. 2015-241, reads as rewritten:

"(c) Each participating agency shall actively participate in preparing, testing, and implementing an information technology plan required under subsection (b) of this section. Separate agencies shall prepare biennial information technology plans, including the requirements listed in subsection (b) of this section, and transmit these plans to the Department by a date determined by the State CIO in each even-numbered year. Agencies shall provide all financial information to the State CIO necessary to determine full costs and expenditures for information technology assets and resources provided by the agencies or through contracts or grants. The Department shall consult with and assist State agencies in the preparation of these plans; shall provide appropriate personnel or other resources to the participating agencies and to separate agencies upon ~~request pursuant to Part 3, Shared Information Technology Services, of this Article.~~ request. Plans shall be submitted to the Department by a date determined by the State CIO in each even-numbered year."

SECTION 2.12. G.S. 143B-1312(c), as enacted by Section 7A.2(b) of S.L. 2015-241, reads as rewritten:

"(c) Participating agency information technology personnel performing information technology functions shall be moved to the Department. The State CIO shall consolidate participating agency information technology personnel following the time ~~line~~ lines established in the plans required by this Article G.S. 143B-1305(b) once a detailed plan has been developed for transitioning the personnel to the new agency."

SECTION 2.13. G.S. 143B-1312(e), as enacted by Section 7A.2(b) of S.L. 2015-241, reads as rewritten:

"(e) Any new positions established by the Department shall be exempt from the North Carolina Human Resources ~~Act~~ Act; provided, however, that nonexempt employees transferred

from participating agencies to a newly established position in the Department shall not become exempt solely by virtue of that transfer."

SECTION 2.14. G.S. 143B-1323(d), as enacted by Section 7A.2(b) of S.L. 2015-241, reads as rewritten:

"(d) ~~Each State agency, separate agency, and participating agency~~ shall furnish to the State CIO when requested, and on forms as prescribed, estimates of and budgets for all information technology goods and services needed and required by such department, institution, or agency for such periods in advance as may be designated by the State CIO. When requested, all State agencies shall provide to the State CIO on forms as prescribed, actual expenditures for all goods and services needed and required by the department, institution, or agency for such periods after the expenditures have been made as may be designated by the State CIO."

SECTION 2.16. G.S. 143B-1338(a), as enacted by Section 7A.2(b) of S.L. 2015-241, reads as rewritten:

"(a) The Department shall plan, develop, implement, and operate a statewide electronic web presence, to include mobile, in order to (i) increase the convenience of members of the public in conducting online transactions with, and obtaining information from, State government and (ii) facilitate the public's interactions and communications with government agencies. The State CIO shall have approval authority over all agency Web site ~~funding and content~~ funding, to include any agency contract decisions. Participating agency Web site and content development staff shall be transferred to the Department in accordance with the schedule for their agency."

SECTION 2.18. Notwithstanding any provision of S.L. 2015-241 to the contrary, of the funds appropriated in that act to the Information Technology Reserve Fund and allocated for IT Restructuring, a portion of those funds shall be used to fund a Business and Technology Applications Specialist position (Position Number 65000718).

SECTION 2.20. G.S. 143B-1323, as enacted by Section 7A.2(b) of S.L. 2015-241, is amended by adding a new subsection to read:

"(k) No contract subject to the provisions of this Part may be entered into unless the contractor and the contractor's subcontractors comply with the requirements of Article 2 of Chapter 64 of the General Statutes."

PART III. EDUCATION

SECTION 3.1. Section 8.27(c) of S.L. 2015-241 reads as rewritten:

"**SECTION 8.27.(c)** Grant funds shall be used to pay for all costs incurred by the local school administrative units and the community college partners to implement the grant, including community college FTE. Community colleges shall not earn budget FTE for student course enrollments ~~supported with this grant~~ under this grant, unless the student course enrollment is otherwise authorized as provided in G.S. 115D-20(4)a., as amended by this act."

SECTION 3.2. Section 9.4 of S.L. 2015-241 reads as rewritten:

"**SECTION 9.4.** The annual salary for permanent full-time and part-time noncertified public school employees whose salaries are supported from the State's General Fund shall ~~remain unchanged~~ not be legislatively increased for the 2015-2017 fiscal biennium, but may be increased as otherwise allowed by law."

SECTION 3.3. Section 9.5 of S.L. 2015-241 is amended to add a new subsection to read:

"(c) Subsection (a) of this section shall not be construed to modify the compensation of persons initially employed as assistant principals prior to July 1, 2009, for work performed prior to July 1, 2015."

SECTION 3.4. Section 10.11(b) of S.L. 2015-241 reads as rewritten:

"**SECTION 10.11.(b)** South Piedmont Community College shall not earn budget FTE for student course enrollments ~~supported with this grant~~ under this grant, unless the student course enrollment is otherwise authorized as provided in G.S. 115D-20(4)a., as amended by this act."

SECTION 3.5. S.L. 2015-241 is amended by adding the following new section to read:

"ACADEMIC SUMMER BRIDGE PROGRAM/TECHNICAL CORRECTION

"**SECTION 11.24.(a)** Notwithstanding any provision of S.L. 2015-241 to the contrary, of the funds appropriated herein, the reduction of funds for the Academic Summer Bridge Program shall be decreased by one hundred nineteen thousand three hundred dollars (\$119,300)

in recurring funds for each fiscal year of the 2015-2017 fiscal biennium so that the total reduction in funds for the Academic Summer Bridge Program for the 2015-2016 fiscal year shall be one million seventy-three thousand seven hundred dollars (\$1,073,700) in recurring funds and the total reduction in funds for the Academic Summer Bridge Program for the 2016-2017 fiscal year shall be one million seventy-three thousand seven hundred dollars (\$1,073,700) in recurring funds.

"SECTION 11.24.(b) Notwithstanding any provision of S.L. 2015-241 to the contrary, of the funds appropriated herein, the management flexibility reduction for the operating budget of The University of North Carolina shall be increased by one hundred nineteen thousand three hundred dollars (\$119,300) in recurring funds for each fiscal year of the 2015-2017 fiscal biennium so that the total management flexibility reduction for the 2015-2016 fiscal year shall be eighteen million thirty-three thousand one hundred twelve dollars (\$18,033,112) in recurring funds and the total management flexibility reduction for the 2016-2017 fiscal year shall be forty-three million five hundred ninety-three thousand five hundred sixty-seven dollars (\$43,593,567) in recurring funds and three million dollars (\$3,000,000) in nonrecurring funds.

The sum of one hundred nineteen thousand three hundred dollars (\$119,300) in recurring funds for the 2015-2016 fiscal year and the sum of one hundred nineteen thousand three hundred dollars (\$119,300) in recurring funds for the 2016-2017 fiscal year resulting from the increased management flexibility reduction implemented pursuant to this subsection shall be used to decrease the reduction of funds for the Academic Summer Bridge Program as provided in subsection (a) of this section."

SECTION 3.6. S.L. 2015-241 is amended by adding the following new section to read:

"APPALACHIAN STATE UNIVERSITY/RECRUIT COMMUNITY COLLEGE STUDENTS PILOT

"SECTION 11.25. Notwithstanding any provision of S.L. 2015-241 to the contrary, funds appropriated to Appalachian State University for the 2015-2017 fiscal biennium for its College of Education to establish a pilot program to recruit and retain students as teachers for high need licensure areas may be used to recruit and retain both undergraduate students and community college students for this pilot program. Funds may be used for personnel, marketing, programming, counseling and advising."

SECTION 3.7. G.S. 115C-296.13(e), as enacted by Section 8.41(a) of S.L. 2015-241, reads as rewritten:

"(e) Annual State Board of Education Report. – The educator preparation program report cards shall be submitted to the Joint Legislative Education Oversight Committee on an annual basis by ~~November 15~~ December 15."

SECTION 3.8. S.L. 2015-241 is amended by adding a new section to read:
"EXCELLENT PUBLIC SCHOOLS ACT FUNDS/TECHNICAL CORRECTION

"SECTION 8.49. Notwithstanding any other provision of law, the Department of Public Instruction shall not use any of the funds appropriated in this act to the Department to carry out elements of the Excellent Public Schools Act in the amount of three million eight hundred twelve thousand one hundred forty-one dollars (\$3,812,141) in recurring funds for the 2015-2016 fiscal year and the amount of eight million five hundred twenty thousand seven hundred forty-eight dollars (\$8,520,748) in recurring funds for the 2016-2017 fiscal year to increase funding for the North Carolina Teacher Corps program established under G.S. 115C-296.7."

SECTION 3.9. G.S. 116-143.3A(a)(3), as enacted by S.L. 2015-116, reads as rewritten:

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

- ...
- (3) Veteran. – A person who served active duty for not less than 90 days in the Armed Forces, the Commissioned Corps of the U.S. Public Health Service, or the National Oceanic and Atmospheric Administration and who was discharged or released from such ~~service under conditions other than dishonorable service.~~"

SECTION 3.10. S.L. 2015-241 is amended by adding the following new section to read:

"MOUNTAIN AREA HEALTH EDUCATION CENTER FUNDS

"**SECTION 11.26.** Notwithstanding any provision of this act to the contrary, the funds appropriated to the Mountain Area Health Education Center (MAHEC) in this act for the 2015-2017 fiscal biennium may be used for psychiatry residencies in the MAHEC service area."

PART IV. HEALTH AND HUMAN SERVICES

SECTION 4.1. S.L. 2015-241 is amended by adding the following new section to read:

"REDUCTION OF FUNDS FOR MISCELLANEOUS CONTRACTUAL SERVICES

"**SECTION 12A.18.** Notwithstanding any provision of S.L. 2015-241 to the contrary, the Department of Health and Human Services, Division of Central Management and Support, is directed to achieve a reduction in its contractual services by reducing Fund Code 1910, instead of Fund Code 1120, by the sum of three million two hundred thousand dollars (\$3,200,000) in nonrecurring funds for the 2015-2016 fiscal year. In making the reduction required by this section, the Department may implement department-wide reductions in contractual services, but shall not reduce any funds appropriated to the Department to develop and implement housing, support, and other services for people with mental illness pursuant to the settlement agreement entered into between the United States Department of Justice and the State of North Carolina."

SECTION 4.2. Section 12C.10(c) of S.L. 2015-241 reads as rewritten:

"**SECTION 12C.10.(c)** Of the funds appropriated in this act from the General Fund to the Department of Health and Human Services, Division of ~~Social Services,~~Central Management and Support, the sum of three hundred sixty thousand dollars (\$360,000) in recurring funds for fiscal year 2015-2016 and the sum of three million two hundred thousand dollars (\$3,200,000) in nonrecurring funds for fiscal year 2015-2016 shall be deposited in the Department's information technology budget code within 30 days of the effective date of this act to be used for ongoing operation and maintenance pursuant to implementing the provisions of this section."

SECTION 4.4. Section 12F.16(l) of S.L. 2015-241 reads as rewritten:

"**SECTION 12F.16.(l)** The Division of Medical Assistance of the Department of Health and Human Services (DMA) shall take the following steps to improve the effectiveness and efficiency of the Medicaid lock-in program:

- (1) Establish written procedures for the operation of the lock-in program, including specifying the responsibilities of DMA and the program contractor.
- (2) Establish procedures for the sharing of bulk data with the Controlled Substances Regulatory Branch.
- (3) In consultation with the Physicians Advisory Group, extend lock-in duration to two years and revise program eligibility criteria to align the program with the statewide strategic goals for preventing prescription drug abuse. DMA shall report an estimate of the cost-savings from the revisions to the eligibility criteria to the Joint Legislative Program Evaluation Oversight Committee and the Joint Legislative Oversight Committee on Health and Human Services within one year of the lock-in program again becoming operational.
- (4) Develop a Web site and communication materials to inform lock-in enrollees, prescribers, pharmacists, and emergency room health care providers about the program.
- (5) Increase program capacity to ensure that all individuals who meet program criteria are locked in.
- (6) Conduct an audit of the lock-in program within six months after the effective date of this act in order to evaluate the effectiveness of program restrictions in preventing overutilization of controlled substances, identify any program vulnerabilities, and address whether there is evidence of any fraud or abuse within the program.

DMA shall report to the Joint Legislative Program Evaluation Oversight Committee by ~~September 30, 2015,~~September 30, 2016, on its progress toward implementing all items included in this section."

SECTION 4.5. Section 12F.16(m)(4) of S.L. 2015-241 reads as rewritten:

"(4) ~~The Office of Rural Health Section of the Division of Public Health, DHHS.~~"

SECTION 4.6. Section 12I.1(w) of S.L. 2015-241 reads as rewritten:

"SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

"SECTION 12I.1.(w) The sum of two hundred fifty thousand dollars (\$250,000) appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for each year of the 2015-2017 fiscal biennium shall be allocated to the Department of ~~Administration, Division of Veterans Affairs, Military and Veterans Affairs~~, as created in Section 24.1 of this act, to establish a call-in center to assist veterans in locating service benefits and crisis services. The call-in center shall be staffed by certified veteran peers within the ~~Division of Veterans Affairs~~Department of Military and Veterans Affairs and trained by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services."

SECTION 4.7. Section 12H.17.(a) of S.L. 2015-241 reads as rewritten:

"SECTION 12H.17.(a) Effective ~~July 1, October 1, 2015~~, the cost settlement for outpatient Medicaid services performed by Vidant Medical Center, which was previously known as Pitt County Memorial Hospital, shall be at one hundred percent (100%) of allowable costs."

SECTION 4.8. Section 12F.2(b) of S.L. 2015-241 reads as rewritten:

"SECTION 12F.2.(b) The DMH/DD/SAS is directed to reduce its allocation for single stream funding by one hundred ten million eight hundred eight thousand seven hundred fifty-two dollars (\$110,808,752) in nonrecurring funds for the 2015-2016 fiscal year and by one hundred fifty-two million eight hundred fifty thousand one hundred thirty-three dollars (\$152,850,133) in nonrecurring funds for the 2016-2017 fiscal year. The DMH/DD/SAS is directed to allocate this reduction among the LME/MCOs based on the individual LME/MCO's percentage of the total cash on hand of all of the LME/MCOs in the State. Cash on hand means the sum of the "Total Cash and Investments" plus the "Short-Term Investments" reported on Schedule "A" of the financial reporting package submitted by the LME/MCOs to the Division of Medical Assistance (DMA) on June 30, 2015. The individual LME/MCO's percentage of the total cash on hand equals the individual LME/MCO's cash on hand divided by the aggregate amount of cash on hand of all of the LME/MCOs in the State. During each year of the 2015-2017 fiscal biennium, each LME/MCO shall provide at least the same level of services paid for by single stream funding during the 2014-2015 fiscal year year-year across the LME/MCO's catchment area. This requirement shall not be construed to require LME/MCOs to authorize or maintain the same level of services for any specific individual whose services were paid for with single-stream funding. Further, this requirement 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 Chapters 108C or 108D of the General Statutes."

PART V. AGRICULTURE AND NATURAL AND ECONOMIC RESOURCES

SECTION 5.1. Section 13.4 of S.L. 2015-241 is amended by adding a new subsection to read:

"SECTION 13.4.(c) This section becomes effective October 1, 2015."

SECTION 5.2.(a) the lead-in language for Section 13.5 of S.L. 2015-241 reads as rewritten:

"SECTION ~~13.5, 13.5.(a)~~ G.S. 106-254 reads as rewritten:"

SECTION 5.2.(b) Section 13.5 of S.L. 2015-241 is amended by adding a new subsection to read:

"SECTION 13.5.(b) This section becomes effective October 1, 2015."

SECTION 5.2A. The title of Section 14.1 of S.L. 2015-241 reads as rewritten:

"PROSPERITY ZONE DENR LIASONS ~~LIASONS~~"

SECTION 5.2B. Subsection 14.10A(d) of S.L. 2015-241 reads as rewritten:

"SECTION 14.10A.(d) The ~~Environmental Management~~Marine Fisheries Commission shall adopt rules to amend 15A NCAC 03O .0503(g) and any other cross-referenced rules consistent with subsection (c) of this section. Notwithstanding G.S. 150B-19(4), the rule adopted by the Commission pursuant to this subsection shall be substantively identical to the provisions of subsection (c) of this section. Rules adopted pursuant to this subsection are not

subject to Part 3 of Article 2A of Chapter 150B of the General Statutes. Rules adopted pursuant to this subsection shall become effective as provided in G.S. 150B-21.3(b1) as though 10 or more written objections had been received as provided by G.S. 150B-21.3(b2)."

SECTION 5.2C. Section 14.24 of S.L. 2015-241 reads as rewritten:

"PETITION FOR WETLANDS MITIGATION FLEXIBILITY

"SECTION 14.24.(a) No later than January 1, 2016, the Department of Environment and Natural Resources shall petition the Wilmington District, the South Atlantic Division, and the Headquarters of the United States Army Corps of Engineers (the Corps Offices) to allow for greater flexibility and opportunity to perform ~~wetlands~~-mitigation outside of the eight-digit Hydrologic Unit Code (HUC) where development will occur. The Department shall seek this greater flexibility and opportunity for mitigation for both public and private development. The Department shall request that the Corps Offices review the flexibility and opportunities for mitigation allowed by other Districts of the United States Army Corps of Engineers, both within the South Atlantic District and nationwide.

...."

SECTION 5.4.(a) Section 14.30(a)(5) of S.L. 2015-241 reads as rewritten:

"(5) The North Carolina Museum of Natural Sciences."

SECTION 5.4.(b) Section 14.30(d) of S.L. 2015-241 reads as rewritten:

"SECTION 14.30.(d) The following apply to any recodification pursuant to subsections (e) through ~~(k)~~(k2) of this section:

- (1) The recodifications are of the affected statutes as rewritten by subsections (l) through ~~(r)~~(r2) of this section, as applicable.
- (2) Prior session laws that required the Revisor of Statutes to set out certain provisions as notes to the former statutes shall be set out as notes to the recodified statutes."

SECTION 5.4.(c) G.S. 143B-135.186, as recodified and amended by Subsection 14.30(n) of S.L. 2015-241, reads as rewritten:

"§ 143B-135.186. Local advisory committees; duties; membership.

Local advisory committees created pursuant to G.S. 143B-135.182(a)(2) shall assist each North Carolina Aquarium in its efforts to establish projects and programs and to assure adequate citizen-consumer input into those efforts. Members of these committees shall be appointed by the Secretary of Natural and Cultural Resources for three-year terms from nominations made by the Director of the ~~Office of Marine Affairs~~Division of North Carolina Aquariums. Each committee shall select one of its members to serve as chairperson. Members of the committees shall serve without compensation for services or expenses."

SECTION 5.4.(d) G.S. 143B-135.188, as recodified and amended by Subsection 14.30(n) of S.L. 2015-241, reads as rewritten:

"§ 143B-135.188. North Carolina Aquariums; fees; fund.

(a) Fees. – The Secretary of Natural and Cultural Resources may adopt a schedule of fees for the aquariums and piers operated by the North Carolina Aquariums, including:

- (1) Gate admission fees.
- (2) Facility rental fees.
- (3) Educational programs.

(b) Fund. – The North Carolina Aquariums Fund is hereby created as a special fund. The North Carolina Aquariums Fund shall be used for the ~~following~~following purposes with respect to the aquariums and the pier operated by the Division of North Carolina Aquariums:

- (1) Repair, renovation, expansion, maintenance, and educational exhibit construction at existing aquariums~~construction.~~
- (2) Payment of the debt service and lease payments related to the financing of expansions of aquariums~~facility expansions, subject to G.S. 143B-135.190.~~
- (3) Matching of private funds that are raised for these purposes.

(c) Disposition of Fees. – All ~~entrance~~-fee receipts shall be credited to the aquariums' General Fund operating budget. At the end of each fiscal year, the Secretary may transfer from the North Carolina aquariums' General Fund operating budget to the North Carolina Aquariums Fund an amount not to exceed the sum of the following:

- (1) One million dollars (\$1,000,000).
- (2) The amount needed to cover the expenses described by subdivision (2) of subsection (b) this section.

...."

SECTION 5.4.(e) G.S. 143B-135.225, as enacted by Subsection 14.30(r) of S.L. 2015-241, reads as rewritten:

"§ 143B-135.225. Museum of Natural Sciences; fees; fund.

(a) Fund. – The North Carolina Museum of Natural Sciences Fund is created as a special fund. The North Carolina Museum of Natural Sciences Fund shall be used for repair, renovation, expansion, maintenance, and educational exhibit construction at the North Carolina Museum of Natural Sciences and to match private funds raised for these projects.

(b) Certain Admission Fees Permitted; Disposition of Receipts. – The Museum may collect a charge for special exhibitions, special events, and other temporary attractions. All Museum receipts shall be credited to the North Carolina Museum of Natural Sciences' General Fund operating budget. At the end of each fiscal year, the Secretary may transfer from the North Carolina Museum of Natural Sciences' General Fund operating budget to the North Carolina Museum of Natural Sciences Fund an amount not to exceed one million dollars (\$1,000,000).

(c) Approval. – The Secretary may approve the use of the North Carolina Museum of Natural Sciences Fund for repair and renovation projects at the North Carolina Museum of Natural Sciences recommended by the Advisory ~~Council~~Commission that comply with the following:

(1) The total project cost is less than three hundred thousand dollars (\$300,000).

(2) The project meets the requirements of G.S. 143C-4-3(b).

(d) Report. – The Department shall submit to the House and Senate appropriations committees with jurisdiction over natural and economic resources and the Fiscal Research Division by September 30 of each year a report on the North Carolina Museum of Natural Sciences Fund that shall include 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 5.4.(f) Subsection 14.30(aa) of S.L. 2015-241 reads as rewritten:

"SECTION 14.30.(aa) The following statutes are amended by deleting the language "G.S. 113-44.14" wherever it appears and substituting "G.S. 143B-135.54": G.S. 143-260.10, ~~143B-260.10C, 143B-260.10D, and 143B-260.10G.~~143-260.10C, 143-260.10D, and 143-260.10G."

SECTION 5.4.(g) Subsection 14.30(nnn1) of S.L. 2015-241 reads as rewritten:

"SECTION 14.30.(nnn1) In order to ensure that the Department of Natural and Cultural Resources has sufficient staff to manage the additional workload as a result of the transfer of the North Carolina Zoo, North Carolina Aquariums, North Carolina Museum of Natural Sciences, Clean Water Management Trust Fund, Natural Heritage Program, and the North Carolina State Parks from the Department of Environmental Quality, the Department may use up to two million one hundred thirty-eight thousand forty-five dollars (\$2,138,045) generated from the vacant positions transferred or eliminated in subsection (nnn3) of this section to reclassify or reestablish administrative positions for that purpose."

SECTION 5.4.(h) Subsection 14.30(nnn3) of S.L. 2015-241 reads as rewritten:

"SECTION 14.30.(nnn3) The following 24.94 vacant positions shall be transferred or eliminated from the Department of Environmental Quality:

| | | |
|----------|--------------------------------------|-------|
| 60036186 | Chief Deputy II | (1.0) |
| 60032766 | Accountant | (1.0) |
| 60036006 | Accounting Technician | (1.0) |
| 60035955 | Administrative Operations Director | (1.0) |
| 60034828 | Agency Legal Specialist II | (1.0) |
| 60036023 | Auditor | (1.0) |
| 60036029 | Budget Manager | (1.0) |
| 60036031 | Budget Analyst | (1.0) |
| 60036034 | Budget Analyst | (1.0) |
| 60036060 | Business and Technology Applic Specl | (1.0) |
| 60036063 | Business and Technology Applic Specl | (1.0) |
| 60035958 | Environmental Program Supervisor II | (1.0) |
| 60035318 | IT Security Specialist | (1.0) |
| 60035984 | Personnel Analyst | (1.0) |
| 60035996 | Personnel Assistant IV | (1.0) |
| 60035952 | Policy Development Analyst | (1.0) |
| 60035976 | Policy Development Analyst | (1.0) |

| | | |
|----------|-------------------------------|--------|
| 60036039 | Purchaser | (1.0) |
| 60036041 | Purchaser | (1.0) |
| 60035986 | W/A Recruitment Analyst | (1.0) |
| 60035829 | Staff Development Coordinator | (1.0) |
| 60034553 | Staff Development Specialist | (1.0) |
| 60034575 | Technology Support Analyst | (1.0) |
| 60035501 | Technology Support Analyst | (1.0) |
| 60035496 | Office Assistant III | (0.40) |
| 60035953 | Ombudsman | (0.54) |

Prior to transfer or elimination, the Department of Environmental Quality shall convert any positions listed in this subsection supported in whole or in part by receipts to support from General Fund appropriations."

SECTION 5.4.(i) Section 14.30 of S.L. 2015-241 is amended by adding a new subsection to read:

"CONFORMING RULES CHANGES

"SECTION 14.30.(qqq1) The Codifier of Rules shall make any conforming rule changes necessary to reflect the transfers, name changes, recodifications, and associated conforming statutory changes made by this section."

SECTION 5.5. Section 14.11(g) of S.L. 2015-241 reads as rewritten:

"SECTION 14.11.(g) The Department of Environment and Natural Resources, or any other department given responsibilities for the North Carolina Zoological Park, State parks, and the North Carolina Aquariums may not impose fees on school groups visiting those attractions. For purposes of this section, "fees" refers to the regular admission charge, and does not include a separate admission charge for a special temporary ~~exhibition~~-exhibition or a special program."

SECTION 5.6. G.S. 113-202.1, as amended by Subsection 14.10C(c) of S.L. 2015-241, reads as rewritten:

"§ 113-202.1. Water column leases for aquaculture.

...

(d) Amendments of shellfish cultivation leases to authorize use of the water column are issued for a period of ~~five years~~10 years or the remainder of the term of the lease, whichever is shorter. The annual rental for a new or renewal water column amendment is one hundred dollars (\$100.00) an acre. If a water column amendment is issued for less than a 12-month period, the rental shall be prorated based on the number of months remaining in the year. The annual rental for an amendment is payable at the beginning of the year. The rental is in addition to that required in G.S. 113-202.

...."

SECTION 5.7. Part 14 of S.L. 2015-241 is amended by adding a new section to read:

"DENR/CORRECT VARIOUS FUND CODE REFERENCES/NO FUNDS REDUCTION FOR SOLID WASTE PERMITTING FEES

"SECTION 14.35.(a) Notwithstanding any provision of S.L. 2015-241 to the contrary, the five hundred thousand dollars (\$500,000) in nonrecurring funding for Shale Gas shall be provided to Fund Code 1735, instead of Fund Code 1749.

"SECTION 14.35.(b) Notwithstanding any provision of S.L. 2015-241 to the contrary, the nonrecurring funding and recurring cuts to the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund shall be made in Fund Code 1910, instead of Fund Code 1990.

"SECTION 14.35.(c) Notwithstanding any provision of S.L. 2015-241 to the contrary, the Petroleum Violation Escrow Cash Balance transfer shall be from Fund Code 64327, instead of Fund Code 64347.

"SECTION 14.35.(d) Notwithstanding any provision of S.L. 2015-241 to the contrary, there shall be no reduction of two hundred sixty thousand three hundred fifty-nine dollars (\$260,359) in fiscal year 2015-2016 to the Solid Waste Permitting Fees operating fees budget due to the delayed effective date in the implementation of the new fee schedule."

SECTION 5.8. S.L. 2015-241 is amended by adding a new section to read:

"COMMERCE/DEPUTY GENERAL COUNSEL POSITION FUNDING

"SECTION 15.3A. Notwithstanding any provision of S.L. 2015-241 to the contrary, one-fourth of the funding for the position of Deputy General Counsel (60080998) shall be offset with receipts, and the FTE reduction shall be -0.26."

PART VI. JUSTICE AND PUBLIC SAFETY

SECTION 6.2. Part XVI-A of S.L. 2015-241 is amended by adding a new section to read:

"CLARIFICATION REGARDING RELOCATION OF STATE CAPITOL POLICE

"SECTION 16A.11. The relocation of the State Capitol Police as a Section within the Highway Patrol pursuant to Section 16A.7 of this act shall not affect the subject matter or territorial jurisdiction of such officers and shall not entitle such officers to the statutory increases provided by G.S. 20-187.3 or Section 30.15 of this act."

SECTION 6.3. G.S. 7A-498.5(f), as rewritten by Section 18A.17(c) of S.L. 2015-241, reads as rewritten:

"(f) Subject to ~~G.S. 498.2(e)~~G.S. 7A-498.2(e), the Commission shall establish policies and procedures with respect to the distribution of funds appropriated under this Article, including rates of compensation for appointed counsel, schedules of allowable expenses, appointment and compensation of expert witnesses, and procedures for applying for and receiving compensation. The rate of compensation set for expert witnesses may be no greater than the rate set by the Administrative Office of the Courts under G.S. 7A-314(d)."

PART VII. GENERAL GOVERNMENT

SECTION 7.1. Part 20 of S.L. 2015-241 is amended by adding a new section to read:

"SECTION 20.3.(a) G.S. 58-36-75(a) reads as rewritten:

"(a) The subclassification plan promulgated pursuant to G.S. 58-36-65(b) may provide for separate surcharges for major, intermediate, and minor accidents. A "major accident" is an at-fault accident that results in either (i) bodily injury or death or (ii) only property damage of ~~three thousand dollars (\$3,000)~~ three thousand eighty-five dollars (\$3,085) or more. An "intermediate accident" is an at-fault accident that results in only property damage of more than ~~one thousand eight hundred dollars (\$1,800)~~ one thousand eight hundred fifty dollars (\$1,850) but less than ~~three thousand dollars (\$3,000)~~ three thousand eighty-five dollars (\$3,085). A "minor accident" is an at-fault accident that results in only property damage of ~~one thousand eight hundred dollars (\$1,800)~~ one thousand eight hundred fifty dollars (\$1,850) or less. The subclassification plan may also exempt certain minor accidents from the Facility recoupment surcharge. The Bureau shall assign varying Safe Driver Incentive Plan point values and surcharges for bodily injury in at-fault accidents that are commensurate with the severity of the injury, provided that the point value and surcharge assigned for the most severe bodily injury shall not exceed the point value and surcharge assigned to a major accident involving only property damage."

"SECTION 20.3.(b) This section is effective March 1, 2016, and applies to accidents occurring on or after that date."

SECTION 7.2. Part 24 of S.L. 2015-241 is amended by adding a new section to read:

"SECTION 24.4. Notwithstanding any provision of this act to the contrary, the position transferred from the Department of Administration to the Department of Military and Veterans Affairs shall be Position 60014506 (Program Assistant IV), not Position 60014065 (Administrative Officer II)."

SECTION 7.3.(a) Section 24.1(w) of S.L. 2015-241 reads as rewritten:

"SECTION 24.1.(w) This section becomes effective on ~~January 1, 2016~~ July 1, 2015."

SECTION 7.3.(b) G.S. 143B-1293, as rewritten by Section 24.1(pp) of S.L. 2015-241, reads as rewritten:

"§ 143B-1293. North Carolina Veterans Home Trust Fund.

(a) Establishment. – A trust fund shall be established in the State treasury, for the Department of Military and Veterans Affairs, to be known as the North Carolina Veterans Home Trust Fund.

(b) Composition. – The trust fund shall consist of all funds and monies received by the Veterans' Affairs Commission or the Department of Military and Veterans Affairs from the United States, any federal agency or institution, and any other source, whether as a grant, appropriation, gift, contribution, devise, or individual reimbursement, for the care and support of veterans who have been admitted to a State veterans home.

(c) Use of Fund. – The trust fund created in subsection (a) of this section shall be used by the Department of Military and Veterans Affairs to do the following:

- (1) To pay for the care of veterans in said State veterans homes;
- (2) To pay the general operating expenses of the State veterans homes, including the payment of salaries and wages of officials and employees of said homes; and
- (3) To remodel, repair, construct, modernize, or add improvements to buildings and facilities at the homes.

(d) Miscellaneous. – The following provisions apply to the trust fund created in subsection (a) of this section:

- (1) All funds deposited and all income earned on the investment or reinvestment of such funds shall be credited to the trust fund.
- (2) Any monies remaining in the trust fund at the end of each fiscal year shall remain on deposit in the State treasury to the credit of the North Carolina Veterans Home Trust Fund.
- (3) Nothing contained herein shall prohibit the establishment and utilization of special agency accounts by the Department of Military and Veterans Affairs or by the Veterans' Affairs Commission, for the receipt and disbursement of personal funds of the State veterans homes' residents or for receipt and disbursement of charitable contributions for use by and for residents."

SECTION 7.4. Subsection (c) of Section 25.1 of S.L. 2015-241 reads as rewritten:

"SECTION 25.1(c) This section becomes effective October 1, 2015, and the requirement to submit a report applies to audits conducted or undertaken on or after that date. Nothing in this subsection shall be construed as prohibiting the State Auditor or an internal auditor from submitting a report detailing fraud, misrepresentation, or other deceptive acts or practices found during an audit conducted prior to the effective date of this section."

SECTION 7.5. Part 21 of S.L. 2015-241 is amended by adding a new section to read:

"SECURITIES CHANGES

"SECTION 21.2(a) G.S. 147-86.42(8) reads as rewritten:

"§ 147-86.42. Definitions.

As used in this article, the following definitions apply:

- ...
- (8) "Indirect Holdings" in a Company means all securities of that Company held in an account or fund, such as a mutual fund, managed by one or more persons not employed by the Public Fund, in which the Public Fund owns shares or interests together with other investors not subject to the provisions of this ~~article~~ Article and securities held through index funds, commingled funds, limited partnerships, derivative instruments, or any other similar investment instrument.

"SECTION 21.2(b) G.S. 147-86.44(f) reads as rewritten:

"(f) Excluded Securities. – Notwithstanding anything herein to the contrary, subsections (c) and (d) of this section shall not apply to Indirect ~~Holdings in actively managed investment funds~~ Holdings. The Public Fund shall, however, submit letters to the managers of such investment funds containing Companies with Scrutinized Active Business Operations requesting that they consider removing such Companies from the fund or create a similar actively managed fund with Indirect Holdings devoid of such Companies. If the manager creates a similar fund, the Public Fund shall replace all applicable investments with investments in the similar fund in an expedited time frame consistent with prudent investing standards. For the purposes of this section, "private equity" funds shall be deemed to be actively managed investment funds."

"SECTION 21.2(c) G.S. 147-69.1(c)(3) reads as rewritten:

"(c) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated in subsection (b) of this section in excess of the amount required to meet the current needs and demands on such funds, selecting from among the following:

- ...
- (3) Repurchase Agreements with respect to one or more of the following:
 - a. ~~securities~~ Securities issued or guaranteed by the United States government or its ~~agencies or other securities agencies~~ agencies.

- b. Securities eligible for investment by this section executed by a bank or trust company or by primary or other reporting dealers to the Federal Reserve Bank of New York.
- c. Securities eligible for investment by this section executed by a registered broker-dealer that is subject to the rules and regulations of the U.S. Securities and Exchange Commission and is a member in good standing of the Financial Industry Regulatory Authority."

"SECTION 21.2.(d) This section is effective when it becomes law.

SECTION 7.6. Part 21 of S.L. 2015-241 is amended by adding a new section to read:

"INTERVENTION TASK FORCE POSITIONS RECEIPT SUPPORTED

"SECTION 21.4. Notwithstanding any provision of this act to the contrary, the two positions in the Intervention Task Force of the Local Government Commission to assist local government entities as being at risk of financial failure shall be funded with receipts instead of funds from the General Fund."

SECTION 7.7. Part XXVI of S.L. 2015-241 is amended by adding a new section to read:

"REPEAL PROVISION ON USE OF AUTOMATIC SCORING/SCREENING OF STATE GOVERNMENT EMPLOYMENT APPLICATIONS

"SECTION 26.1A.(a) Section 22A.1 of S.L. 2014-100 is repealed."

PART VIII. TRANSPORTATION

SECTION 8.1. Subsection (c) of Section 29.1 of S.L. 2015-241 reads as rewritten:

"SECTION 29.1.(c) The Department of Transportation, in collaboration with the Office of State Budget and Management, shall develop a four-year revenue forecast. The first fiscal year in the four-year forecast shall be the 2021-2022 fiscal year. The four-year revenue forecast developed under this subsection shall be used (i) to develop the four-year cash flow estimates included in the biennial budgets, (ii) to develop the ~~Strategic State~~ Transportation Improvement Program, and (iii) by the Department of the State Treasurer to compute transportation debt capacity."

SECTION 8.2.(a) G.S. 20-88.03, as enacted by subsection (m) of Section 29.30 of S.L. 2015-241, is amended by adding two new subsections to read:

"(d) Grace Period Inapplicable. – The 15-day grace period provided in G.S. 20-66(g) shall not apply to any late fee assessed under this section.

"(e) Surrender of Registration Plate. – Nothing in this section shall be construed as requiring the Division to assess a late fee under this section if, on or prior to the date the registration expires, the owner surrenders to the Division the registration plate issued for the vehicle."

SECTION 8.2.(b) This section becomes effective July 1, 2016.

PART IX. CAPITAL

SECTION 9.1. Section 31.4(a) of S.L. 2015-241 reads as rewritten:

"SECTION 31.4.(a) The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund sources available to the appropriate department:

| | Amount of Non-General Fund | |
|---|-----------------------------------|---------|
| ... | | |
| Department of Environment and Natural Resources | | |
| Fort Fisher Aquarium Seawall <u>Aquarium Salt Water Well</u> | 590,000 | 590,000 |
|" | | |

SECTION 9.2. Section 31.8(c) of S.L. 2015-241 reads as rewritten:

"SECTION 31.8.(c) Notwithstanding subsection (a) of this section, the sum of two hundred fifty thousand dollars (\$250,000) of the funds appropriated in Section ~~31.2(a)~~ 31.2 of this act for armory and facility development projects in the 2015-2016 fiscal year shall be used to provide a ~~State match to federal~~ funds for planning and construction of a North Carolina National Guard facility to be located within 10 miles of the 420 acres surrounding the latitude and longitude point 35°11.0994'N – 082°37.1166'W. The Department shall consult with the North Carolina National Guard in the design and site selection of the facility. Funds allocated pursuant to this subsection shall not revert at the end of the 2015-2016 fiscal year but shall be

retained by the Department until the facility is completed or June 30, 2020, whichever first occurs."

SECTION 9.3. G.S. 143C-3-3, as amended by Section 31.9 of S.L. 2015-241, reads as rewritten:

"§ 143C-3-3. Budget requests from State agencies in the executive branch.

...
(b) University of North Carolina System Request. – Notwithstanding the requirement in G.S. 116-11 that the Board of Governors prepare a unified budget request for all of the constituent institutions of The University of North Carolina, budget requests of the University shall be subject to all of the following:

- ...
(2) The University of North Carolina shall not make a capital funds request proposing to construct a new facility, expand the building area (square feet) of an existing facility, or rehabilitate an existing facility to accommodate new or expanded uses unless the University has completed advanced planning through schematic design of the project with funds other than General Fund appropriations. For purposes of this subdivision, "funds other than General Fund appropriations" includes funds carried forward from one fiscal year to another pursuant to G.S. 116-30.3 and G.S. 116-30.3B.

...."

PART X. FINANCE PROVISIONS

SECTION 10.1.(a) G.S. 105-122(b)(1), as amended by S.L. 2015-241, reads as rewritten:

"(b) Determination of Net Worth. – A corporation taxed under this section shall determine the total amount of its net worth. The net worth of a corporation is its total assets without regard to the deduction for accumulated depreciation, depletion, or amortization less its total liabilities, computed in accordance with generally accepted accounting principles as of the end of the corporation's taxable year. If the corporation does not maintain its books and records in accordance with generally accepted accounting principles, then its net worth is computed in accordance with the accounting method used by the entity for federal tax purposes so long as the method fairly reflects the corporation's net worth for purposes of the tax levied by this section. A corporation's net worth is subject to the following adjustments:

- (1) A deduction for accumulated depreciation, depletion, and amortization ~~is~~ as determined in accordance with the method used for federal tax purposes."

SECTION 10.1.(b) G.S. 105-129.103(h), as enacted by S.L. 2015-241, reads as rewritten:

"(h) Substantiation. – To claim a credit allowed by this Article, the taxpayer must provide any information required by the Secretary of Revenue, including a copy of the certification obtained from the State Historic Preservation Office verifying that the historic structure has been rehabilitated in accordance with the requirements set out in this Article, and a copy of the eligibility certification if the historic structure is located in an eligible targeted investment site and the ~~target~~ targeted investment bonus is claimed. Every taxpayer claiming a credit under this Article must maintain and make available for inspection by the Secretary of Revenue any records the Secretary considers necessary to determine and verify the amount of the credit to which the taxpayer is entitled. The burden of proving eligibility for the credit and the amount of the credit rests upon the taxpayer, and no credit may be allowed to a taxpayer that fails to maintain adequate records or to make them available for inspection."

SECTION 10.1.(c) Section 32.14(d) of S.L. 2015-241 reads as rewritten:

"**SECTION 32.14.(d)** Effective for taxable years beginning on or after January 1, 2018, G.S. 105-130.4(a)(6), ~~(a)(9)~~, ~~(a)(4)~~, (j), (k), (r), and (s1) are repealed."

SECTION 10.1.(d) Section 29.34A(c) of S.L. 2015-241 reads as rewritten:

"**SECTION 29.34A.(c)** This section becomes effective January 1, 2016, and applies to sales made on or after that ~~date~~ date, or, for purposes of G.S. 105-187.5, a lease or rental agreement entered into on or after that date."

SECTION 10.1.(e1) G.S. 105-524, as enacted by Section 32.19(b) of S.L. 2015-241, reads as rewritten:

"§ 105-524. Distribution of additional sales tax revenue for economic development, public education, and community colleges.

...

(b) Distribution Amount. – The Secretary must calculate a distribution amount in conformity with this section. The Secretary must deduct this ~~amount proportionately, amount, in equal installments, proportionately~~ from the collections to be allocated each month for distribution under ~~G.S. 105-466, 105-483, and 105-498. For Article 39 and Chapter 1096 of the 1967 Session Laws and Articles 40 and 42 of this Chapter, excluding the revenue allocated under G.S. 105-469. The deduction made under this section from Articles 39, 40, and 42 of this Chapter shall not be included in the calculations made under G.S. 105-469, 105-522, and 105-523.~~

For the fiscal year beginning July 1, 2016, the distribution amount is eighty-four million eight hundred thousand dollars (\$84,800,000). For fiscal years beginning on or after July 1, 2017, the distribution amount is the amount for the preceding year, adjusted by the same percentage of this amount as the percentage change of the total collection of local sales and use taxes levied under ~~Articles 39, 40, and 42 of this Chapter~~ Article 39 of this Chapter and Chapter 1096 of the 1967 Session Laws and Articles 40 and 42 of this Chapter for the preceding fiscal year.

(c) County Allocation. – The Secretary must, on a monthly basis, allocate to each taxing county an amount equal to one-twelfth of the distribution amount calculated under subsection (b) of this section multiplied by the ~~following~~ appropriate allocation ~~percentage:percentage.~~ If, after applying the allocation percentages in this section, the resulting total of the amounts allocated is greater or lesser than the net proceeds to be distributed, the amount allocated to each county shall be proportionally adjusted to eliminate the excess or shortage. The allocation percentages are as follows:

...

(e) State Contribution. – For fiscal years beginning on or after July 1, 2016, the Secretary must annually withhold, in equal monthly installments, seventeen million six hundred thousand dollars (\$17,600,000) from sales and use tax collections under Article 5 of this Chapter. The Secretary must allocate the monthly amount withheld under this subsection to the taxing counties as follows:

- (1) Fifty percent (50%) in the distribution made under Article 39 of this Chapter. ~~Chapter and Chapter 1096 of the 1967 Session Laws, not including the revenue allocated under G.S. 105-469.~~
- (2) Twenty-five percent (25%) in the distribution made under Article 40 of this Chapter. ~~Chapter, not including the calculation of the adjustment pursuant to G.S. 105-486(b).~~
- (3) Twenty-five percent (25%) in the distribution made under Article 42 of this Chapter.

...

(g) Adjustments. – The adjustments made under this section to Article 39 of this Chapter and Chapter 1096 of the 1967 Session Laws and Articles 40 and 42 of this Chapter shall not be included in the calculations made under G.S. 105-469, 105-522, and 105-523."

SECTION 10.1.(e2) G.S. 105-469(a) reads as rewritten:

"(a) The Secretary shall collect and administer a tax levied by a county pursuant to this Article. As directed by G.S. 105-164.13B, taxes levied by a county on food are administered as if they were levied by the State under Article 5 of this Chapter. The references in this section to Article 39 of this Chapter and Chapter 1096 of the 1967 Session Laws and Articles 40 and 42 of this Chapter do not include the adjustments made pursuant to G.S. 105-524. The Secretary must, on a monthly basis, distribute local taxes levied on food to the taxing counties as follows:

....

SECTION 10.1.(e3) G.S. 105-522(a)(2) reads as rewritten:

"(2) Hold harmless amount. – The sum of the following amounts allocated for distribution to a municipality for a ~~month:month.~~ The references in this subdivision to Article 39 of this Chapter and Chapter 1096 of the 1967 Session Laws and Articles 40 and 42 of this Chapter do not include the adjustment made pursuant to G.S. 105-524. The amounts are as follows:

....

SECTION 10.1.(e4) G.S. 105-523(b)(3) reads as rewritten:

"(3) Repealed sales tax amount. – The sum of the following amounts allocated for distribution to a county for a ~~month:month.~~ The references in this

subdivision to Article 39 of this Chapter and Chapter 1096 of the 1967 Session Laws and Articles 40 and 42 of this Chapter do not include the adjustment made pursuant to G.S. 105-524. The amounts are as follows:

.....
SECTION 10.1.(f) G.S. 105-130.3C(a), as rewritten by Section 32.13(b) of S.L. 2015-241, reads as rewritten:

"(a) Trigger. –When the amount of net General Fund tax collected in a fiscal year exceeds twenty billion nine hundred seventy-five million dollars (~~\$20,975,000~~), (~~\$20,975,000,000~~), the rate of tax set in G.S. 105-130.3 must be decreased to three percent (3%) effective for the taxable year that begins on the following January 1. The Secretary must notify taxpayers if the rate decreases under this section."

SECTION 10.1.(g) G.S. 105-164.3(38b), as rewritten by Section 32.18(a) of S.L. 2015-241, reads as rewritten:

"(38b) Service contract. – A contract where the obligor under the contract agrees to maintain or repair tangible personal property, regardless of whether the property ~~is~~ becomes a part of or is affixed to real property, or a motor vehicle. Examples of a service contract include a warranty agreement other than a manufacturer's warranty or dealer's warranty provided at no charge to the purchaser, an extended warranty agreement, a maintenance agreement, a repair contract, or a similar agreement or contract."

SECTION 10.1.(h) Section 32.13(h) of S.L. 2015-241 reads as rewritten:

"**SECTION 32.13.(h)** Subsection (g) of this section becomes effective ~~July 1,~~ June 30, 2016. The remainder of this section becomes effective for taxable years beginning on or after January 1, 2016."

SECTION 10.1.(i) Subsections (b) and (f) of this section becomes effective for taxable years beginning on or after January 1, 2016. Subsection (g) of this section becomes effective March 1, 2016, and applies to sales occurring on or after that date. Subsections (e1) to (e4) of this section become effective July 1, 2016, and apply to local option sales taxes collected on or after that date and distributed to counties and cities on or after September 1, 2016. Subsection (a) of this section becomes effective January 1, 2017, for taxes due on or after that date. The remainder of this section is effective when it becomes law.

SECTION 10.2. Section 32.14A of S.L. 2015-241 is amended by rewriting subsections (a) through (f) to read:

"**SECTION 32.14A.(a)** The Revenue Laws Study Committee is directed to study the calculation of the sales factor under G.S. 105-130.4(l) using market-based sourcing. To help the Committee determine the effect of market-based sourcing on State revenues and corporate taxpayers, each corporate taxpayer that satisfies the following requirements with respect to the taxable year beginning in 2014 is required to file an informational report with the Department of Revenue as provided in this section:

- (1) The taxpayer had apportionable income greater than ten million dollars (\$10,000,000).
- (2) The taxpayer had a North Carolina apportionment percentage less than one hundred percent (100%).
- (3) The taxpayer was subject to apportionment of income based in whole or in part on the sales factor as determined under G.S. 105-130.4(l).

"**SECTION 32.14A.(b)** On or before February 1, 2016, the Department of Revenue must publish guidelines for computing the sales factor based on market-based sourcing. The guidelines required by this subsection are not subject to the provisions of Chapter 150B of the General Statutes with respect to rule-making. The guidelines published by the Department of Revenue must be based on the following:

- (1) Market-based sourcing of receipts based on the following principles:
 - a. In the case of sale, rental, lease, or license of real property, if and to the extent the property is located in this State.
 - b. In the case of rental, lease, or license of tangible personal property, if and to the extent the property is located in this State.
 - c. In the case of sale of a service, if and to the extent the service is delivered to a location in this State.
 - d. In the case of intangible property that is rented, leased, or licensed, if and to the extent the property is used in this State. Intangible

property utilized in marketing a good or service to a consumer is "used in this State" if that good or service is purchased by a consumer who is in this State.

- e. In the case of intangible property that is sold, if and to the extent the property is used in this State. A contract right, government license, or similar intangible property that authorizes the holder to conduct a business activity in a specific geographic area is "used in this State" if the geographic area includes all or part of this State. Receipts from intangible property sales that are contingent on the productivity, use, or disposition of the intangible property shall be treated as receipts from the rental, lease, or licensing of the intangible property as provided under sub-subdivision d. of this subdivision. All other receipts from a sale of intangible property shall be excluded from the numerator and denominator of the sales factor.
- (2) The most recent model regulations with respect to market-based sourcing drafted by the UDITPA Section 17 Work Group convened by the Multistate Tax Commission.
 - (3) Any other model apportionment regulations and model statutes with respect to the allocation and apportionment of income consistent with those adopted by the Multistate Tax Commission and that are not inconsistent with the principles outlined in subdivision (1) of this subsection.

"SECTION 32.14A.(c) The guidelines required by subsection (b) of this section apply to the informational report required by this section only. These guidelines may not be used by the Department of Revenue for any other purpose without further legislative authorization and compliance with the provisions of Chapter 150B of the General Statutes with respect to rule-making.

"SECTION 32.14A.(d) The informational report must be in a form required by the Secretary of Revenue and contain the following information:

- (1) The apportionment percentage and sales factor used with respect to the corporation's 2014 North Carolina corporate tax return.
- (2) The apportionment percentage and sales factor as calculated under subsection (b) of this section with respect to the corporation's 2014 taxable year.
- (3) The primary economic sector under NAICS in which the corporation has business activities. The term "NAICS" has the same meaning as defined in G.S. 105-228.90.
- (4) Any other information prescribed by the Secretary.

"SECTION 32.14A.(e) The informational report is due by April 15, 2016. A taxpayer may not request an extension of time to file the informational report. The Secretary shall assess a civil penalty of five thousand dollars (\$5,000) for failure to timely file an informational report required under this section. The Secretary may reduce or waive the penalty as provided in G.S. 105-237.

"SECTION 32.14A.(f) This section is effective when it becomes law."

PART XI. EFFECTIVE DATE

SECTION 11.1. Except as otherwise provided, this act becomes effective July 1, 2015.

In the General Assembly read three times and ratified this the 30th day of September, 2015.

s/ Daniel J. Forest
President of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 11:10 a.m. this 1st day of October, 2015