

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001**

**SENATE BILL 61
RATIFIED BILL**

AN ACT TO CONTINUE THE BUDGET AUTHORITY FOR STATE GOVERNMENT; TO APPROPRIATE FUNDS FOR HEALTH AND HUMAN SERVICES BLOCK GRANTS, FOR NATURAL AND ECONOMIC RESOURCES BLOCK GRANTS, FOR COMMUNITY COLLEGE, UNIVERSITY, AND PRIVATE COLLEGE ENROLLMENTS, FOR THE STATE HEALTH PLAN, FOR DEBT SERVICE ON STATE BONDS, FOR IMMEDIATE ASSISTANCE TO THE HIGHEST PRIORITY ELEMENTARY SCHOOLS, AND FOR KINDERGARTEN CLASS SIZE REDUCTION, FOR HIRING REVENUE PERSONNEL FOR PROJECT COLLECT TAX; TO CONTAIN MEDICAID COSTS AND REDUCE THE RATE OF GROWTH IN EXPENDITURES FOR PAYMENTS FOR MEDICAL SERVICES; TO PROVIDE FOR MEDICAID COST-CONTAINMENT ACTIVITIES; TO DIRECT THE DEPARTMENT OF HEALTH AND HUMAN SERVICES TO IMPLEMENT A MEDICAID PROGRAM MANAGEMENT PLAN; TO ADOPT A MEDICAL COVERAGE POLICY UNDER THE STATE MEDICAID PROGRAM AND TO EXEMPT THE POLICY FROM RULE MAKING UNDER THE STATE ADMINISTRATIVE PROCEDURE ACT; TO APPROVE THE TANF STATE PLAN; TO EXTEND PAYMENTS FOR MEDICAL TREATMENTS AND SERVICES TO WORKERS' COMPENSATION PATIENTS; TO INCREASE TUITION RATES FOR THE COMMUNITY COLLEGES AND UNIVERSITIES; TO AUTHORIZE THE STATE TREASURER TO REPLACE THE OPTICAL IMAGING SYSTEM IN THE RETIREMENT SYSTEMS DIVISION; AND TO DELAY REIMBURSEMENTS TO LOCAL GOVERNMENTS FOR THE INTANGIBLES TAX.

The General Assembly of North Carolina enacts:

PART I. CONTINUED BUDGET AUTHORITY.

SECTION 1. Section 8 of S.L. 2001-250, as amended by S.L. 2001-287 and Section 1 of S.L. 2001-322, reads as rewritten:

"**SECTION 8.** Except as otherwise provided, this act becomes effective July 1, 2001. This act expires ~~August 29, 2001.~~ September 28, 2001."

PART II. HEALTH AND HUMAN SERVICES BLOCK GRANTS.

SECTION 2. Section 2 of S.L. 2001-250 is repealed.

SECTION 2.1.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2002, according to the following schedule:

COMMUNITY SERVICES BLOCK GRANT

01.	Community Action Agencies	\$ 14,160,375
02.	Limited Purpose Agencies	979,017
03.	Department of Health and Human Services to administer and monitor	

the activities of the Community Services Block Grant	500,000
TOTAL COMMUNITY SERVICES BLOCK GRANT	\$ 15,639,392
SOCIAL SERVICES BLOCK GRANT	
01. County departments of social services (Transfer from TANF - \$4,500,000)	\$ 27,395,663
02. Allocation for in-home services provided by county departments of social services	2,101,113
03. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	3,234,601
04. Division of Services for the Blind	3,105,711
05. Division of Facility Services	426,836
06. Division of Aging - Home and Community Care Block Grant	1,840,234
07. Child Care Subsidies	3,000,000
08. Division of Vocational Rehabilitation - United Cerebral Palsy	71,484
09. State administration	1,693,368
10. Child Medical Evaluation Program	238,321
11. Adult day care services	2,155,301
12. Comprehensive Treatment Services Program	750,000
13. Transfer to Preventive Health Services Block Grant for emergency medical services	213,128
14. Transfer to Preventive Health Services Block Grant for HIV/AIDS Prevention Activities	395,789
15. Department of Administration for the N.C. State Commission of Indian Affairs In-Home Services Program for the Elderly	203,198
16. Division of Vocational Rehabilitation - Easter Seals Society	116,779
17. UNC-CH CARES Program for training and consultation services	247,920
18. Office of the Secretary - Office of Economic	

	Opportunity for N.C. Senior Citizens' Federation for outreach services to low-income elderly persons	41,302
19.	Transfer from TANF Block Grant for Division of Social Services - Child Caring Agencies	1,500,000
20.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services - Developmentally Disabled Waiting List for services	5,000,000
21.	Transfer to Maternal and Child Health Block Grant for Newborn Screenings	90,611
22.	Transfer to Preventive Health Services Block Grant for HIV/AIDS education, counseling, and testing	66,939
	TOTAL SOCIAL SERVICES BLOCK GRANT	\$ 53,888,298
	LOW-INCOME ENERGY BLOCK GRANT	
01.	Energy Assistance Programs	\$ 8,092,113
02.	Crisis Intervention	5,795,825
03.	Administration	1,984,934
04.	Weatherization Program	2,684,116
05.	Department of Administration - N.C. State Commission of Indian Affairs	39,765
06.	Heating Air Repair and Replacement Program	1,252,588
	TOTAL LOW-INCOME ENERGY BLOCK GRANT	\$ 19,849,342
	MENTAL HEALTH SERVICES BLOCK GRANT	
01.	Provision of community-based services in accordance with the Mental Health Study Commission's Adult Severe and Persistently Mentally Ill Plan	\$ 5,192,826
02.	Provision of community-based services to children	2,378,540
03.	Establish Child Residential Treatment Services Program	1,500,000
04.	Administration	783,911

TOTAL MENTAL HEALTH SERVICES BLOCK GRANT \$ 9,855,277

SUBSTANCE ABUSE PREVENTION
AND TREATMENT BLOCK GRANT

01.	Provision of community-based alcohol and drug abuse services, tuberculosis services, and services provided by the Alcohol and Drug Abuse Treatment Centers	\$ 14,501,711
02.	Continuation of services for pregnant women and women with dependent children	6,007,303
03.	Continuation of services to IV drug abusers and others at risk for HIV diseases	5,209,934
04.	Provision of services to children and adolescents	6,839,190
05.	Juvenile Services - Family Focus	774,414
06.	Child Residential Treatment Services Program	700,000
07.	Administration	2,423,049

TOTAL SUBSTANCE ABUSE PREVENTION
AND TREATMENT BLOCK GRANT \$ 36,455,601

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

01.	Child care subsidies	\$148,343,839
02.	Quality and availability initiatives	17,259,661
03.	Administrative expenses	6,550,000
04.	Transfer from TANF Block Grant for child care subsidies	76,675,000

TOTAL CHILD CARE AND DEVELOPMENT FUND
BLOCK GRANT \$248,828,500

TEMPORARY ASSISTANCE TO NEEDY FAMILIES
(TANF) BLOCK GRANT

01.	Work First Cash Assistance	\$114,181,958
02.	Work First County Block Grants	92,018,855
03.	Transfer to the Child Care and Development Fund Block Grant	

	for child care subsidies	76,675,000
04.	Allocation to the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for Work First substance abuse screening, diagnostic, and support treatment services and drug testing	3,500,000
05.	Cash Assistance Reserve	11,876,624
06.	Allocation to the Division of Social Services for staff development	500,000
07.	Reduction of out-of-wedlock births	1,440,000
08.	Substance Abuse Services for Juveniles	1,182,280
09.	Special Children Adoption Fund	2,811,687
10.	Business Process Reengineering Project Reserve	3,000,000
11.	Work First Job Retention – NC Rural Center (\$270,000) Work Central Career Advancement Center (\$180,000)	450,000
12.	Allocation to the Division of Public Health for teen pregnancy prevention	2,015,335
13.	Transfer to Social Services Block Grant for Child Caring Agencies	1,500,000
14.	Child Care Subsidies for TANF Recipients	26,621,241
15.	Work First Housing Initiative - Existing programs (\$1,800,000) - New programs (\$900,000)	2,700,000
16.	Allocation to the Division of Social Services for Domestic Violence Prevention and Awareness	900,000
17.	County Child Protective Services, Foster Care, and Adoption Workers	2,727,550
18.	Intensive Family Preservation Program	1,800,000
19.	Work First/Boys and Girls Clubs	900,000
20.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000
21.	Support Our Students – Department of	

	Juvenile Justice and Delinquency Prevention	2,475,607
22.	Residential Substance Abuse Services for Women With Children	4,500,000
23.	Domestic Violence Services for Work First Families	1,800,000
24.	After-School Services for At-Risk Children	2,700,000
25.	Division of Social Services - Administration	500,000
26.	Child Welfare workers and services for local departments of social services	7,654,841
27.	Child Welfare Training	2,000,000
28.	Individual Development Accounts	180,000
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		\$373,110,978

MATERNAL AND CHILD HEALTH BLOCK GRANT

01.	Healthy Mothers/Healthy Children Block Grants to Local Health Departments	\$9,838,074
02.	High-Risk Maternity Clinic Services, Perinatal Education and Training, Childhood Injury Prevention, Public Information and Education, and Technical Assistance to Local Health Departments	2,012,102
03.	Services to Children With Special Health Care Needs	5,078,647
04.	Transfer from Social Services Block Grant for Newborn Screenings	90,611
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT		\$ 17,019,434

PREVENTIVE HEALTH SERVICES BLOCK GRANT

01.	Statewide Health Promotion Programs	\$3,061,182
02.	Dental Services/Fluoridation	100,800
03.	Rape Crisis/Victims' Services Program - Council for Women	190,134

04.	Rape Prevention and Education Program - Division of Public Health and Council for Women	1,139,869
05.	Transfer from Social Services Block Grant - HIV/AIDS Prevention Activities	395,789
06.	Transfer from Social Services Block Grant - Emergency Medical Services	213,128
07.	Transfer from Social Services Block Grant – HIV/AIDS education, counseling, and testing	66,939
08.	Office of Minority Health	159,459
09.	Administrative Costs	108,546
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT		\$5,435,846

SECTION 2.1.(b) Decreases in Federal Fund Availability. – If the United States Congress reduces federal fund availability in the Social Services Block Grant below the amounts appropriated in this section, then the Department of Health and Human Services shall allocate these decreases giving priority first to those direct services mandated by State or federal law, then to those programs providing direct services that have demonstrated effectiveness in meeting the federally and State-mandated services goals established for the Social Services Block Grant. The Department shall not include transfers from TANF for specified purposes in any calculations of reductions to the Social Services Block Grant.

If the United States Congress reduces the amount of TANF funds below the amounts appropriated in this section after the effective date of this act, then the Department shall allocate the decrease in funds after considering any underutilization of the budget and the effectiveness of the current level of services. Any TANF Block Grant fund changes shall be reported to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

Decreases in federal fund availability shall be allocated for the Maternal and Child Health and Preventive Health Services federal block grants by the Department of Health and Human Services after considering the effectiveness of the current level of services.

SECTION 2.1.(c) Increases in Federal Fund Availability. – Any block grant funds appropriated by the United States Congress in addition to the funds specified in this act shall be expended by the Department of Health and Human Services, with the approval of the Office of State Budget and Management, provided the resultant increases are in accordance with federal block grant requirements and are within the scope of the block grant plan approved by the General Assembly.

SECTION 2.1.(d) Changes to the budgeted allocations to the block grants appropriated in this act and new allocations from the block grants not specified in this act shall be submitted to the Joint Legislative Commission on Governmental Operations for review prior to the change and shall be reported immediately to the Senate Appropriations Committee on Health and Human Services, the House of

Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 2.1.(e) The Department of Health and Human Services may allow no-cost contract extensions for up to six months for nongovernmental grant recipients under the TANF Block Grant.

SECTION 2.1.(f) Limitations on Preventive Health Services Block Grant Funds. – Twenty-five percent (25%) of funds allocated for Rape Prevention and Rape Education shall be allocated as grants to nonprofit organizations to provide rape prevention and education programs targeted for middle, junior high, and high school students.

If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2001-2002 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to establish an Abstinence Until Marriage Education Program and shall delegate to one or more persons the responsibility of implementing the program and G.S. 115C-81(e1)(4). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 2.1.(g) The Department of Health and Human Services, Division of Social Services, shall do the following:

- (1) Continue the current evaluation of the Work First Program to assess former recipients' earnings, barriers to advancement to economic self-sufficiency, utilization of community support services, and other longitudinal employment data. Assessment periods shall include six and 18 months following closure of the case.
- (2) Continue the current evaluation of the Work First Program to profile the State's child-only caseload to include indicators of economic and social well-being, academic and behavioral performance, demographic data, description of living arrangements including length of placement out of the home, social and other human services provided to families, and other information needed to assess the needs of the child-only Work First Family Assistance clients and families.

The Division of Social Services may use up to seven hundred fifty thousand dollars (\$750,000) in TANF funds to complete the evaluation of Work First.

The Department of Health and Human Services shall make a report on its progress in complying with this subsection to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division no later than September 30, 2001, and shall make a final report no later than September 30, 2002.

SECTION 2.1.(h) The sum of two million eight hundred eleven thousand six hundred eighty-seven dollars (\$2,811,687) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Special Children Adoption Fund, for the 2001-2002 fiscal year shall be used to implement this subsection. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

SECTION 2.1.(i) The sum of one million five hundred thousand dollars (\$1,500,000) appropriated in this act in the TANF Block Grant and transferred to the

Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for child caring agencies for the 2001-2002 fiscal year shall be allocated to the State Private Child Caring Agencies Fund. These funds shall be combined with all other funds allocated to the State Private Child Caring Agencies Fund for the reimbursement of the State's portion of the cost of care for the placement of certain children by the county departments of social services who are not eligible for federal IV-E funds. These funds shall not be used to match other federal funds.

SECTION 2.1.(j) The sum of three hundred thousand dollars (\$300,000) appropriated in this section to the Department of Health and Human Services in the Child Care and Development Fund Block Grant shall be used to develop and implement a Medical Child Care Pilot open to children throughout the State.

SECTION 2.1.(k) The sum of nine hundred thousand dollars (\$900,000) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant for Boys and Girls Clubs shall be used to make grants for approved programs. The Department of Health and Human Services, in accordance with federal regulations for the use of TANF Block Grant funds, shall administer a grant program to award funds to the Boys and Girls Clubs across the State in order to implement programs that improve the motivation, performance, and self-esteem of youths and to implement other initiatives that would be expected to reduce school dropout and teen pregnancy rates. The Department shall encourage and facilitate collaboration between the Boys and Girls Clubs and Support Our Students, Communities in Schools, and similar programs to submit joint applications for the funds if appropriate.

SECTION 2.1.(l) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 2.1.(m) The sum of two million seven hundred thousand dollars (\$2,700,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the Work First Housing Initiative shall be used to provide direct housing support to Work First clients. Direct housing support includes using funds for rental assistance, loans, moving expenses, and other financial assistance. No more than ten percent (10%) of these funds may be used for administration. These funds may be used for counseling or similar services only if it is demonstrated that those services are not otherwise available in the community.

SECTION 2.1.(n) The sum of five hundred thousand dollars (\$500,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2001-2002 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 2.1.(o) The sum of four million five hundred thousand dollars (\$4,500,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2001-2002 fiscal year shall be used to provide regional residential substance abuse treatment and services for women with children. The Department of Health and Human Services, the Division of Social Services, and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, in consultation with local departments of social services, area mental health programs, and other State and local agencies or organizations, shall coordinate this effort in order to facilitate the expansion of regionally based substance abuse services for women with children. These services shall be culturally appropriate and designed for the unique needs of TANF women with children.

In order to expedite the expansion of these services, the Secretary of the Department of Health and Human Services may enter into contracts with service providers.

The Department of Health and Human Services, the Division of Social Services, and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall report on their progress in complying with this subsection no later

than October 1, 2001, and March 1, 2002, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. These reports shall include all of the following:

- (1) The number and location of additional beds created.
- (2) The types of facilities established.
- (3) The delineation of roles and responsibilities at the State and local levels.
- (4) Demographics of the women served, the number of women served, and the cost per client.
- (5) Demographics of the children served, the number of children served, and the services provided.
- (6) Job placement services provided to women.
- (7) A plan for follow-up and evaluation of services provided with an emphasis on outcomes.
- (8) Barriers identified to the successful implementation of the expansion.
- (9) Identification of other resources needed to appropriately and efficiently provide services to Work First recipients.
- (10) Other information as requested.

SECTION 2.1.(p) The sum of two million four hundred seventy-five thousand six hundred seven dollars (\$2,475,607) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services and transferred to the Department of Juvenile Justice and Delinquency Prevention for the 2001-2002 fiscal year shall be used to support the existing Support Our Students Program and to expand the Program statewide, focusing on low-income communities in unserved areas. These funds shall not be used for administration of the program.

SECTION 2.1.(q) The sum of one million eight hundred thousand dollars (\$1,800,000) appropriated under this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2001-2002 fiscal year shall be used to provide domestic violence services to Work First recipients. These funds shall be used to provide domestic violence counseling, support, and other direct services to clients. These funds shall not be used to establish new domestic violence shelters or to facilitate lobbying efforts. The Division of Social Services may use up to seventy-five thousand dollars (\$75,000) in TANF funds to establish one administrative position within the Division of Social Services to implement this subsection.

Each county department of social services and the local domestic violence shelter program serving the county shall jointly develop a plan for utilizing these funds. The plan shall include the services to be provided and the manner in which the services shall be delivered. The county plan shall be signed by the county social services director or the director's designee and the domestic violence program director or the director's designee and submitted to the Division of Social Services by December 1, 2001. The Division of Social Services, in consultation with the Council for Women, shall review the county plans and shall provide consultation and technical assistance to the departments of social services and local domestic violence shelter programs, if needed.

The Division of Social Services shall allocate these funds to county departments of social services according to the following formula: (i) each county shall receive a base allocation of ten thousand dollars (\$10,000) and (ii) each county shall receive an allocation of the remaining funds based on the county's proportion of the statewide total of the Work First caseload as of July 1, 2001, and the county's proportion of the statewide total of the individuals receiving domestic violence services from programs funded by the Council for Women as of July 1, 2001. The Division of Social Services may reallocate unspent funds to counties that submit a written request for additional funds.

The Department of Health and Human Services shall report on the uses of these funds no later than March 1, 2002, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 2.1.(r) The sum of two million seven hundred thousand dollars (\$2,700,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, shall be used to expand after-school programs and services for at-risk children. The Department shall develop and implement a grant program to award grants to community-based programs that demonstrate the ability to reach children at risk of teen pregnancy and school dropout. The Department shall award grants to community-based organizations that demonstrate the ability to develop and implement linkages with local departments of social services, area mental health programs, schools, and other human services programs in order to provide support services and assistance to the child and family. These funds may be used to establish one position within the Division of Social Services to coordinate at-risk after-school programs and shall not be used for other State administration. The Department shall report no later than March 1, 2002, on its progress in complying with this section to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 2.1.(s) The sum of seven million six hundred fifty-four thousand eight hundred forty-one dollars (\$7,654,841) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2001-2002 fiscal year for Child Welfare Improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and post-adoption services for eligible families.

SECTION 2.1.(t) The sum of one million five hundred thousand dollars (\$1,500,000) appropriated in this section in the Mental Health Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2001-2002 fiscal year and the sum of seven hundred thousand dollars (\$700,000) 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 the 2001-2002 fiscal year shall be used to continue a Comprehensive Treatment Services Program in accordance with Section 21.60 of Senate Bill 1005, 2001 Session, 5th Edition engrossed, the text of which is incorporated by reference.

SECTION 2.1.(u) The sum of two million dollars (\$2,000,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for fiscal year 2001-2002 shall be used to support various child welfare training projects as follows:

- (1) Provide a regional training center in southeastern North Carolina.
- (2) Support the Masters Degree in Social Work/Baccalaureate Degree in Social Work Collaborative.
- (3) Provide training for residential child care facilities.
- (4) Provide for various other child welfare training initiatives.

SECTION 2.1.(v) The sum of nine million three hundred forty-seven thousand six hundred thirty-one dollars (\$9,347,631) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services for a Cash Assistance Reserve may only be used for cash assistance payment if the funds appropriated in this act for cash assistance payments are not sufficient to pay Work First cash assistance in the 2001-2002 fiscal year. Prior to the use of these funds, the Office

of State Budget and Management shall review all proposals for expenditure of these funds in order to ensure compliance with this subsection.

The sum of two million five hundred twenty-eight thousand nine hundred ninety-three dollars (\$2,528,993) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services for a Cash Assistance Reserve shall be held in the Cash Assistance Reserve until the Department of Health and Human Services and the Office of State Budget and Management can certify that these funds are not needed to ensure the continuation of the Work First Family Assistance payments to recipients during the 2001-2002 fiscal year. These funds may be used only for the payment of Work First Family Assistance and the allocations listed in this subsection. If the Department of Health and Human Services and the Office of State Budget and Management certify that these funds are not needed to ensure the continuation of Work First Family Assistance payments, the Department may make the following transfers from the Cash Assistance Reserve:

(1)	Reduction of out-of-wedlock births.	\$160,000
(2)	Work First Job Retention – Rural Center (\$30,000) Work Central Career Center (\$20,000)	\$50,000
(3)	Teen Pregnancy Prevention	\$223,926
(4)	Work First Housing Initiative	\$300,000
(5)	Domestic Violence Prevention and Awareness	\$100,000
(6)	Intensive Family Preservation Program	\$200,000
(7)	Work First Boys and Girls Clubs	\$100,000
(8)	Support our Students	\$275,674
(9)	Residential Substance Abuse Services for Women with Children	\$500,000
(10)	Domestic Violence Services for Work First Families	\$200,000
(11)	After School Services for At-Risk Children	\$300,000
(12)	Individual Development Accounts	\$20,000

SECTION 2.1.(w) The sum of three million dollars (\$3,000,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services for a Business Process Reengineering Project Reserve may only be used for the project if funds appropriated in this act for Business Process Reengineering are not sufficient to continue the project through the 2001-2002 fiscal year. Prior to the use of these funds, the Office of State Budget and Management shall review all proposals for expenditure of these funds in order to ensure compliance with this subsection.

SECTION 2.1.(x) If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the Department may move funds to child care subsidies unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.

SECTION 2.1.(y) The sum of nine hundred thousand dollars (\$900,000) appropriated under this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2001-2002 fiscal year for Domestic Violence Prevention and Awareness shall be used for grants to support initiatives by local domestic violence programs to prevent domestic violence. Prevention activities shall include efforts to reach under-served populations and shall be culturally sensitive and multilingual. The Department shall award grants to community-based organizations that demonstrate the ability to collaborate and coordinate services with other local human services agencies and organizations in order to serve children and families where domestic violence has occurred or is occurring. The Department shall report on the use of these funds no later than May 1, 2002, to the

Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 2.1.(z) The sum of three hundred ninety-five thousand seven hundred eighty-nine dollars (\$395,789) appropriated in this section in the Social Services Block Grant and transferred to the Preventive Health Service Block Grant to the Department of Health and Human Services for the 2001-2002 fiscal year for HIV/AIDS Prevention Activities shall be used to create a position in the Office of the Secretary and to enhance activities for HIV/AIDS awareness and education. The position shall be responsible for all planning, programming, and budgeting for compliance with this subsection. These prevention activities shall be targeted to the general public and programs identified in this subsection and shall not be used to augment the current grant programs that target high-risk populations through the community-based organizations.

It is the intention of the General Assembly to focus current resources and activities to strengthen and enhance prevention and intervention programs directed at the reduction of HIV/AIDS. The Department shall coordinate efforts to enhance awareness, education, and outreach with the North Carolina AIDS Advisory Council, North Carolina Minority Health Advisory Council, representatives of faith communities, representatives of nonprofit agencies, and other State agencies.

The Department of Health and Human Services shall coordinate and ensure the implementation of developmentally appropriate education, awareness, and outreach campaigns to comply with this subsection in the following programs and services:

- (1) Division of Social Services programs and services:
 - a. Domestic Violence Prevention and Awareness.
 - b. Domestic Violence Services for Work First Families.
 - c. After School Services for At Risk Children.
 - d. Work First Boys/Girls Clubs.
- (2) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services programs and services:
 - a. Substance Abuse Services for Juveniles.
 - b. Residential Substance Abuse Services for Women and Children.
- (3) Division of Public Health programs and services:
 - a. Teen Pregnancy Prevention Activities.
 - b. Out-of-Wedlock Births.
 - c. School Health Program.
 - d. High-Risk Maternity Clinic Services.
 - e. Perinatal Education and Training.
 - f. Public Information and Education.
 - g. Technical Assistance to Local Health Departments.
- (4) Other divisions, services, and programs:
 - a. Family Support Services.
 - b. Family Resource Centers.
 - c. Independent Living Services.
 - d. Residential schools and facilities.
 - e. Other programs, services, or contracts that provide education and awareness services to children and families.

Other State agencies, including the Department of Public Instruction, the Department of Juvenile Justice and Delinquency Prevention, and the Department of Administration, shall ensure the incorporation of developmentally appropriate HIV/AIDS education, awareness, and outreach information into their programs.

The Department shall report on the implementation of this subsection on March 15, 2002, to the Senate Appropriations Committee on Health and Human

Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 2.1.(aa) The sum of one hundred eighty thousand dollars (\$180,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services for the 2001-2002 fiscal year shall be used for Individual Development Accounts (IDA) for TANF-eligible individuals. The Social Services Commission shall adopt rules for the implementation of this subsection.

PART III. MEDICAID COST-CONTAINMENT AND GROWTH REDUCTION.

SECTION 3.(a) The Department of Health and Human Services, Division of Medical Assistance, shall contain Medicaid Program costs by reducing the rate of growth of the Medicaid Program, except for the rate of growth in the number of persons eligible for Medicaid. The Department shall develop and implement a plan to reduce the rate of growth in total expenditures for payments for medical services for fiscal year 2002-2003 to eight percent (8%) or less of the total expenditures for the 2001-2002 fiscal year, excluding the rate of growth associated with eligibles.

SECTION 3.(b) In addition to findings and recommendations in the "North Carolina Medicaid Benefit Study", May 1, 2001, the Department of Health and Human Services may also consider the following actions to reduce the rate of growth in the Medicaid Program:

- (1) Changes in methods of reimbursement;
- (2) Changes in the method of determining or limiting inflation factors, or both;
- (3) Recalibration of existing methods of reimbursement; and
- (4) Contracting for services.

SECTION 3.(c) As part of any efforts to contain Medicaid Program costs, the Department of Health and Human Services, Division of Medical Assistance, shall establish reimbursement rates that will allow efficient Medicaid providers to comply with certification requirements, licensure rules, or other mandated quality or safety standards.

SECTION 3.(d) The Department shall report on its plans to reduce the rate of growth in the State Medicaid Program not later than December 1, 2001. The Department shall submit the report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 3.(e) The Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for departmental review. If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds three million dollars (\$3,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed policy change with the fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division.

PART IV. MEDICAID COST-CONTAINMENT ACTIVITIES.

SECTION 4. The Department of Health and Human Services may use not more than three million dollars (\$3,000,000) in each year of the 2001-2003 fiscal biennium in Medicaid funds budgeted for program services to support the cost of administrative activities when cost effectiveness and savings are demonstrated. The funds shall be used to support activities that will contain the cost of the Medicaid Program, including contracting for services or hiring additional staff. Medicaid cost-containment activities may include prospective reimbursement methods, incentive-based reimbursement methods, service limits, prior authorization of services, periodic medical necessity reviews, revised medical necessity criteria, service provision

in the least costly settings, and other cost-containment activities. Funds may be expended under this section only after the Office of State Budget and Management has approved a proposal for the expenditure submitted by the Department. Proposals for expenditure of funds under this section shall include the cost of implementing the cost-containment activity and documentation of the amount of savings expected to be realized from the cost-containment activity. The Department shall provide a copy of proposals for expenditures under this section to the Fiscal Research Division.

PART V. MEDICAID PROGRAM MANAGEMENT.

SECTION 5.(a) The Department of Health and Human Services shall consider the findings and recommendations in the "North Carolina Medicaid Benefit Study", May 1, 2001, and shall target the following in considering whether and to what extent to implement recommendations:

- (1) Reduction in the fragmentation in the medical benefit policy-making process.
- (2) Improvement in the use of data and medical literature in the decision-making process.
- (3) Improvement in the coordination of care and utilization review process.
- (4) Strengthening of program integrity controls.

SECTION 5.(b) The Department shall implement a pharmacy management plan considering the recommendations of the "North Carolina Medicaid Benefit Study" to achieve anticipated cost savings. The pharmacy management plan may include the following activities:

- (1) Establishing a prior authorization program to manage utilization of high-cost brand name drugs. In determining drugs to be included in the prior authorization program, the Department shall consider whether inclusion of these drugs is likely to:
 - a. Increase utilization of more expensive services;
 - b. Reduce quality of treatment;
 - c. Result in a lower level of compliance with appropriate drug therapy; and
 - d. Have a differential impact upon racial and ethnic minorities and the elderly.

The Department shall conduct a review at least annually of the drugs included in the prior authorization program to determine whether any of the factors listed in this subdivision or other factors with similar results have occurred.

- (2) Limiting prescription drugs to a 34-day supply for some or all drugs.
- (3) Developing physician prescribing practice profiles and other educational tools to enable physicians to better manage their prescriptions.
- (4) Establishing therapeutic limits based on appropriate dosage or usage standards.
- (5) Encouraging use of generic drugs.
- (6) Using maximum allowable pricing.
- (7) Contracting with a pharmacy benefits manager to implement more extensive drug utilization review.
- (8) Studying the impact of eliminating the six prescription drug monthly limit combined with a more rigorous prior authorization program to ensure cost decisions are made based on evidenced-based clinical guidelines.
- (9) Expanding disease management initiatives.
- (10) Working with ACCESS physicians to develop and implement drug utilization management initiatives.

- (11) If cost-effective, expanding Medicaid drug coverage to include selected over-the-counter medications.

SECTION 5.(c) The Department shall report on all of the activities conducted under this section to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than January 1, 2002.

PART VI. ADOPTION OF MEDICAL COVERAGE POLICY UNDER STATE MEDICAID PROGRAM; MEDICAL COVERAGE POLICY EXEMPT FROM RULE MAKING UNDER THE APA.

SECTION 6.(a) In order to promote consistency among providers and to ensure that medical coverage criteria are uniformly applied to Medicaid recipients throughout the State, the Department of Health and Human Services shall adopt medical coverage policies for the State Medicaid Program that are consistent with national standards or Department-defined standards. If the Department determines that application of a national standard would likely cause significant deterioration in the quality of or access to appropriate medical care, then the Department shall substitute for that national standard an evidence-based, best-practice standard that will not compromise quality of or access to appropriate medical care. The adoption of new or amended medical coverage policies under the State Medicaid Program are exempt from the rule-making requirements of Chapter 150B of the General Statutes.

SECTION 6.(b) The Department shall develop, amend, and adopt medical coverage policy in accordance with the following:

- (1) During the development of new medical coverage policy or amendment to existing medical coverage policy, consult with and seek the advice of the Physician Advisory Group of the North Carolina Medical Society and other organizations the Secretary deems appropriate.
- (2) At least 45 days prior to the adoption of new or amended medical coverage policy, the Department shall:
 - a. Publish the proposed new or amended medical coverage policy on the Department's website;
 - b. Notify all Medicaid providers of the proposed, new, or amended policy; and
 - c. Upon request, provide persons copies of the proposed medical coverage policy.
- (3) During the 45-day period immediately following publication of the proposed new or amended medical coverage policy, accept oral and written comments on the proposed new or amended policy.
- (4) If, following the comment period, the proposed new or amended medical coverage policy is modified, then the Department shall, at least 15 days prior to its adoption:
 - a. Notify all Medicaid providers of the proposed policy;
 - b. Upon request, provide persons notice of amendments to the proposed policy; and
 - c. Accept additional oral or written comments during this 15-day period.

SECTION 6.(c) G.S. 150B-1(d), as amended by S.L. 2001-299, reads as rewritten:

"(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the following:

- (1) The Commission.
- (2) Repealed by Session Laws 2000-189, s. 14, effective July 1, 2000.
- (3) The North Carolina Hazardous Waste Management Commission in administering the provisions of G.S. 130B-13 and G.S. 130B-14.

- (4) The Department of Revenue, with respect to the notice and hearing requirements contained in Part 2 of Article 2A.
- (5) The North Carolina Global TransPark Authority with respect to the acquisition, construction, operation, or use, including fees or charges, of any portion of a cargo airport complex.
- (6) The Department of Correction, with respect to matters relating solely to persons in its custody or under its supervision, including prisoners, probationers, and parolees.
- (7) The North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan in administering the provisions of Parts 2 and 3 of Article 3 of Chapter 135 of the General Statutes.
- (8) The North Carolina Federal Tax Reform Allocation Committee, with respect to the adoption of the annual qualified allocation plan required by 26 U.S.C. § 42(m), and any agency designated by the Committee to the extent necessary to administer the annual qualified allocation plan.
- (9) The Department of Health and Human Services in adopting new or amending existing medical coverage policies under the State Medicaid Program."

PART VII. TANF STATE PLAN.

SECTION 7.(a) The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2001-2003", prepared by the Department of Health and Human Services and presented to the General Assembly on May 15, 2001, as revised in accordance with subsection (b) of this section. The North Carolina Temporary Assistance for Needy Families State Plan covers the period October 1, 2001, through September 30, 2003. The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section, to the United States Department of Health and Human Services as amended by this act or any other act of the 2001 General Assembly.

SECTION 7.(b) The Department of Health and Human Services shall revise the North Carolina Temporary Assistance for Needy Families State Plan FY 2001-2003, submitted to the General Assembly for approval on May 15, 2001. The revisions shall be made to the following Plan components:

- (1) Enhanced Employee Assistance Program to reflect changes in funding.
- (2) Services for Families to remove reference to start-up activities.
- (3) Work Responsibility to remove reference to start-up activities.
- (4) Cabarrus County Waiver to reflect changes in the law made by the 2001 General Assembly.
- (5) Goal #8 to provide that caseload reduction goals are subject to economic conditions in the county.

SECTION 7.(c) The counties approved as Electing Counties in North Carolina's Temporary Assistance for Needy Families State Plan FY 2001-2003 as approved by this section are: Caldwell, Caswell, Davie, Henderson, Iredell, Lenoir, Lincoln, Macon, McDowell, Randolph, Sampson, Surry, and Wilkes.

SECTION 7.(d) Counties designated as electing counties pursuant to Section 12.27A of S.L. 1998-212 and who submitted the letter of intent to be redesignated as a standard county and the accompanying county plan for FY 2001-2003, pursuant to G.S. 108A-27(e), shall operate under the standard county budget requirements effective July 1, 2001. Counties that submitted the letter of intent to remain as an electing county or to be redesignated as an electing county and the accompanying county plan for FY 2001-2003, pursuant to G.S. 108A-27(e), shall operate under the electing county budget requirements effective July 1, 2001. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2001.

PART VIII. NATURAL AND ECONOMIC RESOURCES BLOCK GRANTS.

SECTION 8.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2002, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01.	State Administration	\$1,000,000
02.	Urgent Needs and Contingency	1,000,000
03.	Scattered Site Housing	13,200,000
04.	Economic Development	8,710,000
05.	Community Revitalization	13,500,000
06.	State Technical Assistance	450,000
07.	Housing Development	2,000,000
08.	Infrastructure	5,140,000

TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT - 2002 Program Year \$45,000,000

SECTION 8.(b) Decreases in Federal Fund Availability. – If federal funds are reduced below the amounts specified above after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

SECTION 8.(c) Increases in Federal Fund Availability for Community Development Block Grant. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: Each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

SECTION 8.(d) Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to one million dollars (\$1,000,000) may be used for State administration; up to one million dollars (\$1,000,000) may be used for Urgent Needs and Contingency; up to thirteen million two hundred thousand dollars (\$13,200,000) may be used for Scattered Site Housing; up to eight million seven hundred ten thousand dollars (\$8,710,000) may be used for Economic Development; not less than thirteen million five hundred thousand dollars (\$13,500,000) shall be used for Community Revitalization; up to four hundred fifty thousand dollars (\$450,000) may be used for State Technical Assistance; up to two million dollars (\$2,000,000) may be used for Housing Development; up to five million one hundred forty thousand dollars (\$5,140,000) may be used for Infrastructure. If federal block grant funds are reduced or increased by the Congress of the United States after the effective date of this act, then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

SECTION 8.(e) Increase Capacity for Nonprofit Organizations. – Assistance to nonprofit organizations to increase their capacity to carry out CDBG-eligible activities in partnership with units of local government is an eligible activity under any program category in accordance with federal regulations. Capacity building grants may be made from funds available within program categories, program income, or unobligated funds.

SECTION 8.(f) Study. – The Department of Commerce shall study the development of a training program designed to provide a minimum level of knowledge and skills for Community Development Block Grant administrators. In conducting the study, the Department shall consult the North Carolina League of Municipalities, the North Carolina Association of County Commissioners, the North Carolina Community Development Association, and the Institute of Government at the University of North Carolina at Chapel Hill. The Department may use unencumbered and unspent State Technical Assistance funds from previous program years to conduct the study. The Department shall report its findings to the House and Senate Appropriations Subcommittees on Natural and Economic Resources and the Fiscal Research Division by February 1, 2002.

PART IX. ESTABLISHED PAYMENTS FOR MEDICAL TREATMENTS AND SERVICES TO WORKERS' COMPENSATION PATIENTS EXTENDED.

SECTION 9. Section 2 of S.L. 2001-253, as amended by Section 3 of S.L. 2001-322, reads as rewritten:

"**SECTION 2.** Notwithstanding G.S. 97-26, payment for medical treatment and services rendered to workers' compensation patients by a hospital on or after July 1, 2001, and before ~~September 1, 2001~~, September 15, 2001, shall be equal to the payment the hospital would have received for such treatment and services on June 30, 2001."

PART X. COMMUNITY COLLEGE, UNIVERSITY, AND PRIVATE COLLEGE ENROLLMENT AND COMMUNITY COLLEGE AND UNIVERSITY TUITION INCREASES.

SECTION 10.(a) Beginning with the Fall 2001 academic semester, the State Board of Community Colleges shall increase the tuition charged to students enrolled in curriculum programs by three dollars and fifty cents (\$3.50) per student credit hour up to 16 credit hours per semester.

SECTION 10.(b) There is appropriated from tuition receipts received by the Community Colleges System Office pursuant to subsection (a) of this section to the Community Colleges System Office the sum of ten million dollars (\$10,000,000) for the 2001-2002 fiscal year to fully fund enrollment.

SECTION 10.(c) Beginning with the Fall 2001 academic semester, the Board of Governors of The University of North Carolina shall increase tuition for all students by nine percent (9%) per year above the rates charged for the 2000-2001 academic year. In addition, the differentials for graduate and professional schools adopted by the Board of Governors for the 2001-2002 academic year shall remain in effect. The campus-initiated tuition increases approved by the Board of Governors for the 2001-2002 academic year shall also remain in effect. The receipts in this subsection are appropriated for the purpose of funding regular term and distance education enrollment, including the enrollment hold harmless as requested by the Board of Governors as provided in subsection (e) of this section.

SECTION 10.(d) There is appropriated from the General Fund to the Board of Governors of The University of North Carolina the sum of nine million six hundred seventy-two thousand one hundred six dollars (\$9,672,106) for the 2001-2002 fiscal year for the purpose of fully funding regular term and distance education enrollment, including the enrollment hold harmless as requested by the Board of Governors.

SECTION 10.(e) Of the funds and receipts appropriated by this section, the Board of Governors may expend up to forty million five hundred thirty-six thousand nine hundred sixty-three dollars (\$40,536,963) for the purpose of funding enrollment.

SECTION 10.(f) There is appropriated from the General Fund to the Board of Governors of The University of North Carolina the sum of three million two hundred twenty-six thousand two hundred ten dollars (\$3,226,210) for the 2001-2002 fiscal year to be allocated to the University Board of Governors Related Educational Programs to

be used to provide funds for the Legislative Tuition Grant program and the State Contractual Scholarship program enrollment increases.

PART XI. STATE EMPLOYEE HEALTH PLAN FUNDING.

SECTION 11.(a) There is appropriated from the General Fund to the Reserve for State Health Plan the sum of one hundred fourteen million dollars (\$114,000,000) for the 2001-2002 fiscal year.

SECTION 11.(b) There is appropriated from the Highway Fund to the Reserve for State Health Plan the sum of seven million dollars (\$7,000,000) for the 2001-2002 fiscal year.

PART XII. BOND DEBT SERVICE.

SECTION 12. There is appropriated from the General Fund to the Department of State Treasurer the sum of twelve million three hundred thousand dollars (\$12,300,000) for the 2001-2002 fiscal year to pay the debt service for bonds.

PART XIII. PROJECT COLLECT TAX.

SECTION 13. There is appropriated from the General Fund to the Department of Revenue the sum of one million nine hundred forty-seven thousand three hundred twenty-three dollars (\$1,947,323) for the 2001-2002 fiscal year to implement Project Collect Tax. These funds shall be used to fill 39 personnel positions, effective October 1, 2001.

PART XIV. REPLACE OPTICAL IMAGING SYSTEM IN RETIREMENT SYSTEMS DIVISION.

SECTION 14. There is appropriated to the Department of State Treasurer departmental receipts in the amount of two million four hundred sixty-five thousand dollars (\$2,465,000) for the 2001-2002 fiscal year to replace the optical imaging system used by the Retirement Systems Division.

PART XV. IMMEDIATE ASSISTANCE TO THE HIGHEST PRIORITY ELEMENTARY SCHOOLS.

SECTION 15.(a) There is appropriated from the General Fund to State Aid to Local School Administrative Units the sum of eight million sixty-two thousand six hundred three dollars (\$8,062,603) for the 2001-2002 fiscal year. These funds shall be used to provide the State's lowest-performing elementary schools with the tools needed to dramatically improve student achievement.

These funds shall be used to reduce class size at the 37 elementary schools at which, for the 1999-2000 school year, over eighty percent (80%) of the students qualified for free or reduced-price lunches and no more than fifty-five percent (55%) of the students performed at or above grade level. For the 2001-2002 school year, class size at each of these schools shall be reduced to ensure that no class in kindergarten through third grade has more than 15 students. No funds from the teacher assistant allotment category may be allotted to the local school administrative units for students assigned to these schools. Any teacher assistants displaced from jobs in these highest priority elementary schools shall be given preferential consideration for vacant teacher assistant positions at other schools in the local school administrative unit, provided their job performance has been satisfactory. Nothing in this section prevents the local school administrative unit from placing teacher assistants in these schools.

SECTION 15.(b) In order for the high priority schools identified in subsection (a) of this section to remain eligible for the additional resources provided in this section, the schools must meet the expected growth for each year and must achieve high growth for at least two out of three years, based on the State Board of Education's annual performance standards set for each school. No adjustment in the allotment of resources based on performance shall be made until the 2004-2005 school year.

SECTION 15.(c) All teaching positions allotted for students in high priority schools in those grades targeted for smaller class sizes shall be assigned to and teach in those grades and in those schools. In grades K-3 in high priority schools the maximum class size for the 2001-2002 school year shall be no more than two students above the allotment ratio in that grade. The maximum class size for subsequent school years shall be no more than one student above the allotment ratio in that grade. The Department of Public Instruction shall monitor class sizes at these schools at the end of the fourth month of school and report to the State Board of Education on the actual class sizes in these schools. If the local school administrative unit notifies the State Board of Education that they do not have sufficient resources to adhere to the maximum class size requirements, the State Board of Education may allocate additional teaching positions to the unit from the Reserve for Average Daily Membership Adjustments.

PART XVI. REDUCE KINDERGARTEN CLASS SIZE.

SECTION 16. There is appropriated from the General Fund to the State Aid to Local School Administrative Units the sum of twelve million forty-five thousand one hundred seventy-nine dollars (\$12,045,179) for the 2001-2002 fiscal year to reduce the class-size allotment in kindergarten to one teacher for every 19 students. The maximum class size limits for kindergarten established by the State Board of Education for the 2001-2002 school year shall be reduced by one. Local school administrative units shall use teacher positions allocated to reduce class size in kindergarten only to hire classroom teachers for kindergarten.

PART XVII. REIMBURSEMENTS TO LOCAL GOVERNMENTS FOR INTANGIBLES TAX REPEAL DELAYED.

SECTION 17. Notwithstanding G.S. 105-275.2, the Secretary of Revenue shall not make any distributions to local governments pursuant to that statute for the 2001-2002 fiscal year before the date the Current Operations and Capital Improvements Appropriations Act of 2001 becomes law.

PART XVIII. EFFECTIVE DATE.

SECTION 18. This act is effective when it becomes law.
In the General Assembly read three times and ratified this the 29th day of August, 2001.

Marc Basnight
President Pro Tempore of the Senate

James B. Black
Speaker of the House of Representatives

Michael F. Easley
Governor

Approved _____m. this _____ day of _____, 2001