

**CONFERENCE COMMITTEE REPORT ON SENATE BILL 251**  
**APPROPRIATIONS ACT OF 2017**

**SELECTED BUDGET HIGHLIGHTS**

**JUNE 19, 2017**

## FY 2017-19 BIENNIAL Budget Highlights

The proposed budget for FY 2017-18 represents a **3.1% increase** over the enacted FY 2016-17 budget and a **4.3% increase** over projected actual expenditures for FY 2016-17.

### Selected Statewide Highlights include:

- An additional **\$263 million to the Savings Reserve Account**, bringing the total to **\$1.84 billion** (precise number is \$1,838,212,272), the largest since its inception and exceeding the General Fund operating budget target of 8%. Also transfers \$72 million in anticipated General Fund revenue growth in FY 2018-19 to the **Savings Reserve** pursuant to S.L. 2017-15.
- Provides **\$125 million for the Repairs and Renovations Account**;
- Appropriates an additional **\$397.9 million for FY 2017-18 and \$658.9 million in FY 2018-19** for compensation increases and bonuses for **Teachers, State Highway Patrol, Magistrates, Clerks and other State Employees**;
- Provides a **recurring 1% cost of living increase for Retirees**;
- Provides funds to implement House Bill 280, **“Raise the Age”** including staff training and facility construction costs.
- **Reduces taxes by \$528.7 million** over the biennium including lowering **Personal Income tax** to 5.25%, effective for taxable years beginning in 2019 and **increasing the Standard Deduction** to \$20,000, effective for taxable years beginning in 2019.
- Reduces **Corporate Tax rate from 3% to 2.5% rate**, effective for taxable years beginning in 2019.

### Salaries

- Provides over \$142.8 million in FY 2017-18 and \$420.1 million in FY 2018-19 to:
  - Increase salaries for **Teachers and Instructional support** paid in accordance with the Statewide teacher salary schedule. The amount of funding the State appropriates grows by approximately 2% in FY 2017-18 and 7.1% in FY 2018-19 compared to FY 2016-17. The average teacher currently teaching who continues to teach will receive an estimated average State-funded increase of 3.3% in FY 2017-18 and 9.6% in FY 2018-19 when compared to FY 2016-17;
  - Provides a \$385 annual bonus in both years of the biennium to teachers and instructional support personnel with 25 or more years of experience;
  - Creates a new **Principal Salary schedule** based on a school’s average daily membership and school growth performance. The average percent increase is hard to predict due to the new schedule, but based on Fiscal Research modeling the State-funded average salary

will increase by 8.6%. In addition, the new bonus program equates to an additional average increase of 4% of principal pay.

- Increase **Assistant Principal** salaries by tying their pay to the teacher schedule plus 17% in FY 2017-18 and 19% in FY 2018-19. The amount the State appropriates grows by approximately 6.6% in FY 2017-18 and 13.4% in FY 2018-19 compared to FY 2016-17.
- Appropriates approximately \$181 million in FY 2017-18 and FY 2018-19 to provide most **State employees and State-funded local employees a salary increase of \$1,000;**
- Provides the Community College system with an additional \$10 million to increase salaries of Community College personnel;
- Provides \$18.4 million in each year of the biennium to complete the third and final phase of the custody-level based pay adjustment for Correctional Officers, Custody Supervisors, and Prison Facility Administrators;
- Allows step movement for teachers, assistant principals, Highway Patrol, Assistant/Deputy Clerks, and Magistrates;
- Provides 3 **Bonus Leave** days for State and locally supported employees;
- Provides \$3.9 million in FY 2017-18 and \$7.8 million in FY 2018-19 to bring all positions to their salary range minimum under the new Classification and Compensation System;
- Provides \$5 million to the Salary Adjustment Fund to increase compensation for positions that are difficult to recruit or retain; and
- Appropriates \$2 million in nonrecurring funding to settle outstanding workers' compensation claims.

### **Benefits**

- Eliminates retiree medical benefits for new hires after January 2021 to reduce long term unfunded health care liabilities;
- Creates a study of State employee total compensation;
- Funds all State retirement systems at actuarially determined levels in both years of the biennium and makes no cuts to retirement benefits;
- Increases employer premiums for State Health Plan coverage by 4% in both 2018 and 2019 plan years;
- Provides \$44 million in recurring appropriations for a 1.0% cost-of-living adjustment (increase in the ongoing monthly benefit) to **State Retirees;** and
- Provides \$2 million in recurring appropriations to extend law enforcement retirement ages, death benefits, and special separation allowances to probation and parole officers.

### **Capital & Infrastructure**

- Provides funds for **House Bill 280, "Raise the Age."**

- Provides **\$125 million for Repairs and Renovations**
- Provides **\$15 million** for Water Resources Development Projects which draws down \$14 million in federal funds.
- Diverts **\$20 million** over the biennium from short-term lease or rental of motor vehicles from the General Fund to the Highway Fund to support **NC Airports infrastructure**.
- Provides \$5 million to Fort Fisher to construct a new museum and visitor center
- Provides Western Carolina University \$9.4 million to begin the replacement of the campus's energy production facility and \$2.3 million for East Carolina University to develop plans for a new medical education building at the Brody School of Medicine.

### **Lottery**

- Provides \$30 million in FY 2017-18 and \$75 million in FY 2018-19 to a new Needs-Based School Capital Fund to provide grants to Tier 1 and Tier 2 counties; and
- Appropriates future lottery net revenue growth to the Needs-Based School Capital Fund.

### **Information Technology**

- Funds the creation of a data management plan for the Government Data Analytics Center (GDAC);
- Provides funds to replace an expiring federal grant that supported the expansion of a wireless broadband system for public safety personnel and provides an additional \$250,000 for the Broadband Infrastructure Office including 1.5 full time equivalents; and
- Increases the funding for GDAC by \$2M to pay for system infrastructure and operational improvements and provides \$2M for a risk and vulnerability study of state agencies.

## Education Committee

The budget for Education in FY 2017-18 and FY 2018-19 includes net appropriations of \$13.1 billion and \$13.5 billion, which is \$452.4 million and \$890.6 million respectively above the amount in the biennial base budget. The highlights of the Education adjustments follow below:

### Public Schools Committee Report #s

- **Provides funds for three bonus programs for teachers including:**
  - **(F-6, #2)** Provides Veteran Teacher Bonuses for teachers with 25+ years of experience on a nonrecurring basis in both years of biennium (\$5.0M)
  - **(F-6, #3)** Provides recurring funding for three teacher bonus pilot programs established in FY 2016-17, including the third grade reading, Advanced Courses, and CTE bonuses (\$14.9M)
  - **(F-6, #4)** Creates a Math and Reading Bonus Pilot Program for teachers in grades 4 through 8 for FY 2017-18 only (\$25.3M)
- **(F-10, #19) Increases Textbooks and Digital Materials funding** by \$11.3 million in 2017-18 only. Total funding for textbooks, not including Indian Gaming Funds, is \$66.8 million in FY 2017-18 and \$55.5 million in FY 2018-19.
- **(Page F-10, #20) Raises the funding cap for Children with Disabilities from 12.5% to 12.75%**, increasing funds for school-age children with disabilities by \$6.3 million in each year of the biennium. A school district will receive funds for each child identified with disabilities up to 12.75% of the school district's Average Daily Membership (ADM).
- **(F-13, #34) Provides \$29 million over the biennium to fund the implementation of Business System Modernization** plan at the Department of Public Instruction (DPI). The plan includes an Enterprise Resource Planning (ERP) system for integrated payroll and human resources information, an integrated State level licensure system, and reporting of financial information for increased transparency and analytics.
- **(F-15, #45 & #46) Reduces operating funds for the Department of Public Instruction by 6.2% in FY 2017-18 and 13.9% in FY 2018-19.** A separate money # provides funds for an audit of DPI, and an additional \$1 million reduction to DPI in FY 2018-19 in anticipation of Audit results.
- **Teacher Recruitment and Retention:** Creates and provides funds for several programs to support teachers, including:
  - **(F-14, #38):** An additional \$300,000 for the North Carolina Center for the Advancement of Teaching
  - **(F-15, #42)** Reimbursement of the licensure fee for first time North Carolina teachers (\$245,000)
  - **(F-18, #58)** Expands the Teacher Assistant Tuition Reimbursement program, which provides tuition reimbursement of up to \$4,500 annually for 5 teacher assistants per

school district who are pursuing a college degree that will result in teacher licensure (\$315,000)

- **(F-19, #59):** \$7.2 million in additional funds in FY 2017-18 to support Advanced Teaching Roles
- **(F-20&21, #63-71) Grants-in-Aid:** Provides over \$2.5 million in grants-in-aid to 9 different entities that provide education or enrichment activities to K-12 students.

### **Public Schools Special Provisions**

- **(Sec. 7.1 – pg. 21; Sec. 7.2 – pg. 22; Secs. 7.12 & 7.13 – pg. 30) Prohibits school districts from transferring funds out of four public school allotments.** Beginning in 2017-18, school districts cannot transfer funds out of the Children with Disabilities or Limited English Proficiency allotments. Beginning in 2018-19, school districts cannot transfer funds out of the Academically Gifted Children or the Textbooks and Digital Materials allotment.
- **(Sec. 7.10, page 29) Provides \$700K to the Office of the State Superintendent to hire up to 10 exempt positions.** These positions are not subject to approval or disapproval by the State Board of Education.
- **(Sec. 7.19, page 34) Modifies the criteria for a school to be considered Geographically Isolated** to include schools that cannot consolidate due to geographic isolation and are located in an LEA containing more than 150,000 acres of national forest land. Schools considered geographically isolated receive one additional teacher position per grade. A related Committee Report # provides funds for newly qualifying schools.
- **(Sec. 7.22, pages 35-39) Modifies supplemental funding for Cooperative and Innovative High Schools (CIHS).** All CIHSs approved for operation in FY 2017-18 will receive funds through the CIHS allotment beginning in FY 2017-18, including CIHSs that previously have not received supplemental funds. Funds received will vary by the economic development tier the CIHS is located in, with Tier 1 CIHSs receiving \$275,000, Tier 2 and 3 CIHSs receiving \$200,000, and virtual CIHSs receiving \$200,000. Tier 3 CIHSs will receive \$175,000 beginning in FY 2018-19.
- **(Sec.7.23D, pages 41-42) Creates the Joint Legislative Task Force on Education Finance Reform** consisting of 18 legislators (9 from each body). The Task Force is charged with studying various weighted student formula funding models and develop a new funding model for the elementary and secondary public schools of North Carolina.
- **Career and Technical Education (CTE):**
  - **(Sec. 7.23F, pages 43-45) Expand CTE Competitive Grant Program:** creates a new competitive grant to expand CTE coursework to the Sixth and Seventh grades for school districts receiving funds. The grant is funded with \$700K on a recurring basis, and \$3.5 million nonrecurring funds in FY 2017-18.
  - **(Sec. 7.23G, page 45) North Carolina Education and Workforce Innovation Commission:** This Commission is transferred from the Governor’s office to DPI. The Commission will be responsible for selecting recipients of the CTE Competitive grants.

- **(Sec. 7.23H, pages 45-58) Future Ready Students:** establishes business advisory councils that will assist school districts in providing CTE instruction, identify, economic and workforce development trends in the region, and advocate for strong local CTE programs. The Committee Report includes 2 positions at DPI to support these councils.
- **(Sec. 7.24, pages 64-65) Creates a Competitive Grant Program** to fund extended learning and integrated student support service programs for at-risk students. This program is funded by using \$6 million of the \$293 million appropriated in each year of the biennium for the At-Risk Student Services Alternative School Allotment.

### **North Carolina Community College System Committee Report #s**

- **(F-31, #84) Career Coaches:** Provides \$1.1 million in the first year and \$1.8 million in the second year for expansion of the NC Works Career Coaches program, which places career coaches employed by local community colleges with partnering high schools.
- **(F-32, #85) Start-Up Fund for High Cost Workforce Programs:** Provides \$2.5 million in the second year to assist colleges with start-up costs for high-cost workforce training programs leading to employment in higher-paying and in-demand fields.
- **(F-32, #87) Apprenticeship NC:** Provides for the transfer of the Apprenticeship program from the Department of Commerce to the NC Community College System. The program coordinates with employers to train and employ apprentices in order to mitigate skills gaps and meet critical workforce and labor market needs.

### **University of North Carolina System Committee Report #s**

- **Teacher Recruitment and Retention:** creates and provides funds for several programs to support teachers, including:
  - **(Page F-41, # 101) New Teacher Support Program:** provides an additional \$1 million for this program which provides training and one-on-one coaching to new teachers across the State.
  - **(Page F-41, # 102) Future Teachers of North Carolina program:** provides \$278,500 to establish the Future Teacher of NC program, which will provide professional development for high school teachers who teach courses that encourage students to consider teaching as a profession.
  - **(Page F-45, # 120) Teaching Fellows:** provides \$6 million in FY 2018-19 to establish a competitive forgivable loan program for students interested in entering teaching in STEM fields. Students may receive up to \$8,250 per year.

- **(Page F-41, # 99) Data Analytics:** provides \$1 million nonrecurring in the first year and \$1 million recurring and \$8 million nonrecurring in the second year to support a variety of data collection, modernization and integration projects.
- **(Page F-43, # 111) Western School of Medicine—Asheville:** provides \$3.6 million recurring and \$4.3 million nonrecurring in the first year and \$7.6 million recurring in the second year to support a joint program between UNC School of Medicine, other UNC system universities, and the Mountain Area Health Education center.

### **University of North Carolina System Special Provisions**

- **(Sec. 10.10, page 120)** Directs that **enrollment adjustment funding** for UNC shall be held in a reserve and distributed to campuses subject to verification of actual enrollment.
- **(Sec. 10.12, page 122)** **Allows senior citizens to audit courses** at the University of North Carolina or North Carolina Community Colleges for free, provided that they have permission from the instructor and there is space available in the course.
- **(Sec. 10A.3, page 129)** **Establishes the Teaching Fellows program**, a competitive forgivable loan program that will provide students interested in entering teaching in STEM or special education fields with up to \$8,250 per year. The loans may be used for tuition, fees, and the cost of books. Loans made to Teaching Fellows may be forgiven if the recipient, for each year of loans received, serves either one year in a North Carolina public school identified as low-performing or two years in a North Carolina public school that is not identified as low-performing.
- **(Sec. 10A.4, page 134)** **Establishes the Personal Education Savings Account (ESA) Program** for children with disabilities. Eligible students will receive up to \$9,000 for use by the student's parents on expenses such as: tuition and fees at a nonpublic school; textbooks; tutoring; fees for exams; educational therapies; educational technology and transportation. Eligible students with certain severe disabilities may combine an ESA award with the existing Children with Disabilities Scholarship of up to \$8,000.

## Health and Human Services

The Conference Budget for Health and Human Services in FY 2017-18 includes net appropriations of \$5.3 billion, which is \$232 million above the amount enacted for FY 2016-17. This is a 4.6% increase. FY 2018-19 includes net appropriations of \$5.4 billion, which is \$137.2 million above the amount in the Conference budget for FY 2017-18. This is a 2.6% increase. The highlights of the Health and Human Services adjustments follow below:

### Division of Central Management and Support

#### Committee Report Items

- **(Page G-7, Item 4) Reduces funding for contracts and purchased services on a department-wide basis by \$3.2 million R.**
- **(Page G-7, Item 6) Provides \$7.5 million recurring to double the grant funding for community health centers, rural health centers, free clinics, and other health safety net providers.**
- **(Page G-8, Item 9) Provides one-time funding of \$3 million to the Cape Fear Valley Medical Center** to offset actual lost Medicare payments for admissions to the Center prior to October 1, 2017, that are attributed to the Center's reclassification by the federal Centers for Medicare and Medicaid Services as a rural hospital or rural referral center or any other change approved by CMS.
- **(Page G-9, item 13) Provides funding for continued development of NC FAST** including the Child Welfare case management system. (\$8.9 in 2017-19 and \$11.9 in 2018-19 on a nonrecurring basis in both years)
- **((Page G-11, items 18 & 19) Supports the ongoing operation, development and enhancement of the Controlled Substances Reporting System** to automate reports, generate and deploy advanced analytics to improve prescribing practices and to identify unusual prescribing patterns. Provides funding for 6 positions, 4 in Central Management for operation and maintenance of the system and 2 in the Division of Mental Health, Developmental Disability and Substance Abuse Services for analytics. (\$1.8 million recurring each year of the biennium)

#### Special Provisions

- **(Page 154, Sec. 11A.8) Community Health Program Changes** –authorizes the use of State and federal funding to provide safety net health care providers ongoing training and technical assistance related to health information technology, electronic health records, and connecting to the State's health information exchange network.
- **(Page 158, Sec. 11A.14) Provides \$4.7 million** in the DHHS Competitive Grants for Boys and Girls Clubs, Big Brothers Big Sisters, and TROSA.

## Division of Aging and Adult Services

### Special Provisions

- **(Page 180, Sec. 11D.3) Recommendation to Appoint a Subcommittee on Aging** states that the cochairs for the Joint Legislative Oversight Committee on Health and Human Services may consider appointing a subcommittee on aging to examine the states delivery of services for older adults in order to (1) determine their needs and (2) make recommendations on how to address those needs.

## Division of Child Development and Early Education

### Committee Report Items

- **(Page G- 29, item 41) Provides \$9 million in FY 2017-18 and \$18.3 million in FY 2018-19 to reduce the Pre-K waitlist by 75% by FY 2018-19.** Funding is comprised of federal block grant funds and general fund appropriation. NC Pre-K slots will be increased by 1,725 in FY 2017-18 and 3,525 in FY 2018-19 over the number of FY 2016-17 slots. The total number of slots will be approximately 28,725 in FY 2017-18 and 30,525 in FY 2018-19. This will reduce the current waiting list of 4,700 by 75% by FY 2018-19. (Current number of NC Pre-K slots is 27,000)

NC Pre-K Conference Budget		
	2017-18	2018-19
Requirements	9,000,000	18,300,000
Receipts	6,000,000	12,200,000
Appropriation	3,000,000	6,100,000
Current Slots	27,000	27,000
New Slots	1,725	3,525
Total Slots	28,725	30,525
The waitlist for FY 2016-17 was 4,700. In FY 2018-19 the 3,525 slots is 75% of 4,700.		

- **(Page G-29, item 42) Child Care Subsidy market rate increase** provides \$13 million in FY 2017-18 and \$17 million in FY 2018-19 to increase the market rate effective October 1, 2017 for infants through 2 year olds in 3-, 4- and 5 star centers and homes in Tier 3 counties to the recommended market rate. Also effective October 1, 2017 the market rate is increased for school-aged children in 3-, 4- and 5 star centers and homes in Tier 1 and 2 counties to the recommended market rate.
- **(Page G-30, item 46) Smart Start Reading Initiative increases access to Dolly Parton's imagination Library** an early literacy program that mails age-appropriate

books to register children on a monthly basis. Once fully implemented access to the program will be statewide. (\$3.5 million in FY 2017-18 and \$7 million in FY 2018-19)

### Special Provisions

- **(Page 165, Sec. 11B.5) Child Care Allocation Formula** allows the Division Child Development and Early Education to withhold up to 2% of available funds from the allocation formula for preventing the termination of services and for repayment of any federal funds identified by counties as overpayments. The Division must allocate any funds withheld before the end of the fiscal year if the funds are not needed for these purposes. The Division must set aside 4% of the subsidy allocation for vulnerable populations which include special needs and homeless children. Counties with a spending coefficient above 100% must submit a plan for managing their allocation before receiving any reallocated funds.

### **Division of Social Services**

#### Committee Report Items

- **(Page G-38, item 53) Funds resources to implement the Child Welfare Federal Program Improvement Plan** required under the federal Child and Family Services Review. Provides \$8.7 million in FY 2017-18 and \$9.5 million for enhancements to the Child Welfare system including training for local child welfare workers and supervisors. Expands both In-Home and post permanency support services to improve the safety and outcomes of children involved in the Child Welfare system.
- **(G-38, item 54) Provides nonrecurring funding to implement the Family/Child Protection & Accountability Act** to reform the State child welfare system, improve State oversight, and develop a plan for the regionalization of county departments of social services. (\$161,439 in FY 2017-18 and \$3.2 million in FY 2018-19)
- **(G-38, item 55) Continues the provision of temporary assistance for facilities that serve special assistance recipients.** Counties and the State will each provide 50% of the funding. Facilities will receive \$34 per month for each resident who receives Special Assistance. (\$5 million nonrecurring in each year of the biennium)

### Special Provisions

- **(Page 243, Sec. 11L.1.k) Social Services Block Grant** provides \$3 million nonrecurring in each year of the biennium to assist counties in the implementation of the Child Welfare case management system in NC FAST.

## Division of Public Health

### Committee Report Items

- **(Page G-50, Item 81) Provides \$2 million R to expand Nurse Family Partnership Program** home visiting services.
- **(Page G-50, Item 82) Provides \$500,000 R to expand 2 smoking cessation programs:** Quitline NC and You Quit Two Quit.
- **(Page G-50, Item 83) Provides \$500,000 NR for tobacco prevention** activities targeted to youth and people of childbearing age.
- **(Page G-51, Item 84) Provides \$1 million R and \$2 million NR to address the structural budget deficit at the State Laboratory of Public Health.**
- **(Page G-51, Item 85) Provides \$600,000 for Hepatitis C** and other communicable disease testing.

### Special Provisions

- **(Page 183, Sec. 11E.6) Implement the Federal Elevated Blood Level Standard in North Carolina, lowers the level of lead detected in children and pregnant women** that requires immediate action to remove sources of lead from their environment. This action makes the State’s blood lead level consistent with the federal Centers for Disease Control and Prevention.
- **(Page 186, Sec. 11E.9) Use of Modified Adjusted Income (MAGI) for AIDS Drug Assistance Program** - Raises the income eligibility level for uninsured persons with AIDS/HIV to receive AIDS drug assistance
- **(Page 187, Sec. 11E.12) Every Week Counts Demonstration Project** – Authorizes and provides \$2.2 million in federal block grant funding to establish a 3-year demonstration project to reduce pre-term births and improve birth outcomes in Robeson and Columbus Counties. These counties have the highest number of preterm births in the State.

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

### Committee Report Items

- **(Page G-60, item 103) Behavioral health funding consolidates several changes** on a recurring and nonrecurring basis in both years of the biennium as reflected in total below:

	<b>FY 2017-18</b>	<b>FY 2018-19</b>
Recurring	(\$ 9.7) million	(\$ 1.9) million
Nonrecurring	(\$43.4) million	(\$44.6) million

The components of the changes are reflected below:

	<b>FY 2017-18</b>		<b>FY 2018-19</b>	
	Recurring	Nonrecurring	Recurring	Nonrecurring
Single stream	(\$31.5) M	(\$55.5) M	(\$36.0) M	(\$54.6) M
3-Way Beds	\$ 2.5 M		\$ 2.5 M	
Disability Rights Settlement	\$ 6.2 M	\$26 K	\$ 6.3 M	

DOJ Settlement	\$ 8.9 M	\$ 17.0 M	
Expand DD Slots	\$ 4.1 M	\$ 8.3 M	
Group Home Funding		\$5.0 M	\$5.0 M
Community SA		\$5.0 M	\$5.0 M
Case Management System		\$2.0 M	

- **(Page G-61, item 105) Provides nonrecurring funds for Broughton Hospital** of \$2.5 million in each year to fund potential litigation and other costs related to delays in hospital construction and other costs related to minor equipment to be installed during construction and transition to the new hospital.
- **(Page G-62, item 108) Drug overdose medication** provides recurring funding of \$100,000 to purchase opioid antagonists.

#### Special Provisions

- **(Page 191, Sec. 11F.2) Single Stream Funding** defines the reduction amount for each LME/MCO for both recurring and nonrecurring reductions. The provision directs the Secretary to provide any recommended changes in these amounts to the JLOC for Health and Human Services by March 1, 2018 and directs the Department to begin a quarterly financial review of all LME/MCOs to identify vulnerable LME/MCOs. LME/MCOs vulnerable to not meet the solvency standards that will be included in DHHS' s Behavioral Health Strategic Plan required by January 1, 2018 and at risk of failing within a 2-year period will require corrective action plans and monthly reporting. The first report to the JLOC for Health and Human Services identifying any LME/MCOs at risk of failing is required by 10/1/17.

The provision states it is the intent of the General Assembly that LME/MCOs maintain utilization at the same level as 2015.

The provision allows up to \$30 million nonrecurring to be restored in the event of a surplus in Medicaid spending.

- **(Page 195, Sec. 11F.4) Purchase Inpatient Alcohol and Substance Use Disorder Treatment Services** modifies the percentage requirement for LME/MCO purchase of ADATC beds from state operated facilities in FY 2017-18.
- **(Page 196, Sec. 11F.5) Purchase of psychiatric and facility based crisis beds with Dorothea Dix Property funds** in the amount of \$17M to increase inpatient behavioral health bed capacity for adults at 5 selected hospitals/centers and \$2M for competitive grants to establish up to two new facility-based crisis facilities for children and adolescents.
- **(Page 203, Sec. 11F.12) Study on Statewide Expansion of the Wright School** requires the Department to submit a report by March 1, 2018 of options and recommendation for feasibility, cost and obstacles to establishing additional facilities for the treatment to children, 20 ages six to 12, with serious emotional and behavioral disorders and (ii)

support their families 21 and communities in building the capacity to meet their children's special needs at home, at 22 school, and within their local communities.

- **(Page 205, Sec. 11F.14) Funds to Address North Carolinas Opioid Crisis** defines the use of the SAMHSA two year grant totaling \$30 million and reporting requirements for the use of the funds and outcomes on November 1<sup>st</sup> in 2018 and 2019.

**(Page 206, Sec. 11F.18A) Provides nonrecurring funding for Group Homes** in the amount of \$5 million each year to provide temporary, short-term financial assistance in the form of a monthly payment to group homes on behalf of each resident who meets all of the criteria defined in the provision.

## Division of Medical Assistance

### Committee Report Items

- **(Page G-89, item 131) Medicaid Rebase** increases base budget in both years of the biennium to reflect the impact of enrollment and utilization trends as reflected below:

	<b>FY 2017-18</b>	<b>FY 2018-19</b>
Recurring	\$66.7 million	\$177.4 million
Nonrecurring	(\$63.0) million	(\$ 64.8) million

- **(Page G-89, item 132) Reduces budget to reflect LME/MCO intergovernmental transfer** to fund an amount equal to the state share of the risk reserve payments totaling \$17.7 million in FY 2017-18 and \$18.0 million in FY 2018-19.
- **(Page G-89, item 134) Increase PCS Rates** effective 1/1/18 to and effective rate per hour of \$15.60 for a total cost in FY 2017-18 of \$1.3 million and in FY 2018-19 of \$2.7 million
- **(Page G-90, item 136) Graduate Medical Education** reimbursement funded at \$30 million nonrecurring in each year.
- **(Page G-90, item 137) Management Flexibility Reduction** of \$15 million nonrecurring in each year with the Department's authority.
- **(Page G-90, item 138) Retro authorization for personal care services** provides \$1.4 million in FY 2017-18 and \$1.5 million in FY 2018-19 to extend the clinical policy allowing retro authorization from 10 days to 30 days.

### Special Provisions

- **Page 216, Sec. 11H.14A) Plan to establish Medicaid coverage for ambulance transports to alternative appropriate care locations** directs the Department to develop a plan to implement coverage for ambulance transports for individuals in behavioral health crisis to alternative locations, such as behavioral crisis centers, rather than hospital emergency departments. The Department is to submit a report no later than 12/1/17 with details on the implementation plan.

- **(Page 218, Sec. 11H.19) Prepayment Claims Review Modifications** would allow DHHS to keep providers on prepayment review for up to 24 months (currently 12) and would require providers to submit a certain volume of claims during the review period in order to meet the standards for successful completion of the program. Clarifies certain aspects of provider terminations and appeals resulting from prepayment review.

**NC Health Choice**

Committee Report Items

- **(Page G-97, item 142) Adjusts the base budget to reflect spending target** in both years of the biennium as reflected below:

	<b>FY 2017-18</b>	<b>FY 2018-19</b>
Nonrecurring	(\$44.6) million	(\$46.9) million
Recurring	\$ 1.5 million	\$ 3.9 million

## NATURAL AND ECONOMIC RESOURCES COMMITTEE

Total Proposed Committee Spending for NER is \$587.6 m in FY 2017-18, which is \$45.7 m (8.4%) above the FY 2017-18 base budget, and \$549.9 m in FY 2018-19, which is \$8.0 m (1.5%) above the FY 2018-19 base budget.

### All Agencies

- Receive funds to pay for State Health Plan and Retirement System contribution increases.
- Provides a compensation increase of \$1,000 to most State employees in FY 2017-18.

### Agriculture

- Provides \$2.3m for firefighting equipment for the Forest Service (Pg. H 7, Item #6)
- Provides \$200k for hemlock restoration efforts (Pg. H 7, Item #7)
- Provides \$200k to keep the Linville River Nursery open (Pg. H 7, Item #8)
- Provides \$3.2m for the Mountain Island Educational State Forest (Pg. H 8, Item #9)
- Provides \$1.0m for international, domestic, and food-specific marketing (Pg. H 8, Items #10, 11, and 12)
- Provides \$900k for the Tobacco Trust Fund (Pg. H 9, Item #15)
- Provides \$2.0 m for the Agricultural Development and Farmland Preservation Trust Fund. \$25k of these funds are for a new Beehive Grant Program (Pg. H 9, Item #16)
- Provides \$250k to hire outside counsel to intervene in litigation over the Waters of the United States rule (Pg. H 10, Item #19; Sec. 12.2, Pg. 246)
- Provides \$125k for the Tyrrell County 4-H Club, \$83k for the Lenoir County Livestock Arena, and \$200k for the Cleveland County Fairgrounds (Pg. H 10, Item # 20)
- Allows the Forest Service to redirect overestimated disaster funds for wildfire relief to assist with disaster-related flooding of swine farms (Sec. 12.9, Pg. 248)

### Labor

- Provides \$200k R to support increased IT costs (Pg. H 22, Item #27)
- Provides \$500k R to increase Occupational Safety and Health salaries (Pg. H 22, Item #28)

### Environmental Quality

- Extends the Reorganization through Reduction program to generate recurring savings of over \$1m. (Pg. H 29, Item #32; Sec. 13.26, Pg. 259)
- Eliminates 1 FTE out of each of the 7 Regional Offices and budgets \$175k in receipts to help offset a recurring reduction to net appropriation of \$500k. (Pg. H 31, Item #40)
- Consolidates the Utility Savings Initiative from the Division of Environmental Assistance and Customer Service into the Energy Office and reduces the combined entity by \$200k and 2 FTE. (Pg. H 30, Item #36; Pg. H 31, Item #41; Sec. 13.26, Pg. 259).
- Directs DEQ to create a program to allow private landowners to remove their properties from the State's pre-regulatory hazardous waste program (Sec. 13.4, Pgs. 249-250)

- Supports the State's Oyster and Shellfish industries by providing funding for oyster sanctuaries and cultch planting (Pg. H 31, Items #43, #44)

### **Wildlife Resources Commission**

- Funds a director for the Outdoor Heritage Advisory Council (Pg. H 42, Item #56)
- Reduces net appropriation by approximately 4.4% (\$499k) in FY 2017-18 and 8.4% (\$950k) in FY 2018-19. (Pg. H 43, Item #57)
- Directs WRC to use funds available to repair the roof and stabilize the tower at Mattamuskeet Lodge (Sec. 13A.1, Pg. 259)
- Authorizes the Treasurer to invest WRC's endowment in a broader array of investments and reduces the requirement to spend 50% of the interest earned on the endowment to 25% (Sec. 13A.2, Pg. 260)

### **Commerce**

- Provides an additional \$39.0m for economic development
  - Provides \$15m in FY 2017-18 and \$31m in FY 2018-19 for the Film and Entertainment Grant (Pg. L 7, Item #7)
  - Provides \$8.5m for downtown revitalization and economic development grants across the State (Pg. H 53, Item #78, Sec. 15.8, Pg. 285-287)
  - Provides \$4.0m for tourism and business advertising (Pg. H 50-51, Items #64 & 65)
  - Provides \$1m to Main Street Solutions (Pg. H 54, Item # 79)
  - Provides \$3.0m for the Lift Fan Facility project at Cherry Point Marine Corps Air Station (Pg. H 53, Item #75)
  - Provides \$5.0m for the revitalization of a historic mill in the Town of Haw River (Pg. H 53, Item #76, Sec. 15.9A, Pg. 287)
  - Provides \$2.0m for the NC Ready Sites program supporting infrastructure development for large publically-controlled manufacturing sites (Pg. H 54, Item #80)
- Moves the Industrial Commission to the Department of Insurance and provides \$2.7m for a consolidated case management system and \$550k for legal counsel, both partially funded with over-realized receipts (Pg. H 51-52, Items #67, 69, and 70, Secs. 15.18, 15.19. and 15.19A, Pg. 295-296)
- Allocates CDBG funds for the 2017-19 biennium to Neighborhood Revitalization, Economic Development, Infrastructure, and Public Service (Sec. 15.1, Pg. 280)
- Moves the Apprenticeship program to the Community Colleges (Pg. H 54, Item #81, Sec. 15.13, Pgs. 289-294)

### **Commerce State Aid**

- Provides a \$200k recurring increase to High Point Market Authority (Pg. H 68, Item #82)
- Provides \$2.5m NR to the Carolina Small Business Fund (Pg. H 68, Item #84)
- Provides \$1.4m NR to various other initiatives (Pgs. H 68-71)

## **Natural and Cultural Resources**

- Increases funding for all DNCR grant programs and provides specific grants to various communities and nonprofits across the State.
- Provides funds to ensure compliance with credit card security standards (\$200k R, Pg. H 78, Item #99);
- Increases operating support for:
  - The Museum of Art and Art Park (\$2.1m R/ \$250k NR, Pg. H 79, Item #104);
  - The Museum of History and the Maritime Museums (\$291k R/\$135k NR Pg. H 80, Items #105-108)
  - NC Symphony (\$350k, Pg. H 82, Item #116)
  - Historic sites maintenance funds (\$250k R & 4 FTE, Pg. H 85, Item #126)

## Justice and Public Safety Committee

The proposed JPS conference budget provides an additional \$78.1 million in the first year of the biennium and \$102.7 million in the second year of the biennium for the State's criminal justice agencies.

### Department of Public Safety (DPS)

- **Budget Realignment.** Realigns vacant positions to fund high-priority items: **\$4.1 million** (various items).
- **Samarcand Operating.** Provides operating funds for Phase II of the Samarcand Training Academy: **\$2.3 million and 6 FTE** (I-11, #8).  
  
**State Bureau of Investigation.** Provides funds for special investigative purposes and equipment and surveillance tools: **\$1.5 million** (I-13-14, #19-20).
- **Female Confinement in Response to Violation (CRV) Facility.** Provides a 200-bed female CRV facility in Buncombe County at the Swannanoa Correctional Center. The Department will reallocate positions to staff the facility: **\$1.2 million** (I-15, #26).

### Department of Justice (DOJ)

**Management Flexibility Reduction.** Reduces the Administrative and Legal Services budgets: **\$10 million** (I-23, #36)

- **State Crime Lab Positions.** Transfers 8 receipt-supported positions to General Fund support to improve efficiency in the lab and provide more stable funding: **\$550,989** (I-24, #43).
- **Forensic Sciences Act.** Provides recurring funding to support the requirements of the Forensic Sciences Act of 2011: **\$345,673** (I-24-25, #44-47).
- **State Crime Lab Equipment.** Provides funding for the Crime Lab to purchase or lease equipment: **\$1.7 million** (I-25, #48)

### Judicial Branch

- **Deputy Clerks.** Provides 96 additional deputy clerks positions: **\$4.7 million** (I-40, #65).
- **Assistant District Attorneys.** Provides 31 new assistant district attorney positions. **\$2.2 million** (I-41, #68).

**Special Provisions:**

- Section 16.6 (page 300): expands the allowable uses of the Victims’ Compensation Fund to provide grief counseling for immediate family members.
- Section 16D.4 (page 314): raises the age of juvenile jurisdiction to include 16-and-17-year-olds who commit misdemeanors and Class H and Class I felonies, effective December 1, 2019. The provision also creates an Advisory Committee to develop detailed cost estimates and implementation plans for the new policy, including a study of specific criminal offenses and recommendations for their possible exclusion from the juvenile system.”
- Section 18B.6 (page 340): requires judges to notify all government entities that would receive funds before granting waivers for fines or court costs.
- Section 18B.9 (page 340): allocates the 31 new assistant district attorney positions and eliminates District 9A, effective January 1, 2019. Person County is added to District 9 (Franklin, Granville, Vance, and Warren) and Caswell is added to District 17A (Rockingham). The provision also renumbers the prosecutorial districts from
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## **General Government Committee**

The proposed budget for General Government agencies is \$406M for FY 2017-18 and \$415 M for FY 2018-19. This is a 6% increase over the base budget for the first year and 8% increase in the second year of the biennium. \*\*\*Main areas of increase include the Workforce Housing Loan Program, salaries and benefits increases, and the transfer of Industrial Commission from Department of Commerce to the Department of Insurance.

### **Committee Report - Specific Items (excluding compensation and benefits items)**

#### **Department of State Treasurer**

J-7, #4 Vacant Positions – Eliminates positions vacant for over 630 days; the amount of savings to be generated will total \$253,874 Recurring (R).

J-7, #5 Rent – Provides additional receipt funds of \$169,000 to fully fund the increased rent escalation.

J-7, #6 Core Banking System – Makes current one-time funding recurring to fund the contract in place for the State’s Core Banking system and operations; the amount appropriated is \$450,000 R.

J-7, #7 Accounting Positions – Adds two accountants to support accounting and financial reporting for Department of State Treasurer; this is receipt supported through cost allocation to other divisions’ receipts. Total for positions is \$270,000 recurring annually and \$6,000 nonrecurring (NR) for FY 2017-18.

J-8, #8 Internal Auditor Positions – Creates through receipt-support two additional advanced auditor positions for \$161,096 recurring annually and \$6,000 nonrecurring

J-8, #9 Investment Position Funding – Correctly aligns the budget for Investment Division positions to receipts and adjusts appropriations by the amount of \$5,688,712.

J-8, #10 Information Technology - Local Government Training Assistance Program – Will provide a uniform accounting system for local governments. The amount is \$600k NR each year of the biennium.

J-8, #11 Orbit Update and Support – Provides receipt-support for IT costs and creates one FTE for management of the Orbit Retirement System. The salary and benefits total \$127,500 and \$431,000 for FY 2017-18 and \$475,000 for FY 2018-19 for Orbit system enhancements.

## **State Treasurer – Retirement and Benefits**

J-15, #12&13 National Guard Pension and Firefighters’ and Rescue Squad Workers’ Pension Fund – Increases the State’s contribution to these funds to match the actuarially determined contribution level for FY 2017-18 and FY 2018-19.

J-15 , #14 Adds Esophageal cancer to the list of covered diseases eligible for line of duty death benefits. The amount is \$216,500 in each year of the biennium.

## **Department of Military and Veterans Affairs**

J-21, #18 Military Presence Stabilization Fund – Provides additional funds to assist communities in investment efforts to sustain and maintain NC’s military programs and activities. The amount is \$2,000,000 for FY 2017-18.

J-22, #19 Grants-in-aid to the following organizations: Honor the Warriors \$100k, Duplin County Veterans Memorial Museum \$40k, and Vietnam Veterans of America, Chapter #990 \$126k

J-22, #20 High Country Chapter of Military Officers Association of America – Provides \$50k to construct a memorial in Watauga County.

J-22, #21 Scholarships for Children of War Veterans – provides \$536,443 recurring to increase the scholarship allowance for children of veterans.

J-22, #22 Veterans’ Memorial – Provides \$250k for the construction of pavilion in Broadway, NC.

## **Department of Insurance**

J-28, #26 Lease - Increase Provides additional funds for the lease increase for the renovated Albemarle Building; DOI staff have already moved in. The lease increase amount is \$480,959.

J-29, #27 Captives Insurance Positions - Provides funding for 3 positions within the Captives insurance regulation section of Department of Insurance. The amount for each year is \$309,292 and \$8,000 nonrecurring in FY 2017-18.

J-29 , #28 Vacant Position Eliminations - Reduces funds and eliminates 2 vacant positions; these positions have been vacant for over 200 days. This generates a savings of \$121,341 annually.

J-29, #29 Travel - Reduces the amount of funds available for travel by \$405,525 annually; this amount aligns the budget closer to actuals spent.

J-29, #30 – Position Funding Elimination – Eliminates the transfer of funds from DOI to DOA for positions within DOA’s State Construction Office. These funds will now be paid by General Fund support. The reduction amount is \$193,138 recurring.

J-30, #31 – Fire Inspectors – Provides funds for 3 new fire department inspector positions, totaling \$240,375 recurring and \$75,000 nonrecurring in the first year for startup costs.

J-30, #32 – Aid to Fire Departments – Continues the receipt-funding on a recurring basis for fire protection of the Department of Transportation buildings across the State. The total transfer amount is \$158,000.

J-30, #33 – Fire Investigators – Provides funds for 2 FTEs within the Office of State Fire Marshal to investigate suspicious fires. The amount appropriated is \$135,298 and \$12k start up in the first year.

J-30, #34 - Fraud Investigator Positions - Provides additional funds for up to 30 sworn officers to investigate insurance fraud. The amount available for all positions and operations is \$2,391,240 in FY 2017-18 and \$2,461,240 in FY 2018-19.

J-31, #35 – Industrial Commission – Transfers the Industrial Commission from the Department of Commerce to the Department of Insurance. The budget transferred totals \$5,392,123 in FY 2017-18 and \$4,495,123 in FY 2018-19 and 52.24 FTE’s.

### **J-32 Department of Insurance – Special Funds Page**

Eliminates the transfer of funds from DOI to Department of Administration to pay for 6 FTEs within the Office of State Construction.

### **State Board of Elections**

J-40, #39 Vacant Position Eliminations – Eliminates 3 FTEs that have been vacant for over 540 days. The amount of savings is \$187,384, annually.

J-40, #40 Business Applications Analyst – Converts a temporary position to permanent status and appropriates \$70,000 recurring annually.

### **North Carolina General Assembly**

J-47 #45 Security Team - Provides receipt funds for the Administration Division for a security team to implement new security measures. The amount is \$325k.

J-47, #46 Replacement Furniture – Provides \$998,912 for replacement of timeworn furniture for the offices, committee rooms, and public spaces with the Legislative Building and Legislative Office Building.

J-47, #47 Permanent Position Funding Provides \$1.7 million in receipts to fix a structural budget problem regarding positions that had been moved from temporary to permanent.

J-47, #48 Measurability Assessment and Efficiency Study – Provides funds to the Program Evaluation Division to contract for a study of efficiency of the Department of Administration; PED will coordinate with the State Auditor’s office to identify specific programs to review. The amount of funds available for this study is \$150,000.

#### **J-48, General Assembly Special Funds Page**

Transfers funds from the special reserve account to the operating budget of NCGA to pay for items outlined in the report (security team and permanent positions)

#### **Office of the Governor**

J-55, #52 Administrative Reduction – Reduces the Governor’s budget \$979,205 on a recurring basis; the reduction is taken to Administration Fund Code 1110.

J-56, #53 Southern Legislative Conference Dues – Provides funds for subscription dues for two years of Southern Legislative Conference dues. The total is \$456,442 in FY 2017-18 only.

Office of the Governor Special Projects

J-62, #54 Transfers the Education and Workforce Grant Program of \$2M from the Office of the Governor to the Department of Public Instruction for management and oversight.

#### **Office of State Budget and Management**

J-68, #58 Results First Framework – Provides \$100,000 R for OSBM to work with the Pew-MacArthur Results First Framework Initiative to implement an evidence-based policy making model for developing policy and budget decisions.

#### **J-70, OSBM – Dorothea Dix Special Funds (corresponds with decisions within Department of Health and Human Services budget)**

Transfers funds from the Dorothea Dix Land Proceeds to the Department of Health and Human Services for start-up costs (renovation or construction) to establish new child facility-based crisis centers. Funds will be awarded on a competitive basis, and will be available across 2 years. \$2 million nonrecurring (NR).

Transfers funds from the Dorothea Dix Land Proceeds to the Department of Health and Human Services for the purpose of expanding inpatient in rural areas near counties with limited inpatient

capacity relative to their needs through constructing new beds or renovating existing beds to form new inpatient psychiatric units. \$17 million nonrecurring (NR).

### **Office of State Budget and Management – Special**

J 77, #59 - #76 Provides \$6,845,000 (NR) in grants-in-aid to local community efforts and projects.

### **Department of Revenue**

J-87, #80 Elimination of 5 positions vacant over 5 months for a savings of \$195,750 Recurring (R).

### **J-88 & J-90 DOR Special Funds Pages**

- Reduces the Project Collect Tax special fund budget by \$1.75 million (R) for operating and maintenance of the E-services project (which is funded in the ITAS Replacement special fund) due to a change in project scope. ITAS Replacement fund is reduced by \$1.75 million to reflect this change.
- Provides funds to DOR from the Collections Assistance Fee (CAF) and from Integrated Tax Administration System (ITAS) Replacement to support a new tax collection system (\$20 million nonrecurring) as well as other information technology operations and maintenance upgrades to tax systems.

### **Office of the State Controller**

J-97, #84 Administrative Reduction - Increases receipts from the Federal Income Contribution Act (FICA) Special Fund and reduces General Funds available for the Controller's Office by \$2.7 in FY 2017-18 and \$734,642 in FY 2018-19.

J-98, #85 Lease Reduction – Reduces the funds available for leased space from renegotiating of a 10 year contract. \$266,029 R and \$182,996NR.

J-98, #86 Information Technology Service Contracts - Provides additional funds for service contracts including the North Carolina Accounting System, Cash Management System, HR Payroll System and others that support OSC's responsibilities. \$382,404 recurring (R).

**J-99, OCS Special Funds Page** – Corresponds to the OSC operations reduction item; using FICA receipts.

### **Office of Administrative Hearings**

J-106, #90 Office Renovation - Provides \$50,000 (NR) to renovate space within Office of Administrative Hearings to accommodate the transfer of Human Relations Commission staff.

J-107, #91 Position Addition - Adds 1 Civil Rights Investigator to the Civil Rights Division along with start-up funds effective January 1, 2018. Salary and benefits of \$43,626 recurring (R) and \$1,076 start-up costs nonrecurring (NR) in FY 2017-18. Recurring costs of \$87,251 in FY 2018-19.

J-107, #92 HRC Transfer - Transfers all funding and positions (5.29 FTEs) for the Human Relations Commission from the Department of Administration to the Office of Administrative Hearings Civil Rights Division as a Type 1 transfer. \$418,135 recurring (R).

J-107, #93 Medicaid Administrative Law Judge - Provides an additional \$3,618 in funding from the Department of Health and Human Service for an upgrade of an Attorney II position to a newly designated Medicaid Administrative Law Judge. This position is receipt supported.

### **Department of Administration**

J-113, #97-99 Human Relations Commission - Transfers the Human Relations Commission to Office of Administrative Hearing (OAH) and eliminates the Director's position. The staff will report to the head of the Civil Rights Division at OAH. Also eliminates the vacant Administrative Assistant position, which has been vacant over 6 months.

J-114, #100 Provides grants-in-aid to the following organizations: Onslow Women's Center (\$125,000), Ruth's House (\$100,000), and NC Coalition against Sexual Trauma (\$300,000)

J-114, #101 Provides a grant-in-aid to the Lumbee Cultural Center for \$100,000.

J-115, #102 Vacant Position Eliminations – eliminates 3 positions which had been vacant over 6 months.

J-115, #103 Position Funding Realignment - Shifts funding for 2.94 FTE from receipt-support to General Fund appropriations

J-115, #104 Measurability Assessment and Efficiency Study - Provides \$50,000 for a measurability assessment and efficiency study to be conducted by the Program Evaluation Division.

J-116, #105 State Construction Position Funding Realignment – Provides funds to shift 8 FTE in State Construction from receipt-support to General Fund dollars. These positions were previously paid for by the Department of Insurance.

### **Ethics Commission**

J-116, #106 Electronic System Maintenance - Provides additional \$20,000 needed for ongoing operations and maintenance of the new electronic Statement of Economic Interest and ethics education system.

## **Housing Finance Agency**

J-122, #107 Workforce Housing Loan Program - Provides \$16.1 million from the Moody's settlement and an additional \$3.9 M of General Fund appropriations for a total of \$20 million for the Workforce Housing Loan Program in FY 2017-18 and \$20 million in General Fund appropriations for FY 2018-19.

J-123, Special Fund Page - Community Living Housing Fund - Appropriates \$4.2 million to the Community Living Housing Fund to help increase access to community-based housing for individuals with disabilities.

## **Lieutenant Governor**

J-130, #111 Supplies and Equipment - Provides nonrecurring funding for office supplies and equipment (\$30,000).

J-131, #112 Administrative Assistant Position - Creates a new Administrative Assistant position for the office.

## **Secretary of State**

J-137, #116 Call Center Temporary Positions - Provides \$100,000 recurring for temporary positions in the Corporations Division call center.

J-138, #117 Reduces agency's the travel budget by \$67,649 recurring.

## **Auditor**

J-144, #121 Subject Matter Experts - Provides \$200,000 nonrecurring for FY 2017-18 for the State Auditor to pay for subject matter experts.

## **Special Provisions**

Section 19.1 Military Affairs Commission (MAC)/Military Presence Stabilization – Makes it clear that the MAC is an independent Commission of the Department of Military and Veterans Affairs, but that the DMVA will provide staff support as required by the MAC. Additionally, there's broad direction for use of the Military Presence Stabilization Fund. This allows the Fund to be used for grants to local communities (up to \$225k), reimbursement for service of MAC members, economic impact analyses, and other innovative measures that increase the military value of installations in North Carolina.

Section 19.2 Scholarships for Children of War Veterans – further defines veterans in terms of qualifying for scholarships. Additionally, this special provision specifies that the additional money appropriated for scholarships will be used to increase room & board allowances.

Section 20.1 OAH/Lawsuit Funds – Transfers \$50,000 from Department of Public Instruction to the Office of Administrative Hearings for the Rules Review Commission. The funds will be used to pay for outside legal counsel regarding the lawsuit of State Board of Education v. The State of NC and Rules Review Commission.

Section 21.1, Line-of-Duty Death Benefits - Adds Esophageal cancer to the list of eligible diseases for benefits of the Line-of-Duty Death Benefits.

Section 22.1, Insurance Regulatory Charge – Keeps the rate used in calculating the insurance regulatory fee at 6.5% for the 2018 calendar year.

Section 22.2, Ends Support of DOA Positions - Repeals a session law requiring the Department of Insurance to send money to Department of Administration to support positions within the Office of State Construction. Those funds are now appropriated in the money report to cover 8 positions.

Section 22.3, Increases Eligible Professionals - Allows a board certified behavior analyst to provide various treatments prescribed by a licensed physician or licensed psychologist.

Section 22.4, DOI to Investigate Arson - Allows the Office of State Fire Marshal to work with State Bureau of Investigation to investigate suspicious fires.

Section 22.5, Study health insurance high risk pools – Requires DOI to study the option of reinstating a high risk pool in the event the ACA is discontinued. DOI shall report to the Joint Legislative Commission on Governmental Operations by March 1, 2018.

Section 24.1 PED Study/Measurability Assessment of Department of Administration (DOA) – Directs PED to conduct a Measurability Assessment and an efficiency assessment of DOA by working with Office of State Auditor to assist identifying potential programs/services for evaluation. PED will report its findings to the General Government Oversight Committee by March 30<sup>th</sup>.

Section 24.3, LRC Study - Directs the Legislative Research Commission to study the process of rates and fee setting, accounting controls, etc. of local government units and report of possible law changes, etc. that may be needed to help local governments.

Section 24.4, Establishes the Joint Select Committee on Judicial funding, to review specifically the impact of SB 365 and SB 366 and report to the General Assembly by March 1, 2018.

Section 26.1, Modifications to previous OSBM special appropriations.

Section 26.2, Symphony Challenge Grant – Requires the NC Symphony to raise and match funds that the NCGA has appropriated. The special provision outlines the amounts to be raised in order to receive the entire \$2 million.

Section 26.3, Results First – This directs Office of State Budget and Management to begin work on the Pew-McArthur Results First Initiative. In addition, OSBM receives \$100k in the budget to assist with the work.

Section 26.4, Directs Office of State Budget and Management to build the funds in the base budget for Department of Administration for FY 2019-21, the positions that have been shifted from Department of Insurance funding to General Funds.

Section 26.5, Directs Office of State Budget and Management to build into the base budget those positions and recurring costs of now permanent positions for the North Carolina General Assembly's budget.

Section 26.6, Requires the Carolina Ballet to raise and match funds that the NCGA has appropriated. The special provision outlines the amounts to be raised in order to receive the entire \$100,000 (NR).

Section 26.7, Directs OSBM to not increase, through any means, the Governor Office's budget above funding levels appropriated by the General Assembly during the 2017-19 fiscal biennium.

Section 28.1 Workforce Housing Loan Program Established – Codifies the Workforce Housing Loan Program, which was established in FY 2014-15. Also changes the income caps to the following: \$2 million in a low income county, \$1.5 million in a moderate income county, and leaves the high income county cap at \$250,000.

Section 31.1 Transfer the Human Relations Commission – Effectuates the Type I transfer of the Human Relations Commission from the Department of Administration to the Civil Rights Division within the Office of Administrative Hearings.

Section 31.2 Council for Women/Domestic Violence Grants – Requires that the grant applications to grantees be send within 10 business days of the certified budget. Also directs the Council for Women to report on the quarterly grant disbursements to the Chairs of the General Government Appropriations Committee. In addition, it directs the Department of Information

Technology to review the grants management process in the Council for Women and report on online grant management options.

Section 31.3 DOA/Cost to Agencies to Maintain and Operate Motor Fleet - Allows the Motor Fleet division to make changes to the current fee structure to help capture the true cost of ownership of cars in the fleet beginning January 1, 2018. The Motor Fleet fund shall subsidize part of the fee charged to agencies for the calendar year, with full implementation beginning January 1, 2019. Any unexpended General Fund dollars from the Department of Administration are to be transferred to the Motor Fleet fund at the end of FY 2017-18 to help cover the subsidization. The Motor Fleet division is directed to work with participating agencies to help right-size their motor fleet prior to full implementation of the new fee. The Office of State Budget and Management is directed to build the increased cost to agencies (if applicable) into the base budget for the FY 2019-21 biennium.

Section 31.4 DOA Allocate or Lease Office Space for Bipartisan State Board of Elections and Ethics Enforcement – Directs DOA to allocate office space for the new Bipartisan State Board of Elections no later than August 1, 2017. No later than September 1, 2017, the staff shall be completely housed in the newly identified location. Office space may be found within a current State-owned or leased through a private entity.

Section 32.1, Allows Department of Revenue to conduct finger-print background checks.

Section 32.2, DOR Tax Fraud Analytics – Directs how the \$4.4 million appropriated for tax, fraud and analytics will be spent.

Section 33.1 Receipts generated by the collection of inadvertent overpayments by State agencies are deposited in the Overpayments Audit Special Reserve Fund. This provision allows the State Controller’s Office to utilize up to \$500,000 from this account in each year of the biennium for data processing, debt collection or e-commerce costs.

## Transportation Committee

### Revenue Forecast

- Combined projected revenue is up relative to the FY 2016-17 budget by 9% in FY 2017-18 and by 11.8% in FY 2018-19.
- The increased revenue is due to:
  - Increased consumption of diesel and gasoline. The economic recovery is driving consumption higher in both fiscal years, offsetting losses due to fuel efficient and electric vehicles.
  - Increased highway use tax revenues associated with new and used car sales.
- Relative to the FY 2016-17 budget:
  - Highway Fund *revenues* are up 6.4% in FY 2017-18 and up 9.2% in FY 2018-19. The Highway Fund budget increases \$130.2 million in FY 2017-18 and \$188.9 million in FY 2018-19;
  - Highway Trust Fund *revenues* are up 13% in FY 2017-18 and up 15.8% in FY 2018-19. The Highway Trust Fund budget increases \$177.5 million in FY 2017-18 and \$216.2 million in FY 2018-19.

### Money

- The maintenance budget increases \$63.9 million in FY 2017-18 and \$103.8 million in FY 2018-19.
  - Increases funding to general maintenance activities by \$5.4 million in FY 2017-18 and \$35.2 million in FY 2018-19.
  - Provides \$30 million to address the 185 deficient bridges costing between \$20 million and \$300 million and \$8 million to fully fund the Legislature's intent to reduce the number of structurally deficient bridges to 10% of the bridge inventory by 2030.
  - Earmarks funds for bridge preservation activities to extend bridge life and to reduce the number of bridges becoming deficient. (\$80 million in FY 2017-18 and \$85 million in FY 2018-19)
  - Fully funds the Roadside Environmental Unit to fund vegetation management, mowing, litter removal, beautification efforts, and rest areas. (\$104 million R)
  - Increases funding for pavement preservation enabling DOT to reduce future maintenance requirements. (\$15 million in each year of the biennium)
  - Increases funds for contract resurfacing. (\$5 million in FY 2017-18 and \$15 million in FY 2018-19)
- Provides \$40 million in FY 2017-18 and \$75 million in FY 2018-19 to fund capital improvement projects at the State's 10 commercial airports in order to increase their economic competitiveness.
- Provides \$6.2 million in FY 2017-18 for general aviation airports.

- Provides an additional \$10 million recurring to the North Carolina State Ports Authority for the modernization of the Wilmington and Morehead City seaports.
- Recovers \$1.87 million in FY 2017-18 and \$3.73 million in FY 2018-19 in costs incurred by DMV for the administration and operation of hearings by instructing DMV to continue with hearing fees implementation.
- Eliminates the 14,000+ Medical Review backlog in 9 months by converting 6 temporary positions to permanent positions and eliminating 5 temporary positions, producing a savings of \$1.3 million over the biennium.
- Provides \$1.3 million over the biennium to the Global TransPark to fund marketing and renovation efforts.
- Provides \$3 million in FY 2017-18 to the Ferry Division to upgrade the ramps and gantries at the Southport and Fort Fisher terminals.
- Converts 46 temporary Ferry Field positions to permanent positions, which eliminates the need for 12 temporary Ferry Field positions.
- The Strategic Transportation Investments fund is increased by \$139.7 million in FY 2017-18 and \$180.5 million in FY 2018-19.

**Provisions:**

- **SEC. 34.1: CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATIONS** – (Boilerplate provision) Includes cash flow estimates for FY 2019-20 through FY 2022-23 and a directive for a joint 10-year forecast.
- **SEC. 34.2: CONTINGENCY FUNDS** - (Boilerplate provision) Appropriates \$12 million to the Contingency Fund (split 3 ways between Governor/House/Senate).
- **SEC. 34.3: REPAIRS AND RENOVATIONS** – Funds multiple R&R projects, such as roof repairs and replacements and HVAC repairs and upgrades, totaling \$5.1 million in FY 2017-18 and \$5.4 million in FY 2018-19.
- **SEC. 34.4: DOT/FUNDING FOR ANALYTICS SERVICES** - Authorizes DOT to use up to \$2 million in existing funds for data analytics.
- **SEC. 34.4A: DOT/CONSULTATION ON TRANSPORTATION PROJECTS WITH AFFECTED UTILITY PROVIDERS** - Requires DOT to consult with utility providers during the planning phase of utility relocations.
- **SEC. 34.5: DOT PROPERTY ACQUISITIONS/APPRAISAL WAIVER VALUATION** - Authorizes DOT to prepare an appraisal waiver valuation rather than seek an appraisal on properties valued under \$40,000 and encourages the use of this process for all properties

valued under \$10,000.

- **SEC. 34.6: ESTABLISHMENT OF ADVANCE RIGHT-OF-WAY ACQUISITION ACCOUNT** - Authorizes the creation of an advance ROW acquisition fund to purchase ROW for hardship situations or for protective purchases. The property must be located in a multi-stage project in which sections are included and excluded in the current STIP. Up to \$25 million may be transferred to the account from the HTF credit reserve.
- **SEC. 34.6A: ROAD IMPROVEMENTS ADJACENT TO SCHOOLS** - Requires school districts to be reimbursed by DOT for State-maintained road improvements and by cities to pay for city-maintained road improvements. This provision authorizes schools to hire an independent traffic engineer to evaluate and recommend changes on off-campus road improvement needs for new, relocated, or expanded schools. This provision also limits the ability of cities to require street improvements that are more stringent than required by DOT. This provision also requires DOT and DPI to report on school road needs in the last two years and needs for new schools for the next three years.
- **SEC. 34.7: USE OF FUNDS IN MOBILITY/MODERNIZATION FUND** - Establishes a new fund.
  - \$24M - Mobility/Modernization projects that are high-impact and low-cost. Split evenly between 14 Highway divisions - \$1.7M each.
  - \$20M - SPOT Mobility projects - new prioritization process for small projects that relieve congestion. Gives preferential treatment to projects that improve school access.
  - \$6M - Funds for economic development, small construction projects, and industrial access projects. Small construction projects are approved by the Secretary of Transportation.
- **SEC. 34.7A: DOT/DISPOSITION OF SETTLEMENT FUNDS** - Authorizes DOT to expend funds recovered through a legal settlement.
- **SEC. 34.8: RURAL PROJECT DEVELOPMENT**- Establishes a new Corridor Development Unit fully funded with federal funds or funded by the reclassification of vacant positions. This unit acts as the main contact for planning organizations (PO) to help the POs develop transportation projects in rural areas. Provides matching grant funds to POs for assistance in developing performance-based planning documents. The State provides a:
  - 75% match for POs with at least 1 Tier 1 county (16 RPOS/2 MPOs)
  - 50% match for POs with no Tier 1 counties but at least 1 Tier 2 county (1 RPO/12 MPOs)

- 0% match for POs with no Tier 1 or Tier 2 counties (6 MPOs)
- SEC. 34.9: EXPAND USE OF PAVEMENT PRESERVATION PROGRAM FUNDS - Authorizes the use of Pavement Preservation funds for pavement markers and markings.
- SEC. 34.10: CODIFY BRIDGE PROGRAM LAW - Codifies the Bridge Program.
- SEC. 34.11: HIGHWAY MAINTENANCE IMPROVEMENT PROGRAM/REVISE PERIODS AND CONSOLIDATE WITH OTHER IMPROVEMENT PROGRAMS - Consolidates the HMIP (highway maintenance), BMIP (Bridge Maintenance) and the GMIP (General Maintenance) into one report by 2020.
- SEC. 34.12: REVISE CONTENT OF TRANSPORTATION IMPROVEMENT PROGRAM SCHEDULE - Eliminates the "Accomplishments Report" included in the STIP.
- SEC. 34.12C: DOT/FUNDING FOR PRELIMINARY ENGINEERING - Allows local governments to fund some preliminary engineering for projects removed from the STIP. Funds will be repaid once the project is programmed and preliminary engineering would have commenced.
- SEC. 34.13): DOT/OUTSOURCING AND PROJECT DELIVERY REPORTS - Amends the Outsourcing Report to require DOT to report by Highway Division and requires DOT to track the progress of STIP projects by Highway Division and report delays. The report requires a JLTOC consultation when a Division Engineer underperforms.
- SEC. 34.14: BOARD OF TRANSPORTATION/STUDY FEE STRUCTURE FOR SERVICES PERFORMED BY THE HIGHWAY DIVISION - Requires DOT to study the implementation or increase of highway fees, such as driveway permits or logo signs, to fully support DOT costs.
- SEC. 34.15: ALIGN DOT'S PROGRAM FOR PARTICIPATION BY DISADVANTAGED MINORITY-OWNED AND WOMEN-OWNED BUSINESSES WITH FEDERAL LAW - Directs DOT to develop a plan to conform the State program to the federal program, collapsing the minority-owned and women-owned program into one disadvantaged business program and extends the State program for 5 years.
- SEC. 34.16: "DOT REPORT" PROGRAM REVISIONS - Changes the reporting requirements for the DOT REPORT program to include the Appropriation Committees.

- SEC. 34.16A: DOT/CLOSE STATE INFRASTRUCTURE BANK - Prohibits the State Infrastructure Bank from issuing new loans, eliminates the State Infrastructure Bank after the repayment of outstanding loans, and transfers the remaining balance upon closure to the Highway Fund credit reserve.
- SEC. 34.17: STATE AID TO MUNICIPALITIES/NO FUNDS IF MUNICIPALITY FAILS TO FILE STATEMENT AND STUDY HOW TO ACCOUNT FOR SEASONAL POPULATION SHIFTS - Municipalities that do not file the expenditure of funds report by the date of payment transfer on November 1 or January 1 may not receive funds during the fiscal year in which the report is due. The provision prohibits the use of funds for sidewalks that have obstructions such as mailboxes, utility poles, or fire hydrants and requires DOT to study incorporating seasonal populations in its formula.
- SEC. 34.17A: DOT/DEFEND, INDEMNIFY, AND HOLD HARMLESS THE CITY OF WILMINGTON FROM LIABILITY FOR MAP ACT CLAIMS -Authorizes DOT to defend the city and pay settlement claims related to the Military Cutoff Road corridor protection map.
- SEC. 34.18: EXTEND MORATORIUM ON NEW MAPS UNDER THE MAP ACT - Extends the moratorium that prohibits the filing of new corridor maps by one year.
- SEC. 34.18A: DOT/INCREASE CONSOLIDATION AND COORDINATION OF PUBLIC TRANSPORTATION SYSTEMS - Requires DOT to develop and administer funds to qualifying public transportation systems as an incentive to consolidate and coordinate with other public transportation systems in order to maximize resources, gain efficiencies, and increase access to public transportation.
- SEC. 34.19: FUNDING FOR AIRPORT IMPROVEMENTS AND DEBT SERVICE - Provides funding to the State's 10 commercial airports for capital improvement projects and/or debt service \$40 million in FY 2017-18 and \$75 million in FY 2018-19.
- SEC. 34.20: REQUIRE USE OF OUTSIDE VENDOR TO SELL SIKORSKY HELICOPTER - Instructs the Division of Aviation to contract with an outside vendor to sell the Sikorsky S-76C. The Division was instructed to sell the helicopter as expeditiously as possible in 2014.
- SEC. 34.21: REVISE USE OF TAXES COLLECTED ON AVIATION GASOLINE AND JET FUEL - Requires the net proceeds from aviation gasoline tax be used to fund capital improvement projects for the State's general aviation airports.

- SEC. 34.21A: AVIATION/TECHNICAL CORRECTION - Amends G.S. 63-47 to replace references to the Civil Aeronautics Administration with the Federal Aviation Administration.
- SEC. 34.21B: DIVISION OF AVIATION/ITRE FUNDS - Authorizes the Division of Aviation to allocate \$1 million nonrecurring in FY 2017-18 from existing funds to the Institute for Transportation Research and Education at North Carolina State University for analyzing Localized Unmanned Aircraft Systems Traffic Management Solutions.
- SEC. 34.22: ANNUAL REPORT/PROGRESS OF PROJECTS IDENTIFIED IN PLANS FUNDED FROM BICYCLE AND PEDESTRIAN PLANNING GRANT FUND - Requires DOT's Bicycle and Pedestrian Division to submit an annual report on the progress of bicycle or pedestrian projects identified in plans developed through receipt of State funding.
- SEC. 34.23: RAIL DIVISION/FIVE-YEAR SPENDING PLAN FOR FRRCSI - Requires DOT's Rail Division to develop a 5-year spending plan for the Freight Rail and Rail Crossing Safety Improvement Fund. Funding for FRRCSI was increased to \$17.5 million recurring in the FY 2016-17 budget and the Rail Division has only spent 41% of the funds as of March 2017.
- SEC. 34.24: RAIL DIVISION/REPORT REQUIRED PRIOR TO ENTERING INTO CERTAIN CONTRACTS - Requires DOT's Rail Division to report to the Joint Legislative Transportation Oversight Committee prior to entering into any contract with a duration of 5 or more years and requiring an amount totaling or exceeding \$1.5 million in State funds.
- SEC. 34.26: GLOBAL TRANSPARK/STRATEGIC PLAN AND MARKETING- Requires the Global TransPark to develop a strategic plan, contract with an outside vendor for marketing services, and instructs DOT's Communications Office to manage the Global TransPark's website.
- SEC. 34.27: NORTH CAROLINA STATE PORTS AUTHORITY/FUNDS FOR DEBT SERVICE AND CAPITAL PROJECTS - Authorizes the North Carolina State Ports Authority to use annually appropriated funds for debt service and capital projects.
- SEC. 34.28: STATE PORTS AUTHORITY/FUNDING FOR DREDGING - Authorizes the North Carolina State Ports Authority to spend \$15 million nonrecurring in FY 2017-18 from existing funds for the dredging of approaches to State port facilities.
- SEC. 34.28A: DREDGING SERVICES COST-BENEFIT ANALYSIS - Requires DOT and DEQ to perform a cost-benefit analysis to determine whether the State or private industry can more

effectively and efficiently perform dredging needs to keep State navigational channels, basins, and waterways open.

- **SEC. 34.28B: FERRY VESSEL PRIORITY BOARDING/CLARIFICATION** - Allows for the annual priority boarding pass to be used for all vehicles owned by the person issued the pass.
- **SEC. 34.28C: FERRY DIVISION/LIFE-CYCLE PLAN FOR TERMINAL STRUCTURE REPAIRS AND REPLACEMENTS** -Requires the Ferry Division to develop a life-cycle plan for the repair and replacement of terminal structures in order to ensure safe operations of the State's ferry system.
- **SEC. 34.29: STUDY/USE OF DREDGE MANTEO**- Requires DOT to study and report on the use of Dredge Manteo, including annual operations and maintenance costs to the State and a plan to allow other State departments and agencies to utilize the dredge.
- **SEC. 34.30: DOT PERFORMANCE DASHBOARD/TRACK DMV PROGRESS**- Requires DOT to expand its performance dashboard on the Department's website to include DMV transactional information for the prior month and year to date.
- **SEC. 34.31: DMV/PURCHASE CREDIT CARD PAYMENT PROCESSING DEVICES**- Requires the Division of Motor Vehicles to purchase credit card terminals.
- **SEC. 34.32: DMV/HEARING FEE IMPLEMENTATION REVISIONS**- Amends Section 34.9 of S.L. 2014-100 to require the Division of Motor Vehicles to implement a hearing fee schedule by January 1, 2018 to recover the costs incurred by the Hearings Unit.
- **SEC. 34.33: DMV/STUDY STREAMLINING IFTA AND IRP PROCESSES**- Requires the Division of Motor Vehicles and the Department of Revenue to study streamlining the processes for motor carriers to comply with IFTA and IRP requirements. Report is due March 1, 2018 to the Joint Legislative Transportation Oversight Committee.
- **SEC. 34.34: PILOT PROJECT/FUNDING FOR REST AREA IN RICHMOND COUNTY**- Reopens a rest area located on U.S. Highway 220 in Richmond County and provides \$100,000 in operating funds for both years of the biennium.
- **SEC. 34.35: ASSET MANAGEMENT LONG RANGE FACILITY PLANNING/DMV NEW BERN AVENUE RELOCATION**- Requires DOT to specify its plan for relocating the condemned Division of Motor Vehicles building located on New Bern Avenue.

- **SEC. 34.36: STUDY/ELIMINATE USE OF NURSES IN MEDICAL REVIEW PROGRAM-** Requires the Division of Motor Vehicles to study eliminating the use of nurses in the Division's Medical Review Program in order to increase efficiency and reduce costs of the Program.
- **SEC. 34.37: RESTORE MERCURY SWITCH REMOVAL FUNDING-** Restores the transfer of 20¢ of certificate of title fees to the Mercury Switch Removal Account in DEQ.
- **SEC. 34.39: DOT/TRAFFIC IMPACT ANALYSIS TIME FRAME:** Provides a time frame in which DOT must make a decision on a Traffic Impact Analysis. The provision requires DOT to communicate the scope of a TIA to an applicant within 10 business days from the day DOT receives the proposed scope and requires DOT to review and make a decision as to the completeness of a TIA within 20 business days from the day DOT receives the TIA.
- **SEC. 34.40: EXCAVATION OR DEMOLITION NOTICE REQUIREMENTS/CLARIFY EXEMPTION:** Clarifies the exemptions granted for the notice requirements for excavations and demolition in the right-of-way.
- **SEC. 34.41: DMV/SALE OF UNCLAIMED VEHICLES PROCESS IMPROVEMENT –** Directs the DMV to make all forms required to sell unclaimed vehicles available on the Division's website. Additionally, requires the Division to allow for electronic submission of the required forms and acceptance of an electronic signature in order to expedite and ease the process of selling unclaimed vehicles.
- **SEC. 34.42: SALE OF LINWOOD SPRINGS GOLF COURSE/RIGHT OF FIRST REFUSAL FOR CITY OF GASTONIA:** Allows DOT to first offer to sell the Linwood Springs Golf Course property to the City of Gastonia for fair market value if DOT chooses to sell the land. Mitigation credits must be transferred before the land is sold.
- **SEC. 34.43: STATE PARK ROADS/INCREASE ALLOWABLE MAINTENANCE COSTS:** Requires DOT to use \$750,000 from the General Maintenance Reserve for road improvements located within a State park. DOT and the Division of Parks and Recreation are directed to compile a 5-year capital needs plan.

## Finance Committee

### **Individual Income Tax**

- 5.25% rate, effective for taxable years beginning in 2019.
- Increases standard deduction to \$20,000, effective for taxable years beginning in 2019.
- Change child credit to tiered child deduction, effective for taxable years beginning in 2018.
- Change head of household to 75% of married filing jointly, effective for taxable years beginning in 2019.

### **Corporate Income Tax**

- Reduces rate from 3% to 2.5% rate, effective for taxable years beginning in 2019.

### **Franchise Tax**

- Reduces the franchise tax rate for S corporations by applying a flat \$200 on the first \$1 million of the calculated base, effective beginning on or after January 1, 2019, and applicable to the calculation of franchise tax reported on the 2018 and later corporate income tax returns.

### **Sales Tax**

- Exempts from sales tax distribution equipment, and accessories, attachments, or repair parts for distribution equipment, sold to a large fulfillment facility, effective July 1, 2017.
- Repeals the 1%/\$80 privilege tax applicable to mill machinery and certain other manufacturing and industrial equipment and establishes a sales tax exemption for this equipment, effective July 1, 2018. It also directs the Revenue Laws Study Committee to study this area of law to provide more guidance to taxpayers and the Department of Revenue about what constitutes "mill machinery," how to define "manufacturing," and how to incorporate the body of Departmental administrative law in this area into the statutes.
- Exempts from sales tax repair or replacement parts for a ready mix concrete mill, regardless of whether the mill is freestanding or affixed to a motor vehicle, effective July 1, 2018.

### **Renewable Energy Tax Credit**

- Allows certain biomass resource-related projects to claim the renewable energy tax credit if it had a certain minimum level of completion prior to January 1, 2016, and it was placed in service prior to May 5, 2017.