

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003**

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**HOUSE BILL 397
Committee Substitute Favorable 4/15/03**

Short Title: 2003 Appropriations Act.

(Public)

Sponsors:

Referred to:

March 11, 2003

A BILL TO BE ENTITLED
AN ACT TO APPROPRIATE FUNDS FOR CURRENT OPERATIONS AND
CAPITAL IMPROVEMENTS FOR STATE DEPARTMENTS, INSTITUTIONS,
AND AGENCIES, AND FOR OTHER PURPOSES.

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
Owens, Wright

INTRODUCTION

SECTION 1.1. The appropriations made in this act are for maximum amounts necessary to provide the services and accomplish the purposes described in the budget. Savings shall be effected where the total amounts appropriated are not required to perform these services and accomplish these purposes and, except as allowed by the Executive Budget Act, or this act, the savings shall revert to the appropriate fund at the end of each fiscal year.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
Owens, Wright

TITLE OF ACT

SECTION 1.2. This act shall be known as the "Current Operations and Capital Improvements Appropriations Act of 2003."

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
Owens, Wright

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated are made for the biennium ending June 30, 2005, according to the following schedule:

Current Operations – General Fund

2003-2004

2004-2005

1	EDUCATION		
2			
3	Community Colleges System Office	659,110,455	662,184,769
4			
5	Department of Public Instruction	6,017,691,217	6,025,509,098
6			
7	University System	1,761,408,589	1,796,324,529
8			
9	HEALTH AND HUMAN SERVICES		
10			
11	Department of Health and Human Services		
12	Office of the Secretary	81,783,833	80,583,833
13	Division of Aging	27,535,838	27,535,838
14	Division of Blind Services/Deaf/HH	9,302,670	9,387,008
15	Division of Child Development	250,943,174	250,943,174
16	Division of Education Services	31,606,862	31,470,076
17	Division of Facility Services	9,442,530	9,442,530
18	Division of Medical Assistance	2,270,544,822	2,558,592,984
19	Division of Mental Health	577,021,583	580,154,434
20	NC Health Choice	45,057,907	45,057,907
21	Division of Public Health	123,425,475	122,421,895
22	Division of Social Services	176,728,674	186,579,268
23	Division of Vocation Rehabilitation	39,798,384	40,591,118
24	Total	3,643,191,752	3,942,760,065
25			
26	NATURAL AND ECONOMIC RESOURCES		
27			
28	Department of Agriculture and Consumer Services	49,214,757	49,237,156
29			
30	Department of Commerce		
31	Commerce	32,925,728	33,165,487
32	Commerce State-Aid	10,999,731	10,999,731
33	NC Biotechnology Center	5,883,395	5,883,395
34	Rural Economic Development Center	4,425,677	4,425,677
35			
36	Department of Environment and Natural Resources		
37	Environment and Natural Resources	146,337,419	153,052,962
38	Clean Water Management Trust Fund	25,000,000	25,000,000
39			
40	Office of the Governor – Housing Finance Agency	4,750,945	4,750,945
41			
42	Department of Labor	13,265,001	13,273,651
43			
44	JUSTICE AND PUBLIC SAFETY		
45			
46	Department of Correction	940,840,075	960,172,282
47			
48	Department of Crime Control and Public Safety	29,034,326	28,139,010
49			
50	Judicial Department	303,251,883	310,448,697
51	Judicial Department – Indigent Defense	72,578,130	70,645,094
52			
53	Department of Justice	70,673,310	71,459,312
54			
55	Department of Juvenile Justice and		

1	Delinquency Prevention	130,313,473	130,505,498
2			
3	GENERAL GOVERNMENT		
4			
5	Department of Administration	55,733,844	56,312,231
6			
7	Office of Administrative Hearings	2,409,683	2,411,797
8			
9	Department of State Auditor	10,243,471	10,243,471
10			
11	Office of State Controller	9,694,464	9,719,451
12			
13	Department of Cultural Resources		
14	Cultural Resources	54,193,964	53,915,314
15	Roanoke Island Commission	1,500,000	1,500,000
16			
17	State Board of Elections	7,439,982	4,915,939
18			
19	General Assembly	41,561,463	44,971,305
20			
21	Office of the Governor		
22	Office of the Governor	4,856,503	4,826,503
23	Office of State Budget and Management	4,176,537	4,180,842
24	OSBM – Reserve for Special Appropriations	3,130,000	3,130,000
25			
26	Department of Insurance		
27	Insurance	21,735,135	21,766,272
28	Insurance – Volunteer Safety Workers'		
29	Compensation	4,500,000	4,500,000
30			
31	Office of Lieutenant Governor	601,722	601,722
32			
33	Department of Revenue	73,501,897	73,501,897
34			
35	Rules Review Commission	310,454	310,454
36			
37	Department of Secretary of State	7,754,229	7,453,229
38			
39	Department of State Treasurer		
40	State Treasurer	19,941,830	19,944,585
41	State Treasurer – Retirement for Fire and		
42	Rescue Squad Workers	7,181,179	7,181,179
43			
44	TRANSPORTATION		
45			
46	Department of Transportation	11,429,525	11,460,101
47			
48	RESERVES, ADJUSTMENTS AND DEBT SERVICE		
49			
50	Reserve for Compensation Increases	132,350,000	126,250,000
51			
52	Statewide Reserve for State Health Plan	72,000,000	96,000,000
53			
54	Reserve for Teachers' and State Employees'		
55	Retirement Rate Adjustment	26,546,000	154,200,000

1			
2	Retiree Health Benefits	36,800,000	36,800,000
3			
4	Contingency and Emergency	5,000,000	5,000,000
5			
6	Reserve for Salary Adjustments	500,000	500,000
7			
8	Mental Health, Developmental Disabilities and		
9	Substance Abuse Services Trust Fund	10,000,000	0
10			
11	Reserve to Implement HIPAA	2,000,000	0
12			
13	Economic Incentives Reserve	2,600,000	0
14			
15	Judicial Staffing/Salary Reserve	461,198	461,198
16			
17	State Surplus Real Property System	250,000	0
18			
19	Blue Ribbon Commission on Medicaid Reform	500,000	0
20			
21	Debt Service		
22	General Debt Service	387,785,920	474,479,452
23	Federal Reimbursement	1,155,948	1,155,948
24			
25	TOTAL CURRENT OPERATIONS –		
26	 GENERAL FUND	14,940,740,811	15,535,630,248
27			
28	Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,		
29	Owens, Wright		
30	GENERAL FUND AVAILABILITY STATEMENT		
31	SECTION 2.2.(a) The General Fund availability used in developing the		
32	2003-2005 biennial budget is shown below:		
33		FY 2003-2004	FY 2004-2005
34	Unappropriated Balance	103,885	0
35			
36	Beginning Unreserved Credit Balance	375,000,000	0
37			
38	Revenues Based on Existing Tax Structure	13,398,700,000	14,203,160,000
39			
40	Nontax Revenues		
41	Investment Income	126,266,801	132,056,801
42	Judicial Fees	137,520,000	144,430,000
43	Disproportionate Share	100,000,000	100,000,000
44	Insurance	51,900,000	53,900,000
45	Other Nontax Revenues	116,050,000	120,100,000
46	Highway Trust Fund Transfer	252,422,125	231,774,330
47	Highway Fund Transfer	16,379,000	16,166,400
48			
49	Subtotal Nontax Revenues	800,537,926	798,427,531
50			
51	Total General Fund Availability	14,574,341,811	15,001,587,531
52			
53	Adjustments to Availability: 2003 Session		
54	Finance Committee Revenue Initiatives	384,000,000	480,900,000
55	Tobacco Settlement Funds – Tobacco Trust Fund	40,000,000	40,000,000

1	Tobacco Settlement Funds – Health & Wellness		
2	Trust Fund	20,000,000	20,000,000
3	Transfer from Disaster Reserve	100,000,000	0
4	Credit Savings Reserve Account	(100,000,000)	0
5	Credit to Repairs and Renovations Account	(50,000,000)	0
6			
7	Subtotal Adjustments to Availability:		
8	2003 Session	394,000,000	540,900,000
9			
10	General Fund Availability		
11	for 2003-2005 Biennium	14,968,341,811	15,542,487,531
12			
13	Total General Fund Appropriations		
14	2003-2005 Biennium	(14,968,341,811)	(15,535,630,248)
15			
16	Unappropriated Balance	0	6,857,283
17			

18 **SECTION 2.2.(b)** Notwithstanding G.S. 143-16.4(a2), of the funds credited
19 to the Tobacco Trust Account from the Master Settlement Agreement pursuant to
20 Section 6(2) of S.L. 1999-2 during the 2003-2004 and 2004-2005 fiscal years, the sum
21 of forty million dollars (\$40,000,000) shall be transferred from the Department of
22 Agriculture and Consumer Services, Budget Code 23703 (Tobacco Trust Fund) to the
23 State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to
24 support General Fund appropriations for the 2003-2004 and 2004-2005 fiscal years.

25 **SECTION 2.2.(c)** Notwithstanding G.S. 143-16.4(a1), of the funds credited
26 to the Health Trust Account from the Master Settlement Agreement pursuant to Section
27 6(2) of S.L. 1999-2 during the 2003-2004 and 2004-2005 fiscal years, the sum of twenty
28 million dollars (\$20,000,000) that would otherwise be deposited in the Fund Reserve
29 established by G.S. 147-86.30(c) shall be transferred from the Department of State
30 Treasurer, Budget Code 23460 (Health and Wellness Trust Fund) to the State Controller
31 to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General
32 Fund appropriations for the 2003-2004 and 2004-2005 fiscal years.

33 **SECTION 2.2.(d)** On July 1, 2003, the State Controller shall transfer one
34 hundred million dollars (\$100,000,000) from the Disaster Reserve Fund, Budget Code
35 13017, to Nontax Budget Code 19978 (Intra State Transfers) to support General Fund
36 appropriations for the 2003-2004 fiscal year.

37 **SECTION 2.2.(e)** Notwithstanding G.S. 105-187.9(b)(1), the sum to be
38 transferred to the General Fund for each of the fiscal years 2003-2004 and 2004-2005 is
39 two hundred fifty million dollars (\$250,000,000).

40 **SECTION 2.2.(f)** Notwithstanding G.S. 143-15.2 and G.S. 143-15.3, the
41 State Controller shall transfer only one hundred million dollars (\$100,000,000) from the
42 unreserved credit balance to the Savings Reserve Account on June 30, 2003. This is not
43 an "appropriation made by law", as that phrase is used in Article V, Section 7(1) of the
44 North Carolina Constitution. This subsection becomes effective June 30, 2003.

45 **SECTION 2.2.(g)** Notwithstanding G.S. 143-15.2 and G.S. 143-15.3A, the
46 State Controller shall transfer only fifty million dollars (\$50,000,000) from the
47 unreserved credit balance to the Repairs and Renovations Reserve Account on June 30,
48 2003. This subsection becomes effective June 30, 2003.

49 **SECTION 2.2.(h)** Notwithstanding G.S. 147-86.30(c), the Health and
50 Wellness Trust Fund Commission may expend the balance of funds remaining from
51 funds transferred from the Fund Reserve to Health and Wellness Trust Fund
52 nonreserved funds pursuant to Section 2.2(h) of S.L. 2002-126. These funds shall be
53 expended in accordance with G.S. 147-86.30(d) during the 2003-2005 fiscal biennium.

54 **PART III. CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND**

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
Owens, Wright

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

SECTION 3.1. Appropriations from the State Highway Fund for the maintenance and operation of the Department of Transportation, and for other purposes as enumerated, are made for the biennium ending June 30, 2005, according to the following schedule:

Current Operations – Highway Fund	2003-2004	2004-2005
(1) Transportation Admin. (84210)	\$70,917,203	\$69,242,486
(2) Transportation Operations (84220)	28,190,393	28,150,605
(3) Transportation programs (84230)		
State Construction		
Secondary	89,600,000	90,590,000
Urban	14,000,000	14,000,000
Public access	2,000,000	2,000,000
Spot safety	9,100,000	9,100,000
Contingency	10,000,000	10,000,000
Federal Aid Match	4,160,000	4,280,000
Maintenance	600,933,217	576,859,889
Asphalt plant/OSHA	425,000	425,000
Capital	7,000,000	0
Ferry Operations	19,677,283	19,677,283
Aid to municipalities	89,600,000	90,590,000
Rail	15,090,919	15,531,153
Public transit	76,232,576	78,475,484
(4) Governor's highway safety (84240)	292,449	293,118
(5) Transportation regulation (84260)	100,255,703	100,323,363
(6) Reserves, transfers, other agencies (84270)	213,455,257	218,670,347
TOTAL	1,350,930,000	1,328,208,728

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
Owens, Wright

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. The Highway Fund availability used in developing the 2003-2005 biennial budget is shown below:

Highway Fund Budget Reform Statement	2003-2004	2004-2005
Beginning Credit Balance		-
Estimated Revenue	\$ 1,350,930,000	\$ 1,373,080,000
Estimated Reversions		-
Total Highway Fund Availability	\$ 1,350,930,000	\$ 1,373,080,000

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
Owens, Wright

HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 4.1. Appropriations from the State Highway Trust Fund for the maintenance and operation of the Department of Transportation, and for other purposes as enumerated, are made for the biennium ending June 30, 2005, according to the following schedule:

	2003-2004	2004-2005
Current Operations – Highway Trust Fund		
Intrastate System	\$ 423,993,831	\$ 459,363,570
Urban Loops	79,689,271	84,350,953
Aid to Municipalities	171,445,448	185,747,496
Total for Secondary Roads	44,486,843	48,197,953
Program Administration	38,001,482	39,636,698
Transfer to General Fund	252,422,125	231,774,330
GRAND TOTAL CURRENT OPERATIONS AND EXPANSION	\$ 1,010,039,000	\$ 1,049,071,000

PART V. BLOCK GRANTS

Requested by: Representatives Barnhart, Nye

DHHS BLOCK GRANTS

SECTION 5.1.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2004, according to the following schedule:

COMMUNITY SERVICES BLOCK GRANT

01. Community Action Agencies	\$ 15,266,973
02. Limited Purpose Agencies	848,165
03. Department of Health and Human Services to administer and monitor the activities of the Community Services Block Grant	848,165

TOTAL COMMUNITY SERVICES BLOCK GRANT \$ 16,963,303

SOCIAL SERVICES BLOCK GRANT

01. County departments of social services (Transfer from TANF - \$4,500,000)	\$ 28,868,189
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 -	

1	United Cerebral Palsy	71,484
2		
3	09. State administration	1,693,368
4		
5	10. Child Medical Evaluation Program	238,321
6		
7	11. Adult day care services	2,155,301
8		
9	12. Comprehensive Treatment Services	
10	Program	422,003
11		
12	13. Department of Administration	
13	for the N.C. State Commission of Indian Affairs	
14	In-Home Services Program for the Elderly	203,198
15		
16	14. Division of Vocational Rehabilitation Services -	
17	Easter Seals Society	116,779
18		
19	15. UNC-CH CARES Program for training and	
20	consultation services	247,920
21		
22	16. Office of the Secretary - Office of Economic	
23	Opportunity for N.C. Senior Citizens'	
24	Federation for outreach services to	
25	low-income elderly persons	41,302
26		
27	17. Division of Social Services - Child	
28	Caring Agencies	1,500,000
29		
30	18. Division of Mental Health,	
31	Developmental Disabilities, and	
32	Substance Abuse Services - Developmentally	
33	Disabled Waiting List for services	5,000,000
34		
35	19. Transfer to Preventive Health Services Block	
36	Grant for HIV/AIDS education, counseling, and	
37	testing	145,819
38		
39	20. Division of Facility Services -	
40	Mental Health Licensure	213,128
41		
42	21. Transfer to the Division of Aging for training	
43	provided through Alzheimer's Associations	150,000
44		
45	TOTAL SOCIAL SERVICES BLOCK GRANT	\$ 54,775,307
46		
47	LOW-INCOME ENERGY BLOCK GRANT	
48		
49	01. Energy Assistance Programs	\$ 12,775,323
50		
51	02. Crisis Intervention	9,192,927
52		
53	03. Administration	2,957,339
54		
55	04. Weatherization Program	4,212,740

1		
2	05.	Department of Administration -
3		N.C. State Commission of Indian Affairs
4		54,840
5	06.	Heating Air Repair and Replacement Program
6		1,966,153
7	TOTAL LOW-INCOME ENERGY BLOCK GRANT	
8		\$ 31,159,322
9	MENTAL HEALTH SERVICES BLOCK GRANT	
10		
11	01.	Provision of community-based
12		services for severe and persistently
13		mentally ill adults
14		\$ 5,442,798
15	02.	Provision of community-based
16		services to children
17		2,513,141
18	03.	Comprehensive Treatment Services
19		Program for Children
20		1,500,000
21	04.	Administration
22		783,911
23	TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	
24		\$ 10,239,850
25	SUBSTANCE ABUSE PREVENTION	
26	AND TREATMENT BLOCK GRANT	
27		
28	01.	Provision of community-based
29		alcohol and drug abuse services,
30		tuberculosis services, and services
31		provided by the Alcohol and Drug Abuse
32		Treatment Centers
33		\$ 18,901,711
34	02.	Continuation of services for
35		pregnant women and women
36		with dependent children
37		8,069,524
38	03.	Continuation of services to
39		IV drug abusers and others at risk
40		for HIV diseases
41		4,616,378
42	04.	Provision of services to children
43		and adolescents
44		7,740,611
45	05.	Juvenile Services - Family Focus
46		851,156
47	06.	Allocation to the Division of Public Health
48		for HIV/STD Risk Reduction Projects
49		383,980
50	07.	Allocation to the Division of Public Health
51		for HIV/STD Prevention by County Health
52		Departments
53		209,576
54	08.	Allocation to the Division of Public Health
55		for the Maternal and Child Health Hotline
		37,779

1		
2	09. Administration	2,596,307
3		
4	TOTAL SUBSTANCE ABUSE PREVENTION	
5	AND TREATMENT BLOCK GRANT	\$ 43,407,022
6		
7	CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
8		
9	01. Child care subsidies	\$154,713,475
10		
11	02. Quality and availability initiatives	16,449,256
12		
13	03. Administrative expenses	6,969,533
14		
15	04. Transfer from TANF Block Grant for	
16	child care subsidies	79,562,189
17		
18	TOTAL CHILD CARE AND DEVELOPMENT FUND	
19	BLOCK GRANT	\$257,694,453
20		
21	TEMPORARY ASSISTANCE TO NEEDY FAMILIES	
22	(TANF) BLOCK GRANT	
23		
24	01. Work First Cash Assistance	\$129,396,275
25		
26	02. Work First County Block Grants	94,653,315
27		
28	03. Transfer to the Child Care and	
29	Development Fund Block Grant	
30	for child care subsidies	79,562,189
31		
32	04. Child Care Subsidies for TANF Recipients	26,621,241
33		
34	05. Child Welfare Workers	
35	for local DSS	10,382,391
36		
37	06. Transfer to Social Services Block Grant for	
38	County Departments of Social Services for	
39	Children's Services	4,500,000
40		
41	07. Support Our Students – Department of	
42	Juvenile Justice and Delinquency	
43	Prevention	1,925,000
44		
45	08. Residential Substance Abuse Services	
46	for Women With Children	2,000,000
47		
48	09. Domestic Violence Services	
49	for Work First Families	1,200,000
50		
51	10. After-School Services for	
52	At-Risk Children	1,925,000
53		
54	11. Division of Social Services -	
55	Administration	400,000

1			
2	12.	Child Welfare Training	1,600,000
3			
4	13.	TANF Automation Projects	592,500
5			
6	14.	Work First/ Boys and Girls Clubs	1,000,000
7			
8	15.	Work Central Career Advancement Center	550,000
9			
10	16.	WCH-Teen Pregnancy Prevention	570,000
11			
12	17.	Transfer to Social Services Block Grant for Child Caring Institutions	1,500,000
13			
14	18.	Special Children's Adoption Fund	2,000,000
15			
16	19.	NC Fast Implementation	630,000
17			
18	20.	Maternity Homes	838,000
19			
20	21.	Pregnancy Prevention Coalition of North Carolina	127,500
21			
22	22.	Individual Development Accounts	180,000
23			
24			
25	TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		\$362,153,411
26			
27			
28	MATERNAL AND CHILD HEALTH BLOCK GRANT		
29			
30	01.	Healthy Mothers/Healthy Children Block Grants to Local Health Departments	9,838,074
31			
32			
33			
34	02.	High-Risk Maternity Clinic Services, Perinatal Education and Training, Childhood Injury Prevention, Public Information and Education, and Technical Assistance to Local Health Departments	2,307,918
35			
36			
37			
38			
39			
40			
41	03.	Services to Children With Special Health Care Needs	5,078,647
42			
43			
44	TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT		\$ 17,224,639
45			
46			
47	PREVENTIVE HEALTH SERVICES BLOCK GRANT		
48			
49	01.	Statewide Health Promotion Programs	\$3,282,810
50			
51	02.	Rape Crisis/Victims' Services Program - Council for Women	197,112
52			
53			
54	03.	Transfer from Social Services Block Grant -	
55			

1	HIV/AIDS education, counseling, and	
2	testing	145,819
3		
4	04. Office of Minority Health	159,459
5		
6	05. Administrative Costs	108,546
7		
8	TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	\$3,893,746
9		

10 **SECTION 5.1.(b)** Decreases in Federal Fund Availability. – If the United
 11 States Congress reduces federal fund availability in the Social Services Block Grant
 12 below the amounts appropriated in this section, then the Department of Health and
 13 Human Services shall allocate these decreases giving priority first to those direct
 14 services mandated by State or federal law, then to those programs providing direct
 15 services that have demonstrated effectiveness in meeting the federally and
 16 State-mandated services goals established for the Social Services Block Grant. The
 17 Department shall not include transfers from TANF for specified purposes in any
 18 calculations of reductions to the Social Services Block Grant.

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

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

30 **SECTION 5.1.(c)** Increases in Federal Fund Availability. – Any block grant
 31 funds appropriated by the United States Congress in addition to the funds specified in
 32 this act shall be expended by the Department of Health and Human Services, with the
 33 approval of the Office of State Budget and Management, provided the resultant
 34 increases are in accordance with federal block grant requirements and are within the
 35 scope of the block grant plan approved by the General Assembly.

36 **SECTION 5.1.(d)** Changes to the budgeted allocations to the block grants
 37 appropriated in this act and new allocations from the block grants not specified in this
 38 act shall be submitted to the Joint Legislative Commission on Governmental Operations
 39 for review prior to the change and shall be reported immediately to the Senate
 40 Appropriations Committee on Health and Human Services, the House of
 41 Representatives Appropriations Subcommittee on Health and Human Services, and the
 42 Fiscal Research Division.

43 **SECTION 5.1.(e)** The Department of Health and Human Services may
 44 allow no-cost contract extensions for up to six months for nongovernmental grant
 45 recipients under the TANF Block Grant.

46 **SECTION 5.1.(f)** If federal funds are received under the Maternal and Child
 47 Health Block Grant for abstinence education, pursuant to section 912 of Public Law
 48 104-193 (42 U.S.C. § 710), for the 2003-2004 fiscal year, then those funds shall be
 49 transferred to the State Board of Education to be administered by the Department of
 50 Public Instruction. The Department of Public Instruction shall use the funds to establish
 51 an Abstinence Until Marriage Education Program and shall delegate to one or more
 52 persons the responsibility of implementing the program and G.S. 115C-81(e1)(4). The
 53 Department of Public Instruction shall carefully and strictly follow federal guidelines in
 54 implementing and administering the abstinence education grant funds.

1 The Department of Health and Human Services shall contract for the
2 follow-up testing involved with the Newborn Screening Program. The Department may
3 contract for these services with an entity within or outside of the State; however, the
4 Department may only contract with an out-of-state entity if it can be demonstrated that
5 there is a cost-savings associated with contracting with the out-of-state entity. The
6 contract amount shall not exceed twenty-five thousand dollars (\$25,000). The amount of
7 the contract shall be covered by funds in the Maternal and Child Health Block Grant.

8 **SECTION 5.1.(g)** The sum of four hundred thousand dollars (\$400,000)
9 appropriated in this section to the Department of Health and Human Services in the
10 Child Care and Development Fund Block Grant shall be used to develop and implement
11 a Medical Child Care Pilot open to children throughout the State.

12 **SECTION 5.1.(h)** Payment for subsidized child care services provided with
13 federal TANF funds shall comply with all regulations and policies issued by the
14 Division of Child Development for the subsidized child care program.

15 **SECTION 5.1.(i)** The sum of four hundred thousand dollars (\$400,000)
16 appropriated in this section in the TANF Block Grant to the Department of Health and
17 Human Services, Division of Social Services, for the 2003-2004 fiscal year shall be
18 used to support administration of TANF-funded programs.

19 **SECTION 5.1.(j)** The sum of two million dollars (\$2,000,000) appropriated
20 in this section in the TANF Block Grant to the Department of Health and Human
21 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
22 Services, for the 2003-2004 fiscal year shall be used to provide regional residential
23 substance abuse treatment and services for women with children. The Department of
24 Health and Human Services, the Division of Social Services, and the Division of Mental
25 Health, Developmental Disabilities, and Substance Abuse Services, in consultation with
26 local departments of social services, area mental health programs, and other State and
27 local agencies or organizations, shall coordinate this effort in order to facilitate the
28 expansion of regionally based substance abuse services for women with children. These
29 services shall be culturally appropriate and designed for the unique needs of TANF
30 women with children.

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

34 The Department of Health and Human Services, the Division of Social
35 Services, and the Division of Mental Health, Developmental Disabilities, and Substance
36 Abuse Services, shall report on their progress in complying with this subsection no later
37 than October 1, 2003, and March 1, 2004, to the Senate Appropriations Committee on
38 Health and Human Services, the House of Representatives Appropriations
39 Subcommittee on Health and Human Services, and the Fiscal Research Division. These
40 reports shall include all of the following:

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

1 **SECTION 5.1.(k)** The sum of one million nine hundred twenty-five
2 thousand dollars (\$1,925,000) appropriated in this section in the TANF Block Grant to
3 the Department of Health and Human Services and transferred to the Department of
4 Juvenile Justice and Delinquency Prevention for the 2003-2004 fiscal year shall be used
5 to support the existing Support Our Students Program and to expand the Program
6 statewide, focusing on low-income communities in unserved areas. These funds shall
7 not be used for administration of the Program.

8 **SECTION 5.1.(l)** The sum of one million two hundred thousand dollars
9 (\$1,200,000) appropriated under this section in the TANF Block Grant to the
10 Department of Health and Human Services, Division of Social Services, for the
11 2003-2004 fiscal year shall be used to provide domestic violence services to Work First
12 recipients. These funds shall be used to provide domestic violence counseling, support,
13 and other direct services to clients. These funds shall not be used to establish new
14 domestic violence shelters or to facilitate lobbying efforts. The Division of Social
15 Services may use up to seventy-five thousand dollars (\$75,000) in TANF funds to
16 establish one administrative position within the Division of Social Services to
17 implement this subsection.

18 Each county department of social services and the local domestic violence
19 shelter program serving the county shall jointly develop a plan for utilizing these funds.
20 The plan shall include the services to be provided and the manner in which the services
21 shall be delivered. The county plan shall be signed by the county social services director
22 or the director's designee and the domestic violence program director or the director's
23 designee and submitted to the Division of Social Services by December 1, 2003. The
24 Division of Social Services, in consultation with the Council for Women, shall review
25 the county plans and shall provide consultation and technical assistance to the
26 departments of social services and local domestic violence shelter programs, if needed.

27 The Division of Social Services shall allocate these funds to county
28 departments of social services according to the following formula: (i) each county shall
29 receive a base allocation of five thousand dollars (\$5,000) and (ii) each county shall
30 receive an allocation of the remaining funds based on the county's proportion of the
31 statewide total of the Work First caseload as of July 1, 2003, and the county's proportion
32 of the statewide total of the individuals receiving domestic violence services from
33 programs funded by the Council for Women as of July 1, 2003. The Division of Social
34 Services may reallocate unspent funds to counties that submit a written request for
35 additional funds.

36 The Department of Health and Human Services shall report on the uses of
37 these funds no later than March 1, 2004, to the Senate Appropriations Committee on
38 Health and Human Services, the House of Representatives Appropriations
39 Subcommittee on Health and Human Services, and the Fiscal Research Division.

40 **SECTION 5.1.(m)** The sum of one million nine hundred twenty-five
41 thousand dollars (\$1,925,000) appropriated in this section in the TANF Block Grant to
42 the Department of Health and Human Services, Division of Social Services, shall be
43 used to expand after-school programs and services for at-risk children. The Department
44 shall develop and implement a grant program to award grants to community-based
45 programs that demonstrate the ability to reach children at risk of teen pregnancy and
46 school dropout. The Department shall award grants to community-based organizations
47 that demonstrate the ability to develop and implement linkages with local departments
48 of social services, area mental health programs, schools, and other human services
49 programs in order to provide support services and assistance to the child and family.
50 These funds may be used to establish one position within the Division of Social
51 Services to coordinate at-risk after-school programs and shall not be used for other State
52 administration. The Department shall report no later than March 1, 2003, on its progress
53 in complying with this section to the Senate Appropriations Committee on Health and
54 Human Services, the House of Representatives Subcommittee on Health and Human
55 Services, and the Fiscal Research Division.

1 **SECTION 5.1.(n)** The sum of ten million three hundred eighty-two
2 thousand three hundred ninety-one dollars (\$10,382,391) appropriated in this section in
3 the TANF Block Grant to the Department of Health and Human Services, Division of
4 Social Services, for the 2003-2004 fiscal year for Child Welfare Improvements shall be
5 allocated to the county departments of social services for hiring or contracting staff to
6 investigate and provide services in Child Protective Services cases; to provide foster
7 care and support services; to recruit, train, license, and support prospective foster and
8 adoptive families; and to provide interstate and post-adoption services for eligible
9 families.

10 **SECTION 5.1.(o)** The sum of one million five hundred thousand dollars
11 (\$1,500,000) appropriated in this section in the Mental Health Block Grant to the
12 Department of Health and Human Services, Division of Mental Health, Developmental
13 Disabilities, and Substance Abuse Services, for the 2003-2004 fiscal year and the sum
14 of four hundred twenty-two thousand three dollars (\$422,003) appropriated in this
15 section in the Social Services Block Grant to the Department of Health and Human
16 Services, Division of Social Services, for the 2003-2004 fiscal year shall be used to
17 continue a Comprehensive Treatment Services Program for Children in accordance with
18 Section 21.60 of S.L. 2001-424, as amended.

19 **SECTION 5.1.(p)** The sum of one million six hundred thousand dollars
20 (\$1,600,000) appropriated in this section in the TANF Block Grant to the Department of
21 Health and Human Services, Division of Social Services, for fiscal year 2003-2004 shall
22 be used to support various child welfare training projects as follows:

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

28 **SECTION 5.1.(q)** If funds appropriated through the Child Care and
29 Development Fund Block Grant for any program cannot be obligated or spent in that
30 program within the obligation or liquidation periods allowed by the federal grants, the
31 Department may move funds to child care subsidies, unless otherwise prohibited by
32 federal requirements of the grant, in order to use the federal funds fully.

33 **SECTION 5.1.(r)** The sum of eight hundred thirty-eight thousand dollars
34 (\$838,000) appropriated in this section in the TANF Block Grant to the Department of
35 Health and Human Services shall be used to purchase services at maternity homes
36 throughout the State.

37 **SECTION 5.1.(s)** The sum of two million dollars (\$2,000,000) appropriated
38 in this section in the TANF Block Grant to the Department of Health and Human
39 Services, Special Children Adoption Fund, for the 2003-2004 fiscal year shall be used
40 to implement this subsection. The Division of Social Services, in consultation with the
41 North Carolina Association of County Directors of Social Services and representatives
42 of licensed private adoption agencies, shall develop guidelines for the awarding of funds
43 to licensed public and private adoption agencies upon the adoption of children described
44 in G.S. 108A-50 and in foster care. Payments received from the Special Children
45 Adoption Fund by participating agencies shall be used exclusively to enhance the
46 adoption services program. No local match shall be required as a condition for receipt of
47 these funds.

48 **SECTION 5.1.(t)** The sum of one million five hundred thousand dollars
49 (\$1,500,000) appropriated in this act in the TANF Block Grant and transferred to the
50 Social Services Block Grant to the Department of Health and Human Services, Division
51 of Social Services, for child caring agencies for the 2003-2004 fiscal year shall be
52 allocated to the State Private Child Caring Agencies Fund. These funds shall be
53 combined with all other funds allocated to the State Private Child Caring Agencies Fund
54 for the reimbursement of the State's portion of the cost of care for the placement of

1 certain children by the county departments of social services who are not eligible for
2 federal IV-E funds. These funds shall not be used to match other federal funds.

3 **SECTION 5.1.(u)** The sum of one million dollars (\$1,000,000) appropriated
4 in this section to the Department of Health and Human Services in the TANF Block
5 Grant for Boys and Girls Clubs shall be used to make grants for approved programs.
6 The Department of Health and Human Services, in accordance with federal regulations
7 for the use of TANF Block Grant funds, shall administer a grant program to award
8 funds to the Boys and Girls Clubs across the State in order to implement programs that
9 improve the motivation, performance, and self-esteem of youths and to implement other
10 initiatives that would be expected to reduce school dropout and teen pregnancy rates.
11 The Department shall encourage and facilitate collaboration between the Boys and Girls
12 Clubs and Support Our Students, Communities in Schools, and similar programs to
13 submit joint applications for the funds if appropriate.
14

15 Requested by: Representatives Fox, West

16 **NER BLOCK GRANT FUNDS**

17 **SECTION 5.2.(a)** Appropriations from federal block grant funds are made
18 for the fiscal year ending June 30, 2004, according to the following schedule:
19

20 **COMMUNITY DEVELOPMENT BLOCK GRANT**

21	01. State Administration	\$1,000,000
22		
23	02. Urgent Needs and Contingency	50,000
24		
25	03. Scattered Site Housing	13,200,000
26		
27	04. Economic Development	
28	a. Administered by Rural Economic	
29	Development Center, Inc.	2,250,000
30	b. Administered by Finance Center	
31	of the Department of Commerce	8,710,000
32		
33		
34	05. Community Revitalization	12,200,000
35		
36	06. State Technical Assistance	450,000
37		
38	07. Housing Development	2,000,000
39		
40	08. Infrastructure	5,140,000
41		

42 **TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT –**
43 **2004 Program Year** \$45,000,000
44

45 **SECTION 5.2.(b)** Decreases in Federal Fund Availability. – If federal funds
46 are reduced below the amounts specified above after the effective date of this act, then
47 every program in each of these federal block grants shall be reduced by the same
48 percentage as the reduction in federal funds.

49 **SECTION 5.2.(c)** Increases in Federal Fund Availability for Community
50 Development Block Grant. – Any block grant funds appropriated by the Congress of the
51 United States in addition to the funds specified in this section shall be expended as
52 follows: Each program category under the Community Development Block Grant shall
53 be increased by the same percentage as the increase in federal funds.

54 **SECTION 5.2.(d)** Limitations on Community Development Block Grant
55 Funds. – Of the funds appropriated in this section for the Community Development

1 Block Grant, the following shall be allocated in each category for each program year:
2 up to one million dollars (\$1,000,000) may be used for State administration; not less
3 than fifty thousand (\$50,000) may be used for Urgent Needs and Contingency; up to
4 thirteen million two hundred thousand dollars (\$13,200,000) may be used for Scattered
5 Site Housing; up to ten million nine hundred sixty thousand dollars (\$10,960,000) may
6 be used for Economic Development, including Urban Redevelopment grants; not less
7 than twelve million two hundred thousand dollars (\$12,200,000) shall be used for
8 Community Revitalization; up to four hundred fifty thousand dollars (\$450,000) may be
9 used for State Technical Assistance; up to two million dollars (\$2,000,000) may be used
10 for Housing Development; up to five million one hundred forty thousand dollars
11 (\$5,140,000) may be used for Infrastructure. If federal block grant funds are reduced or
12 increased by the Congress of the United States after the effective date of this act, then
13 these reductions or increases shall be allocated in accordance with subsection (b) or (c)
14 of this section, as applicable.

15 **SECTION 5.2.(e)** Increase Capacity for Nonprofit Organizations. –
16 Assistance to nonprofit organizations to increase their capacity to carry out
17 CDBG-eligible activities in partnership with units of local government is an eligible
18 activity under any program category in accordance with federal regulations. Capacity
19 building grants may be made from funds available within program categories, program
20 income, or unobligated funds.

21 **SECTION 5.2.(f)** Up to four million dollars (\$4,000,000) of funds for
22 Economic Development may be used for Urgent Needs and Contingency for drought
23 recovery.
24

25 **PART VI. GENERAL PROVISIONS**

26
27 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
28 Owens, Wright

29 **SPECIAL FUNDS, FEDERAL FUNDS, AND DEPARTMENTAL RECEIPTS,** 30 **AND AUTHORIZATION FOR EXPENDITURES**

31 **SECTION 6.1.** There is appropriated out of the cash balances, federal
32 receipts, and departmental receipts available to each department, sufficient amounts to
33 carry on authorized activities included under each department's operations. All these
34 cash balances, federal receipts, and departmental receipts shall be expended and
35 reported in accordance with provisions of the Executive Budget Act, except as
36 otherwise provided by statute, and shall be expended at the level of service authorized
37 by the General Assembly. If the receipts, other than gifts and grants that are
38 unanticipated and are for a specific purpose only, collected in a fiscal year by an
39 institution, department, or agency exceed the receipts certified for it in General Fund
40 Codes or Highway Fund Codes, then the Director of the Budget shall decrease the
41 amount he allots to that institution, department, or agency from appropriations from that
42 Fund by the amount of the excess, unless the Director of the Budget finds that the
43 appropriations from the Fund are necessary to maintain the function that generated the
44 receipts at the level anticipated in the certified Budget Codes for that Fund.

45 Funds that become available from overrealized receipts in General Fund
46 Codes and Highway Fund Codes may be used for new permanent employee positions or
47 to raise the salary of existing employees only as follows:

- 48 (1) As provided in G.S. 116-30.1, 116-30.2, 116-30.3, 116-30.4; or
- 49 (2) If the Director of the Budget finds that the new permanent employee
50 positions are necessary to maintain the function that generated the
51 receipts at the level anticipated in the certified budget codes for that
52 Fund. The Director of the Budget shall notify the President Pro
53 Tempore of the Senate, the Speakers of the House of Representatives,
54 the Chairs of the Appropriations Committees of the Senate and the
55 House of Representatives, and the Fiscal Research Division of the

1 Legislative Services Office that he intends to make such a finding at
2 least 10 days before he makes the finding. The notification shall set out
3 the reason the positions are necessary to maintain the function.

4 The Office of State Budget and Management shall report to the Joint
5 Legislative Commission on Governmental Operations and to the Fiscal Research
6 Division of the Legislative Services Office within 30 days after the end of each quarter
7 the General Fund Codes or Highway Fund Codes that did not result in a corresponding
8 reduced allotment from appropriations from that Fund.

9 This section shall expire June 30, 2004.

10
11 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
12 Owens, Wright

13 **NO EXPENDITURE OF UNBUDGETED RECEIPTS**

14 **SECTION 6.2.** Effective July 1, 2004, G.S. 143-27 reads as rewritten:

15 **"§ 143-27. Appropriations to educational, charitable and correctional institutions**
16 **are in addition to receipts by them.**

17 All appropriations now or hereafter made to the educational institutions, and to the
18 charitable and correctional institutions, and to such other departments and agencies of
19 the State as receive moneys available for expenditure by them are declared to be in
20 addition to such receipts of said institutions, departments or agencies, and are to be
21 available as and to the extent that such receipts are insufficient to meet the costs
22 anticipated in the budget authorized by the General Assembly, of maintenance of such
23 institutions, departments, and agencies; Provided, however, that if the receipts, other
24 than gifts and grants that are unanticipated and are for a specific purpose only, collected
25 in a fiscal year by an institution, department, or agency exceed the receipts certified for
26 it in General Fund Codes, Highway Fund Codes, or Wildlife Fund Codes, the Director
27 of the Budget shall decrease the amount he allots to that institution, department, or
28 agency from appropriations from that Fund by the amount of the excess, ~~unless the~~
29 ~~Director of the Budget has consulted with the Joint Legislative Commission on~~
30 ~~Governmental Operations and unless the Director of the Budget finds that (i) the~~
31 ~~appropriations from that Fund are necessary to maintain the function that generated the~~
32 ~~receipts at the level anticipated in the certified Budget Codes for that Fund and (ii) the~~
33 ~~funds may be expended in accordance with G.S. 143-23.excess.~~ Notwithstanding the
34 foregoing provisions of this section, receipts within The University of North Carolina
35 realized in excess of budgeted levels shall be available, up to a maximum of ten percent
36 (10%) above budgeted levels, for each Budget Code, in addition to appropriations, to
37 support the operations generating such receipts, as approved by the Director of the
38 Budget.

39 The Office of State Budget and Management shall report to the Joint Legislative
40 Commission on Governmental Operations and to the Fiscal Research Division of the
41 Legislative Services Office within 30 days after the end of each quarter on expenditures
42 of receipts in excess of the amounts certified in General Fund Codes, Highway Fund
43 Codes, or Wildlife Fund Codes, that did not result in a corresponding reduced allotment
44 from appropriations from that Fund."

45
46 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
47 Owens, Wright

48 **PREPARE TO BUDGET PAYROLL AT ACTUAL COST**

49 **SECTION 6.3.** The Office of State Budget and Management shall prepare
50 and present to the General Assembly no later than 10 days after the convening of the
51 2004 Regular Session of the 2003 General Assembly such adjustments as are necessary
52 to rebudget the payroll costs of State departments, agencies, and institutions in fiscal
53 year 2004-2005 at levels that reflect actual payroll requirements. Proposed adjustments
54 shall include changes in related expenditure lines that have been underbudgeted with the
55 expectation that shortfalls could be met with lapsed salary funds.

1
2 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
3 Owens, Wright

4 **CONTINGENCY AND EMERGENCY FUND ALLOCATIONS**

5 **SECTION 6.4.** Funds in the amount of five million dollars (\$5,000,000) for
6 the 2003-2004 fiscal year and five million dollars (5,000,000) for the 2004-2005 fiscal
7 year appropriated in this act to the Contingency and Emergency Fund may be expended
8 only for the purposes outlined in G.S. 143-23(a1)(2).
9

10 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
11 Owens, Wright

12 **CHANGE EFFECTIVE DATE - PRIVATE PLATES ON PUBLIC VEHICLES**

13 **SECTION 6.5.(a)** The introductory language to Section 6.14(b) of S.L.
14 2001-424 reads as rewritten:

15 "**SECTION 6.14.(b)** Effective October 1, ~~2003~~, 2004, G.S. 20-39.1(b), as enacted
16 in subsection (a) of this section, reads as rewritten:"

17 **SECTION 6.5.(b)** Section 6.14(h) of S.L. 2001-424 reads as rewritten:

18 "**SECTION 6.14.(h)** Subsection (b) of this section becomes effective October 1,
19 ~~2003~~. 2004. Except as provided in subsection (c) of this section, the remainder of this
20 section is effective when it becomes law."
21

22 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
23 Owens, Wright

24 **HIPAA RESERVE**

25 **SECTION 6.6.** Funds in the amount of two million dollars (\$2,000,000) are
26 appropriated in this act to the Reserve to Implement HIPAA. This reserve shall be
27 located in the Office of State Budget and Management.
28

29 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
30 Owens, Wright

31 **HIPAA IMPLEMENTATION**

32 **SECTION 6.7.** The Governor or the Governor's designee shall coordinate
33 the State's implementation of the federal Health Insurance Portability and
34 Accountability Act ("HIPAA"), Title II Subtitle F (Administrative Simplification).
35 Specifically, the scope of coordination shall include the following:

- 36 (1) Coordinating correspondence between the State and the United States
37 government on all matters relating to HIPAA Administrative
38 Simplification requirements under Subtitle F of Title II of HIPAA.
39 (2) Coordinating official State comments on proposed federal regulations
40 and the federal rule-making process pertaining to HIPAA
41 Administrative Simplification.
42 (3) Obtaining from the North Carolina Attorney General legal
43 interpretations of federal rules pertaining to HIPAA Administrative
44 Simplification compliance, implementation, and enforcement.
45 (4) Establishing deadlines and benchmarks for State agencies to provide
46 the necessary data required to monitor compliance with HIPAA
47 Administrative Simplification requirements.

48 The Information Resource Management Commission ("IRMC") shall
49 cooperate with the Governor to ensure that IRMC policies and activities and State
50 HIPAA implementation are complementary to ensure effective and efficient monitoring
51 of HIPAA Administrative Simplification requirements.

52 **SECTION 6.7.** The University of North Carolina System and the Teachers'
53 and State Employees' Comprehensive Major Medical Plan may develop and implement
54 HIPAA Administrative Simplification compliance and shall report bimonthly to the
55 Governor on the status of implementation.

1 **SECTION 6.7.** Funds appropriated to the Reserve for Health Insurance
2 Portability and Accountability Compliance that are unexpended and unencumbered at
3 the end of the fiscal year shall not revert to the General Fund but shall remain in the
4 Reserve for use in accordance with the purposes of the Reserve.
5

6 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
7 Owens, Wright

8 **STATE SURPLUS REAL PROPERTY SYSTEM**

9 **SECTION 6.8.(a)** The Department of Administration, in consultation with
10 the Office of State Budget and Management and other affected State departments, shall
11 develop and implement a uniform real property disposal system that will continuously
12 identify, evaluate, and dispose of all unused or underused State-owned land and
13 buildings. In order to comply with this section, the Department of Administration, in
14 consultation with the Office of State Budget and Management and other affected State
15 departments, shall do all of the following:

- 16 (1) Review the current inventory of State-owned land and buildings for
17 accuracy and completeness.
- 18 (2) Determine how and when State-owned land and buildings should be
19 declared surplus.
- 20 (3) Determine whether State agencies have the authority to retain funds
21 from the disposal of surplus real property and whether this is
22 consistent among agencies and conducive to the disposal of unneeded
23 property.
- 24 (4) Consider the use of private real estate brokers, auction, and any other
25 method determined to be suitable in order to efficiently and effectively
26 dispose of surplus real property.
- 27 (5) Review the real property held by a selected number of State agencies
28 to determine whether the agency has any property that meets the
29 criteria as set forth in this section.
- 30 (6) Assess the need for additional staff to effectively administer the
31 system.
- 32 (7) Examine current State law to assess the need for changes in order to
33 support a uniform system to identify, evaluate, and dispose of all
34 unused or underused State-owned land and buildings.

35 The Department may retain consultants to assist the accomplishment of the
36 objectives set forth in subdivisions (1) through (7) of this subsection. The Department
37 shall report its findings and recommendations to the General Assembly no later than
38 March 1, 2004.

39 **SECTION 6.8.(b)** There is established the Real Property Management
40 Advisory Council in the Department of Administration. The Advisory Council shall
41 examine the use of State-owned real property and shall advise the Secretary of
42 Administration as to the identification of those properties that are unneeded or
43 underutilized. The Advisory Council shall consist of the following members:

- 44 (1) Four members appointed by the Speaker of the House of
45 Representatives, including one member who shall be designated as
46 House cochair.
- 47 (2) Four members appointed by the President Pro Tempore of the Senate,
48 including one member who shall be designated as Senate cochair.
- 49 (3) Four members appointed by the Governor.

50 The Advisory Council shall meet upon the call of the cochairs.

51 Members of the Advisory Council shall serve for a term of two years
52 beginning July 1, 2003, and shall receive subsistence and travel expenses as provided in
53 G.S. 138-5. Staff support to the Advisory Council shall be provided by the Department
54 of Administration.

1 **SECTION 6.8.(c)** Of funds appropriated in this act to the Department of
2 Administration, a sum not exceeding two hundred fifty thousand dollars (\$250,000)
3 shall be used to accomplish the purposes set forth in this section.
4

5 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
6 Owens, Wright

7 **EXPEDITE SALE OF SURPLUS LAND**

8 **SECTION 6.9.** The Department of Administration shall work with all State
9 departments, agencies, and institutions, including the Department of Transportation and
10 The University of North Carolina, to identify surplus state-owned real property and to
11 expedite the sale of that property. Unless otherwise provided by law, the clear proceeds
12 of the sale of surplus real property shall be credited to the General Fund. It is the intent
13 of the General Assembly that these proceeds shall partially offset debt service costs
14 occasioned by the use of Certificates of Participation to finance the repair and
15 renovation of State buildings. The Department of Administration shall report to the
16 Joint Legislative Commission on Governmental Operations no later than December 1,
17 2003, regarding the extraordinary measures being taken to comply with this provision.
18

19 Requested by: Representatives Culpepper, Crawford, Earle, Owens, Wright

20 **GOVERNMENT AGENCIES TO USE PRODUCTS OF RECYCLED STEEL**

21 **SECTION 6.10.** G.S. 130A-309.14 is amended by adding a new subsection
22 to read:

23 "(1) Any State agency or agency of a political subdivision of the State that is using
24 State funds, or any person contracting with any agency with respect to work performed
25 under contract, shall procure products of recycled steel if all of the following conditions
26 are satisfied:

- 27 (1) The product must be acquired competitively within a reasonable time
28 frame.
29 (2) The product must meet appropriate performance standards.
30 (3) The product must be acquired at a reasonable price."
31

32 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
33 Owens, Wright

34 **IMPLEMENT A PILOT PROJECT FOR LONG-TERM CARE COMMUNITY**
35 **SERVICE COORDINATION**

36 **SECTION 6.11.(a)** In accordance with the recommendations in the final
37 report from the Institute of Medicine Task Force on Long-Term Care and the study
38 report recommendations resulting from S.L. 2001-491, Part XXII, the Department of
39 Health and Human Services shall implement a communications and coordination
40 initiative to support local coordination of long-term care and shall pilot the
41 establishment of local lead agencies to facilitate the long-term care coordination process
42 at the county or regional level. For those counties that voluntarily participate, the local
43 long-term care coordination initiative shall aid in the development of core services,
44 coordinate local services, and streamline access to services. The initiative shall
45 eliminate fragmentation and barriers to information and services; provide a seamless
46 connection among State agencies and local entities, regardless of funding sources; and
47 allow consumers to efficiently and effectively navigate among long-term care services.

48 **SECTION 6.11.(b)** The Department shall submit an interim report on the
49 pilot project for local long-term care coordination to the North Carolina Study
50 Commission on Aging by October 1, 2004, and a final report by October 1, 2005.
51

52 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
53 Owens, Wright

54 **JOINT COMMITTEE ON EXECUTIVE BUDGET ACT REVISIONS**

1 **SECTION 6.12.(a)** There is created a Joint Committee on Executive Budget
2 Act Revisions. The Committee shall be composed of 12 members, six of whom shall be
3 Representatives appointed by the Speaker of the House of Representatives and six of
4 whom shall be Senators appointed by the President Pro Tempore of the Senate. The
5 Speaker of the House of Representatives shall designate one member as cochair and the
6 President Pro Tempore of the Senate shall designate one member as cochair. The
7 Committee shall meet upon call of the cochairs.

8 **SECTION 6.12.(b)** The Committee shall consider contemporary financial
9 management practices in reviewing the current budget process. The Committee shall
10 recommend any changes to the Executive Budget Act that are needed to modernize and
11 improve the processes of budget preparation, budget adoption, budget execution, and
12 program evaluation. The Committee shall report its recommendations to the 2003
13 General Assembly on or before April 1, 2004.

14 **SECTION 6.12.(c)** The Legislative Services Office shall assign professional
15 and clerical staff to assist the Committee in its work. Members of the Committee shall
16 receive per diem, subsistence, and travel allowances in accordance with G.S. 120-3.1,
17 138-5, or 138-6, as appropriate.

18
19 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
20 Owens, Wright

21 **ISSUE REQUEST FOR INFORMATION/ENERGY MANAGEMENT**

22 **SECTION 6.13.** The Department of Administration (Department) shall issue
23 a Request for Information (RFI) to identify companies interested in providing, and
24 qualified to provide, comprehensive energy management services to State departments,
25 agencies, and institutions. The Department shall evaluate information collected through
26 the RFI to determine the:

- 27 (1) Number of qualified companies interested in doing energy
28 management business with State government.
- 29 (2) Types of energy management services available and applicable to
30 State-owned facilities.
- 31 (3) Long-term cost savings potentially available to the State from the
32 implementation of various energy management services.
- 33 (4) Modifications to State law or regulations that may be necessary to
34 acquire and utilize successfully energy management services.

35 By March 1, 2004, the Department shall report its findings, conclusions, and
36 recommendations to the Chairs of the Senate and House of Representatives
37 Appropriations Committees.

38
39 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
40 Owens, Wright

41 **BLUE RIBBON COMMISSION ON MEDICAID REFORM**

42 **SECTION 6.14.(a)** There is established the North Carolina Blue Ribbon
43 Commission on Medicaid Reform (Commission). The Commission shall examine the
44 State's Medicaid program and make comprehensive recommendations for fundamental
45 reform. The Commission shall consider:

- 46 (1) Methods to responsibly restrain the growth in Medicaid spending.
- 47 (2) Best practices in both the public and private sectors in managing and
48 administering health care.
- 49 (3) Options for maximizing existing resources while controlling Medicaid
50 program costs.
- 51 (4) Current array of services available within the State Medicaid program
52 to determine the appropriateness of the type, frequency, and duration
53 of those services.
- 54 (5) Opportunities for long-term, systemic change in the Medicaid program
55 through the use of federal waivers and other management tools.

1 (6) Any other matter relating to reform of the State Medicaid program.

2 **SECTION 6.14.(b)** The Commission shall consist of 12 members appointed
3 as follows:

4 (1) Six members appointed by the Speaker of the House of
5 Representatives, including one member who shall be designated as
6 House Cochair. No more than three may be legislators.

7 (2) Six members appointed by the President Pro Tempore of the Senate,
8 including one member who shall be designated as Senate Cochair. No
9 more than three may be legislators.

10 The appointing officer shall fill vacancies. The Commission shall meet at the
11 call of the Cochairs. Members of the Commission shall receive per diem, subsistence,
12 and travel expenses as provided in G.S. 120-3.1, G.S. 138-5, or G.S. 138-6, as
13 appropriate. The Commission may contract for consultant services as provided in G.S.
14 120-32.02. Upon approval of the Legislative Services Commission, the Legislative
15 Services Officer shall assign professional staff to assist the Commission in its work.
16 Clerical staff shall be furnished to the Commission through the offices of the House of
17 Representatives and Senate Directors of Legislative Assistants. The Commission may
18 meet in the Legislative Building or the Legislative Office Building. The Commission
19 may exercise all of the powers provided under G.S. 120-19 through G.S. 120-19.4 while
20 in the discharge of its official duties.

21 **SECTION 6.14.(c)** By April 1, 2004, the Commission shall make an interim
22 report to the 2003 General Assembly. The Commission shall make its final report to the
23 2005 General Assembly by February 1, 2005, and shall expire upon submitting that
24 report.

25
26 Requested by: Representatives Howard, Crawford, Sherrill, Baker

27 **COMPETITIVELY BID BEVERAGES CONTRACTS**

28 **SECTION 6.15.(a)** Article 3 of Chapter 143 of the General Statutes is
29 amended by adding the following new section to read:

30 **"§ 143-64. Beverages contracts.**

31 Notwithstanding any other provision of law, local school administrative units,
32 community colleges, and constituent institutions of The University of North Carolina
33 shall competitively bid contracts that involve the sale of juice or bottled water. The local
34 school administrative units, community colleges, and constituent institutions may set
35 quality standards for these beverages, and these standards may be used to accept or
36 reject a bid."

37 **SECTION 6.15.(b)** This section is effective when it becomes law and
38 applies to contracts bid on or after that date.

39
40 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
41 Owens, Wright

42 **DISTINGUISHED PROFESSORS ENDOWMENT TRUST FUND**

43 **SECTION 6.16.(a)** G.S. 116-41.15 reads as rewritten:

44 **"§ 116-41.15. Distinguished Professors Endowment Trust Fund; allocation;**
45 **administration.**

46 (a) As used in this Part, "focused growth institution" means Elizabeth City State
47 University, Fayetteville State University, North Carolina Agricultural and Technical
48 University, North Carolina Central University, the University of North Carolina at
49 Pembroke, Western Carolina University, and Winston-Salem State University. As used
50 in this Part, "special needs institution" means the North Carolina School of the Arts and
51 the University of North Carolina at Asheville.

52 (b) For constituent institutions other than focused growth institutions and special
53 needs institutions, ~~The~~ the amount appropriated to the trust shall be allocated by the
54 Board as follows:

- 1 (1) On the basis of one three hundred thirty-four thousand dollar
 2 (\$334,000) challenge grant for each six hundred sixty-six thousand
 3 dollars (\$666,000) raised from private sources; or
 4 (2) On the basis of one one hundred sixty-seven thousand dollar
 5 (\$167,000) challenge grant for each three hundred thirty-three
 6 thousand dollars (\$333,000) raised from private sources.

7 If an institution chooses to pursue the use of the allocated challenge grant funds
 8 described in either subdivision (1) or subdivision (2) of this ~~section~~,subsection, the
 9 funds shall be matched on a two-to-one basis.

10 (c) For focused growth institutions and special needs institutions, subsection (b)
 11 of this section shall be applied such that the amount appropriated to the trust shall be
 12 allocated by the Board on a one-to-one basis instead of a one-to-two basis.

13 (d) Matching funds shall come from contributions made after July 1, 1985, and
 14 pledged for the purposes specified by G.S. 116-41.14. Each participating constituent
 15 institution's board of trustees shall establish its own Distinguished Professors
 16 Endowment Trust Fund, and shall maintain it pursuant to the provision of G.S. 116-36
 17 to function as a depository for private contributions and for the State matching funds for
 18 the challenge grants. The State matching funds shall be transferred to the constituent
 19 institution's Endowment Fund upon notification that the institution has received and
 20 deposited the appropriate amount required by this section in its own Distinguished
 21 Professors Endowment Trust Fund. Only the net income from that account shall be
 22 expended in support of the distinguished professorship thereby created."

23 **SECTION 6.16.(b)** G.S. 116-41.16 reads as rewritten:

24 "**§ 116-41.16. Distinguished Professors Endowment Trust Fund; contribution**
 25 **commitments.**

26 (a) For constituent institutions other than focused growth institutions and special
 27 needs institutions, ~~Contributions~~ contributions may also be eligible for matching if there
 28 is:

- 29 (1) A commitment to make a donation of at least six hundred sixty-six
 30 thousand dollars (\$666,000), as prescribed by G.S. 143-31.4, and an
 31 initial payment of one hundred eleven thousand dollars (\$111,000) to
 32 receive a grant described in G.S. 116-41.15(b)(1); or
 33 (2) A commitment to make a donation of at least three hundred
 34 thirty-three thousand dollars (\$333,000), as prescribed by G.S.
 35 143-31.4, and an initial payment of fifty-five thousand five hundred
 36 dollars (\$55,500) to receive a grant described in G.S. 116-41.15(b)(2);

37 and if the initial payment is accompanied by a written pledge to provide the balance
 38 within five years after the date of the initial payment. Each payment on the balance shall
 39 be no less than the amount of the initial payment and shall be made on or before the
 40 anniversary date of the initial payment. Pledged contributions may not be matched prior
 41 to the actual collection of the total funds. Once the income from the institution's
 42 Distinguished Professors Endowment Trust Fund can be effectively used pursuant to
 43 G.S. 116-41.17, the institution shall proceed to implement plans for establishing an
 44 endowed chair.

45 (b) For focused growth institutions and special needs institutions, subsection (a)
 46 of this section is modified such that contributions may be eligible for matching based on
 47 a schedule to be adopted by the Board of Governors such that at least one-sixth of the
 48 commitment will be donated each year."

50 PART VII. PUBLIC SCHOOLS

51
 52 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

53 TEACHER SALARY SCHEDULES

54 **SECTION 7.1.(a)** Effective for the 2003-2004 school year, the Director of
 55 the Budget shall transfer from the Reserve for Experience Step Salary Increase for

1 Teachers and Principals in Public Schools for the 2003-2004 fiscal year funds necessary
 2 to implement the teacher salary schedule set out in subsection (b) of this section,
 3 including funds for the employer's retirement and social security contributions and
 4 funds for annual longevity payments at one and one-half percent (1.5%) of base salary
 5 for 10 to 14 years of State service, two and twenty-five hundredths percent (2.25%) of
 6 base salary for 15 to 19 years of State service, three and twenty-five hundredths percent
 7 (3.25%) of base salary for 20 to 24 years of State service, and four and one-half percent
 8 (4.5%) of base salary for 25 or more years of State service, commencing July 1, 2003,
 9 for all teachers whose salaries are supported from the State's General Fund. These
 10 funds shall be allocated to individuals according to rules adopted by the State Board of
 11 Education. The longevity payment shall be paid in a lump sum once a year.

12 **SECTION 7.1.(b)** For the 2003-2004 school year, the following monthly
 13 salary schedules shall apply to certified personnel of the public schools who are
 14 classified as teachers. The schedule contains 30 steps with each step corresponding to
 15 one year of teaching experience.

16 2003-2004 MONTHLY SALARY SCHEDULE

17 "A" TEACHERS

18 Years of	"A"	NBPTS
19 Experience	Teachers	Certification
20 0	\$2,525	N/A
21 1	\$2,567	N/A
22 2	\$2,611	N/A
23 3	\$2,764	\$3,096
24 4	\$2,904	\$3,252
25 5	\$3,036	\$3,400
26 6	\$3,164	\$3,544
27 7	\$3,266	\$3,658
28 8	\$3,314	\$3,712
29 9	\$3,362	\$3,765
30 10	\$3,412	\$3,821
31 11	\$3,461	\$3,876
32 12	\$3,511	\$3,932
33 13	\$3,561	\$3,988
34 14	\$3,614	\$4,048
35 15	\$3,667	\$4,107
36 16	\$3,722	\$4,169
37 17	\$3,777	\$4,230
38 18	\$3,834	\$4,294
39 19	\$3,892	\$4,359
40 20	\$3,950	\$4,424
41 21	\$4,011	\$4,492
42 22	\$4,072	\$4,561
43 23	\$4,136	\$4,632
44 24	\$4,200	\$4,704
45 25	\$4,264	\$4,776
46 26	\$4,330	\$4,850
47 27	\$4,398	\$4,926
48 28	\$4,467	\$5,003
49 29	\$4,538	\$5,083
50 30+	\$4,538	\$5,083

51 2003-2004 MONTHLY SALARY SCHEDULE

52 "M" TEACHERS

53 Years of	"M"	NBPTS
54 Experience	Teachers	Certification

1	0	\$2,778	N/A
2	1	\$2,824	N/A
3	2	\$2,872	N/A
4	3	\$3,040	\$3,405
5	4	\$3,194	\$3,577
6	5	\$3,340	\$3,741
7	6	\$3,480	\$3,898
8	7	\$3,593	\$4,024
9	8	\$3,645	\$4,082
10	9	\$3,698	\$4,142
11	10	\$3,753	\$4,203
12	11	\$3,807	\$4,264
13	12	\$3,862	\$4,325
14	13	\$3,917	\$4,387
15	14	\$3,975	\$4,452
16	15	\$4,034	\$4,518
17	16	\$4,094	\$4,585
18	17	\$4,155	\$4,654
19	18	\$4,217	\$4,723
20	19	\$4,281	\$4,795
21	20	\$4,345	\$4,866
22	21	\$4,412	\$4,941
23	22	\$4,479	\$5,016
24	23	\$4,550	\$5,096
25	24	\$4,620	\$5,174
26	25	\$4,690	\$5,253
27	26	\$4,763	\$5,335
28	27	\$4,838	\$5,419
29	28	\$4,914	\$5,504
30	29	\$4,992	\$5,591
31	30+	\$4,992	\$5,591

32 **SECTION 7.1.(c)** Certified public school teachers with certification based
 33 on academic preparation at the six-year degree level shall receive a salary supplement of
 34 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation
 35 provided for certified personnel of the public schools who are classified as "M"
 36 teachers. Certified public school teachers with certification based on academic
 37 preparation at the doctoral degree level shall receive a salary supplement of two
 38 hundred fifty-three dollars (\$253.00) per month in addition to the compensation
 39 provided for certified personnel of the public schools who are classified as "M"
 40 teachers.

41 **SECTION 7.1.(d)** Effective for the 2003-2004 school year, the first step of
 42 the salary schedule for school psychologists shall be equivalent to Step 5, corresponding
 43 to five years of experience, on the salary schedule established in this section for
 44 certified personnel of the public schools who are classified as "M" teachers. Certified
 45 psychologists shall be placed on the salary schedule at an appropriate step based on their
 46 years of experience. Certified psychologists shall receive longevity payments based on
 47 years of State service in the same manner as teachers.

48 Certified psychologists with certification based on academic preparation at
 49 the six-year degree level shall receive a salary supplement of one hundred twenty-six
 50 dollars (\$126.00) per month in addition to the compensation provided for certified
 51 psychologists. Certified psychologists with certification based on academic preparation
 52 at the doctoral degree level shall receive a salary supplement of two hundred fifty-three
 53 dollars (\$253.00) per month in addition to the compensation provided for certified
 54 psychologists.

SECTION 7.1.(e) Effective for the 2003-2004 school year, speech pathologists who are certified as speech pathologists at the masters degree level and audiologists who are certified as audiologists at the masters degree level and who are employed in the public schools as speech and language specialists and audiologists shall be paid on the school psychologist salary schedule.

Speech pathologists and audiologists with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided for speech pathologists and audiologists. Speech pathologists and audiologists with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to the compensation provided for speech pathologists and audiologists.

SECTION 7.1.(f) Certified school nurses who are employed in the public schools as nurses shall be paid on the "M" salary schedule.

SECTION 7.1.(g) As used in this section, the term "teacher" shall also include instructional support personnel.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 7.2.(a) Effective for the 2003-2004 school year, the Director of the Budget shall transfer from Reserve for Experience Step Salary Increase for Teachers and Principals in Public Schools for the 2003-2004 fiscal year funds necessary to implement the salary schedule for school-based administrators as provided in this section. These funds shall be used for State-paid employees only.

SECTION 7.2.(b) The base salary schedule for school-based administrators shall apply only to principals and assistant principals. The base salary schedule for the 2003-2004 fiscal year, commencing July 1, 2003, is as follows:

2003-2004

PRINCIPAL AND ASSISTANT PRINCIPAL SALARY SCHEDULES

CLASSIFICATION

Yrs of Exp	Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)
0-4	\$3,226	-	-	-	-
5	\$3,373	-	-	-	-
6	\$3,515	-	-	-	-
7	\$3,629	-	-	-	-
8	\$3,681	\$3,681	-	-	-
9	\$3,735	\$3,735	-	-	-
10	\$3,791	\$3,791	\$3,845	-	-
11	\$3,845	\$3,845	\$3,901	-	-
12	\$3,901	\$3,901	\$3,956	\$4,015	-
13	\$3,956	\$3,956	\$4,015	\$4,074	\$4,135
14	\$4,015	\$4,015	\$4,074	\$4,135	\$4,197
15	\$4,074	\$4,074	\$4,135	\$4,197	\$4,259
16	\$4,135	\$4,135	\$4,197	\$4,259	\$4,324
17	\$4,197	\$4,197	\$4,259	\$4,324	\$4,388
18	\$4,259	\$4,259	\$4,324	\$4,388	\$4,456
19	\$4,324	\$4,324	\$4,388	\$4,456	\$4,524
20	\$4,388	\$4,388	\$4,456	\$4,524	\$4,596
21	\$4,456	\$4,456	\$4,524	\$4,596	\$4,666
22	\$4,524	\$4,524	\$4,596	\$4,666	\$4,737
23	\$4,596	\$4,596	\$4,666	\$4,737	\$4,811
24	\$4,666	\$4,666	\$4,737	\$4,811	\$4,886

1	25	\$4,737	\$4,737	\$4,811	\$4,886	\$4,963
2	26	\$4,811	\$4,811	\$4,886	\$4,963	\$5,042
3	27	\$4,886	\$4,886	\$4,963	\$5,042	\$5,143
4	28	\$4,963	\$4,963	\$5,042	\$5,143	\$5,246
5	29	\$5,042	\$5,042	\$5,143	\$5,246	\$5,351
6	30	\$5,143	\$5,143	\$5,246	\$5,351	\$5,458
7	31	\$5,246	\$5,246	\$5,351	\$5,458	\$5,567
8	32	-	\$5,351	\$5,458	\$5,567	\$5,678
9	33	-	-	\$5,567	\$5,678	\$5,792
10	34	-	-	\$5,678	\$5,792	\$5,908
11	35	-	-	-	\$5,908	\$6,026
12	36	-	-	-	\$6,026	\$6,147
13	37	-	-	-	-	\$6,270

2003-2004

PRINCIPAL AND ASSISTANT PRINCIPAL SALARY SCHEDULES
CLASSIFICATION

Yrs of Exp	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
14	\$4,259	-	-	-
15	\$4,324	-	-	-
16	\$4,388	\$4,456	-	-
17	\$4,456	\$4,524	\$4,666	-
18	\$4,524	\$4,596	\$4,737	\$4,811
19	\$4,596	\$4,666	\$4,811	\$4,886
20	\$4,666	\$4,737	\$4,886	\$4,963
21	\$4,737	\$4,811	\$4,963	\$5,042
22	\$4,811	\$4,886	\$5,042	\$5,143
23	\$4,886	\$4,963	\$5,143	\$5,246
24	\$4,963	\$5,042	\$5,246	\$5,351
25	\$5,042	\$5,143	\$5,351	\$5,458
26	\$5,143	\$5,246	\$5,458	\$5,567
27	\$5,246	\$5,351	\$5,567	\$5,678
28	\$5,351	\$5,458	\$5,678	\$5,792
29	\$5,458	\$5,567	\$5,792	\$5,908
30	\$5,567	\$5,678	\$5,908	\$6,026
31	\$5,678	\$5,792	\$6,026	\$6,147
32	\$5,792	\$5,908	\$6,147	\$6,270
33	\$5,908	\$6,026	\$6,270	\$6,395
34	\$6,026	\$6,147	\$6,395	\$6,523
35	\$6,147	\$6,270	\$6,523	\$6,653
36	\$6,270	\$6,395	\$6,653	\$6,786
37	\$6,395	\$6,523	\$6,786	\$6,922
38	\$6,523	\$6,653	\$6,922	\$7,060
39	-	\$6,786	\$7,060	\$7,201
40	-	\$6,922	\$7,201	\$7,345
41	-	-	\$7,345	\$7,492

SECTION 7.2.(c) The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools, shall be determined in accordance with the following schedule:

Classification	Number of Teachers Supervised
Assistant Principal	
Principal I	Fewer than 11 Teachers
Principal II	11-21 Teachers

1	Principal III	22-32 Teachers
2	Principal IV	33-43 Teachers
3	Principal V	44-54 Teachers
4	Principal VI	55-65 Teachers
5	Principal VII	66-100 Teachers
6	Principal VIII	More than 100 Teachers

7 The number of teachers supervised includes teachers and assistant principals
8 paid from State funds only; it does not include teachers or assistant principals paid from
9 non-State funds or the principal or teacher assistants.

10 The beginning classification for principals in alternative schools shall be the
11 Principal III level. Principals in alternative schools who supervise 33 or more teachers
12 shall be classified according to the number of teachers supervised.

13 **SECTION 7.2.(d)** A principal shall be placed on the step on the salary
14 schedule that reflects total number of years of experience as a certificated employee of
15 the public schools and an additional step for every three years of experience as a
16 principal. A principal or assistant principal shall also continue to receive any additional
17 State-funded percentage increases earned for the 1997-1998, 1998-1999, and the
18 1999-2000 school years for improvement in student performance or maintaining a safe
19 and orderly school.

20 **SECTION 7.2.(e)** Principals and assistant principals with certification based
21 on academic preparation at the six-year degree level shall be paid a salary supplement of
22 one hundred twenty-six dollars (\$126.00) per month and at the doctoral degree level
23 shall be paid a salary supplement of two hundred fifty-three dollars (\$253.00) per
24 month.

25 **SECTION 7.2.(f)** There shall be no State requirement that superintendents
26 in each local school unit shall receive in State-paid salary at least one percent (1%)
27 more than the highest paid principal receives in State salary in that school unit:
28 Provided, however, the additional State-paid salary a superintendent who was employed
29 by a local school administrative unit for the 1992-1993 fiscal year received because of
30 that requirement shall not be reduced because of this subsection for subsequent fiscal
31 years that the superintendent is employed by that local school administrative unit so
32 long as the superintendent is entitled to at least that amount of additional State-paid
33 salary under the rules in effect for the 1992-1993 fiscal year.

34 **SECTION 7.2.(g)** Longevity pay for principals and assistant principals shall
35 be as provided for State employees under the State Personnel Act.

36 **SECTION 7.2.(h)**

- 37 (1) If a principal is reassigned to a higher job classification because the
38 principal is transferred to a school within a local school administrative
39 unit with a larger number of State-allotted teachers, the principal shall
40 be placed on the salary schedule as if the principal had served the
41 principal's entire career as a principal at the higher job classification.
- 42 (2) If a principal is reassigned to a lower job classification because the
43 principal is transferred to a school within a local school administrative
44 unit with a smaller number of State-allotted teachers, the principal
45 shall be placed on the salary schedule as if the principal had served the
46 principal's entire career as a principal at the lower job classification.

47 This subsection applies to all transfers on or after the effective date of this
48 section, except transfers in school systems that have been created, or will be created, by
49 merging two or more school systems. Transfers in these merged systems are exempt
50 from the provisions of this subsection for one calendar year following the date of the
51 merger.

52 **SECTION. 7.2.(i)** Participants in an approved full-time masters in school
53 administration program shall receive up to a 10-month stipend at the beginning salary of
54 an assistant principal during the internship period of the masters program. The stipend
55 shall not exceed the difference between the beginning salary of an assistant principal

1 and any fellowship funds received by the intern as a full-time student, including awards
 2 of the Principal Fellows Program. The Principal Fellows Program or the school of
 3 education where the intern participates in a full-time masters in school administration
 4 program shall supply the Department of Public Instruction with certification of eligible
 5 full-time interns.

6 **SECTION 7.2.(j)** During the 2003-2004 fiscal year, the placement on the
 7 salary schedule of an administrator with a one-year provisional assistant principal's
 8 certificate shall be at the entry-level salary for an assistant principal or the appropriate
 9 step on the teacher salary schedule, whichever is higher.

10 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

11 **CENTRAL OFFICE SALARIES**

12 **SECTION 7.3.(a)** The monthly salary ranges that follow apply to assistant
 13 superintendents, associate superintendents, directors/coordinators, supervisors, and
 14 finance officers for the 2003-2004 fiscal year, beginning July 1, 2003. The top of these
 15 ranges shall be increased by one and sixth-tenths percent (1.6%) annually for full-time
 16 employees.

17	School Administrator I	\$2,932	\$5,266
18	School Administrator II	\$3,112	\$5,586
19	School Administrator III	\$3,303	\$5,925
20	School Administrator IV	\$3,436	\$6,162
21	School Administrator V	\$3,574	\$6,410
22	School Administrator VI	\$3,792	\$6,799
23	School Administrator VII	\$3,945	\$7,072

24 The local board of education shall determine the appropriate category and
 25 placement for each assistant superintendent, associate superintendent,
 26 director/coordinator, supervisor, or finance officer within the salary ranges and within
 27 funds appropriated by the General Assembly for central office administrators and
 28 superintendents. The category in which an employee is placed shall be included in the
 29 contract of any employee hired on or after July 1, 2003.

30 **SECTION 7.3.(b)** The monthly salary ranges that follow apply to public
 31 school superintendents for the 2003-2004 fiscal year, beginning July 1, 2003. The top
 32 of these ranges shall be increased by one and sixth-tenths percent (1.6%) annually for
 33 full-time employees.

34	Superintendent I	\$4,187	\$7,503
35	Superintendent II	\$4,445	\$7,956
36	Superintendent III	\$4,716	\$8,441
37	Superintendent IV	\$5,005	\$8,953
38	Superintendent V	\$5,312	\$9,499

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

43 Notwithstanding the provisions of this subsection, a local board of education
 44 may pay an amount in excess of the applicable range to a superintendent who is entitled
 45 to receive the higher amount under Section 7.2.(f) of this act.

46 **SECTION 7.3.(c)** Longevity pay for superintendents, assistant
 47 superintendents, associate superintendents, directors/coordinators, supervisors, and
 48 finance officers shall be as provided for State employees under the State Personnel Act.

49 **SECTION 7.3.(d)** Superintendents, assistant superintendents, associate
 50 superintendents, directors/coordinators, supervisors, and finance officers with
 51 certification based on academic preparation at the six-year degree level shall receive a
 52 salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to
 53 the compensation provided pursuant to this section. Superintendents, assistant
 54 superintendents, associate superintendents, directors/coordinators, supervisors, and
 55

1 finance officers with certification based on academic preparation at the doctoral degree
2 level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per
3 month in addition to the compensation provided for under this section.

4 **SECTION 7.3.(e).** The State Board of Education shall not permit local
5 school administrative units to transfer State funds from other funding categories for
6 salaries for public school central office administrators.

7 **SECTION 7.3.(f).** The Director of the Budget shall transfer from the
8 Reserve for Compensation Increases created in this act for fiscal year 2003-2004,
9 beginning July 1, 2003, funds necessary to provide an average annual salary increase of
10 one and six-tenths percent (1.6%), including funds for the employer's retirement and
11 social security contributions, commencing July 1, 2003, for all permanent full-time
12 personnel paid from the Central Office Allotment. The State Board of Education shall
13 allocate these funds to local school administrative units. The local boards of education
14 shall establish guidelines for providing their salary increases to these personnel.
15

16 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

17 **NONCERTIFIED PERSONNEL**

18 **SECTION 7.4.(a)** The Director of the Budget shall transfer from the
19 Reserve for Compensation Increases created in this act for fiscal year 2003-2004,
20 commencing July 1, 2003, funds necessary to provide a salary increase of one and
21 six-tenths percent (1.6%), including funds for the employer's retirement and social
22 security contribution, commencing July 1, 2003, for all noncertified public school
23 employees whose salaries are supported from the State's General Fund.

24 **SECTION 7.4.(b)** Local boards of education shall increase the rates of pay
25 for all such employees who were employed for all or part of fiscal year 2002-2003 and
26 who continue their employment for fiscal year 2003-2004 by at least one and six-tenths
27 percent (1.6%), commencing July 1, 2003. For part-time employees, the pay increase
28 shall be pro rata based on the number of hours worked.

29 **SECTION 7.4.(c)** These funds shall not be used for any purpose other than
30 for the salary increases and necessary employer contributions provided by this section.

31 **SECTION 7.4.(d)** The State Board of Education may adopt salary ranges for
32 noncertified personnel to support increases of one and six-tenths percent (1.6%) for the
33 2003-2004 school year.
34

35 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

36 **RESERVE FOR EXPERIENCE STEP INCREASE FOR TEACHERS AND**
37 **PRINCIPALS IN PUBLIC SCHOOLS**

38 **SECTION 7.5.(a)** Funds in the Reserve for Experience Step Increase for
39 Teachers and Principals in Public Schools shall be used for experience step increases for
40 employees of schools operated by a local board of education, the Department of Health
41 and Human Services, the Department of Correction, or the Department of Juvenile
42 Justice and Delinquency Prevention, who are paid on the teacher salary schedule or the
43 principal and assistant principal salary schedule.

44 **SECTION 7.5.(b)** Effective July 1, 2003, any permanent certified personnel
45 employed on July 1, 2003, and paid on the teacher salary schedule with 29+ years of
46 experience shall receive a one-time bonus equivalent to the average increase of the 26 to
47 29 year steps. Effective July 1, 2003, any permanent personnel employed on July 1,
48 2003, and paid at the top of the principal and assistant principal salary schedule shall
49 receive a one-time bonus equivalent to two percent (2%). For permanent part-time
50 personnel, the one-time bonus shall be adjusted pro rata. Personnel defined under G.S.
51 115C-325(a)(5a) are not eligible to receive the bonus.
52

53 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

54 **SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES**

1 **SECTION 7.6.(a)** Funds for Supplemental Funding. – The General
2 Assembly finds that it is appropriate to provide supplemental funds in low-wealth
3 counties to allow those counties to enhance the instructional program and student
4 achievement. Therefore, funds are appropriated to State Aid to Local School
5 Administrative Units for the 2003-2004 fiscal year and the 2004-2005 fiscal year to be
6 used for supplemental funds for the schools.

7 **SECTION 7.6.(b)** Use of Funds for Supplemental Funding. – All funds
8 received pursuant to this section shall be used only: (i) to provide instructional
9 positions, instructional support positions, teacher assistant positions, clerical positions,
10 school computer technicians, instructional supplies and equipment, staff development,
11 and textbooks; (ii) for salary supplements for instructional personnel and instructional
12 support personnel; and (iii) to pay an amount not to exceed ten thousand dollars
13 (\$10,000) of the plant operation contract cost charged by the Department of Public
14 Instruction for services.

15 Local boards of education are encouraged to use at least twenty-five percent
16 (25%) of the funds received pursuant to this section to improve the academic
17 performance of children who are performing at Level I or II on either reading or
18 mathematics end-of-grade tests in grades 3-8 and children who are performing at Level
19 I or II on the writing tests in grades 4 and 7. Local boards of education shall report to
20 the State Board of Education on an annual basis on funds used for this purpose, and the
21 State Board shall report this information to the Joint Legislative Education Oversight
22 Committee. These reports shall specify how these funds were targeted and used to
23 implement specific improvement strategies of each local school administrative unit and
24 its schools, such as teacher recruitment, closing the achievement gap, improving student
25 accountability, addressing the needs of at-risk students, and establishing and
26 maintaining safe schools.

27 **SECTION 7.6.(c)** Definitions. – As used in this section:

- 28 (1) "Anticipated county property tax revenue availability" means the
29 county-adjusted property tax base multiplied by the effective State
30 average tax rate.
- 31 (2) "Anticipated total county revenue availability" means the sum of the:
32 a. Anticipated county property tax revenue availability,
33 b. Local sales and use taxes received by the county that are levied
34 under Chapter 1096 of the 1967 Session Laws or under
35 Subchapter VIII of Chapter 105 of the General Statutes,
36 c. Food stamp exemption reimbursement received by the county
37 under G.S. 105-164.44C,
38 d. Homestead exemption reimbursement received by the county
39 under G.S. 105-277.1A,
40 e. Inventory tax reimbursement received by the county under G.S.
41 105-275.1 and G.S. 105-277.001,
42 f. Intangibles tax distribution and reimbursement received by the
43 county under G.S. 105-275.2, and
44 g. Fines and forfeitures deposited in the county school fund for the
45 most recent year for which data are available.
- 46 (3) "Anticipated total county revenue availability per student" means the
47 anticipated total county revenue availability for the county divided by
48 the average daily membership of the county.
- 49 (4) "Anticipated State average revenue availability per student" means the
50 sum of all anticipated total county revenue availability divided by the
51 average daily membership for the State.
- 52 (5) "Average daily membership" means average daily membership as
53 defined in the North Carolina Public Schools Allotment Policy
54 Manual, adopted by the State Board of Education. If a county contains
55 only part of a local school administrative unit, the average daily

- 1 membership of that county includes all students who reside within the
2 county and attend that local school administrative unit.
- 3 (6) "County-adjusted property tax base" shall be computed as follows:
4 a. Subtract the present-use value of agricultural land, horticultural
5 land, and forestland in the county, as defined in G.S. 105-277.2,
6 from the total assessed real property valuation of the county,
7 b. Adjust the resulting amount by multiplying by a weighted
8 average of the three most recent annual sales assessment ratio
9 studies,
10 c. Add to the resulting amount the:
11 1. Present-use value of agricultural land, horticultural land,
12 and forestland, as defined in G.S. 105-277.2,
13 2. Value of property of public service companies,
14 determined in accordance with Article 23 of Chapter 105
15 of the General Statutes, and
16 3. Personal property value for the county.
- 17 (7) "County-adjusted property tax base per square mile" means the
18 county-adjusted property tax base divided by the number of square
19 miles of land area in the county.
- 20 (8) "County wealth as a percentage of State average wealth" shall be
21 computed as follows:
22 a. Compute the percentage that the county per capita income is of
23 the State per capita income and weight the resulting percentage
24 by a factor of five-tenths,
25 b. Compute the percentage that the anticipated total county
26 revenue availability per student is of the anticipated State
27 average revenue availability per student and weight the
28 resulting percentage by a factor of four-tenths,
29 c. Compute the percentage that the county-adjusted property tax
30 base per square mile is of the State-adjusted property tax base
31 per square mile and weight the resulting percentage by a factor
32 of one-tenth,
33 d. Add the three weighted percentages to derive the county wealth
34 as a percentage of the State average wealth.
- 35 (9) "Effective county tax rate" means the actual county tax rate multiplied
36 by a weighted average of the three most recent annual sales assessment
37 ratio studies.
- 38 (10) "Effective State average tax rate" means the average of effective
39 county tax rates for all counties.
- 40 (10a) "Local current expense funds" means the most recent county current
41 expense appropriations to public schools, as reported by local boards
42 of education in the audit report filed with the Secretary of the Local
43 Government Commission pursuant to G.S. 115C-447.
- 44 (11) "Per capita income" means the average for the most recent three years
45 for which data are available of the per capita income according to the
46 most recent report of the United States Department of Commerce,
47 Bureau of Economic Analysis, including any reported modifications
48 for prior years as outlined in the most recent report.
- 49 (12) "Sales assessment ratio studies" means sales assessment ratio studies
50 performed by the Department of Revenue under G.S. 105-289(h).
- 51 (13) "State average current expense appropriations per student" means the
52 most recent State total of county current expense appropriations to
53 public schools, as reported by local boards of education in the audit
54 report filed with the Secretary of the Local Government Commission
55 pursuant to G.S. 115C-447.

1 (14) "State average adjusted property tax base per square mile" means the
2 sum of the county-adjusted property tax bases for all counties divided
3 by the number of square miles of land area in the State.

4 (14a) "Supplant" means to decrease local per student current expense
5 appropriations from one fiscal year to the next fiscal year.

6 (15) "Weighted average of the three most recent annual sales assessment
7 ratio studies" means the weighted average of the three most recent
8 annual sales assessment ratio studies in the most recent years for which
9 county current expense appropriations and adjusted property tax
10 valuations are available. If real property in a county has been revalued
11 one year prior to the most recent sales assessment ratio study, a
12 weighted average of the two most recent sales assessment ratios shall
13 be used. If property has been revalued the year of the most recent sales
14 assessment ratio study, the sales assessment ratio for the year of
15 revaluation shall be used.

16 **SECTION 7.6.(d)** Eligibility for Funds. – Except as provided in subsection
17 (h) of this section, the State Board of Education shall allocate these funds to local school
18 administrative units located in whole or in part in counties in which the county wealth
19 as a percentage of the State average wealth is less than one hundred percent (100%).

20 **SECTION 7.6.(e)** Allocation of Funds. – Except as provided in subsection
21 (g) of this section, the amount received per average daily membership for a county shall
22 be the difference between the State average current expense appropriations per student
23 and the current expense appropriations per student that the county could provide given
24 the county's wealth and an average effort to fund public schools. (To derive the current
25 expense appropriations per student that the county could be able to provide given the
26 county's wealth and an average effort to fund public schools, multiply the county wealth
27 as a percentage of State average wealth by the State average current expense
28 appropriations per student.)

29 The funds for the local school administrative units located in whole or in part
30 in the county shall be allocated to each local school administrative unit located in whole
31 or in part in the county based on the average daily membership of the county's students
32 in the school units.

33 If the funds appropriated for supplemental funding are not adequate to fund
34 the formula fully, each local school administrative unit shall receive a pro rata share of
35 the funds appropriated for supplemental funding.

36 **SECTION 7.6.(f)** Formula for Distribution of Supplemental Funding
37 Pursuant to This Section Only. – The formula in this section is solely a basis for
38 distribution of supplemental funding for low-wealth counties and is not intended to
39 reflect any measure of the adequacy of the educational program or funding for public
40 schools. The formula is also not intended to reflect any commitment by the General
41 Assembly to appropriate any additional supplemental funds for low-wealth counties.

42 **SECTION 7.6.(g)** Minimum Effort Required. – Counties that had effective
43 tax rates in the 1996-1997 fiscal year that were above the State average effective tax
44 rate but that had effective rates below the State average in the 1997-1998 fiscal year or
45 thereafter shall receive reduced funding under this section. This reduction in funding
46 shall be determined by subtracting the amount that the county would have received
47 pursuant to Section 17.1(g) of Chapter 507 of the 1995 Session Laws from the amount
48 that the county would have received if qualified for full funding and multiplying the
49 difference by ten percent (10%). This method of calculating reduced funding shall
50 apply one time only.

51 This method of calculating reduced funding shall not apply in cases in which
52 the effective tax rate fell below the statewide average effective tax rate as a result of a
53 reduction in the actual property tax rate. In these cases, the minimum effort required
54 shall be calculated in accordance with Section 17.1(g) of Chapter 507 of the 1995
55 Session Laws.

1 If the county documents that it has increased the per student appropriation to
2 the school current expense fund in the current fiscal year, the State Board of Education
3 shall include this additional per pupil appropriation when calculating minimum effort
4 pursuant to Section 17.1(g) of Chapter 507 of the 1995 Session Laws.

5 **SECTION 7.6.(h) Nonsupplant Requirement.** – A county in which a local
6 school administrative unit receives funds under this section shall use the funds to
7 supplement local current expense funds and shall not supplant local current expense
8 funds. For the 2003-2005 fiscal biennium, the State Board of Education shall not
9 allocate funds under this section to a county found to have used these funds to supplant
10 local per student current expense funds. The State Board of Education shall make a
11 finding that a county has used these funds to supplant local current expense funds in the
12 prior year, or the year for which the most recent data are available, if:

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

21 The State Board of Education shall adopt rules to implement this section.

22 **SECTION 7.6.(i) Reports.** – The State Board of Education shall report to the
23 Joint Legislative Education Oversight Committee prior to May 1, 2004, if it determines
24 that counties have supplanted funds.

25 **SECTION 7.6.(j) Department of Revenue Reports.** – The Department of
26 Revenue shall provide to the Department of Public Instruction a preliminary report for
27 the current fiscal year of the assessed value of the property tax base for each county
28 prior to March 1 of each year and a final report prior to May 1 of each year. The reports
29 shall include for each county the annual sales assessment ratio and the taxable values of
30 (i) total real property, (ii) the portion of total real property represented by the
31 present-use value of agricultural land, horticultural land, and forestland as defined in
32 G.S. 105-277.2, (iii) property of public service companies determined in accordance
33 with Article 23 of Chapter 105 of the General Statutes, and (iv) personal property.

34
35 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

36 **SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

37 **SECTION 7.7.(a) Funds for Small School Systems.** – Except as provided in
38 subsection (b) of this section, the State Board of Education shall allocate funds
39 appropriated for small school system supplemental funding (i) to each county school
40 administrative unit with an average daily membership of fewer than 3,175 students and
41 (ii) to each county school administrative unit with an average daily membership from
42 3,175 to 4,000 students if the county in which the local school administrative unit is
43 located has a county-adjusted property tax base per student that is below the
44 State-adjusted property tax base per student and if the total average daily membership of
45 all local school administrative units located within the county is from 3,175 to 4,000
46 students. The allocation formula shall:

- 47 (1) Round all fractions of positions to the next whole position.
- 48 (2) Provide five and one-half additional regular classroom teachers in
49 counties in which the average daily membership per square mile is
50 greater than four, and seven additional regular classroom teachers in
51 counties in which the average daily membership per square mile is
52 four or fewer.
- 53 (3) Provide additional program enhancement teachers adequate to offer
54 the standard course of study.

1 (4) Change the duty-free period allocation to one teacher assistant per 400
2 average daily membership.

3 (5) Provide a base for the consolidated funds allotment of at least five
4 hundred seventy-seven thousand one hundred eleven dollars
5 (\$577,111), excluding textbooks.

6 (6) Allot vocational education funds for grade 6 as well as for grades 7-12.

7 If funds appropriated for each fiscal year for small school system
8 supplemental funding are not adequate to fund fully the program, the State Board of
9 Education shall reduce the amount allocated to each county school administrative unit
10 on a pro rata basis. This formula is solely a basis for distribution of supplemental
11 funding for certain county school administrative units and is not intended to reflect any
12 measure of the adequacy of the educational program or funding for public schools. The
13 formula is also not intended to reflect any commitment by the General Assembly to
14 appropriate any additional supplemental funds for such county administrative units.

15 **SECTION 7.7.(b) Nonsupplant Requirement.** – A county in which a local
16 school administrative unit receives funds under this section shall use the funds to
17 supplement local current expense funds and shall not supplant local current expense
18 funds. For the 2003-2005 fiscal biennium, the State Board of Education shall not
19 allocate funds under this section to a county found to have used these funds to supplant
20 local per student current expense funds. The State Board of Education shall make a
21 finding that a county has used these funds to supplant local current expense funds in the
22 prior year, or the year for which the most recent data are available, if:

23 (1) The current expense appropriation per student of the county for the
24 current year is less than ninety-five percent (95%) of the average of the
25 local current expense appropriations per student for the three prior
26 fiscal years; and

27 (2) The county cannot show: (i) that it has remedied the deficiency in
28 funding, or (ii) that extraordinary circumstances caused the county to
29 supplant local current expense funds with funds allocated under this
30 section.

31 The State Board of Education shall adopt rules to implement this section.

32 **SECTION 7.7.(c) Phase-Out Provisions.** – If a local school administrative
33 unit becomes ineligible for funding under this formula solely because of an increase in
34 the county-adjusted property tax base per student of the county in which the local school
35 administrative unit is located, funding for that unit shall be phased out over a two-year
36 period. For the first year of ineligibility, the unit shall receive the same amount it
37 received for the prior fiscal year. For the second year of ineligibility, it shall receive
38 one-half of that amount.

39 If a local school administrative unit becomes ineligible for funding under this
40 formula solely because of an increase in the population of the county in which the local
41 school administrative unit is located, funding for that unit shall be continued for five
42 years after the unit becomes ineligible.

43 **SECTION 7.7.(d) Definitions.** – As used in this section:

44 (1) "Average daily membership" means within two percent (2%) of the
45 average daily membership as defined in the North Carolina Public
46 Schools Allotment Policy Manual, adopted by the State Board of
47 Education.

48 (2) "County-adjusted property tax base per student" means the total
49 assessed property valuation for each county, adjusted using a weighted
50 average of the three most recent annual sales assessment ratio studies,
51 divided by the total number of students in average daily membership
52 who reside within the county.

53 (2a) "Local current expense funds" means the most recent county current
54 expense appropriations to public schools, as reported by local boards

1 of education in the audit report filed with the Secretary of the Local
2 Government Commission pursuant to G.S. 115C-447.

3 (3) "Sales assessment ratio studies" means sales assessment ratio studies
4 performed by the Department of Revenue under G.S. 105-289(h).

5 (4) "State-adjusted property tax base per student" means the sum of all
6 county adjusted property tax bases divided by the total number of
7 students in average daily membership who reside within the State.

8 (4a) "Supplant" means to decrease local per student current expense
9 appropriations from one fiscal year to the next fiscal year.

10 (5) "Weighted average of the three most recent annual sales assessment
11 ratio studies" means the weighted average of the three most recent
12 annual sales assessment ratio studies in the most recent years for which
13 county current expense appropriations and adjusted property tax
14 valuations are available. If real property in a county has been revalued
15 one year prior to the most recent sales assessment ratio study, a
16 weighted average of the two most recent sales assessment ratios shall
17 be used. If property has been revalued during the year of the most
18 recent sales assessment ratio study, the sales assessment ratio for the
19 year of revaluation shall be used.

20 **SECTION 7.7.(e)** Reports. – The State Board of Education shall report to
21 the Joint Legislative Education Oversight Committee prior to May 1, 2004, if it
22 determines that counties have supplanted funds.

23 **SECTION 7.7.(f)** Use of Funds. – Local boards of education are encouraged
24 to use at least twenty percent (20%) of the funds they receive pursuant to this section to
25 improve the academic performance of children who are performing at Level I or II on
26 either reading or mathematics end-of-grade tests in grades 3-8 and children who are
27 performing at Level I or II on the writing tests in grades 4 and 7. Local boards of
28 education shall report to the State Board of Education on an annual basis on funds used
29 for this purpose and the State Board shall report this information to the Joint Legislative
30 Education Oversight Committee. These reports shall specify how these funds were
31 targeted and used to implement specific improvement strategies of each local school
32 administrative unit and its schools such as teacher recruitment, closing the achievement
33 gap, improving student accountability, addressing the needs of at-risk students, and
34 establishing and maintaining safe schools.

35
36 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

37 **APPROPRIATIONS FOR CONTINUALLY LOW-PERFORMING SCHOOLS**

38 **SECTION 7.8.** Of funds appropriated from the General Fund to State Aid to
39 Local School Administrative Units, the sum of one million nine hundred fifty-six
40 thousand one hundred fifteen dollars (\$1,956,115) for the 2003-2004 and 2004-2005
41 fiscal years shall be used to provide the State's chronically low-performing schools with
42 tools needed to dramatically improve student achievement. These funds shall be used to
43 implement any of the following strategies at the schools that have not previously been
44 implemented with State or other funds:

45 (1) The sum of one million six hundred fifty-seven thousand three
46 hundred forty-five dollars (\$1,657,345) for the 2003-2004 and
47 2004-2005 fiscal years shall be used to reduce class size at a
48 continually low-performing school to ensure that the number of
49 teachers allotted for students in grades four and five is one for every 17
50 students, and that the number of teachers allotted in grades six through
51 eight is one for every 17 students, and that the number of teachers
52 allotted in grades nine through twelve is one for every 20 students; and

53 (2) The sum of two hundred ninety-eight thousand seven hundred seventy
54 dollars (\$298,770) for the 2003-2004 and 2004-2005 fiscal years shall
55 be used to extend teachers' contracts for a total of 10 days, including

1 five days of additional instruction with related costs for other than
2 teachers' salaries for the 2003-2004 and 2004-2005 school years.

3 Notwithstanding any other provision of law, the State Board of Education
4 may implement intervention strategies for the 2003-2004 and 2004-2005 school years
5 that it deems appropriate.
6

7 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

8 **IMMEDIATE ASSISTANCE TO THE HIGHEST PRIORITY ELEMENTARY**
9 **SCHOOLS**

10 **SECTION 7.9.** Of funds appropriated from the General Fund to State Aid to
11 Local School Administrative Units, the sum of ten million one hundred thirty-four
12 thousand six hundred seven dollars (\$10,134,607) for the 2003-2004 and 2004-2005
13 fiscal years shall be budgeted to provide the State's lowest performing elementary
14 schools with the tools needed to dramatically improve student achievement. These
15 funds shall be used for the 37 elementary schools at which, for the 1999-2000 school
16 year over eighty percent (80%) of the students qualified for free or reduced-price
17 lunches, and no more than fifty-five percent (55%) of the students performed at or
18 above grade level. Of these funds:

- 19 (1) The sum of six million ninety-three thousand one hundred eighty-one
20 dollars (\$6,093,181) for the 2003-2004 and 2004-2005 fiscal years
21 shall be used to reduce class size at each of these schools to ensure that
22 no class kindergarten through third grade has more than 15 students;
23 (2) The sum of two million two hundred sixty-six thousand twenty-six
24 dollars (\$2,266,026) for the 2003-2004 and 2004-2005 fiscal years
25 shall be used to extend all teachers' contracts at these schools for a
26 total of 10 days, with five days for staff development, including staff
27 development on methods to individualize instruction in smaller
28 classes, and preparation for the 2003-2004 and 2004-2005 school
29 years, and five additional days of instruction with related costs for
30 other than teachers' salaries; and
31 (3) The sum of one million seven hundred seventy-five thousand four
32 hundred dollars (\$1,775,400) for the 2003-2004 and 2004-2005 fiscal
33 years shall be used to provide one additional instructional support
34 position at each priority school.

35 No funds from the teacher assistant allotment category may be allotted to the
36 local school administrative units for students assigned to these schools. Any teacher
37 assistants displaced from jobs in these high-priority elementary schools shall be given
38 preferential consideration for vacant teacher assistant positions at other schools,
39 provided their job performance has been satisfactory. Nothing in this section prevents
40 the local school administrative unit from placing teacher assistants in these schools.
41

42 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

43 **EVALUATION OF INITIATIVES TO ASSIST HIGH-PRIORITY SCHOOLS**

44 **SECTION 7.10.(a)** In order for the high-priority schools identified in
45 Section 7.9 of this act to remain eligible for the additional resources provided in this
46 section, the schools must meet the expected growth for each year and must achieve high
47 growth for at least two out of three years based on the State Board of Education's annual
48 performance standards set for each school. No adjustment in the allotment of resources
49 based on performance shall be made until the 2004-2005 school year.

50 **SECTION 7.10.(b)** All teaching positions allotted for students in
51 high-priority schools and continually low-performing schools in those grades targeted
52 for smaller class sizes shall be assigned to and teach in those grades and in those
53 schools. The maximum class size in grades K-3 in high-priority schools and in grades
54 K-5 in continually low-performing schools shall be no more than one student above the
55 allotment ratio in that grade. The Department of Public Instruction shall monitor class

1 sizes at these schools at the end of the first month of school and report to the State
2 Board of Education on the actual class sizes at these schools. If the local school
3 administrative unit notifies the State Board of Education that they do not have sufficient
4 resources to adhere to the class size maximum requirements and requests additional
5 teaching positions, the State Board shall verify the need for additional positions. If the
6 additional resources are determined necessary, the State Board of Education may
7 allocate additional teaching positions to the unit from the Reserve for Average Daily
8 Membership adjustments.

9 **SECTION 7.10.(c)** Of funds appropriated from the General Fund to State
10 Aid to Local School Administrative Units, the sum of five hundred thousand dollars
11 (\$500,000) for fiscal year 2003-2004 and the sum of five hundred thousand dollars
12 (\$500,000) for fiscal year 2004-2005 shall be used by the State Board of Education to
13 contract with an outside organization to evaluate the initiatives set forth in this section.
14 The evaluation shall include:

- 15 (1) An assessment of the overall impact these initiatives have had on
16 student achievement;
- 17 (2) An assessment of the effectiveness of each individual initiative set for
18 this section in improving student achievement;
- 19 (3) An identification of changes in staffing patterns, instructional methods,
20 staff development, and parental involvement as a result of these
21 initiatives;
- 22 (4) An accounting of how funds and personnel resources made available
23 for these schools were utilized and the impact of varying patterns of
24 utilization on changes in student achievement;
- 25 (5) An assessment of the impact of bonuses for mathematics, science, and
26 special education teachers on (i) the retention of these teachers in the
27 targeted schools, (ii) the recruitment of teachers in these specialties
28 into targeted schools, (iii) the recruitment of teachers certified in these
29 disciplines, and (iv) student achievement in schools at which these
30 teachers receive these bonuses; and
- 31 (6) Recommendations for the continuance and improvement of these
32 initiatives.

33 The State Board of Education shall make a report to the Joint Legislative
34 Education Oversight Committee regarding the results of this evaluation by December 1
35 of each year. The State Board of Education shall submit its recommendations for
36 changes to these initiatives to the Committee at anytime.

37
38 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

39 **AT-RISK STUDENT SERVICES/ALTERNATIVE SCHOOLS**

40 **SECTION 7.11.** The State Board of Education may use up to two hundred
41 thousand dollars (\$200,000) of the funds in the Alternative Schools/At-Risk Student
42 allotment each year for the 2003-2004 fiscal year and for the 2004-2005 fiscal year to
43 implement G.S. 115C-12(24).

44
45 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

46 **ADDITIONAL TEACHER POSITIONS FOR SECOND GRADE**

47 **SECTION 7.12.(a)** The maximum class size limits for second grade
48 established by the State Board of Education for the 2003-2004 school year shall be
49 reduced by two from the 2002-2003 limits, based on an allotment ratio of one teacher
50 for every 18 students.

51 **SECTION 7.12.(b)** For the 2003-2004 school year, local school
52 administrative units shall use these additional teacher positions to reduce class size in
53 second grade.

54
55 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

CHILDREN WITH DISABILITIES

SECTION 7.13. The State Board of Education shall allocate funds for children with disabilities on the basis of two thousand six hundred seventy dollars and twenty-eight cents (\$2,670.28) per child for a maximum of 165,266 children for the 2003-2004 school year. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) twelve and five-tenths percent (12.5%) of the 2003-2004 allocated average daily membership in the local school administrative unit.

The dollar amounts allocated under this section for children with disabilities shall also adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve children with disabilities.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 7.14. The State Board of Education shall allocate funds for academically or intellectually gifted children on the basis of eight hundred eighty-four dollars and fifty-five cents (\$884.55) per child. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2003-2004 allocated average daily membership, regardless of the number of children identified as academically or intellectually gifted in the unit. The State Board shall allocate funds for no more than 53,712 children for the 2003-2004 school year.

The dollar amounts allocated under this section for academically or intellectually gifted children shall also adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve academically or intellectually gifted children.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

STUDENTS WITH LIMITED ENGLISH PROFICIENCY

SECTION 7.15.(a) The State Board of Education shall develop guidelines for identifying and providing services to students with limited proficiency in the English language.

The State Board shall allocate these funds to local school administrative units and to charter schools under a formula that takes into account the average percentage of students in the units or the charters over the past three years who have limited English proficiency. The State Board shall allocate funds to a unit or a charter school only if (i) average daily membership of the unit or the charter school includes at least 20 students with limited English proficiency or (ii) students with limited English proficiency comprise at least two and one-half percent (2.5%) of the average daily membership of the unit or charter school. For the portion of the funds that is allocated on the basis of the number of identified students, the maximum number of identified students for whom a unit or charter school receives funds shall not exceed 10 and six-tenths percent (10.6%) of its average daily membership.

Local school administrative units shall use funds allocated to them to pay for classroom teachers, teacher assistants, tutors, textbooks, classroom materials/instructional supplies/equipment, transportation costs, and staff development of teachers for students with limited English proficiency.

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

SECTION 7.15.(b) The Department of Public Instruction shall prepare a current head count of the number of students classified with limited English proficiency by December 1 of each year.

Students in the head count shall be assessed at least once every three years to determine their level of English proficiency. A student who scores "superior" on the

1 standard English language proficiency assessment instrument used in this State shall not
2 be included in the head count of students with limited English proficiency.

3 **SECTION 7.15.(c)** The State Board of Education shall review the allotment
4 formula for funding for students with limited English proficiency. In its review, the
5 Board shall consider whether the proportion of funds allotted on the basis of
6 concentration of students with limited English proficiency in a local school
7 administrative unit is at the proper level or should be revised. The Board shall report
8 the results of its review and its recommendations to the Joint Legislative Education
9 Oversight Committee by November 15, 2003.

10
11 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

12 **FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION**

13 **SECTION 7.16.(a)** The State Board of Education shall use funds
14 appropriated for State Aid to Local School Administrative Units for the 2003-2004
15 fiscal year to provide incentive funding for schools that met or exceeded the projected
16 levels of improvement in student performance during the 2002-2003 school year, in
17 accordance with the ABCs of Public Education Program. In accordance with State
18 Board of Education policy:

- 19 (1) Incentive awards in schools that achieve higher than expected
20 improvements may be up to:
21 a. One thousand five hundred dollars (\$1,500) for each teacher
22 and for certified personnel; and
23 b. Five hundred dollars (\$500.00) for each teacher assistant.
24 (2) Incentive awards in schools that meet the expected improvements may
25 be up to:
26 a. Seven hundred fifty dollars (\$750.00) for each teacher and for
27 certified personnel; and
28 b. Three hundred seventy-five dollars (\$375.00) for each teacher
29 assistant.

30 **SECTION 7.16.(b)** The State Board of Education may use funds
31 appropriated to State Aid to Local School Administrative Units for assistance teams to
32 low-performing schools.

33
34 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

35 **LEA ASSISTANCE PROGRAM**

36 **SECTION 7.17.** Of funds appropriated from the General Fund to State Aid
37 to Local School Administrative Units, the sum of five hundred thousand dollars
38 (\$500,000) for fiscal year 2003-2004 shall be used to provide assistance to the State's
39 low-performing Local School Administrative Units (LEAs) and to assist schools in
40 meeting adequate yearly progress in each subgroup identified in the No Child Left
41 Behind Act of 2001. The State Board of Education shall report to the Office of State
42 Budget and Management, the Fiscal Research Division, and the Joint Legislative
43 Education Oversight Committee on the expenditure of these funds by May 15, 2004,
44 and by December 15, 2005. The report shall contain: (1) the criteria for selecting LEAs
45 and schools to receive assistance, (2) measurable goals and objectives for the assistance
46 program, (3) an explanation of the assistance provided, (4) findings from the assistance
47 program, (5) actual expenditures by category, (6) recommendations for the continuance
48 of this program, and (7) any other information the State Board deems necessary.

49
50 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

51 **EXPENDITURE OF FUNDS TO IMPROVE STUDENT ACCOUNTABILITY**

52 **SECTION 7.18.(a)** Funds appropriated for the 2003-2004 and 2004-2005
53 fiscal years for Student Accountability Standards shall be used to assist students to
54 perform at or above grade level in reading and mathematics in grades 3-8 as measured
55 by the State's end-of-grade tests. The SBE shall allocate these funds to LEAs based on

1 the number of students who score at Level I or Level II on either reading or
2 mathematics end-of-grade tests in grades 3-8. Funds in the allocation category shall be
3 used to improve the academic performance of (i) students who are performing at Level I
4 or II on either reading or mathematics end-of-grade tests in grades 3-8 or (ii) students
5 who are performing at Level I or II on the writing tests in grades 4 and 7. These funds
6 may also be used to improve the academic performance of students who are performing
7 at Level I or II on the high school end-of-course tests. These funds shall not be
8 transferred to other allocation categories or otherwise used for other purposes. Except
9 as otherwise provided by law, local boards of education may transfer other funds
10 available to them into this allocation category.

11 The principal of a school receiving these funds, in consultation with the
12 faculty and the site-based management team, shall implement plans for expending these
13 funds to improve the performance of students.

14 Local boards of education are encouraged to use federal funds such as Title I
15 Comprehensive School Reform Development Funds and to examine the use of State
16 funds to ensure that every student is performing at or above grade level in reading and
17 mathematics.

18 These funds shall be allocated to local school administrative units for the
19 2003-2004 fiscal year within 30 days of the date this act becomes law.

20 **SECTION 7.18.(b)** Funds appropriated for Student Accountability
21 Standards shall not revert at the end of each fiscal year but shall remain available for
22 expenditure until August 31 of the subsequent fiscal year.

23
24 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

25 **FUNDS FOR TEACHER RECRUITMENT INITIATIVES**

26 **SECTION 7.19.** The State Board of Education may use up to two hundred
27 thousand dollars (\$200,000) of the funds appropriated for State Aid to Local School
28 Administrative Units each year for the 2003-2004 fiscal year and for the 2004-2005
29 fiscal year to enable teachers who have received NBPTS certification or who have
30 otherwise received special recognition to advise the State Board of Education on teacher
31 recruitment and other strategic priorities of the State Board.

32
33 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

34 **RECRUITMENT AND RETENTION INITIATIVE TO ADDRESS TEACHER**
35 **SHORTAGE**

36 **SECTION 7.20.(a)** Of the funds appropriated from the General Fund to
37 State Aid to Local School Administrative Units, the sum of two million eight hundred
38 ninety thousand dollars (\$2,890,000) for the 2003-2004 and 2004-2005 fiscal years shall
39 be used to provide annual bonuses of one thousand eight hundred dollars (\$1,800) to
40 teachers certified in and teaching in the fields of mathematics, science, or special
41 education in grades 6 through 12 at middle and high schools with eighty percent (80%)
42 or more of the students eligible for free or reduced lunch or with fifty percent (50%) or
43 more of students performing below grade level in Algebra I and Biology. The bonus
44 shall be paid monthly with matching benefits. Teachers shall remain eligible for the
45 bonuses so long as they continue to teach in one of these disciplines at a school that was
46 eligible for the bonus program when the teacher first received this bonus.

47 **SECTION 7.20.(b)** In accordance with G.S. 115C-325 and by way of
48 clarification, it shall not constitute a demotion as that term is defined in G.S.
49 115C-325(a)(4) if:

- 50 (1) A teacher who receives a bonus pursuant to this section is reassigned
51 to a school at which there is no such bonus;
- 52 (2) A teacher who receives a bonus pursuant to this section is reassigned
53 to teach in a field for which there is no such bonus; or
- 54 (3) A teacher receives a bonus pursuant to this section and the bonus is
55 subsequently discontinued or reduced.

1
2 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

3 **FUNDS FOR THE TESTING AND IMPLEMENTATION OF THE NEW**
4 **STUDENT INFORMATION SYSTEM**

5 **SECTION 7.21.(a)** The State Board of Education may transfer up to one
6 million dollars (\$1,000,000) in funds appropriated for the Uniform Education Reporting
7 System for the 2003-2004 fiscal year and up to one million dollars (\$1,000,000) in
8 funds appropriated for the Uniform Education Reporting System for the 2004-2005
9 fiscal year to the Department of Public Instruction to lease or purchase equipment
10 necessary for the testing and implementation of NC WISE, the new student information
11 system in the public schools.

12 Testing shall include an emphasis on the security of the system.

13 **SECTION 7.21.(b)** Funds appropriated for the Uniform Education
14 Reporting System shall not revert at the end of the 2003-2004 and 2004-2005 fiscal
15 years, but shall remain available until expended.

16 **SECTION 7.21.(c)** This section becomes effective June 30, 2003.

17
18 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

19 **LITIGATION RESERVE FUNDS**

20 **SECTION 7.22.** The State Board of Education may expend up to five
21 hundred thousand dollars (\$500,000) each year for the 2003-2004 and 2004-2005 fiscal
22 years from unexpended funds for certified employees' salaries to pay expenses related to
23 pending litigation.

24
25 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

26 **LOCAL EDUCATION AGENCY FLEXIBILITY**

27 **SECTION 7.23.** Within 14 days of the date this act becomes law, the State
28 Board of Education shall notify each local school administrative unit of the amount the
29 unit must reduce from State General Fund appropriations. The State Board shall
30 determine the amount of the reduction for each unit on the basis of average daily
31 membership.

32 Each unit shall report to the Department of Public Instruction on the
33 discretionary budget reductions it has identified for the unit within 30 days of the date
34 this act becomes law. No later than December 31, 2003, the State Board of Education
35 shall make a summary report to the Office of State Budget and Management and the
36 Fiscal Research Division on all reductions made by the LEAs to achieve this reduction.

37 For fiscal year 2003-2004, the Governor urges local school administrators to
38 make every effort to reduce spending whenever and wherever such budget reductions
39 are appropriate as long as the targeted reductions do not directly impact classroom
40 services or any services for students at risk or children with special needs, including
41 those services or supports that are called for in students' Personal Education Plans (PEP)
42 and/or Individual Education Plans (IEP). If reductions to the allotment categories listed
43 in this paragraph are necessary in order to meet the reduction target, the local board of
44 education shall submit an explanation of the anticipated impact of the reductions to
45 student services along with the budget reductions to the Department of Public
46 Instruction. By February 15, 2004, for fiscal year 2004-2005, the State Board of
47 Education will determine the changes to the allotment categories to make such
48 reductions permanent.

49
50 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

51 **BASE BUDGET REDUCTION TO DEPARTMENT OF PUBLIC**
52 **INSTRUCTION**

53 **SECTION 7.24.** Notwithstanding any other provision of law, the
54 Department of Public Instruction may use salary reserve funds and other funds, and may

1 transfer funds within the Department's continuation budget to implement budget
2 reductions for the 2003-2004 fiscal year.

3
4 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

5 **REPLACEMENT SCHOOL BUSES FUNDS**

6 **SECTION 7.25.(a)** Of the funds appropriated to the State Board of
7 Education, the Board may use up to fifteen million dollars (\$15,000,000) for the
8 2003-2004 fiscal year and up to forty-seven million seven hundred fifty-two thousand
9 eight hundred thirteen dollars (\$47,752,813) for the 2004-2005 fiscal year for allotments
10 to local boards of education for replacement school buses under G.S. 115C-249(c) and
11 (d). In making these allotments, the State Board of Education may impose any of the
12 following conditions:

- 13 (1) The local board of education must use the funds only to make the first
14 or second year's payment on a financing contract entered into pursuant
15 to G.S. 115C-528.
- 16 (2) The term of a financing contract entered into under this section shall
17 not exceed three years.
- 18 (3) The local board of education must purchase the buses only from
19 vendors selected by the State Board of Education and on terms
20 approved by the State Board of Education.
- 21 (4) The State Board of Education shall solicit bids for the direct purchase
22 of buses and for the purchasing of buses through financing. The State
23 Board of Education may solicit separate bids for financing if the Board
24 determines that multiple financing options are more cost-efficient.
- 25 (5) A bus financed pursuant to this section must meet all federal motor
26 vehicle safety regulations for school buses.
- 27 (6) Any other condition the State Board of Education considers
28 appropriate.

29 **SECTION 7.25.(b)** Any term contract for the purchase or lease-purchase of
30 school buses or school activity buses shall not require vendor payment of the electronic
31 procurement transaction fee of the North Carolina E-Procurement Service.

32
33 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

34 **EXPENDITURES FOR DRIVING ELIGIBILITY CERTIFICATES**

35 **SECTION 7.26.** The State Board of Education may use funds appropriated
36 for drivers education for the 2003-2004 fiscal year and for the 2004-2005 fiscal year for
37 driving eligibility certificates.

38
39 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

40 **DISCREPANCIES BETWEEN ANTICIPATED AND ACTUAL ADM**

41 **SECTION 7.27.(a)** If the State Board of Education does not have sufficient
42 resources in the ADM Contingency Reserve line item to make allotment adjustments in
43 accordance with the Allotment Adjustments for ADM Growth provisions of the North
44 Carolina Public Schools Allotment Policy Manual, the State Board of Education may
45 use funds appropriated to State Aid for Public Schools for this purpose.

46 **SECTION 7.27.(b)** If the higher of the first or second month average daily
47 membership in a local school administrative unit is at least two percent (2%) or 100
48 students lower than the anticipated average daily membership used for allotments for
49 the unit, the State Board of Education shall reduce allotments for the unit. The reduced
50 allotments shall be based on the higher of the first or second month average daily
51 membership plus one-half of the number of students overestimated in the anticipated
52 average daily membership.

53 The allotments reduced pursuant to this subsection shall include only those
54 allotments that may be increased pursuant to the Allotment Adjustments for ADM
55 Growth provisions of the North Carolina Public Schools Allotment Policy Manual.

1
2 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue
3 **CHARTER SCHOOL ADVISORY COMMITTEE/CHARTER SCHOOL**
4 **EVALUATION**

5 **SECTION 7.28.** The State Board of Education may spend up to fifty
6 thousand dollars (\$50,000) a year from the State Aid to Local School Administrative
7 Units for the 2003-2004 and 2004-2005 fiscal years to continue support of a charter
8 school advisory committee and to continue to evaluate charter schools.
9

10 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue
11 **STUDY OF ISSUES RELATED TO RAPID GROWTH IN STUDENT**
12 **POPULATION**

13 **SECTION 7.29.** The Joint Legislative Education Oversight Committee shall
14 study the effects of rapid growth in student population on local school administrative
15 units. In the course of the study, the Committee shall consider issues related to rapid
16 growth and strategies for addressing these issues. The Committee shall report to the
17 2004 Regular Session of the General Assembly on its findings and recommendations.
18

19 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue
20 **MENTOR TEACHER FUNDS MAY BE USED FOR FULL-TIME MENTORS**

21 **SECTION 7.30.(a)** The State Board of Education shall grant flexibility to a
22 local board of education regarding the use of mentor funds to provide mentoring
23 support, provided the local board submits a detailed plan on the use of the funds to the
24 State Board and the State Board approves that plan. The plan shall include information
25 on how all mentors in the local school administrative unit have been or will be
26 adequately trained to provide mentoring support.

27 Local boards of education shall use funds allocated for mentor teachers to
28 provide mentoring support to all State-paid newly certified teachers, second-year
29 teachers who were assigned mentors during the prior school year, and entry-level
30 instructional support personnel who have not previously been teachers.

31 **SECTION 7.30.(b)** The State Board of Education, after consultation with
32 the Professional Teaching Standards Commission, shall adopt standards for mentor
33 training.

34 **SECTION 7.30.(c)** Each local board of education with a plan approved
35 pursuant to subsection (a) of this section shall report to the State Board of Education on
36 the impact of its mentor program on teacher retention. The State Board of Education
37 shall report to the Joint Legislative Education Oversight Committee by October 1, 2004,
38 on the characteristics of mentor programs that are most effective in retaining teachers.
39

40 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue
41 **EXPLORNET AUDIT**

42 **SECTION 7.31.** No State funds appropriated for distribution to ExplorNet,
43 Incorporated, shall be disbursed until the State Auditor and the Office of State Budget
44 and Management certify that ExplorNet, Incorporated, has received an audit report for
45 the 2001-2002 fiscal year that is free of audit exceptions. A copy of the certification by
46 the State Auditor and the Office of State Budget and Management shall be sent to the
47 Joint Legislative Education Oversight Committee and to the Joint Legislative
48 Commission on Governmental Operations.
49

50 **PART VIII. COMMUNITY COLLEGES**

51
52 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue
53 **COMMUNITY COLLEGE FUNDING FLEXIBILITY**

54 **SECTION 8.1.** A local community college may use all State funds allocated
55 to it, except for Literacy Funds and Funds for New and Expanding Industries, for any

1 authorized purpose that is consistent with the college's Institutional Effectiveness Plan.
2 Each local community college shall include in its Institutional Effectiveness Plan a
3 section on how funding flexibility allows the college to meet the demands of the local
4 community and to maintain a presence in all previously funded categorical programs.

5 No more than two percent (2%) systemwide shall be transferred from faculty
6 salaries without the approval of the State Board of Community Colleges. The State
7 Board shall report on any such transfers above two percent (2%) systemwide to the
8 Office of State Budget and Management and the Joint Legislative Commission on
9 Governmental Operations at its next meeting.

10
11 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

12 **FLEXIBILITY TO IMPLEMENT BUDGET REDUCTIONS**

13 **SECTION 8.2.** Notwithstanding G.S. 143-23 or any other provision of law,
14 the State Board of Community Colleges may use salary reserve funds and other funds,
15 and may transfer funds within the Community College System Office continuation
16 budget to the extent necessary to implement budget reductions for the 2003-2004 fiscal
17 year.

18
19 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

20 **STATE BOARD OF COMMUNITY COLLEGE MANAGEMENT**
21 **FLEXIBILITY**

22 **SECTION 8.3.** Within 30 days of the date this act becomes law, the State
23 Board of Community Colleges shall notify each college of the amount the college must
24 reduce from State General Fund appropriations. The State Board shall determine the
25 amount of the reduction for each unit on the basis of FTE or another method that
26 accounts for the unique needs of specific colleges.

27 Each college shall report to the State Board of Community Colleges on the
28 discretionary budget reductions it has identified for the college within 60 days of the
29 date this act becomes law. No later than December 31, 2003, the State Board of
30 Community Colleges shall make a summary report to the Office of State Budget and
31 Management and the Fiscal Research Division on all reductions made by the colleges to
32 achieve this reduction.

33 For fiscal year 2003-2004, the General Assembly urges local college
34 administrators to make every effort to reduce spending whenever and wherever such
35 budget reductions are appropriate and as long as the targeted reductions do not directly
36 impact classroom services or those services that are identified in this act as a high-need
37 area for the State. If reductions to the allotment categories listed in this paragraph are
38 necessary in order to meet the reduction target, the local college administration shall
39 submit an explanation of the anticipated impact of the reductions to student services
40 along with the budget reductions to the State Board of Community Colleges.

41 By February 15, 2004, for fiscal year 2004-2005, the State Board of
42 Community Colleges will determine the changes to the allotment categories to make
43 such reductions permanent.

44
45 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

46 **REGISTRATION FEES FOR OCCUPATIONAL CONTINUING EDUCATION**
47 **OR FOCUSED INDUSTRIAL TRAINING**

48 **SECTION 8.4.** Of the funds appropriated to the North Carolina Community
49 College System for the 2003-2005 biennium, the State Board of Community Colleges
50 may use up to one hundred thousand dollars (\$100,000) each year to pay registration
51 fees and material costs for Occupational Continuing Education or Focused Industrial
52 Training safety courses provided to companies that (i) are eligible to participate in the
53 Focused Industrial Training Program, (ii) have less than 150 employees, and (iii) are
54 found by community college representatives and regional customized training directors
55 to face challenges in paying these fees and costs. These funds shall not be expended

1 without the prior approval of the North Carolina Community College System Office,
2 Division of Economic and Workforce Development.

3
4 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

5 **SUMMER SCHOOL FUNDING**

6 **SECTION 8.5.** The General Assembly encourages the North Carolina
7 Community Colleges System to use funds appropriated to support summer term
8 curriculum FTE to address issues associated with worker shortages in high-needs
9 industries such as (i) Business Technology, (ii) Health Sciences, (iii) Child Care
10 Training, and (iv) Public Service Technologies including law enforcement, fire
11 protection, and education.

12
13 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

14 **CARRY FORWARD FOR EQUIPMENT**

15 **SECTION 8.6.(a)** Subject to cash availability, the North Carolina
16 Community Colleges System may carry forward an amount not to exceed fifteen million
17 dollars (\$15,000,000) of the operating funds held in reserve that were not reverted in
18 fiscal year 2002-2003 to be reallocated to the State Board of Community Colleges'
19 Equipment Reserve Fund. These funds should be distributed to colleges consistent with
20 G.S. 115D-31.

21 **SECTION 8.6.(b)** This section becomes effective June 30, 2003.

22
23 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

24 **HOSIERY CENTER FUNDS**

25 **SECTION 8.7.** Notwithstanding any other provision of law, all fees
26 collected by the Hosiery Technology Center of Catawba Valley Community College for
27 the testing of hosiery products shall be retained by the Center and used for the
28 operations of the Center. Purchases made by the Center using these funds are not
29 subject to the provisions of Article 3 of Chapter 143 of the General Statutes.

30
31 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

32 **SCHOLARSHIPS FOR PROSPECTIVE TEACHERS**

33 **SECTION 8.8.** Of the funds appropriated in this act to the State Board of
34 Community Colleges, the State Board may use up to one million dollars (\$1,000,000)
35 for a nonrecurring grant to the North Carolina Community College Foundation. These
36 funds shall be used to match the Glaxo Smith Kline Foundation challenge grant
37 establishing a two million dollar (\$2,000,000) endowment for the creation of a new
38 scholarship program for prospective teachers enrolled in baccalaureate completion
39 programs at State community college campuses and for the development of teacher
40 preparation courses.

41 This provision is contingent upon receipt of one million dollars (\$1,000,000)
42 for this purpose from the Glaxo Smith Kline Foundation and applies only to the
43 2003-2004 fiscal year.

44
45 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

46 **MANAGEMENT INFORMATION SYSTEM FUNDS**

47 **SECTION 8.9.(a)** Funds appropriated for the Community Colleges System
48 Office Management Information System shall not revert at the end of the 2002-2003
49 and 2003-2004 fiscal years but shall remain available until expended.

50 **SECTION 8.9.(b)** This section becomes effective June 30, 2003.

51
52 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

53 **USE OF LITERACY FUNDS FOR LITERACY LABS**

1 **SECTION 8.10.** Notwithstanding any other provision of law, a local
2 community college may use up to five percent (5%) of the Literacy Funds allocated to it
3 by the State Board of Community Colleges to procure computers for literacy labs.
4

5 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
6 Owens, Wright

7 **FACULTY AND PROFESSIONAL STAFF SALARIES**

8 **SECTION 8.11.** Three million two hundred fifty thousand dollars
9 (\$3,250,000) in the Reserve for Compensation Increases in Section 2.1 of this act shall
10 be used to increase faculty and professional staff salaries by an average of one-half
11 percent (0.5%). These increases are in addition to the one and six-tenths percent (1.6%)
12 provided by Section 30.11 of this act. Colleges may provide additional increases from
13 funds available.

14 The State Board of Community Colleges shall adopt rules to ensure that these
15 funds are used only to move faculty and professional staff to the respective national
16 averages. The funds shall not be transferred by the State Board or used for any other
17 budget purpose by the community colleges.
18

19 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

20 **EVALUATION OF THE COMPREHENSIVE ARTICULATION AGREEMENT**

21 **SECTION 8.12.(a)** The General Assembly finds that (i) there is a general
22 sentiment expressed by students that the Comprehensive Articulation Agreement
23 adopted by the Board of Governors of The University of North Carolina and the State
24 Board of Community Colleges should be improved and (ii) over the past five years,
25 there have been many suggestions for improving the Comprehensive Articulation
26 Agreement as well as recommendations for new directions in which the Comprehensive
27 Articulation Agreement should be developed.

28 **SECTION 8.12.(b)** The Joint Legislative Education Oversight Committee
29 shall contract with a credible independent source, individual, or organization, to study
30 the Comprehensive Articulation Agreement. The contractor shall not be (i) a current
31 employee of The University of North Carolina, Office of the President, the North
32 Carolina Community College System, or any of the North Carolina independent
33 schools/colleges participating in the Comprehensive Articulation Agreement or (ii) a
34 current or past member of the Transfer Advisory Committee.

35 **SECTION 8.12.(c)** The study by the contractor shall:

- 36 (1) Be consistent with the standards of Southern Association of Colleges
37 and Schools, Commission on Colleges, on educational quality and
38 institutional effectiveness;
- 39 (2) Be designed to provide an accurate and credible assessment of the
40 effectiveness of the Comprehensive Articulation Agreement during its
41 initial five years of existence relative to the intent of its authorizing
42 legislation;
- 43 (3) Be based on qualitative as well as quantitative information and data;
- 44 (4) Take no more than four months from initiation to completion.
- 45 (5) Include input from college transfer students, counselors, faculty, and
46 administration from both systems.

47 **SECTION 8.12.(d)** The contractor's report shall:

- 48 (1) Adequately reflect the study's methodology, sources of information,
49 purpose and scope, analyses, evaluative assessments,
50 recommendations, and conclusions;
- 51 (2) State any known deficiencies or limitations of the study;
- 52 (3) Be presented in both a printed form and an electronic version; and
- 53 (4) Provide recommendations for improving the Comprehensive
54 Articulation Agreement.

1 **SECTION 8.12.(e)** The contractor shall submit a written progress report
2 every four weeks to the vice-president of academic affairs of The University of North
3 Carolina, Office of the President, the vice-president of academic affairs of the North
4 Carolina Community College System Office, and the cochairs of the Transfer Advisory
5 Committee. The contractor shall complete the report within four months. At the
6 completion of the study, the contractor shall submit a draft of the report document to the
7 vice-president of academic affairs of The University of North Carolina, Office of the
8 President, the vice-president of academic affairs of the North Carolina Community
9 College System Office, and the cochairs of the Transfer Advisory Committee for
10 review.

11 **SECTION 8.12.(f)** The vice-president of academic affairs of The University
12 of North Carolina, Office of the President, the vice-president of academic affairs of the
13 North Carolina Community College System Office, and the cochairs of the Transfer
14 Advisory Committee shall respond to the draft report within 30 days of receiving the
15 draft.

16 **SECTION 8.12.(g)** Within 60 days of completing the study, the contractor
17 shall submit a final report to the vice-president of academic affairs of The University of
18 North Carolina, Office of the President, the vice-president of academic affairs of the
19 North Carolina Community College System Office, and the cochairs of the Transfer
20 Advisory Committee. The vice-president of academic affairs of The University of North
21 Carolina, Office of the President, and the vice-president of academic affairs of the North
22 Carolina Community College System Office may, in their discretion, schedule a formal
23 presentation of the report when it is submitted.

24 **SECTION 8.12.(h)** Designees of the vice-president of academic affairs of
25 The University of North Carolina, Office of the President, and the vice-president of
26 academic affairs of the North Carolina Community College System Office shall be the
27 liaisons for matters related to the execution of the study.

28 **SECTION 8.12.(i)** The University of North Carolina, Office of the
29 President, and the North Carolina Community College System shall provide the
30 contractor with access and use of information databases to the extent that such access
31 and use is necessary for the study and does not violate legal and ethical codes or create
32 disruptions of normal operations.

33 **SECTION 8.12.(j)** The University of North Carolina, Office of the
34 President, and the North Carolina Community College System shall each transfer
35 thirty-five thousand dollars (\$35,000) to the Joint Legislative Education Oversight
36 Committee to carry out this study.

37
38 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

39 **AUTOMOTIVE TRAINING INCENTIVE**

40 **SECTION 8.13.** Of the funds appropriated in this act for the State Board of
41 Community Colleges for the 2003-2004 fiscal year, the sum of one hundred twenty-five
42 thousand dollars (\$125,000) shall be used for a nonrecurring grant to the North Carolina
43 Community College Foundation provided that a like amount is provided by the North
44 Carolina Automotive Dealers Association to match these funds on a dollar-for-dollar
45 basis. The North Carolina Community College Foundation shall use these funds to
46 provide incentive programming at the colleges that offer Automotive Systems
47 Technology. The funds shall be used to:

- 48 (1) Increase awareness of careers available in the franchised automobile
49 and truck industry in North Carolina;
- 50 (2) Increase awareness within North Carolina's middle school and high
51 school guidance counselors and workforce development coordinators;
- 52 (3) Increase public awareness of teaching opportunities in North
53 Carolina's high schools and community colleges in the area of
54 automotive technology;

- 1 (4) Increase opportunities in continuing education for automotive
2 technology high school and community college instructors;
3 (5) Provide a program coordinator to work with the franchised car and
4 truck dealers and with community college and high school automotive
5 professionals to ensure that the automotive curriculum is uniform and
6 appropriate; and
7 (6) Increase resources to assist high schools and community colleges in
8 gaining and maintaining certification for their respective automotive
9 technology programs.

10
11 **PART IX. UNIVERSITIES**

12
13 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

14 **UNC FLEXIBILITY GUIDELINES**

15 **SECTION 9.1.** The Chancellor of each constituent institution shall report to
16 the Board of Governors of The University of North Carolina on the reductions made to
17 the General Fund budget codes in order to meet the reduction reserve amounts for that
18 institution. The President of The University of North Carolina shall report to the Board
19 of Governors of The University of North Carolina on the reductions made to the
20 General Fund budget codes controlled by the Board in order to meet the reduction
21 reserve amounts for those entities. The Board of Governors shall make a summary
22 report to the Office of State Budget and Management and the Fiscal Research Division
23 by December 31, 2003, on all reductions made by these entities and constituent
24 institutions in order to reduce the budgets by the targeted amounts.

25
26 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

27 **ESCHEAT FUNDS**

28 **SECTION 9.2.(a)** There is appropriated from the Escheat Fund income to
29 the Board of Governors of The University of North Carolina the sum of eighteen million
30 six hundred seven thousand two hundred ninety-three dollars (\$18,607,293) for each
31 year of the 2003-2005 fiscal biennium and to the State Board of Community Colleges
32 the sum of seven million sixty-two thousand eight hundred six dollars (\$7,062,806) for
33 each year of the 2003-2005 fiscal biennium. These funds shall be allocated by the State
34 Educational Assistance Authority for need-based student financial aid in accordance
35 with G.S. 116B-7.

36 **SECTION 9.2.(b)** The Director of the Budget shall include General Fund
37 appropriations in the amounts provided in subsection (a) of this section in the proposed
38 2005-2007 fiscal biennium continuation budget for the purposes provided in G.S.
39 116B-7.

40 **SECTION 9.2.(c)** The State Education Assistance Authority (SEAA) shall
41 perform all of the administrative functions necessary to implement the program of
42 financial aid. The SEAA shall conduct periodic evaluations of expenditures of the
43 scholarship programs to determine if allocations are utilized to ensure access to
44 institutions of higher learning and to meet the goals of the respective programs. The
45 SEAA may make recommendations for redistribution of funds to The University of
46 North Carolina and the President of the Community College System regarding their
47 respective scholarship programs, who then may authorize redistribution of unutilized
48 funds for a particular fiscal year.

49 **SECTION 9.2.(d)** All obligations to students for uses of the funds set out in
50 subsection (a) of this section that were made prior to the effective date of this section
51 shall be fulfilled as to students who remain eligible under the provisions of the
52 respective programs.

53
54 Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

55 **UNC BOND PROJECT MODIFICATIONS**

1 **SECTION 9.3.(a)** Pursuant to Section 2(b) of S.L. 2000-3, the General
2 Assembly finds that it is in the best interest of the State to respond to current
3 educational and research program requirements at Elizabeth City State University by
4 substituting a project entitled "Campus Infrastructure Improvements" for "Doles
5 Residence Hall – Comprehensive Renovation" as contained in Section 2(a) of S.L.
6 2000-3, as a residence hall that has been provided for from housing receipts and campus
7 infrastructure improvements will allow energy conservation and savings. Section 2(a) of
8 S.L. 2000-3 is therefore amended in the portion under Elizabeth City State University
9 by deleting "Doles Residence Hall – Comprehensive Renovation...\$1,722,500" and by
10 substituting "Campus Infrastructure Improvements...\$1,722,500".

11 **SECTION 9.3.(b)** Pursuant to Section 2(b) of S.L. 2000-3, the General
12 Assembly finds that it is in the best interest of the State to respond to current
13 educational and research program requirements at North Carolina Central University,
14 due to increasing enrollment growth, by substituting a project entitled "Pearson
15 Cafeteria – Expansion" for "Pearson Cafeteria – Comprehensive Renovation" as
16 contained in Section 2(a) of S.L. 2000-3, by deleting a project entitled "Old Senior
17 Dorm – Conversion to Academic Use" as contained in Section 2(a) of S.L. 2000-3 and
18 by transferring the funds of two million one hundred thirty thousand seven hundred
19 dollars (\$2,130,700) from the project entitled "Old Senior Dorm – Conversion to
20 Academic Use", as contained in Section 2(a) of S.L. 2000-3, and by transferring a
21 portion of the funds from a project entitled "Farrison-Newton Building –
22 Comprehensive Renovation of Classroom Building", as contained in Section 2(a) of
23 S.L. 2000-3, to this substitute project. Section 2(a) of S.L. 2000-3 is therefore amended
24 as follows:

- 25 (1) In the portion entitled "Pearson Cafeteria – Comprehensive
26 Renovation" under North Carolina Central University, by deleting
27 "Comprehensive Renovation" and by substituting "Expansion" and by
28 adding \$7,730,700 for the project so that it reads "Pearson Cafeteria –
29 Expansion...\$8,994,300".
- 30 (2) In the portion under North Carolina Central University, by deleting
31 "Old Senior Dorm – Conversion to Academic Use...\$2,130,700".
- 32 (3) In the portion entitled "Farrison-Newton Building – Comprehensive
33 Renovation of Classroom Building" under North Carolina Central
34 University, by decreasing by \$5,600,000 the \$7,048,700 for the project
35 so that it reads "Farrison-Newton Building – Comprehensive
36 Renovation of Classroom Building...\$1,448,700".

37 **SECTION 9.3.(c)** Pursuant to Section 2(b) of S.L. 2000-3, the General
38 Assembly finds that it is in the best interest of the State to respond to current
39 educational and research program requirements at the University of North Carolina at
40 Asheville by substituting a project entitled "Carmichael Hall Classroom Building –
41 Demolition and New Construction" for "Carmichael Hall Classroom Building –
42 Comprehensive Renovation" as contained in Section 2(a) of S.L. 2000-3, as it has been
43 determined that it is more cost-effective to replace this facility than to renovate it.
44 Section 2(a) of S.L. 2000-3 is therefore amended in the portion under the University of
45 North Carolina at Asheville by deleting "Carmichael Hall Classroom Building –
46 Comprehensive Renovation" and by adding "Carmichael Hall Classroom Building –
47 Demolition and New Construction".

48 **SECTION 9.3.(d)** Pursuant to Section 2(b) of S.L. 2000-3, the General
49 Assembly finds that it is in the best interest of the State to respond to current
50 educational and research program requirements at the University of North Carolina at
51 Pembroke, due to enrollment growth higher than projected, by adding a project entitled
52 "General Purpose Classroom Building" to Section 2(a) of S.L. 2000-3 and by
53 transferring a portion of the funds from the project entitled "Residence/Dining Hall –
54 Replacement of Jacobs & Wellons Halls", as contained in Section 2(a) of S.L. 2000-3,
55 to this substitute project. Section 2(a) of S.L. 2000-3 is therefore amended in the portion

1 under the University of North Carolina at Pembroke by substituting "Residence/Dining
2 Hall – Replacement of Jacobs & Wellons Halls...\$325,300" and by adding "General
3 Purpose Classroom Building...\$7,375,000".

4 **SECTION 9.3.(e)** Pursuant to Section 2(b) of S.L. 2000-3, the General
5 Assembly finds that it is in the best interest of the State to respond to current
6 educational and research program requirements at Winston-Salem State University by
7 substituting a project entitled "Anderson Center – Comprehensive Renovation" for
8 "Anderson Center – Comprehensive Renovation & Change of Use for Early
9 Childhood/Gerontology Programs", as contained in Section 2(a) of S.L. 2000-3, by
10 adding a project entitled "Coltrane Hall – Renovation to House Gerontology", by
11 transferring a portion of the funds from the project entitled "Anderson Center –
12 Comprehensive Renovation & Change of Use for Early Childhood/Gerontology
13 Programs", as contained in Section 2(a) of S.L. 2000-3, to the new project entitled
14 "Coltrane Hall – Renovation to House Gerontology", by adding a project entitled "New
15 Facility for the Early Childhood Program", and by transferring a portion of the funds
16 from the project entitled "Anderson Center – Comprehensive Renovation & Change of
17 Use for Early Childhood/Gerontology Programs", as contained in Section 2(a) of S.L.
18 2000-3, to the new project entitled "New Facility for the Early Childhood Program".
19 Section 2(a) of S.L. 2000-3 is therefore amended as follows:

- 20 (1) In the portion entitled "Anderson Center – Comprehensive Renovation
21 & Change of Use for Early Childhood/Gerontology Programs" under
22 Winston-Salem State University, by deleting "& Change of Use for
23 Early Childhood/Gerontology Programs" and by decreasing by \$1.9
24 million the \$6,917,900 for the project so that it reads "Anderson
25 Center – Comprehensive Renovation...\$5,017,900".
- 26 (2) In the portion under Winston-Salem State University, by adding a new
27 project "Coltrane Hall – Renovation to House
28 Gerontology...\$400,000".
- 29 (3) In the portion under Winston-Salem State University, by adding a new
30 project "New Facility for the Early Childhood Program...\$1,500,000".

31 **SECTION 9.3.(f)** Pursuant to Section 2(b) of S.L. 2000-3, the General
32 Assembly finds that it is in the best interest of the State to respond to current
33 educational and research program requirements at Winston-Salem State University by
34 substituting a project entitled "New Student Health Center" for "Health Center Bldg. &
35 Old Nursing Bldg. – Comprehensive Renovation for Student Health", as contained in
36 Section 2(a) of S.L. 2000-3, and by using the existing project budget for a new health
37 facility, as it has been determined that the two existing buildings are in poor condition
38 and have been recommended for future demolition. Section 2(a) of S.L. 2000-3 is
39 therefore amended in the portion under Winston-Salem State University by deleting
40 "Health Center Bldg. and Old Nursing Bldg. – Comprehensive Renovation for Student
41 Health" and by substituting "New Student Health Center".

42 **SECTION 9.3.(g)** Nothing in this section is intended to supersede any other
43 requirement of law or policy for approval of the substituted capital improvement
44 projects.

45 **PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

46 **SUBPART 1. ADMINISTRATION**

47 Requested by: Representatives Barnhart, Nye

48 **PETROLEUM OVERCHARGE FUNDS ALLOCATION**

49 **SECTION 10.1.(a)** There is appropriated from funds and interest thereon
50 received from the case of United States v. Exxon that remain in the Special Reserve for
51 Oil Overcharge Funds to the Department of Health and Human Services the sum of one
52
53
54

1 million dollars (\$1,000,000) for the 2003-2004 fiscal year to be allocated for the
2 Weatherization Assistance Program.

3 **SECTION 10.1.(b)** Any funds remaining in the Special Reserve for Oil
4 Overcharge Funds after the allocation made pursuant to subsection (a) of this section
5 may be expended only as authorized by the General Assembly. All interest or income
6 accruing from all deposits or investments of cash balances shall be credited to the
7 Special Reserve for Oil Overcharge Funds.

8
9 Requested by: Representatives Barnhart, Nye

10 **OFFICE OF POLICY AND PLANNING**

11 **SECTION 10.2.(a)** To promote coordinated policy development and
12 strategic planning for the State's health and human services systems, the Secretary of
13 Health and Human Services shall establish an Office of Policy and Planning from
14 existing resources across the Department. The Director of the Office of Policy and
15 Planning shall report directly to the Secretary and shall have the following
16 responsibilities:

- 17 (1) Coordinate the development of departmental policies, plans, and rules,
18 in consultation with the Divisions of the Department.
- 19 (2) Development of a departmental process for the development and
20 implementation of new policies, plans, and rules.
- 21 (3) Development of a departmental process for the review of existing
22 policies, plans, and rules to ensure that departmental policies, plans,
23 and rules are relevant.
- 24 (4) Coordination and review of all departmental policies before
25 dissemination to ensure that all policies are well-coordinated within
26 and across all programs.
- 27 (5) Implementation of ongoing strategic planning that integrates budget,
28 personnel, and resources with the mission and operational goals of the
29 Department.
- 30 (6) Review, disseminate, monitor, and evaluate best practice models.

31 **SECTION 10.2.(b)** Under the direction of the Secretary of Health and
32 Human Services, the Director of the Office of Policy and Planning shall have the
33 authority to direct Divisions, offices, and programs within the Department to conduct
34 periodic reviews of policies, plans, and rules and shall advise the Secretary when it is
35 determined to be appropriate or necessary to modify, amend, and repeal departmental
36 policies, plans, and rules. All policy and management positions within the Office of
37 Policy and Planning are exempt positions as that term is defined in G.S. 126-5.

38
39 Requested by: Representatives Barnhart, Nye

40 **WEATHERIZATION ASSISTANCE PROGRAM**

41 **SECTION 10.3.** Article 2 of Chapter 108A of the General Statutes is
42 amended by adding the following new Part to read:

43 "Part 9. Weatherization Assistance Program and Heating/Air Repair and Replacement
44 Program.

45 **"§ 108A-70.30. Weatherization Assistance Program and Heating/Air Repair and**
46 **Replacement Program.**

47 The Department may administer the Weatherization Assistance Program for
48 Low-Income Families and the Heating/Air Repair and Replacement Program functions.
49 Nothing in this Part shall be construed as obligating the General Assembly to
50 appropriate funds for the Program or as entitling any person to services under the
51 Program."

52
53 Requested by: Representatives Barnhart, Nye

54 **NONMEDICAID REIMBURSEMENT CHANGES**

SECTION 10.4. Providers of medical services under the various State programs, other than Medicaid, offering medical care to citizens of the State shall be reimbursed at rates no more than those under the North Carolina Medical Assistance Program.

The Department of Health and Human Services may reimburse hospitals at the full prospective per diem rates without regard to the Medical Assistance Program's annual limits on hospital days. When the Medical Assistance Program's per diem rates for inpatient services and its interim rates for outpatient services are used to reimburse providers in nonmedicaid medical service programs, retroactive adjustments to claims already paid shall not be required.

Notwithstanding the provisions of paragraph one, the Department of Health and Human Services may negotiate with providers of medical services under the various Department of Health and Human Services programs, other than Medicaid, for rates as close as possible to Medicaid rates for the following purposes: contracts or agreements for medical services and purchases of medical equipment and other medical supplies. These negotiated rates are allowable only to meet the medical needs of its nonmedicaid eligible patients, residents, and clients who require such services which cannot be provided when limited to the Medicaid rate.

Maximum net family annual income eligibility standards for services in these programs shall be as follows:

<u>Family Size</u>	<u>Medical Eye Care Adults</u>	<u>Rehabilitation Except DSB Over 55 Grant</u>	<u>Other</u>
1	\$4,860	\$8,364	\$4,200
2	5,940	10,944	5,300
3	6,204	13,500	6,400
4	7,284	16,092	7,500
5	7,821	18,648	7,900
6	8,220	21,228	8,300
7	8,772	21,708	8,800
8	9,312	22,220	9,300

The eligibility level for children in the Medical Eye Care Program in the Division of Services for the Blind shall be one hundred percent (100%) of the federal poverty guidelines, as revised annually by the United States Department of Health and Human Services and in effect on July 1 of each fiscal year. The eligibility level for adults 55 years of age or older who qualify for services through the Division of Services for the Blind, Independent Living Rehabilitation Program, shall be two hundred percent (200%) of the federal poverty guidelines, as revised annually by the United States Department of Health and Human Services and in effect on July 1 of each fiscal year. The eligibility level for adults in the Atypical Antipsychotic Medication Program in the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall be one hundred fifty percent (150%) of the federal poverty guidelines, as revised annually by the United States Department of Health and Human Services and in effect on July 1 of each fiscal year. Additionally, those adults enrolled in the Atypical Antipsychotic Medication Program who become gainfully employed may continue to be eligible to receive State support, in decreasing amounts for the purchase of atypical antipsychotic medication and related services up to three hundred percent (300%) of the poverty level.

State financial participation in the Atypical Antipsychotic Medication Program for those enrollees who become gainfully employed is as follows:

<u>Income</u> (% of poverty)	<u>State Participation</u>	<u>Client Participation</u>
0-150%	100%	0%
151-200%	75%	25%
201-250%	50%	50%
251-300%	25%	75%

1 300% and over 0% 100%
2 The Department of Health and Human Services shall contract at, or as close
3 as possible to, Medicaid rates for medical services provided to residents of State
4 facilities of the Department.
5

6 Requested by: Representatives Barnhart, Nye
7 **SENIOR CARES PROGRAM ADMINISTRATION**

8 **SECTION 10.5.** The Department of Health and Human Services may
9 administer the "Senior Cares" prescription drug access program approved by the Health
10 and Wellness Trust Fund Commission and funded from the Health and Wellness Trust
11 Fund.
12

13 Requested by: Representatives Barnhart, Nye
14 **PHYSICIAN SERVICES**

15 **SECTION 10.6.** With the approval of the Office of State Budget and
16 Management, the Department of Health and Human Services may use funds
17 appropriated in this act for across-the-board salary increases and performance pay to
18 offset similar increases in the costs of contracting with private and independent
19 universities for the provision of physician services to clients in facilities operated by the
20 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.
21 This offsetting shall be done in the same manner as is currently done with the
22 constituent institutions of The University of North Carolina.
23

24 Requested by: Representatives Barnhart, Nye
25 **LIABILITY INSURANCE**

26 **SECTION 10.7.(a)** The Secretary of the Department of Health and Human
27 Services, the Secretary of the Department of Environment and Natural Resources, and
28 the Secretary of the Department of Correction may provide medical liability coverage
29 not to exceed one million dollars (\$1,000,000) per incident on behalf of employees of
30 the Departments licensed to practice medicine or dentistry, all licensed physicians who
31 are faculty members of The University of North Carolina who work on contract for the
32 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services
33 for incidents that occur in Division programs, and on behalf of physicians in all
34 residency training programs from The University of North Carolina who are in training
35 at institutions operated by the Department of Health and Human Services. This
36 coverage may include commercial insurance or self-insurance and shall cover these
37 individuals for their acts or omissions only while they are engaged in providing medical
38 and dental services pursuant to their State employment or training.
39

40 **SECTION 10.7.(b)** The coverage provided under this section shall not cover
41 any individual for any act or omission that the individual knows or reasonably should
42 know constitutes a violation of the applicable criminal laws of any state or the United
43 States, or that arises out of any sexual, fraudulent, criminal, or malicious act, or out of
44 any act amounting to willful or wanton negligence.

45 **SECTION 10.7.(c)** The coverage provided pursuant to this section shall not
46 require any additional appropriations and shall not apply to any individual providing
47 contractual service to the Department of Health and Human Services, the Department of
48 Environment and Natural Resources, or the Department of Correction, with the
49 exception that coverage may include physicians in all residency training programs from
50 The University of North Carolina who are in training at institutions operated by the
51 Department of Health and Human Services and licensed physicians who are faculty
52 members of The University of North Carolina who work for the Division of Mental
53 Health, Developmental Disabilities, and Substance Abuse Services.
54

54 Requested by: Representatives Barnhart, Nye
55 **BUTNER COMMUNITY LAND RESERVATION**

1 **SECTION 10.8.** The Department of Health and Human Services shall
2 reserve and dedicate the following described land for the construction of a community
3 building and related facilities to serve the Butner Reservation:

4 "Approximately 2 acres, on the east side it borders Central Avenue with a line
5 running along the Wallace Bradshur property on the north back to the tree line next to
6 the ADATC. From there it follows the tree line south and west to and including the
7 softball field. From the softball field it turns east to the State Employees Credit Union
8 and follows the Credit Union property on the south side back to Central Avenue."

9 This land shall be reserved and dedicated for the project which shall be
10 funded with contributions from Granville County, contributions from the residents of
11 the Butner Reservation, the use of cablevision franchise rebate funds received by the
12 Department of Health and Human Services on behalf of the Butner Reservation, and
13 other public and private sources.

14
15 **SUBPART 2. DIVISION OF MENTAL HEALTH, DEVELOPMENTAL**
16 **DISABILITIES, AND SUBSTANCE ABUSE SERVICES**

17
18 Requested by: Representatives Barnhart, Nye
19 **MENTAL HEALTH, DEVELOPMENTAL DISABILITY, AND SUBSTANCE**
20 **ABUSE SERVICES TRUST FUND FOR SYSTEM REFORM BRIDGE AND**
21 **CAPITAL FUNDING NEEDS AND OLMSTEAD**

22 **SECTION 10.9.** Moneys in the Trust Fund established pursuant to G.S.
23 143-15.3D shall be used to establish or expand community-based services only if
24 sufficient recurring funds can be identified within the Department of Health and Human
25 Services from funds currently budgeted for mental health, developmental disabilities,
26 and substance abuse services, area mental health programs or county programs, or local
27 government.

28
29 Requested by: Representatives Barnhart, Nye
30 **EXTEND MENTAL HEALTH CONSUMER ADVOCACY PROGRAM**
31 **CONTINGENT UPON FUNDS APPROPRIATED BY THE 2005 GENERAL**
32 **ASSEMBLY**

33 **SECTION 10.10.** Section 4 of S.L. 2001-437, as amended by Section 10.30
34 of S.L. 2002-126, reads as rewritten:

35 "**SECTION 4.** Sections 1.1 through 1.21(b) of this act become effective July 1,
36 2002. Section 2 of this act becomes effective only if funds are appropriated by the ~~2003~~
37 2005 General Assembly for that purpose. Section 2 of this act becomes effective July 1
38 of the fiscal year for which funds are appropriated by the ~~2003-2005~~ General Assembly
39 for that purpose. The remainder of this act is effective when it becomes law."

40
41 Requested by: Representatives Barnhart, Nye
42 **SUBSTANCE ABUSE PREVENTION SERVICES REPORTING**

43 **SECTION 10.11.** The Department of Health and Human Services shall
44 report on its activities under Section 10.24 of S.L. 2002-126 to the House of
45 Representatives Appropriations Subcommittee on Health and Human Services, the
46 Senate Appropriations Committee on Health and Human Services, and the Fiscal
47 Research Division not later than December 1, 2003.

48
49 Requested by: Representatives Barnhart, Nye
50 **DOROTHEA DIX HOSPITAL**

51 **SECTION 10.12.(a)** In keeping with the United States Supreme Court
52 decision in Olmstead vs. L.C. & E.W. and State policy to provide appropriate services
53 to clients in the least restrictive and most appropriate environment, the Department of
54 Health and Human Services shall develop and implement a plan for the construction of
55 a replacement facility for Dorothea Dix Hospital and for the transition of patients to the

1 community or to other long-term care facilities, as appropriate. The goal is to develop
2 mechanisms and identify resources needed to enable patients and their families to
3 receive the necessary services and supports based on the following guiding principles:

- 4 (1) Individuals shall be provided acute psychiatric care in non-State
5 facilities when appropriate.
- 6 (2) Individuals shall be provided acute psychiatric care in State facilities
7 only when non-State facilities are unavailable.
- 8 (3) Individuals shall receive evidenced-based psychiatric services and care
9 that are cost-efficient.
- 10 (4) The State shall minimize cost shifting to other State and local facilities
11 or institutions.

12 **SECTION 10.12.(b)** The Department of Health and Human Services shall
13 conduct an analysis of the individual patient service needs and shall develop and
14 implement an individual transition plan, as appropriate, for patients in each hospital.
15 The State shall ensure that each individual transition plan, as appropriate, shall take into
16 consideration the availability of appropriate alternative placements based on the needs
17 of the patient and within resources available for the mental health, developmental
18 disabilities, and substance abuse services system. In developing each plan, the
19 Department shall consult with the patient and the patient's family or other legal
20 representative.

21 **SECTION 10.12.(c)** In accordance with the plan established in subsections
22 (a) and (b) of this section, any nonrecurring savings in State appropriations that result
23 from reductions in beds or services shall be placed in the Trust Fund for Mental Health,
24 Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs.
25 These funds shall be used to facilitate the transition of clients into appropriate
26 community-based services and supports in accordance with G.S. 143-15.3D. Recurring
27 savings realized through implementation of this section shall be retained by the
28 Department of Health and Human Services, Division of Mental Health, Developmental
29 Disabilities, and Substance Abuse Services (i) for implementation of subsections (a) and
30 (b) of this section, and (ii) to support the recurring costs of additional community-based
31 placements from Division facilities in accordance with Olmstead vs. L.C. & E.W.

32 **SECTION 10.12.(e)** The Department of Health and Human Services shall
33 submit reports on the status of implementation of this section to the Joint Legislative
34 Commission on Governmental Operations, the Senate Appropriations Committee on
35 Health and Human Services, the House of Representatives Appropriations
36 Subcommittee on Health and Human Services, and the Fiscal Research Division. These
37 reports shall be submitted on December 1, 2003, and May 1, 2004.

38
39 Requested by: Representatives Barnhart, Nye
40 **COMPREHENSIVE TREATMENT SERVICES PROGRAM**

41 **SECTION 10.13.** The Department of Health and Human Services shall
42 report on its continuing implementation of the Comprehensive Treatment Services
43 Program established pursuant to Section 21.60 of S.L. 2001-424. The Department shall
44 submit an interim report on December 1, 2003, and a final report not later than April 1,
45 2004, to the House of Representatives Appropriations Subcommittee on Health and
46 Human Services, the Senate Appropriations Committee on Health and Human Services,
47 and the Fiscal Research Division.

48
49 Requested by: Representatives Barnhart, Nye
50 **MENTAL RETARDATION CENTER DOWNSIZING**

51 **SECTION 10.14.(a)** In accordance with the Department of Health and
52 Human Services' plan for downsizing the State's regional mental retardation facilities by
53 four percent (4%) each year, the Department shall implement cost-containment and
54 reduction strategies to ensure the corresponding financial and staff downsizing of each
55 facility. The Department shall manage the client population of the mental retardation

1 centers in order to ensure that placements for ICF/MR level of care shall be made in
2 non-State facilities. Admissions to State ICF/MR facilities are permitted only as a last
3 resort and only upon approval of the Department. The corresponding budgets for each
4 of the State mental retardation centers shall be reduced, and positions shall be
5 eliminated as the census of each facility decreases. At no time shall mental retardation
6 center positions be transferred to other units within a facility or assigned nondirect care
7 activities such as outreach.

8 **SECTION 10.14.(b)** Any savings in State appropriations in each year of the
9 2003-2005 fiscal biennium that result from reductions in beds or services shall be
10 applied as follows:

- 11 (1) Nonrecurring savings shall be placed in the Trust Fund for Mental
12 Health, Developmental Disabilities, and Substance Abuse Services and
13 Bridge Funding Needs and shall be used to facilitate the transition of
14 clients into appropriate community-based services and support in
15 accordance with G.S. 143-15.3D, and
- 16 (2) Recurring savings realized through implementation of this section
17 shall be retained by the Department of Health and Human Services,
18 Division of Mental Health, Developmental Disabilities, and Substance
19 Abuse Services to support the recurring costs of additional
20 community-based placements from Division facilities in accordance
21 with Olmstead vs. L.C. & E.W. In determining the savings in this
22 section, savings shall include all savings realized from the downsizing
23 of the State mental retardation centers including both the savings in
24 direct State appropriations in the budgets of the State mental
25 retardation centers as well as the savings in the State matching portion
26 of reduced Medicaid payments associated with downsizing.

27 **SECTION 10.14.(c)** The Department of Health and Human Services shall
28 report on its progress in complying with this section to the Senate Appropriations
29 Committee on Health and Human Services, the House of Representatives
30 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
31 Division. The progress report shall be submitted not later than January 15, 2004, and a
32 final report submitted not later than May 1, 2004.

33 **SECTION 10.14.(d)** Downsizing of mental retardation centers which occurs
34 in the 2003-2004 fiscal year shall be maintained for the 2004-2005 fiscal year. Effective
35 July 1, 2003, downsizing shall be accomplished in accordance with this section and the
36 State Plan for Mental Health, Developmental Disabilities, and Substance Abuse
37 Services. All savings resulting from downsizing occurring on and after July 1, 2003,
38 shall be utilized as set forth in subsection (b) of this section.

39
40 Requested by: Representatives Barnhart, Nye

41 **MENTAL RETARDATION CENTER OUTREACH PLAN**

42 **SECTION 10.15.(a)** The Department of Health and Human Services shall
43 develop and implement a plan for the reorganization of outreach services performed by
44 the State mental retardation centers. The plan shall include the following:

- 45 (1) The elimination of all activities in the State mental retardation centers
46 centered on the identification and referral of persons in the community
47 in need of specialized services to the mental retardation centers.
- 48 (2) The transfer of responsibility to area and county mental health
49 programs for all community referral functions for specialized services
50 at the mental retardation centers.
- 51 (3) The method for allocating savings in State appropriations from the
52 mental retardation centers across the area and county mental health
53 programs.
- 54 (4) The retention in the mental retardation centers of community transition
55 activities currently performed as part of outreach. These activities

1 include coordinating for transition of residents from the mental
2 retardation centers to the area and county mental health programs and
3 technical assistance for community service providers and families who
4 will care for the transitioned residents.

5 **SECTION 10.15.(b)** In accordance with the plan established in subsection
6 (a) of this section, any recurring and nonrecurring savings in State appropriations in
7 excess of five hundred thirty-seven thousand three hundred twenty-eight dollars
8 (\$537,328) in each year of the 2003-2005 fiscal biennium that result from reductions in
9 outreach activities in the mental retardation centers shall be transferred from the
10 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services
11 to area and county mental health programs for the purpose of performing community
12 referral activities designated in subsection (a) of this section.

13 **SECTION 10.15.(c)** The Department of Health and Human Services shall
14 report on the implementation of this section to the Senate Appropriations Committee on
15 Health and Human Services, the House of Representatives Appropriations
16 Subcommittee on Health and Human Services, and the Fiscal Research Division. This
17 report shall be submitted on February 1, 2004.

18
19 Requested by: Representatives Barnhart, Nye
20 **SERVICES TO MULTIPLY-DIAGNOSED ADULTS**

21 **SECTION 10.16.(a)** In order to ensure that multiply-diagnosed adults are
22 appropriately served by the mental health, developmental disabilities, and substance
23 abuse services system, the Department of Health and Human Services, Division of
24 Mental Health, Developmental Disabilities, and Substance Abuse Services, shall do the
25 following with respect to services provided to these adults:

- 26 (1) Implement the following guiding principles for the provision of
27 services:
28 a. Service delivery system must be outcome oriented and
29 evaluation based.
30 b. Services should be delivered as close as possible to the
31 consumer's home.
32 c. Services selected should be those that are most efficient in
33 terms of cost and effectiveness.
34 d. Services should not be provided solely for the convenience of
35 the provider or the client.
36 e. Families and consumers should be involved in decision making
37 throughout treatment planning and delivery; and
38 (2) Provide those treatment services that are medically necessary.
39 (3) Implement utilization review of services provided.

40 **SECTION 10.16.(b)** The Department of Health and Human Services shall
41 implement all of the following cost-reduction strategies:

- 42 (1) Preauthorization for all services except emergency services.
43 (2) Criteria for determining medical necessity.
44 (3) Clinically appropriate services.
45 (4) Not later than May 1, 2004, conduct a State review of (i)
46 individualized service plans for former Thomas S. class members and
47 for adults whose service plan exceeds one hundred thousand dollars
48 (\$100,000) to ensure that service plans focus on delivery of
49 appropriate services rather than optimal treatment and habilitation
50 plans, and (ii) staffing patterns of residential services.

51 **SECTION 10.16.(c)** No State funds shall be used for the purchase of
52 single-family or other residential dwellings to house multiply-diagnosed adults.

53 **SECTION 10.16.(d)** The Department shall submit a progress report on
54 implementation of this section not later than February 1, 2004, and a final report not
55 later than May 1, 2004, to the Senate Appropriations Committee on Health and Human

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

3
4 Requested by: Representatives Barnhart, Nye

5 **AREA MENTAL HEALTH ADMINISTRATIVE COSTS**

6 **SECTION 10.17.(a)** Area mental health, developmental disabilities, and
7 substance abuse authorities or counties administering mental health, developmental
8 disabilities, and substance abuse services shall develop and implement plans to reduce
9 local administrative costs. The plans shall be developed in accordance with guidelines
10 adopted by the Secretary, in consultation with the Local Government Commission and
11 the North Carolina Association of County Commissioners, and in accordance with the
12 following:

- 13 (1) Administrative costs for area mental health, developmental disabilities,
14 and substance abuse services programs shall not exceed thirteen
15 percent (13%).
- 16 (2) Administrative costs for counties administering mental health,
17 developmental disabilities, and substance abuse services through a
18 county program shall not exceed thirteen percent (13%).

19 **SECTION 10.17.(b)** The Department of Health and Human Services shall
20 report its progress in complying with this section not later than January 1, 2004, and
21 April 15, 2004. The reports shall be submitted to the Senate Appropriations Committee
22 on Health and Human Services, the House of Representatives Appropriations
23 Subcommittee on Health and Human Services, and the Fiscal Research Division and
24 shall include:

- 25 (1) A description of the process used and the participants involved in
26 complying with subsection (a) of this section.
- 27 (2) The guidelines developed under subsection (a) of this section.
- 28 (3) A description of local compliance initiatives and efforts including
29 program or function consolidation.
- 30 (4) A list of area programs at or below the targeted thirteen percent (13%)
31 for the 2003-2004 fiscal year.
- 32 (5) Projected savings in administrative costs as a result of implementation
33 of the targeted limits required under this section.

34 **SECTION 10.17.(c)** The Department may implement alternative approaches
35 to establish reasonable administrative cost limitations for Local Management Entities
36 (LMEs), including both county programs and area authority models, and service
37 providers in accordance with system reform and changes in system funding structures.
38

39 Requested by: Representatives Barnhart, Nye

40 **PRIVATE AGENCY UNIFORM COST FINDING REQUIREMENT**

41 **SECTION 10.18.(a)** To ensure uniformity in rates charged to area programs
42 and funded with State-allocated resources, the Division of Mental Health,
43 Developmental Disabilities, and Substance Abuse Services of the Department of Health
44 and Human Services may require a private agency that provides services under contract
45 with an area program or county program, except for hospital services that have an
46 established Medicaid rate, to complete an agency-wide uniform cost finding in
47 accordance with G.S.122C-147.2. The resulting cost shall be the maximum included for
48 the private agency in the contracting area program's unit cost finding.

49 **SECTION 10.18.(b)** If a private agency fails to timely and accurately
50 complete the required agency-wide uniform cost finding in a manner acceptable to the
51 Department's controller's office, the Department may suspend all Department funding
52 and payment to the private agency until such time as an acceptable cost finding has been
53 completed by the private agency and approved by the Department's controller's office.
54

55 **SUBPART 3. DIVISION OF MEDICAL ASSISTANCE**

1
2 Requested by: Representatives Barnhart, Nye

3 **MEDICAID**

4 **SECTION 10.19.(a)** Funds appropriated in this act for services provided in
5 accordance with Title XIX of the Social Security Act (Medicaid) are for both the
6 categorically needy and the medically needy. Funds appropriated for these services shall
7 be expended in accordance with the following schedule of services and payment bases.
8 All services and payments are subject to the language at the end of this subsection.

9 Services and payment bases:

- 10 (1) Hospital-Inpatient. – Payment for hospital inpatient services will be
11 prescribed in the State Plan as established by the Department of Health
12 and Human Services.
- 13 (2) Hospital-Outpatient. – Eighty percent (80%) of allowable costs or a
14 prospective reimbursement plan as established by the Department of
15 Health and Human Services.
- 16 (3) Nursing Facilities. – Payment for nursing facility services will be
17 prescribed in the State Plan as established by the Department of Health
18 and Human Services. Nursing facilities providing services to Medicaid
19 recipients who also qualify for Medicare must be enrolled in the
20 Medicare program as a condition of participation in the Medicaid
21 program. State facilities are not subject to the requirement to enroll in
22 the Medicare program. Residents of nursing facilities who are eligible
23 for Medicare coverage of nursing facility services must be placed in a
24 Medicare certified bed. Medicaid shall cover facility services only
25 after the appropriate services have been billed to Medicare. The
26 Division of Medical Assistance shall allow nursing facility providers
27 sufficient time from the effective date of this act to certify additional
28 Medicare beds if necessary. In determining the date that the
29 requirements of this subdivision become effective, the Division of
30 Medical Assistance shall consider the regulations governing
31 certification of Medicare beds and the length of time required for this
32 process to be completed.
- 33 (4) Intermediate Care Facilities for the Mentally Retarded. – As prescribed
34 in the State Plan as established by the Department of Health and
35 Human Services.
- 36 (5) Drugs. – Drug costs as allowed by federal regulations plus a
37 professional services fee per month excluding refills for the same drug
38 or generic equivalent during the same month. Reimbursement shall be
39 available for up to six prescriptions per recipient, per month, including
40 refills. Payments for drugs are subject to the provisions of subsection
41 (h) of this section and to the provisions at the end of subsection (a) of
42 this section, or in accordance with the State Plan adopted by the
43 Department of Health and Human Services consistent with federal
44 reimbursement regulations. Payment of the professional services fee
45 shall be made in accordance with the State Plan adopted by the
46 Department of Health and Human Services, consistent with federal
47 reimbursement regulations. The professional services fee shall be five
48 dollars and sixty cents (\$5.60) per prescription for generic drugs and
49 four dollars (\$4.00) per prescription for brand name drugs.
50 Adjustments to the professional services fee shall be established by the
51 General Assembly.
- 52 (6) Physicians, Chiropractors, Podiatrists, Optometrists, Dentists, Certified
53 Nurse Midwife Services, Nurse Practitioners. – Fee schedules as
54 developed by the Department of Health and Human Services.

- 1 Payments for dental services are subject to the provisions of subsection
2 (g) of this section.
- 3 (7) Community Alternative Program, EPSDT Screens. – Payment to be
4 made in accordance with rate schedule developed by the Department
5 of Health and Human Services.
- 6 (8) Home Health and Related Services, Private Duty Nursing, Clinic
7 Services, Prepaid Health Plans, Durable Medical Equipment. –
8 Payment to be made according to reimbursement plans developed by
9 the Department of Health and Human Services.
- 10 (9) Medicare Buy-In. – Social Security Administration premium.
- 11 (10) Ambulance Services. – Uniform fee schedules as developed by the
12 Department of Health and Human Services. Public ambulance
13 providers will be reimbursed at cost.
- 14 (11) Hearing Aids. – Actual cost plus a dispensing fee.
- 15 (12) Rural Health Clinic Services. – Provider-based, reasonable cost;
16 nonprovider-based, single-cost reimbursement rate per clinic visit.
- 17 (13) Family Planning. – Negotiated rate for local health departments. For
18 other providers, see specific services, for instance, hospitals,
19 physicians.
- 20 (14) Independent Laboratory and X-Ray Services. – Uniform fee schedules
21 as developed by the Department of Health and Human Services.
- 22 (15) Optical Supplies. – One hundred percent (100%) of reasonable
23 wholesale cost of materials.
- 24 (16) Ambulatory Surgical Centers. – Payment as prescribed in the
25 reimbursement plan established by the Department of Health and
26 Human Services.
- 27 (17) Medicare Crossover Claims. – An amount up to the actual coinsurance
28 or deductible or both, in accordance with the State Plan, as approved
29 by the Department of Health and Human Services.
- 30 (18) Physical Therapy and Speech Therapy. – Services limited to EPSDT
31 eligible children. Payments are to be made only to qualified providers
32 at rates negotiated by the Department of Health and Human Services.
33 Physical therapy (including occupational therapy) and speech therapy
34 services are subject to prior approval and utilization review.
- 35 (19) Personal Care Services. – Payment in accordance with the State Plan
36 approved by the Department of Health and Human Services.
- 37 (20) Case Management Services. – Reimbursement in accordance with the
38 availability of funds to be transferred within the Department of Health
39 and Human Services.
- 40 (21) Hospice. – Services may be provided in accordance with the State Plan
41 developed by the Department of Health and Human Services.
- 42 (22) Other Mental Health Services. – Unless otherwise covered by this
43 section, coverage is limited to:
- 44 a. Services as defined by the Division of Mental Health,
45 Developmental Disabilities, and Substance Abuse Services and
46 approved by the Centers for Medicare and Medicaid Services
47 (CMS) when provided in agencies meeting the requirements of
48 the rules established by the Commission for Mental Health,
49 Developmental Disabilities, and Substance Abuse Services, and
50 reimbursement is made in accordance with a State Plan
51 developed by the Department of Health and Human Services
52 not to exceed the upper limits established in federal regulations,
53 and
- 54 b. For children eligible for EPSDT services:

- 1 1. Licensed or certified psychologists, licensed clinical
2 social workers, certified clinical nurse specialists in
3 psychiatric mental health advanced practice, and nurse
4 practitioners certified as clinical nurse specialists in
5 psychiatric mental health advanced practice, when
6 Medicaid-eligible children are referred by the Carolina
7 ACCESS primary care physician or the area mental
8 health program, and
- 9 2. Institutional providers of residential services as defined
10 by the Division of Mental Health, Developmental
11 Disabilities, and Substance Abuse Services and approved
12 by the Centers for Medicare and Medicaid Services
13 (CMS) for children and Psychiatric Residential
14 Treatment Facility services that meet federal and State
15 requirements as defined by the Department.

16 Notwithstanding G.S. 150B-121.1(a), the Department of Health and
17 Human Services may adopt temporary rules in accordance with
18 Chapter 150B of the General Statutes further defining the
19 qualifications of providers and referral procedures in order to
20 implement this subdivision. Coverage policy for services defined by
21 the Division of Mental Health, Developmental Disabilities, and
22 Substance Abuse Services under paragraphs a. and b.2 of this
23 subdivision shall be established by the Division of Medical Assistance.

- 24 (23) Medically Necessary Prosthetics or Orthotics for EPSDT Eligible
25 Children. – Reimbursement in accordance with the State Plan
26 approved by the Department of Health and Human Services.
- 27 (24) Health Insurance Premiums. – Payments to be made in accordance
28 with the State Plan adopted by the Department of Health and Human
29 Services consistent with federal regulations.
- 30 (25) Medical Care/Other Remedial Care. – Services not covered elsewhere
31 in this section include related services in schools; health professional
32 services provided outside the clinic setting to meet maternal and infant
33 health goals; and services to meet federal EPSDT mandates. Services
34 addressed by this paragraph are limited to those prescribed in the State
35 Plan as established by the Department of Health and Human Services.
- 36 (26) Pregnancy Related Services. – Covered services for pregnant women
37 shall include nutritional counseling, psychosocial counseling, and
38 predelivery and postpartum home visits by maternity care coordinators
39 and public health nurses.

40 Services and payment bases may be changed with the approval of the Director of the
41 Budget.

42 Payment is limited to Medicaid enrolled providers that purchase a
43 performance bond in an amount not to exceed one hundred thousand dollars (\$100,000)
44 naming as beneficiary the Department of Health and Human Services, Division of
45 Medical Assistance, or provide to the Department a validly executed letter of credit or
46 other financial instrument issued by a financial institution or agency honoring a demand
47 for payment in an equivalent amount. The Department may waive or limit the
48 requirements of this paragraph for one or more classes of Medicaid enrolled providers
49 based on the provider's dollar amount of monthly billings to Medicaid or the length of
50 time the provider has been licensed in this State to provide services. In waiving or
51 limiting requirements of this paragraph the Department shall take into consideration the
52 potential fiscal impact of the waiver or limitation on the State Medicaid Program. The
53 Department may adopt temporary rules in accordance with G.S. 150B-21.1 as necessary
54 to implement this provision.

1 Reimbursement is available for up to 24 visits per recipient per year to any
 2 one or combination of the following: physicians, clinics, hospital outpatient,
 3 optometrists, chiropractors, and podiatrists. Prenatal services, all EPSDT children,
 4 emergency rooms, and mental health services subject to independent utilization review
 5 are exempt from the visit limitations contained in this paragraph. Exceptions may be
 6 authorized by the Department of Health and Human Services where the life of the
 7 patient would be threatened without such additional care. Any person who is determined
 8 by the Department to be exempt from the 24-visit limitation may also be exempt from
 9 the six-prescription limitation.

10 **SECTION 10.19.(b)** Allocation of Nonfederal Cost of Medicaid. – The State
 11 shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the
 12 nonfederal costs of all applicable services listed in this section.

13 **SECTION 10.19.(c)** Copayment for Medicaid Services. – The Department
 14 of Health and Human Services may establish copayment up to the maximum permitted
 15 by federal law and regulation.

16 **SECTION 10.19.(d)** Medicaid and Work First Family Assistance, Income
 17 Eligibility Standards. – The maximum net family annual income eligibility standards for
 18 Medicaid and Work First Family Assistance and the Standard of Need for Work First
 19 Family Assistance shall be as follows:

	<u>Categorically Needy</u>		<u>Medically Needy</u>	
	<u>WFFA*</u>			
	<u>Family</u>	<u>Standard</u>	<u>Families and</u>	
	<u>Size</u>	<u>of Need</u>	<u>Children</u>	
			<u>Income</u>	<u>Level</u>
				<u>AA, AB, AD*</u>
26	1	\$4,344	\$2,172	\$2,900
27	2	5,664	2,832	3,800
28	3	6,528	3,264	4,400
29	4	7,128	3,564	4,800
30	5	7,776	3,888	5,200
31	6	8,376	4,188	5,600
32	7	8,952	4,476	6,000
33	8	9,256	4,680	6,300

34 *Work First Family Assistance (WFFA); Aid to the Aged (AA); Aid to the Blind (AB);
 35 and Aid to the Disabled (AD).

36
 37 The payment level for Work First Family Assistance shall be fifty percent (50%) of the
 38 standard of need.

39 These standards may be changed with the approval of the Director of the
 40 Budget with the advice of the Advisory Budget Commission.

41 **SECTION 10.19.(e)** The Department of Health and Human Services,
 42 Division of Medical Assistance, shall provide Medicaid coverage to all elderly, blind,
 43 and disabled people who have incomes equal to or less than one hundred percent
 44 (100%) of the federal poverty guidelines, as revised each April 1.

45 **SECTION 10.19.(f)** ICF and ICF/MR Work Incentive Allowances. – The
 46 Department of Health and Human Services may provide an incentive allowance to
 47 Medicaid-eligible recipients of ICF and ICF/MR facilities who are regularly engaged in
 48 work activities as part of their developmental plan and for whom retention of additional
 49 income contributes to their achievement of independence. The State funds required to
 50 match the federal funds that are required by these allowances shall be provided from
 51 savings within the Medicaid budget or from other unbudgeted funds available to the
 52 Department. The incentive allowances may be as follows:

<u>Monthly Net Wages</u>	<u>Monthly Incentive Allowance</u>
\$1.00 to \$100.99	Up to \$50.00

1	\$101.00 to \$200.99	\$80.00
2	\$201.00 to \$300.99	\$130.00
3	\$301.00 and greater	\$212.00.

4 **SECTION 10.19.(g)** Dental Coverage Limits. – Dental services shall be
5 provided on a restricted basis in accordance with rules adopted by the Department to
6 implement this subsection.

7 **SECTION 10.19.(h)** Dispensing of Generic Drugs. – Notwithstanding G.S.
8 90-85.27 through G.S. 90-85.31, or any other law to the contrary, under the Medical
9 Assistance Program (Title XIX of the Social Security Act), and except as otherwise
10 provided in this subsection for atypical antipsychotic drugs and drugs listed in the
11 narrow therapeutic index, a prescription order for a drug designated by a trade or brand
12 name shall be considered to be an order for the drug by its established or generic name,
13 except when the prescriber has determined, at the time the drug is prescribed, that the
14 brand name drug is medically necessary and has written on the prescription order the
15 phrase "medically necessary". An initial prescription order for an atypical antipsychotic
16 drug or a drug listed in the narrow therapeutic drug index that does not contain the
17 phrase "medically necessary" shall be considered an order for the drug by its established
18 or generic name, except that a pharmacy shall not substitute a generic or established
19 name prescription drug for subsequent brand or trade name prescription orders of the
20 same prescription drug without explicit oral or written approval of the prescriber given
21 at the time the order is filled. Generic drugs shall be dispensed at a lower cost to the
22 Medical Assistance Program rather than trade or brand name drugs. As used in this
23 subsection, "brand name" means the proprietary name the manufacturer places upon a
24 drug product or on its container, label, or wrapping at the time of packaging; and
25 "established name" has the same meaning as in section 502(e)(3) of the Federal Food,
26 Drug, and Cosmetic Act as amended, 21 U.S.C. § 352(e)(3).

27 **SECTION 10.19.(i)** The Department of Health and Human Services shall
28 not impose prior authorization requirements or other restrictions under the State
29 Medical Assistance Program on medications prescribed for Medicaid recipients for the
30 treatment of : (i) mental illness, including, but not limited to, medications for
31 schizophrenia, bipolar disorder, and major depressive disorder, or (ii) HIV/AIDS.

32 **SECTION 10.19.(j)** Exceptions to Service Limitations, Eligibility
33 Requirements, and Payments. – Service limitations, eligibility requirements, and
34 payments bases in this section may be waived by the Department of Health and Human
35 Services, with the approval of the Director of the Budget, to allow the Department to
36 carry out pilot programs for prepaid health plans, contracting for services, managed care
37 plans, or community-based services programs in accordance with plans approved by the
38 United States Department of Health and Human Services, or when the Department
39 determines that such a waiver will result in a reduction in the total Medicaid costs for
40 the recipient. The Department of Health and Human Services may proceed with
41 planning and development work on the Program of All-Inclusive Care for the Elderly.

42 **SECTION 10.19.(k)** Volume Purchase Plans and Single Source
43 Procurement. – The Department of Health and Human Services, Division of Medical
44 Assistance, may, subject to the approval of a change in the State Medicaid Plan,
45 contract for services, medical equipment, supplies, and appliances by implementation of
46 volume purchase plans, single source procurement, or other contracting processes in
47 order to improve cost containment.

48 **SECTION 10.19.(l)** Cost-Containment Programs. – The Department of
49 Health and Human Services, Division of Medical Assistance, may undertake cost
50 containment programs in accordance with Section 3 of S.L. 2001-395, including
51 contracting for services, preadmissions to hospitals, and prior approval for certain
52 outpatient surgeries before they may be performed in an inpatient setting.

53 **SECTION 10.19.(m)** For all Medicaid eligibility classifications for which
54 the federal poverty level is used as an income limit for eligibility determination, the

1 income limits will be updated each April 1 immediately following publication of federal
2 poverty guidelines.

3 **SECTION 10.19.(n)** The Department of Health and Human Services shall
4 provide coverage to pregnant women and to children according to the following
5 schedule:

- 6 (1) Pregnant women with incomes equal to or less than one hundred fifty
7 percent (150%) of the federal poverty guidelines as revised each April
8 1 shall be covered for Medicaid benefits. In determining income
9 eligibility under this subdivision, the income of a minor's parents shall
10 be counted if the minor is residing in the home.
- 11 (2) Infants under the age of one with family incomes equal to or less than
12 one hundred fifty percent (150%) of the federal poverty guidelines as
13 revised each April 1 shall be covered for Medicaid benefits.
- 14 (3) Children aged one through five with family incomes equal to or less
15 than one hundred thirty-three percent (133%) of the federal poverty
16 guidelines as revised each April 1 shall be covered for Medicaid
17 benefits.
- 18 (4) Children aged six through 18 with family incomes equal to or less than
19 the federal poverty guidelines as revised each April 1 shall be covered
20 for Medicaid benefits.
- 21 (5) The Department of Health and Human Services shall provide Medicaid
22 coverage for adoptive children with special or rehabilitative needs
23 regardless of the adoptive family's income.

24 Services to pregnant women eligible under this subsection continue
25 throughout the pregnancy but include only those related to pregnancy and to those other
26 conditions determined by the Department as conditions that may complicate pregnancy.
27 In order to reduce county administrative costs and to expedite the provision of medical
28 services to pregnant women, to infants, and to children described in subdivisions (3) and
29 (4) of this subsection, no resources test shall be applied.

30 **SECTION 10.19.(o)** Medicaid enrollment of categorically needy families
31 with children shall be continuous for one year without regard to changes in income or
32 assets.

33 **SECTION 10.19.(p)** The Division of Medical Assistance, Department of
34 Health and Human Services, may provide incentives to counties that successfully
35 recover fraudulently spent Medicaid funds by sharing State savings with counties
36 responsible for the recovery of the fraudulently spent funds.

37 **SECTION 10.19.(q)** If first approved by the Office of State Budget and
38 Management, the Division of Medical Assistance, Department of Health and Human
39 Services, may use funds that are identified to support the cost of development and
40 acquisition of equipment and software through contractual means to improve and
41 enhance information systems that provide management information and claims
42 processing. The Department of Health and Human Services shall identify adequate
43 funds to support the implementation and first year's operational costs that exceed the
44 currently allocated funds for the new contract for the fiscal agent for the Medicaid
45 Management Information System.

46 **SECTION 10.19.(r)** The Department of Health and Human Services may
47 adopt temporary rules according to the procedures established in G.S. 150B-21.1 when
48 it finds that these rules are necessary to maximize receipt of federal funds within
49 existing State appropriations, to reduce Medicaid expenditures, and to reduce fraud and
50 abuse. Prior to the filing of these temporary rules with the Office of Administrative
51 Hearings, the Department shall consult with the Office of State Budget and
52 Management on the possible fiscal impact of the temporary rule and its effect on State
53 appropriations and local governments.

54 **SECTION 10.19.(s)** The Department shall report to the Fiscal Research
55 Division of the Legislative Services Office and to the House of Representatives

1 Appropriations Subcommittee on Health and Human Services and the Senate
2 Appropriations Committee on Health and Human Services or the Joint Legislative
3 Health Care Oversight Committee on any change it anticipates making in the Medicaid
4 program that impacts the type or level of service, reimbursement methods, or waivers,
5 any of which require a change in the State Plan or other approval by the Centers for
6 Medicare and Medicaid Services (CMS). The reports shall be provided at the same time
7 they are submitted to CMS for approval.

8 **SECTION 10.19.(t)** Upon approval of a demonstration waiver by the
9 Centers for Medicare and Medicaid Services (CMS), the Department of Health and
10 Human Services may provide Medicaid coverage for family planning services to men
11 and women of child-bearing age with family incomes equal to or less than one hundred
12 eighty-five percent (185%) of the federal poverty level. Coverage shall be contingent
13 upon federal approval of the waiver and shall begin no earlier than January 1, 2001.

14 **SECTION 10.19.(u)** The Department of Health and Human Services,
15 Division of Medical Assistance, shall use the latest audited cost reporting data available
16 when establishing Medicaid provider rates or when making changes to the
17 reimbursement methodology. For hospital services, the division shall use the latest
18 audited cost reporting data available, supplemented by additional financial information
19 available to the Division if and to the extent that the Division concludes that the
20 information is reliable and relevant, when establishing rates or when making changes to
21 the reimbursement methodology.

22 **SECTION 10.19.(v)** The Department of Health and Human Services,
23 Division of Medical Assistance, shall implement a new coding system for therapeutic
24 mental health services as required by the Health Insurance Portability and
25 Accountability Act of 1996. In implementing the new coding system, the Division shall
26 ensure that the new coding system does not discriminate between providers of
27 therapeutic mental health services with similar qualifications and training. In meeting
28 the requirements of this subsection, the Division shall consult with the Division of
29 Mental Health, Developmental Disabilities, and Substance Abuse Services and the
30 professional licensing boards responsible for licensing the affected professionals.

31 **SECTION 10.19.(w)** The Department of Health and Human Services may
32 apply federal transfer of assets policies, as described in Title XIX, section 1917(c) of the
33 Social Security Act, including the attachment of liens, to real property excluded as
34 "income producing", tenancy-in-common, or as nonhomesite property made "income
35 producing" under Title XIX, section 1902(r)(2) of the Social Security Act. The transfer
36 of assets policy shall apply only to an institutionalized individual or the individual's
37 spouse as defined in Title XIX, section 1917(c) of the Social Security Act. This
38 subsection becomes effective no earlier than October 1, 2001. Federal transfer of asset
39 policies and attachment of liens to properties excluded as tenancy-in-common or as
40 nonhomesite property made "income producing" in accordance with this subsection
41 shall become effective not earlier than November 1, 2002.

42 **SECTION 10.19.(x)** When implementing the Supplemental Security Income
43 (SSI) method for considering equity value of income producing property, the
44 Department shall, to the maximum extent possible, employ procedures to mitigate the
45 hardship to Medicaid enrollees occurring from application of the Supplemental Security
46 Income (SSI) method.

47 **SECTION 10.19.(y)** The Department shall not change medical policy
48 affecting the amount, sufficiency, duration, and scope of health care services and who
49 may provide services until the Division of Medical Assistance has prepared a five-year
50 fiscal analysis documenting the increased cost of the proposed change in medical policy
51 and submitted it for Departmental review. If the fiscal impact indicated by the fiscal
52 analysis for any proposed medical policy change exceeds three million dollars
53 (\$3,000,000) in total requirements for a given fiscal year, then the Department shall
54 submit the proposed policy change with the fiscal analysis to the Office of State Budget
55 and Management and the Fiscal Research Division. The Department shall not

1 implement any proposed medical policy change exceeding three million dollars
2 (\$3,000,000) in total requirements for a given fiscal year unless the source of State
3 funding is identified and approved by the Office of State Budget and Management. The
4 Department shall provide the Office of State Budget and Management and the Fiscal
5 Research Division a quarterly report itemizing all medical policy changes with total
6 requirements of less than three million dollars (\$3,000,000).

7
8 Requested by: Representatives Barnhart, Nye

9 **MEDICAID RESERVE FUND TRANSFER**

10 **SECTION 10.20.** Of the funds transferred to the Department of Health and
11 Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of thirty
12 million dollars (\$30,000,000) for the 2003-2004 fiscal year and the sum of thirty million
13 dollars (\$30,000,000) for the 2004-2005 fiscal year shall be allocated as prescribed by
14 G.S. 143-23.2(b) for Medicaid Programs. Notwithstanding the prescription in G.S.
15 143-23.2(b) that these funds not reduce State general revenue funding, these funds shall
16 replace the reduction in general revenue funding effected in this act.

17
18 Requested by: Representatives Barnhart, Nye

19 **DISPOSITION OF DISPROPORTIONATE SHARE RECEIPTS**

20 **SECTION 10.21.(a)** Disproportionate share receipts reserved at the end of
21 the 2003-2004 and 2004-2005 fiscal years shall be deposited with the Department of
22 State Treasurer as nontax revenue for each of those fiscal years.

23 **SECTION 10.21.(b)** For each year of the 2003-2005 fiscal biennium, as it
24 receives funds associated with Disproportionate Share Payments from State hospitals,
25 the Department of Health and Human Services, Division of Medical Assistance, shall
26 deposit up to one hundred million dollars (\$100,000,000) of these Disproportionate
27 Share Payments to the Department of State Treasurer for deposit as nontax revenue.
28 Any Disproportionate Share Payments collected in excess of one hundred million
29 dollars (\$100,000,000) shall be reserved by the State Treasurer for future
30 appropriations.

31
32 Requested by: Representatives Barnhart, Nye

33 **COUNTY MEDICAID COST SHARE**

34 **SECTION 10.22.(a)** Effective July 1, 2000, the county share of the cost of
35 Medicaid services currently and previously provided by area mental health authorities
36 shall be increased incrementally each fiscal year until the county share reaches fifteen
37 percent (15%) of the nonfederal share by State fiscal year 2009-2010.

38 **SECTION 10.22.(b)** Effective July 1, 2000, the county share of the cost of
39 Medicaid Personal Care Services paid to adult care homes shall be decreased
40 incrementally each fiscal year until the county share reaches fifteen percent (15%) of
41 the nonfederal share by State fiscal year 2009-2010.

42
43 Requested by: Representatives Barnhart, Nye

44 **MEDICAID COST CONTAINMENT ACTIVITIES**

45 **SECTION 10.23.** The Department of Health and Human Services may use
46 not more than three million dollars (\$3,000,000) in each year of the 2003-2005 fiscal
47 biennium in Medicaid funds budgeted for program services to support the cost of
48 administrative activities when cost-effectiveness and savings are demonstrated. The
49 funds shall be used to support activities that will contain the cost of the Medicaid
50 Program, including contracting for services or hiring additional staff. Medicaid
51 cost-containment activities may include prospective reimbursement methods,
52 incentive-based reimbursement methods, service limits, prior authorization of services,
53 periodic medical necessity reviews, revised medical necessity criteria, service provision
54 in the least costly settings, and other cost-containment activities. Funds may be
55 expended under this section only after the Office of State Budget and Management has

1 approved a proposal for the expenditure submitted by the Department. Proposals for
2 expenditure of funds under this section shall include the cost of implementing the
3 cost-containment activity and documentation of the amount of savings expected to be
4 realized from the cost-containment activity. The Department shall provide a copy of
5 proposals for expenditures under this section to the Fiscal Research Division.
6

7 Requested by: Representatives Barnhart, Nye

8 **INCREASES IN FEDERAL MEDICAID FUNDS**

9 **SECTION 10.24.(a)** Notwithstanding any other provision of law to the
10 contrary, the total amount of State funds that become available to the Department of
11 Health and Human Services for the 2003-2004 fiscal year due to an increase in federal
12 Medicaid funds resulting from increases in the Federal Financial Participation rate shall
13 be used to increase funds appropriated to the Department for the 2003-2004 fiscal year
14 for the Medicaid program without any reduction in what is otherwise allocated to the
15 Department from appropriated funds.

16 **SECTION 10.24.(b)** The Department of Health and Human Services,
17 Division of Medical Assistance, may reinstate eligibility policies changed by this act
18 when all of the following conditions are met:

- 19 (1) Congress approves enhanced Federal Financial Participation for State
20 Medicaid programs.
- 21 (2) Receipt of the enhanced Federal Financial Participation is dependent
22 on a State's maintenance of effort in Medicaid eligibility.
- 23 (3) The Department has concluded that the enacted policy changes render
24 the State ineligible for the enhanced Federal Financial Participation.
- 25 (4) Enhanced Federal Financial Participation receipts exceed the
26 anticipated savings in State funds from the enacted policy changes.
27

28 Requested by: Representatives Barnhart, Nye

29 **PUBLIC ASSISTANCE AND SOCIAL SERVICES APPEALS AND ACCESS TO** 30 **RECORDS**

31 **SECTION 10.25.** G.S. 108A-79 reads as rewritten:

32 **"§ 108A-79. Appeals.**

33 (a) A public assistance applicant or recipient shall have a right to appeal the
34 decision of the county board of social services, county department of social services, or
35 the board of county commissioners granting, denying, terminating, or modifying
36 assistance, or the failure of the county board of social services or county department of
37 social services to act within a reasonable time under the rules and regulations of the
38 Social Services Commission or the Department. Each applicant or recipient shall be
39 notified in writing of his right to appeal upon denial of his application for assistance and
40 at the time of any subsequent action on his case.

41 (b) In cases involving termination or modification of assistance, no action shall
42 become effective until 10 workdays after notice of this action and of the right to appeal
43 is mailed or delivered by hand to the recipient; provided, however, termination or
44 modification of assistance may be effective immediately upon the mailing or delivery of
45 notice in the following circumstances:

- 46 (1) When the modification is beneficial to the recipient; or
- 47 (2) When federal regulations permit immediate termination or
48 modification upon mailing or delivery of notice and the Social
49 Services Commission or the Department of Health and Human
50 Services promulgates regulations adopting said federal law or
51 regulations. When federal and State regulations permit immediate
52 termination or modification, the recipient shall have no right to
53 continued assistance at the present level pending a hearing, as would
54 otherwise be provided by subsection (d) of this section.

1 (c) The notice of action and the right to appeal shall comply with all applicable
2 federal and State law and regulations; provided, such notice shall, at a minimum contain
3 a clear statement of:

- 4 (1) The action which was or is to be taken;
- 5 (2) The reasons for which this action was or is to be taken;
- 6 (3) The regulations supporting this action;
- 7 (4) The applicant's or recipient's right to both a local and State level
8 hearing, or to a State level hearing in the case of the food stamp
9 ~~program, program and cases involving disability,~~ on the decision to
10 take this action and the method for obtaining these hearings;
- 11 (5) The right to be represented at the hearings by a personal
12 representative, including an attorney obtained at the applicant's or
13 recipient's expense;
- 14 (6) In cases involving termination or modification of assistance, the
15 recipient's right upon timely request to continue receiving assistance at
16 the present level pending an appeal hearing and decision on that
17 hearing.

18 An applicant or recipient may give notice of appeal by written or oral statement to the
19 county department of social services, which shall record such notice by completing a
20 form developed by the Department.

21 Such notice of appeal must be given within 60 days from the date of the action, or 90
22 days from the date of notification in the case of the food stamp program. Failure to give
23 timely notice of appeal constitutes a waiver of the right to a hearing except that, for
24 good cause shown, the county department of social services may permit an appeal
25 notwithstanding the waiver. The waiver shall not affect the right to reapply for benefits.

26 (d) If there is such timely appeal in cases not involving disability, in the first
27 instance the hearing shall consist of a local appeal hearing before the county director or
28 a designated representative of the county director, provided whoever hears the local
29 appeal shall not have been involved directly in the initial decision giving rise to the
30 appeal. If there is such timely appeal in cases involving disability, the county director or
31 a designated representative of the county director shall within five days of the request
32 for an appeal forward the request to the Department of Health and Human Services, and
33 the Department shall designate a hearing officer who shall promptly hold a hearing in
34 the county according to the provisions of subsections (i) and (j) of this section. The
35 issue of disability determination is governed by federal law as codified in 42 § C.F.R.
36 435.541. In cases involving termination or modification of assistance (other than cases
37 of immediate termination or modification of assistance pursuant to subsection (b)(2)
38 of this section), the recipient shall continue to receive assistance at the present level
39 pending the decision at the initial hearing, whether that be the local appeal hearing
40 decision or, in cases involving questions of disability, the Department of Health and
41 Human Services hearing decision, provided that in order to continue receiving
42 assistance pending the initial hearing decision the recipient must request a hearing on or
43 before the effective date of the termination or modification of assistance.

44 (e) The local appeal hearing shall be held not more than five days after the
45 request for it is received. The recipient may, for good cause shown as defined by rule or
46 regulation of the Social Services Commission or the Department, petition the county
47 department of social services, in writing, for a delay, but in no event shall the local
48 appeal hearing be held more than 15 days after the receipt of the request for hearing. At
49 the local appeal hearing:

- 50 (1) The appellant and the county department may be represented by
51 personal representatives, including attorneys, obtained at their
52 expense.
- 53 (2) The appellant or his personal representative and the county department
54 shall present such sworn evidence and law or regulations as bear upon
55 the case. The hearing need not be recorded or transcribed, but the

1 director or his representative shall summarize in writing the substance
2 of the hearing.

3 (3) The appellant or his personal representative and the county department
4 may cross-examine witnesses and present closing arguments
5 summarizing their views of the case and the law.

6 (4) Prior to and during the hearing, the appellant or his personal
7 representative shall have adequate opportunity to examine the contents
8 of his case file for the matter pending together with those portions of
9 other public assistance or social services case files which pertain to the
10 appeal, and all documents and records which the county department of
11 social services intends to use at the hearing. Those portions of the
12 public assistance or social services case file which do not pertain to the
13 appeal or which are required by federal statutes or regulations or by
14 State statutes or regulations to be held confidential shall not be
15 released to the appellant or his personal representative. In cases where
16 the appellant has been denied access to the public assistance or social
17 services case file the hearing officer shall certify as part of the official
18 record that the hearing officer has examined the case files and that no
19 portion of those files pertain to the appeal. Such certification may be
20 subject to judicial review as provided in subsection (k) of this section.
21 Nothing in this section is intended to restrict an applicant or recipient
22 access to information if that access is allowed by rules and regulations
23 promulgated pursuant to G.S. 108A-80.

24 (f) The director or his designated representative shall make the decision based
25 upon the evidence presented at the hearing and all applicable regulations, and shall
26 prepare a written statement of his decision citing the regulations and evidence to support
27 it. This written statement of the decision will be served by certified mail on the
28 appellant within five days of the local appeal hearing. If the decision terminating or
29 modifying the appellant's benefits is affirmed, the assistance shall be terminated or
30 modified, not earlier than the date the decision is mailed, and any assistance received
31 during the time of the appeal is subject to recovery.

32 (g) If the appellant is dissatisfied with the decision of the local appeal hearing, he
33 may within 15 days of the mailing notification of the decision take a further appeal to
34 the Department. However, assistance may not be received pending this further appeal.
35 Failure to give timely notice of further appeal constitutes a waiver of the right to a
36 hearing before an official of the Department except that, for good cause shown, the
37 Department may issue an order permitting a review of the local appeal hearing
38 notwithstanding the waiver. The waiver shall not affect the right to reapply for benefits.

39 (h) Subsections (d)-(g) of this section shall not apply to the food stamp program.
40 The first appeal for a food stamp recipient or his representative shall be to the
41 Department. Pending hearing, the recipient's assistance shall be continued at the present
42 level upon timely request.

43 (i) If there is an appeal from the local appeal hearing decision, or from a food
44 stamp recipient or his representative where there is no local hearing, or if there is an
45 appeal of a case involving questions of disability the county director shall notify the
46 Department according to its rules and regulations. The Department shall designate a
47 hearing officer who shall promptly hold a de novo administrative hearing in the county
48 after giving reasonable notice of the time and place of such hearing to the appellant and
49 the county department of social services. Such hearing shall be conducted according to
50 ~~applicable federal law and regulations and Article 3, Chapter 150B, of the General~~
51 ~~Statutes of North Carolina; provided the federal law as codified in 42 C.F.R. § 431,~~
52 Subpart E and Article 3 of Chapter 150B of the General Statutes. Appeals from local
53 evidentiary hearings shall be de novo. The Department shall adopt rules and regulations
54 to ensure the following:

- 1 (1) Prior to and during the hearing, the appellant or his personal
2 representative shall have adequate opportunity to examine his case file
3 and all documents and records which the county department of social
4 services intends to use at the hearing together with those portions of
5 other public assistance or social services case files which pertain to the
6 appeal. Those portions of the public assistance or social services case
7 files which do not pertain to the appeal or which are required by
8 federal statutes or regulations or by State statutes or regulations to be
9 held confidential shall not be released to the appellant or his personal
10 representative. In cases where the appellant has been denied access to
11 portions of the public assistance or social services case file, the hearing
12 officer shall certify as part of the official record that the hearing officer
13 has examined the case files and that no portion of those files pertain to
14 the appeal. Such certification may be subject to judicial review as
15 provided in subsection (k) of this section. Nothing in this section is
16 intended to restrict an applicant or recipient access to information if
17 that access is allowed by rules or regulations promulgated pursuant to
18 G.S. 108A-80.
- 19 (2) At the appeal hearing, the appellant and personnel of the county
20 department of social services may present such sworn evidence, law
21 and regulations as bear upon the case.
- 22 (3) The appellant and county department shall have the right to be
23 represented by the person of his choice, including an attorney obtained
24 at his own expense.
- 25 (4) The appellant and county department shall have the right to
26 cross-examine the other party as well as make a closing argument
27 summarizing his view of the case and the law.
- 28 (5) The appeal hearing shall be recorded; however, no transcript will be
29 prepared unless a petition for judicial review is filed pursuant to
30 subsection (k) herein, in which case, the transcript will be made a part
31 of the official record. In the absence of the filing of a petition for a
32 judicial review, the recording of the appeal hearing may be erased or
33 otherwise destroyed 180 days after the final decision is mailed.
- 34 (6) Notwithstanding G.S. 150B-28 or any other provision of State law,
35 discovery shall be no more extensive or formal than that required by
36 federal law and regulations applicable to such hearings.
- 37 (j) After the administrative hearing, the hearing officer shall prepare a proposal
38 for decision, citing pertinent law, regulations, and evidence, which shall be served upon
39 the appellant and the county department of social services or their personal
40 representatives. The appellant and the county department of social services shall have
41 the opportunity to present oral and written arguments in opposition to or in support of
42 the proposal for decision to the designated official of the Department who is to make the
43 final decision. The final decision shall be based on, conform to, and set forth in detail
44 the relevant evidence, pertinent State and federal law and regulations, and matters
45 officially noticed. The decision shall be rendered not more than 90 days, or 45 days in
46 the case of the food stamp program, from the date of request for the hearing, unless the
47 hearing was delayed at the request of the appellant. If the hearing was delayed at the
48 appellant's request, the decision may only be delayed for the length of time the appellant
49 requested a delay. The final decision shall be served upon the appellant and upon the
50 county department of social services by certified mail, with a copy furnished to either
51 party's attorney of record. In the absence of a petition for judicial review filed pursuant
52 to subsection (k) herein, the final decision shall be binding upon the appellant, the
53 county department of social services, the county board of social services, and the board
54 of county commissioners.

1 (k) Any applicant or recipient who is dissatisfied with the final decision of the
2 Department may file, within 30 days of the receipt of notice of such decision, a petition
3 for judicial review in superior court of the county from which the case arose. Failure to
4 file a petition within the time stated shall operate as a waiver of the right of such party
5 to review, except that, for good cause shown, a judge of the superior court resident in
6 the district or holding court in the county from which the case arose may issue an order
7 permitting a review of the agency decision under this Chapter notwithstanding such
8 waiver. The hearing shall be conducted according to the provisions of Article 4, Chapter
9 150B, of the North Carolina General Statutes. The court shall, on request, examine the
10 evidence excluded at the hearing under G.S. 108A-79(e)(4) or G.S. 108A-79(i)(1) and if
11 the evidence was improperly excluded, the court shall consider it. Notwithstanding the
12 foregoing provisions, the court may take testimony and examine into the facts of the
13 case, including excluded evidence, to determine whether the final decision is in error
14 under federal and State law, and under the rules and regulations of the Social Services
15 Commission or the Department of Health and Human Services. Furthermore, the court
16 shall set the matter for hearing within 15 days from the filing of the record under G.S.
17 150B-47 and after reasonable written notice to the Department of Health and Human
18 Services and the applicant or recipient. Nothing in this subsection shall be construed to
19 abrogate any rights that the county may have under Article 4 of Chapter 150B.

20 (l) In the event of conflict between federal law or regulations and State law or
21 regulations, the federal law or regulations shall control."
22

23 Requested by: Representatives Barnhart, Nye

24 **TRANSFER OF PROPERTY TO QUALIFY FOR MEDICAID**

25 **SECTION 10.26.** G.S. 108A-58 reads as rewritten:

26 "**§ 108A-58. Transfer of property for purposes of qualifying for medical**
27 **assistance; periods of ineligibility.**

28 (a) Any person, otherwise eligible, who, either while receiving medical
29 assistance benefits or ~~within one year prior to the date of applying for medical~~
30 ~~assistance benefits, unless some other within the~~ time period is mandated by controlling
31 federal law, sells, gives, assigns or transfers countable real or personal property or an
32 interest in real or personal property for the purpose of retaining or establishing
33 eligibility for medical assistance benefits, shall be ineligible to receive medical
34 assistance benefits as set forth in ~~subsection (e) of this section~~ section 1917(c) of the
35 Social Security Act. Countable real and personal property includes real property,
36 excluding a homesite, unless other applicable federal or State law requires the homesite
37 to be counted for transfer of property purposes, intangible personal property,
38 nonessential motor and recreational vehicles, nonincome producing business equipment,
39 boats and motors. The provisions of this act shall not apply to the sale, gift, assignment
40 or transfer of real or personal property if and to the extent that the person applying for
41 medical assistance would have been eligible for such assistance notwithstanding
42 ownership of such property or an interest therein.

43 (b) Any sale, gift, assignment or transfer of real or personal property or an
44 interest in real or personal property, as provided in subsection (a) of this section, shall
45 be presumed to have been made for the purpose of retaining or establishing eligibility
46 for medical assistance benefits unless the person, or the person's legal representative,
47 who sells, gives, assigns or transfers the property or interest, receives valuable
48 consideration at least equal to the fair market value, less encumbrances, of the property
49 or interest.

50 (c) Any person who sells, gives, assigns or transfers real or personal property or
51 an interest in real or personal property for the purpose of retaining or establishing
52 eligibility for medical assistance benefits, as provided in subsection (a) of this section,
53 shall, after the time of transfer, be ineligible to receive these benefits until an amount
54 equal to the uncompensated value of the property or interest has been expended by or on
55 behalf of the person for the person's maintenance and support, including medical

1 expenses, paid or incurred, or shall be ineligible based on the period of time required
2 under section 1917(c) of the Social Security Act, in accordance with the following
3 schedule, whichever is sooner;

- 4 (1) ~~For uncompensated value of at least one thousand dollars (\$1,000) but~~
5 ~~not more than six thousand dollars (\$6,000), a one year period of~~
6 ~~ineligibility from date of sale, gift, assignment or transfer;~~
7 (2) ~~For uncompensated value of more than six thousand dollars (\$6,000)~~
8 ~~but not more than twelve thousand dollars (\$12,000), a two year~~
9 ~~period of ineligibility from date of sale, gift, assignment or transfer;~~
10 (3) ~~For uncompensated value of more than twelve thousand dollars~~
11 ~~(\$12,000), a two year period of ineligibility from date of sale, gift,~~
12 ~~assignment or transfer, plus one additional month of ineligibility for~~
13 ~~each five hundred dollar (\$500.00) increment or portion thereof by~~
14 ~~which the uncompensated value exceeds twelve thousand dollars~~
15 ~~(\$12,000), but in no event to exceed three years.~~

16 (d) The sale, gift, assignment or transfer for a consideration less than fair market
17 value, less encumbrances, of any tangible personal property which was acquired with
18 the proceeds of sale, assignment or transfer of real or intangible personal property
19 described in subsection (a) of this section or in exchange for such real or intangible
20 personal property shall be presumed to have been for the purpose of evading the
21 provisions of this section if the acquisition and sale, gift, assignment or transfer of the
22 tangible personal property is by or on behalf of a person receiving medical assistance or
23 within the time period mandated by controlling federal law one year of making
24 application for such assistance and the consequences of the sale, gift, assignment or
25 transfer of such tangible personal property shall be determined under the provisions of
26 subsections (e), (f) and ~~(g)~~ (c) and (f) of this section.

27 (e) The presumptions created by subsections (b) and (d) may be overcome if the
28 person receiving or applying for medical assistance, or the person's legal representative,
29 establishes by the greater weight of the evidence that the sale, gift, assignment or
30 transfer was exclusively for some purpose other than retaining or establishing eligibility
31 for medical assistance benefits.

32 (f) For the purpose of establishing uncompensated value under subsection (c),
33 the value of property or an interest therein shall be the fair market value of the property
34 or interest at the time of the sale, gift, assignment or transfer, less the amount of
35 compensation, if any, received for the property or interest. There shall be a rebuttable
36 presumption that the fair market value of real property is the most recent property tax
37 value of the property, as ascertained according to Subchapter II of Chapter 105 of the
38 General Statutes. Fair market value for purpose of this subsection shall be such value,
39 determined as above set out, less any legally enforceable encumbrances to which the
40 property is subject.

41 ~~(g) In the event that there is more than one sale, gift, assignment or transfer of~~
42 ~~property or an interest therein by a person receiving medical assistance or within one~~
43 ~~year of the date of an application for medical assistance, unless some other time period~~
44 ~~is mandated by controlling federal law, the uncompensated value, for the purposes of~~
45 ~~subsection (c), shall be the aggregate uncompensated value of all sales, gifts,~~
46 ~~assignments and transfers. The date which is the midpoint between the date of the first~~
47 ~~and last sale, gift, assignment or transfer shall be the date from which the period of~~
48 ~~ineligibility shall be determined under subsection (c).~~

49 (h) This section shall not apply to applicants for or recipients of Work First
50 Family Assistance or to persons entitled to medical assistance by virtue of their
51 eligibility for Work First Family Assistance.

52 (i) This section shall apply only to transfers made before July 1, 1988."
53

54 Requested by: Representatives Barnhart, Nye
55 **MEDICARE ENROLLMENT REQUIRED**

1 **SECTION 10.27.** Part 6 of Article 2 of Chapter 108A of the General
2 Statutes is amended by adding the following new section to read:

3 **"§ 108A-55.1. Medicare enrollment required.**

4 The Department shall require State Medical Assistance Program recipients who
5 qualify for Medicare to enroll in Medicare, in accordance with Title XIX of the Social
6 Security Act, in order to pay medical expenditures that qualify for payment under
7 Medicare Part B. Failure to enroll in Medicare shall result in nonpayment of these
8 expenditures under the State Medical Assistance Program. A provider may seek
9 payment for services from Medicaid enrollees who are eligible for but not enrolled in
10 Medicare Part B."

11
12 Requested by: Representatives Barnhart, Nye

13 **MEDICAID ASSESSMENT PROGRAM FOR SKILLED NURSING**
14 **FACILITIES**

15 **SECTION 10.28.(a)** The Secretary of Health and Human Services shall
16 implement a Medicaid assessment program for skilled nursing facilities licensed under
17 Chapter 131E of the General Statutes. The assessment shall be imposed in a manner
18 consistent with federal regulations under 42 C.F.R. Part 433, Subpart B. The
19 Department shall impose the assessment effective October 1, 2003. Funds realized from
20 assessments imposed shall be used only to draw down federal Medicaid matching funds
21 for implementing the new reimbursement plan for nursing homes and for increasing
22 nursing facility rates in accordance with the plan.

23 **SECTION 10.28.(b)** Funds realized from the Medicaid assessment program
24 established pursuant to subsection (a) of this section shall not be used to supplant State
25 funds appropriated for nursing facility services.

26 **SECTION 10.28.(c)** Funds realized from the assessment shall be used to pay
27 one hundred percent (100%) of the nonfederal share for the new reimbursement plan for
28 nursing homes.

29
30 Requested by: Representatives Barnhart, Nye

31 **HEALTH CHOICE**

32 **SECTION 10.29.(a)** G.S. 108A-70.20 reads as rewritten:

33 **"§ 108A-70.20. Program established.**

34 The Health Insurance Program for Children is established. The Program shall be
35 administered by the Department of Health and Human Services in accordance with this
36 Part and as required under Title XXI and related federal rules and regulations. Except as
37 otherwise provided in this section, Administration-administration of Program benefits
38 and claims processing shall be as provided under Part 5 of Article 3 of Chapter 135 of
39 the General Statutes. Notwithstanding any other provision of law to the contrary, when
40 applying Medicaid reimbursement rates to services provided under the Program, the
41 Department may administer Program benefits and claims processing when the Secretary
42 determines that Department administration of benefits and claims processing would be
43 more efficient and cost-effective."

44 **SECTION 10.29.(b)** G.S. 108A-70.21 reads as rewritten:

45 **"§ 108A-70.21. Program eligibility; benefits; enrollment fee and other**
46 **cost-sharing; coverage from private plans; purchase of extended**
47 **coverage.**

48 (a) Eligibility. – The Department may enroll eligible children based on
49 availability of funds. Following are eligibility and other requirements for participation
50 in the Program:

51 (1) Children must:

- 52 a. Be under the age of 19;
53 b. Be ineligible for Medicaid, Medicare, or other federal
54 government-sponsored health insurance;
55 c. Be uninsured;

- 1 d. Be in a family that meets the following family income
2 requirements:
3 1. Infants under the age of one year whose family income is
4 from one hundred eighty-five percent (185%) through
5 two hundred percent (200%) of the federal poverty level;
6 2. Children age one year through five years whose family
7 income is above one hundred thirty-three percent (133%)
8 through two hundred percent (200%) of the federal
9 poverty level; and
10 3. Children age six years through eighteen years whose
11 family income is above one hundred percent (100%)
12 through two hundred percent (200%) of the federal
13 poverty level;
14 e. Be a resident of this State and eligible under federal law; and
15 f. Have paid the Program enrollment fee required under this Part.

16 (2) Proof of family income and residency and declaration of uninsured
17 status shall be provided by the applicant at the time of application for
18 Program coverage. The family member who is legally responsible for
19 the children enrolled in the Program has a duty to report any change in
20 the enrollee's status within 60 days of the change of status.

21 (3) If a responsible parent is under a court order to provide or maintain
22 health insurance for a child and has failed to comply with the court
23 order, then the child is deemed uninsured for purposes of determining
24 eligibility for Program benefits if at the time of application the
25 custodial parent shows proof of agreement to notify and cooperate
26 with the child support enforcement agency in enforcing the order.

27 If health insurance other than under the Program is provided to the
28 child after enrollment and prior to the expiration of the eligibility
29 period for which the child is enrolled in the Program, then the child is
30 deemed to be insured and ineligible for continued coverage under the
31 Program. The custodial parent has a duty to notify the Department
32 within 10 days of receipt of the other health insurance, and the
33 Department, upon receipt of notice, shall disenroll the child from the
34 Program. As used in this paragraph, the term "responsible parent"
35 means a person who is under a court order to pay child support.

36 (4) Except as otherwise provided in this section, enrollment shall be
37 continuous for one year. At the end of each year, applicants may
38 reapply for Program benefits.

39 (b) Benefits. – Except as otherwise provided for eligibility, fees, deductibles,
40 copayments, and other cost-sharing charges, health benefits coverage provided to
41 children eligible under the Program shall be equivalent to coverage provided for
42 dependents under the North Carolina Teachers' and State Employees' Comprehensive
43 Major Medical Plan, including optional prepaid plans. Prescription drug providers shall
44 accept as payment in full, for outpatient prescriptions filled, ninety percent (90%) of the
45 average wholesale price for the prescription drug or the amounts published by the
46 Centers for Medicare and Medicaid Services plus a dispensing fee of five dollars and
47 sixty cents (\$5.60) per prescription for generic drugs and four dollars (\$4.00) per
48 prescription for brand name drugs. All other health care providers providing services to
49 Program enrollees shall accept as payment in full for services rendered the maximum
50 allowable charges under the North Carolina Teachers' and State Employees'
51 Comprehensive Major Medical Plan for services less any copayments assessed to
52 enrollees under this Part. No child enrolled in the Plan's self-insured indemnity program
53 shall be required by the Plan to change health care providers as a result of being
54 enrolled in the Program.

1 In addition to the benefits provided under the Plan, the following services and
2 supplies are covered under the Health Insurance Program for Children established under
3 this Part:

- 4 (1) Dental: Oral examinations, teeth cleaning, and scaling twice during a
5 12-month period, full mouth X-rays once every 60 months,
6 supplemental bitewing X-rays showing the back of the teeth once
7 during a 12-month period, fluoride applications twice during a
8 12-month period, sealants, simple extractions, therapeutic
9 pulpotomies, prefabricated stainless steel crowns, and routine fillings
10 of amalgam or other tooth-colored filling material to restore diseased
11 teeth. No benefits are to be provided for services under this subsection
12 that are not performed by or upon the direction of a dentist, doctor, or
13 other professional provider approved by the Plan nor for services and
14 materials that do not meet the standards accepted by the American
15 Dental Association.
- 16 (2) Vision: Scheduled routine eye examinations once every 12 months,
17 eyeglass lenses or contact lenses once every 12 months, routine
18 replacement of eyeglass frames once every 24 months, and optical
19 supplies and solutions when needed. Optical services, supplies, and
20 solutions must be obtained from licensed or certified ophthalmologists,
21 optometrists, or optical dispensing laboratories. Eyeglass lenses are
22 limited to single vision, bifocal, trifocal, or other complex lenses
23 necessary for a Plan enrollee's visual welfare. Coverage for oversized
24 lenses and frames, designer frames, photosensitive lenses, tinted
25 contact lenses, blended lenses, progressive multifocal lenses, coated
26 lenses, and laminated lenses is limited to the coverage for single
27 vision, bifocal, trifocal, or other complex lenses provided by this
28 subsection. Eyeglass frames are limited to those made of zylonite,
29 metal, or a combination of zylonite and metal. All visual aids covered
30 by this subsection require prior approval of the Plan. Upon prior
31 approval by the Plan, refractions may be covered more often than once
32 every 12 months.
- 33 (3) Hearing: Auditory diagnostic testing services and hearing aids and
34 accessories when provided by a licensed or certified audiologist,
35 otolaryngologist, or other hearing aid specialist approved by the Plan.
36 Prior approval of the Plan is required for hearing aids, accessories,
37 earmolds, repairs, loaners, and rental aids.

38 (c) Annual Enrollment Fee. – There shall be no enrollment fee for Program
39 coverage for enrollees whose family income is at or below one hundred fifty percent
40 (150%) of the federal poverty level. The enrollment fee for Program coverage for
41 enrollees whose family income is above one hundred fifty percent (150%) of the federal
42 poverty level shall be fifty dollars (\$50.00) per year per child with a maximum annual
43 enrollment fee of one hundred dollars (\$100.00) for two or more children. The
44 enrollment fee shall be collected by the county department of social services and
45 retained to cover the cost of determining eligibility for services under the Program.
46 County departments of social services shall establish procedures for the collection of
47 enrollment fees.

48 (d) Cost-Sharing. – There shall be no deductibles, copayments, or other
49 cost-sharing charges for families covered under the Program whose family income is at
50 or below one hundred fifty percent (150%) of the federal poverty level. level, except
51 that the fees for outpatient prescription drugs described in subdivision (3) of this
52 subsection shall apply to covered families whose family income is at or below one
53 hundred fifty percent (150%) of the federal poverty level. Families covered under the
54 Program whose family income is above one hundred fifty percent (150%) of the federal
55 poverty level shall be responsible for copayments to providers as follows:

- 1 (1) Five dollars (\$5.00) per child for each visit to a provider, except that
2 there shall be no copayment required for well-baby, well-child, or
3 age-appropriate immunization services;
- 4 (2) Five dollars (\$5.00) per child for each outpatient hospital visit;
- 5 (3) ~~A six-dollar (\$6.00) fee for each outpatient prescription drug~~
6 ~~purchased; one dollar (\$1.00) fee for each outpatient generic~~
7 ~~prescription drug and for each outpatient brand name prescription drug~~
8 ~~for which there is no generic substitution available. The fee for each~~
9 ~~outpatient brand name prescription drug for which there is a generic~~
10 ~~substitution available is ten dollars (\$10.00).~~
- 11 (4) Twenty dollars (\$20.00) for each emergency room visit unless:
12 a. The child is admitted to the hospital, or
13 b. No other reasonable care was available as determined by the
14 Claims Processing Contractor of the North Carolina Teachers'
15 and State Employees' Comprehensive Major Medical Plan.

16 Copayments required under this subsection for prescription drugs apply only to
17 prescription drugs prescribed on an outpatient basis.

18 (e) Cost-Sharing Limitations. – The total annual aggregate cost-sharing,
19 including fees, with respect to all children in a family receiving Program benefits under
20 this Part shall not exceed five percent (5%) of the family's income for the year involved.
21 To assist the Department in monitoring and ensuring that the limitations of this
22 subsection are not exceeded, the Executive Administrator and Board of Trustees of the
23 North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan
24 shall provide data to the Department showing cost-sharing paid by Program enrollees.

25 (f) Coverage From Private Plans. – The Department shall, from funds available
26 for the Program, pay the cost for dependent coverage provided under a private insurance
27 plan for persons eligible for coverage under the Program if all of the following
28 conditions are met:

- 29 (1) The person eligible for Program coverage requests to obtain dependent
30 coverage from a private insurer in lieu of coverage under the Program
31 and shows proof that coverage under the private plan selected meets
32 the requirements of this subsection;
- 33 (2) The dependent coverage under the private plan is actuarially
34 equivalent to the coverage provided under the Program and the private
35 plan does not engage in the exclusive enrollment of children with
36 favorable health care risks;
- 37 (3) The cost of dependent coverage under the private plan is the same as
38 or less than the cost of coverage under the Program; and
- 39 (4) The total annual aggregate cost-sharing, including fees, paid by the
40 enrollee under the private plan for all dependents covered by the plan,
41 do not exceed five percent (5%) of the enrollee's family income for the
42 year involved.

43 The Department may reimburse an enrollee for private coverage under this
44 subsection upon a showing of proof that the dependent coverage is in effect for the
45 period for which the enrollee is eligible for the Program.

46 (g) Purchase of Extended Coverage. – An enrollee in the Program who loses
47 eligibility due to an increase in family income above two hundred percent (200%) of the
48 federal poverty level and up to and including two hundred twenty-five percent (225%)
49 of the federal poverty level may purchase at full premium cost continued coverage
50 under the Program for a period not to exceed one year beginning on the date the enrollee
51 becomes ineligible under the income requirements for the Program. The same benefits,
52 copayments, and other conditions of enrollment under the Program shall apply to
53 extended coverage purchased under this subsection.

1 (h) No State Funds for Voluntary Participation. – No State or federal funds shall
2 be used to cover, subsidize, or otherwise offset the cost of coverage obtained under
3 subsection (g) of this section."

4 **SECTION 10.29.(c)** G.S. 108A-70.24 reads as rewritten:

5 "**§ 108A-70.24. Claims processing; payments.**

6 (a) The North Carolina Teachers' and State Employees' Comprehensive Major
7 Medical Plan shall be responsible for the administration and processing of claims for
8 benefits under the Program, as provided under Part 5 of Article 3 of Chapter 135 of the
9 ~~General Statutes.~~ Statutes, except when the Secretary determines that administration and
10 claims processing should be done by the Department as authorized in G.S. 108A-70.20.

11 (b) The Department shall, from State and federal appropriations, and from any
12 other funds made available for this purpose, make premium payments to the North
13 Carolina Teachers' and State Employees' Comprehensive Major Medical Plan as
14 determined by the Plan for its administration, claims processing, and other services
15 authorized to provide coverage for acute medical care to children eligible for benefits
16 under this Part.

17 (c) The North Carolina Teachers' and State Employees' Comprehensive Major
18 Medical Plan shall also be responsible for the administration and processing of claims
19 for benefits provided under G.S. 108A-70.23 and not covered by Part 5 of Article 3 of
20 Chapter 135 of the General Statutes. Such claims payments shall be made against
21 accounts maintained by the Department."

22 **SECTION 10.29.(d)** The total amount of State funds expended for the
23 Health Insurance Program for Children (NC Health Choice) in the 2003-2004 fiscal year
24 and the 2004-2005 fiscal year shall not exceed the amount of State funds appropriated to
25 match federal funds for the Program for the 2003-2004 fiscal year and the 2004-2005
26 fiscal year. The Department shall manage Program enrollment in a way that maximizes
27 the number of children served within existing funds.
28

29 **SUBPART 4. DIVISION OF PUBLIC HEALTH**

30
31 Requested by: Representatives Barnhart, Nye.

32 **IMMUNIZATION PROGRAM FUNDING**

33 **SECTION 10.30.(a)** Of the funds appropriated in this act to the Department
34 of Health and Human Services for childhood immunization programs for positions,
35 operating support, equipment, and pharmaceuticals, the sum of one million dollars
36 (\$1,000,000) for the 2003-2004 fiscal year and the sum of one million dollars
37 (\$1,000,000) for the 2004-2005 fiscal year may be used for projects and activities that
38 are also designed to increase childhood immunization rates in North Carolina. These
39 projects and activities shall include the following:

40 (1) Outreach efforts at the State and local levels to improve service
41 delivery of vaccines. Outreach efforts may include educational
42 seminars, media advertising, support services to parents to enable
43 children to be transported to clinics, longer operating hours for clinics,
44 and mobile vaccine units.

45 (2) Continued development of an automated immunization registry.

46 **SECTION 10.30.(b)** Funds authorized to be used for immunization efforts
47 under subsection (a) of this section shall not be used to fund additional State positions in
48 the Department of Health and Human Services or contracts, except for contracts to
49 develop an automated immunization registry or with local health departments for
50 outreach.
51

52 Requested by: Representatives Barnhart, Nye

53 **AIDS DRUG ASSISTANCE PROGRAM (ADAP)**

54 **SECTION 10.31.(a)** For the 2003-2004 fiscal year and for the 2004-2005
55 fiscal year, HIV-positive individuals with incomes at or below one hundred twenty-five

1 percent (125%) of the federal poverty level are eligible for participation in ADAP.
 2 Eligibility for participation in ADAP during the 2003-2005 fiscal biennium shall not be
 3 extended to individuals with incomes above one hundred twenty-five percent (125%) of
 4 the federal poverty level.

5 **SECTION 10.31.(b)** The Department of Health and Human Services shall
 6 make an interim report on ADAP program utilization by January 1, 2004, and a final
 7 report on ADAP program utilization by May 1, 2004, to the Senate Appropriations
 8 Committee on Health and Human Services, the House of Representatives
 9 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
 10 Division on ADAP. The reports shall include the following:

- 11 (1) ADAP program utilization:
- 12 a. Monthly data on total cumulative AIDS/HIV cases reported in
 - 13 North Carolina.
 - 14 b. Monthly data on the number of individuals who have applied to
 - 15 participate in ADAP that have been determined to be ineligible.
 - 16 c. Monthly data on the income level of participants in ADAP and
 - 17 of individuals who have applied to participate in ADAP who
 - 18 have been determined to be ineligible.
 - 19 d. Monthly data on fiscal year-to-date expenditures of ADAP. The
 - 20 interim report shall contain monthly data on the calendar
 - 21 year-to-date expenditures of ADAP.
 - 22 e. An update on the status of the information management system.
 - 23 f. Monthly data on ADAP usage patterns and demographics of
 - 24 participants in ADAP.
 - 25 g. Fiscal year-to-date budget information.

26
 27 Requested by: Representatives Barnhart, Nye

28 **NEWBORN HEARING SCREENING PROGRAM REPORT**

29 **SECTION 10.32.** The Department of Health and Human Services shall
 30 report the following information on the newborn hearing screening program:

- 31 (1) Unduplicated number of infants screened.
- 32 (2) Number of infants who failed the second hearing screening.
- 33 (3) Number of infants receiving the diagnostic evaluation.
- 34 (4) Number and types of services provided.
- 35 (5) Number and types of follow-up services provided to children.

36 The Department shall submit the report not later than May 1, 2004, to the Senate
 37 Appropriations Committee on Health and Human Services, the House of
 38 Representatives Appropriations Subcommittee on Health and Human Services, and the
 39 Fiscal Research Division.

40
 41 Requested by: Representatives Barnhart, Nye

42 **EMPLOYEES EXAMINED FOR ASBESTOSIS OR SILICOSIS UNDER**
 43 **WORKERS COMPENSATION STATUTE.**

44 **SECTION 10.33.(a)** G.S. 97-61.1 reads as rewritten:

45 **§ 97-61.1. First examination of and report on employee having asbestosis or**
 46 **silicosis.**

47 When an employee and the Industrial Commission are advised ~~by the Department of~~
 48 ~~Health and Human Services~~ that an employee has asbestosis or silicosis, the employer
 49 shall be notified by the Industrial Commission, and the employee, when ordered by the
 50 Industrial Commission, shall go to a place designated by the Industrial Commission and
 51 submit to X rays and a physical examination by the advisory medical committee, at least
 52 one of whom shall conduct the examination, and the member or members of the
 53 advisory medical committee conducting the examination shall forward the X rays and
 54 findings to the member or members of the committee not present for the physical
 55 examination. The employer shall pay the expenses connected with the examination in

1 such amounts as shall be directed by the Industrial Commission. Within 30 days after
2 the completion of the examination, the advisory medical committee shall make a written
3 report signed by all of its members setting forth:

- 4 (1) The X rays and clinical procedures used by the committee in arriving
5 at its findings.
- 6 (2) Whether or not the claimant has contracted asbestosis or silicosis.
- 7 (3) The committee's opinion expressed in percentages of the impairment
8 of the employee's ability to perform normal labor in the same or any
9 other employment.
- 10 (4) Any other matter deemed pertinent by the committee.

11 When a competent physician certifies to the Industrial Commission that the
12 employee's physical condition is such that his movement to the place of examination
13 ordered by the Industrial Commission as herein provided in G.S. 97-61.1, 97-61.3 and
14 97-61.4 would be harmful or injurious to the health of the employee, the Industrial
15 Commission shall cause the examination of the employee to be made by the advisory
16 medical committee as herein provided at some place in the vicinity of the residence of
17 the employee suitable for the purposes of making such examination."

18 **SECTION 10.33.(b)** G.S. 97-72(b) reads as rewritten:

19 "(b) The members of the advisory medical committee shall be paid one hundred
20 dollars (\$100.00) per month plus not more than forty dollars (\$40.00) per film
21 examined. The fee per film shall be established by the ~~Secretary of Health and Human~~
22 ~~Services, Commissioner of Labor,~~ as guided by the current Medicaid/Medicare
23 reimbursement schedules for North Carolina."

24 **SECTION 10.33.(c)** G.S. 97-73(b) reads as rewritten:

25 "(b) The ~~Secretary of Health and Human Services, Commissioner of Labor~~ shall
26 establish a schedule of fees for examinations conducted by the Department of Health
27 and Human Services pursuant to G.S. 97-60. The fees shall be collected in accordance
28 with rules adopted by the ~~Secretary of Health and Human Services, Commissioner of~~
29 ~~Labor.~~"

30
31 Requested by: Representative Clary

32 **ELIMINATE HOME HEALTH PURCHASE OF CARE PROGRAM**

33 **SECTION 10.33A.** The Department of Health and Human Services,
34 Division of Public Health, shall eliminate the Home Health Purchase of Care Program
35 and transfer three million one thousand two hundred fifty-three dollars (\$3,001,253)
36 from the Division of Public Health's budget to the Division of Medical Assistance.
37 These funds and any additional administrative funds identified by closing this program
38 shall be used only to maximize federal Medicaid matching funds for Home Care
39 Personal Care Services. Funds realized from this transfer shall not be used to supplant
40 State funds appropriated for Home Care Personal Care Services.

41 42 **SUBPART 5. DIVISION OF CHILD DEVELOPMENT**

43
44 Requested by: Representatives Barnhart, Nye

45 **CHILD CARE FUNDS MATCHING REQUIREMENT**

46 **SECTION 10.34.** No local matching funds may be required by the
47 Department of Health and Human Services as a condition of any locality's receiving any
48 State child care funds appropriated by this act unless federal law requires a match. This
49 shall not prohibit any locality from spending local funds for child care services.

50
51 Requested by: Representatives Barnhart, Nye

52 **CHILD CARE SUBSIDY RATES**

53 **SECTION 10.35.(a)** The maximum gross annual income for initial
54 eligibility, adjusted biennially, for subsidized child care services shall be two hundred
55 percent (200%) at the federal poverty level, adjusted for family size.

1 **SECTION 10.35.(b)** Fees for families who are required to share in the cost
2 of care shall be established based on a percent of gross family income and adjusted for
3 family size. Effective October 1, 2003, fees shall be determined as follows:

4 FAMILY SIZE	PERCENT OF GROSS FAMILY INCOME
5 1-3	10%
6 4-5	9%
7 6 or more	8%.

8 **SECTION 10.35.(c)** Payments for the purchase of child care services for
9 low-income children shall be in accordance with the following requirements:

- 10 (1) Religious-sponsored child care facilities operating pursuant to G.S.
11 110-106 and licensed child care centers and homes that meet the
12 minimum licensing standards that are participating in the subsidized
13 child care program shall be paid the one-star county market rate or the
14 rate they charge privately paying parents, whichever is lower.
- 15 (2) Licensed child care centers and homes with two or more stars shall
16 receive the market rate for that rated license level for that age group or
17 the rate they charge privately paying parents, whichever is lower.
- 18 (3) Nonlicensed homes shall receive fifty percent (50%) of the county
19 market rate or the rate they charge privately paying parents, whichever
20 is lower.
- 21 (4) Maximum payment rates shall also be calculated periodically by the
22 Division of Child Development for transportation to and from child
23 care provided by the child care provider, individual transporter, or
24 transportation agency, and for fees charged by providers to parents.
25 These payment rates shall be based upon information collected by
26 market rate surveys.

27 **SECTION 10.35.(d)** Provision of payment rates for child care providers in
28 counties that do not have at least 50 children in each age group for center-based and
29 home-based care are as follows:

- 30 (1) Payment rates shall be set at the statewide or regional market rate for
31 licensed child care centers and homes.
- 32 (2) If it can be demonstrated that the application of the statewide or
33 regional market rate to a county with fewer than 50 children in each
34 age group is lower than the county market rate and would inhibit the
35 ability of the county to purchase child care for low-income children,
36 then the county market rate may be applied.

37 **SECTION 10.35.(e)** A market rate shall be calculated for child care centers
38 and homes at each rated license level for each county and for each age group or age
39 category of enrollees and shall be representative of fees charged to unsubsidized
40 privately paying parents for each age group of enrollees within the county. The Division
41 of Child Development shall also calculate a statewide rate and regional market rates for
42 each rated license level for each age category.

43 **SECTION 10.35.(f)** Facilities licensed pursuant to Article 7 of Chapter 110
44 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate
45 in the program that provides for the purchase of care in child care facilities for minor
46 children of needy families. No separate licensing requirements shall be used to select
47 facilities to participate. In addition, child care facilities shall be required to meet any
48 additional applicable requirements of federal law or regulations. Child care
49 arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the
50 General Statutes shall meet the requirements established by other State law and by the
51 Social Services Commission.

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

1 **SECTION 10.35.(g)** Payment for subsidized child care services provided
2 with Work First Block Grant funds shall comply with all regulations and policies issued
3 by the Division of Child Development for the subsidized child care program.

4 **SECTION 10.35.(h)** Noncitizen families who reside in this State legally
5 shall be eligible for child care subsidies if all other conditions of eligibility are met. If
6 all other conditions of eligibility are met, noncitizen families who reside in this State
7 illegally shall be eligible for child care subsidies only if at least one of the following
8 conditions is met:

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

15
16 Requested by: Representatives Barnhart, Nye

17 **CHILD CARE ALLOCATION FORMULA**

18 **SECTION 10.36.(a)** The Department of Health and Human Services shall
19 allocate child care subsidy voucher funds to pay the costs of necessary child care for
20 minor children of needy families. The mandatory thirty percent (30%) Smart Start
21 subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each
22 county's child care subsidy allocation. The Department of Health and Human Services
23 shall use the following method when allocating federal and State child care funds, not
24 including the aggregate mandatory thirty percent (30%) Smart Start subsidy allocation:

- 25 (1) Funds shall be allocated based upon the projected cost of serving
26 children in a county under age 11 in families with all parents working
27 who earn less than two hundred percent (200%) of the federal poverty
28 level.
- 29 (2) No county's allocation shall be less than ninety percent (90%) of its
30 State Fiscal Year 2001-2002 initial child care subsidy allocation.

31 **SECTION 10.36.(b)** The Department of Health and Human Services may
32 reallocate unused child care subsidy voucher funds in order to meet the child care needs
33 of low-income families. Any reallocation of funds shall be based upon the expenditures
34 of all child care subsidy voucher funding, including Smart Start funds, within a county.

35
36 Requested by: Representatives Barnhart, Nye

37 **CHILD CARE REVOLVING LOAN**

38 **SECTION 10.37.** Notwithstanding any law to the contrary, funds budgeted
39 for the Child Care Revolving Loan Fund may be transferred to and invested by the
40 financial institution contracted to operate the Fund. The principal and any income to the
41 Fund may be used to make loans, reduce loan interest to borrowers, serve as collateral
42 for borrowers, pay the contractor's cost of operating the Fund, or pay the Department's
43 cost of administering the program.

44
45 Requested by: Representatives Barnhart, Nye

46 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES**
47 **ENHANCEMENTS**

48 **SECTION 10.38.(a)** Administrative costs shall be equivalent to, on an
49 average statewide basis for all local partnerships, not more than seven percent (7%) of
50 the total statewide allocation to all local partnerships. For purposes of this subsection,
51 administrative costs shall include costs associated with partnership oversight, business
52 and financial management, general accounting, human resources, budgeting,
53 purchasing, contracting, and information systems management.

1 **SECTION 10.38.(b)** The North Carolina Partnership for Children, Inc., and
2 all local partnerships shall use competitive bidding practices in contracting for goods
3 and services on contract amounts as follows:

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

13 **SECTION 10.38.(c)** The North Carolina Partnership for Children, Inc., and
14 all local partnerships shall, in the aggregate, be required to match no less than fifty
15 percent (50%) of the total amount budgeted for the program in each fiscal year of the
16 biennium as follows: contributions of cash equal to at least fifteen percent (15%) and
17 in-kind donated resources equal to no more than five percent (5%) for a total match
18 requirement of twenty percent (20%) for each fiscal year. The North Carolina
19 Partnership for Children, Inc., may carry forward any amount in excess of the required
20 match for a fiscal year in order to meet the match requirement of the succeeding fiscal
21 year. Only in-kind contributions that are quantifiable shall be applied to the in-kind
22 match requirement. Volunteer services may be treated as an in-kind contribution for the
23 purpose of the match requirement of this subsection. Volunteer services that qualify as
24 professional services shall be valued at the fair market value of those services. All other
25 volunteer service hours shall be valued at the statewide average wage rate as calculated
26 from data compiled by the Employment Security Commission in the Employment and
27 Wages in North Carolina Annual Report for the most recent period for which data are
28 available. Expenses, including both those paid by cash and in-kind contributions,
29 incurred by other participating non-State entities contracting with the North Carolina
30 Partnership for Children, Inc., or the local partnerships, also may be considered
31 resources available to meet the required private match. In order to qualify to meet the
32 required private match, the expenses shall:

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

50 Failure to obtain a twenty percent (20%) match by June 30 of each fiscal year
51 shall result in a dollar-for-dollar reduction in the appropriation for the Program for a
52 subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be
53 responsible for compiling information on the private cash and in-kind contributions into
54 a report that is submitted to the Joint Legislative Commission on Governmental
55 Operations in a format that allows verification by the Department of Revenue. The same

1 match requirements shall apply to any expansion funds appropriated by the General
2 Assembly.

3 **SECTION 10.38.(d)** The Department of Health and Human Services shall
4 continue to implement the performance-based evaluation system.

5 **SECTION 10.38.(e)** The Department of Health and Human Services and the
6 North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds
7 for Early Childhood Education and Development Initiatives for State fiscal years
8 2003-2004 and 2004-2005 shall be administered and distributed in the following
9 manner:

10 (1) The North Carolina Partnership for Children, Inc., shall develop a
11 policy to allocate the reduction of funds for Early Childhood
12 Education and Development Initiatives for the 2003-2004 and
13 2004-2005 fiscal years.

14 (2) Capital expenditures and playground equipment expenditures are
15 prohibited for fiscal years 2003-2004 and 2004-2005. For the purposes
16 of this section, "capital expenditures" means expenditures for capital
17 improvements as defined in G.S. 143-34.40.

18 (3) Expenditures of State funds for advertising and promotional activities
19 are prohibited for fiscal years 2003-2004 and 2004-2005.

20 **SECTION 10.38.(f)** For the 2003-2004 and 2004-2005 fiscal years, the
21 North Carolina Partnership for Children, Inc., shall not approve local partnership plans
22 that allocate State funds to child care providers for one-time quality improvement
23 initiatives in the following circumstances:

24 (1) Child care facilities with licensure of four or five stars, unless the
25 expenditure of funds is to expand capacity for low-income children.

26 (2) Child care facilities that do not accept child care subsidy funds.

27 **SECTION 10.38.(g)** The North Carolina Partnership for Children, Inc., shall
28 not reduce the level of expenditures for subsidies below the State fiscal year 2002-2003
29 level.

30 **SECTION 10.38.(h)** The eligibility for child care subsidies shall be in
31 accordance with child care eligibility established in this act, effective January 1, 2004.

32 **SECTION 10.38.(i)** The North Carolina Partnership for Children, Inc., shall
33 develop a plan to focus on quality day care initiatives and child care subsidies, and shall
34 study any duplication of health services, family support, and program support activities,
35 and report same to the House and Senate Appropriations Chairs.

36 **SECTION 10.38.(j)** The North Carolina Partnership for Children, Inc., shall
37 impose a ten percent (10%) penalty against a local partnership's allocation when the
38 local partnership's audit is classified as a "needs improvement performance assessment".

39 **SECTION 10.38.(k)** The North Carolina Partnership for Children, Inc., shall
40 report on activities and directives of this act by March 1, 2004, to the House of
41 Representatives Appropriations Subcommittee on Health and Human Services, the
42 Senate Appropriations Committee on Health and Human Services, and the Fiscal
43 Research Division.

44
45 Requested by: Representative Barnhart, Nye

46 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES**
47 **EVALUATION**

48 **SECTION 10.39.** The Department of Health and Human Services, Division
49 of Child Development, may evaluate the Early Childhood Education and Development
50 Initiatives. The evaluation may include:

51 (1) Evaluation of the Early Childhood Education and Development
52 Initiatives, including the ongoing review of quality child care efforts
53 and child care providers' progress in preparing children to be ready to
54 enter school and succeed.

- 1 (2) Continuation of technical assistance to local partnerships in data
2 collection and evaluation.
3

4 Requested by: Representatives Barnhart, Nye

5 **MORE AT FOUR PROGRAM**

6 **SECTION 10.40.(a)** Of the funds appropriated to the Department of Health
7 and Human Services the sum of forty-three million fifty-six thousand five hundred
8 dollars (\$43,056,500) in the 2003-2004 fiscal year and the sum of forty-one million
9 eight hundred fifty-six thousand five hundred dollars (\$41,856,500) in the 2004-2005
10 fiscal year shall be used to implement "More At Four", a voluntary prekindergarten
11 program for at-risk four-year-olds.

12 **SECTION 10.40.(b)** The Department of Health and Human Services and the
13 Department of Public Instruction, with guidance from the Task Force, shall continue the
14 implementation of the "More At Four" prekindergarten program for at-risk
15 four-year-olds who are at risk of failure in kindergarten. The program is available
16 statewide to all counties that choose to participate, including underserved areas. The
17 goal of the program is to provide quality prekindergarten services to a greater number of
18 at-risk children in order to enhance kindergarten readiness for these children. The
19 program shall be consistent with standards and assessments established jointly by the
20 Department of Health and Human Services, the Department of Public Instruction, and
21 the Task Force and may consider the "More At Four" Pre-K Task Force
22 recommendations. The program shall include:

- 23 (1) A process and system for identifying children at risk of academic
24 failure.
25 (2) A process and system for identifying children who are not being
26 served first priority in formal early education programs, such as child
27 care, public or private preschools, Head Start, Early Head Start, early
28 intervention programs, or other such programs, who demonstrate
29 educational needs, and who are eligible to enter kindergarten the next
30 school year, as well as children who are underserved.
31 (3) A curriculum or several curricula that are recommended by the Task
32 Force. The Task Force will identify and approve appropriate
33 research-based curricula. These curricula shall: (i) focus primarily on
34 oral language and emergent literacy; (ii) engage children through key
35 experiences and provide background knowledge requisite for formal
36 learning and successful reading in the early elementary years; (iii)
37 involve active learning; (iv) promote measurable kindergarten
38 language-readiness skills that focus on emergent literacy and
39 mathematical skills; and (v) develop skills that will prepare children
40 emotionally and socially for kindergarten.
41 (4) An emphasis on ongoing family involvement with the prekindergarten
42 program.
43 (5) Evaluation of child progress through pre- and post-assessment of
44 children in the statewide evaluation, as well as ongoing assessment of
45 the children by teachers.
46 (6) Guidelines for a system to reimburse local school boards and systems,
47 private child care providers, and other entities willing to establish and
48 provide prekindergarten programs to serve at-risk children.
49 (7) A system built upon existing local school boards and systems, private
50 child care providers, and other entities that demonstrate the ability to
51 establish or expand prekindergarten capacity.
52 (8) A quality-control system. Participating providers shall comply with
53 standards and guidelines as established by the Department of Health
54 and Human Services, the Department of Public Instruction, and the

1 Task Force. The Department may use the child care rating system to
2 assist in determining program participation.

3 (9) Standards for minimum teacher qualifications. A portion of the
4 classroom sites initially funded shall have at least one teacher who is
5 certified or provisionally certified in birth to kindergarten education.

6 (10) A local contribution. Programs must demonstrate that they are
7 accessing resources other than "More At Four".

8 (11) A system of accountability.

9 (12) Collaboration with State agencies and other organizations. The
10 Department of Health and Human Services, the Department of Public
11 Instruction, and the Task Force shall collaborate with State agencies
12 and other organizations such as the North Carolina Partnership for
13 Children, Inc., in the design and implementation of the program.

14 (13) Consideration of the reallocation of existing funds. In order to
15 maximize current funding and resources, the Department of Health and
16 Human Services, the Department of Public Instruction, and the Task
17 Force shall consider the reallocation of existing funds from State and
18 local programs that provide prekindergarten related care and services.

19 (14) Recommendations for long-term organizational placement and
20 administration of the program.

21 **SECTION 10.40.(c)** During the 2003-2004 fiscal year, the Department of
22 Health and Human Services shall plan for expansion of the "More At Four" program
23 within existing resources to include four and five star rated centers, homes, and schools
24 serving four-year-olds and develop guidelines for these programs. The Department shall
25 analyze guidelines for use of the "More At Four" funds, State subsidy funds, and Smart
26 Start subsidy funds and devise a complementary plan for administration of funds for all
27 four-year-old classrooms. The four and five star centers that choose to become a "More
28 at Four" program shall, at a minimum, receive curricula and access to training and
29 workshops for "More at Four" programs and be considered along with other "More at
30 Four" programs for T.E.A.C.H. funding. The Department shall ensure that no
31 duplication exists among the T.E.A.C.H., W.A.G.E.\$., and T.E.A.C.H. Health Insurance
32 programs for individual recipients.

33 The Department may use nonobligated "More At Four" funds to reduce the
34 waiting list for subsidy, with priority given to four-year-olds attending three star or
35 better centers. If there are funds remaining after the waiting list for four-year-olds has
36 been satisfied, then the waiting list for other children may be addressed with the
37 remaining funds.

38 **SECTION 10.40.(d)** The Department of Health and Human Services, the
39 Department of Public Instruction, and the Task Force shall submit a progress report by
40 January 1, 2004, and May 1, 2004, to the Joint Legislative Commission on
41 Governmental Operations, the Joint Legislative Education Oversight Committee, the
42 Senate Appropriations Committee on Health and Human Services, the House of
43 Representatives Appropriations Subcommittee on Health and Human Services, and the
44 Fiscal Research Division. This final report shall include the following:

45 (1) The number of children participating in the program.

46 (2) The number of children participating in the program who have never
47 been served in other early education programs, such as child care,
48 public or private preschool, Head Start, Early Head Start, or early
49 intervention programs.

50 (3) The expected expenditures for the programs and the source of the local
51 match for each grantee.

52 (4) The location of program sites and the corresponding number of
53 children participating in the program at each site.

54 (5) Activities involving Child Find in counties.

- 1 (6) A comprehensive cost analysis of the program, including the cost per
2 child served by the program.
3 (7) The plan for expansion of "More At Four" through existing resources
4 as outlined in this section.
5

6 **SUBPART 6. OFFICE OF EDUCATIONAL SERVICES**

7

8 Requested by: Representatives Barnhart, Nye

9 **RESIDENTIAL SCHOOLS REPORTING**

10 **SECTION 10.41.** The Office of Education Services shall report not later
11 than December 1, 2003, to the Senate Appropriations Committee on Health and Human
12 Services, the House of Representatives Appropriations Subcommittee on Health and
13 Human Services, and the Fiscal Research Division on the activities of the Eastern North
14 Carolina School for the Deaf at Wilson, the North Carolina School for the Deaf at
15 Morganton, and the Governor Morehead School for the Blind. The report shall include
16 enrollment numbers at the schools, the budgets, and the academic status of the schools
17 as defined under the ABCs program.
18

19 **SUBPART 7. DIVISION OF AGING**

20

21 Requested by: Representatives Barnhart, Nye

22 **SENIOR CENTER OUTREACH**

23 **SECTION 10.42.(a)** Funds appropriated to the Department of Health and
24 Human Services, Division of Aging, for the 2003-2005 fiscal biennium, shall be used by
25 the Division of Aging to enhance senior center programs as follows:

- 26 (1) To expand the outreach capacity of senior centers to reach unserved or
27 underserved areas; or
28 (2) To provide start-up funds for new senior centers.

29 All of these funds shall be allocated by October 1 of each fiscal year.

30 **SECTION 10.42.(b)** Prior to funds being allocated pursuant to this section
31 for start-up funds for a new senior center, the county commissioners of the county in
32 which the new center will be located shall:

- 33 (1) Formally endorse the need for such a center;
34 (2) Formally agree on the sponsoring agency for the center; and
35 (3) Make a formal commitment to use local funds to support the ongoing
36 operation of the center.

37 **SECTION 10.42.(c)** State funding shall not exceed sixty-five percent (65%)
38 of reimbursable costs.
39

40 **SUBPART 8. DIVISION OF SOCIAL SERVICES**

41

42 Requested by: Representatives Barnhart, Nye

43 **ADULT CARE HOME MODEL FOR COMMUNITY-BASED SERVICES**

44 **SECTION 10.43.(a)** In keeping with the United States Supreme Court
45 Decision in Olmstead vs. L.C. & E.W. and with State policy to provide appropriate
46 services to clients in the least restrictive and most appropriate environment, the
47 Department of Health and Human Services shall develop a model project for delivering
48 community-based mental health, developmental disabilities, and substance abuse
49 housing and services through adult care homes that have excess capacity. The model
50 shall be designed for implementation on a pilot basis and shall address the following:

- 51 (1) Services that will be provided by the facility or under contract with the
52 facility, including assistance with daily medication.
53 (2) Access of clients to mental health, developmental disabilities, and
54 substance abuse services provided in the community, including

1 transportation to services outside of the client's residence in the adult
2 care home facility.

3 (3) Physical plant additions or changes necessary to provide for
4 independent living of residents.

5 (4) Methods for assuring quality of services, resident safety, and
6 cost-effectiveness.

7 (5) Consistency with the Department's Olmstead plan, other policies on
8 community-integration, and disability plans adopted by the State.

9 **SECTION 10.43.(b)** The Department shall submit a final report on the
10 development of the model to the Senate Appropriations Committee on Health and
11 Human Services, the House of Representatives Appropriations Subcommittee on Health
12 and Human Services, and the Fiscal Research Division on or before March 1, 2004. The
13 report shall address the following:

14 (1) Proposed time and location for implementation of the pilot.

15 (2) Proposed number of residents to be placed and services to be provided
16 directly by the facility or under contract with the facility.

17 (3) Method for evaluating the pilot, including services provided, on a
18 regular basis.

19 (4) A description of the living environment for each resident and a
20 comparison of how the living environment compares to that of other
21 residents in the adult care home.

22 (5) Changes to State law necessary to implement the pilot.

23 (6) Projected cost to the State for pilot and statewide implementation.
24

25 Requested by: Representatives Barnhart, Nye

26 **CHILD SUPPORT PROGRAM/ENHANCED STANDARDS**

27 **SECTION 10.44.(a)** It is the intent of the General Assembly to increase the
28 productivity and enhance the performance of child support enforcement offices
29 statewide.

30 **SECTION 10.44.(b)** The Department of Health and Human Services shall
31 develop and implement performance standards for each of the State and county child
32 support enforcement offices across the State. To develop these performance standards,
33 the Department of Health and Human Services shall evaluate other private and public
34 child support models and national standards as well as other successful collections
35 models. These performance standards shall include the following:

36 (1) Cost per collections.

37 (2) Consumer satisfaction.

38 (3) Paternity establishments.

39 (4) Administrative costs.

40 (5) Orders established.

41 (6) Collections on arrearages.

42 (7) Location of absent parents.

43 (8) Other related performance measures.

44 The Department of Health and Human Services shall monitor the
45 performance of each office and shall implement a system of reporting that allows each
46 local office to review its performance as well as the performance of other local offices.
47 The Department of Health and Human Services shall publish an annual performance
48 report that shall include the statewide and local office performance of each child support
49 office.

50 **SECTION 10.44.(c)** The Department of Health and Human Services shall
51 report on its progress, in compliance with this section, to the Senate Appropriations
52 Committee on Health and Human Services, the House of Representatives
53 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
54 Division by May 1, 2005.
55

1 Requested by: Representatives Barnhart, Nye

2 **SPECIAL NEEDS ADOPTIONS INCENTIVE FUND**

3 **SECTION 10.45.** Part 4 of Article 2 of Chapter 108A of the General
4 Statutes is amended by adding a new section to read:

5 "**§ 108A-50A. Special Needs Adoptions Incentive Fund.**

6 (a) There is created a Special Needs Adoptions Incentive Fund to provide
7 financial assistance to facilitate the adoption of certain children residing in licensed
8 foster care homes. These funds shall be used to remove financial barriers to the adoption
9 of these children and shall be available to foster care families who adopt children with
10 special needs, as defined by the Social Services Commission. These funds shall be
11 matched by county funds.

12 (b) This program shall not constitute an entitlement and is subject to the
13 availability of funds.

14 (c) The Social Services Commission shall adopt rules to implement the
15 provisions of this section."

16
17 Requested by: Representatives Barnhart, Nye

18 **FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS**

19 **SECTION 10.46.(a)** The maximum rates for State participation in the foster
20 care assistance program are established on a graduated scale as follows:

- 21 (1) \$415.00 per child per month for children aged birth through 5;
22 (2) \$465.00 per child per month for children aged 6 through 12; and
23 (3) \$515.00 per child per month for children aged 13 through 18.

24 Of these amounts, fifteen dollars (\$15.00) is a special needs allowance for the
25 child.

26 **SECTION 10.46.(b)** The maximum rates for State participation in the
27 adoption assistance program are established on a graduated scale as follows:

- 28 (1) \$415.00 per child per month for children aged birth through 5;
29 (2) \$465.00 per child per month for children aged 6 through 12; and
30 (3) \$515.00 per child per month for children aged 13 through 18.

31 **SECTION 10.46.(c)** In addition to providing board payments to foster and
32 adoptive families of HIV-infected children, as prescribed in Section 23.28 of Chapter
33 324 of the 1995 Session Laws, any additional funds remaining that were appropriated
34 for this purpose shall be used to provide medical training in avoiding HIV transmission
35 in the home.

36 **SECTION 10.46.(d)** The maximum rates for the State participation in HIV
37 foster care and adoption assistance are established on a graduated scale as follows:

- 38 (1) \$800.00 per month per child with indeterminate HIV status;
39 (2) \$1,000 per month per child confirmed HIV-infected, asymptomatic;
40 (3) \$1,200 per month per child confirmed HIV-infected, symptomatic; and
41 (4) \$1,600 per month per child terminally ill with complex care needs.

42
43 Requested by: Representatives Barnhart, Nye

44 **SPECIAL CHILDREN ADOPTION FUND**

45 **SECTION 10.47.(a)** Of the funds appropriated to the Department of Health
46 and Human Services in this act, the sum of one million one hundred thousand dollars
47 (\$1,100,000) shall be used to support the Special Children Adoption Fund for each year
48 of the 2003-2005 fiscal biennium. The Division of Social Services, in consultation with
49 the North Carolina Association of County Directors of Social Services and
50 representatives of licensed private adoption agencies, shall develop guidelines for the
51 awarding of funds to licensed public and private adoption agencies upon the adoption of
52 children described in G.S. 108A-50 and in foster care. Payments received from the
53 Special Children Adoption Fund by participating agencies shall be used exclusively to
54 enhance the adoption services. No local match shall be required as a condition for
55 receipt of these funds. In accordance with State rules for allowable costs, the Special

1 Children Adoption Fund may be used for post-adoption services for families whose
2 income exceed two hundred percent (200%) of the federal poverty level.

3 **SECTION 10.47.(b)** Of the total funds appropriated for the Special Children
4 Adoption Fund each year, twenty percent (20%) of the total funds available shall be
5 reserved for payment to participating private adoption agencies. If the funds reserved in
6 this subsection for payments to private agencies have not been spent on or before March
7 31, 2004, the Division of Social Services may reallocate those funds, in accordance with
8 this section, to other participating adoption agencies.

9
10 Requested by: Representatives Barnhart, Nye

11 **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND**
12 **PERFORMANCE ENHANCEMENTS**

13 **SECTION 10.48.(a)** The Department of Health and Human Services shall
14 review the Intensive Family Preservation Services Program (IFPS) to enhance and
15 implement initiatives that focus on increasing the sustainability and effectiveness of the
16 Program.

17 **SECTION 10.48.(b)** Notwithstanding the provisions of G.S. 143B-150.6,
18 the Program shall provide intensive services to children and families in cases of abuse,
19 neglect, and dependency where a child is at imminent risk of removal from the home
20 and to children and families in cases of abuse where a child is not at imminent risk of
21 removal. The Program shall be developed and implemented statewide on a regional
22 basis. The revised IFPS shall ensure the application of standardized assessment criteria
23 for determining imminent risk and clear criteria for determining out-of-home placement.

24 **SECTION 10.48.(c)** The Department of Health and Human Services shall
25 require that any program or entity that receives State, federal, or other funding for the
26 purpose of Intensive Family Preservation Services shall provide information and data
27 that allows for:

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

41 **SECTION 10.48.(d)** The Department shall establish performance-based
42 funding protocol and shall only provide funding to those programs and entities
43 providing the required information specified in subsection (c) of this section. The
44 amount of funding shall be based on the individual performance of each program.

45 **SECTION 10.48.(e)** The Department of Health and Human Services shall
46 report to the Senate Appropriations Committee on Health and Human Services, the
47 House of Representatives Appropriations Subcommittee on Health and Human
48 Services, and the Fiscal Research Division not later than April 1, 2004. The report shall
49 include information and data collected pursuant to subsection (c) of this section.

50
51 Requested by: Representatives Barnhart, Nye

52 **TANF STATE PLAN**

53 **SECTION 10.49.(a)** The General Assembly approves the plan titled "North
54 Carolina Temporary Assistance for Needy Families State Plan FY 2003-2005", prepared
55 by the Department of Health and Human Services and presented to the General

1 Assembly on May 15, 2003, as revised in accordance with subsection (b) of this section.
2 The North Carolina Temporary Assistance for Needy Families State Plan covers the
3 period October 1, 2003, through September 30, 2005. The Department shall submit the
4 State Plan, as revised in accordance with subsection (b) of this section, to the United
5 States Department of Health and Human Services as amended by this act or any other
6 act of the 2003 General Assembly.

7 **SECTION 10.49.(b)** The Department of Health and Human Services shall
8 revise the North Carolina Temporary Assistance for Needy Families State Plan FY
9 2003-2005, submitted to the General Assembly for approval on May 15, 2003. The
10 revisions shall be made to the following Plan components:

- 11 (1) Enhanced Employee Assistance Program to reflect changes in funding.
- 12 (2) Services for Families to remove reference to start-up activities.
- 13 (3) Work Responsibility to remove reference to start-up activities.
- 14 (4) Cabarrus County Waiver to reflect changes in the law made by the
15 2003 General Assembly.
- 16 (5) Goal number eight to provide that caseload reduction goals are subject
17 to economic conditions in the county.

18 **SECTION 10.49.(c)** The counties approved as Electing Counties in North
19 Carolina's Temporary Assistance for Needy Families State Plan FY 2003-2005 as
20 approved by this section are: Beaufort, Caldwell, Catawba, Iredell, Lenoir, Lincoln,
21 Macon, McDowell, Sampson, Surry, and Wilkes.

22 **SECTION 10.49.(d)** Counties designated as Electing Counties pursuant to
23 G.S. 108A-27(d) and who submitted the letter of intent to be redesignated as a standard
24 county and the accompanying county plan for fiscal years 2003 through 2005, pursuant
25 to G.S. 108A-27(e), shall operate under the standard county budget requirements
26 effective July 1, 2003. Counties that submitted the letter of intent to remain as an
27 electing county or to be redesignated as an electing county and the accompanying
28 county plan for fiscal years 2003 through 2005, pursuant to G.S. 108A-27(e), shall
29 operate under the electing county budget requirements effective July 1, 2003. For
30 programmatic purposes, all counties referred to in this subsection shall remain under
31 their current county designation through September 30, 2003.

32
33 Requested by: Representatives Barnhart, Nye

34 **ELECTING COUNTY TANF FUNDS REVERT**

35 **SECTION 10.50.** G.S. 108A-27.11(c) reads as rewritten:

36 "(c) Each Electing County's allocation for Work First Family Assistance shall be
37 computed based on the percentage of each Electing County's total expenditures for cash
38 assistance to statewide actual expenditures for cash assistance in 1995-96. The resulting
39 percentage shall be applied to the federal TANF block grant funds appropriated for cash
40 assistance by the General Assembly each fiscal year. The Department shall transmit the
41 federal funds contained in the county block grants to Electing Counties as soon as
42 practicable after they become available to the State and in accordance with federal cash
43 management laws and regulations. ~~The Department shall transmit one fourth of the~~
44 ~~State funds contained in county block grants to Electing Counties at the beginning of~~
45 ~~each quarter."~~

46
47 Requested by: Representatives Barnhart, Nye

48 **SPECIAL ASSISTANCE DEMONSTRATION PROJECT**

49 **SECTION 10.51.(a)** The Department of Health and Human Services may
50 use funds from the existing State/County Special Assistance for Adults budget to
51 provide Special Assistance payments to eligible individuals in in-home living
52 arrangements. These payments may be made for up to 800 individuals during the
53 2003-2004 fiscal year and the 2004-2005 fiscal year. These payments may be made for
54 as long as the individuals who are receiving payments on June 30, 2005, remain
55 eligible. The standard monthly payment to individuals enrolled in the Special Assistance

1 demonstration project shall be fifty percent (50%) of the monthly payment the
2 individual would receive if the individual resided in an adult care home and qualified
3 for Special Assistance, except if a lesser payment amount is appropriate for the
4 individual as determined by the local case manager. For State fiscal year 2003-2004,
5 qualified individuals shall not receive payments at rates less than they would have been
6 eligible to receive in State fiscal year 2002-2003. The Department shall implement
7 Special Assistance in-home eligibility policies and procedures to assure that
8 demonstration project participants are those individuals who need and, but for the
9 demonstration project, would seek placement in an adult care home facility. The
10 Department shall make an interim report to the cochairs of the House of Representatives
11 Appropriations Committee, the cochairs of the House of Representatives Appropriations
12 Subcommittee on Health and Human Services, the cochairs of the Senate
13 Appropriations Committee, and the cochairs of the Senate Appropriations Committee
14 on Health and Human Services by May 1, 2004.

15 **SECTION 10.51.(b)** The Department shall report to the cochairs of the
16 House of Representatives Appropriations Committee, the House of Representatives
17 Appropriations Subcommittee on Health and Human Services, the cochairs of the
18 Senate Appropriations Committee, and the cochairs of the Senate Appropriations
19 Committee on Health and Human Services by April 1, 2004. This report shall include
20 the following information:

- 21 (1) A description of cost savings that could occur by allowing individuals
22 eligible for State/County Special Assistance the option of remaining in
23 the home.
- 24 (2) Which activities of daily living or other need criteria are reliable
25 indicators for identifying individuals with the greatest need for income
26 supplements for in-home living arrangements.
- 27 (3) How much case management is needed and which types of individuals
28 are most in need of case management.
- 29 (4) The geographic location of individuals receiving payments under this
30 section.
- 31 (5) A description of the services purchased with these payments.
- 32 (6) A description of the income levels of individuals who receive
33 payments under this section and the impact on the Medicaid program.
- 34 (7) Findings and recommendations as to the feasibility of continuing or
35 expanding the demonstration program.
- 36 (8) The level and quantity of services (including personal care services)
37 provided to the demonstration project participants compared to the
38 level and quantity of services for residents in adult care homes.
- 39 (9) A fiscal analysis and programmatic results of increasing the
40 demonstration project participant's monthly assistance payment to fifty
41 percent (50%) of the Special Assistance monthly payment.

42 **SECTION 10.51.(c)** The Department shall incorporate data collection tools
43 designed to compare quality of life among institutionalized vs. noninstitutionalized
44 populations (i.e., an individual's perception of his or her own health and well-being,
45 years of healthy life, and activity limitations). To the extent national standards are
46 available, the Department shall utilize those standards.

47
48 Requested by: Representatives Barnhart, Nye
49 **STATE/COUNTY SPECIAL ASSISTANCE**

50 **SECTION 10.52.(a)** The eligibility of Special Assistance recipients residing
51 in adult care homes on August 1, 1995, shall not be affected by an income reduction in
52 the Special Assistance eligibility criteria resulting from adoption of the Rate Setting
53 Methodology Report and Related Services, providing these recipients are otherwise
54 eligible. The maximum monthly rate for these residents in adult care home facilities
55 shall be one thousand two hundred thirty-one dollars (\$1,231) per month per resident.

1 **SECTION 10.52.(b)** The maximum monthly rate for residents in adult care
2 home facilities shall be one thousand ninety-one dollars (\$1,091) per month per resident
3 through September 30, 2003.

4 **SECTION 10.52.(c)** Effective October 1, 2003, the maximum monthly rate
5 for residents in adult care home facilities shall be one thousand sixty-six dollars
6 (\$1,066) per month per resident unless adjusted by the Department in accordance with
7 subsection (f) of this section.

8 **SECTION 10.52.(d)** The eligibility of Special Assistance recipients who
9 reside in adult care homes on September 30, 2003, and remain continuously eligible
10 shall not be affected by an income reduction in the Special Assistance eligibility criteria,
11 providing these recipients are otherwise eligible. The maximum monthly rate for these
12 residents in adult care home facilities shall be one thousand ninety-one dollars (\$1,091)
13 per month per resident. The standard of need level for coverage eligibility under
14 State/County Special Assistance, for individuals not enrolled or recipients of the
15 program on September 30, 2003, shall be not less than one thousand ninety-one dollars
16 (\$1,091) per month per individual, but the monthly reimbursement rate for such
17 individuals shall be the amount established under subsections (c) and (f) of this section.

18 **SECTION 10.52.(e)** The sum of three million one hundred eighty-nine
19 thousand six hundred seventy-five dollars (\$3,189,675) for the 2003-2004 fiscal year
20 and the sum of four million four hundred thirty-one thousand eight hundred forty-six
21 dollars (\$4,431,846) for the 2004-2005 fiscal year appropriated to the Department of
22 Health and Human Services shall be transferred from the Division of Social Services to
23 the Division of Medical Assistance and used as State match to draw down federal
24 matching funds to help pay for Medicaid's personal care services for adult care homes
25 (ACH-PCS) rather than the State/County Special Assistance Program.

26 **SECTION 10.52.(f)** Notwithstanding any other provision of this section, the
27 Department of Health and Human Services shall review activities and costs related to
28 the provision of care in adult care homes and shall determine what costs may be
29 considered to properly maximize allowable reimbursement available through Medicaid
30 personal care services for adult care homes (ACH-PCS) under federal law. As
31 determined, and with any necessary approval from the Centers for Medicare and
32 Medicaid Services (CMS), and the approval of the Office of State Budget and
33 Management, the Department may transfer necessary funds from the State/County
34 Special Assistance program within the Division of Social Services to the Division of
35 Medical Assistance and may use those funds as State match to draw down federal
36 matching funds to pay for such activities and costs under Medicaid's personal care
37 services for adult care homes (ACH-PCS), thus maximizing available federal funds.
38 The established rate for State/County Special Assistance set forth in subsection (c) of
39 this section shall be adjusted by the Department to reflect any transfer of funds from the
40 Division of Social Services to the Division of Medical Assistance, and related transfer
41 costs and responsibilities from State/County Special Assistance to the Medicaid
42 personal care services for adult care homes (ACH-PCS). Such rate adjustments to the
43 Special Assistance rate shall be effective with the effective date of increased
44 reimbursement under ACH-PCS. In no event shall the reimbursement for services
45 through the ACH-PCS exceed the average cost of such services as determined by the
46 Department from review of cost reports as required and submitted by adult care homes.
47 The Department shall report any transfers of funds and modifications of rates to the
48 House of Representatives Appropriations Subcommittee on Health and Human
49 Services, the Senate Appropriations Committee on Health and Human Services, and the
50 Fiscal Research Division.

51
52 Requested by: Representatives Barnhart, Nye

53 **STATE/COUNTY SPECIAL ASSISTANCE TRANSFER OF ASSETS**

54 **SECTION 10.53.(a)** Notwithstanding any other provision of law to the
55 contrary, Supplemental Security Income (SSI) policy applicable to transfer of assets and

1 estate recovery, as prescribed by federal law, shall apply to applicants for State/County
2 Special Assistance.

3 **SECTION 10.53.(b)** The Department of Health and Human Services shall
4 continue to review whether policy for State/County Special Assistance should be
5 changed to permit an assisted living facility to accept from a family member of a
6 resident who qualifies for State/County Special Assistance payment for the difference in
7 the monthly rate for room, board, and services available. In reviewing current policy,
8 the Department shall consider the following conditions on family contributions to the
9 resident's cost of care:

- 10 (1) Ensuring that the resident meets all income and resource eligibility
11 requirements for State/County Special Assistance.
- 12 (2) Not counting payments made by family members to the facility as
13 income to the resident or as an in-kind contribution when calculating
14 the monthly rate applicable to the resident.
- 15 (3) Ensuring that supplemental payments are made on a voluntary basis as
16 specified in the resident agreement.

17 Not later than March 1, 2004, the Department shall report on its activities under this
18 subsection to the Senate Appropriations Committee on Health and Human Services, the
19 House of Representatives Appropriations Subcommittee on Health and Human
20 Services, and the Fiscal Research Division.

21
22 Requested by: Representatives Nye, Barnhart

23 **LIMITATION ON STATE ABORTION FUNDING**

24 **SECTION 10.54.(a)** No State funds shall be used for the performance of
25 abortions. However, the Department of Health and Human Services may expend funds
26 to the extent necessary to comply with federal law and regulations governing Medicaid.

27
28 Requested by: Representatives Barnhart, Nye

29 **FUNDS FOR FOOD BANKS**

30 **SECTION 10.55.(a)** Of the funds appropriated to the Department of Health
31 and Human Services in this act, the sum of one million dollars (\$1,000,000) for the
32 2003-2004 fiscal year shall be allocated equally among the six Second Harvest North
33 Carolina food banks.

34 **SECTION 10.55.(b)** Each organization shall report to the Department of
35 Health and Human Services and the Fiscal Research Division on the activities
36 performed and the impact on local communities directly associated with the funds
37 allocated in subsection (a) of this section by April 1, 2004. Each organization shall
38 provide to the Department of Health and Human Services and the Fiscal Research
39 Division a copy of its annual audited financial statement within 30 days of issuance of
40 the statement.

41
42 Requested by: Representative Clary

43 **CHILD WELFARE SYSTEM PILOTS SYSTEM**

44 **SECTION 10.56.(a)** The Department of Health and Human Services,
45 Division of Social Services, shall continue working with local departments of social
46 services to implement an alternative response system of child protection in no fewer
47 than 10 and no more than 33 demonstration areas in this State. The Division of Social
48 Services may exceed the maximum number of demonstration areas if a county
49 specifically requests inclusion and the Division determines that resources are available.
50 The demonstration projects in place in the 2003-2004 fiscal year shall continue. The
51 alternative response system shall provide for a family-centered approach to child
52 protective services which local departments of social services utilize family assessment
53 tools and family support principles when responding to selected reports of suspected
54 child neglect and dependency.

1 **SECTION 10.56.(b)** The Department of Health and Human Services shall
 2 evaluate the original pilot demonstration areas to determine the impact the alternative
 3 response system to child protective services has had in the following areas:

- 4 (1) Child safety.
- 5 (2) Timeliness of response.
- 6 (3) Timeliness of service.
- 7 (4) Coordination of local human services.

8 **SECTION 10.56.(c)** The Department of Health and Human Services shall
 9 proceed to expand this demonstration project if non-State funds are identified for this
 10 purpose.

11 **SECTION 10.56.(d)** The Department of Health and Human Services shall
 12 report on the outcome of the evaluation of the original pilot demonstration areas
 13 pursuant to subsection (b) of this section and the expansion of the demonstration areas.
 14 The Department shall make recommendations for statewide implementation of an
 15 alternative response system to child protective services. The report shall include any
 16 statutory changes required for full implementation. Any recommendations for statutory
 17 changes contained in the report shall be eligible for consideration by the 2003 General
 18 Assembly in the 2004 Regular Session. The report shall be submitted to the Senate
 19 Appropriations Committee on Health and Human Services, the House of
 20 Representatives Appropriations Subcommittee on Health and Human Services, and the
 21 Fiscal Research Division not later than April 1, 2004.

22 23 **PART XI. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**

24
25 Requested by: Representatives Fox, West

26 **GRASS ROOTS SCIENCE PROGRAM**

27 **SECTION 11.1.** Of the funds appropriated in this act to the Department of
 28 Environment and Natural Resources for the Grassroots Science Program, the sum of
 29 two million six hundred five thousand six hundred thirty-seven dollars (\$2,605,637) for
 30 fiscal year 2003-2004 and the sum of two million six hundred five thousand six hundred
 31 thirty-seven dollars (\$2,605,637) for fiscal year 2004-2005 are allocated as grants-in-aid
 32 for each fiscal year as follows:

	2003-2004	2004-2005
Aurora Fossil Museum	\$56,704	\$56,704
Cape Fear Museum	\$185,762	\$185,762
Catawba Science Center	\$135,096	\$135,096
Colburn Gem and Mineral Museum, Inc.	\$66,894	\$66,894
Discovery Place	\$625,643	\$625,643
Granville County Museum Commission, Inc. - Harris Gallery	\$55,897	\$55,897
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	\$121,268	\$121,268
Imagination Station	\$85,384	\$85,384
Iredell County Children's Museum	\$56,631	\$56,631
Museum of Coastal Carolina	\$69,352	\$69,352
Natural Science Center of Greensboro	\$183,703	\$183,703
North Carolina Museum of Life and Science	\$389,011	\$389,011
Rocky Mount Children's Museum	\$72,859	\$72,859
Schiele Museum of Natural History	\$234,921	\$234,921
Sci Works Science Center and Environmental Park of Forsyth County	\$147,788	\$147,788

	Western North Carolina Nature Center	\$118,726	\$118,726
	Total	\$2,605,637	\$2,605,637

Requested by: Representatives Fox, West

STATEWIDE BEAVER DAMAGE CONTROL PROGRAM FUND

SECTION 11.2. Of the funds appropriated to the Wildlife Resources Fund in this act, the sum of four hundred forty-nine thousand dollars (\$449,000) for the 2003-2004 fiscal year and the sum of four hundred forty-nine thousand dollars (\$449,000) for the 2004-2005 fiscal year shall be used to provide the State share necessary to support the beaver damage control program established in G.S. 113-291.10, provided the sum of at least twenty-five thousand dollars (\$25,000) in federal funds is available each fiscal year of the biennium to provide the federal share.

Requested by: Representatives Fox, West

FUNDS FOR CLEANUP OF WARREN COUNTY PCB LANDFILL

SECTION 11.3.(a) Notwithstanding the provisions of G.S. 143-215.3A, the Department of Environment and Natural Resources may use up to five hundred thousand dollars (\$500,000) for the 2003-2004 fiscal year from the fees collected for water quality permits under G.S. 143-215.3D and credited to the Water Permits Fund if both of the following conditions are satisfied:

- (1) The detoxification and remediation of the landfill located in Warren County cannot be completed without these additional funds.
- (2) All other funds, including all contingency funds, available to the Department for the detoxification and remediation of the landfill located in Warren County that contains polychlorinated biphenyl (PCBs) and dioxin/furan contaminated materials have been spent or encumbered.

SECTION 11.3.(b) It is the intent of the General Assembly that the funds authorized under subsection (a) of this section will be sufficient to complete the detoxification and remediation of this landfill, based on representations made to the General Assembly.

Requested by: Representatives Fox, West

COMMERCIAL AND NONCOMMERCIAL UNDERGROUND STORAGE TANK FUNDS

SECTION 11.4.(a) Section 19 of S.L. 1989-652, Section 67 of S.L. 1991-1044, Section 15(a) and Section 15(b) of S.L. 1995-377, and Section 1 of S.L. 2001-454 are repealed, which has the effect of repealing two million six hundred twenty-five thousand dollars (\$2,625,000) in appropriations from the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund to the Department of Environment and Natural Resources and one million two hundred ninety-five thousand dollars (\$1,295,000) in appropriations from the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund to the Department of Environment and Natural Resources.

SECTION 11.4.(b) There is appropriated from the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund to the Department of Environment and Natural Resources the sum of two million six hundred twenty-five thousand dollars (\$2,625,000) for the 2003-2004 fiscal year and the sum of two million six hundred twenty-five thousand dollars (\$2,625,000) for the 2004-2005 fiscal year to administer the underground storage tank program under Parts 2A and 2B of Article 21A of Chapter 143 of the General Statutes.

SECTION 11.4.(c) It is the intent of the General Assembly that the funds under subsection (b) of this section are recurring funds.

1 **SECTION 11.4.(d)** There is appropriated from the Noncommercial Leaking
2 Petroleum Underground Storage Tank Cleanup Fund to the Department of Environment
3 and Natural Resources the sum of one million two hundred ninety-five thousand dollars
4 (\$1,295,000) for the 2003-2004 fiscal year and the sum of one million two hundred
5 ninety-five thousand dollars (\$1,295,000) for the 2004-2005 fiscal year to administer
6 the underground storage tank program under Parts 2A and 2B of Article 21A of Chapter
7 143 of the General Statutes.

8 **SECTION 11.4.(e)** It is the intent of the General Assembly that the funds
9 under subsection (c) of this section are recurring funds.

10 **SECTION 11.4.(f)** The Office of State Budget and Management shall certify
11 the appropriations under subsections (b) and subsection (d) of this section in the budget
12 codes for the Commercial and Noncommercial Leaking Petroleum Underground
13 Storage Tank Cleanup Funds and in the General Fund budget code for the Department
14 of Environment and Natural Resources.

15
16 Requested by: Representatives Fox, West

17 **ELIMINATE DENR POSITION**

18 **SECTION 11.5.(a)** The position of Environmental Regulatory Supervisory
19 II (Position Number 4332-000-0032-700) in the Department of Environment and
20 Natural Resources is eliminated.

21 **SECTION 11.5.(b)** This section becomes effective June 30, 2003.

22
23 Requested by: Representatives Fox, West, LaRoque

24 **COST SHARE FUNDS FOR LIMITED RESOURCE/NEW FARMERS**

25 **SECTION 11.6.** G.S. 143-215.74(b) reads as rewritten:

26 "(b) The program shall be subject to the following requirements and limitations:

- 27 (1) The purpose of the program shall be to reduce the input of agricultural
28 nonpoint source pollution into the water courses of the State.
- 29 (2) The program shall initially include the present 16 nutrient sensitive
30 watershed counties and 17 additional counties.
- 31 (3) Subject to subdivision (7) of this subsection, priority designations for
32 inclusions in the program shall be under the authority of the Soil and
33 Water Conservation Commission. The Soil and Water Conservation
34 Commission shall retain the authority to allocate the cost share funds.
- 35 (4) Areas shall be included in the program as the funds are appropriated
36 and the technical assistance becomes available from the local Soil and
37 Water Conservation District.
- 38 (5) Funding may be provided to assist practices including conservation
39 tillage, diversions, filter strips, field borders, critical area plantings,
40 sedimentation control structures, sod-based rotations, grassed
41 waterways, strip-cropping, terraces, cropland conversion to permanent
42 vegetation, grade control structures, water control structures, closure of
43 lagoons, emergency spillways, riparian buffers or equivalent controls,
44 odor control best management practices, insect control best
45 management practices, and animal waste management systems and
46 application. Funding for animal waste management shall be allocated
47 for practices in river basins such that the funds will have the greatest
48 impact in improving water quality.
- 49 (6) Except as provided in subdivision (8) and subdivision (9) of this
50 subsection, State funding shall be limited to seventy-five percent
51 (75%) of the average cost for each practice with the assisted farmer
52 providing twenty-five percent (25%) of the cost, which may include
53 in-kind support of the practice, with a maximum of seventy-five
54 thousand dollars (\$75,000) per year to each applicant.

- 1 (7) Priority designation for inclusion in the program for State funding
 2 shall be given to projects that improve water quality. To be eligible for
 3 cost share funds under this subdivision, a project shall be evaluated
 4 before funding is awarded and after the project is completed to
 5 determine the impact on water quality.
- 6 (8) For practices that are eligible for funding from the federal
 7 Conservation Reserve Enhancement Program, State funding from the
 8 program shall be limited to seventy-five percent (75%) of the average
 9 cost of each practice, with the remainder paid from funding from the
 10 Conservation Reserve Enhancement Program, other available federal
 11 funds, other State funds, or the assisted farmer, whose contribution
 12 may include in-kind support of the practice. This subdivision is subject
 13 to subdivision (9) of this subsection.
- 14 (9) When the applicant is either a limited-resource farmer or a beginning
 15 farmer, State funding shall be limited to ninety percent (90%) of the
 16 average cost for each practice with the assisted farmer providing ten
 17 percent (10%) of the cost, which may include in-kind support of the
 18 practice, with a maximum of one hundred thousand dollars (\$100,000)
 19 per year to each applicant. The following definitions apply in this
 20 subdivision:
- 21 a. Beginning farmer. – A farmer who has not operated a farm or
 22 who has operated a farm for not more than 10 years and who
 23 will materially and substantially participate in the operation of
 24 the farm.
- 25 b. Limited-resource farmer. – A farmer with direct and indirect
 26 gross farm sales that do not exceed one hundred thousand
 27 dollars (\$100,000).
- 28 c. Materially and substantially participate. –
- 29 1. In the case of an individual, for the individual, including
 30 members of the immediate family of the individual, to
 31 provide substantial day-to-day labor and management of
 32 the farm, consistent with the practices in the county in
 33 which the farm is located.
- 34 2. In the case of an entity, for all members of the entity, to
 35 participate in the operation of the farm, with some
 36 members providing management and some members
 37 providing labor and management necessary for day-to-
 38 day activities such that if the members did not provide
 39 the management and labor, the operation of the farm
 40 would be seriously impaired."

41
 42 Requested by: Representatives Fox, West

43 **CLEAN WATER MANAGEMENT TRUST FUND/NO ACQUISITION OF**
 44 **REAL ESTATE INTERESTS IN CERTAIN COUNTIES.**

45 **SECTION 11.7.** G.S. 113-145.3 reads as rewritten:

46 **"§ 113-145.3. Clean Water Management Trust Fund: established.**

47 (a) Fund Established. – There is established a Clean Water Management Trust
 48 Fund in the State Treasurer's Office that shall be used to finance projects to clean up or
 49 prevent surface water pollution in accordance with this Article.

50 (b) Fund Earnings, Assets, and Balances. – The State Treasurer shall hold the
 51 Fund separate and apart from all other moneys, funds, and accounts. Investment
 52 earnings credited to the assets of the Fund shall become part of the Fund. Any balance
 53 remaining in the Fund at the end of any fiscal year shall be carried forward in the Fund
 54 for the next succeeding fiscal year. Payments from the Fund shall be made on the
 55 warrant of the Chair of the Board of Trustees.

1 (c) Fund Purposes. – ~~Moneys~~ Except as provided in subsection (c1) of this
 2 section, moneys from the Fund may be used for any of the following purposes:

- 3 (1) To acquire land for riparian buffers for the purposes of providing
 4 environmental protection for surface waters and urban drinking water
 5 supplies and establishing a network of riparian greenways for
 6 environmental, educational, and recreational uses.
 7 (2) To acquire conservation easements or other interests in real property
 8 for the purpose of protecting and conserving surface waters and urban
 9 drinking water supplies.
 10 (3) To coordinate with other public programs involved with lands
 11 adjoining water bodies to gain the most public benefit while protecting
 12 and improving water quality.
 13 (4) To restore previously degraded lands to reestablish their ability to
 14 protect water quality.
 15 (5) To repair failing waste treatment systems if: (i) an application has first
 16 been submitted to receive a loan or grant from the Clean Water
 17 Revolving Loan and Grant Fund and the application was denied during
 18 the latest review cycle; (ii) the repair is a reasonable remedy for
 19 resolving an existing waste treatment problem; and (iii) the repair is
 20 not for the purpose of expanding the system to accommodate future
 21 anticipated growth of a community. Priority shall be given to
 22 economically distressed units of local government.
 23 (6) To repair and eliminate failing septic tank systems, to eliminate illegal
 24 drainage connections, and to expand waste treatment systems if the
 25 system is being expanded as a remedy to eliminate failing septic tank
 26 systems or illegal drainage connections. Priority shall be given to
 27 economically distressed units of local government.
 28 (7) To improve stormwater controls and management practices.
 29 (8) To facilitate planning that targets reductions in surface water pollution.
 30 (9) To fund operating expenses of the Board of Trustees and its staff.

31 (c1) Moneys from the Fund shall not be used to acquire any interest in real
 32 property for any purpose in any county in which the sum total of land owned by either
 33 the federal or State government exceeds forty percent (40%). This subsection does not
 34 apply to a county if the board of commissioners of the county adopts a resolution
 35 consenting to the acquisition.

36 (d) Limit on Operating and Administrative Expenses. – No more than two
 37 percent (2%) of the annual balance of the Fund on July 1 or a total sum of one million
 38 two hundred fifty thousand dollars (\$1,250,000), whichever is greater, may be used each
 39 fiscal year for administrative and operating expenses of the Board of Trustees and its
 40 staff."
 41

42 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
 43 Wright

44 CLEAN WATER MANAGEMENT TRUST FUND APPROPRIATION

45 **SECTION 11.8.** Notwithstanding G.S. 143-15.3B(a) for the 2003-2005
 46 fiscal biennium only, the appropriation to the Clean Water Management Trust Fund for
 47 the 2003-2004 fiscal year is only twenty-five million dollars (\$25,000,000) as provided
 48 by this act and is only twenty five-million dollars (\$25,000,000) for the 2004-2005
 49 fiscal year as provided by this act. The funds appropriated by this act to the Clean
 50 Water Management Trust Fund shall be used as provided by G.S. 143-15.3B(b).
 51

52 Requested by: Representative Gillespie

53 STUDY REALLOCATION OF BAILEY FORK WATERSHED PROPERTY TO 54 STATE PARK/ACCESS TO STATE PARK

1 **SECTION 11.9.(a)** The Department of Environment and Natural Resources
2 and the Department of Health and Human Services shall study the desirability of
3 reallocating the 454 acres that comprise the Bailey Fork watershed property located in
4 Burke County that is currently owned by the Department of Health and Human Services
5 and shall study whether to provide access to new facilities at the South Mountains State
6 Park to students at the North Carolina School for the Deaf at Morganton. After
7 considering these matters under this section, the Departments may submit a request to
8 the Council of State to reallocate the 454 acres that comprise the Bailey Fork watershed
9 property located in Burke County to the South Mountains State Park as an addition to
10 the South Mountains State Park. No later than January 1, 2004, the Department of
11 Environment and Natural Resources and the Department of Health and Human Services
12 shall report the results of the study, including any findings and recommendations, to the
13 House of Representatives and Senate Appropriations Subcommittees on Natural and
14 Economic Resources.

15 **SECTION 11.9.(b)** Prior to July 1, 2005, the 454 acres that comprise the
16 Bailey Fork watershed property located in Burke County that is currently owned by the
17 Department of Health and Human Services shall not be transferred or sold without
18 review and approval by the General Assembly.
19

20 **PART XII. DEPARTMENT OF COMMERCE**

21
22 Requested by: Representatives Fox, West

23 **WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS**

24 **SECTION 12.1.(a)** Of the funds appropriated in this act to the Department
25 of Commerce for the Wanchese Seafood Industrial Park, the sum of one hundred
26 twenty-seven thousand eight hundred seventy dollars (\$127,870) for the 2003-2004
27 fiscal year and the sum of one hundred twenty-seven thousand eight hundred seventy
28 dollars (\$127,870) for the 2004-2005 fiscal year may be expended by the North
29 Carolina Seafood Industrial Park Authority for operations, maintenance, repair, and
30 capital improvements in accordance with Article 23C of Chapter 113 of the General
31 Statutes, in addition to funds available to the Authority for these purposes.

32 **SECTION 12.1.(b)** Funds appropriated to the Department of Commerce for
33 the 2002-2003 fiscal year for the Oregon Inlet Project that are unexpended and
34 unencumbered as of June 30, 2003, shall not revert to the General Fund on June 30,
35 2003, but shall remain available to the Department for legal costs associated with the
36 Project. This subsection becomes effective June 30, 2003.
37

38 Requested by: Representatives Fox, West

39 **COUNCIL OF GOVERNMENT FUNDS**

40 **SECTION 12.2.(a)** Of the funds appropriated in this act to the Department
41 of Commerce, eight hundred thirty-two thousand one hundred fifty dollars (\$832,150)
42 for the 2003-2004 fiscal year and eight hundred thirty-two thousand one hundred fifty
43 dollars (\$832,150) for the 2004-2005 fiscal year shall only be used as provided by this
44 section. Each regional council of government or lead regional organization is allocated
45 up to forty-eight thousand nine hundred fifty dollars (\$48,950) for the 2003-2004 and
46 the 2004-2005 fiscal years.

47 **SECTION 12.2.(b)** A regional council of government may use funds
48 appropriated by this section only to assist local governments in grant applications,
49 economic development, community development, support of local industrial
50 development activities, and other activities as deemed appropriate by the member
51 governments.

52 **SECTION 12.2.(c)** Funds appropriated by this section shall be paid by
53 electronic transfer in two equal installments, the first no later than September 1, 2003,
54 and the second subsequent to acceptable submission of the annual report due to the Joint

1 Legislative Commission on Governmental Operations and the Fiscal Research Division
2 by January 15, 2005, as specified in subdivision (e)(2) of this section.

3 **SECTION 12.2.(d)** Funds appropriated by this section shall not be used for
4 payment of dues or assessments by the member governments and shall not supplant
5 funds appropriated by the member governments.

6 **SECTION 12.2.(e)** Each council of government or lead regional
7 organization shall do the following:

8 (1) By January 15, 2004, and more frequently as requested, report to the
9 Joint Legislative Commission on Governmental Operations and the
10 Fiscal Research Division the following information:

11 a. State fiscal year 2002-2003 program activities, objectives, and
12 accomplishments;

13 b. State fiscal year 2002-2003 itemized expenditures and fund
14 sources;

15 c. State fiscal year 2003-2004 planned activities, objectives, and
16 accomplishments, including actual results through December
17 31, 2003; and

18 d. State fiscal year 2003-2004 estimated itemized expenditures
19 and fund sources, including actual expenditures and fund
20 sources through December 31, 2003;

21 (2) By January 15, 2005, and more frequently as requested, report to the
22 Joint Legislative Commission on Governmental Operations and the
23 Fiscal Research Division the following information:

24 a. State fiscal year 2003-2004 program activities, objectives, and
25 accomplishments;

26 b. State fiscal year 2003-2004 itemized expenditures and fund
27 sources;

28 c. State fiscal year 2004-2005 planned activities, objectives, and
29 accomplishments, including actual results through December
30 31, 2004; and

31 d. State fiscal year 2004-2005 estimated itemized expenditures
32 and fund sources, including actual expenditures and fund
33 sources through December 31, 2004; and

34 (3) Provide to the Fiscal Research Division a copy of the organization's
35 annual audited financial statement within 30 days of issuance of the
36 statement.

37
38 Requested by: Representatives Fox, West

39 **TOURISM PROMOTION FUNDS**

40 **SECTION 12.3.** Funds appropriated in this act to the Department of
41 Commerce for tourism promotion grants shall be allocated to counties in an effort to
42 direct funds to counties most in need. Determinations of which counties are most in
43 need shall focus on those with the lowest per capita income, highest unemployment, and
44 slowest population growth, in the following manner:

45 (1) Counties 1 through 20 are each eligible to receive a maximum grant of
46 seven thousand five hundred dollars (\$7,500) for each fiscal year,
47 provided these funds are matched on the basis of one non-State dollar
48 for every four State dollars.

49 (2) Counties 21 through 50 are each eligible to receive a maximum grant
50 of three thousand five hundred dollars (\$3,500) for two of the next
51 three fiscal years, provided these funds are matched on the basis of one
52 non-State dollar for every three State dollars.

53 (3) Counties 51 through 100 are each eligible to receive a maximum grant
54 of three thousand five hundred dollars (\$3,500) for alternating fiscal
55 years, beginning with the 1991-1992 fiscal year, provided these funds

1 are matched on the basis of four non-State dollars for every State
2 dollar.
3

4 Requested by: Representatives Fox, West

5 **ONE NORTH CAROLINA – INDUSTRIAL RECRUITMENT COMPETITIVE**
6 **FUND**

7 **SECTION 12.4.(a)** Funds appropriated to the Department of Commerce for
8 the One North Carolina - Industrial Recruitment Competitive Fund shall be used to
9 continue the Fund. The purpose of the Fund is to provide financial assistance to those
10 businesses or industries deemed by the Governor to be vital to a healthy and growing
11 State economy and that are making significant efforts to establish or expand in North
12 Carolina.

13 **SECTION 12.4.(b)** Moneys allocated from the Competitive Fund shall be
14 used for the following purposes:

- 15 (1) Installation or purchase of equipment;
- 16 (2) Structural repairs, improvements, or renovations of existing buildings
17 to be used for expansion; and
- 18 (3) Construction of or improvements to new or existing water, sewer, gas
19 or electric utility distribution lines, or equipment for existing
20 buildings.

21 Moneys may also be used for construction of or improvements to new or
22 existing water, sewer, gas or electric utility distribution lines, or equipment to serve new
23 or proposed industrial buildings used for manufacturing and industrial operations. The
24 Governor shall adopt guidelines and procedures for the commitment of moneys from the
25 Fund.

26 **SECTION 12.4.(c)** The Department of Commerce shall report on or before
27 September 30, 2003, and quarterly thereafter, to the Joint Legislative Commission on
28 Governmental Operations and to the Fiscal Research Division on the commitment,
29 allocation, and use of funds allocated from the One North Carolina - Industrial
30 Recruitment Competitive Fund.

31 **SECTION 12.4.(d)** Funds appropriated to the Department of Commerce for
32 the 2002-2003 fiscal year for the One North Carolina - Industrial Recruitment
33 Competitive Fund that are unexpended and unencumbered as of June 30, 2003, shall not
34 revert to the General Fund on June 30, 2003, but shall remain available to the
35 Department for providing financial assistance to those businesses and industries deemed
36 by the Governor to be vital to a healthy and growing State economy and that are making
37 significant efforts to establish or expand in North Carolina.

38 **SECTION 12.4.(e)** This section becomes effective June 30, 2003.
39

40 Requested by: Representatives Fox, West

41 **INDUSTRIAL DEVELOPMENT FUND**

42 **SECTION 12.5.(a)** The Department of Commerce shall reduce the cash
43 balance of the Industrial Development Fund by one million one hundred sixty-nine
44 thousand four hundred thirty-eight dollars (\$1,169,438).

45 **SECTION 12.5.(b)** This section becomes effective June 30, 2002.
46

47 Requested by: Representatives Fox, West

48 **WORKER TRAINING TRUST FUND**

49 **SECTION 12.6.(a)** There is appropriated from the Worker Training Trust
50 Fund to the Employment Security Commission of North Carolina the sum of five
51 million dollars (\$5,000,000) for the 2003-2004 fiscal year for the operation of local
52 offices.

53 **SECTION 12.6.(b)** Notwithstanding the provisions of G.S. 96-5(f), there is
54 appropriated from the Worker Training Trust Fund to the following agencies the
55 following sums for the 2003-2004 fiscal year for the following purposes:

- 1 (1) One hundred ninety-three thousand eight hundred seventy-nine dollars
2 (\$193,879) for the 2003-2004 fiscal year to the Employment Security
3 Commission for the State Occupational Information Coordinating
4 Committee to develop and operate an interagency system to track
5 former participants in State education and training programs;
- 6 (2) Fifty-three thousand eight hundred fifty-six dollars (\$53,856) for the
7 2003-2004 fiscal year to the Employment Security Commission to
8 maintain compliance with Chapter 96 of the General Statutes, which
9 directs the Commission to employ the Common Follow-Up
10 Management Information System to evaluate the effectiveness of the
11 State's job training, education, and placement programs;
- 12 (3) Eight hundred sixty-one thousand six hundred eighty-four dollars
13 (\$861,684) for the 2003-2004 fiscal year to the Department of Labor to
14 continue the Apprenticeship Program; and
- 15 (4) Two hundred forty thousand dollars (\$240,000) for the 2003-2004
16 fiscal year to the Community Colleges System Office for the operation
17 of the Hosiery Technology Center.

18 **SECTION 12.6.(c)** The agencies listed in subsections (a) and (b) of this
19 section shall, by January 15, 2004, and more frequently as requested, for the programs
20 for which funds are appropriated in this section, report to the Joint Legislative
21 Commission on Governmental Operations and the Fiscal Research Division the
22 following information:

- 23 (1) State fiscal year 2003-2004 program activities, objectives, and
24 accomplishments;
- 25 (2) State fiscal year 2003-2004 itemized expenditures and fund sources;
- 26 (3) State fiscal year 2004-2005 planned activities, objectives, and
27 accomplishments including actual results through December 31, 2003;
28 and
- 29 (4) State fiscal year 2004-2005 estimated itemized expenditures and fund
30 sources including actual expenditures and fund sources through
31 December 31, 2003.

32 **SECTION 12.6.(d)** Notwithstanding the provisions of G.S. 96-5(f), funds
33 appropriated for 2002-2003 from the Worker Training Trust Fund to the Community
34 Colleges System Office for both the Focused Industrial Training Program and the
35 Training Initiatives shall not revert, but shall remain available to the System Office for
36 the support of each program in fiscal year 2003-2004.

37
38 Requested by: Representatives Fox, West

39 **REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS**

40 **SECTION 12.7.(a)** Funds appropriated in this act to the Department of
41 Commerce for regional economic development commissions shall be allocated to the
42 following commissions in accordance with subsection (b) of this section: Western North
43 Carolina Regional Economic Development Commission, Research Triangle Regional
44 Commission, Southeastern North Carolina Regional Economic Development
45 Commission, Piedmont Triad Partnership, Northeastern North Carolina Regional
46 Economic Development Commission, Global TransPark Development Commission,
47 and Carolinas Partnership, Inc.

48 **SECTION 12.7.(b)** Funds appropriated pursuant to subsection (a) of this
49 section shall be allocated to each regional economic development commission as
50 follows:

- 51 (1) First, the Department shall establish each commission's allocation by
52 determining the sum of allocations to each county that is a member of
53 that commission. Each county's allocation shall be determined by
54 dividing the county's enterprise factor by the sum of the enterprise
55 factors for eligible counties and multiplying the resulting percentage

1 by the amount of the appropriation. As used in this subdivision, the
2 term "enterprise factor" means a county's enterprise factor as
3 calculated under G.S. 105-129.3; seven million five hundred thousand
4 dollars (\$7,500,000) appropriated to the Global TransPark
5 Development Zone in Section 6 of Chapter 561 of the 1993 Session
6 Laws; and

7 (2) Next, the Department shall subtract from funds allocated to the Global
8 TransPark Development Zone the sum of one hundred seventy-one
9 thousand nine hundred seventy-nine dollars (\$171,979) in each fiscal
10 year, which sum represents the interest earnings in each fiscal year on
11 the estimated balance of seven million five hundred thousand dollars
12 (\$7,500,000) appropriated to the Global TransPark Development Zone
13 in Section 6 of Chapter 561 of the 1993 Session Laws; and

14 (3) Next, the Department shall redistribute the sum of one hundred
15 seventy-one thousand nine hundred seventy-nine dollars (\$171,979) in
16 each fiscal year to the seven regional economic development
17 commissions named in subsection (a) of this section. Each
18 commission's share of this redistribution shall be determined according
19 to the enterprise factor formula set out in subdivision (1) of this
20 subsection. This redistribution shall be in addition to each
21 commission's allocation determined under subdivision (1) of this
22 subsection.
23

24 Requested by: Representatives Fox, West

25 **REGIONAL ECONOMIC DEVELOPMENT COMMISSION REPORTS**

26 **SECTION 12.8.(a)** By February 15 of each fiscal year, beginning in 2004,
27 the seven regional economic development commissions shall report to the Joint
28 Legislative Commission on Governmental Operations and the Fiscal Research Division
29 the following information:

- 30 (1) The preceding fiscal year's program activities, objectives, and
31 accomplishments.
32 (2) The preceding fiscal year's itemized expenditures and fund sources.
33 (3) Demonstration of how the commission's regional economic
34 development and marketing strategy aligns with the State's overall
35 economic development and marketing strategies.
36 (4) To the extent they are involved in promotion activities such as trade
37 shows, visits to prospects and consultants, advertising and media
38 placement, the commissions shall demonstrate how they have
39 generated qualified leads.

40 **SECTION 12.8.(b)** Each of the commissions shall provide to the Fiscal
41 Research Division a copy of their annual audited financial statement within 30 days of
42 issuance of the statement.

43 **SECTION 12.8.(c)** The reporting requirements for regional economic
44 development commissions, as provided in subsection (a) of this section, shall be
45 reviewed annually by the North Carolina Partnership for Economic Development and
46 recommendations for changes to the reporting requirements shall be made to the Fiscal
47 Research Division, the President Pro Tempore of the Senate, and the Speaker of the
48 House of Representatives.

49 **SECTION 12.8.(d)** Regional economic development commissions shall
50 receive quarterly allocations of the funds appropriated in this act to the Department of
51 Commerce for regional economic development commissions.

52 **SECTION 12.8.(e)** Regional economic development commissions shall
53 remain in the Department of Commerce's Budget Code 14601 with other State-aided
54 nonprofit entities.

1 **SECTION 12.8.(f)** The Board Structure of the Global TransPark
2 Development Commission shall be studied in accordance with the recommendations
3 found in the UNC Kenan-Flagler study, to determine if the board structure should be
4 reconstituted and made similar to the boards of the Northeastern or Southeastern North
5 Carolina Regional Economic Development Commissions. In conducting the study, the
6 following conditions shall be met:

- 7 (1) The Global TransPark Development Commission shall contribute to
8 the cost of the study by retaining a consultant familiar with the
9 partnership.
10 (2) The Study shall be conducted by a designee of the North Carolina
11 Partnership for Economic Development determined by the Partnership
12 Presidents, a designee of the UNC Kenan-Flagler School of Business,
13 and the consultant retained by the Global TransPark Development
14 Commission.
15 (3) None of the eastern regional commissions shall be consolidated.
16 (4) The results of the study shall be submitted to the Fiscal Research
17 Division and members of the North Carolina Partnership for Economic
18 Development prior to the beginning of the 2004 Regular Session of the
19 2003 General Assembly.
20

21 Requested by: Representatives Fox, West

22 **NONPROFIT REPORTING REQUIREMENTS**

23 **SECTION 12.9.(a)** The N.C. Institute for Minority Economic Development,
24 Inc., Land Loss Prevention Project, North Carolina Minority Support Center, North
25 Carolina Community Development Initiative, Inc., North Carolina Association of
26 Community Development Corporations, Inc., and Partnership for the Sounds, Inc., shall
27 do the following:

- 28 (1) By January 15, 2004, and more frequently as requested, report to the
29 Joint Legislative Commission on Governmental Operations and the
30 Fiscal Research Division the following information:
31 a. State fiscal year 2002-2003 program activities, objectives, and
32 accomplishments;
33 b. State fiscal year 2002-2003 itemized expenditures and fund
34 sources;
35 c. State fiscal year 2003-2004 planned activities, objectives, and
36 accomplishments including actual results through December 31,
37 2003; and
38 d. State fiscal year 2003-2004 estimated itemized expenditures
39 and fund sources including actual expenditures and fund
40 sources through December 31, 2003;
41 (2) By January 15, 2005, and more frequently as requested, report to the
42 Joint Legislative Commission on Governmental Operations and the
43 Fiscal Research Division the following information:
44 a. State fiscal year 2003-2004 program activities, objectives, and
45 accomplishments;
46 b. State fiscal year 2003-2004 itemized expenditures and fund
47 sources;
48 c. State fiscal year 2004-2005 planned activities, objectives, and
49 accomplishments including actual results through December 31,
50 2004; and
51 d. State fiscal year 2004-2005 estimated itemized expenditures
52 and fund sources including actual expenditures and fund
53 sources through December 31, 2004; and

- 1 (3) Provide to the Fiscal Research Division a copy of the organization's
2 annual audited financial statement within 30 days of issuance of the
3 statement.

4 **SECTION 12.9.(b)** No funds appropriated under this act shall be released to
5 a nonprofit organization listed in subsection (a) of this section until the organization has
6 satisfied the reporting requirement for January 15, 2003. Fourth quarter allotments shall
7 not be released to any nonprofit organization that does not satisfy the reporting
8 requirements by January 15, 2004, or January 15, 2005.

9
10 Requested by: Representatives Fox, West

11 **BIOTECHNOLOGY CENTER**

12 **SECTION 12.10.(a)** The North Carolina Biotechnology Center shall
13 recapture funds spent in support of successful research and development efforts in the
14 for-profit private sector.

15 **SECTION 12.10.(b)** The North Carolina Biotechnology Center shall
16 provide funding for biotechnology, biomedical, and related bioscience applications
17 under its Business and Science Technology Programs.

18 **SECTION 12.10.(c)** The North Carolina Biotechnology Center shall:

- 19 (1) By January 15, 2004, and more frequently as requested, report to the
20 Joint Legislative Commission on Governmental Operations and the
21 Fiscal Research Division the following information:

- 22 a. State fiscal year 2002-2003 program activities, objectives, and
23 accomplishments;
24 b. State fiscal year 2002-2003 itemized expenditures and fund
25 sources;
26 c. State fiscal year 2003-2004 planned activities, objectives, and
27 accomplishments including actual results through December 31,
28 2003; and
29 d. State fiscal year 2003-2004 estimated itemized expenditures
30 and fund sources including actual expenditures and fund
31 sources through December 31, 2003;

- 32 (2) By January 15, 2005, and more frequently as requested, report to the
33 Joint Legislative Commission on Governmental Operations and the
34 Fiscal Research Division the following information:

- 35 a. State fiscal year 2003-2004 program activities, objectives, and
36 accomplishments;
37 b. State fiscal year 2003-2004 itemized expenditures and fund
38 sources;
39 c. State fiscal year 2004-2005 planned activities, objectives, and
40 accomplishments including actual results through December 31,
41 2004; and
42 d. State fiscal year 2004-2005 estimated itemized expenditures
43 and fund sources including actual expenditures and fund
44 sources through December 31, 2004; and

- 45 (3) Provide to the Fiscal Research Division a copy of the organization's
46 annual audited financial statement within 30 days of issuance of the
47 statement.

48 **SECTION 12.10.(d)** The North Carolina Biotechnology Center shall
49 provide a report containing detailed budget, personnel, and salary information to the
50 Office of State Budget and Management and to the Fiscal Research Division in the same
51 manner as State departments and agencies in preparation for biennium budget requests.

52
53 Requested by: Representatives Fox, West

54 **RURAL ECONOMIC DEVELOPMENT CENTER**

SECTION 12.11.(a) Of the funds appropriated in this act to the Rural Economic Development Center, Inc., the sum of one million seven hundred fourteen thousand six hundred seventy-seven dollars (\$1,714,677) for the 2003-2004 fiscal year and the sum of one million seven hundred fourteen thousand six hundred seventy-seven dollars (\$1,714,677) for the 2004-2005 fiscal year shall be allocated as follows:

	2003-2004 FY	2004-2005 FY
Research and Demonstration Grants	\$370,000	\$370,000
Technical Assistance and Center Administration of Research and Demonstration Grants	444,399	444,399
Center Administration, Oversight, and Other Programs	437,278	437,278
Administration of Clean Water/ Natural Gas Critical Needs Bond Act of 1998	199,722	199,722
Additional Administration of Supplemental Funding Program	138,278	138,278
Administration of Capacity Building Assistance Program (1998 Bond Act)	125,000	125,000.

SECTION 12.11.(b) The Rural Economic Development Center, Inc., shall provide a report containing detailed budget, personnel, and salary information to the Office of State Budget and Management in the same manner as State departments and agencies in preparation for biennium budget requests.

SECTION 12.11.(c) For purposes of this section, the term "community development corporation" means a nonprofit corporation:

- (1) Chartered pursuant to Chapter 55A of the General Statutes;
- (2) Tax-exempt pursuant to section 501(c)(3) of the Internal Revenue Code of 1986;
- (3) Whose primary mission is to develop and improve low-income communities and neighborhoods through economic and related development;
- (4) Whose activities and decisions are initiated, managed, and controlled by the constituents of those local communities; and
- (5) Whose primary function is to act as deal maker and packager of projects and activities that will increase their constituencies' opportunities to become owners, managers, and producers of small businesses, affordable housing, and jobs designed to produce positive cash flow and curb blight in the targeted community.

SECTION 12.11.(d) Of the funds appropriated in this act to the Rural Economic Development Center, Inc., the sum of two million three hundred fifty-nine thousand five hundred dollars (\$2,359,500) for the 2003-2004 fiscal year and the sum of two million three hundred fifty-nine thousand five hundred dollars (\$2,359,500) for the 2004-2005 fiscal year shall be allocated as follows:

- (1) \$991,000 in each fiscal year for community development grants to support development projects and activities within the State's minority communities. Any community development corporation as defined in this section is eligible to apply for funds. The Rural Economic Development Center, Inc., shall establish performance-based criteria for determining which community development corporation will receive a grant and the grant amount. The Rural Economic Development Center, Inc., shall allocate these funds as follows:
 - a. \$800,000 in each fiscal year for direct grants to the local community development corporations that have previously

- 1 received State funds for this purpose to support operations and
2 project activities;
- 3 b. \$141,000 in each fiscal year for direct grants to local
4 community development corporations that have not previously
5 received State funds; and
- 6 c. \$50,000 in each fiscal year to the Rural Economic Development
7 Center, Inc., to be used to cover expenses in administering this
8 section.
- 9 (2) \$195,000 in each fiscal year to the Microenterprise Loan Program to
10 support the loan fund and operations of the Program; and
- 11 (3) \$983,000 in each fiscal year shall be used for a program to provide
12 supplemental funding for matching requirements for projects and
13 activities authorized under this subdivision. The Center shall allocate
14 these funds as follows:
- 15 a. \$775,000 in each fiscal year to make grants to local
16 governments and nonprofit corporations to provide funds
17 necessary to match federal grants or other grants for:
- 18 1. Necessary economic development projects and activities
19 in economically distressed areas;
- 20 2. Necessary water and sewer projects and activities in
21 economically distressed communities to address health
22 or environmental quality problems except that funds
23 shall not be expended for the repair or replacement of
24 low-pressure pipe wastewater systems. If a grant is
25 awarded under this sub-subdivision, then the grant shall
26 be matched on a dollar-for-dollar basis in the amount of
27 the grant awarded; or
- 28 3. Projects that demonstrate alternative water and waste
29 management processes for local governments. Special
30 consideration should be given to cost-effectiveness,
31 efficacy, management efficiency, and the ability of the
32 demonstration project to be replicated.
- 33 b. \$208,000 in each fiscal year to make grants to local
34 governments and nonprofit corporations to provide funds
35 necessary to match federal grants or other grants related to
36 water, sewer, or business development projects.
- 37 (4) \$190,500 in each fiscal year for the Agricultural Advancement
38 Consortium. These funds shall be placed in a reserve and allocated as
39 follows:
- 40 a. \$75,000 in each fiscal year for operating expenses associated
41 with the Consortium; and
- 42 b. \$115,500 in each fiscal year for research initiatives funded by
43 the Consortium.

44 The Consortium shall facilitate discussions among interested parties
45 and shall develop recommendations to improve the State's economic
46 development through farming and agricultural interests.

47 The grant recipients in this subsection shall be selected on the basis of need.

48 **SECTION 12.11.(e)** The Rural Economic Development Center, Inc., shall:

- 49 (1) By January 15, 2004, and more frequently as requested, report to the
50 Joint Legislative Commission on Governmental Operations and the
51 Fiscal Research Division the following information:
- 52 a. State fiscal year 2002-2003 program activities, objectives, and
53 accomplishments;
- 54 b. State fiscal year 2002-2003 itemized expenditures and fund
55 sources;

- 1 c. State fiscal year 2003-2004 planned activities, objectives, and
2 accomplishments including actual results through December 31,
3 2003; and
4 d. State fiscal year 2003-2004 estimated itemized expenditures
5 and fund sources including actual expenditures and fund
6 sources through December 31, 2003.
- 7 (2) By January 15, 2005, and more frequently as requested, report to the
8 Joint Legislative Commission on Governmental Operations and the
9 Fiscal Research Division the following information:
10 a. State fiscal year 2003-2004 program activities, objectives, and
11 accomplishments;
12 b. State fiscal year 2003-2004 itemized expenditures and fund
13 sources;
14 c. State fiscal year 2004-2005 planned activities, objectives, and
15 accomplishments including actual results through December 31,
16 2004; and
17 d. State fiscal year 2004-2005 estimated itemized expenditures
18 and fund sources including actual expenditures and fund
19 sources through December 31, 2004.
- 20 (3) Provide to the Fiscal Research Division a copy of each grant
21 recipient's annual audited financial statement within 30 days of
22 issuance of the statement.

23 **SECTION 12.11.(f)** No funds appropriated under this act shall be released to
24 a community development corporation, as defined in this act, unless the corporation can
25 demonstrate that there are no outstanding or proposed assessments or other collection
26 actions against the corporation for any State or federal taxes, including related penalties,
27 interest, and fees.
28

29 Requested by: Representatives Fox, West

30 **OPPORTUNITIES INDUSTRIALIZATION CENTER FUNDS**

31 **SECTION 12.12.(a)** Of the funds appropriated in this act to the Rural
32 Economic Development Center, Inc., the sum of three hundred fifty-one thousand five
33 hundred dollars (\$351,500) for the 2003-2004 fiscal year and the sum of three hundred
34 fifty-one thousand five hundred dollars (\$351,500) for the 2004-2005 fiscal year shall
35 be allocated as follows:

- 36 (1) \$87,875 in each fiscal year to the Opportunities Industrialization
37 Center of Wilson, Inc., for its ongoing job training programs;
38 (2) \$87,875 in each fiscal year to the Opportunities Industrialization
39 Center, Inc., in Rocky Mount, for its ongoing job training programs;
40 (3) \$87,875 in each fiscal year to the Opportunities Industrialization
41 Centers Kinston and Lenoir County, North Carolina, Inc.; and
42 (4) \$87,875 in each fiscal year to the Opportunities Industrialization
43 Center of Elizabeth City, Inc.

44 **SECTION 12.12.(b)** For each of the Opportunities Industrialization Centers
45 receiving funds pursuant to subsection (a) of this section, the Rural Economic
46 Development Center, Inc., shall:

- 47 (1) By January 15, 2004, and more frequently as requested, report to the
48 Joint Legislative Commission on Governmental Operations and the
49 Fiscal Research Division the following information:
50 a. State fiscal year 2002-2003 program activities, objectives, and
51 accomplishments;
52 b. State fiscal year 2002-2003 itemized expenditures and fund
53 sources;

- 1 c. State fiscal year 2003-2004 planned activities, objectives, and
2 accomplishments, including actual results through December
3 31, 2003; and
4 d. State fiscal year 2003-2004 estimated itemized expenditures
5 and fund sources, including actual expenditures and fund
6 sources through December 31, 2003.
- 7 (2) By January 15, 2005, and more frequently as requested, report to the
8 Joint Legislative Commission on Governmental Operations and the
9 Fiscal Research Division the following information:
10 a. State fiscal year 2003-2004 program activities, objectives, and
11 accomplishments;
12 b. State fiscal year 2003-2004 itemized expenditures and fund
13 sources;
14 c. State fiscal year 2004-2005 planned activities, objectives, and
15 accomplishments, including actual results through December
16 31, 2004; and
17 d. State fiscal year 2004-2005 estimated itemized expenditures
18 and fund sources, including actual expenditures and fund
19 sources through December 31, 2004.
- 20 (3) Notwithstanding G.S. 143-6.1(d), file annually with the State Auditor
21 a financial statement in the form and on the schedule prescribed by the
22 State Auditor. The financial statements must be audited in accordance
23 with standards prescribed by the State Auditor to assure that State
24 funds are used for the purposes provided by law.
- 25 (4) Provide to the Fiscal Research Division a copy of the annual audited
26 financial statement required in subdivision (3) of this subsection within
27 30 days of issuance of the statement.

28 **SECTION 12.12.(c)** No funds appropriated under this act shall be released
29 to an Opportunities Industrialization Center (hereinafter Center) listed in subsection (a)
30 of this section unless the Center can demonstrate that there are no outstanding or
31 proposed assessments or other collection actions against the Center for any State or
32 federal taxes, including related penalties, interest, and fees.
33

34 PART XIII. JUDICIAL DEPARTMENT

35
36 Requested by: Representatives Kiser, Haire

37 OPERATIONAL SAVINGS/FUNDING RESERVES

38 **SECTION 13.1.(a)** The Judicial Department shall report by September 1,
39 2003, to the Chairs of the Senate and House of Representatives Appropriations
40 Committees and the Chairs of the Senate and House Representatives Appropriations
41 Subcommittees on Justice and Public Safety on the positions identified in the
42 Administrative Office of the Courts in order to implement operational savings.

43 **SECTION 13.1.(b)** The Judicial Department, the Department of Correction,
44 the Department of Crime Control and Public Safety, the Department of Juvenile Justice
45 and Delinquency Prevention, and the Department of Justice shall report quarterly to the
46 Chairs of the Senate and House of Representatives Appropriations Committees and the
47 Chairs of the Senate and House of Representatives Appropriations Subcommittees on
48 Justice and Public Safety on the implementation of negative reserves authorized for
49 each agency in this budget. The departments shall report to the Joint Legislative
50 Commission on Governmental Operations before implementing negative reserves by
51 eliminating positions or abolishing programs.
52

53 Requested by: Representatives Kiser, Haire

54 COLLECTION OF WORTHLESS CHECK FUNDS

1 **SECTION 13.2.** Notwithstanding the provisions of G.S. 7A-308(c), the
2 Judicial Department may use any balance remaining in the Collection of Worthless
3 Checks Fund on June 30, 2003, for the purchase or repair of office or information
4 technology equipment during the 2003-2004 fiscal year. Prior to using any funds under
5 this section, the Judicial Department shall report to the Joint Legislative Commission on
6 Governmental Operations and the Chairs of the Senate and House of Representatives
7 Appropriations Subcommittees on Justice and Public Safety on the equipment to be
8 purchased or repaired and the reasons for the purchases.
9

10 Requested by: Representatives Kiser, Haire

11 **OFFICE OF INDIGENT DEFENSE SERVICES REPORT**

12 **SECTION 13.3.** The Office of Indigent Defense Services shall report to the
13 Chairs of the Senate and House of Representatives Appropriations Committees and the
14 Chairs of the Senate and House of Representatives Appropriations Subcommittees on
15 Justice and Public Safety by March 1 of each year on:

- 16 (1) The volume and cost of cases handled in each district by assigned
17 counsel or public defenders;
- 18 (2) Actions taken by the Office to improve the cost-effectiveness and
19 quality of indigent defense, including the capital case program;
- 20 (3) Plans for changes in rules, standards, or regulations in the upcoming
21 year; and
- 22 (4) Any recommended changes in law or funding procedures that would
23 assist the Office in improving the management of funds expended for
24 indigent defense services.
25

26 Requested by: Representatives Kiser, Haire

27 **DRUG TREATMENT COURT PROGRAM**

28 **SECTION 13.4.(a)** It is the intent of the General Assembly that State Drug
29 Treatment Court funds not be used to fund case manager positions when the services
30 provided by those positions can be reasonably provided by the Treatment Alternatives
31 to Street Crime (TASC) program in the Department of Health and Human Services or
32 by other existing resources. The Drug Treatment Court Program shall identify areas of
33 potential cost savings in the local programs that would result from reducing the number
34 of case manager positions. The Program shall also identify areas in which federal
35 funding might absorb administrative costs.

36 The Drug Treatment Court Program shall report by February 1, 2004, to the
37 Chairs of the Senate and House of Representatives Appropriations Committees and the
38 Chairs of the Senate and House of Representatives Appropriations Subcommittees on
39 Justice and Public Safety on the savings identified.

40 **SECTION 13.4.(b)** Prior to the establishment of any new local drug
41 treatment court programs, the local drug treatment court management committee shall
42 consult with the TASC program as to the availability of case management services in
43 that community.
44

45 Requested by: Representatives Kiser, Haire

46 **FEDERAL GRANT FUNDS**

47 **SECTION 13.5.** The Judicial Department shall use up to the sum of one
48 million two hundred fifty thousand dollars (\$1,250,000) from funds available to the
49 Department to provide the State match needed in order to receive federal grant funds.
50 Prior to using funds for this purpose, the Department shall report to the Chairs of the
51 Senate and House of Representatives Appropriations Subcommittees on Justice and
52 Public Safety and the Joint Legislative Commission on Governmental Operations on the
53 grants to be matched using these funds. The Judicial Department shall also use proceeds
54 from the Court Information Technology Fund to fulfill prior obligations to criminal
55 justice information projects receiving federal funds.

Requested by: Representatives Kiser, Haire

PUBLIC DEFENDER STUDY

SECTION 13.6. The Office of Indigent Defense Services shall study the establishment of additional public defender districts in the State, identifying the areas of the State in which savings could be realized by the establishment of such districts and the projected savings in each area. The Office of Indigent Defense Services shall report to the Chairs of the Senate and House of Representatives Appropriations Committees and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety by March 1, 2004, on the results of its study.

Requested by: Representatives Kiser, Haire

TRANSFER OF EQUIPMENT AND SUPPLY FUNDS

SECTION 13.7. Funds appropriated to the Judicial Department in the 2003-2005 biennium for equipment and supplies shall be certified in a reserve account. The Administrative Office of the Courts may transfer these funds to the appropriate programs and between programs as the equipment priorities and supply consumptions occur during the operating year. These funds shall not be expended for any other purpose.

Requested by: Representatives Kiser, Haire

ADJUST MAGISTRATE AUTHORIZATIONS

SECTION 13.8. G.S. 7A-133(c) reads as rewritten:

"(c) Each county shall have the numbers of magistrates and additional seats of district court, as set forth in the following table:

County	Magistrates Min. – Max.	Additional Seats of Court
Camden	1 3	
Chowan	2 3	
Currituck	1 4	
Dare	3 8	
Gates	2 3	
Pasquotank	3 5	
Perquimans	2 4	
Martin	5 4 8	
Beaufort	4 8	
Tyrrell	1 3	
Hyde	2 4	
Washington	3 4	
Pitt	10 12	Farmville Ayden
Craven	7 10	Havelock
Pamlico	2 4	
Carteret	5 8	
Sampson	6 8	
Duplin	9 8 11	
Jones	2 3	
Onslow	8 14	
New Hanover	6 11	
Pender	4 6	
Halifax	9 14	Roanoke Rapids, Scotland Neck

1	Northampton	5	7	
2	Bertie	4	6	
3	Hertford	5	7	
4	Nash	7	10	Rocky Mount
5	Edgecombe	4	7	Rocky Mount
6	Wilson	4	7	
7	Wayne	5	12	Mount Olive
8	Greene	2	4	
9	Lenoir	4	10	La Grange
10	Granville	3	7	
11	Vance	3	6	
12	Warren	3	5	
13	Franklin	3	7	
14	Person	3	4	
15	Caswell	2	5	
16	Wake	12	21	Apex, Wendell, Fuquay- Varina, Wake Forest
17				
18				
19				
20				
21	Harnett	7	11	Dunn
22	Johnston	10	12	Benson, Clayton, Selma
23				
24				
25	Lee	4	6	
26	Cumberland	10	19	
27	Bladen	4	6	
28	Brunswick	4	9	
29	Columbus	6	10	Tabor City
30	Durham	8	13	
31	Alamance	7	11	Burlington
32	Orange	4	11	Chapel Hill
33	Chatham	3	9	Siler City
34	Scotland	3	5	
35	Hoke	4	5	
36	Robeson	8	16	Fairmont, Maxton, Pembroke, Red Springs, Rowland, St. Pauls
37				
38				
39				
40				
41				
42	Rockingham	4	9	Reidsville, Eden, Madison
43				
44				
45	Stokes	2	5	
46	Surry	5	9	Mt. Airy
47	Guilford	20	27	High Point
48	Cabarrus	5	9	Kannapolis
49	Montgomery	2	4	
50	Randolph	5	10	Liberty
51	Rowan	5	10	
52	Stanly	5	6	
53	Union	4	7	
54	Anson	4	6	
55	Richmond	5	6	Hamlet

1	Moore	5	8	Southern
2				Pines
3	Forsyth	3	15	Kernersville
4	Alexander	2	4	
5	Davidson	7	10	Thomasville
6	Davie	2	3	
7	Iredell	4	9	Mooresville
8	Alleghany	1	2	
9	Ashe	3	4	
10	Wilkes	4	6	
11	Yadkin	3	5	
12	Avery	3	5	
13	Madison	4	5	
14	Mitchell	3	4	
15	Watauga	4	6	
16	Yancey	2	4	
17	Burke	4	7	
18	Caldwell	4	7	
19	Catawba	6	10	Hickory
20	Mecklenburg	15	28	
21	Gaston	11	22	
22	Cleveland	5	8	
23	Lincoln	4	7	
24	Buncombe	6	15	
25	Henderson	4	7	
26	McDowell	3	6	
27	Polk	3	4	
28	Rutherford	6	8	
29	Transylvania	2	4	
30	Cherokee	3	4	
31	Clay	1	2	
32	Graham	2	3	
33	Haywood	5	7	Canton
34	Jackson	3	5	
35	Macon	3	4	
36	Swain	2	34"	

37
 38 Requested by: Representatives Kiser, Haire
 39 **SUSPENSION OF COURT-ORDERED ARBITRATION PROGRAM**

40 **SECTION 13.9.** The Director of the Administrative Office of the Courts
 41 shall suspend the court-ordered arbitration program authorized under G.S. 7A-37.1 in
 42 any or all districts or counties to the extent that personnel to operate the program or
 43 funds to pay arbitrators are not available from any source. The Director may reinstate
 44 the program in one or more districts or counties to the extent that such personnel or
 45 funds become available.

46
 47 **PART XIV. DEPARTMENT OF JUSTICE**

48
 49 Requested by: Representatives Kiser, Haire
 50 **USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE**
 51 **LAW ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT**

52 **SECTION 14.1.(a)** Assets transferred to the Departments of Justice,
 53 Correction, and Crime Control and Public Safety during the 2003-2005 biennium
 54 pursuant to applicable federal law shall be credited to the budgets of the respective
 55 departments and shall result in an increase of law enforcement resources for those

1 departments. The Departments of Justice, Correction, and Crime Control and Public
2 Safety shall report to the Joint Legislative Commission on Governmental Operations
3 upon receipt of the assets and, before using the assets, shall report on the intended use of
4 the assets and the departmental priorities on which the assets may be expended.

5 **SECTION 14.1.(b)** The General Assembly finds that the use of assets
6 transferred pursuant to federal law for new personnel positions, new projects,
7 acquisition of real property, repair of buildings where the repair includes structural
8 change, and construction of or additions to buildings may result in additional expenses
9 for the State in future fiscal periods. Therefore, the Department of Justice, the
10 Department of Correction, and the Department of Crime Control and Public Safety are
11 prohibited from using these assets for such purposes without the prior approval of the
12 General Assembly.

13 **SECTION 14.1.(c)** Nothing in this section prohibits North Carolina law
14 enforcement agencies from receiving funds from the United States Department of
15 Justice, the United States Department of the Treasury, and the United States Department
16 of Health and Human Services.

17
18 Requested by: Representatives Kiser, Haire

19 **PRIVATE PROTECTIVE SERVICES AND ALARM SYSTEMS LICENSING**
20 **BOARDS PAY FOR USE OF STATE FACILITIES AND SERVICES**

21 **SECTION 14.2.** The Private Protective Services and Alarm Systems
22 Licensing Boards shall pay the appropriate State agency for the use of physical facilities
23 and services provided to those Boards by the State.

24
25 Requested by: Representatives Kiser, Haire

26 **CERTAIN LITIGATION EXPENSES TO BE PAID BY CLIENTS**

27 **SECTION 14.3.** Client departments, agencies, and boards shall reimburse
28 the Department of Justice for reasonable court fees, attorney travel and subsistence
29 costs, and other costs directly related to litigation in which the Department of Justice is
30 representing the department, agency, or board.

31
32 Requested by: Representatives Kiser, Haire

33 **REIMBURSEMENT FOR UNC BOARD OF GOVERNORS LEGAL**
34 **REPRESENTATION**

35 **SECTION 14.4.** The Department of Justice shall be reimbursed by the
36 Board of Governors of The University of North Carolina for two Attorney III positions
37 to provide legal representation to The University of North Carolina System.

38
39 Requested by: Representatives Kiser, Haire

40 **REPORT ON CRIMINAL RECORDS CHECKS CONDUCTED FOR**
41 **CONCEALED HANDGUN PERMITS/STUDY FEE ADJUSTMENT FOR**
42 **CRIMINAL RECORDS CHECKS**

43 **SECTION 14.5.(a)** The Department of Justice shall report by January 15
44 each year to the Joint Legislative Commission on Governmental Operations, the Chairs
45 of the Senate and House of Representatives Appropriations Committees, and the Chairs
46 of the Senate and House of Representatives Appropriations Subcommittees on Justice
47 and Public Safety on the receipts, costs for, and number of criminal records checks
48 performed in connection with applications for concealed weapons permits. The report
49 by the Department of Justice shall also include information on the number of
50 applications received and approved for firearms safety courses.

51 **SECTION 14.5.(b)** The Office of State Budget and Management, in
52 consultation with the Department of Justice, shall study the feasibility of adjusting the
53 fees charged for criminal records checks conducted by the Division of Criminal
54 Information of the Department of Justice as a result of the increase in receipts from
55 criminal records checks. The study shall include an assessment of the Division's

1 operational, personnel, and overhead costs related to providing criminal records checks
2 and how those costs have changed since the prior fiscal year. The Office of State Budget
3 and Management shall report its findings and recommendations to the Chairs of the
4 Senate and House of Representatives Appropriations Committees, the Chairs of the
5 Senate and House of Representatives Appropriations Subcommittees on Justice and
6 Public Safety, and the Fiscal Research Division on or before March 1, 2004.

7
8 Requested by: Representatives Kiser, Haire

9 **NC LEGAL EDUCATION ASSISTANCE FOUNDATION REPORT ON FUNDS**
10 **DISBURSED**

11 **SECTION 14.6.** The North Carolina Legal Education Assistance Foundation
12 shall report by March 1, 2004, to the Chairs of the House of Representatives and Senate
13 Appropriations Committees and the Chairs of the House of Representatives and Senate
14 Justice and Public Safety Subcommittees on its internal controls and procedures for
15 ensuring that all funds designated for payoff of education loans are used for that
16 purpose.

17
18 Requested by: Representative Kiser

19 **RAPE KIT FUNDS A PRIORITY**

20 **SECTION 14.7.** In expending funds appropriated in this act to the
21 Department of Justice for the Molecular Genetics Section of the State Bureau of
22 Investigation, the Department shall give priority to the analysis of forensic samples
23 from rape kits for the investigation and prosecution of criminal offenses over the
24 analysis of DNA samples taken from convicted offenders for entry into the DNA
25 database.

26
27 **PART XV. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY**
28 **PREVENTION**

29
30 Requested by: Representatives Kiser, Haire

31 **S.O.S. ADMINISTRATIVE COST LIMITS**

32 **SECTION 15.1.** Of the funds appropriated to the Department of Juvenile
33 Justice and Delinquency Prevention in this act, not more than four hundred fifty
34 thousand dollars (\$450,000) for the 2003-2004 fiscal year and not more than four
35 hundred fifty thousand dollars (\$450,000) for the 2004-2005 fiscal year may be used to
36 administer the S.O.S. Program, to provide technical assistance to applicants and to local
37 S.O.S. programs, and to evaluate the local S.O.S. programs. The Department may
38 contract with appropriate public or nonprofit agencies to provide the technical
39 assistance, including training and related services.

40
41 Requested by: Representatives Kiser, Haire

42 **JUVENILE CRIME PREVENTION COUNCIL GRANT REPORTING AND**
43 **CERTIFICATION**

44 **SECTION 15.2.(a)** On or before May 1 each year, the Department of
45 Juvenile Justice and Delinquency Prevention shall submit to the Joint Legislative
46 Commission on Governmental Operations and the Appropriations Committees of the
47 Senate and House of Representatives a list of the recipients of the grants awarded, or
48 preapproved for award, from funds appropriated to the Department for local Juvenile
49 Crime Prevention Council grants. The list shall include for each recipient the amount of
50 the grant awarded, the membership of the local committee or council administering the
51 award funds on the local level, and a short description of the local services, programs, or
52 projects that will receive funds. The list shall also identify any programs that received
53 grant funds at one time but for which funding has been eliminated by the Department of
54 Juvenile Justice and Delinquency Prevention. A written copy of the list and other

1 information regarding the projects shall also be sent to the Fiscal Research Division of
2 the General Assembly.

3 **SECTION 15.2.(b)** Each county in which local programs receive Juvenile
4 Crime Prevention Council grant funds from the Department of Juvenile Justice and
5 Delinquency Prevention shall certify annually through its local council to the
6 Department that funds received are not used to duplicate or supplant other programs
7 within the county.

8
9 Requested by: Representatives Kiser, Haire

10 **REPORTS ON CERTAIN PROGRAMS**

11 **SECTION 15.3.(a)** Project Challenge North Carolina, Inc., shall report to
12 the Chairs of the Senate and House of Representatives Appropriations Subcommittees
13 on Justice and Public Safety by April 1 each year on the operation and the effectiveness
14 of its program in providing alternative dispositions and services to juveniles who have
15 been adjudicated delinquent or undisciplined. The report shall include information on
16 the source of referrals for juveniles, the types of offenses committed by juveniles
17 participating in the program, the amount of time those juveniles spend in the program,
18 the number of juveniles who successfully complete the program, and the number of
19 juveniles who commit additional offenses after completing the program.

20 **SECTION 15.3.(b)** The Department of Juvenile Justice and Delinquency
21 Prevention shall report to the Chairs of the Senate and House of Representatives
22 Appropriations Subcommittees on Justice and Public Safety on the effectiveness of the
23 Juvenile Assessment Center by April 1 each year. The report on the Juvenile
24 Assessment Center shall include information on the number of juveniles served and an
25 evaluation of the effectiveness of juvenile assessment plans and services provided as a
26 result of these plans.

27 **SECTION 15.3.(c)** Communities in Schools shall report to the Chairs of the
28 Senate and House of Representatives Appropriations Subcommittees on Justice and
29 Public Safety, the Joint Legislative Commission on Governmental Operations, the Joint
30 Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, and
31 the Joint Legislative Education Oversight Committee by April 1 each year on the
32 operation and the effectiveness of its program. The report shall include information on
33 the number of children served, the number of volunteers used, the impact on the
34 children who have received services from Communities in Schools, and the operating
35 budget of Communities in Schools.

36
37 Requested by: Representatives Kiser, Haire

38 **STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

39 **SECTION 15.4.** Funds appropriated in this act to the Department of Juvenile
40 Justice and Delinquency Prevention for the 2003-2004 fiscal year may be used as
41 matching funds for the Juvenile Accountability Incentive Block Grants. If North
42 Carolina receives Juvenile Accountability Incentive Block Grants, or a notice of funds
43 to be awarded, the Office of State Budget and Management and the Governor's Crime
44 Commission shall consult with the Department of Juvenile Justice and Delinquency
45 Prevention regarding the criteria for awarding federal funds. The Office of State Budget
46 and Management, the Governor's Crime Commission, and the Department of Juvenile
47 Justice and Delinquency Prevention shall report to the Appropriations Committees of
48 the Senate and House of Representatives and the Joint Legislative Commission on
49 Governmental Operations prior to allocation of the federal funds. The report shall
50 identify the amount of funds to be received for the 2003-2004 fiscal year, the amount of
51 funds anticipated for the 2004-2005 fiscal year, and the allocation of funds by program
52 and purpose.

53
54 Requested by: Representatives Kiser, Haire

55 **ANNUAL EVALUATION OF COMMUNITY PROGRAMS**

1 **SECTION 15.5.** The Department of Juvenile Justice and Delinquency
2 Prevention shall conduct an evaluation of the Eckerd and Camp Woodson wilderness
3 camp programs, the teen court programs, the program that grants funds to the local
4 organizations of the Boys and Girls Clubs established pursuant to Section 21.10 of S.L.
5 1999-237, the Save Our Students program, the Governor's One-on-One Programs, and
6 multipurpose group homes. The teen court report shall include statistical information
7 on the number of juveniles served, the number and type of offenses considered by teen
8 courts, referral sources for teen courts, and the number of juveniles that become
9 court-involved after participation in teen courts. The report on the Boys and Girls Clubs
10 program shall include information on:

- 11 (1) The expenditure of State appropriations on the program;
- 12 (2) The operations and the effectiveness of the program; and
- 13 (3) The number of juveniles served under the program.

14 In conducting the evaluation of each of these programs, the Department shall
15 consider whether participation in each program results in a reduction of court
16 involvement among juveniles. The Department shall also identify whether the programs
17 are achieving the goals and objectives of the Juvenile Justice Act, S.L. 1998-202. The
18 Department shall report the results of the evaluation to the Chairs of the House of
19 Representatives and Senate Appropriations Committees and the Chairs of the
20 Subcommittees of Justice and Public Safety of the House of Representatives and Senate
21 Appropriations Committees by March 1 of each year.

22
23 Requested by: Representatives Kiser, Haire

24 **USE OF FUNDS FOR YOUTH DEVELOPMENT CENTER BEDS**

25 **SECTION 15.6.(a)** The Department of Juvenile Justice and Delinquency
26 Prevention may use funds available during the 2003-2004 fiscal year to establish or
27 reestablish Youth Development Center beds and convert up to 50 beds in one Eckerd
28 Wilderness Camp for use as a Youth Development Center, as defined in G.S. 7B-1501.
29 Any conversion shall be effectuated with existing contract funds. If the Department of
30 Juvenile Justice and Delinquency Prevention determines it needs additional youth
31 development center beds during the 2003-2004 fiscal year, it shall consider
32 reestablishing beds at Samarkand Manor Youth Development Center.

33 **SECTION 15.6.(b)** The Department shall report to the Chairs of the Justice
34 and Public Safety Subcommittees of the House of Representatives and the Senate and
35 the Joint Legislative Commission on Governmental Operations and the Corrections,
36 Crime Control, and Juvenile Justice Oversight Committee prior to:

- 37 (1) Converting any Eckerd Wilderness Camp beds to secure confinement
38 beds during the 2003-2004 fiscal year; or
- 39 (2) Establishing bed capacity greater than 740 total beds, including beds
40 converted at Eckerd Wilderness Camps, during the 2003-2004 fiscal
41 year.

42 The report shall include the sources of funding for any additional beds.

43
44 Requested by: Representatives Kiser, Haire

45 **PLANNING FOR NEW YOUTH DEVELOPMENT CENTERS**

46 **SECTION 15.7.** The Department of Juvenile Justice and Delinquency
47 Prevention may use funds appropriated to the Department in this act to continue the
48 planning and design of new youth development centers with up to 500 total beds. The
49 Department shall design facilities that are conducive to effective security and
50 programming while ensuring improved staffing efficiencies.

51 The Department of Juvenile Justice and Delinquency Prevention shall provide
52 a quarterly status report to the Joint Legislative Corrections, Crime Control, and
53 Juvenile Justice Oversight Committee and to the Chairs of the House of Representatives
54 Appropriations Subcommittee on Justice and Public Safety and the Senate
55 Appropriations Committee on Justice and Public Safety on the number of youth

1 development centers to be designed and the number of beds at each, as well as the
2 rationale for the number of beds to be built at each facility. The report shall also
3 include:

- 4 (1) The status of the plan and design of the new facilities.
- 5 (2) The proposed sites for the facilities.
- 6 (3) How the plan and design will meet the mandate of ensuring effective
7 security and programming while improving staff efficiencies.
- 8 (4) The Department's long-range plan for closing other youth development
9 centers or individual cottages at selected youth development centers or
10 revising the mission or objective of individual youth development
11 centers.

12
13 Requested by: Representatives Kiser, Haire

14 **OPERATION OF BUNCOMBE YOUTH DETENTION CENTER**

15 **SECTION 15.8.** The Department of Juvenile Justice and Delinquency
16 Prevention shall continue to operate the Buncombe Youth Detention Center at its
17 current site during the 2003-2004 fiscal year. To the extent practicable during the
18 2003-2004 fiscal year, the Department shall operate the Buncombe Youth Detention
19 Center at the same average population and staffing levels and at the same budget as the
20 2002-2003 fiscal year.

21 **PART XVI. DEPARTMENT OF CORRECTION**

22
23
24 Requested by: Representatives Kiser, Haire

25 **FEDERAL GRANT REPORTING**

26 **SECTION 16.1.** The Department of Correction, the Department of Justice,
27 the Department of Crime Control and Public Safety, the Judicial Department, and the
28 Department of Juvenile Justice and Delinquency Prevention shall report by May 1 of
29 each year to the Joint Legislative Commission on Governmental Operations, the Chairs
30 of the Senate and House of Representatives Appropriations Committees, and the Chairs
31 of the Senate and House of Representatives Appropriations Subcommittees on Justice
32 and Public Safety on federal grant funds received or preapproved for receipt by those
33 departments. The report shall include information on the amount of grant funds
34 received or preapproved for receipt by each department, the use of the funds, the State
35 match expended to receive the funds, and the period to be covered by each grant. If the
36 department intends to continue the program beyond the end of the grant period, the
37 department shall report on the proposed method for continuing the funding of the
38 program at the end of the grant period. Each department shall also report on any
39 information it may have indicating that the State will be requested to provide future
40 funding for a program presently supported by a local grant.

41
42 Requested by: Representatives Kiser, Haire

43 **REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY** 44 **MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE** 45 **SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM**

46 **SECTION 16.2.** The Department of Correction may use funds available to
47 the Department for the 2003-2005 biennium to pay the sum of forty dollars (\$40.00) per
48 day as reimbursement to counties for the cost of housing convicted inmates, parolees,
49 and post-release supervisees awaiting transfer to the State prison system, as provided in
50 G.S. 148-29. The Department shall report quarterly to the Joint Legislative Commission
51 on Governmental Operations, the Joint Legislative Corrections, Crime Control, and
52 Juvenile Justice Oversight Committee, the Chairs of the Senate and House of
53 Representatives Appropriations Committees, and the Chairs of the Senate and House of
54 Representatives Appropriations Subcommittees on Justice and Public Safety on the

1 expenditure of funds to reimburse counties for prisoners awaiting transfer and on its
2 progress in reducing the jail backlog.

3
4 Requested by: Representatives Kiser, Haire

5 **SHIFT PAY FOR SECURITY STAFF**

6 **SECTION 16.3.** The Department of Correction may use funds available for
7 the 2003-2004 fiscal year for the payment to security staff of special supplemental
8 weekend shift premium pay that exceeds standard weekend shift pay by up to ten
9 percent (10%). The Department shall also continue to take steps to hold down the cost
10 of shift pay by converting prisons from three eight-hour shifts to two 12-hour shifts
11 whenever practical.

12 The Department of Correction shall report to the Senate and House of
13 Representatives Appropriations Subcommittees on Justice and Public Safety by April 1,
14 2004, on its progress in converting prison work shifts from eight hours to 12 hours. The
15 report shall include information on savings generated to date and potential future
16 savings, as well as any changes in employee morale and leave usage, as a result of
17 converting to 12-hour shifts.

18
19 Requested by: Representatives Kiser, Haire

20 **DEPARTMENT OF CORRECTION SECURITY STAFFING FORMULAS**

21 **SECTION 16.4.(a)** The Department of Correction shall conduct annual
22 security staffing postaudits of each prison.

23 **SECTION 16.4.(b)** The Department of Correction shall annually update the
24 security staffing relief formula. Each update shall include a review of all annual training
25 requirements for security staff to determine which of these requirements should be
26 mandatory and the appropriate frequency of the training.

27 **SECTION 16.4.(c)** The Department of Correction shall report on its
28 progress in implementing the staffing recommendations of the National Institute of
29 Corrections to the Senate and House of Representatives Appropriations Subcommittees
30 on Justice and Public Safety by February 1, 2004. The report shall include a status
31 report on the implementation of a centralized postaudit control system and the
32 automation of leave records.

33
34 Requested by: Representatives Kiser, Haire

35 **USE OF CLOSED PRISON FACILITIES**

36 **SECTION 16.5.** In conjunction with the closing of prison facilities,
37 including small expensive prison units recommended for consolidation by the
38 Government Performance Audit Committee, the Department of Correction shall consult
39 with the county or municipality in which the unit is located, with the elected State and
40 local officials, and with State agencies about the possibility of converting that unit to
41 other use. The Department may also consult with any private for-profit or nonprofit firm
42 about the possibility of converting the unit to other use. In developing a proposal for
43 future use of each unit, the Department shall give priority to converting the unit to other
44 criminal justice use. Consistent with existing law and the future needs of the
45 Department of Correction, the State may provide for the transfer or the lease of any of
46 these units to counties, municipalities, State agencies, or private firms wishing to
47 convert them to other use. The Department of Correction may also consider converting
48 some of the units recommended for closing from one security custody level to another,
49 where that conversion would be cost-effective. A prison unit under lease to a county
50 pursuant to the provisions of this section for use as a jail is exempt for the period of the
51 lease from any of the minimum standards adopted by the Secretary of Health and
52 Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that
53 would subject the unit to greater standards than those required of a unit of the State
54 prison system.

1 Prior to any transfer or lease of these units, the Department of Correction
2 shall report on the terms of the proposed transfer or lease to the Joint Legislative
3 Commission on Governmental Operations and the Joint Legislative Corrections, Crime
4 Control, and Juvenile Justice Oversight Committee. The Department of Correction shall
5 also provide annual summary reports to the Joint Legislative Commission on
6 Governmental Operations and the Joint Legislative Corrections, Crime Control, and
7 Juvenile Justice Oversight Committee on the conversion of these units to other use and
8 on all leases or transfers entered into pursuant to this section.
9

10 Requested by: Representatives Kiser, Haire

11 **INMATE COSTS/MEDICAL BUDGET FOR PRESCRIPTION DRUGS**

12 **SECTION 16.6.(a)** If the cost of providing food and health care to inmates
13 housed in the Division of Prisons is anticipated to exceed the continuation budget
14 amounts provided for that purpose in this act, the Department of Correction shall report
15 the reasons for the anticipated cost increase and the source of funds the Department
16 intends to use to cover those additional needs to the Joint Legislative Commission on
17 Governmental Operations, the Chairs of the Senate and House of Representatives
18 Appropriations Committees, and the Chairs of the Senate and House of Representatives
19 Appropriations Subcommittees on Justice and Public Safety.

20 **SECTION 16.6.(b)** Notwithstanding the provisions of G.S. 143-23(a2), the
21 Department of Correction may use funds available during the 2003-2005 biennium for
22 the purchase of prescription drugs for inmates if expenditures are projected to exceed
23 the Department's inmate medical continuation budget for prescription drugs. The
24 Department shall consult with the Joint Legislative Commission on Governmental
25 Operations prior to exceeding the continuation budget amount.
26

27 Requested by: Representatives Kiser, Haire

28 **MOBILE MEDICAL OPERATING ROOM**

29 **SECTION 16.7.** The Department of Correction shall continue the contract
30 for a mobile medical operating room at Central Prison for the 2003-2004 fiscal year at a
31 reduced fixed rate that more clearly reflects the usage. However, the Department shall
32 use the mobile unit for additional procedures, as authorized by the terms of the
33 agreement, whenever the Department's Utilization Review Team determines that (i) a
34 specific procedure can be performed at a cost below that charged by a public or private
35 hospital; and (ii) there is no compelling medical reason for performing the procedure in
36 a hospital instead of using the mobile medical unit.

37 The Department shall also study the use of this mobile operating room and
38 report by April 1, 2004, to the Chairs of the Senate and House of Representatives
39 Appropriations Subcommittees on Justice and Public Safety. The report shall
40 recommend whether the mobile unit should be continued, eliminated, or expanded in
41 terms of capacity of the current unit and the potential for establishing an additional
42 mobile unit. The report shall also include information on the number and type of
43 procedures performed over and above the fixed-rate contract and the savings generated.
44

45 Requested by: Representatives Kiser, Haire

46 **CONVERSION OF CONTRACTED MEDICAL POSITIONS**

47 **SECTION 16.8.(a)** The Department of Correction may convert contract
48 medical positions to permanent State medical positions at individual correctional
49 facilities if the Department can document that the total savings generated will exceed
50 the total cost of the new positions for each facility. Where practical, the Department
51 shall convert contract positions to permanent positions by using existing vacancies in
52 medical positions.

53 **SECTION 16.8.(b)** The Department of Correction shall report by April 1,
54 2004, to the Joint Legislative Commission on Governmental Operations and the Chairs
55 of the Senate and House of Representatives Appropriations Subcommittees on Justice

1 and Public Safety on all conversions made pursuant to this section, by type of position
2 and location, and on the savings generated at each correctional facility.
3

4 Requested by: Representatives Kiser, Haire

5 **LIMIT USE OF OPERATIONAL FUNDS**

6 **SECTION 16.9.** Funds appropriated in this act to the Department of
7 Correction for operational costs for additional facilities shall be used for personnel and
8 operating expenses set forth in the budget approved by the General Assembly in this act.
9 These funds shall not be expended for any other purpose, except as provided for in this
10 act, and shall not be expended for additional prison personnel positions until the new
11 facilities are within 120 days of projected completion, except for certain management,
12 security, and support positions necessary to prepare the facility for opening, as
13 authorized in the budget approved by the General Assembly.
14

15 Requested by: Representatives Kiser, Haire

16 **FEDERAL GRANT MATCHING FUNDS**

17 **SECTION 16.10.** Notwithstanding the provisions of G.S. 148-2, the
18 Department of Correction may use up to the sum of nine hundred thousand dollars
19 (\$900,000) from funds available to the Department to provide the State match needed in
20 order to receive federal grant funds. Prior to using funds for this purpose, the
21 Department shall report to the Chairs of the Senate and House of Representatives
22 Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative
23 Commission on Governmental Operations on the grants to be matched using these
24 funds.
25

26 Requested by: Representatives Kiser, Haire

27 **COMPUTER/DATA PROCESSING SERVICES FUNDS**

28 **SECTION 16.11.** Notwithstanding the provisions of G.S. 143-23(a2), the
29 Department of Correction may use funds available during the 2003-2005 biennium for
30 expenses for computer/data processing services if expenditures exceed the Department's
31 continuation budget amount for those services. The Department shall report to the Joint
32 Legislative Commission on Governmental Operations prior to exceeding the
33 continuation budget amount.
34

35 Requested by: Representatives Kiser, Haire

36 **MEDIUM CUSTODY ROAD CREW COMPENSATION/COMMUNITY WORK**
37 **CREWS**

38 **SECTION 16.12.(a)** Of funds appropriated to the Department of
39 Transportation by this act, the sum of ten million dollars (\$10,000,000) per year shall be
40 transferred by the Department of Transportation to the Department of Correction during
41 the 2003-2005 biennium for the actual costs of highway-related labor performed by
42 medium-custody prisoners, as authorized by G.S. 148-26.5. This transfer shall be made
43 quarterly in the amount of two million five hundred thousand dollars (\$2,500,000). The
44 Department of Transportation may use funds appropriated by this act to pay an
45 additional amount exceeding the ten million dollars (\$10,000,000), but those payments
46 shall be subject to negotiations among the Department of Transportation, the
47 Department of Correction, and the Office of State Budget and Management prior to
48 payment by the Department of Transportation.

49 **SECTION 16.12.(b)** The Department of Correction may use up to 39 work
50 crews for Department of Transportation litter control projects. The Department of
51 Transportation shall transfer at least one million three hundred thousand dollars
52 (\$1,300,000) per year from the Highway Fund to the Department of Correction during
53 the 2003-2005 biennium to cover the cost of those work crews. Should the two
54 departments determine that the actual cost of operating 39 work crews exceeds that

1 amount, the Department of Transportation shall transfer an additional amount as agreed
2 upon by the two departments and the Office of State Budget and Management.

3
4 Requested by: Representatives Kiser, Haire

5 **ENERGY FOR COMMITTED OFFENDERS/CONTRACT AND REPORT**

6 **SECTION 16.13.** The Department of Correction may continue to contract
7 with Energy for Committed Offenders, Inc., for the purchase of prison beds for
8 minimum security female inmates during the 2003-2005 biennium. Energy for
9 Committed Offenders, Inc., shall report by February 1 of each year to the Joint
10 Legislative Commission on Governmental Operations on the annual cost per inmate and
11 the average daily inmate population compared to bed capacity using the same
12 methodology as that used by the Department of Correction. Energy for Committed
13 Offenders, Inc., shall also provide information on the rearrest rate and the
14 return-to-prison rate for inmates participating in the program who are paroled or
15 released from prison.

16
17 Requested by: Representatives Kiser, Haire

18 **ELECTRONIC MONITORING COSTS**

19 **SECTION 16.14.** The Department of Correction shall report by March 1,
20 2004, to the Chairs of the Senate and House of Representatives Appropriations
21 Committees and the Chairs of the Senate and House of Representatives Appropriations
22 Subcommittees on Justice and Public Safety on efforts to increase the use of electronic
23 monitoring of sentenced offenders in the community as an alternative to the
24 incarceration of probation violators. The report shall also document the geographical
25 distribution of electronic monitoring use compared to other intermediate sanctions.

26
27 Requested by: Representatives Kiser, Haire

28 **COLLECTION OF OFFENDER FEES**

29 **SECTION 16.15.** The Department of Correction and the Judicial
30 Department shall report by April 1, 2004, to the Chairs of the Senate and House of
31 Representatives Appropriations Committees and the Chairs of the Senate and House of
32 Representatives Appropriations Subcommittees on Justice and Public Safety on the
33 success of their efforts to improve the collection rate of offender fees for probationers
34 and for nonprobationers sentenced to community service and on any recommendations
35 for statutory or procedural changes that will improve the collection of financial
36 obligations from offenders.

37 The report shall include a comparison of the percentage of offender fees
38 collected in the most recent year compared to prior years, including the percentage of
39 offenders who were ordered to pay fees and the percentage of offenders who actually
40 paid those fees. The report shall also include the total offender fees collected, in dollars
41 and as a percentage of the fees ordered, and the fees that could have been ordered based
42 on the sentence and conditions imposed by the judge. If any of this information cannot
43 be collected, the report shall include a description of the data collection issues and a
44 plan for addressing those issues.

45
46 Requested by: Representatives Kiser, Haire

47 **CRIMINAL JUSTICE PARTNERSHIP PROGRAM**

48 **SECTION 16.16.(a)** It is the intent of the General Assembly that State
49 Criminal Justice Partnership Program funds not be used to fund case manager positions
50 when those services can be reasonably provided by Division of Community Corrections
51 personnel or by the Treatment Alternatives to Street Crime (TASC) Program in the
52 Department of Health and Human Services.

53 **SECTION 16.16.(b)** Notwithstanding the provisions of G.S. 143B-273.15
54 specifying that grants to participating counties are for the full fiscal year and that
55 unobligated funds are returned to the State-County Criminal Justice Partnership

1 Account at the end of the grant period, the Department of Correction may reallocate
2 unspent or unclaimed funds distributed to counties participating in the State-County
3 Criminal Justice Partnership Program in an effort to maintain the level of services
4 realized in previous fiscal years.

5 **SECTION 16.16.(c)** The Department of Correction may not deny funds to a
6 county to support both a residential program and a day reporting center if the
7 Department of Correction determines that the county has a demonstrated need and a
8 fully developed plan for each type of sanction.

9 **SECTION 16.16.(d)** The Department of Correction shall report by February
10 1 of each year to the Chairs of the Senate and House of Representatives Appropriations
11 Committees, the Senate and House of Representatives Appropriations Subcommittees
12 on Justice and Public Safety, and the Joint Legislative Corrections, Crime Control, and
13 Juvenile Justice Oversight Committee on the status of the State-County Criminal Justice
14 Partnership Program. The report shall include the following information:

- 15 (1) The amount of funds carried over from the prior fiscal year;
- 16 (2) The dollar amount and purpose of grants awarded to counties as
17 discretionary grants for the current fiscal year;
- 18 (3) Any counties the Department anticipates will submit requests for new
19 implementation grants;
- 20 (4) An update on efforts to ensure that all counties make use of the
21 electronic reporting system, including the number of counties
22 submitting offender participation data via the system;
- 23 (5) An analysis of offender participation data received, including data on
24 each program's utilization and capacity; and
- 25 (6) An analysis of comparable programs, prepared by the Research and
26 Planning Division of the Department of Correction, and a summary of
27 the reports prepared by county Criminal Justice Partnerships Advisory
28 Boards.

29
30 Requested by: Representatives Kiser, Haire

31 **REPORTS ON NONPROFIT PROGRAMS**

32 **SECTION 16.17.(a)** Funds appropriated in this act to the Department of
33 Correction to support the programs of Harriet's House may be used for program
34 operating costs, the purchase of equipment, and the rental of real property. Harriet's
35 House shall report by February 1 of each year to the Joint Legislative Commission on
36 Governmental Operations on the expenditure of State appropriations and on the
37 effectiveness of the program, including information on the number of clients served and
38 the number of clients who successfully complete the Harriet's House program.

39 **SECTION 16.17.(b)** Summit House shall report by February 1 of each year
40 to the Joint Legislative Commission on Governmental Operations on the expenditure of
41 State appropriations and on the effectiveness of the program, including information on
42 the number of clients served, the number of clients who have had their probation
43 revoked, and the number of clients who successfully complete the program while
44 housed at Summit House, Inc.

45 **SECTION 16.17.(c)** Women at Risk shall report by February 1 of each year
46 to the Joint Legislative Commission on Governmental Operations on the expenditure of
47 State funds and on the effectiveness of the program, including information on the
48 number of clients served, the number of clients who have had their probation revoked,
49 and the number of clients who have successfully completed the program.

50 **SECTION 16.17.(d)** The John Hyman Foundation shall report by February
51 1 of each year to the Joint Legislative Commission on Governmental Operations on the
52 expenditure of State funds and on the effectiveness of the program, including
53 information on the number of clients served, the number of clients who have had their
54 probation revoked, and the number of clients who have successfully completed the
55 program.

1
2 Requested by: Representatives Kiser, Haire

3 **REPORT ON PROBATION AND PAROLE CASELOADS**

4 **SECTION 16.18.** The Department of Correction shall report by March 1 of
5 each year to the Chairs of the Senate and House of Representatives Appropriations
6 Subcommittees on Justice and Public Safety and the Joint Legislative Corrections,
7 Crime Control, and Juvenile Justice Oversight Committee on caseload averages for
8 probation and parole officers. The report shall include:

- 9 (1) Data on current caseload averages for Probation Parole Officer I,
10 Probation Parole Officer II, and Probation Parole Officer III positions;
11 (2) An analysis of the optimal caseloads for these officer classifications;
12 and
13 (3) An assessment of the role of surveillance officers.
14

15 Requested by: Representatives Kiser, Haire

16 **COMMUNITY SERVICE WORK PROGRAM**

17 **SECTION 16.19.** The Department of Correction shall report to the Chairs of
18 the Senate and House of Representatives Appropriations Subcommittees on Justice and
19 Public Safety by May 1, 2004, on the integration of the Community Service Work
20 Program into the Division of Community Corrections, including the Department's
21 ability to monitor the collection of offender payments from unsupervised offenders
22 sentenced to community service. The Department shall also report to the Chairs of the
23 Senate and House of Representatives Appropriations Subcommittees on Justice and
24 Public Safety by May 1, 2004, and by February 1 annually beginning in 2005, on the
25 average caseloads of Community Service Work Program coordinators, by district,
26 division, and statewide. The report shall also include the money collected, the type and
27 value of the work performed, and the number of offenders in the Community Service
28 Work Program, by type of referral (i.e. parole, supervised probation, unsupervised
29 probation or community punishment, DWI, any other agency referrals).
30

31 Requested by: Representatives Kiser, Haire

32 **REPORT ON INMATES ELIGIBLE FOR PAROLE**

33 **SECTION 16.20.** The Post-Release Supervision and Parole Commission
34 shall report by January 15 and July 15 of each year to the Senate and House of
35 Representatives Appropriations Subcommittees on Justice and Public Safety and the
36 Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee
37 on inmates eligible for parole. These reports shall include at least the following:

- 38 (1) The total number of Fair Sentencing and Pre-Fair Sentencing inmates
39 that were parole-eligible during the current fiscal year and the total
40 number of those inmates that were paroled. The report should group
41 these inmates by offense type, custody classification, and type of
42 parole;
43 (2) The average time served, by offense class, of Fair Sentencing and
44 Pre-Fair Sentencing inmates compared to inmates sentenced under
45 Structured Sentencing; and
46 (3) The projected number of parole-eligible inmates to be paroled or
47 released by the end of the 2003-2004 fiscal year and by the end of the
48 2004-2005 fiscal year.
49

50 Requested by: Representatives Kiser, Haire

51 **POST-RELEASE SUPERVISION AND PAROLE COMMISSION/REPORT ON**
52 **STAFFING REORGANIZATION AND REDUCTION**

53 **SECTION 16.21.** The Post-Release Supervision and Parole Commission
54 shall report by March 1 of each year to the Chairs of the Senate and House of

1 Representatives Appropriations Subcommittees on Justice and Public Safety on an
2 updated transition plan for implementing staff reductions.

3
4 **PART XVII. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY**

5
6 Requested by: Representatives Kiser, Haire

7 **TRANSFER CJIN TO THE DEPARTMENT OF CRIME CONTROL AND**
8 **PUBLIC SAFETY**

9 **SECTION 17.1.(a)** G.S. 143-661(a) reads as rewritten:

10 "(a) The Criminal Justice Information Network Governing Board is established
11 within the Department of ~~Justice, State Bureau of Investigation,~~ Crime Control and
12 Public Safety, to operate the State's Criminal Justice Information Network, the purpose
13 of which shall be to provide the governmental and technical information systems
14 infrastructure necessary for accomplishing State and local governmental public safety
15 and justice functions in the most effective manner by appropriately and efficiently
16 sharing criminal justice and juvenile justice information among law enforcement,
17 judicial, and corrections agencies. The Board is established within the Department of
18 ~~Justice, State Bureau of Investigation,~~ Crime Control and Public Safety, for
19 organizational and budgetary purposes only and the Board shall exercise all of its
20 statutory powers in this Article independent of control by the Department of
21 ~~Justice, Crime Control and Public Safety.~~"

22 **SECTION 17.1.(b)** G.S. 143-664(b) reads as rewritten:

23 "(b) Pending permanent staffing, the Department shall provide the Board with
24 professional and clerical staff and any additional support the Board needs to fulfill its
25 mandate. The Board may meet in an area provided by the Department of ~~Justice, Crime~~
26 Control and Public Safety and the Board's staff shall use space provided by the
27 Department."

28 **SECTION 17.1.(c)** The Criminal Justice Information Network as provided
29 in Article 69 of Chapter 143 of the General Statutes is hereby transferred by a Type II
30 transfer, as defined in G.S. 143A-6, to the Department of Crime Control and Public
31 Safety.

32
33 Requested by: Representatives Kiser, Haire

34 **THE JUVENILE JUSTICE INFORMATION SYSTEM**

35 **SECTION 17.2.(a)** G.S. 143B-516(13) reads as rewritten:

36 "(13) ~~Assist the Criminal Justice Information Network Governing Board~~
37 ~~with administering~~ Develop and administer a comprehensive juvenile
38 justice information system to collect data and information about
39 delinquent juveniles for the purpose of developing treatment and
40 intervention plans and allowing reliable assessment and evaluation of
41 the effectiveness of rehabilitative and preventive services provided to
42 delinquent juveniles."

43 **SECTION 17.2.(b)** G.S. 143-663(a)(1) reads as rewritten:

44 "(1) To establish and operate the Network as an integrated system of State
45 and local government components for effectively and efficiently
46 storing, communicating, and using criminal justice information at the
47 State and local levels throughout North Carolina's law enforcement,
48 judicial, juvenile justice, and corrections agencies, with the
49 components of the Network to include electronic devices, programs,
50 data, and governance and to set the Network's policies and
51 procedures."

52
53 Requested by: Representatives Kiser, Haire

54 **ANNUAL EVALUATION OF THE TARHEEL CHALLENGE PROGRAM**

1 **SECTION 17.3.** The Department of Crime Control and Public Safety shall
2 report to the Chairs of the House of Representatives and Senate Appropriations
3 Committees and the Chairs of the House of Representatives and Senate Appropriations
4 Subcommittees on Justice and Public Safety by April 1 of each year on the operations
5 and effectiveness of the National Guard Tarheel Challenge Program. The report should
6 evaluate the program's effectiveness as an intervention method for preventing juveniles
7 from becoming undisciplined or delinquent. The report shall also evaluate the
8 Program's role in improving individual skills and employment potential for participants
9 and shall include:

- 10 (1) The source of referrals for individuals participating in the Program;
- 11 (2) The summary of types of actions or offenses committed by the
12 participants of the Program;
- 13 (3) An analysis outlining the cost of providing services for each
14 participant, including a breakdown of all expenditures related to the
15 administration and operation of the Program and the education and
16 treatment of the Program participants;
- 17 (4) The number of individuals who successfully complete the Program;
18 and
- 19 (5) The number of participants who commit offenses after completing the
20 Program.

21
22 Requested by: Representatives Kiser, Haire

23 **LEGISLATIVE REVIEW OF DRUG LAW ENFORCEMENT AND OTHER** 24 **GRANTS**

25 **SECTION 17.4.(a)** Section 1303(4) of the Omnibus Crime Control and Safe
26 Streets Act of 1968 provides that the State application for Drug Law Enforcement
27 Grants is subject to review by the State legislature or its designated body. Therefore, the
28 Governor's Crime Commission of the Department of Crime Control and Public Safety
29 shall report on the State application for grants under the State and Local Law
30 Enforcement Assistance Act of 1986, Part M of the Omnibus Crime Control and Safe
31 Streets Act of 1968 as enacted by Subtitle K of P.L. 99-570, the Anti-Drug Abuse Act
32 of 1986, to the Senate and House of Representatives Appropriations Subcommittees on
33 Justice and Public Safety when the General Assembly is in session. When the General
34 Assembly is not in session, the Governor's Crime Commission shall report on the State
35 application to the Joint Legislative Commission on Governmental Operations.

36 **SECTION 17.4.(b)** Unless a State statute provides a different forum for
37 review, when a federal law or regulation provides that an individual State application
38 for a grant shall be reviewed by the State legislature or its designated body and at the
39 time of the review the General Assembly is not in session, that application shall be
40 reviewed by the Joint Legislative Commission on Governmental Operations.

41
42 Requested by: Representatives Kiser, Haire

43 **VICTIMS ASSISTANCE NETWORK REPORT**

44 **SECTION 17.5.** The Department of Crime Control and Public Safety shall
45 report on the expenditure of funds allocated pursuant to this section for the Victims
46 Assistance Network. The Department shall also report on the Network's efforts to
47 gather data on crime victims and their needs, act as a clearinghouse for crime victims'
48 services, provide an automated crime victims' bulletin board for subscribers, coordinate
49 and support activities of other crime victims' advocacy groups, identify the training
50 needs of crime victims' services providers and criminal justice personnel, and
51 coordinate training for these personnel. The Department shall submit its report to the
52 Chairs of the Appropriations Subcommittees on Justice and Public Safety of the Senate
53 and House of Representatives by December 1 of each year of the biennium.

54 **PART XVIII. DEPARTMENT OF ADMINISTRATION** 55

1
2 Requested by: Representatives Jeffus, Walend
3 **AGENCIES TO USE MAIL SERVICE CENTER**

4 **SECTION 18.1.** G.S. 143-341(8)g. reads as rewritten:

5 **"§ 143-341. Powers and duties of Department.**

6 The Department of Administration has the following powers and duties:

7
8 **(8)** General Services:

9 **g.**

10 To establish and operate a ~~central mailing system~~ mail service
11 center for that shall be used by all State agencies, agencies other
12 than the Employment Security Commission, and in connection
13 therewith and in the discretion of the Secretary, to make
14 application for and procure a post office substation for that
15 purpose, and to do all things necessary in connection with the
16 maintenance of the central mailing system. mail service center.
17 The Secretary ~~may~~ shall allocate and charge against the
18 respective departments and agencies their proportionate parts of
19 the cost of the maintenance of the ~~central mailing system.~~ mail
20 service center. The Secretary shall develop a plan for the
21 efficient operation of the center that meets the needs of State
22 agencies and ensures timely delivery of mail, ~~and shall present~~
23 ~~that plan to the Office of State Budget and Management and the~~
24 ~~General Assembly no later than the convening date of the 2003~~
25 ~~General Assembly.~~ mail.

26
27 Requested by: Representatives Jeffus, Walend

28 **STUDY OF ADVOCACY PROGRAMS IN THE DEPARTMENT OF**
29 **ADMINISTRATION**

30 **SECTION 18.2.** The Secretary of the Department of Administration, in
31 collaboration with appropriate entities which concentrate on public policy and business
32 management, shall study the functions of the advocacy programs that are housed in the
33 Department of Administration to determine the appropriate organizational placement of
34 the programs within State government. The study shall also consider whether the
35 functions of the programs could be more efficiently and effectively performed by an
36 appropriate nonprofit organization. The Secretary shall report the findings and
37 recommendations to the Joint Legislative Commission on Governmental Operations and
38 to the Chairs of the Senate and House of Representatives Appropriations Committees by
39 May 1, 2004.

40
41 **PART XIX. OFFICE OF THE STATE AUDITOR**

42
43 Requested by: Representatives Jeffus, Walend

44 **SMART START AUDITS**

45 **SECTION 19.1.** G.S. 143B-168.14(b) reads as rewritten:

46 "(b) Each local partnership shall be subject to audit and review by the State
47 Auditor under Article 5A of Chapter 147 of the General Statutes. The State Auditor
48 shall conduct annual financial and compliance audits of ~~the~~ local
49 partnerships. partnerships that are rated "needs improvement" in performance
50 assessments authorized in G.S. 143B-168.12(a)(7). Local partnerships that are rated
51 "superior" or "satisfactory" in performance assessments authorized in G.S. 143B-
52 168.12(a)(7) shall undergo biennial financial and compliance audits by the State
53 Auditor."

54
55 **PART XX. OFFICE OF THE GOVERNOR**

1
2 Requested by: Representatives Jeffus, Walend

3 **HOUSING FINANCE AGENCY HOME MATCHING FUNDS**

4 **SECTION 20.1.(a)** Funds appropriated in this act to the Housing Finance
5 Agency for the federal HOME Program shall be used to match federal funds
6 appropriated for the HOME Program. In allocating State funds appropriated to match
7 federal HOME Program funds, the Agency shall give priority to HOME Program
8 projects, as follows:

- 9 (1) First priority to projects that are located in counties designated as Tier
10 One, Tier Two, or Tier Three Enterprise Counties under G.S.
11 105-129.3; and
12 (2) Second priority to projects that benefit persons and families whose
13 incomes are fifty percent (50%) or less of the median family income
14 for the local area, with adjustments for family size, according to the
15 latest figures available from the United States Department of Housing
16 and Urban Development.

17 The Housing Finance Agency shall report to the Joint Legislative
18 Commission on Governmental Operations by April 1 of each year concerning the status
19 of the HOME Program and shall include in the report information on priorities met,
20 types of activities funded, and types of activities not funded.

21 **SECTION 20.1.(b)** If the United States Congress changes the HOME
22 Program such that matching funds are not required for a given program year, then the
23 Agency shall not spend the matching funds appropriated under this act for that program
24 year.

25 **SECTION 20.1.(c)** Funds appropriated in this act to match federal HOME
26 Program funds shall not revert to the General Fund on June 30, 2004, or on June 30,
27 2005.

28
29 **PART XXI. INFORMATION TECHNOLOGY**

30
31 Requested by: Representatives Jeffus, Walend

32 **ITS BUDGET STRUCTURE REVIEW/REPORT**

33 **SECTION 21.1.(a)** The Office of Information Technology Services shall
34 analyze the State's legacy information technology systems and develop a plan to
35 ascertain the needs, costs, and time frame required for State agencies to progress to
36 more modern information technology systems. In conducting this legacy system
37 assessment and analysis, the Office shall:

- 38 (1) Examine the hierarchical structure and interrelated relationships within
39 and between State agency legacy systems.
40 (2) Catalog and analyze the portfolio of legacy applications in use in State
41 agencies and consider the extent to which new applications could be
42 used concurrently with, or should replace, legacy systems.
43 (3) Consider issues related to migration from legacy environments to
44 Internet-based and client/server environments and related to the
45 availability of programmers and other information technology
46 professionals with the skills to migrate legacy applications to other
47 environments.
48 (4) Study any other issue relative to the assessment of legacy information
49 technology systems in State agencies, except that the analysis shall not
50 include matters within the purview of the studies authorized in S.L.
51 2001-491 or S.L. 2002-126.

52 State departments, agencies, and institutions shall give to ITS all information and all
53 data within their possession, or ascertainable from their records, that ITS deems
54 necessary to carry out the analysis.

1 By March 1, 2004, the Office shall complete the analysis and shall make a
2 report of the assessment to the Information Resources Management Commission, the
3 Joint Legislative Commission on Governmental Operations, and the Joint Select
4 Committee on Information Technology.

5 **SECTION 21.1.(b)** The Office of State Budget and Management shall
6 conduct a study of information technology (IT) expenditures across all of State
7 government, with focused attention to identification and elimination of duplicative IT
8 expenditures, operations, and inventory, to identify and recommend potential cost
9 savings and efficiencies in State agency IT operations. In this study, OSBM should
10 address the following questions:

- 11 (1) Is State government's IT budgeting and organizational structure the
12 most efficient approach?
- 13 (2) What alternative IT budgeting and organizational structures could help
14 North Carolina realize cost savings?

15 OSBM is also directed to work in conjunction with the Office of Information
16 Technology Services (ITS) and the Information Resource Management Commission
17 (IRMC) to study the ITS and IRMC budget structures, and, in addition to
18 recommending efficiencies, OSBM, ITS, and the IRMC shall develop a plan to propose
19 how the ITS and IRMC budgets should be transitioned to General Fund agency
20 supported operations. By April 1, 2004, OSBM shall make reports on these matters to
21 the Joint Legislative Commission on Governmental Operations, the Chairs of the Joint
22 Appropriations Subcommittee on General Government, and the Fiscal Research
23 Division.

24 **PART XXII. DEPARTMENT OF INSURANCE**

25
26
27 Requested by: Representatives Jeffus, Walend

28 **INSURANCE FUND TRANSFER TO GENERAL FUND**

29 **SECTION 22.1.** The Commissioner of Insurance shall transfer funds
30 quarterly from the Department of Insurance Fund to the General Fund to repay the funds
31 appropriated to the Department of Insurance from the General Fund for each fiscal year,
32 plus accrued interest at a rate determined by the State Treasurer.
33

34 **PART XXIII. DEPARTMENT OF REVENUE**

35
36 Requested by: Representatives Jeffus, Walend

37 **DOR TAXPAYER TELECOMMUNICATIONS SERVICE**

38 **SECTION 23.1.** Section 22.6 of S.L. 2002-126 reads as rewritten:

39 **"SECTION 22.6.(a)** The Department of Revenue may draw up to seven million
40 eight hundred forty thousand five hundred thirteen dollars (\$7,840,513) through June
41 30, ~~2004, 2005,~~ from the collection assistance fee account created in G.S. 105-243.1
42 in order to pay for the costs of establishing and equipping a central taxpayer
43 telecommunications service center for collections and assistance and for the costs
44 associated with aligning local field offices with the new center.

45 ~~**"SECTION 22.6.(b)** The Secretary of Revenue shall consult with the Joint
46 Legislative Commission on Governmental Operations on a detailed plan with proposed
47 costs before any funds may be expended for these purposes. This plan must be
48 presented by October 31, 2002.~~

49 **"SECTION 22.6.(c)** Beginning January 1, 2003, and ending on the second quarter
50 following completion of the projects described in subsection (a) of this section, the
51 Department of Revenue must report quarterly to the Joint Legislative Commission on
52 Governmental Operations on the use of the funds and the progress of establishing the
53 new center."
54

55 Requested by: Representatives Jeffus, Walend

CERTAIN DOR POSITIONS FEE-SUPPORTED

SECTION 23.2. Of the funds in the collection assistance fee account created in G.S. 105-243.1, the Department of Revenue may use up to five hundred thirty-one thousand five hundred twelve dollars (\$531,512) in each year of the 2003-2005 fiscal biennium for salary and related fringe benefits for the following positions formerly supported from the General Fund:

- Position No. 4784-0000-0076-621 - Revenue Officer II
- Position No. 4784-0000-0076-622 - Revenue Officer II
- Position No. 4784-0000-0076-636 - Revenue Officer I
- Position No. 4784-0000-0076-637 - Revenue Officer I
- Position No. 4784-0000-0076-638 - Revenue Officer I
- Position No. 4784-0000-0076-639 - Revenue Officer I
- Position No. 4784-0000-0076-640 - Revenue Officer I
- Position No. 4784-0000-0076-641 - Revenue Officer I
- Position No. 4784-0000-0076-642 - Revenue Officer I
- Position No. 4784-0000-0076-643 - Revenue Officer I
- Position No. 4784-0000-0076-644 - Revenue Officer I
- Position No. 4784-0000-0076-645 - Revenue Officer I
- Position No. 4784-0000-0076-647 - Revenue Officer I

PART XXIV. SECRETARY OF STATE

Requested by: Representatives Jeffus, Walend

TRANSFER CONSULTATION REQUIREMENT UNDER BUSINESS LICENSE INFORMATION OFFICE TO SMALL BUSINESS CENTERS

SECTION 24.1.(a) The Department of the Secretary of State (Department) and the North Carolina Community College System (System) shall develop and implement a plan to transfer the consultation function of the Business License Information Office (BLIO) in the Department to the Small Business Centers that are located within each of the community colleges in the System. The plan shall provide for the following:

- (1) Establishment of a Statewide Coordinator position who will develop and maintain a web-based master application system of all State licensing and regulatory requirements.
- (2) Development and ongoing maintenance of a web-based master application system of all State licensing and regulatory requirements.
- (3) Training for the Directors of the Small Business Centers.
- (4) Phase-out of the BLIO consultant positions.

SECTION 24.1.(b) The Department shall use funds appropriated for the 2003-2004 fiscal year for the Business License Information Office (Fund 1240) in Budget Code 13200 to develop the web-based master application and for training.

SECTION 24.1.(c) The Department and the System shall present their plan to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Appropriations Committees of the Senate and the House of Representatives by October 1, 2003. After presenting the plan, the Department and the System shall report on the implementation of the plan to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Appropriations Committees of the Senate and the House of Representatives on a quarterly basis. The plan shall be fully implemented by June 30, 2004.

Requested by: Representatives Jeffus, Walend

PUBLICATION OF NORTH CAROLINA MANUAL

SECTION 24.2. The Department of the Secretary of State shall support the publication of the North Carolina Manual with receipts from sales of the manual when

1 budgeting for the 2005-2007 biennium. The Department shall consider the feasibility of
2 providing the manual by Internet.

3
4 **PART XXV. STATE BOARD OF ELECTIONS**

5
6 Requested by: Representatives Jeffus, Walend

7 **HELP AMERICA VOTE ACT MATCHING FUNDS**

8 **SECTION 25.1.(a)** Of the funds appropriated to the State Board of Elections
9 for the 2003-2004 fiscal year by Section 2.1 of this act:

- 10 (1) The sum of \$1,791,936 is transferred to a Reserve Fund to meet the
11 Maintenance of Effort requirements of section 254(a)(7) of the Help
12 America Vote Act, Public Law 107-252.
- 13 (2) The sum of \$1,665,650 currently appropriated to Fund 1100
14 Administration for the SEIMS RCC is transferred to a Reserve Fund
15 for the State Board of Elections.
- 16 (3) The sum of \$2,524,400 is transferred to the Election Fund to meet the
17 five percent (5%) matching requirement of Title II Help America Vote
18 Act, Public Law 107-252. It is estimated that the amount needed for
19 the 2003-2004 fiscal year will be \$1,130,000. The funds shall be
20 available only for matching federal funds under HAVA for the
21 2003-2004, 2004-2005, and 2005-2006 fiscal years. The money shall
22 only be expended as federal funds are available to match, and if the
23 amount available to the State is less than projected, the unexpended
24 remainder of the \$2,524,400 shall revert to the General Fund on the
25 earlier of:
- 26 a. June 30, 2006; or
27 b. A determination by the Office of State Budget and Management
28 that the unexpended remainder will not be needed.

29 **SECTION 25.1.(b)** The 107th Congress established the Help America Vote
30 Act (HAVA) as Public Law 107-252 establishing a program to assist in the
31 administration of Federal elections and provide assistance with the administration of
32 certain Federal elections laws and programs; establish minimum election administration
33 standards for States and units of local government with the responsibility for the
34 administration of Federal elections. In HAVA, Congress authorized appropriations for
35 elections assistance in the form of a matching grant program (Title II of HAVA,
36 Requirements Payments) for which states are required as one condition of the Election
37 Assistance Requirements Payments to match federal allocations with a five percent
38 (5%) match of State dollars. The federal government has additional requirements,
39 including a required state plan and a stipulation for each participating state to implement
40 the Maintenance of Effort (MOE) requirements of Title II, section 254(a)(7) of HAVA.
41 The MOE requires that the state maintain the expenditures of the state for activities
42 funded by the payment at a level that is not less than the level of such expenditures
43 maintained by the state for the fiscal year ending prior to November 2000. Congress
44 authorized up to \$1.4 billion for Requirements Payments, and \$810 million for Title II
45 requirements grants was funded for fiscal year 2003. Title II requirements funding has
46 not been passed by Congress for fiscal years 2004-2005 and 2005-2006 but is currently
47 proposed at \$500 million for each year.

48 Based upon the 2003 approved funding, it is estimated that North Carolina
49 will receive \$22.6 million of the Title II funding if North Carolina meets all the
50 conditions of the Election Assistance program, including not only the five percent (5%)
51 state match but also maintenance of its expenditure level on HAVA activities at the
52 expense level the State Board of Elections had in State fiscal year 1999-2000. Actual
53 expenditures for the State Elections Information Management System (SEIMS), which
54 is a qualified HAVA activity, in 1999-2000 was three million four hundred fifty-seven
55 thousand five hundred eighty-five dollars and six cents (\$3,457,585.06). The authorized

1 expenditures on SEIMS in 2002-2003 by the State Board of Elections is one million six
2 hundred sixty-five thousand six hundred fifty dollars (\$1,665,650). The difference in
3 expenditure levels is one million seven hundred ninety-one thousand nine hundred
4 thirty-five dollars and six cents (\$1,791,935.06). To meet HAVA's Title II MOE
5 requirement, North Carolina has to appropriate from its General Fund to a Reserve on a
6 recurring basis (or for as long as Congress requires the MOE as a condition of states'
7 being eligible to receive Requirements Payments), the amount of three million four
8 hundred fifty-seven thousand five hundred eighty-five dollars and six cents
9 (\$3,457,585.06) annually.

10 For the State to meet its obligatory five percent (5%) match for HAVA's Title
11 II Requirements Payment, North Carolina has to match twenty-two million six hundred
12 thousand dollars (\$22,600,000) estimated federal funds in 2003-2004; thirteen million
13 nine hundred forty-four thousand dollars (\$13,944,000) estimated federal funds in both
14 2004-2005 and 2005-2006. The State's match is one million one hundred thirty thousand
15 dollars (\$1,130,000) in 2003-2004; six hundred ninety-seven thousand two hundred
16 dollars (\$697,200) in 2004-2005 and six hundred ninety-seven thousand two hundred
17 dollars (\$697,200) in 2005-2006. The nonrecurring match total required from the
18 General Fund is two million five hundred twenty-four thousand four hundred dollars
19 (\$2,524,400).

20 **SECTION 25.1.(c)** There is established a special fund to be known as the
21 Election Fund. All funds received for implementation of the Help America Vote Act of
22 2002, Public Law 107-252, shall be deposited in that fund. The State Board of Elections
23 shall use funds in the Election Fund only to implement HAVA.

24 **SECTION 25.1.(d)** G.S. 147-69.2(a) is amended by adding a new
25 subdivision to read:

26 "(17d) The Election Fund."

27 **SECTION 25.1.(e)** Subsections (c) and (d) of this section are effective when
28 this act becomes law.

30 PART XXVI. OFFICE OF STATE BUDGET AND MANAGEMENT

31
32 Requested by: Representatives Jeffus, Walend

33 NC HUMANITIES COUNCIL

34 **SECTION 26.1.** The North Carolina Humanities Council shall:

- 35 (1) By January 15, 2004, and more frequently as requested, report to the
36 Joint Legislative Commission on Governmental Operations and the
37 Fiscal Research Division the following information:
38 a. State fiscal year 2002-2003 program activities, objectives, and
39 accomplishments;
40 b. State fiscal year 2002-2003 itemized expenditures and fund
41 sources;
42 c. State fiscal year 2003-2004 planned activities, objectives, and
43 accomplishments including actual results through December 31,
44 2003; and
45 d. State fiscal year 2003-2004 estimated itemized expenditures
46 and fund sources including actual expenditures and fund
47 sources through December 31, 2003.
48 (2) Provide to the Fiscal Research Division a copy of the organization's
49 annual audited financial statement within 30 days of issuance of the
50 statement.

52 PART XXVII. OFFICE OF THE STATE CONTROLLER

53
54 Requested by: Representatives Jeffus, Walend

55 OVERPAYMENTS AUDIT

1 **SECTION 27.1.(a)** During the 2003-2004 fiscal year, receipts generated by
2 the collection of inadvertent overpayments by State agencies to vendors as a result of
3 pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed
4 refunds, erroneously paid excise taxes, and related errors as required by G.S.
5 147-86.22(c) are to be deposited in the Special Reserve Account 24172.

6 **SECTION 27.1.(b)** For the 2003-2004 fiscal year, two hundred thousand
7 dollars (\$200,000) of the funds transferred from the Special Reserve Account 24172
8 shall be used by the Office of the State Controller for data processing, debt collection,
9 or e-commerce costs.

10 **SECTION 27.1.(c)** All funds available in the Special Reserve Account
11 24172 on July 1, 2003, are transferred to the General Fund on that date.

12 **SECTION 27.1.(d)** Any unobligated funds in the Special Reserve Account
13 24172 that are realized above the allowance in subsection (b) of this section are subject
14 to appropriation by the General Assembly in the 2004 Regular Session of the 2003
15 General Assembly.

16 **SECTION 27.1.(e)** The State Controller shall report quarterly to the Joint
17 Legislative Commission on Governmental Operations and the Fiscal Research Division
18 on the revenue deposited into the Special Reserve Account and the disbursement of that
19 revenue.

20 21 **PART XXVIII. DEPARTMENT OF THE STATE TREASURER**

22
23 Requested by: Representatives Jeffus, Walend

24 **AMENDING FUNDING FOR RETIREMENT AND ESCHEAT OPERATIONS**

25 **SECTION 28.1.(a)** G.S. 116B-6(h) reads as rewritten:

26 "(h) Expenditures. – The Treasurer may expend the funds in the Escheat Fund,
27 other than funds in the Escheat Account, for the payment of claims for refunds to
28 owners, holders and claimants under G.S. 116B-4; for the payment of costs of
29 maintenance and upkeep of abandoned or escheated property; costs of preparing lists of
30 names of owners of abandoned property to be furnished to clerks of superior court; costs
31 of notice and publication; costs of appraisals; fees of persons employed pursuant to G.S.
32 116B-8 costs involved in determining whether a decedent died without heirs; costs of a
33 title search of real property that has escheated; and costs of auction or sale under this
34 Chapter. All other costs, including salaries of personnel, necessary to carry out the
35 duties of the Treasurer under this Chapter, shall be ~~appropriated from the funds of the~~
36 ~~Escheat Fund pursuant to the provisions of Article 1, Chapter 143 of the General~~
37 ~~Statutes covered by an appropriation to the State Treasurer for this purpose in the~~
38 Current Appropriations Act. The Escheat Fund shall deposit as nontax revenue to the
39 General Fund the amount appropriated from the General Fund to cover the cost of the
40 administration, management, and operations of the Escheats program."

41 **SECTION 28.1.(b)** G.S. 135-6(g) reads as rewritten:

42 "(g) Officers and Other Employees; Salaries and Expenses. – The State Treasurer
43 shall be ex officio chairman of the Board of Trustees. The Board of Trustees shall, by a
44 majority vote of all the members, appoint a director, who may be, but need not be, one
45 of its members. The salary of the director of the Retirement System is subject to the
46 provisions of Chapter 126 of the General Statutes of North Carolina. The Board of
47 Trustees shall engage such actuarial and other service as shall be required to transact the
48 business of the Retirement System. The compensation of all persons, other than the
49 director, engaged by the Board of Trustees, and all other expenses of the Board
50 necessary for the operation of the Retirement System, shall be paid at such rates and in
51 such amounts as the Board of Trustees shall approve, subject to the approval of the
52 Director of the Budget. The cost of the administration, management, and operation of
53 the Retirement System shall be covered by an appropriation to the State Treasurer in the
54 Current Appropriations Act. The Retirement System shall deposit its apportioned share
55 of the cost to the General Fund as nontax revenue."

1 **SECTION 28.1.(c)** G.S. 128-28(h) reads as rewritten:

2 "(h) Officers and Other Employees, Salaries and Expenses. – The Board of
3 Trustees shall elect from its membership a chairman, and shall, by a majority vote of all
4 the members, appoint a director, who may be, but need not be, one of its members. The
5 Board of Trustees shall engage such actuarial and other service as shall be required to
6 transact the business of the Retirement System. The compensation of all persons
7 engaged by the Board of Trustees, and all other expenses of the Board necessary for the
8 operation of the Retirement System, shall be paid at such rates and in such amounts as
9 the Board of Trustees shall approve. The cost of the administration, management, and
10 operation of the Retirement System shall be covered by an appropriation to the State
11 Treasurer in the Current Appropriations Act. The Retirement System shall deposit its
12 apportioned share of the cost to the General Fund as nontax revenue."

13 **SECTION 28.1.(d)** Subsections (a) through (c) of this section become
14 effective July 1, 2003.

15
16 Requested by: Representatives Jeffus, Walend

17 **STATE TREASURER SUBJECT TO EXECUTIVE BUDGET ACT**

18 **SECTION 28.2.(a)** G.S. 147-68(e) reads as rewritten:

19 "(e) The State ~~Treasurer~~ Treasurer, in carrying out the responsibilities of this
20 section, shall except as provided in G.S. 143-25 be independent of any fiscal control
21 exercise by the Director of the Budget or the Department of Administration and shall be
22 responsible to the Advisory Budget Commission, the General Assembly and the people
23 of North Carolina for the efficient and faithful exercise of the responsibilities of his
24 office. The State Treasurer, for all other purposes, is subject to Article 1 of Chapter 143
25 of the General Statutes."

26 **SECTION 28.2.(b)** Subsection (a) of this section becomes effective July 1,
27 2003.

28
29 **PART XXIX. DEPARTMENT OF TRANSPORTATION**

30
31 Requested by: Representatives Cole, Gillespie

32 **CASH-FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND**
33 **APPROPRIATIONS**

34 **SECTION 29.1.(a).** The General Assembly authorizes and certifies
35 anticipated revenues of the Highway Fund as follows:

36 For Fiscal Year 2005-2006	\$1,409.2 Million
37 For Fiscal Year 2006-2007	\$1,458.9 Million
38 For Fiscal Year 2007-2008	\$1,509.4 Million
39 For Fiscal Year 2008-2009	\$1,558.8 Million

40 **SECTION 29.1.(b)** The General Assembly authorizes and certifies
41 anticipated revenues of the Highway Trust Fund as follows:

42 For Fiscal Year 2005-2006	\$1,096.3 Million
43 For Fiscal Year 2006-2007	\$1,148.0 Million
44 For Fiscal Year 2007-2008	\$1,202.6 Million
45 For Fiscal Year 2008-2009	\$1,252.4 Million

46
47 Requested by: Representatives Cole, Gillespie

48 **SMALL URBAN CONTINGENCY FUNDS**

49 **SECTION 29.2.** Of the funds appropriated in this act to the Department of
50 Transportation:

- 51 (1) Fourteen million dollars (\$14,000,000) shall be allocated in each fiscal
52 year for small urban construction projects. These funds shall be
53 allocated equally in each fiscal year of the biennium among the 14
54 Highway Divisions for the small urban construction program for small

1 construction projects that are located within the area covered by a
2 one-mile radius of the municipal corporate limits.

- 3 (2) Ten million dollars (\$10,000,000) in fiscal year 2003-2004 and ten
4 million dollars (\$10,000,000) in fiscal year 2004-2005 shall be used
5 statewide for rural or small urban highway improvements and related
6 transportation enhancements to public roads and public facilities,
7 industrial access roads, and spot safety projects as approved by the
8 Secretary of Transportation.

9 None of these funds used for rural secondary road construction are subject to
10 the county allocation formulas in G.S. 136-44.5(b) and (c).

11 These funds are not subject to G.S. 136-44.7.

12 The Department of Transportation shall report to the members of the General
13 Assembly on projects funded pursuant to this section in each member's district prior to
14 the Board of Transportation's action. The Department shall make a quarterly
15 comprehensive report on the use of these funds to the Joint Legislative Transportation
16 Oversight Committee and the Fiscal Research Division.

17
18 Requested by: Representatives Cole, Gillespie

19 **DEPARTMENT OF TRANSPORTATION PRODUCTIVITY PILOT**
20 **PROGRAMS**

21 **SECTION 29.3.** The Department of Transportation may establish two pilot
22 programs to test incentive pay for employees as a means for increasing efficiency and
23 productivity.

24 One of the pilot programs shall involve the highway resurfacing program
25 using road oil. Up to one-fourth of one percent (0.25%) of the budget allocation for this
26 program may be used to provide employee incentive payments.

27 The other pilot project may be selected by the Department of Transportation,
28 and up to twenty-five thousand dollars (\$25,000) may be used from existing budgets for
29 incentives.

30 Incentive payments shall be based on quantifiable measures and production
31 schedules determined prior to the implementation of the pilot programs that shall last no
32 more than two years.

33 The Department of Transportation shall report to the Joint Legislative
34 Transportation Oversight Committee on the pilot programs at least 30 days prior to their
35 implementation.

36
37 Requested by: Representatives Cole, Gillespie

38 **REDUCE HIGHWAY TRUST FUND ADMINISTRATION ALLOCATION**

39 **SECTION 29.4.** G.S. 136-176(b) reads as rewritten:

40 "(b) Funds in the Trust Fund are annually appropriated to the Department of
41 Transportation to be allocated and used as provided in this subsection. A sum, not to
42 exceed ~~four and one half percent (4.5%)~~ three and eight-tenths percent (3.8%) of the
43 amount of revenue deposited in the Trust Fund under subdivisions (a)(1), (2), and (3) of
44 this section, may be used each fiscal year by the Department for expenses to administer
45 the Trust Fund. Operation and project development costs of the North Carolina
46 Turnpike Authority are eligible administrative expenses under this subsection. Any
47 funds allocated to the Authority pursuant to this subsection shall be repaid by the
48 Authority from its toll revenue as soon as possible, subject to any restrictions included
49 in the agreements entered into by the Authority in connection with the issuance of the
50 Authority's revenue bonds. Beginning one year after the Authority begins collecting
51 tolls on a completed Turnpike Project, interest shall accrue on any unpaid balance owed
52 to the Highway Trust Fund at a rate equal to the State Treasurer's average annual yield
53 on its investment of Highway Trust Fund funds pursuant to G.S. 147-6.1. Interest
54 earned on the unpaid balance shall be deposited in the Highway Trust Fund upon

1 repayment. The rest of the funds in the Trust Fund shall be allocated and used as
2 follows:

- 3 (1) Sixty-one and ninety-five hundredths percent (61.95%) to plan, design,
4 and construct the projects of the Intrastate System described in G.S.
5 136-179 and to pay debt service on highway bonds and notes that are
6 issued under the State Highway Bond Act of 1996 and whose proceeds
7 are applied to these projects.
8 (2) Twenty-five and five hundredths percent (25.05%) to plan, design, and
9 construct the urban loops described in G.S. 136-180 and to pay debt
10 service on highway bonds and notes that are issued under the State
11 Highway Bond Act of 1996 and whose proceeds are applied to these
12 urban loops.
13 (3) Six and one-half percent (6.5%) to supplement the appropriation to
14 cities for city streets under G.S. 136-181.
15 (4) Six and one-half percent (6.5%) for secondary road construction as
16 provided in G.S. 136-182 and to pay debt service on highway bonds
17 and notes that are issued under the State Highway Bond Act of 1996
18 and whose proceeds are applied to secondary road construction.

19 The Department must administer funds allocated under subdivisions (1), (2), and (4)
20 of this subsection in a manner that ensures that sufficient funds are available to make
21 the debt service payments on bonds issued under the State Highway Bond Act of 1996
22 as they become due."
23

24 Requested by: Representatives Cole, Gillespie

25 **USE OF EXCESS OVERWEIGHT/OVERSIZE FUNDS**

26 **SECTION 29.5.** Funds generated by overweight/oversize permit fees in
27 excess of the cost of administering the program, as determined pursuant to G.S.
28 20-119(e), shall be used for highway and bridge maintenance required as a result of
29 damages caused from overweight/oversize loads.
30

31 Requested by: Representatives Cole, Gillespie

32 **ENVIRONMENTAL PERMITS ON DEPARTMENT OF TRANSPORTATION** 33 **CONSTRUCTION PROJECTS**

34 **SECTION 29.6.** Chapter 136 of the General Statutes is amended by adding a
35 new section to read:

36 **"§ 136-44.7B. Permit issuance by Department of Environment and Natural** 37 **Resources transportation construction projects.**

38 (a) Once the Department of Environment and Natural Resources or any agency
39 within the Department of Environment and Natural Resources has received a complete
40 application for a permit that is required for a transportation construction project to be
41 undertaken by or on behalf of the Department of Transportation, the Department of
42 Environment and Natural Resources shall expedite the review of the application and
43 shall issue or deny the permit within 90 days of receipt of the submission. All permits
44 not denied within that time limit shall be deemed approved. The Secretary of
45 Environment and Natural Resources and the Secretary of Transportation shall jointly
46 decide any question as to whether an application for a permit is complete. If the
47 Secretary of Environment and Natural Resources and the Secretary of Transportation
48 are unable to jointly decide any question, the Governor shall decide the question.

49 (b) Once the Department of Environment and Natural Resources or any agency
50 within the Department of Environment and Natural Resources has issued a permit that is
51 required for a transportation construction project to be undertaken by or on behalf of the
52 Department of Transportation, that permit shall remain in effect until the project is
53 completed. The permit shall not expire and shall not be modified or canceled for any
54 reason, including a subsequent change in federal law or regulations or in State law or
55 rules, unless at least one of the following occurs:

- 1 (1) The modification or cancellation is requested by the Department of
2 Transportation.
- 3 (2) The modification or cancellation is clearly required by a change in
4 federal law or regulations and a failure to modify or cancel the permit
5 by the Department of Environment and Natural Resources would result
6 in a loss of federal program delegation or a significant reduction in the
7 availability of federal funds to the Department of Environment and
8 Natural Resources or to the Department of Transportation.
- 9 (3) The modification or cancellation is clearly required by a change in
10 State law as a result of an act of the General Assembly that includes a
11 statement that the General Assembly specifically intends the change in
12 State law to apply to ongoing transportation construction projects.
- 13 (4) The modification or cancellation is ordered by a court of competent
14 jurisdiction.
- 15 (5) The nature or scope of the transportation construction project is
16 significantly expanded or otherwise altered."

17
18 Requested by: Representatives Cole, Gillespie

19 **DRIVER EDUCATION PRIVATIZATION**

20 **SECTION 29.7.** The State Board of Education shall study statewide
21 privatization of State-funded driver education programs. The State Board of Education
22 shall report to the Joint Legislative Education Oversight Committee and the joint
23 Legislative Transportation Oversight Committee by November 30, 2003, on proposals
24 for statewide privatization and cost reduction.

25
26 Requested by: Representatives Cole, Gillespie

27 **DEPARTMENT OF TRANSPORTATION GENERAL ADMINISTRATION**
28 **REDUCTIONS.**

29 **SECTION 29.8.** The Department of Transportation shall reduce
30 expenditures for General Administration by one million eight hundred thousand dollars
31 (\$1,800,000) during fiscal year 2003-2004 and by three million six hundred thousand
32 dollars (\$3,600,000) in fiscal year 2004-2005. At least seventy-five percent (75%) of the
33 savings shall be achieved through reductions in personnel. Savings shall be used for
34 maintenance. The Department of Transportation shall report to the Joint Legislative
35 Transportation Oversight Committee on or before November 30, 2003, on actions it will
36 be taking to implement the provisions of this section.

37
38 **PART XXX. SALARIES AND EMPLOYEE BENEFITS**

39
40 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
41 Owens, Wright

42 **GOVERNOR AND COUNCIL OF STATE**

43 **SECTION 30.1.(a)** Effective July 1, 2003, G.S. 147-11(a) reads as
44 rewritten:

45 "(a) The salary of the Governor shall be ~~one hundred eighteen thousand four~~
46 ~~hundred thirty dollars (\$118,430)~~ one hundred twenty thousand three hundred
47 twenty-five dollars (\$120,325) annually, payable monthly."

48 **SECTION 30.1.(b)** Effective July 1, 2003, the annual salaries for the
49 members of the Council of State, payable monthly, for the 2003-2004 and 2004-2005
50 fiscal years are:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$ 106,195
Attorney General	106,195
Secretary of State	106,195
State Treasurer	106,195

1	State Auditor	106,195
2	Superintendent of Public Instruction	106,195
3	Agriculture Commissioner	106,195
4	Insurance Commissioner	106,195
5	Labor Commissioner	106,195

6
7 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
8 Owens, Wright

9 **NONELECTED DEPARTMENT HEADS/SALARY INCREASES**

10 **SECTION 30.2.** In accordance with G.S. 143B-9, the maximum annual
11 salaries, payable monthly, for the nonelected heads of the principal State departments
12 for the 2003-2004 and 2004-2005 fiscal years are:

13	<u>Nonelected Department Heads</u>	<u>Annual Salary</u>
14	Secretary of Administration	\$ 103,753
15	Secretary of Correction	103,753
16	Secretary of Crime Control and Public Safety	103,753
17	Secretary of Cultural Resources	103,753
18	Secretary of Commerce	103,753
19	Secretary of Environment and Natural Resources	103,753
20	Secretary of Health and Human Services	103,753
21	Secretary of Juvenile Justice and Delinquency Prevention	103,753
22	Secretary of Revenue	103,753
23	Secretary of Transportation	103,753

24
25 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
26 Owens, Wright

27 **CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES**

28 **SECTION 30.3.** Effective July 1, 2003, the annual salaries, payable
29 monthly, for the 2003-2004 and 2004-2005 fiscal years for the following executive
30 branch officials are:

31	<u>Executive Branch Officials</u>	<u>Annual Salary</u>
32	Chairman, Alcoholic Beverage Control Commission	\$ 94,433
33	State Controller	132,159
34	Commissioner of Motor Vehicles	94,433
35	Commissioner of Banks	106,195
36	Chairman, Employment Security Commission	131,992
37	State Personnel Director	103,753
38	Chairman, Parole Commission	86,229
39	Members of the Parole Commission	79,610
40	Chairman, Utilities Commission	118,267
41	Members of the Utilities Commission	106,195
42	Executive Director, Agency for Public Telecommunications	79,610
43	General Manager, Ports Railway Commission	71,887
44	Director, Museum of Art	96,764
45	Executive Director, North Carolina Housing Finance Agency	116,872
46	Executive Director, North Carolina Agricultural Finance Authority	91,918
47	State Chief Information Officer	132,080

48
49 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
50 Owens, Wright

51 **JUDICIAL BRANCH OFFICIALS/SALARY INCREASE**

52 **SECTION 30.4.(a)** Effective July 1, 2003, the annual salaries, payable
53 monthly, for specified judicial branch officials for the 2003-2004 and 2004-2005 fiscal
54 years are:

55	<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
----	----------------------------------	----------------------

1	Chief Justice, Supreme Court	\$ 120,325
2	Associate Justice, Supreme Court	117,181
3	Chief Judge, Court of Appeals	114,251
4	Judge, Court of Appeals	112,298
5	Judge, Senior Regular Resident Superior Court	109,247
6	Judge, Superior Court	106,195
7	Chief Judge, District Court	96,431
8	Judge, District Court	93,380
9	Administrative Officer of the Courts	109,247
10	Assistant Administrative Officer of the Courts	99,787

11 **SECTION 30.4.(b)** The district attorney or public defender of a judicial
 12 district, with the approval of the Administrative Officer of the Courts or the
 13 Commission on Indigent Defense Services, respectively, shall set the salaries of
 14 assistant district attorneys or assistant public defenders, respectively, in that district such
 15 that the average salaries of assistant district attorneys or assistant public defenders in
 16 that district do not exceed sixty-one thousand one hundred fifty-four dollars (\$61,154)
 17 and the minimum salary of any assistant district attorney or assistant public defender is
 18 at least thirty-one thousand five hundred thirty-two dollars (\$31,532) effective July 1,
 19 2003.

20 **SECTION 30.4.(c)** Effective July 1, 2003, the salaries in effect for the
 21 2003-2004 and 2004-2005 fiscal years for permanent, full-time employees of the
 22 Judicial Department, except for those whose salaries are itemized in this Part, shall be
 23 increased by one and six-tenths percent (1.6%)
 24

25 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
 26 Owens, Wright

27 **CLERK OF SUPERIOR COURT/SALARY INCREASES**

28 **SECTION 30.5.** Effective July 1, 2003, G.S. 7A-101(a) reads as rewritten:

29 "(a) The clerk of superior court is a full-time employee of the State and shall
 30 receive an annual salary, payable in equal monthly installments, based on the population
 31 of the county as determined in subsection (a1) of this section, according to the following
 32 schedule:

33	Population	Annual Salary
34	Less than 100,000	\$69,911 \$71,030
35	100,000 to 149,999	78,452 79,707
36	150,000 to 249,999	86,994 88,386
37	250,000 and above	95,537 97,066.

38
 39 The salary schedule in this subsection is intended to represent the following
 40 approximate percentage of the salary of a chief district court judge:

41	Population	Annual Salary
42	Less than 100,000	73%
43	100,000 to 149,999	82%
44	150,000 to 249,999	91%
45	250,000 and above	100%.

46
 47 When a county changes from one population group to another, the salary of the clerk
 48 shall be changed, on July 1 of the fiscal year for which the change is reported, to the
 49 salary appropriate for the new population group, except that the salary of an incumbent
 50 clerk shall not be decreased by any change in population group during his continuance
 51 in office."
 52

53 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
 54 Owens, Wright

ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES/CLERK OF COURT PERSONNEL FLEXIBILITY

SECTION 30.6. Effective July 1, 2003, G.S. 7A-102 reads as rewritten:

"§ 7A-102. Assistant and deputy clerks; appointment; number; salaries; duties.

(a) The numbers and salaries of assistant clerks, deputy clerks, and other employees in the office of each clerk of superior court shall be determined by the Administrative Officer of the Courts after consultation with the clerk concerned. All personnel in the clerk's office are employees of the State. The clerk appoints the assistants, deputies, and other employees in ~~his~~the clerk's office to serve at his or her pleasure. Assistant and deputy clerks shall take the oath of office prescribed for clerks of superior court, conformed to the office of assistant or deputy clerk, as the case may be. ~~The~~ Except as provided by subsection (c2) of this section, the job classifications and related salaries of each employee within the office of each superior court clerk shall be subject to the approval of the Administrative Officer of the Courts after consultation with each clerk concerned and shall be subject to the availability of funds appropriated for that purpose by the General Assembly.

(b) An assistant clerk is authorized to perform all the duties and functions of the office of clerk of superior court, and any act of an assistant clerk is entitled to the same faith and credit as that of the clerk. A deputy clerk is authorized to certify the existence and correctness of any record in the clerk's office, to take the proofs and examinations of the witnesses touching the execution of a will as required by G.S. 31-17, and to perform any other ministerial act which the clerk may be authorized and empowered to do, in his own name and without reciting the name of his principal. The clerk is responsible for the acts of his assistants and deputies. With the consent of the clerk of superior court of each county and the consent of the presiding judge in any proceeding, an assistant or deputy clerk is authorized to perform all the duties and functions of the office of the clerk of superior court in another county in any proceeding in the district or superior court that has been transferred to that county from the county in which the assistant or deputy clerk is employed.

(c) Notwithstanding the provisions of subsection (a), the Administrative Officer of the Courts shall establish an incremental salary plan for assistant clerks and for deputy clerks based on a series of salary steps corresponding to the steps contained in the Salary Plan for State Employees adopted by the Office of State Personnel, subject to a minimum and a maximum annual salary as set forth below. On and after July 1, 1985, each assistant clerk and each deputy clerk shall be eligible for an annual step increase in his salary plan based on satisfactory job performance as determined by each clerk. Notwithstanding the foregoing, if an assistant or deputy clerk's years of service in the office of superior court clerk would warrant an annual salary greater than the salary first established under this section, that assistant or deputy clerk shall be eligible on and after July 1, 1984, for an annual step increase in his salary plan. Furthermore, on and after July 1, 1985, that assistant or deputy clerk shall be eligible for an increase of two steps in his salary plan, and shall remain eligible for a two-step increase each year as recommended by each clerk until that assistant or deputy clerk's annual salary corresponds to his number of years of service. Any person covered by this subsection who would not receive a step increase in fiscal year 1995-96 because that person is at the top of the salary range as it existed for fiscal year 1994-95 shall receive a salary increase to the maximum annual salary provided by subsection (c1) of this section.

(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$26,515\$26,939
Maximum	<u>46,464</u> <u>47,207</u>

Deputy Clerks	Annual Salary
Minimum	\$22,565 \$22,926
Maximum	35,934 36,508.

(c2) The clerk of superior court may appoint assistant clerks, deputy clerks, and a head bookkeeper and set their salaries above the minimum rate established for the positions by subsection (c1) of this section if, in the clerk's discretion, (i) the needs of the clerk's office would be best served by an appointment above the minimum rate, (ii) the appointee's skills and experience support the higher rate, and (iii) the Administrative Office of the Courts certifies that there are sufficient funds available.

(d) Full-time assistant clerks, licensed to practice law in North Carolina, who are employed in the office of superior court clerk on and after July 1, 1984, and full-time assistant clerks possessing a masters degree in business administration, public administration, accounting, or other similar discipline from an accredited college or university who are employed in the office of superior court clerk on and after July 1, 1997, are authorized an annual salary of not less than three-fourths of the maximum annual salary established for assistant clerks; the clerk of superior court, with the approval of the Administrative Office of the Courts, may establish a higher annual salary but that salary shall not be higher than the maximum annual salary established for assistant clerks. Full-time assistant clerks, holding a law degree from an accredited law school, who are employed in the office of superior court clerk on and after July 1, 1984, are authorized an annual salary of not less than two-thirds of the maximum annual salary established for assistant clerks; the clerk of superior court, with the approval of the Administrative Office of the Courts, may establish a higher annual salary, but the entry-level salary may not be more than three-fourths of the maximum annual salary established for assistant clerks, and in no event may be higher than the maximum annual salary established for assistant clerks. The-Except as provided by subsection (c2) of this section, the entry-level annual salary for all other assistant and deputy clerks employed on and after July 1, 1984, shall be at the minimum rates as herein established.

(e) A clerk of superior court may apply to the Director of the Administrative Office of the Courts to enter into contracts with local governments for the provision by the State of services of assistant clerks, deputy clerks, and other employees in the office of each clerk of superior court pursuant to G.S. 153A-212.1 or G.S. 160A-289.1.

(f) The Director of the Administrative Office of the Courts may provide assistance requested pursuant to subsection (e) of this section only upon a showing by the senior resident superior court judge, supported by facts, that the overwhelming public interest warrants the use of additional resources for the speedy disposition of cases involving drug offenses, domestic violence, or other offenses involving a threat to public safety.

(g) The terms of any contract entered into with local governments pursuant to subsection (e) of this section shall be fixed by the Director of the Administrative Office of the Courts in each case. Nothing in this section shall be construed to obligate the General Assembly to make any appropriation to implement the provisions of this section or to obligate the Administrative Office of the Courts to provide the administrative costs of establishing or maintaining the positions or services provided for under this section. Further, nothing in this section shall be construed to obligate the Administrative Office of the Courts to maintain positions or services initially provided for under this section."

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

MAGISTRATES/SALARY INCREASES

SECTION 30.7. Effective July 1, 2003, G.S. 7A-171.1 reads as rewritten:

"(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	\$26,889\$27,319
Step 1	29,52529,997
Step 2	32,39332,911
Step 3	35,52336,091
Step 4	38,95239,575
Step 5	42,72143,405
Step 6	46,86447,614.

(2) A part-time magistrate is a magistrate who is assigned to work an average of less than 40 hours of work a week during the term, except that no magistrate shall be assigned an average of less than 10 hours of work a week during the term. A part-time magistrate is included, in accordance with G.S. 7A-170, under the provisions of G.S. 135-1(10) and G.S. 135-40.2(a). The Administrative Officer of the Courts designates whether a magistrate is a part-time magistrate. A part-time magistrate shall receive an annual salary based on the following formula: The average number of hours a week that a part-time magistrate is assigned work during the term shall be multiplied by the annual salary payable to a full-time magistrate who has the same number of years of service prior to the beginning of that term as does the part-time magistrate and the product of that multiplication shall be divided by the number 40. The quotient shall be the annual salary payable to that part-time magistrate.

(3) Notwithstanding any other provision of this subsection, an individual who, when initially appointed as a full-time magistrate, is licensed to practice law in North Carolina, shall receive the annual salary provided in the Table in subdivision (1) of this subsection for Step 4. This magistrate's salary shall increase to the next step every four years on the anniversary of the date the magistrate was originally appointed. An individual who, when initially appointed as a part-time magistrate, is licensed to practice law in North Carolina, shall be paid an annual salary based on that for Step 4 and determined according to the formula in subdivision (2) of this subsection. This magistrate's salary shall increase to the next step every four years on the anniversary of the date the magistrate was originally appointed. The salary of a full-time magistrate who acquires a license to practice law in North Carolina while holding the office of magistrate and who at the time of acquiring the license is receiving a salary at a level lower than Step 4

shall be adjusted to Step 4 and, thereafter, shall advance in accordance with the Table's schedule. The salary of a part-time magistrate who acquires a license to practice law in North Carolina while holding the office of magistrate and who at the time of acquiring the license is receiving an annual salary as determined by subdivision (2) of this subsection based on a salary level lower than Step 4 shall be adjusted to a salary based on Step 4 in the Table and, thereafter, shall advance in accordance with the provision in subdivision (2) of this subsection.

(a1) Notwithstanding subsection (a) of this section, the following salary provisions apply to individuals who were serving as magistrates on June 30, 1994:

(1) The salaries of magistrates who on June 30, 1994, were paid at a salary level of less than five years of service under the table in effect that date shall be as follows:

Less than 1 year of service	\$21,325 \$21,666
1 or more but less than 3 years of service	22,389 22,747
3 or more but less than 5 years of service	24,530 24,922.

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a).

(2) The salaries of magistrates who on June 30, 1994, were paid at a salary level of five or more years of service shall be based on the rates set out in subsection (a) as follows:

Salary Level on June 30, 1994	Salary Level on July 1, 1994
5 or more but less than 7 years of service	Entry Rate
7 or more but less than 9 years of service	Step 1
9 or more but less than 11 years of service	Step 2
11 or more years of service	Step 3

Thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

(3) The salaries of magistrates who are licensed to practice law in North Carolina shall be adjusted to the annual salary provided in the table in subsection (a) as Step 4, and, thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

(4) The salaries of "part-time magistrates" shall be set under the formula set out in subdivision (2) of subsection (a) but according to the rates set out in this subsection.

(a2) The Administrative Officer of the Courts shall provide magistrates with longevity pay at the same rates as are provided by the State to its employees subject to the State Personnel Act.

(b) Notwithstanding G.S. 138-6, a magistrate may not be reimbursed by the State for travel expenses incurred on official business within the county in which the magistrate resides."

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 30.8. Effective July 1, 2003, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~eighty eight thousand three hundred and six dollars (\$88,306)~~ eighty-nine thousand seven hundred nineteen dollars (\$89,719) payable monthly. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and Advisory Budget Commission and shall make appropriate recommendations for

1 changes in those salaries. Any changes enacted by the General Assembly shall be by
2 amendment to this paragraph."
3

4 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
5 Owens, Wright

6 **SERGEANT-AT-ARMS AND READING CLERKS**

7 **SECTION 30.9.** Effective July 1, 2003, G.S. 120-37(b) reads as rewritten:

8 "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a
9 salary of ~~two hundred ninety two dollars (\$292.00)~~ two hundred ninety-seven dollars
10 (\$297.00) per week plus subsistence at the same daily rate provided for members of the
11 General Assembly, plus mileage at the rate provided for members of the General
12 Assembly for one round trip only from their homes to Raleigh and return. The
13 sergeants-at-arms shall serve during sessions of the General Assembly and at such time
14 prior to the convening of, and subsequent to adjournment or recess of, sessions as may
15 be authorized by the Legislative Services Commission. The reading clerks shall serve
16 during sessions only."
17

18 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
19 Owens, Wright

20 **LEGISLATIVE EMPLOYEES**

21 **SECTION 30.10.** The Legislative Services Officer shall increase the salaries
22 of nonelected employees of the General Assembly in effect for fiscal year 2002-2003 by
23 one and six-tenths percent (1.6%). Nothing in this act limits any of the provisions of
24 G.S. 120-32.
25

26 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
27 Owens, Wright

28 **COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES**

29 **SECTION 30.11.** The Director of the Budget shall transfer from the Reserve
30 for Compensation Increases, created in this act for fiscal years 2003-2004 and
31 2004-2005, funds to the North Carolina Community College System Office necessary to
32 provide an annual salary increase of one and six-tenths percent (1.6%) including funds
33 for the employer's retirement and social security contributions, commencing July 1,
34 2003, for all permanent full-time community college institutional personnel supported
35 by State funds.
36

37 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
38 Owens, Wright

39 **UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES**

40 **SECTION 30.12.(a)** The Director of the Budget shall transfer to the Board
41 of Governors of The University of North Carolina sufficient funds from the Reserve for
42 Compensation Increases, created in this act for fiscal years 2003-2004 and 2004-2005,
43 to provide an annual salary increase of one and six-tenths percent (1.6%), including
44 funds for the employer's retirement and social security contributions, commencing July
45 1, 2003, for all employees of The University of North Carolina, as well as employees
46 other than teachers of the North Carolina School of Science and Mathematics, supported
47 by State funds and whose salaries are exempt from the State Personnel Act (EPA).
48

49 **SECTION 30.12.(b)** The Director of the Budget shall transfer to the Board
50 of Governors of The University of North Carolina sufficient funds from the Reserve for
51 Compensation Increases, created in this act for fiscal years 2003-2004 and 2004-2005,
52 to provide an annual salary increase of one and eighty-one hundredths percent (1.81%),
53 including funds for the employer's retirement and social security contributions,
54 commencing July 1, 2003, for all teaching employees of the North Carolina School of
55 Science and Mathematics supported by State funds and whose salaries are exempt from
the State Personnel Act (EPA). These funds shall be allocated to individuals according

1 to the rules adopted by the Board of Trustees of the North Carolina School of Science
2 and Mathematics and may not be used for any purpose other than for salary increases
3 and necessary employer contributions provided by this section.
4

5 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
6 Owens, Wright

7 **MOST STATE EMPLOYEES**

8 **SECTION 30.13.(a)** The salaries in effect June 30, 2003, of all permanent
9 full-time State employees whose salaries are set in accordance with the State Personnel
10 Act and who are paid from the General Fund or the Highway Fund shall be increased on
11 or after July 1, 2003, unless otherwise provided by this act, by one and six-tenths
12 percent (1.6%).

13 **SECTION 30.13.(b)** Except as otherwise provided in this act, the fiscal year
14 2003-2004 salaries for permanent full-time State officials and persons in exempt
15 positions that are recommended by the Governor or the Governor and the Advisory
16 Budget Commission and set by the General Assembly shall be increased by one and
17 six-tenths percent (1.6%), commencing July 1, 2003.

18 **SECTION 30.13.(c)** The salaries in effect for fiscal year 2003-2004 for all
19 permanent part-time State employees shall be increased on and after July 1, 2003, by
20 pro rata amounts of the one and six-tenths percent (1.6%) salary increase provided for
21 permanent full-time employees covered under subsection (a) of this section.

22 **SECTION 30.13.(d)** The Director of the Budget may allocate out of special
23 operating funds or from other sources of the employing agency, except tax revenues,
24 sufficient funds to allow a salary increase, on and after July 1, 2003, in accordance with
25 subsection (a), (b), or (c) of this section, including funds for the employer's retirement
26 and social security contributions, for the permanent full-time and part-time employees
27 of the agency, provided the employing agency elects to make available the necessary
28 funds.

29 **SECTION 30.13.(e)** Within regular Executive Budget Act procedures as
30 limited by this act, all State agencies and departments may increase on an equitable
31 basis the rate of pay of temporary and permanent hourly State employees, subject to
32 availability of funds in the particular agency or department, by pro rata amounts of the
33 one and six-tenths percent (1.6%) salary increase provided for permanent full-time
34 employees covered by the provisions of subsection (a) of this section, commencing July
35 1, 2003.
36

37 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
38 Owens, Wright

39 **ALL STATE-SUPPORTED PERSONNEL**

40 **SECTION 30.14.(a)** Salaries and related benefits for positions that are
41 funded partially from the General Fund or Highway Fund and partially from sources
42 other than the General Fund or Highway Fund shall be increased from the General Fund
43 or Highway Fund appropriation only to the extent of the proportionate part of the
44 salaries paid from the General Fund or Highway Fund.

45 **SECTION 30.14.(b)** The granting of the salary increases under this act does
46 not affect the status of eligibility for salary increments for which employees may be
47 eligible unless otherwise required by this act.

48 **SECTION 30.14.(c)** The salary increases provided in this act are to be
49 effective July 1, 2003, and do not apply to persons separated from State service due to
50 resignation, dismissal, reduction in force, death, or retirement or whose last workday is
51 prior to July 1, 2003.

52 Payroll checks issued to employees after July 1, 2003, which represent
53 payment of services provided prior to July 1, 2003, shall not be eligible for salary
54 increases provided for in this act. This subsection shall apply to all employees, subject

1 to or exempt from the State Personnel Act, paid from State funds, including public
2 schools, community colleges, and The University of North Carolina.

3 **SECTION 30.14.(d)** The Director of the Budget shall transfer from the
4 Reserve for Compensation Increases in this act for fiscal year 2003-2004 all funds
5 necessary for the salary increases provided by this act, including funds for the
6 employer's retirement and social security contributions.

7 **SECTION 30.14.(e)** Nothing in this act authorizes the transfer of funds
8 between the General Fund and the Highway Fund for salary increases.

9
10 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
11 Owens, Wright

12 **STUDY COMPENSATION OF CERTAIN HIGH-LEVEL OFFICERS**

13 **SECTION 30.15.** The Office of State Personnel (OSP) and the Office of
14 State Budget and Management (OSBM) shall study jointly the relative compensation of
15 members of the Council of State, State department heads, and other high-ranking
16 elected and nonelected public officials whose salaries are set by the General Assembly
17 to determine whether the officers are being compensated at rates in accordance with:

- 18 (1) The officer's scope of responsibilities and span of control.
- 19 (2) The critical nature of the officer's department, agency, institution, or
20 function.
- 21 (3) The relative size of the operations and budget under the officer's direct
22 control.
- 23 (4) The required credentials, knowledge, and experience necessary to
24 competently manage the officer's organization or function.

25 In conducting this study, the OSP and OSBM shall focus on the relative compensation
26 among these various officers to determine the appropriate salary levels for the officers
27 given the factors identified in this section.

28
29 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
30 Owens, Wright

31 **SALARY-RELATED CONTRIBUTIONS/EMPLOYER**

32 **SECTION 30.16.(a)** Required employer salary-related contributions for
33 employees whose salaries are paid from department, office, institution, or agency
34 receipts shall be paid from the same source as the source of the employees' salary. If an
35 employee's salary is paid in part from the General Fund or Highway Fund and in part
36 from department, office, institution, or agency receipts, required employer salary-related
37 contributions may be paid from the General Fund or Highway Fund only to the extent of
38 the proportionate part paid from the General Fund or Highway Fund in support of the
39 salary of the employee, and the remainder of the employer's requirements shall be paid
40 from the source that supplies the remainder of the employee's salary. The requirements
41 of this section as to source of payment are also applicable to payments on behalf of the
42 employee for hospital-medical benefits, longevity pay, unemployment compensation,
43 accumulated leave, workers' compensation, severance pay, separation allowances, and
44 applicable disability income benefits.

45 **SECTION 30.16.(b)** Effective July 1, 2003, the State's employer
46 contribution rates budgeted for retirement and related benefits as percentage of covered
47 salaries for the 2003-2004 fiscal year are (i) three and ninety-five hundredths percent
48 (3.95%) - Teachers and State Employees; (ii) eight and ninety-five hundredths percent
49 (8.95%) - State Law Enforcement Officers; (iii) ten and forty-one hundredths percent
50 (10.41%) - University Employees' Optional Retirement System; (iv) ten and forty-one
51 hundredths percent (10.41%) - Community College Optional Retirement Program; (v)
52 fourteen and ninety-seven hundredths percent (14.97%) - Consolidated Judicial
53 Retirement System; and (vi) three and five hundredths percent (3.05%) - Legislative
54 Retirement System. Each of the foregoing contribution rates includes three and five
55 hundredths percent (3.05%) for hospital and medical benefits. The rate for Teachers and

1 State Employees, State Law Enforcement Officers, the Community College Optional
2 Retirement Program, and the University Employees' Optional Retirement Program
3 includes fifty-two hundredths percent (0.52%) for the Disability Income Plan. The rates
4 for Teachers and State Employees and State Law Enforcement Officers include sixteen
5 hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law
6 Enforcement Officers includes five percent (5%) for Supplemental Retirement Income.

7 **SECTION 30.16.(c)** Effective July 1, 2004, the State's employer
8 contribution rates budgeted for retirement and related benefits as percentage of covered
9 salaries for the 2004-2005 fiscal year are (i) five and seventy-eight hundredths percent
10 (5.78%) - Teachers and State Employees; (ii) ten and seventy-eight hundredths percent
11 (10.78%) - State Law Enforcement Officers; (iii) ten and forty-one hundredths percent
12 (10.41%) - University Employees' Optional Retirement System; (iv) ten and forty-one
13 hundredths percent (10.41%) - Community College Optional Retirement Program; (v)
14 fourteen and ninety-seven hundredths percent (14.97%) - Consolidated Judicial
15 Retirement System; and (vi) three and five hundredths percent (3.05%) - Legislative
16 Retirement System. Each of the foregoing contribution rates includes three and five
17 hundredths percent (3.05%) for hospital and medical benefits. The rate for Teachers and
18 State Employees, State Law Enforcement Officers, the Community College Optional
19 Retirement Program, and the University Employees' Optional Retirement Program
20 includes fifty-two hundredths percent (0.52%) for the Disability Income Plan. The rates
21 for Teachers and State Employees and State Law Enforcement Officers include sixteen
22 hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law
23 Enforcement Officers includes five percent (5%) for Supplemental Retirement Income.

24 **SECTION 30.16.(d)** The maximum annual employer contributions, payable
25 monthly, by the State for each covered employee or retiree for the 2003-2004 fiscal year
26 to the Teachers' and State Employees' Comprehensive Major Medical Plan are: (i)
27 Medicare-eligible employees and retirees - two thousand four hundred seventeen dollars
28 (\$2,417), and (ii) non-Medicare-eligible employees and retirees - three thousand one
29 hundred seventy-five dollars (\$3,175).

30 **SECTION 30.16.(e)** The maximum annual employer contributions, payable
31 monthly, by the State for each covered employee or retiree for the 2004-2005 fiscal year
32 to the Teachers' and State Employees' Comprehensive Major Medical Plan are: (i)
33 Medicare-eligible employees and retirees - two thousand four hundred seventy-eight
34 dollars (\$2,478), and (ii) non-Medicare-eligible employees and retirees - three thousand
35 two hundred fifty-six dollars (\$3,256).

36
37 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
38 Owens, Wright

39 RETIREMENT COLAS

40 **SECTION 30.17.(a)** G.S. 135-5 is amended by adding a new subsection to
41 read:

42 "(lll) From and after July 1, 2003, the retirement allowance to or on account of
43 beneficiaries whose retirement commenced on or before July 1, 2002, shall be increased
44 by one and twenty-eight hundredths percent (1.28%) of the allowance payable on June
45 1, 2003, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2003, the
46 retirement allowance to or on account of beneficiaries whose retirement commenced
47 after July 1, 2002, but before June 30, 2003, shall be increased by a prorated amount of
48 one and twenty-eight hundredths percent (1.28%) of the allowance payable as
49 determined by the Board of Trustees based upon the number of months that a retirement
50 allowance was paid between July 1, 2002, and June 30, 2003."

51 **SECTION 30.17.(b)** G.S. 135-65 is amended by adding a new subsection to
52 read:

53 "(x) From and after July 1, 2003, the retirement allowance to or on account of
54 beneficiaries whose retirement commenced on or before July 1, 2002, shall be increased
55 by one and twenty-eight hundredths percent (1.28%) of the allowance payable on June

1 1, 2003. Furthermore, from and after July 1, 2003, the retirement allowance to or on
2 account of beneficiaries whose retirement commenced after July 1, 2002, but before
3 June 30, 2003, shall be increased by a prorated amount of one and twenty-eight
4 hundredths percent (1.28%) of the allowance payable as determined by the Board of
5 Trustees based upon the number of months that a retirement allowance was paid
6 between July 1, 2002, and June 30, 2003."

7 **SECTION 30.17.(c)** G.S. 120-4.22A is amended by adding a new subsection
8 to read:

9 "(r) In accordance with subsection (a) of this section, from and after July 1, 2003,
10 the retirement allowance to or on account of beneficiaries whose retirement commenced
11 on or before January 1, 2003, shall be increased by one and twenty-eight hundredths
12 percent (1.28%) of the allowance payable on June 1, 2003. Furthermore, from and after
13 July 1, 2003, the retirement allowance to or on account of beneficiaries whose
14 retirement commenced after January 1, 2003, but before June 30, 2003, shall be
15 increased by a prorated amount of one and twenty-eight hundredths percent (1.28%) of
16 the allowance payable as determined by the Board of Trustees based upon the number
17 of months that a retirement allowance was paid between January 1, 2003, and June 30,
18 2003."

19
20 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
21 Owens, Wright

22 **TRANSFER OF SERVICE IN THE LEGISLATIVE RETIREMENT SYSTEM**
23 **TO THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM**
24 **AND THE JUDICIAL RETIREMENT SYSTEM**

25 **SECTION 30.18.(a)** G.S. 120-4.13 reads as rewritten:

26 **"§ 120-4.13. Transfer of membership and benefits.**

27 (a) The Board of Trustees shall set up procedures to transfer membership from
28 the Legislative Retirement Fund to the Retirement System and to recompute benefits
29 paid to retirees of the Legislative Retirement Fund who elect to transfer to the
30 Retirement System.

31 (b) The accumulated contributions and creditable service of any member whose
32 service as a member of the General Assembly has been or is terminated other than by
33 retirement or death and who, while still a member of this Retirement System, became or
34 becomes a member, as defined in G.S. 135-1(13), of the Teachers' and State Employees'
35 Retirement System for a period of five or more years may, upon application of the
36 member, be transferred from this Retirement System to the Teachers' and State
37 Employees' Retirement System. In order to effect the transfer of a member's creditable
38 service from the Legislative Retirement System to the Teachers' and State Employees'
39 Retirement System, there shall be transferred from the Legislative Retirement System to
40 the Teachers' and State Employees' Retirement System the sum of (i) the accumulated
41 contributions of the member credited in the annuity savings fund and (ii) the amount of
42 reserve held in the Legislative Retirement System as a result of previous contributions
43 by the employer on behalf of the transferring member.

44 (c) The accumulated contributions and creditable service of any member whose
45 service as a member of the General Assembly has been or is terminated other than by
46 retirement or death and who, while still a member of this Retirement System, became or
47 becomes a member, as defined in G.S. 135-53(11), of the Consolidated Judicial
48 Retirement System for a period of five or more years may, upon application of the
49 member, be transferred from this Retirement System to the Consolidated Judicial
50 Retirement System. In order to effect the transfer of a member's creditable service from
51 the Legislative Retirement System to the Consolidated Judicial Retirement System,
52 there shall be transferred from the Legislative Retirement System to the Consolidated
53 Judicial Retirement System the sum of (i) the accumulated contributions of the member
54 credited in the annuity savings fund and (ii) the amount of reserve held in the

1 Legislative Retirement System as a result of previous contributions by the employer on
2 behalf of the transferring member."

3 **SECTION 30.18.(b)** G.S. 135-4 reads as rewritten:

4 "(j2) The creditable service of a member who was a member of the Local
5 Governmental Employees' Retirement System, the Consolidated Judicial Retirement
6 System, or the Legislative Retirement System, and whose accumulated contributions
7 and reserves are transferred from that System to this System, includes service that was
8 creditable in the Local Governmental Employees' Retirement System, the Consolidated
9 Judicial Retirement System, or the Legislative Retirement System, and membership
10 service with those Retirement Systems is membership service with this Retirement
11 System."

12 **SECTION 30.18.(c)** Article 1 of Chapter 135 of the General Statutes is
13 amended by adding new section to read:

14 **"§ 135-18.9 Transfer of members from the Legislative Retirement System or the**
15 **Consolidated Judicial Retirement System.**

16 (a) The accumulated contributions, creditable service, and reserves, if any, of a
17 member of the Legislative Retirement System, as provided for in Article 1A of G.S.120,
18 or the Consolidated Judicial Retirement System, as provided for in Article 4 of G.S.
19 135, who later becomes a member of the Teachers' and State Employees' Retirement
20 System for a period of five or more years may, upon application of the member, be
21 transferred from the Legislative Retirement System or the Consolidated Judicial
22 Retirement System. The accumulated contributions, creditable service, and reserves of
23 any member whose service as a member of the Legislative Retirement System or the
24 Consolidated Judicial Retirement System is terminated other than by retirement or death
25 and who later becomes a member of the Teachers' and State Employees' Retirement
26 System may, upon application of the member, be transferred from the Legislative
27 Retirement System or the Consolidated Judicial Retirement System to the Teachers' and
28 State Employees' Retirement System. In order to effect the transfer of a member's
29 creditable service from the Legislative Retirement System or the Consolidated Judicial
30 Retirement System to the Teachers' and State Employees' Retirement System, the
31 accumulated contributions of each member credited in the annuity savings fund in the
32 Legislative Retirement System or the Consolidated Judicial Retirement System shall be
33 transferred and credited to the annuity savings fund in the Teachers' and State
34 Employees' Retirement System.

35 (b) The Board of Trustees shall effect such rules as it may deem necessary to
36 administer the preceding subsection and to prevent any duplication of service credits or
37 benefits that might otherwise occur."

38 **SECTION 30.18.(d)** G.S. 135-70 is amended by adding a new subsection to
39 read:

40 "(a1) The accumulated contributions and creditable service of any member whose
41 service as a member of this Retirement System has been or is terminated other than by
42 retirement or death and who, while still a member of this Retirement System, became or
43 becomes a member, as defined in G.S. 135-1(13), of the Teachers' and State Employees'
44 Retirement System for a period of five or more years may, upon application of the
45 member, be transferred from this Retirement System to the Teachers' and State
46 Employees' Retirement System. In order to effect the transfer of a member's creditable
47 service from this Retirement System to the Teachers' and State Employees' Retirement
48 System, there shall be transferred from this Retirement System to the Teachers' and
49 State Employees' Retirement System the sum of (i) the accumulated contributions of the
50 member credited in the annuity savings fund and (ii) the amount of reserve held in this
51 Retirement System as a result of previous contributions by the employer on behalf of
52 the transferring member."

53 **SECTION 30.18.(e)** G.S. 135-70.1 reads as rewritten:

1 **"§ 135-70.1. Transfer of members from the Local Governmental Employees'**
2 **Retirement System ~~or System~~, the Teachers' and State Employees'**
3 **Retirement System ~~System~~, or the Legislative Retirement System.**

4 (a) The accumulated contributions, creditable service, and reserves, if any, of a
5 former teacher or employee, as defined in G.S. 135-1(25), 135-1(10), and 128-21(10),
6 respectively, or a former member of the General Assembly, who is a member of the
7 Consolidated Judicial Retirement System for a period of five or more years may, upon
8 application of the member, be transferred from the Local Governmental Employees'
9 Retirement System ~~or System~~, the Teachers' and State Employees' Retirement System
10 System, or the Legislative Retirement System to the Consolidated Judicial Retirement
11 System. The accumulated contributions, creditable service, and reserves of any member
12 whose service as a teacher or employee or member of the General Assembly is
13 terminated other than by retirement or death and who becomes a member of the
14 Consolidated Judicial Retirement System may, upon application of the member, be
15 transferred from the Local Governmental Employees' Retirement System ~~or System~~, the
16 Teachers' and State Employees' Retirement System ~~System~~, or the Legislative
17 Retirement System to the Consolidated Judicial Retirement System. In order to effect
18 the transfer of a member's creditable service from the Local Governmental Retirement
19 System ~~or System~~, the Teachers' and State Employees' Retirement System System, or
20 the Legislative Retirement System, to the Consolidated Judicial Retirement System, the
21 accumulated contributions of each member credited in the annuity savings fund in the
22 Local Governmental Employees' Retirement System ~~or System~~, the Teachers' and State
23 Employees' Retirement System System, or the Legislative Retirement System shall be
24 transferred and credited to the annuity savings fund in the Consolidated Judicial
25 Retirement System.

26 (b) The Board of Trustees shall effect such rules as it may deem necessary to
27 administer the preceding subsection and to prevent any duplication of service credits or
28 benefits that might otherwise occur."

29 **SECTION 30.18.(f)** G.S. 135-56(f) reads as rewritten:

30 "(f) The creditable service of a member who was a member of the Local
31 Governmental Employees' Retirement System ~~or System~~, the Teachers' and State
32 Employees' Retirement System System, or the Legislative Retirement System and
33 whose accumulated contributions and reserves are transferred from that System to this
34 System, includes service that was creditable in the Local Governmental Employees'
35 Retirement System ~~or System~~, the Teachers' and State Employees' Retirement System,
36 or the Legislative Retirement System, and membership service with those Retirement
37 Systems is membership service with this Retirement System."

38 **SECTION 30.18.(g)** G.S. 135-58(a3) reads as rewritten:

39 "(a3) Any member who retires under the provisions of G.S. 135-57(a) or G.S.
40 135-57(c) on or after July 1, 2001, but before January 1, 2004, after the member has
41 either attained the member's 65th birthday or has completed 24 years or more of
42 creditable service, shall receive an annual retirement allowance, payable monthly,
43 which shall commence on the effective date of the member's retirement and shall be
44 continued on the first day of each month thereafter during the member's lifetime, the
45 amount of which shall be computed as the sum of the amounts in subdivisions (1), (2),
46 (3), (4), and (5) following, provided that in no event shall the annual allowance payable
47 to any member be greater than an amount which, when added to the allowance, if any,
48 to which the member is entitled under the Teachers' and State Employees' Retirement
49 System, the Legislative Retirement System, or the Local Governmental Employees'
50 Retirement System (prior in any case to any reduction for early retirement or for an
51 optional mode of payment) would total three-fourths of the member's final
52 compensation:

53 (1) Four and two-hundredths percent (4.02%) of the member's final
54 compensation, multiplied by the number of years of creditable service

- 1 rendered as a justice of the Supreme Court or judge of the Court of
2 Appeals;
- 3 (2) Three and fifty-two hundredths percent (3.52%) of the member's final
4 compensation, multiplied by the number of years of creditable service
5 rendered as a judge of the superior court or as Administrative Officer
6 of the Courts;
- 7 (3) Three and two-hundredths percent (3.02%) of the member's final
8 compensation, multiplied by the number of years of creditable service,
9 rendered as a judge of the district court, district attorney, or clerk of
10 superior court;
- 11 (4) A service retirement allowance computed in accordance with the
12 service retirement provisions of Article 3 of Chapter 128 of the
13 General Statutes using an average final compensation as defined in
14 G.S. 135-53(2a) and creditable service equal to the number of years of
15 the member's creditable service that was transferred from the Local
16 Governmental Employees' Retirement System to this System as
17 provided in G.S. 135-56; and
- 18 (5) A service retirement allowance computed in accordance with the
19 service retirement provisions of Article 1 of this Chapter using an
20 average final compensation as defined in G.S. 135-53(2a) and
21 creditable service, including any sick leave standing to the credit of the
22 member, equal to the number of years of the member's creditable
23 service that was transferred from the Teachers' and State Employees'
24 Retirement System to this System as provided in G.S. 135-56."

25 **SECTION 30.18.(h)** G.S. 135-58 is amended by adding a new section to

26 read:

27 "(a4) Any member who retires under the provisions of G.S. 135-57(a) or G.S.
28 135-57(c) on or after January 1, 2004, after the member has either attained the member's
29 65th birthday or has completed 24 years or more of creditable service, shall receive an
30 annual retirement allowance, payable monthly, which shall commence on the effective
31 date of the member's retirement and shall be continued on the first day of each month
32 thereafter during the member's lifetime, the amount of which shall be computed as the
33 sum of the amounts in subdivisions (1), (2), (3), (4), and (5) following, provided that in
34 no event shall the annual allowance payable to any member be greater than an amount
35 which, when added to the allowance, if any, to which the member is entitled under the
36 Teachers' and State Employees' Retirement System, the Legislative Retirement System,
37 or the Local Governmental Employees' Retirement System (prior in any case to any
38 reduction for early retirement or for an optional mode of payment) would total
39 three-fourths of the member's final compensation:

- 40 (1) Four and two-hundredths percent (4.02%) of the member's final
41 compensation, multiplied by the number of years of creditable service
42 rendered as a justice of the Supreme Court or judge of the Court of
43 Appeals;
- 44 (2) Three and fifty-two hundredths percent (3.52%) of the member's final
45 compensation, multiplied by the number of years of creditable service
46 rendered as a judge of the superior court or as Administrative Officer
47 of the Courts;
- 48 (3) Three and two-hundredths percent (3.02%) of the member's final
49 compensation, multiplied by the number of years of creditable service,
50 rendered as a judge of the district court, district attorney, or clerk of
51 superior court;
- 52 (4) A service retirement allowance computed in accordance with the
53 service retirement provisions of Article 3 of Chapter 128 of the
54 General Statutes using an average final compensation as defined in
55 G.S. 135-53(2a) and creditable service equal to the number of years of

1 the member's creditable service that was transferred from the Local
 2 Governmental Employees' Retirement System to this System as
 3 provided in G.S. 135-56; and

4 (5) A service retirement allowance computed in accordance with the
 5 service retirement provisions of Article 1 of this Chapter of the
 6 General Statutes using an average final compensation as defined in
 7 G.S. 135-53(2a) and creditable service, including any sick leave
 8 standing to the credit of the member, equal to the number of years of
 9 the member's creditable service that was transferred from the Teachers'
 10 and State Employees' Retirement System or the Legislative Retirement
 11 System to this System as provided in G.S. 135-56."

12 **SECTION 30.18.(i)** This section becomes effective January 1, 2004.

13
 14 **PART XXXI. CAPITAL APPROPRIATIONS**

15
 16 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
 17 Owens, Wright

18 ***CAPITAL APPROPRIATIONS/GENERAL FUND***

19 **SECTION 31.1.** There is appropriated from the General Fund for the
 20 2003-2004 fiscal year the following amount for capital improvements:

	2003-2004
21	
22 Department of Environment and Natural Resources	
23 Water Resource Projects	\$27,601,000
24	
25 TOTAL CAPITAL APPROPRIATION	\$27,601,000
26	

27 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
 28 Owens, Wright

29 ***WATER RESOURCES DEVELOPMENT PROJECT FUNDS***

30 **SECTION 31.2.(a)** The Department of Environment and Natural Resources
 31 shall allocate the funds appropriated in this act for water resources development projects
 32 to the following projects whose costs are as indicated:

Name of Project	2003-2004
34	
35	
36 (1) Wilmington Harbor Deepening	\$6,800,000
37 (2) Morehead City Harbor Maintenance	100,000
38 (3) Morehead City Harbor Section 933 Nourishment	4,661,000
39 (4) Wilmington Harbor Maintenance	2,700,000
40 (5) Manteo (Shallowbag) Bay Channel Maintenance	3,500,000
41 (6) John H. Kerr Reservoir Operations Evaluation	200,000
42 (7) Beaufort Harbor Maintenance Dredging	80,000
43 (8) Carolina Beach Renourishment (New Hanover County)	1,125,000
44 (9) Kure Beach Renourishment (New Hanover County)	1,177,000
45 (10) Ocean Isle Beach Renourishment (Brunswick County)	813,000
46 (11) Bogue Banks Shore Protection Study (Carteret County)	200,000
47 (12) Surf City/North Topsail Beach Protection Study	150,000
48 (13) Princeville Flood Control Study	400,000
49 (14) West Onslow Beach (Topsail)	75,000
50 (15) Deep Creek (Yadkin County) Watershed Management	1,500,000
51 (16) State Local Projects	2,500,000
52 (17) Currituck Sound Water Management Study	150,000
53 (18) Aquatic Weed Control, Lake Gaston and Statewide	300,000
54 (19) Swan Quarter (Hyde County) Flood Control Dikes	100,000
55 (20) Little Sugar Creek Restoration (Mecklenburg County)	20,000

1	(21)	Neuse River Basin Feasibility Study	100,000
2	(22)	Environmental Restoration Projects	700,000
3	(23)	Projected Feasibility Studies	100,000
4	(24)	Planning Assistance to Communities	<u>150,000</u>
5			
6	TOTAL		\$27,601,000

7
8 **SECTION 31.2.(b)** Where the actual costs are different from the estimated
9 costs under subsection (a) of this section, the Department may adjust the allocations
10 among projects as needed. If any projects funded under subsection (a) of this section
11 are delayed and the budgeted State funds cannot be used during the 2003-2004 fiscal
12 year, or if the projects funded under subsection (a) of this section are accomplished at a
13 lower cost, the Department may use the resulting fund availability to fund any of the
14 following:

- 15 (1) Corps of Engineers project feasibility studies.
- 16 (2) Corps of Engineers projects whose schedules have advanced and
17 require State-matching funds in fiscal year 2003-2004.
- 18 (3) State-local water resources development projects. Funds not expended
19 or encumbered for these purposes shall revert to the General Fund at
20 the end of the 2004-2005 fiscal year.

21 **SECTION 31.2.(c)** The Department shall make quarterly reports on the use
22 of these funds to the Joint Legislative Commission on Governmental Operations, the
23 Fiscal Research Division, and the Office of State Budget and Management. Each report
24 shall include all of the following:

- 25 (1) All projects listed in this section.
- 26 (2) The estimated cost of each project.
- 27 (3) The date that work on each project began or is expected to begin.
- 28 (4) The date that work on each project was completed or is expected to be
29 completed.
- 30 (5) The actual cost of each project.

31 The quarterly reports shall also show those projects advanced in schedule,
32 those projects delayed in schedule, and an estimate of the amount of funds expected to
33 revert to the General Fund.

34 **SECTION 31.2.(d)** Notwithstanding G.S. 143-23, if additional federal funds
35 that require a State match are received for water resources projects or for beach
36 renourishment projects for the 2003-2004 fiscal year, the Director of the Budget may,
37 after consultation with the Joint Legislative Commission on Governmental Operations,
38 transfer funds from General Fund appropriations to match the federal funds.
39

40 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
41 Owens, Wright

42 ***PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS***

43 **SECTION 31.3.** The appropriations made by the 2003 General Assembly
44 for capital improvements shall be disbursed for the purposes provided by this act.
45 Expenditure of funds shall not be made by any State department, institution, or agency
46 until an allotment has been approved by the Governor as Director of the Budget. The
47 allotment shall be approved only after full compliance with the Executive Budget Act,
48 Article 1 of Chapter 143 of the General Statutes. Prior to the award of construction
49 contracts for projects to be financed in whole or in part with self-liquidating
50 appropriations, the Director of the Budget shall approve the elements of the method of
51 financing of those projects including the source of funds, interest rate, and liquidation
52 period. Provided, however, that if the Director of the Budget approves the method of
53 financing a project, the Director shall report that action to the Joint Legislative
54 Commission on Governmental Operations at its next meeting.

1 Where direct capital improvement appropriations include the purpose of
2 furnishing fixed and movable equipment for any project, those funds for equipment
3 shall not be subject to transfer into construction accounts except as authorized by the
4 Director of the Budget. The expenditure of funds for fixed and movable equipment and
5 furnishings shall be reviewed and approved by the Director of the Budget prior to
6 commitment of funds.

7 Capital improvement projects authorized by the 2003 General Assembly shall
8 be completed, including fixed and movable equipment and furnishings, within the limits
9 of the amounts of the direct or self-liquidating appropriations provided, except as
10 otherwise provided in this act. Capital improvement projects authorized by the 2003
11 General Assembly for the design phase only shall be designed within the scope of the
12 project as defined by the approved cost estimate filed with the Director of the Budget,
13 including costs associated with site preparation, demolition, and movable and fixed
14 equipment.

15
16 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
17 Owens, Wright

18 ***ENCUMBERED APPROPRIATIONS AND PROJECT RESERVE FUNDS***

19 **SECTION 31.4.** When each capital improvement project appropriated by the
20 2003 General Assembly, other than those projects under the Board of Governors of The
21 University of North Carolina, is placed under a construction contract, direct
22 appropriations shall be encumbered to include all costs for construction, design,
23 investigation, administration, movable equipment, and a reasonable contingency.
24 Unencumbered direct appropriations remaining in the project budget shall be placed in a
25 project reserve fund credited to the Office of State Budget and Management. Funds in
26 the project reserve may be used for emergency repair and renovation projects at State
27 facilities with the approval of the Director of the Budget. The project reserve fund may
28 be used, at the discretion of the Director of the Budget, to allow for award of contracts
29 where bids exceed appropriated funds, if those projects supplemented were designed
30 within the scope intended by the applicable appropriation or any authorized change in it,
31 and if, in the opinion of the Director of the Budget, all means to award contracts within
32 the appropriation were reasonably attempted. At the discretion of the Director of the
33 Budget, any balances in the project reserve fund shall revert to the original source.

34
35 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
36 Owens, Wright

37 ***REPAIRS AND RENOVATIONS FUNDS ALLOCATIONS***

38 **SECTION 31.5.** As the bond referendum passed in 2000 provided funds for
39 capital improvements, repairs, and renovations throughout The University of North
40 Carolina System, no funds in the Reserve for Repairs and Renovations shall be used for
41 projects of the System for the 2003-2004 fiscal year.

42
43 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
44 Owens, Wright

45 ***CAPITAL IMPROVEMENT PROJECTS/SUPPLEMENTAL FUNDING***
46 ***APPROVAL/REPORTING REQUIREMENT***

47 **SECTION 31.6.** Each department receiving capital improvement
48 appropriations from the Highway Fund under this act shall report quarterly to the
49 Director of the Budget on the status of those capital projects. The reporting procedure
50 to be followed shall be developed by the Director of the Budget.

51 Highway Fund capital improvement projects authorized in this act that have
52 not been placed under contract for construction due to insufficient funds may be
53 supplemented with funds identified by the Director of the Budget, provided:

- 1 (1) That the project was designed and bid within the scope as authorized
- 2 by the General Assembly;
- 3 (2) That the funds to supplement the project are from the same source as
- 4 authorized for the original project;
- 5 (3) That the department to which the project was authorized has
- 6 unsuccessfully pursued all statutory authorizations to award the
- 7 contract; and
- 8 (4) That the action be reported to the Fiscal Research Division of the
- 9 Legislative Services Office.

10
11 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
12 Owens, Wright

13 ***PROJECT COST INCREASE***

14 **SECTION 31.7.** Upon the request of the administration of a State agency,
15 department, or institution, the Director of the Budget may, when in the Director's
16 opinion it is in the best interest of the State to do so, increase the cost of a capital
17 improvement project. Provided, however, that if the Director of the Budget increases
18 the cost of a project, the Director shall report that action to the Joint Legislative
19 Commission on Governmental Operations at its next meeting. The increase may be
20 funded from gifts, federal or private grants, special fund receipts, excess patient receipts
21 above those budgeted at the University of North Carolina Hospitals at Chapel Hill, or
22 direct capital improvement appropriations to that department or institution.

23
24 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
25 Owens, Wright

26 ***NEW PROJECT AUTHORIZATION***

27 **SECTION 31.8.** Upon the request of the administration of any State agency,
28 department, or institution, the Director of the Budget may authorize the construction of
29 a capital improvement project not specifically authorized by the General Assembly if
30 such project is to be funded by gifts, federal or private grants, special fund receipts,
31 excess patient receipts above those budgeted at the University of North Carolina
32 Hospitals at Chapel Hill, or self-liquidating indebtedness. Prior to authorizing the
33 construction of a capital improvement project pursuant to this section, the Director shall
34 consult with the Joint Legislative Commission on Governmental Operations.

35
36 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
37 Owens, Wright

38 ***ADVANCE PLANNING OF CAPITAL IMPROVEMENT PROJECTS***

39 **SECTION 31.9.** Funds that become available by gifts, excess patient
40 receipts above those budgeted at the University of North Carolina Hospitals at Chapel
41 Hill, federal or private grants, receipts becoming a part of special funds by act of the
42 General Assembly, or any other funds available to a State department or institution may
43 be utilized for advance planning through the working drawing phase of capital
44 improvement projects, upon approval of the Director of the Budget. The Director of the
45 Budget may make allocations from the Advance Planning Fund for advance planning
46 through the working drawing phase of capital improvement projects, except that this
47 revolving fund shall not be utilized by the Board of Governors of The University of
48 North Carolina or the State Board of Community Colleges.

49
50 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
51 Owens, Wright

52 ***APPROPRIATIONS LIMITS/REVERSION OR LAPSE***

53 **SECTION 31.10.** Except as permitted in previous sections of this act, the
54 appropriations for capital improvements made by the 2003 General Assembly may be
55 expended only for specific projects set out by the 2003 General Assembly and for no

1 other purpose. Construction of all capital improvement projects enumerated by the
2 2003 General Assembly shall be commenced, or self-liquidating indebtedness with
3 respect to them shall be incurred, within 12 months following the first day of the fiscal
4 year in which the funds are available. If construction contracts on those projects have
5 not been awarded or self-liquidating indebtedness has not been incurred within that
6 period, the direct appropriation for those projects shall revert to the original source, and
7 the self-liquidating appropriation shall lapse; except that direct appropriations may be
8 placed in a reserve fund as authorized in this act. This deadline with respect to both
9 direct and self-liquidating appropriations may be extended with the approval of the
10 Director of the Budget up to an additional 12 months if circumstances and conditions
11 warrant such extension.
12

13 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
14 Owens, Wright

15 **INTENT TO FUND PARTIALLY COMPLETED CAPITAL PROJECTS**

16 **SECTION 31.11.** It is the intent of the General Assembly that future
17 appropriations for capital improvements shall include funding for new projects only
18 after full funding for partially completed projects has been restored.
19

20 **PART XXXII. MISCELLANEOUS PROVISIONS**

21
22 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
23 Owens, Wright

24 **EXECUTIVE BUDGET ACT APPLIES**

25 **SECTION 32.1.** The provisions of the Executive Budget Act, Chapter 143,
26 Article 1 of the General Statutes, are reenacted and shall remain in full force and effect
27 and are incorporated in this act by reference.
28

29 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
30 Owens, Wright

31 **COMMITTEE REPORT**

32 **SECTION 32.2.(a)** The House Appropriations Committee Report on the
33 Continuation, Expansion and Capital Budgets, dated April 14, 2003, which was
34 distributed in the House of Representatives and used to explain this act, shall indicate
35 action by the General Assembly on this act and shall therefore be used to construe this
36 act, as provided in G.S. 143-15 of the Executive Budget Act, and for these purposes
37 shall be considered a part of this act and as such shall be printed as a part of the Session
38 Laws.

39 **SECTION 32.2.(b)** The budget enacted by the General Assembly for the
40 maintenance of the various departments, institutions, and other spending agencies of the
41 State for the 2003-2005 fiscal biennium is a line item budget, in accordance with the
42 Budget Code Structure and the State Accounting System Uniform Chart of Accounts set
43 out in the Administrative Policies and Procedures Manual of the Office of the State
44 Controller. This budget includes the appropriations made from all sources including the
45 General Fund, Highway Fund, special funds, cash balances, federal receipts, and
46 departmental receipts.

47 The General Assembly amended the itemized budget requests submitted to
48 the General Assembly by the Director of the Budget and the Advisory Budget
49 Commission, in accordance with the House Appropriations Committee Report on the
50 Continuation, Expansion and Capital Budgets, dated April 14, 2003, together with any
51 accompanying correction sheets.

52 The budget enacted by the General Assembly shall be interpreted in
53 accordance with the special provisions in this act and in accordance with other
54 appropriate legislation.

1 In the event that there is a conflict between the line item budget certified by
2 the Director of the Budget and the budget enacted by the General Assembly, the budget
3 enacted by the General Assembly shall prevail.
4

5 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
6 Owens, Wright

7 **MOST TEXT APPLIES ONLY TO THE 2003-2005 FISCAL BIENNIUM**

8 **SECTION 32.3.** Except for statutory changes or other provisions that clearly
9 indicate an intention to have effects beyond the 2003-2005 fiscal biennium, the textual
10 provisions of this act apply only to funds appropriated for, and activities occurring
11 during, the 2003-2005 fiscal biennium.
12

13 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
14 Owens, Wright

15 **EFFECT OF HEADINGS**

16 **SECTION 32.4.** The headings to the parts and sections of this act are a
17 convenience to the reader and are for reference only. The headings do not expand,
18 limit, or define the text of this act, except for effective dates referring to a Part.
19

20 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
21 Owens, Wright

22 **SEVERABILITY CLAUSE**

23 **SECTION 32.5.** If any section or provision of this act is declared
24 unconstitutional or invalid by the courts, it does not affect the validity of this act as a
25 whole or any part other than the part so declared to be unconstitutional or invalid.
26

27 Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady,
28 Owens, Wright

29 **EFFECTIVE DATE**

30 **SECTION 32.6.** Except as otherwise provided, this act becomes effective
31 July 1, 2003.