

	2003-2004	2004-2005
State Agency or Division	Recommended	Recommended
	Appropriation	Appropriation
HEALTH AND HUMAN SERVICES		
Central Administration	84,783,833	83,583,833
Aging	27,585,838	27,585,838
Child Development	259,792,167	259,985,693
Smart Start		
Education Services	31,866,862	31,730,076
Public Health	127,742,287	127,738,707
Social Services	178,154,934	183,207,128
Medical Assistance	2,287,015,656	2,606,616,508
Child Health	50,368,030	56,426,280
Services for the Blind	9,352,670	9,437,008
Mental Health/DD/SAS	557,623,983	561,114,198
Facility Services	9,442,530	9,442,530
Vocational Rehabilitation	40,042,124	40,834,858
Total Health & Human Services	3,663,770,914	3,997,702,657
NATURAL AND ECONOMIC RESOURCES		
Agriculture & Consumer Services	48,756,978	48,795,084
Commerce	33,133,442	32,203,763
Commerce – State Aid to Nonstate Entities	20,062,464	20,062,464
Environment and Natural Resources	146,430,988	151,194,700
Clean Water Management Trust Fund	66,381,860	66,381,860
NC Housing Finance	4,750,945	4,750,945
Labor	13,265,001	13,271,022
Total Natural and Economic Resources	332,781,678	336,659,838
JUSTICE AND PUBLIC SAFETY		
Correction	940,718,058	945,911,249
Crime Control & Public Safety	28,088,773	27,164,214
Judicial	303,316,657	310,513,471
Judicial – Indigent Defense	73,048,607	71,115,571
Justice	70,681,908	71,667,067
Juvenile Justice	131,262,105	134,409,130
Total Justice and Public Safety	1,547,116,108	1,560,780,702
GENERAL GOVERNMENT		
Administration	50,797,218	51,325,602
State Auditor	10,305,302	10,315,258
Cultural Resources	53,050,958	52,771,799
Cultural Resources – Roanoke Island	1,634,905	1,636,559

1	General Assembly	41,561,463	44,971,305
2	Governor's Office	4,986,503	4,857,328
3	Insurance	21,971,063	22,002,200
4	Insurance – Worker's Compensation Fund	4,500,000	4,500,000
5	Lieutenant Governor	601,722	601,722
6	Office of Administrative Hearings	2,413,683	2,415,797
7	Revenue	73,536,823	73,536,823
8	Rules Review Commission	310,454	310,454
9	Secretary of State	7,799,789	7,810,408
10	State Board of Elections	7,642,776	3,458,357
11	State Budget and Management (OSBM)	4,207,130	4,211,435
12	OSBM – Special Appropriations	3,080,000	3,080,000
13	Office of State Controller	9,694,464	9,719,451
14	State Treasurer	7,418,650	7,421,405
15	State Treasurer – Retirement/Benefits	7,131,179	7,131,179
16	Total General Government	312,644,082	312,077,082
17			
18	TRANSPORTATION	11,429,525	11,460,101
19			
20	EDUCATION		
21	Public Schools	5,998,996,820	6,018,823,114
22	Community Colleges	673,956,026	673,765,340
23	University System	1,612,814,122	1,647,422,277
24	UNC – Hospital	39,303,483	39,303,483
25	UNC – GA Passthrough	144,353,091	144,695,876
26	Total Education	8,469,423,542	8,524,010,090
27			
28	TOTAL BUDGET	14,337,165,849	14,742,690,470
29			
30	Debt Service:		
31	General Debt Service	387,785,920	474,479,452
32	Federal Reimbursement	1,155,948	1,155,948
33	Total Debt Service	388,941,868	475,635,400
34			
35	RESERVES & ADJUSTMENTS		
36	Contingency and Emergency Reserve	5,000,000	5,000,000
37	Compensation Increase Reserve	132,350,000	129,500,000
38	Salary Adjustment Reserve	500,000	500,000
39	Retirement System Reserve	47,000,000	158,000,000
40	Easley Health Initiative	5,000,000	5,000,000
41	Reserve – HIPPA Implementation	5,000,000	-
42	Health Plan Reserve	72,000,000	96,000,000
43	Mental Health/DD/SAS Trust Fund Reserve	10,000,000	-
44	Total Reserves & Adjustments	276,850,000	394,000,000

1			
2	CAPITAL		
3	Capital Improvements	29,407,000	-
4	Total Capital	29,407,000	-
5			
6	TOTAL GENERAL FUND BUDGET	15,032,364,717	15,612,325,870

7
8 **PART III. CURRENT OPERATIONS/HIGHWAY FUND**

9
10 **SECTION 4.** Appropriations from the Highway Fund of the State for the
11 maintenance and operation of the Department of Transportation, and for other purposes
12 as enumerated, are made for the biennium ending June 30, 2005, according to the
13 following schedule:

14			
15	Current Operations – Highway Fund	2003-2004	2004-2005
16		Recommended	Recommended
17	DOT		
18	General Administration	\$ 72,625,987	\$ 72,648,211
19	Highway Division Administration	28,190,393	28,150,605
20	State Match for Federal Aid-Planning and Research	4,160,000	4,280,000
21			
22	Construction Program		
23	State Secondary System	89,600,000	90,590,000
24	State Urban System	14,000,000	14,000,000
25	Discretionary Funds	10,000,000	10,000,000
26	Spot Safety Improvements	9,100,000	9,100,000
27	Access and Public Services Roads	2,000,000	2,000,000
28	Total Construction Program	124,700,000	125,690,000
29			
30	Maintenance Program		
31	Primary System	120,553,156	120,553,156
32	Secondary System	206,386,339	206,386,339
33	Urban System	39,113,550	39,113,550
34	Contract Resurfacing	152,638,316	153,745,716
35	General Maintenance Reserve	78,291,522	52,505,787
36	Total Maintenance Program	596,982,883	572,304,548
37			
38	Ferry Operations	19,677,283	19,677,283
39	State Aid to Municipalities	89,600,000	90,590,000
40	State Aid to Railroads	15,090,919	15,531,153
41	State Aid for Public Transportation	79,905,266	114,325,772
42	Asphalt Plant Cleanup	425,000	425,000
43	Governor's Highway Safety Program	292,449	293,118
44	Division of Motor Vehicles	100,255,703	100,323,363

1			
2	Total Department of Transportation	\$ 1,131,905,883	\$ 1,144,239,053
3			
4	APPROPRIATIONS TO OTHER STATE AGENCIES		
5	Agriculture	3,710,722	3,786,844
6	Revenue	4,222,813	4,226,491
7	State Treasurer – Sales Tax	16,379,000	16,910,000
8	Public Instruction – Driver Education	31,623,338	32,336,509
9	CCPS – Highway Patrol	137,378,475	137,676,134
10	DENR – LUST Trust Fund	5,626,465	6,016,665
11	DHHS – Chemical Test	528,304	528,304
12	Global Transpark	1,600,000	-
13	Total – Other State Agencies	201,069,117	201,480,947
14			
15	RESERVES AND TRANSFERS		
16	Salary Adjustment	400,000	400,000
17	Legislative Salary Increase	5,600,000	5,600,000
18	Comprehensive Major Medical Plan	3,000,000	3,000,000
19	Retirement Contribution	980,000	7,385,000
20	Minority Contractor Development	150,000	150,000
21	State Fire Protection Grant	150,000	150,000
22	Stormwater Discharge Permit	500,000	500,000
23	Reserve for Visitor’s Centers	175,000	175,000
24	Total Reserves and Transfers	10,955,000	17,360,000
25			
26	Total Current Operations	1,343,930,000	1,363,080,000
27			
28	Capital Improvements	7,000,000	10,000,000
29			
30	Total Highway Fund Appropriation	1,350,930,000	1,373,080,000

31

32 **PART IV. HIGHWAY TRUST FUND**

33

34 **SECTION 5.** Appropriations from the Highway Trust Fund are made for the
35 fiscal biennium ending June 30, 2005, according to the following schedule:

36

37	Highway Trust Fund	2003-0004	2004-2005
38		Recommended	Recommended
39	DEPARTMENT OF TRANSPORTATION		
40	Maximum Allowance for Administration	\$ 43,417,646	\$ 45,311,311
41	Construction Allocation		
42	Intrastate System	420,638,518	455,848,147
43	Urban Loop System	170,088,698	184,326,006
44	Secondary Roads	79,337,221	83,982,103

1	Transfer to Highway Fund	-	-
2	State Aid to Municipalities	44,134,792	47,829,103
3	Transfer to the General Fund (1)	252,422,125	231,774,330
4	Total Highway Trust Fund	\$ 1,010,039,000	\$ 1,049,071,000

5
6 (1) Transfer required by G.S. 105-187.9.

7
8 **PART V. GENERAL FUND AVAILABILITY STATEMENT**

9
10 **BUDGET REFORM STATEMENT**

11 **SECTION 6.1.** The General Fund availability used in developing the
12 2003-05 budget is shown below:

13		2003-2004	2004-2005
14	Description	Recommended	Recommended
15		(In Millions)	(In Millions)
16	Beginning Availability		
17	Easley Executive Order #22	\$ 100.0	-
18	Credit Balance FY 2002-03		
19	(Reversions & Overcollections)	375.0	-
20	Credit to Savings Reserve Account	(100.0)	-
21	Credit to Repairs and Renovations Reserve	(50.0)	-
22	Beginning Unreserved Credit Balance	325.0	-
23			
24	Revenue:		
25	Tax:		
26	Income (Individual & Corporate)	8,448.9	9,064.5
27	Sales and Use	4,095.8	4,339.9
28	Other Tax	1,314.7	1,391.4
29	Total Tax	13,859.4	14,795.9
30	Nontax	519.4	538.1
31	Transfers	328.8	308.7
32	Total Revenue	14,707.6	15,642.7
33			
34	Total Availability	15,032.6	15,642.7

35
36 **SECTION 6.2.** Notwithstanding G.S. 143-16.4(a2), of the funds credited to
37 the Tobacco Trust Account from the Master Settlement Agreement pursuant to Section
38 6(2) of S.L. 1999-2 during the 2003-2004 and 2004-2005 fiscal years, the sum of forty
39 million dollars (\$40,000,000) shall be transferred from the Department of Agriculture
40 and Consumer Services, Budget Code 23703 (Tobacco Trust Fund) to the State
41 Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to
42 support General Fund appropriations for the 2003-2004 and 2004-2005 fiscal years.

43 **SECTION 6.3.** Notwithstanding G.S. 143-16.4(a1), of the funds credited to
44 the Health Trust Account from the Master Settlement Agreement pursuant to Section

1 6(2) of S.L. 1999-2 during the 2003-2004 and 2004-2005 fiscal years, the sum of twenty
2 million dollars (\$20,000,000) that would otherwise be deposited in the Fund Reserve
3 established by G.S. 147-86.30(c) shall be transferred from the Department of State
4 Treasurer, Budget Code 23460 (Health and Wellness Trust Fund) to the State Controller
5 to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General
6 Fund appropriations for the 2003-2004 and 2004-2005 fiscal years.

7 **SECTION 6.4.** Notwithstanding the allocations outlined in G.S. 143-15.2
8 and G.S. 143-15.3, the sum of one hundred million dollars (\$100,000,000) shall be
9 reserved to the Savings Reserve Account from the beginning credit balance on June 30,
10 2003.

11 **SECTION 6.5.** Notwithstanding the allocations outlined in G.S. 143-15.2
12 and G.S. 143-15.3, the sum of fifty million dollars (\$50,000,000) shall be reserved to
13 the Repairs and Renovations Reserve Account from the credit balance on June 30, 2003.
14

15 **PART VI. GENERAL PROVISIONS**

16 17 **SPECIAL FUNDS, FEDERAL FUNDS, AND DEPARTMENTAL RECEIPTS,** 18 **AND AUTHORIZATION FOR EXPENDITURES**

19 **SECTION 7.1.** There is appropriated out of the cash balances, federal
20 receipts, and departmental receipts available to each department, sufficient amounts to
21 carry on authorized activities included under each department's operations. All these
22 cash balances, federal receipts, and departmental receipts shall be expended and
23 reported in accordance with provisions of the Executive Budget Act, except as
24 otherwise provided by statute, and shall be expended at the level of service authorized
25 by the General Assembly. If the receipts, other than gifts and grants that are
26 unanticipated and are for a specific purpose only, collected in a fiscal year by an
27 institution, department, or agency exceed the receipts certified for it in General Fund
28 Codes or Highway Fund Codes, then the Director of the Budget shall decrease the
29 amount he allots to that institution, department, or agency from appropriations from that
30 Fund by the amount of the excess, unless the Director of the Budget finds that the
31 appropriations from the Fund are necessary to maintain the function that generated the
32 receipts at the level anticipated in the certified Budget Codes for that Fund.

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

- 36 (1) As provided in G.S. 116-30.1, G.S. 116-30.2, G.S. 116-30.3, G.S.
37 116-30.4; or
- 38 (2) If the Director of the Budget finds that the new permanent employee
39 positions are necessary to maintain the function that generated the
40 receipts at the level anticipated in the certified budget codes for that
41 Fund. The Director of the Budget shall notify the President Pro
42 Tempore of the Senate, the Speaker(s) of the House of
43 Representatives, the chairmen of the appropriations committees of the
44 Senate and the House of Representatives, and the Fiscal Research

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

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

10 **SECTION 7.2.** Notwithstanding any other provisions of law to the contrary,
11 the following statutes and session laws shall be repealed effective July 1, 2003: Section
12 34.13(c) of S.L. 2001-424, G.S. 105-521(b), G.S. 105-521(c), Section 34.18(b) of S.L.
13 2001-424, G.S. 105-134.6(c)(3) and (4) as outlined in Section 34.19 of S.L. 2001-424,
14 and G.S. 105-151.24 as outlined in Section 34.20 of S.L. 2001-424.

15 **INSURANCE AND FIDELITY BONDS**

16 **SECTION 8.** All insurance and all official fidelity and surety bonds
17 authorized for the several departments, institutions, and agencies shall be effected and
18 placed by the Department of Insurance, and the cost of placement shall be paid by the
19 affected department, institution, or agency
20 with the approval of the Commissioner of Insurance.
21

22 **CONTINGENCY AND EMERGENCY FUND ALLOCATIONS**

23 **SECTION 9.1.** Funds in the amount of five million dollars (\$5,000,000) for
24 the 2003-2004 fiscal year and five million dollars (\$5,000,000) for the 2004-2005 fiscal
25 year are appropriated in this act to the Contingency and Emergency Fund. Of the funds:
26

- 27 (1) The sum of three million eight hundred seventy-five thousand dollars
28 (\$3,875,000) for the 2003-2004 fiscal year and the sum of three
29 million eight hundred seventy-five thousand dollars (\$3,875,000) for
30 the 2004-2005 fiscal year shall be used only to respond to an
31 unanticipated disaster such as a fire, hurricane, or tornado;
- 32 (2) The sum of nine hundred thousand dollars (\$900,000) for the
33 2003-2004 fiscal year and the sum of nine hundred thousand dollars
34 (\$900,000) for the 2004-2005 fiscal year shall be used only (i) for the
35 purposes set out in subdivision (1) of this subsection, (ii) as required
36 by a court, Industrial Commission, or administrative hearing officer's
37 order or award, or (iii) to match unanticipated federal funds; and
- 38 (3) The sum of two hundred twenty-five thousand dollars (\$225,000) for
39 the 2003-2004 fiscal year and the sum of two hundred twenty-five
40 thousand dollars (\$225,000) for the 2004-2005 fiscal year shall be used
41 for the purposes set out in subdivisions (1) and (2) of this section or for
42 other allocations from the Contingency and Emergency Fund.

1 **SECTION 9.2.** Funds appropriated to the Contingency and Emergency Fund
2 shall not be used to lease office space unless the expenditure is for a purpose set out in
3 subdivision (1) or (2) of Section 9.1.

4 5 **AUTHORIZED TRANSFERS**

6 **SECTION 10.** The Director of the Budget may transfer to General Fund
7 budget codes from the General Fund Salary Adjustment Reserves appropriation, and
8 may transfer to Highway Fund budget codes from the Highway Fund Salary Adjustment
9 Reserve appropriation amounts required to support approved salary adjustments made
10 necessary by difficulties in recruiting and holding qualified employees in State
11 government. The funds may be transferred only when salary reserve funds in individual
12 operating budgets are not available.

13 14 **EXPENDITURES OF FUNDS IN RESERVES LIMITED**

15 **SECTION 11.** All funds appropriated by this act into reserves may be
16 expended only for the purposes for which the reserves were established.

17 18 **STATE MONEY RECIPIENTS/CONFLICT OF INTEREST POLICY**

19 **SECTION 12.** Each private, nonprofit entity eligible to receive State funds,
20 either by General Assembly appropriation, or by grant, loan, or other allocation from a
21 State agency, before funds may be disbursed to the entity, shall file with the disbursing
22 agency a notarized copy of that entity's policy addressing conflicts of interest that may
23 arise involving the entity's management employees and the members of its board of
24 directors or other governing body. The policy shall address situations in which any of
25 these individuals may directly or indirectly benefit, except as the entity's employees or
26 members of the board or other governing body, from the entity's disbursing of State
27 funds, and shall include actions to be taken by the entity or the individual, or both, to
28 avoid conflicts of interest and the appearance of impropriety.

29 30 **BUDGET FLEXIBILITY FOR STATE AGENCIES**

31 **SECTION 13.** G.S. 143-23 is amended by adding a new subsection to read:
32 "(a5) State departments and agencies may transfer General Fund appropriations
33 between personal service and non-personal service line items provided that it has
34 received approval by the Department or Agency Head and has received approval from
35 the Office of State Budget and Management. Personal service funds may be transferred
36 and used for non-personal service items to pay for costs related to continuing
37 operations. Personal service funds shall not be used to expand existing programs or to
38 establish new programs.

39 State departments and agencies shall report to the Joint Legislative Commission on
40 Governmental Operations within 30 days of all transfers from personal service line
41 items to non-personal service line items.

42 General Fund salary and related employee benefit appropriations for State
43 departments and agencies that are reduced or eliminated by action of the General
44 Assembly shall not be replaced by other budgeted line items supported by General Fund

1 appropriations. Non-personal service funds or lapsed salary funds shall not be used to
2 establish new permanent employee positions or to raise the salary of existing
3 employees."

5 **RECEIPT SUPPORTED POSITIONS CONSULTATION REQUIREMENT**

6 **SECTION 14.** G.S. 143-34.1(a1) reads as rewritten:

7 "(a1) A department, institution, or other agency of State government may establish
8 new receipt-supported positions only after prior consultation with the Joint Legislative
9 Commission on Governmental Operations. This subsection shall not apply to
10 work-order funded positions in the Department of Transportation that are created for the
11 purpose of highway construction, to positions at The University of North Carolina or its
12 constituent institutions, or to positions established by the Governor to expand the State's
13 capabilities in dealing with the threat of terrorism in the event of an emergency or other
14 exigent circumstances. When the General Assembly is not in session, a department,
15 institution, or other agency of State government may provide a written report to the
16 Joint Legislative Commission on Governmental Operations to meet the consultation
17 requirement in this subsection. If the Joint Legislative Commission on Governmental
18 Operations does not meet for 30 days after submission of a written report, a department,
19 institution, or other agency of State government may establish receipt-supported
20 positions upon the approval of the Office of State Budget and Management. The
21 department, institution, or other agency of State government shall then report to the
22 Joint Legislative Commission on Governmental Operations at the next scheduled
23 meeting of the Commission.

24 When the General Assembly is in session, a department, institution, or other agency
25 of State government may report to its Appropriations Subcommittee to satisfy the
26 consultation requirement in this subsection."

27 **GENERAL FUND APPROPRIATIONS CAP**

28 **SECTION 15.** Article 1 of Chapter 143 of the General Statutes is amended
29 by adding the following new sections:

30 "**§ 143-2.1. Definitions and determination of the General Fund appropriations cap.**

31 (a) Definitions. The following definitions apply in this section and in G.S. 143-
32 2.2:

- 33 1. Fiscal growth factor. – The average of total state personal income
34 change for each of the preceding ten state fiscal years. If income
35 change for any of the preceding ten fiscal years is negative, then that
36 change shall be counted as zero.
- 37 2. Total state personal income change. – The annual percentage change in
38 state personal income for each state fiscal year as reported by the
39 Office of State Budget and Management.

40 (b) General Fund Appropriations Limit. – The General Fund appropriations limit
41 for each fiscal year shall be the previous fiscal year's General Fund appropriations for
42 operating and capital increased by a percentage rate that equals the fiscal growth factor.
43

1 (c) Fiscal Reports. – On or before March 15 of each year, the Fiscal Research
2 Division and the Office of State Budget and Management shall issue a determination of
3 the General Fund appropriations limit for the fiscal year beginning July 1 of that year
4 and a projection of the General Fund appropriations limit for the next fiscal year.”

5 **“§ 143-2.2. Increase in General Fund appropriations limited.**

6 (a) Governor Bound by General Fund Appropriations Limit. – In preparing a
7 budget for a fiscal year, the Governor shall not propose appropriations from the General
8 Fund for the ensuing fiscal period in excess of the projected General Fund
9 appropriations limit established under G.S. 143-2.1. For purposes of this section,
10 transfers, appropriations or other deposits to the Savings Reserve Account established
11 under G.S. 143-15.3 and the Repairs and Renovations Reserve Account established
12 under G.S. 143-15.3A shall not count toward the calculation of the limit.

13 (b) General Assembly Bound by General Fund Appropriations Limit. – In
14 enacting a budget for the fiscal year, the General Assembly shall not make
15 appropriations from the General Fund in excess of the projected General Fund
16 appropriations limit established under G.S. 143-2.1. For purposes of this section,
17 transfers, appropriations or other deposits to the Savings Reserve Account established
18 under G.S. 143-15.3 and the Repairs and Renovations Reserve Account established
19 under G.S. 143-15.3A shall not count toward the calculation of the limit.

20 (c) Revenue in Excess of General Fund Appropriations Limit Credit to Savings
21 Reserve Account. – All General Fund revenue collected in excess of the General Fund
22 appropriations limit shall be credited to the Savings Reserve Account at the end of each
23 fiscal year.”

24
25 **PART VII. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

26
27 **CENTRAL ADMINISTRATION**

28
29 **DHHS PAYROLL DEDUCTION FOR CHILD CARE SERVICES**

30 **SECTION 16.** Subject to the rules adopted by the State Controller, an
31 employee of the Department of Health and Human Services may authorize, in writing,
32 the periodic deduction from the employees’ salary or wages paid for employment by the
33 State of a designated lump sum to be paid to satisfy the cost of the services received for
34 child care provided by the Department of Health and Human Services.
35

36 **WEATHERIZATION ASSISTANCE**

37 **SECTION 17.** The Department of Health and Human Services may
38 administer the Weatherization Assistance Program for Low-Income Families and the
39 Heating/Air Repair and Replacement Program functions.
40

41 **MORE AT FOUR PROGRAM**

42 **SECTION 18.1.** The Department of Health and Human Services and the
43 Department of Public Instruction shall establish the "More At Four" Pre-K Task Force

1 to oversee development and implementation of the "More At Four" program. The
2 membership shall include:

- 3 (1) Parents of at-risk children.
- 4 (2) Representatives with expertise in early childhood development.
- 5 (3) Classroom teachers who are certified in early childhood education.
- 6 (4) Representatives of the private not-for-profit and for-profit child care
7 providers in North Carolina.
- 8 (5) Employees of the Department of Health and Human Services who are
9 knowledgeable in the areas of early childhood development, current
10 State and federally funded efforts in child development, and providing
11 child care.
- 12 (6) Representatives of local Smart Start partnerships.
- 13 (7) Representatives of local school administrative units.
- 14 (8) Representatives of Head Start prekindergarten programs in North
15 Carolina.
- 16 (9) Employees of the Department of Public Instruction.

17 **SECTION 18.2.** The Department of Health and Human Services and the
18 Department of Public Instruction, under the guidance of the Task Force, shall develop
19 and implement the "More At Four" prekindergarten program for at-risk four-year-olds
20 who are at risk of failure in kindergarten. The program shall be distributed
21 geographically to ensure adequate representation of the diverse areas of the State,
22 including underserved areas. The goal of the program shall be to provide quality
23 prekindergarten services in order to enhance kindergarten readiness for these children.
24 The program shall be consistent with standards and assessments established jointly by
25 the Department of Health and Human Services, the Department of Public Instruction,
26 and the Task Force and may consider the "More At Four" Pre-K Task Force
27 recommendations. The program shall include:

- 28 (1) A process and system for identifying children at risk of academic
29 failure.
- 30 (2) A process and system for identifying children who have never been
31 served in a formal early education program such as child care, public
32 or private preschool, Head Start, Early Head Start, early intervention
33 programs or other such programs, who demonstrate educational needs
34 on the basis of a prekindergarten assessment, and who are eligible to
35 enter kindergarten the next school year.
- 36 (3) A curriculum or several curricula that are recommended by the Task
37 Force. The Task Force may consider curricula used by established
38 prekindergarten programs such as WINGS, Bright Beginnings, and
39 others. These curricula shall: (i) focus primarily on oral language and
40 emergent literacy, (ii) engage children through key experiences and
41 provide background knowledge requisite for formal learning and
42 successful reading in the early elementary years, (iii) involve active
43 learning, (iv) promote measurable kindergarten language-readiness
44 skills that focus on emergent literacy and mathematical skills, and (v)

1 develop skills that will prepare children emotionally and socially for
2 kindergarten.

- 3 (4) An emphasis on ongoing family involvement with the prekindergarten
4 program.
- 5 (5) Evaluation of child progress through pre- and post-assessment of
6 children as well as ongoing assessment of the children by teachers.
- 7 (6) Guidelines for a system to reimburse local school boards and systems,
8 private child care providers, and other entities willing to establish and
9 provide prekindergarten programs to serve at-risk children. A process
10 and system for reimbursing providers that builds upon the existing
11 child care subsidy reimbursement system.
- 12 (7) A system built upon existing local school boards and systems, private
13 child care providers, and other entities who demonstrate the ability to
14 establish or expand prekindergarten capacity.
- 15 (8) A quality-control system. Participating providers shall comply with
16 standards and guidelines as established by the Department of Health
17 and Human Services, the Department of Public Instruction, and the
18 Task Force. The Department may use the child care rating system to
19 assist in determining program participation.
- 20 (9) Standards for minimum teacher qualifications. A portion of the
21 classroom sites initially funded shall have at least one teacher who is
22 certified or provisionally certified in birth to kindergarten education.
- 23 (10) A local contribution. Programs must demonstrate that they are
24 accessing resources other than "More At Four."
- 25 (11) A system of accountability.
- 26 (12) Collaboration with State agencies and other organizations. The
27 Department of Health and Human Services, the Department of Public
28 Instruction, and the Task Force shall collaborate with State agencies
29 and other organizations such as the North Carolina Partnership for
30 Children, Inc., in the design and implementation of the program.
- 31 (13) Consideration of the reallocation of existing funds. In order to
32 maximize current funding and resources, the Department of Health and
33 Human Services, the Department of Public Instruction, and the Task
34 Force shall consider the reallocation of existing funds from State and
35 local programs that provide prekindergarten related care and services.
- 36 (14) Recommendations for long-term organizational placement and
37 administration of the program.

38 **SECTION 18.3.** In development of the "More At Four" program, the
39 Department of Health and Human Services, in consultation with the Department of
40 Public Instruction and the Task Force, shall:

- 41 (1) Contract with an independent research organization, outside the
42 Department of Health and Human Services and the Department of
43 Public Instruction, with proven expertise in evaluation of
44 prekindergarten programs, for the design of an evaluation component.

1 The evaluation component shall facilitate longitudinal review of the
2 program and child-specific outcomes to include, at a minimum,
3 participants' readiness for kindergarten, percentage of participants
4 scoring at or above grade level on the third grade end-of-grade test,
5 and high school graduation rates.

- 6 (2) Collaborate in the development of a system to collect and maintain
7 child-specific information to provide for the long-term evaluation of
8 the program. The system shall be developed in a manner which utilizes
9 existing State and local systems and the North Carolina Student
10 Information Management System.

11 **SECTION 18.4.** State funds appropriated under this act for the "More At
12 Four" program shall not supplant current expenditures by counties, local partnerships, or
13 other recipients of State and federal funds, allocated and expended on behalf of young
14 children.

15 **DIVISION OF AGING**

16 **FUNDS FOR ALZHEIMER'S ASSOCIATION CHAPTERS IN NORTH** 17 **CAROLINA**

18 **SECTION 19.** Of the funds appropriated in this act to the Department of
19 Health and Human Services, Division of Aging, the sum of one hundred fifty thousand
20 dollars (\$150,000) for the 2003-2005 fiscal year and the sum of one hundred fifty
21 thousand dollars (\$150,000) for the 2003-2005 fiscal year shall be allocated as follows:

- 22 (1) \$75,000 in each fiscal year for the Western Alzheimer's Chapter; and
23 (2) \$75,000 in each fiscal year for the Eastern Alzheimer's Chapter.

24 Before funds may be allocated to any chapter under this section, the Chapter shall
25 submit to the Division of Aging, for its approval, a plan for the use of the funds.
26

27 **SENIOR CENTER OUTREACH**

28 **SECTION 20.1.** Funds appropriated to the Department of Health and
29 Human Services, Division of Aging, for the 2003-2005 fiscal biennium, shall be used by
30 the Division of Aging to enhance senior center programs as follows:

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

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

35 **SECTION 20.2.** Prior to funds being allocated pursuant to this section for
36 start-up funds for a new senior center, the county commissioners of the county in which
37 the new center will be located shall:

- 38 (1) Formally endorse the need for such a center;
39 (2) Formally agree on the sponsoring agency for the center; and
40 (3) Make a formal commitment to use local funds to support the ongoing
41 operation of the center.
42
43

1 **SECTION 20.3.** State funding shall not exceed ninety percent (90%) of
2 reimbursable costs.

3
4 **CHILD DEVELOPMENT**

5
6 **CHILD CARE SUBSIDY RATES**

7 **SECTION 21.1.** The maximum gross annual income for initial eligibility,
8 adjusted biennially, for subsidized child care services shall be seventy-five percent
9 (75%) of the State median income, adjusted for family size.

10 **SECTION 21.2.** Fees for families who are required to share in the cost of
11 care shall be established based on a percent of gross family income and adjusted for
12 family size. Effective October 1, 2001, fees shall be determined as follows:

13 Family Size	Percent Of Gross Family Income
14 1-3	10%
15 4-5	9%
16 6 or more	8%.

17 **SECTION 21.3.** Effective October 1, 2001, payments for the purchase of
18 child care services for low-income children shall be in accordance with the following
19 requirements:

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

37 **SECTION 21.4.** Provision of payment rates for child care providers in
38 counties that do not have at least 50 children in each age group for center-based and
39 home-based care are as follows:

- 40 (1) Payment rates may be set at the statewide or regional market rate for
41 licensed child care centers and homes.
- 42 (2) If it can be demonstrated that the application of the statewide or
43 regional market rate to a county with fewer than 50 children in each
44 age group is lower than the county market rate and would inhibit the

1 ability of the county to purchase child care for low-income children,
2 then the county market rate may be applied.

3 **SECTION 21.5.** A market rate shall be calculated for child care centers and
4 homes at each rated license level for each county and for each age group or age category
5 of enrollees and shall be representative of fees charged to unsubsidized privately paying
6 parents for each age group of enrollees within the county. The Division of Child
7 Development shall also calculate a statewide rate and regional market rates for each
8 rated license level for each age category.

9 **SECTION 21.6.** Facilities licensed pursuant to Article 7 of Chapter 110 of
10 the General Statutes and facilities operated pursuant to G.S. 110-106 may participate in
11 the program that provides for the purchase of care in child care facilities for minor
12 children of needy families. No separate licensing requirements shall be used to select
13 facilities to participate. In addition, child care facilities shall be required to meet any
14 additional applicable requirements of federal law or regulations. Child care
15 arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the
16 General Statutes shall meet the requirements established by other State law and by the
17 Social Services Commission.

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

22 **SECTION 21.7.** Payment for subsidized child care services provided with
23 Work First Block Grant funds shall comply with all regulations and policies issued by
24 the Division of Child Development for the subsidized child care program.

25 **SECTION 21.8.** Noncitizen families who reside in this State legally shall be
26 eligible for child care subsidies if all other conditions of eligibility are met. If all other
27 conditions of eligibility are met, noncitizen families who reside in this State illegally
28 shall be eligible for child care subsidies only if at least one of the following conditions
29 is met:

- 30 (1) The child for whom a child care subsidy is sought is receiving child
31 protective services or foster care services.
- 32 (2) The child for whom a child care subsidy is sought is developmentally
33 delayed or at risk of being developmentally delayed.
- 34 (3) The child for whom a child care subsidy is sought is a citizen of the
35 United States.

36 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES**

37 **SECTION 22.** G.S. 143B-168.15 is amended by adding a new subsection to
38 read:
39

40 "(h) Administrative costs shall be equivalent to, on an average statewide basis for
41 all local partnerships, not more than eight percent (8%) of the total statewide allocation
42 to all local partnerships. For the purposes of this subsection, administrative costs shall
43 include costs associated with partnership oversight, business and financial management,

1 general accounting, human resources, budgeting, purchasing, contracting, and
2 information systems management."

3
4 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES**
5 **ENHANCEMENTS**

6 **SECTION 23.1.** The North Carolina Partnership for Children, Inc., and the
7 Department of Health and Human Services shall immediately develop and implement
8 the following:

- 9 (1) Policies to ensure Early Childhood Education and Development
10 Initiatives funds are allocated to child care programs, providers, and
11 services that serve low-income children.
- 12 (2) Policies to ensure the allocation of all State funds and federal funds
13 where appropriate to the neediest child care providers with priority
14 given from the lowest licensure rating to the highest. The North
15 Carolina Partnership for Children, Inc., and the Department of Health
16 and Human Services shall develop the definition of "neediest" as used
17 in this subsection.
- 18 (3) Policies to ensure the allocation of State funds and federal funds where
19 appropriate to child care programs and providers that serve an
20 adequate number of children and families are eligible to participate in
21 the State child care subsidy voucher program. The North Carolina
22 Partnership for Children, Inc., and the Department of Health and
23 Human Services shall develop policies and a definition of "adequate"
24 as used in this subsection that takes into consideration the following:
- 25 (a) County economic conditions.
26 (b) Numbers of eligible families in a county.
27 (c) The diversity of child care needs in a county.
28 (d) Other factors that may impact on the number of child care
29 facilities and the availability of child care in a county.
- 30 (4) Policies to ensure the elimination of local duplication and increased
31 efficiency in the administration of child care subsidy voucher funds,
32 unless local partnerships in collaboration with county departments of
33 social services can demonstrate to the Department a more efficient and
34 effective plan for administration of child care subsidy voucher funds.
- 35 (5) Policies and procedures to ensure the unduplicated compilation of
36 children served through State and federal child care subsidy voucher
37 funds.
- 38 (6) Policies and procedures to ensure the timely, accurate, and consistent
39 reporting of information on local child care subsidy waiting lists
40 statewide.

41 **SECTION 23.2.** In consultation with the Department of Public Instruction
42 and the North Carolina Partnership for Children, Inc., the Department of Health and
43 Human Services shall develop and implement policies and procedures to ensure that

1 local partnerships that allocate funds to child care providers receiving State and federal
2 child care funds plan and coordinate with their local education agencies the following:

- 3 (1) Selection of preschool curriculum with measurable outcomes.
- 4 (2) Kindergarten transition activities.
- 5 (3) Other activities needed to ensure that children transitioning from child
6 care settings to kindergarten enter school ready to succeed.

7 **SECTION 23.3.** The Department of Health and Human Services, in
8 consultation with the North Carolina Partnership for Children, Inc., and the Office of
9 State Budget and Management, shall develop a separate North Carolina Partnership for
10 Children, Inc., Early Childhood Education and Development Initiative Program budget,
11 within the Division of Child Development fund code for the purpose of segregating all
12 expenditures related to the administration and operation of the statewide Smart Start
13 program.

14 **SECTION 23.4.** The Department of Health and Human Services and the
15 North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds
16 for Early Childhood Education and Development Initiatives for State fiscal years
17 2003-2004 and 2004-2005 shall be administered and distributed in the following
18 manner:

- 19 (1) The North Carolina Partnership for Children, Inc., shall develop a
20 policy to allocate the reduction of funds for Early Childhood
21 Education and Development Initiatives for the 2003-2004 and
22 2004-2005 fiscal years.
- 23 (2) The North Carolina Partnership for Children, Inc., administration shall
24 be reduced by ten percent (10%) from the 2000-2001 fiscal year level.
- 25 (3) The Department of Health and Human Services Smart Start
26 administration shall be reduced by ten percent (10%) from the
27 2000-2001 fiscal year level.
- 28 (4) Capital expenditures and playground equipment expenditures are
29 prohibited for fiscal years 2003-2004 and 2004-2005. For the purposes
30 of this subsection, "capital expenditures" means expenditures for
31 capital improvements as defined in G.S. 143-34.40.
- 32 (5) Expenditures of State funds for advertising and promotional activities
33 are prohibited for fiscal year 2002-2003.

34 **SECTION 23.5.** The allocation of State carryforward funds is prohibited,
35 and all unspent funds shall revert to the General Fund at the end of the fiscal year.

36 **SECTION 23.6.** The North Carolina Partnership for Children, Inc., shall not
37 approve local partnership plans that allocate State funds to child care providers for
38 one-time quality improvement initiatives in the following circumstances:

- 39 (1) Child care facilities with licensure of four or five stars, unless the
40 expenditure of funds is to expand capacity for low-income children.
- 41 (2) Child care facilities that do not accept child care subsidy funds.
- 42 (3) Child care facilities that previously received quality improvement
43 grants whose quality initiatives failed to increase licensure.

1 **SECTION 23.7.** For the 2003-2004 fiscal year, the local partnerships shall
2 spend an amount for child care subsidies that provides at least fifty-two million dollars
3 (\$52,000,000) for the TANF maintenance of effort requirement and the Child Care
4 Development Fund and Block Grant match requirement.

5 **SECTION 23.8.** Notwithstanding the funding formula in G.S.
6 143B-168.13(a)(6), the State, in consultation with the North Carolina Partnership for
7 Children, Inc., shall evaluate the feasibility of developing a revised funding formula
8 which takes into consideration all relevant funding used by the State, local human
9 services agencies and programs, and local partnerships to provide services and
10 assistance to children under age five and their families. These funds shall include the
11 Early Intervention Preschool Program, Health Choice, and Family Resource Centers, as
12 well as other State and local services and programs funded with State funds, federal
13 funds, local funds, and other resources.

14 15 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES** 16 **EVALUATION**

17 **SECTION 24.** The Department of Health and Human Services, Division of
18 Child Development, may evaluate the Early Childhood Education and Development
19 Initiatives. The evaluation may include:

- 20 (1) Evaluation of the Early Childhood Education and Development
21 Initiatives, including the ongoing review of quality child care efforts
22 and child care providers' progress in preparing children to be ready to
23 enter school and succeed.
- 24 (2) Continuation of technical assistance to local partnerships in data
25 collection and evaluation.

26 27 **CHILD CARE FUNDS MATCHING REQUIREMENT**

28 **SECTION 25.** No local matching funds may be required by the Department
29 of Health and Human Services as a condition of any locality's receiving any State day
30 care funds appropriated by this act unless federal law requires such a match. This shall
31 not prohibit any locality from spending local funds for child care services.

32 33 **CHILD DAY CARE REVOLVING LOAN**

34 **SECTION 26.** Notwithstanding any law to the contrary, funds budgeted for
35 the Child Care Revolving Loan Fund may be transferred to and invested by the financial
36 institution contracted to operate the Fund. The principal and any income to the Fund
37 may be used to make loans, reduce loan interest to borrowers, serve as collateral for
38 borrowers, pay the contractor's cost of operating the Fund, or to pay the Department's
39 cost of administering the program.

40 41 **DIVISION OF PUBLIC HEALTH**

42 43 **IMMUNIZATION PROGRAM FUNDING**

1 **SECTION 27.1.** Of the funds appropriated in this act to the Department of
2 Health and Human Services for childhood immunization programs for positions,
3 operating support, immunization programs for positions, operating support, equipment,
4 and pharmaceuticals, the sum of up to one million dollars (\$1,000,000) for the
5 2003-2004 fiscal year and the sum of one million dollars (\$1,000,000) for the
6 2004-2005 fiscal year may be used for projects and activities that are also designed to
7 increase childhood immunization rates in North Carolina. These projects and activities
8 shall include the following:

- 9 (1) Outreach efforts at the State and local levels to improve service
10 delivery of vaccines. "Outreach efforts" may include education
11 seminars, media advertising, support services to parents to enable
12 children to be transported to clinics, longer operating hours for clinics,
13 and mobile vaccine units; and
14 (2) Continued development of an automated immunization registry.

15 **SECTION 27.2.** Funds authorized to be used for immunization efforts under
16 section 25.1 shall not be used to fund additional State positions in the Department of
17 Health and Human Services or contracts, except for contracts to develop an automated
18 immunization registry or with local health departments for outreach.

19 **PRESCRIPTION DRUG ASSISTANCE PROGRAM**

20 **SECTION 28.** Of the funds appropriated in this act to the Department of
21 Health and Human Services, the sum of five hundred thousand dollars (\$500,000) for
22 the 2003-2004 fiscal year and the sum of five hundred thousand (\$500,000) for the
23 2004-2005 fiscal year shall be used to pay the cost of outpatient prescription drugs for
24 persons:
25

- 26 (1) Over the age of 65 years and not eligible for full Medicaid benefits;
27 (2) Whose income is not more than one hundred fifty percent (150%) of
28 the federal poverty level; and
29 (3) Who have been diagnosed with cardiovascular disease or diabetes.

30 These funds shall be used to pay the cost of outpatient prescription drugs for
31 the treatment of cardiovascular disease or diabetes. Payment shall be not more than the
32 Medicaid cost including rebates. The Department shall develop criteria to maximize the
33 efficient and effective distribution of these drugs.

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

35 **SECTION 29.** For the 2003-2004 fiscal year and for the 2004-2005 fiscal
36 year, HIV-positive individuals with incomes at or below one hundred twenty-five
37 percent (125%) of the federal poverty level are eligible for participation in ADAP.
38 Eligibility for participation in ADAP during the 2003-2005 fiscal biennium shall not be
39 extended to individuals with incomes above one hundred twenty five percent (125%) of
40 the federal poverty level.
41

42 **DUSTY TRADES**

43 **SECTION 30.** G.S. 97-61.1 reads as rewritten:
44

1 **"§ 97-61.1. First examination of and report on employee having asbestosis or**
2 **silicosis.**

3 When an employee and the Industrial Commission are advised by the Department of
4 ~~Health and Human Services~~ that an employee has asbestosis or silicosis, the employer
5 shall be notified by the Industrial Commission, and the employee, when ordered by the
6 Industrial Commission, shall go to a place designated by the Industrial Commission and
7 submit to X rays and a physical examination by the advisory medical committee, at least
8 one of whom shall conduct the examination, and the member or members of the
9 advisory medical committee conducting the examination shall forward the X rays and
10 findings to the member or members of the committee not present for the physical
11 examination. The employer shall pay the expenses connected with the examination in
12 such amounts as shall be directed by the Industrial Commission. Within 30 days after
13 the completion of the examination, the advisory medical committee shall make a written
14 report signed by all of its members setting forth:

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

22 When a competent physician certifies to the Industrial Commission that the
23 employee's physical condition is such that his movement to the place of examination
24 ordered by the Industrial Commission as herein provided in G.S. 97-61.1, 97-61.3 and
25 97-61.4 would be harmful or injurious to the health of the employee, the Industrial
26 Commission shall cause the examination of the employee to be made by the advisory
27 medical committee as herein provided at some place in the vicinity of the residence of
28 the employee suitable for the purposes of making such examination."

29 **SECTION 30.1.** G.S. 97-72(b) reads as rewritten:

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

35 **SECTION 30.2.** G.S. 97-73(b) reads rewritten:

36 "(b) The ~~Secretary of Health and Human Services~~ Commissioner of Labor shall
37 establish a schedule of fees for examinations ~~conducted by the Department of Health~~
38 ~~and Human Services~~ directed by the Industrial Commission pursuant to G.S. 97-60. The
39 fees shall be collected in accordance with rules adopted by the ~~Secretary of Health and~~
40 ~~Human Services~~ Commissioner of Labor."

41
42 **DIVISION OF SOCIAL SERVICES**

43
44 **SPECIAL NEEDS ADOPTIONS INCENTIVE FUND**

1 **SECTION 31.1.** There is created a Special Needs Adoptions Incentive Fund
2 to provide financial assistance to facilitate the adoption of certain children residing in
3 licensed foster care homes, effective January 1, 2001. These funds shall be used to
4 remove financial barriers to the adoption of these children and shall be available to
5 foster care families who adopt children with special needs as defined by the Social
6 Services Commission. These funds shall be matched by county funds.

7 **SECTION 31.2.** This program shall not constitute an entitlement and is
8 subject to the availability of funds.

9 **SECTION 31.3.** The Social Services Commission shall adopt rules to
10 implement the provisions of this section.

11 12 **SPECIAL CHILDREN ADOPTION FUND**

13 **SECTION 32.1.** Of the funds appropriated to the Department of Health and
14 Human Services in this act, the sum of one million one hundred thousand dollars
15 (\$1,100,000) shall be used to support the Special Children Adoption Fund for each year
16 of the 2003-2005 fiscal biennium. The Division of Social Services, in consultation with
17 the North Carolina Association of County Directors of Social Services and
18 representatives of licensed private adoption agencies, shall develop guidelines for the
19 awarding of funds to licensed public and private adoption agencies upon the adoption of
20 children described in G.S. 108A-50 and in foster care. Payments received from the
21 Special Children Adoption Fund by participating agencies shall be used exclusively to
22 enhance the adoption services. No local match shall be required as a condition for
23 receipt of these funds. In accordance with State rules for allowable costs, the Special
24 Children Adoption Fund may be used for post-adoption services for families whose
25 income exceed two hundred percent (200%) of the federal poverty level.

26 **SECTION 32.2.** Of the total funds appropriated for the Special Children
27 Adoption Fund, each year twenty percent (20%) of the total funds available shall be
28 reserved for payment to participating private adoption agencies. If the funds reserved in
29 this subsection for payments to private agencies have not been spent on or before March
30 31, 2004, the Division of Social Services may reallocate those funds, in accordance with
31 this section, to other participating adoption agencies.

32 33 **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND** 34 **PERFORMANCE ENHANCEMENTS**

35 **SECTION 33.1.** The Department of Health and Human Services shall
36 review the Intensive Family Preservation Services Program (IFPS) to enhance and
37 implement initiatives which focus on increasing the sustainability and effectiveness of
38 the Program.

39 **SECTION 33.2.** Notwithstanding the provisions of G.S. 143B-150.6, the
40 Program shall provide intensive services to children and families in cases of abuse,
41 neglect, and dependency where a child is at imminent risk of removal from the home
42 and to children and families in cases of abuse where a child is not at imminent risk of
43 removal. The Program shall be developed and implemented Statewide on a regional

1 basis. The revised IFPS shall ensure the application of standardized assessment criteria
2 for determining imminent risk and clear criteria for determining out-of-home placement.

3 **SECTION 33.3.** The Department of Health and Human Services shall
4 require that any program or entity that receives State, federal, or other funding for the
5 purpose of Intensive Family Preservation Services shall provide information and data
6 that allows for:

- 7 (1) An established follow-up system with a minimum of six months of
8 follow-up services.
- 9 (2) Detailed information on the specific interventions applied including
10 utilization indicators and performance measurement.
- 11 (3) Cost-benefit data.
- 12 (4) Data on long-term benefits associated with Intensive Family
13 Preservation Services. This data shall be obtained by tracking families
14 through the intervention process.
- 15 (5) The number of families remaining intact and the associated
16 interventions while in IFPS and 12 months thereafter.
- 17 (6) The number and percentage by race of children who received Intensive
18 Family Preservation Services compared to the ratio of their distribution
19 in the general population involved with Child Protective Services.

20 **SECTION 33.4.** The Department shall establish performance-based funding
21 protocol and shall only provide funding to those programs and entities providing the
22 required information specified in section 31.3. The amount of funding shall be based on
23 the individual performance of each program.

24 **TANF STATE PLAN AND ELIMINATION OF CERTAIN REPORTING** 25 **REQUIREMENTS**

26 **SECTION 34.1.** The General Assembly approves the plan titled "North
27 Carolina Temporary Assistance for Needy Families State Plan FY 2003-2005", prepared
28 by the Department of Health and Human Services and presented to the General
29 Assembly on May 15, 2003, as revised in accordance with Section 32.2. The North
30 Carolina Temporary Assistance for Needy Families State Plan covers the period
31 October 1, 2003, through September 30, 2005. The Department shall submit the State
32 Plan, as revised in accordance with Section 32.2, to the United States Department of
33 Health and Human Services as amended by this act or any other act of the 2003 General
34 Assembly.

35 **SECTION 34.2.** The Department of Health and Human Services shall revise
36 the North Carolina Temporary Assistance for Needy Families State Plan FY 2003-2005,
37 submitted to the General Assembly for approval on May 15, 2003. The revisions shall
38 be made to the following Plan components:

- 39 (1) Enhanced Employee Assistance Program to reflect changes in funding.
- 40 (2) Services for Families to remove reference to start-up activities.
- 41 (3) Work Responsibility to remove reference to start-up activities.
- 42 (4) Cabarrus County Waiver to reflect changes in the law made by the
43 2003 General Assembly.
44

1 (5) Goal #8 to provide that caseload reduction goals are subject to
2 economic conditions in the county.

3 **SECTION 34.3.** The counties approved as Electing Counties in North
4 Carolina's Temporary Assistance for Needy Families State Plan FY 2003-2005 as
5 approved by this section are: Beaufort, Caldwell, Catawba, Iredell, Lenoir, Lincoln,
6 Macon, McDowell, Sampson, Surry, and Wilkes.

7 **SECTION 34.4.** Counties designated as electing counties pursuant to G.S.
8 108A-27(d) and who submitted the letter of intent to be redesignated as a standard
9 county and the accompanying county plan for fiscal year 2003-2005, pursuant to G.S.
10 108A-27(e), shall operate under the standard county budget requirements effective July
11 1, 2003. Counties that submitted the letter of intent to remain as an electing county or to
12 be redesignated as an electing county and the accompanying county plan for fiscal year
13 2003-2005, pursuant to G.S. 108A-27(e), shall operate under the electing county budget
14 requirements effective July 1, 2003. For programmatic purposes, all counties referred
15 to in this subsection shall remain under their current county designation through
16 September 30, 2003.

17 18 **FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS**

19 **SECTION 35.1.** The maximum rates for State participation in the foster care
20 assistance program are established on a graduated scale as follows:

- 21 (1) \$315.00 per child per month for children aged birth through 5;
- 22 (2) \$365.00 per child per month for children aged 6 through 12; and
- 23 (3) \$415.00 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 child.

25 **SECTION 35.2.** The maximum rates for State participation in the adoption
26 assistance program are established on a graduated scale as follows:

- 27 \$315.00 per child per month for children aged birth through 5;
- 28 \$365.00 per child per month for children aged 6 through 12; and
- 29 \$415.00 per child per month for children aged 13 through 18.

30 **SECTION 35.3.** In addition to providing board payments to foster and
31 adoptive families of HIV-infected children, as prescribed in Section 23.28 of Chapter
32 324 of the 1995 Session Laws, any additional funds remaining that were appropriated
33 for this purpose shall be used to provide medical training in avoiding HIV transmission
34 in the home.

35 **SECTION 35.4.** The maximum rates for the State participation in HIV foster
36 care and adoption assistance are established on a graduated scale as follows:

- 37 (1) \$800.00 per month per child with indeterminate HIV status;
- 38 (2) \$1,000 per month per child confirmed HIV-infected, asymptomatic;
- 39 (3) \$1,200 per month per child confirmed HIV-infected, symptomatic; and
- 40 (4) \$1,600 per month per child terminally ill with complex care needs.

41 42 **CHILD SUPPORT PROGRAM/ENHANCED STANDARDS**

1 **SECTION 36.1.** It is the intent of the General Assembly to increase the
2 productivity and enhance the performance of child support enforcement offices
3 statewide.

4 **SECTION 36.2.** The Department of Health and Human Services shall
5 develop and implement performance standards for each of the state and county child
6 support enforcement offices across the state. In development of these performance
7 standards, the Department of Health and Human Services shall evaluate other private
8 and public child support models and national standards as well as other successful
9 collections models. These performance standards shall include the following:

- 10 (1) Cost per collections.
- 11 (2) Consumer satisfaction.
- 12 (3) Paternity establishments.
- 13 (4) Administrative costs.
- 14 (5) Orders established.
- 15 (6) Collections on arrearages.
- 16 (7) Location of absent parents.
- 17 (8) Other related performance measures.

18 The Department of Health and Human Services shall monitor the
19 performance of each office and shall implement a system of reporting which allows
20 each local office to review its performance as well as the performance of other local
21 offices. The Department of Health and Human Services shall publish an annual
22 performance report that shall include the statewide and local office performance of each
23 child support office.

24

25 **STATE/COUNTY SPECIAL ASSISTANCE TRANSFER OF ASSETS POLICY**

26 **SECTION 37.1.** Notwithstanding any other provision of law to the contrary,
27 Supplemental Security Income (SSI) policy applicable to transfer of assets and estate
28 recovery, as prescribed by federal law, shall apply to applicants for State/County
29 Special Assistance.

30 **SECTION 37.2.** The Department of Health and Human Services shall
31 continue to review whether policy for State/County Special Assistance should be
32 changed to permit an assisted living facility to accept from a family member of a
33 resident who qualifies for State/County Special Assistance payment for the difference in
34 the monthly rate for room, board, and services available. In reviewing current policy,
35 the Department shall consider the following conditions on family contributions to the
36 resident's cost of care:

- 37 (1) Ensuring that the resident meets all income and resource eligibility
38 requirements for State/County Special Assistance.
- 39 (2) Not counting payments made by family members to the facility as
40 income to the resident or as an in-kind contribution when calculating
41 the monthly rate applicable to the resident.
- 42 (3) Ensuring that supplemental payments are made on a voluntary basis as
43 specified in the resident agreement.

DIVISION OF MEDICAL ASSISTANCE**MEDICAID COST-CONTAINMENT ACTIVITIES**

SECTION 38. The Department of Health and Human Services may use not more than three million dollars (\$3,000,000) in each year of the 2003-2005 fiscal biennium in Medicaid funds budgeted for program services to support the cost of administrative activities when cost-effectiveness and savings are demonstrated. The funds shall be used to support activities that will contain the cost of the Medicaid Program, including contracting for services or hiring additional staff. Medicaid cost-containment activities may include prospective reimbursement methods, incentive-based reimbursement methods, service limits, prior authorization of services, periodic medical necessity reviews, revised medical necessity criteria, service provision in the least costly settings, and other cost-containment activities. Funds may be expended under this section only after the Office of State Budget and Management has approved a proposal for the expenditure submitted by the Department. Proposals for expenditure of funds under this section shall include the cost of implementing the cost-containment activity and documentation of the amount of savings expected to be realized from the cost-containment activity. The Department shall provide a copy of proposals for expenditures under this section to the Fiscal Research Division.

MEDICAID

SECTION 39.1. Funds appropriated in this Title for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy. Funds appropriated for these services shall be expended in accordance with the following schedule of services and payment bases. All services and payments are subject to the language at the end of this subsection.

Services and payment bases:

- (1) Hospital-Inpatient – Payment for hospital inpatient services will be prescribed in the State Plan as established by the Department of Health and Human Services.
- (2) Hospital-Outpatient – Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.
- (3) Nursing Facilities – Payment for nursing facility services will be prescribed in the State Plan as established by the Department of Health and Human Services. Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program. Residents of nursing facilities who are eligible for Medicare coverage of nursing facility services must be placed in a Medicare certified bed. Medicaid shall cover facility services only after the appropriate services have been billed to Medicare. The

1 Division of Medical Assistance shall allow nursing facility providers
2 sufficient time from the effective date of this act to certify additional
3 Medicare beds if necessary. In determining the date that the
4 requirements of this subdivision become effective, the Division of
5 Medical Assistance shall consider the regulations governing
6 certification of Medicare beds and the length of time required for this
7 process to be completed.

8 (4) Intermediate Care Facilities for the Mentally Retarded – As prescribed
9 in the State Plan established by the Department of Health and Human
10 Services.

11 (5) Drugs – Drug costs as allowed by federal regulations plus a
12 professional services fee per month excluding refills for the same drug
13 or generic equivalent during the same month. Reimbursement shall be
14 available for up to six prescriptions per recipient, per month, including
15 refills. Payments for drugs are subject to the provisions of Section 37.8
16 and to the provisions at the end of Section 37.1, or in accordance with
17 the State Plan adopted by the Department of Health and Human
18 Services consistent with federal reimbursement regulations. Payment
19 of the professional services fee shall be made in accordance with the
20 State Plan adopted by the Department of Health and Human Services,
21 consistent with federal reimbursement regulations. The professional
22 services fee shall be five dollars and sixty cents (\$5.60) per
23 prescription for generic drugs and four dollars (\$4.00) per prescription
24 for brand name drugs. Adjustments to the professional services fee
25 shall be established by the General Assembly.

26 (6) Physicians, Chiropractors, Podiatrists, Optometrists, Dentists, Certified
27 Nurse Midwife Services, Nurse Practitioners – Fee schedules as
28 developed by the Department of Health and Human Services.
29 Payments for dental services are subject to the provisions of Section
30 37.7.

31 (7) Community Alternative Program, EPSDT Screens – Payment to be
32 made in accordance with rate schedule developed by the Department
33 of Health and Human Services.

34 (8) Home Health and Related Services, Private Duty Nursing, Clinic
35 Services, Prepaid Health Plans, Durable Medical Equipment –
36 Payment to be made according to reimbursement plans developed by
37 the Department of Health and Human Services.

38 (9) Medicare Buy-In – Social Security Administration premium.

39 (10) Ambulance Services – Uniform fee schedules as developed by the
40 Department of Health and Human Services. Public ambulance
41 providers will be reimbursed at cost.

42 (11) Hearing Aids – Actual cost plus a dispensing fee.

43 (12) Rural Health Clinic Services – Provider-based, reasonable cost;
44 nonprovider-based, single-cost reimbursement rate per clinic visit.

- 1 (13) Family Planning – Negotiated rate for local health departments. For
2 other providers, see specific services, for instance, hospitals,
3 physicians.
- 4 (14) Independent Laboratory and X-Ray Services – Uniform fee schedules
5 as developed by the Department of Health and Human Services.
- 6 (15) Optical Supplies – One hundred percent (100%) of reasonable
7 wholesale cost of materials.
- 8 (16) Ambulatory Surgical Centers – Payment as prescribed in the
9 reimbursement plan established by the Department of Health and
10 Human Services.
- 11 (17) Medicare Crossover Claims – An amount up to the actual coinsurance
12 or deductible or both, in accordance with the State Plan, as approved
13 by the Department of Health and Human Services.
- 14 (18) Physical Therapy and Speech Therapy – Services limited to EPSDT
15 eligible children. Payments are to be made only to qualified providers
16 at rates negotiated by the Department of Health and Human Services.
17 Physical therapy (including occupational therapy) and speech therapy
18 services are subject to prior approval and utilization review.
- 19 (19) Personal Care Services – Payment in accordance with the State Plan
20 approved by the Department of Health and Human Services.
- 21 (20) Case Management Services – Reimbursement in accordance with the
22 availability of funds to be transferred within the Department of Health
23 and Human Services.
- 24 (21) Hospice – Services may be provided in accordance with the State Plan
25 developed by the Department of Health and Human Services.
- 26 (22) Other Mental Health Services – Unless otherwise covered by this
27 section, coverage is limited to:
- 28 a. Services as defined by the Division of Mental Health,
29 Developmental Disabilities, and Substance Abuse Services and
30 approved by the Centers for Medicare and Medicaid Services
31 (CMS) when provided in agencies meeting the requirements of
32 the rules established by the Commission for Mental Health,
33 Developmental Disabilities, and Substance Abuse Services, and
34 reimbursement is made in accordance with a State Plan
35 developed by the Department of Health and Human Services
36 not to exceed the upper limits established in federal regulations,
37 and
- 38 b. For children eligible for EPSDT services:
- 39 1. Licensed or certified psychologists, licensed clinical
40 social workers, certified clinical nurse specialists in
41 psychiatric mental health advanced practice, and nurse
42 practitioners certified as clinical nurse specialists in
43 psychiatric mental health advanced practice, when
44 Medicaid-eligible children are referred by the Carolina

1 ACCESS primary care physician or the area mental
2 health program, and

- 3 2. Institutional providers of residential services as defined
4 by the Division of Mental Health, Developmental
5 Disabilities, and Substance Abuse Services and approved
6 by the Centers for Medicare and Medicaid Services
7 (CMS) for children and Psychiatric Residential
8 Treatment Facility services that meet federal and State
9 requirements as defined by the Department.

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

18 (23) Medically Necessary Prosthetics or Orthotics for EPSDT Eligible
19 Children – Reimbursement in accordance with the State Plan approved
20 by the Department of Health and Human Services.

21 (24) Health Insurance Premiums – Payments to be made in accordance with
22 the State Plan adopted by the Department of Health and Human
23 Services consistent with federal regulations.

24 (25) Medical Care/Other Remedial Care – Services not covered elsewhere
25 in this section include related services in schools; health professional
26 services provided outside the clinic setting to meet maternal and infant
27 health goals; and services to meet federal EPSDT mandates. Services
28 addressed by this paragraph are limited to those prescribed in the State
29 Plan as established by the Department of Health and Human Services.

30 (26) Pregnancy Related Services – Covered Services for pregnant women
31 shall include nutritional counseling, psychosocial counseling, and
32 predelivery and postpartum home visits by maternity care coordinators
33 and public health nurses.

34 Services and payment bases may be changed with the approval of the
35 Director of the Budget.

36 Payment is limited to Medicaid enrolled providers that purchase a
37 performance bond in an amount not to exceed one hundred thousand dollars (\$100,000)
38 naming as beneficiary the Department of Health and Human Services, Division of
39 Medical Assistance, or provide to the Department a validly executed letter of credit or
40 other financial instrument issued by a financial institution or agency honoring a demand
41 for payment in an equivalent amount. The Department may waive or limit the
42 requirements of this paragraph for one or more classes of Medicaid enrolled providers
43 based on the provider's dollar amount of monthly billings to Medicaid or the length of
44 time the provider has been licensed in this State to provide services. In waiving or

1 limiting requirements of this paragraph, the Department shall take into consideration the
 2 potential fiscal impact of the waiver or limitation on the State Medicaid Program.

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

12 **SECTION 39.2.** Allocation of Nonfederal Cost of Medicaid. The State shall
 13 pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the
 14 nonfederal costs of all applicable services listed in this section.

15 **SECTION 39.3.** Copayment for Medicaid Services. The Department of
 16 Health and Human Services may establish copayment up to the maximum permitted by
 17 federal law and regulation.

18 **SECTION 39.4.** Medicaid and Work First Family Assistance, Income
 19 Eligibility Standards. The maximum net family annual income eligibility standards for
 20 Medicaid and the Standard of Need for Work First Family Assistance shall be as
 21 follows:

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

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

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

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

40 **SECTION 39.5.** The Department of Health and Human Services, Division
 41 of Medical Assistance, shall provide Medicaid coverage to all elderly, blind, and
 42 disabled people who have incomes equal to or less than one hundred percent (100%) of
 43 the federal poverty guidelines, as revised each April 1.

1 **SECTION 39.6.** ICF and ICF/MR Work Incentive Allowances. The
 2 Department of Health and Human Services may provide an incentive allowance to
 3 Medicaid eligible recipients of ICF and ICF/MR facilities who are regularly engaged in
 4 work activities as part of their developmental plan and for whom retention of additional
 5 income contributes to their achievement of independence. The State funds required to
 6 match the federal funds that are required by these allowances shall be provided from
 7 savings within the Medicaid budget or from other unbudgeted funds available to the
 8 Department. The incentive allowances may be as follows:

	Monthly Net Wages	Monthly Incentive Allowance
9		
10	\$ 1.00 to \$100.99	Up to \$ 50.00
11	\$101.00 to \$200.99	\$ 80.00
12	\$201.00 to \$300.99	\$ 130.00
13	\$301.00 and greater	\$ 212.00

14 **SECTION 39.7.** Dental Coverage Limits. Dental services shall be provided
 15 on a restricted basis in accordance with rules adopted by the Department to implement
 16 this subsection.

17 **SECTION 39.8.** Dispensing of Generic Drugs. -Notwithstanding G.S.
 18 90-85.27 through G.S. 90-85.31, or any other law to the contrary, under the Medical
 19 Assistance Program (Title XIX of the Social Security Act), and except as otherwise
 20 provided in this subsection for atypical antipsychotic drugs and drugs listed in the
 21 narrow therapeutic index, a prescription order for a drug designated by a trade or brand
 22 name shall be considered to be an order for the drug by its established or generic name,
 23 except when the prescriber has determined, at the time the drug is prescribed, that the
 24 brand name drug is medically necessary and has written on the prescription order the
 25 phrase "medically necessary". An initial prescription order for an atypical antipsychotic
 26 drug or a drug listed in the narrow therapeutic drug index that does not contain the
 27 phrase "medically necessary" shall be considered an order for the drug by its established
 28 or generic name, except that a pharmacy shall not substitute a generic or established
 29 name prescription drug for subsequent brand or trade name prescription orders of the
 30 same prescription drug without explicit oral or written approval of the prescriber given
 31 at the time the order is filled. Generic drugs shall be dispensed at a lower cost to the
 32 Medical Assistance Program rather than trade or brand name drugs. As used in this
 33 subsection, "brand name" means the proprietary name the manufacturer places upon a
 34 drug product or on its container, label, or wrapping at the time of packaging; and
 35 "established name" has the same meaning as in section 502(e)(3) of the Federal Food,
 36 Drug, and Cosmetic Act as amended, 21 U.S.C. § 352(e)(3).

37 **SECTION 39.9.** Exceptions to Service Limitations, Eligibility
 38 Requirements, and Payments. – Service limitations, eligibility requirements, and
 39 payments bases in this section may be waived by the Department of Health and Human
 40 Services, with the approval of the Director of the Budget, to allow the Department to
 41 carry out pilot programs for prepaid health plans, contracting for services, managed care
 42 plans, or community-based services programs in accordance with plans approved by the
 43 United States Department of Health and Human Services, or when the Department
 44 determines that such a waiver will result in a reduction in the total Medicaid costs for

1 the recipient. The Department of Health and Human Services may proceed with
2 planning and development work on the Program of All-Inclusive Care for the Elderly.

3 **SECTION 39.10.** Volume Purchase Plans and Single Source Procurement. –
4 The Department of Health and Human Services, Division of Medical Assistance, may,
5 subject to the approval of a change in the State Medicaid Plan, contract for services,
6 medical equipment, supplies, and appliances by implementation of volume purchase
7 plans, single source procurement, or other contracting processes in order to improve
8 cost containment.

9 **SECTION 39.11.** Cost Containment Programs. The Department of Health
10 and Human Services, Division of Medical Assistance, may undertake cost containment
11 programs in accordance with Section 3 of S.L. 2001-395, including contracting for
12 services, preadmissions to hospitals and prior approval for certain outpatient surgeries
13 before they may be performed in an inpatient setting.

14 **SECTION 39.12.** For all Medicaid eligibility classifications for which the
15 federal poverty level is used as an income limit for eligibility determination, the income
16 limits will be updated each April 1 immediately following publication of federal poverty
17 guidelines.

18 **SECTION 39.13.** The Department of Health and Human Services shall
19 provide Medicaid to 19-, 20-, and 21-year-olds in accordance with federal rules and
20 regulations.

21 **SECTION 39.14.** The Department of Health and Human Services shall
22 provide coverage to pregnant women and to children according to the following
23 schedule:

- 24 (1) Pregnant women with incomes equal to or less than one hundred
25 eighty-five percent (85%) of the federal poverty guidelines as revised
26 each April 1 shall be covered for Medicaid benefits. In determining
27 income eligibility under this subdivision, the income of a minor's
28 parents shall be counted if the minor is residing in the home.
- 29 (2) Infants under the age of 1 with family incomes equal to or less than
30 one hundred eighty-five percent (85%) of the federal poverty
31 guidelines as revised each April 1 shall be covered for Medicaid
32 benefits.
- 33 (3) Children aged 1 through 5 with family incomes equal to or less than
34 one hundred thirty-three percent (33%) of the federal poverty
35 guidelines as revised each April 1 shall be covered for Medicaid
36 benefits.
- 37 (4) Children aged 6 through 18 with family incomes equal to or less than
38 the federal poverty guidelines as revised each April 1 shall be covered
39 for Medicaid benefits.
- 40 (5) The Department of Health and Human Services shall provide Medicaid
41 coverage for adoptive children with special or rehabilitative needs
42 regardless of the adoptive family's income. Services to pregnant
43 women eligible under this subsection continue throughout the
44 pregnancy but include only those related to pregnancy and to those

1 other conditions determined by the Department as conditions that may
2 complicate pregnancy. In order to reduce county administrative costs
3 and to expedite the provision of medical services to pregnant women,
4 to infants, and to children described in subsections (3) and (4) of this
5 section, no resources test shall be applied.

6 **SECTION 39.15.** Medicaid enrollment of categorically needy families with
7 children shall be continuous for one year without regard to changes in income or assets.

8 **SECTION 39.16.** The Department shall disregard earned income for
9 recipients who would otherwise lose Medicaid eligibility under section 1931 of Title
10 XIX of the Social Security Act due to earnings. This disregard shall be applied for a
11 maximum of 12 consecutive months.

12 **SECTION 39.17.** The Department of Health and Human Services shall
13 submit a quarterly status report on expenditures for acute care and long-term care
14 services to the Fiscal Research Division and to the Office of State Budget and
15 Management. This report shall include an analysis of budgeted versus actual
16 expenditures for eligibles by category and for long-term care beds. In addition, the
17 Department shall revise the program's projected spending for the current fiscal year and
18 the estimated spending for the subsequent fiscal year on a quarterly basis. The quarterly
19 expenditure report and the revised forecast shall be forwarded to the Fiscal Research
20 Division and to the Office of State Budget and Management no later than the third
21 Thursday of the month following the end of each quarter.

22 **SECTION 39.18.** The Division of Medical Assistance, Department of
23 Health and Human Services, may provide incentives to counties that successfully
24 recover fraudulently spent Medicaid funds by sharing State savings with counties
25 responsible for the recovery of the fraudulently spent funds.

26 **SECTION 39.19.** If first approved by the Office of State Budget and
27 Management, the Division of Medical Assistance, Department of Health and Human
28 Services, may use funds that are identified to support the cost of development and
29 acquisition of equipment and software through contractual means to improve and
30 enhance information systems that provide management information and claims
31 processing. The Department of Health and Human Services shall identify adequate
32 funds to support the implementation and first year's operational costs that exceed the
33 currently allocated funds for the new contract for the fiscal agent for the Medicaid
34 Management Information System.

35 **SECTION 39.20.** The Department of Health and Human Services may adopt
36 temporary rules according to the procedures established in G.S. 150B-21.1 when it finds
37 that these rules are necessary to maximize receipt of federal funds within existing State
38 appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse. Prior
39 to the filing of these temporary rules with the Office of Administrative Hearings, the
40 Department shall consult with the Office of State Budget and Management on the
41 possible fiscal impact of the temporary rule and its effect on State appropriations and
42 local governments.

43 **SECTION 39.21.** The Department shall report to the Fiscal Research
44 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 39.22.** Upon approval of a demonstration waiver by the Centers
9 for Medicare and Medicaid Services (CMS), the Department of Health and Human
10 Services may provide Medicaid coverage for family planning services to men and
11 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.

14 **SECTION 39.23.** The Department of Health and Human Services, Division
15 of Medical Assistance, shall use the latest audited cost reporting data available when
16 establishing Medicaid provider rates or when making changes to the reimbursement
17 methodology. For hospital services, the Division shall use the latest audited cost
18 reporting data available, supplemented by additional financial information available to
19 the Division if and to the extent that the Division concludes that the information is
20 reliable and relevant, when establishing rates or when making changes to the
21 reimbursement methodology.

22 **SECTION 39.24.** The Department of Health and Human Services, Division
23 of Medical Assistance, shall implement a new coding system for therapeutic mental
24 health services as required by the Health Insurance Portability and Accountability Act
25 of 1996. In implementing the new coding system, the Division shall ensure that the new
26 coding system does not discriminate between providers of therapeutic mental health
27 services with similar qualifications and training. In meeting the requirements of this
28 subsection, the Division shall consult with the Division of Mental Health,
29 Developmental Disabilities, and Substance Abuse Services and the professional
30 licensing boards responsible for licensing the affected professionals.

31 **SECTION 39.25.** The Department of Health and Human Services may apply
32 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 non-homesite 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 non-homesite property made "income producing" in accordance with this subsection
41 shall become effective not earlier than November 1, 2002.

42 **SECTION 39.26.** 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

1 hardship to Medicaid enrollees occurring from application of the Supplemental Security
2 Income (SSI) method.

3
4 **COUNTY MEDICAID COST-SHARE**

5 **SECTION 40.1.** Effective July 1, 2000, the county share of the cost of
6 Medicaid services currently and previously provided by area mental health authorities
7 shall be increased incrementally each fiscal year until the county share reaches fifteen
8 percent (15%) of the nonfederal share by State fiscal year 2009-2010.

9 **SECTION 40.2.** Effective July 1, 2000, the county share of the cost of
10 Medicaid Personal Care Services paid to adult care homes shall be decreased
11 incrementally each fiscal year until the county share reaches fifteen percent (15%) of
12 the nonfederal share by State fiscal year 2009-2010.

13
14 **DISPOSITION OF DISPROPORTIONATE SHARE RECEIPT CHANGE**

15 **SECTION 41.1.** Disproportionate share receipts reserved at the end of the
16 2003-2004 fiscal year shall be deposited with the Department of State Treasurer as
17 nontax revenue for the 2003-2004 fiscal year.

18 **SECTION 41.2.** For the 2003-2004 fiscal year, as it receives funds
19 associated with Disproportionate Share Payments from State hospitals, the Department
20 of Health and Human Services, Division of Medical Assistance, shall deposit up to one
21 hundred million dollars (\$100,000,000) of these Disproportionate Share Payments to the
22 Department of State Treasurer for deposit as nontax revenue. Any Disproportionate
23 Share Payments collected in excess of one hundred million dollars (\$100,000,000) shall
24 be reserved by the State Treasurer for future appropriations.

25
26 **NC HEALTH CHOICE TRANSFER OF STATE APPROPRIATIONS**

27 **SECTION 42.** The total amount of funds appropriated to the North Carolina
28 Health Choice for Children Program for 2003-2005 may be increased through budget
29 transfers, subject to the approval of the Office of State Budget and Management, if
30 needed to match available federal funds to support program expenditures.

31
32 **NC HEALTH CHOICE STATE APPROPRIATIONS NOT TO REVERT**

33 **SECTION 43.** Notwithstanding any other provision of law to the contrary,
34 the balance of unspent State Appropriations remaining at the end of the fiscal year for
35 the North Carolina Health Choice for Children Program shall not revert. The unspent
36 funds shall be carried forward and retained by the Department in a trust account to be
37 used in the subsequent fiscal year(s) as the match for available federal funds.

38
39 **DIVISION OF MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND**
40 **SUBSTANCE ABUSE SERVICES**

41
42 **PRIVATE AGENCY UNIFORM COST FINDING REQUIREMENT**

43 **SECTION 44.** To ensure uniformity in rates charged to area programs and
44 funded with State-allocated resources, the Division of Mental Health, Developmental

1 Disabilities, and Substance Abuse Services of the Department of Health and Human
2 Services may require a private agency that provides services under contract with two or
3 more area programs, except for hospital services that have an established Medicaid rate,
4 to complete an agency-wide uniform cost finding in accordance with G.S.122C-147.2.
5 The resulting cost shall be the maximum included for the private agency in the
6 contracting area program's unit cost finding.

7 8 **LIABILITY INSURANCE**

9 **SECTION 45.** The Secretary of the Department of Health and Human
10 Services, the Secretary of the Department of Environment and Natural Resources, and
11 the Secretary of the Department of Correction may provide medical liability coverage
12 not to exceed one million dollars (\$1,000,000) per incident on behalf of employees of
13 the Departments licensed to practice medicine or dentistry, all licensed physicians who
14 are faculty members of The University of North Carolina who work on contract for the
15 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services
16 for incidents that occur in Division programs, and on behalf of physicians in all
17 residency training programs from The University of North Carolina who are in training
18 at institutions operated by the Department of Health and Human Services. This
19 coverage may include commercial insurance or self-insurance and shall cover these
20 individuals for their acts or omissions only while they are engaged in providing medical
21 and dental services pursuant to their State employment or training.

22 The coverage provided under this section shall not cover any individual for
23 any act or omission that the individual knows or reasonably should know constitutes a
24 violation of the applicable criminal laws of any state or the United States, or that arises
25 out of any sexual, fraudulent, criminal, or malicious act, or out of any act amounting to
26 willful or wanton negligence.

27 The coverage provided pursuant to this section shall not require any
28 additional appropriations and shall not apply to any individual providing contractual
29 service to the Department of Health and Human Services, the Department of
30 Environment and Natural Resources, or the Department of Correction, with the
31 exception that coverage may include physicians in all residency training programs from
32 The University of North Carolina who are in training at institutions operated by the
33 Department of Health and Human Services and licensed physicians who are faculty
34 members of The University of North Carolina who work for the Division of Mental
35 Health, Developmental Disabilities, and Substance Abuse Services.

36 37 **BUTNER COMMUNITY LAND RESERVATION**

38 **SECTION 46.** The Department of Health and Human Services shall reserve
39 and dedicate the following described land for the construction of a community building
40 and related facilities to serve the Butner Reservation:

41 "Approximately 2 acres, on the east side it borders Central Avenue with a line
42 running along the Wallace Bradshur property on the north back to the tree
43 line next to the ADATC. From there it follows the tree line south and west to
44 and including the softball field. From the softball field it turns east to the

1 State Employees Credit Union and follows the Credit Union property on the
2 south side back to Central Avenue."

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

8 9 **DIVISION OF FACILITY SERVICES**

10 11 **DHHS FACILITY SERVICES FEES**

12 **SECTION 47.** G.S. 131D-2(b)(1) reads as rewritten:

13 "(b) Licensure; inspections. –

14 (1) The Department of Health and Human Services shall inspect and
15 license, under rules adopted by the Medical Care Commission, all
16 adult care homes for persons who are aged or mentally or physically
17 disabled except those exempt in subsection (c) of this section. Licenses
18 issued under the authority of this section shall be valid for one year
19 from the date of issuance unless revoked earlier by the Secretary for
20 failure to comply with any part of this section or any rules adopted
21 hereunder. Licenses shall be renewed annually upon filing and the
22 Department's approval of the renewal application. The Department
23 shall charge each adult care home with six or fewer beds a
24 nonrefundable annual license fee in the amount of two hundred fifty
25 dollars (\$250.00). The Department shall charge each adult care home
26 with more than six beds a nonrefundable annual license fee in the
27 amount of three hundred fifty dollars (\$350.00) plus a nonrefundable
28 annual per-bed fee of twelve dollars and fifty cents (\$12.50). A license
29 shall not be renewed if outstanding fines and penalties imposed by the
30 State against the home have not been paid. Fines and penalties for
31 which an appeal is pending are exempt from consideration. The
32 renewal application shall contain all necessary and reasonable
33 information that the Department may by rule require. Except as
34 otherwise provided in this subdivision, the Department may amend a
35 license by reducing it from a full license to a provisional license for a
36 period of not more than 90 days whenever the Department finds that:

- 37 a. The licensee has substantially failed to comply with the
38 provisions of Articles 1 and 3 of Chapter 131D of the General
39 Statutes and the rules adopted pursuant to these Articles;
40 b. There is a reasonable probability that the licensee can remedy
41 the licensure deficiencies within a reasonable length of time;
42 and

- 1 c. There is a reasonable probability that the licensee will be able
2 thereafter to remain in compliance with the licensure rules for
3 the foreseeable future.

4 The Department may extend a provisional license for not more than
5 one additional 90-day period upon finding that the licensee has made
6 substantial progress toward remedying the licensure deficiencies that
7 caused the license to be reduced to provisional status.

8 The Department may revoke a license whenever:

- 9 a. The Department finds that:

- 10 1. The licensee has substantially failed to comply with the
11 provisions of Articles 1 and 3 of Chapter 131D of the
12 General Statutes and the rules adopted pursuant to these
13 Articles; and
14 2. It is not reasonably probable that the licensee can remedy
15 the licensure deficiencies within a reasonable length of
16 time; or

- 17 b. The Department finds that:

- 18 1. The licensee has substantially failed to comply with the
19 provisions of Articles 1 and 3 of Chapter 131D of the
20 General Statutes and the rules adopted pursuant to these
21 Articles; and
22 2. Although the licensee may be able to remedy the
23 deficiencies within a reasonable time, it is not reasonably
24 probable that the licensee will be able to remain in
25 compliance with licensure rules for the foreseeable
26 future; or

- 27 c. The Department finds that the licensee has failed to comply
28 with the provisions of Articles 1 and 3 of Chapter 131D of the
29 General Statutes and the rules adopted pursuant to these
30 Articles, and the failure to comply endangered the health,
31 safety, or welfare of the patients in the facility.

32 The Department may also issue a provisional license to a facility, pursuant to rules
33 adopted by the Medical Care Commission, for substantial failure to comply with the
34 provisions of this section or rules adopted pursuant to this section. Any facility wishing
35 to contest the issuance of a provisional license shall be entitled to an administrative
36 hearing as provided in the Administrative Procedure Act, Chapter 150B of the General
37 Statutes. A petition for a contested case shall be filed within 30 days after the
38 Department mails written notice of the issuance of the provisional license."

39 **SECTION 47.1.** G.S. 131E-77(d) reads as rewritten:

40 "(d) Upon receipt of an application for a license, the Department shall issue a
41 license if it finds that the applicant complies with the provisions of this Article and the
42 rules of the Commission. The Department shall renew each license in accordance with
43 the rules of the Commission. The Department shall charge the applicant a

1 nonrefundable annual base fee plus a nonrefundable annual per-bed license fee as
 2 follows:

<u>Facility Type</u>	<u>BaseFee</u>	<u>Per-Bed Fee</u>
<u>General Acute Hospitals: 1-49 beds</u>	<u>\$250.00</u>	<u>\$12.50</u>
<u>50-99 beds</u>	<u>\$350.00</u>	<u>\$12.50</u>
<u>100-199 beds</u>	<u>\$450.00</u>	<u>\$12.50</u>
<u>200-399 beds</u>	<u>\$550.00</u>	<u>\$12.50</u>
<u>400-699 beds</u>	<u>\$750.00</u>	<u>\$12.50</u>
<u>700+ beds</u>	<u>\$950.00</u>	<u>\$12.50</u>
<u>Other Hospitals</u>	<u>\$500.00</u>	<u>\$12.50."</u>

11 **SECTION 47.2.** G.S. 131E-102(b) reads as rewritten:

12 "(b) Applications shall be available from the Department, and each application
 13 filed with the Department shall contain all necessary and reasonable information that the
 14 Department may by rule require. A license shall be granted to the applicant upon a
 15 determination by the Department that the applicant has complied with the provisions of
 16 this Part and the rules promulgated under this Part. The Department shall charge the
 17 applicant a nonrefundable annual license fee in the amount of four hundred fifty dollars
 18 (\$450.00) plus a nonrefundable annual per-bed fee of twelve dollars and fifty cents
 19 (\$12.50)."

20 **SECTION 47.3.** G.S. 131E-138(c) reads as rewritten:

21 "(c) An application for a license shall be available from the Department, and each
 22 application filed with the Department shall contain all information requested by the
 23 Department. A license shall be granted to the applicant upon a determination by the
 24 Department that the applicant has complied with the provisions of this Part and the rules
 25 promulgated by the Commission under this Part. The Department shall charge the
 26 applicant a nonrefundable annual license fee in the amount of three hundred fifty dollars
 27 (\$350.00)."

28 **SECTION 47.4.** G.S. 131E-147(b) reads as rewritten:

29 "(b) Applications shall be available from the Department, and each application
 30 filed with the Department shall contain all necessary and reasonable information that the
 31 Department may by rule require. A license shall be granted to the applicant upon a
 32 determination by the Department that the applicant has complied with the provisions of
 33 this Part and the rules promulgated by the Commission under this Part. The Department
 34 shall charge the applicant a nonrefundable annual base license fee in the amount of
 35 seven hundred dollars (\$700.00) plus a nonrefundable annual per-operating room fee in
 36 the amount of fifty dollars (\$50.00)."

37 **SECTION 47.5.** G.S. 131E-167(a) reads as rewritten:

38 "(a) Applications for certification shall be available from the Department, and
 39 each application filed with the Department shall contain all necessary and reasonable
 40 information that the Department may by rule require. A certificate shall be granted to
 41 the applicant for a period not to exceed two years upon a determination by the
 42 Department that the applicant has substantially complied with the provisions of this
 43 Article and the rules promulgated by the Department under this Article. The Department

1 shall charge the applicant a nonrefundable annual certification fee in the amount of two
 2 hundred fifty dollars (\$250.00)."

3 SECTION 47.6. G.S. 14-45.1(a) reads as rewritten:

4 "(a) Notwithstanding any of the provisions of G.S. 14-44 and 14-45, it shall not be
 5 unlawful, during the first 20 weeks of a woman's pregnancy, to advise, procure, or cause
 6 a miscarriage or abortion when the procedure is performed by a physician licensed to
 7 practice medicine in North Carolina in a hospital or clinic certified by the Department of
 8 Health and Human Services to be a suitable facility for the performance of abortions.
 9 The Department of Health and Human Services shall charge the facility a nonrefundable
 10 annual certification fee in the amount of seven hundred dollars (\$700.00)."

11 SECTION 47.7. G.S. 122C-23 is amended by adding a new subsection to
 12 read:

13 "(h) The Department shall charge facilities licensed under this Chapter that have
 14 licensed beds a nonrefundable annual base license fee plus a nonrefundable annual per-
 15 bed fee as follows:

<u>Type of Facility</u>	<u>Base Fee</u>	<u>Per-Bed Fee</u>
<u>Facilities (non-ICF/MR): 6 or fewer beds</u>	<u>\$250.00</u>	<u>\$0.00</u>
<u>More than 6 beds</u>	<u>\$250.00</u>	<u>\$12.50.</u>
<u>ICF/MR Only: 6 or fewer beds</u>	<u>\$650.00</u>	<u>\$0.00</u>
<u>More than 6 beds</u>	<u>\$650.00</u>	<u>\$12.50."</u>

21 SECTION 47.8. Article 6 of Chapter 131E of the General Statutes is
 22 amended by adding a new section to read:

23 "**§ 131E-138.1. Licensure fees for nursing beds and adult care home beds in**
 24 **continuing care retirement communities.**

25 The Department shall charge continuing care retirement communities licensed under
 26 Article 64 of Chapter 58 of the General Statutes that have nursing home beds or adult
 27 care home beds licensed by the Department a nonrefundable annual base license fee in
 28 the amount of four hundred fifty dollars (\$450.00) plus a nonrefundable annual per-bed
 29 fee in the amount of twelve dollars and fifty cents (\$12.50)."

30 SECTION 47.9. Article 56 of Chapter 143 of the General Statutes is
 31 amended by a new section to read:

32 "**§ 143-520. Fees.**

33 The Department of Health and Human Services shall charge a nonrefundable annual
 34 fee for emergency medical services provided under this Article, as follows:

<u>Type of provider/fee</u>	<u>Annual Fee</u>
<u>Credentialing of persons paid for providing EMS Services</u>	<u>\$90.00.</u>
<u>Licensing of EMS Providers/Vehicle Inspections</u>	<u>\$50.00.</u>
<u>Licensing of Emergency Dispatch Providers</u>	<u>\$185.00."</u>

39 SECTION 47.10. Article 16 of Chapter 131E of the General Statutes is
 40 amended by adding a new section to read:

41 "**§ 131E-267. Fees for departmental review of health care facility construction**
 42 **projects.**

43 The Department of Health and Human Services shall charge a fee for the review of
 44 each health care facility construction project to ensure that project plans and

1 construction are in compliance with State law. The fee shall be charged on a one-time,
2 per-project basis, as follows:

3 <u>Institutional Projects:</u>	<u>Project Fee</u>
4 <u>Hospitals</u>	<u>\$.20/square foot of facility space</u>
5 <u>Nursing Homes</u>	<u>\$.15/square foot of facility space</u>
6 <u>Ambulatory Surgical Facility</u>	<u>\$.15/square foot of facility space</u>
7 <u>Psychiatric Hospital + MHL</u>	<u>\$.15/square foot of facility space</u>
8 <u>Adult Care Home with more than 7 beds</u>	<u>\$.10/square foot of facility space</u>
9 <u>Residential Projects:</u>	<u>Project Fee</u>
10 <u>Family Care Homes</u>	<u>\$175.00 flat fee</u>
11 <u>ICF/MR Group Homes</u>	<u>\$275.00 flat fee</u>
12 <u>Group Homes: 1-3 beds</u>	<u>\$100.00 flat fee</u>
13 <u>Group Homes: 4-6 beds</u>	<u>\$175.00 flat fee</u>
14 <u>Group Homes: 7-9 beds</u>	<u>\$225.00 flat fee</u>
15 <u>Other residential: More than 9 beds</u>	<u>\$0.075/square foot of facility space."</u>

16
17 **PART VIII. DEPARTMENT OF ENVIRONMENT AND NATURAL**
18 **RESOURCES**

19
20 **EXPRESS PERMITTING**

21 **SECTION 48.** The Department of Environment and Natural Resources shall
22 have the authority to develop a pilot program for express permit and certification
23 reviews, subject to full cost recovery. Express reviews may be applied to any one or all
24 of the permits, approvals or certifications in the following programs: erosion and
25 sediment control; coastal management; and water quality, including but not limited to
26 water quality certifications and stormwater management. The Department shall
27 determine the number of applications reviewed under the pilot program. The
28 Department shall have the authority to establish additional staff positions and to set the
29 fee for the express review based on full cost recovery. Any applicant seeking an
30 express application review shall pay a fee in the amount equal to the full cost to the
31 Department of all activities related to the review of the application, including, but not
32 limited to, negotiation of the permit or certification, public notice and community
33 involvement, and all other activities related to the review of the application. The
34 procedure by which the amount of this fee is determined may be established by the
35 Department; and the fees and procedures are not to be considered rule under G.S.
36 150B-2(8a) during the pilot. Fees imposed by this section shall be credited to the
37 appropriate division within the Department on a revolving basis to cover the costs
38 associated with this pilot program. The Department shall report its findings on the
39 expedited permit review pilot program to the General Assembly by January 15, 2005.

40
41 **PART IX. COMMERCE**

42
43 **COUNCIL OF GOVERNMENT FUNDS**

1 **SECTION 49.1.** Of the funds appropriated in this act to the Department of
2 Commerce, eight hundred thirty-two thousand one hundred and fifty dollars (\$832,150)
3 for the 2003-2004 fiscal year and eight hundred thirty-two thousand one hundred fifty
4 dollars (\$832,150) for the 2004-2005 fiscal year shall only be used as provided by this
5 section. Each regional council of government or lead regional organization is allocated
6 up to forty-eight thousand nine hundred fifty dollars (\$48,950) for the 2003-2004 and
7 the 2004-2005 fiscal years.

8 **SECTION 49.2.** The funds shall be allocated as follows: A share of the
9 maximum forty-eight thousand nine hundred and fifty dollars (\$48,950) each fiscal year
10 shall be allocated to each county and smaller city, based on the most recent annual
11 estimate of the Office of State Budget and Management of the population of that county
12 (less the population of any larger city within that county) or smaller city, divided by the
13 sum of the total population of the region (less the population of larger cities within that
14 region) and the total population of the region living in smaller cities. Those funds shall
15 be paid to the regional council of government for the region in which that city or county
16 is located upon receipt by the Department of Commerce of a resolution of the governing
17 board of the county or city requesting release of the funds. If any city or county does
18 not so request payment of funds by June 30 of a State fiscal year, that share of the
19 allocation for that fiscal year shall revert to the General Fund.

20 **SECTION 49.3.** A regional council of government may use funds
21 appropriated by this section only to assist local governments in grant applications,
22 economic development, community development, support of local industrial
23 development activities, and other activities as deemed appropriate by the member
24 governments.

25 **SECTION 49.4.** Funds appropriated by this section shall not be used for
26 payment of dues or assessments by the member governments and shall not supplant
27 funds appropriated by the member governments.

28 **SECTION 49.5.** As used in this section, "Larger City" means an
29 incorporated city with a population of 50,000 or over. "Smaller City" means any other
30 incorporated city.

31 **SECTION 49.6.** Each council of government or lead regional organization
32 shall do the following:

- 33 (1) By January 15, 2004, and more frequently as requested, report to the
34 Joint Legislative Commission on Governmental Operations and the
35 Fiscal Research Division the following information:
- 36 a. State fiscal year 2002-2003 program activities, objectives, and
37 accomplishments;
 - 38 b. State fiscal year 2002-2003 itemized expenditures and fund
39 sources;
 - 40 c. State fiscal year 2003-2004 planned activities, objectives, and
41 accomplishments, including actual results through December
42 31, 2003; and

- 1 d. State fiscal year 2003-2004 estimated itemized expenditures
2 and fund sources, including actual expenditures and fund
3 sources through December 31, 2003;
- 4 (2) By January 15, 2005, and more frequently as requested, report to the
5 Joint Legislative Commission on Governmental Operations and the
6 Fiscal Research Division the following information:
- 7 a. State fiscal year 2003-2004 program activities, objectives, and
8 accomplishments;
- 9 b. State fiscal year 2003-2004 itemized expenditures and fund
10 sources;
- 11 c. State fiscal year 2004-2005 planned activities, objectives, and
12 accomplishments, including actual results through December
13 31, 2004; and
- 14 d. State fiscal year 2004-2005 estimated itemized expenditures
15 and fund sources, including actual expenditures and fund
16 sources through December 31, 2004; and
- 17 (3) Provide to the Fiscal Research Division a copy of the organization's
18 annual audited financial statement within 30 days of issuance of the
19 statement.
20

21 ONE NORTH CAROLINA FUND

22 **SECTION 50.** Funds appropriated to the Department of Commerce for the
23 2002-2003 fiscal year for the One North Carolina Fund that are unexpended and
24 unencumbered as of June 30, 2003, shall not revert to the General Fund on June 30,
25 2003, but shall remain available to the Department for providing financial assistance to
26 those businesses and industries deemed by the Governor to be vital to a healthy and
27 growing State economy and that are making significant efforts to establish or expand in
28 North Carolina.

29 This section becomes effective June 30, 2003.
30

31 TOURISM PROMOTION FUNDS

32 **SECTION 51.** Funds appropriated in this act to the Department of
33 Commerce for tourism promotion grants shall be allocated to counties in an effort to
34 direct funds to counties most in need. Determinations of which counties are most in
35 need shall focus on those with the lowest per capita income, highest unemployment, and
36 slowest population growth, in the following manner:

- 37 (1) Counties 1 through 20 are each eligible to receive a maximum grant of
38 seven thousand five hundred dollars (\$7,500) for each fiscal year,
39 provided these funds are matched on the basis of one non-State dollar
40 for every four State dollars.
- 41 (2) Counties 21 through 50 are each eligible to receive a maximum grant
42 of three thousand five hundred dollars (\$3,500) for two of the next
43 three fiscal years, provided these funds are matched on the basis of one
44 non-State dollar for every three State dollars.

- 1 (3) Counties 51 through 100 are each eligible to receive a maximum grant
2 of three thousand five hundred dollars (\$3,500) for alternating fiscal
3 years, beginning with the 1991-92 fiscal year, provided these funds are
4 matched on the basis of four non-State dollars for every State dollar.
5

6 **WANCHESE SEAFOOD INDUSTRIAL PARK FUNDS/OREGON INLET**
7 **FUNDS**

8 **SECTION 52.1.** Of the funds appropriated in this act to the Department of
9 Commerce for the Wanchese Seafood Industrial Park, the sum of one hundred
10 twenty-seven thousand eight hundred seventy dollars (\$127,870) for the 2003-2004
11 fiscal year and the sum of one hundred twenty-seven thousand eight hundred seventy
12 dollars (\$127,870) for the 2004-2005 fiscal year may be expended by the North
13 Carolina Seafood Industrial Park Authority for operations, maintenance, repair, and
14 capital improvements in accordance with Article 23C of Chapter 113 of the General
15 Statutes, in addition to funds available to the Authority for these purposes.

16 **SECTION 52.2.** Funds appropriated to the Department of Commerce for the
17 2002-2003 fiscal year for the Oregon Inlet Project that are unexpended and
18 unencumbered as of June 30, 2003, shall not revert to the General Fund on June 30,
19 2003, but shall remain available to the Department for legal costs associated with the
20 Project.

21 This section becomes effective June 30, 2003.
22

23 **INDUSTRIAL RECRUITMENT COMPETITIVE FUND**

24 **SECTION 53.1.** Funds appropriated in this act to the Department of
25 Commerce for the Industrial Recruitment Competitive Fund shall be used to continue
26 the Fund. The purpose of the Fund is to provide financial assistance to those businesses
27 or industries deemed by the Governor to be vital to a healthy and growing State
28 economy and that are making significant efforts to establish or expand in North
29 Carolina.

30 Moneys allocated from the Fund shall be used for the following purposes:

- 31 (1) Installation or purchase of equipment;
32 (2) Structural repairs, improvements, or renovations of existing buildings
33 to be used for expansion; and
34 (3) Construction of or improvements to new or existing water, sewer, gas
35 or electric utility distribution lines, or equipment for existing
36 buildings.

37 Moneys may also be used for construction of or improvements to new or
38 existing water, sewer, gas or electric utility distribution lines, or equipment to serve new
39 or proposed industrial buildings used for manufacturing and industrial operations. The
40 Governor shall adopt guidelines and procedures for the commitment of moneys from the
41 Fund.

42 **SECTION 53.2.** The Department of Commerce shall report on or before
43 January 1, 2004, and quarterly thereafter to the Joint Legislative Commission on
44 Governmental Operations and to the Fiscal Research Division on the commitment,

1 allocation, and use of funds allocated from the Industrial Recruitment Competitive
2 Fund.

3
4 **BIOTECHNOLOGY CENTER**

5 **SECTION 54.1.** The North Carolina Biotechnology Center shall recapture
6 funds spent in support of successful research and development efforts in the for-profit
7 private sector.

8 **SECTION 54.2.** The North Carolina Biotechnology Center shall provide
9 funding for biotechnology, biomedical, and related bioscience applications under its
10 Business and Science Technology Programs.

11 **SECTION 54.3.** The North Carolina Biotechnology Center shall:

12 (1) By January 15, 2004, and more frequently as requested, report to the
13 Joint Legislative Commission on Governmental Operations and the
14 Fiscal Research Division the following information:

- 15 a. State fiscal year 2002-2003 program activities, objectives, and
16 accomplishments;
- 17 b. State fiscal year 2002-2003 itemized expenditures and fund
18 sources;
- 19 c. State fiscal year 2002-2003 planned activities, objectives, and
20 accomplishments including actual results through December 31,
21 2003; and
- 22 d. State fiscal year 2002-2003 estimated itemized expenditures
23 and fund sources including actual expenditures and fund
24 sources through December 31, 2003;

25 (2) By January 15, 2004, and more frequently as requested, report to the
26 Joint Legislative Commission on Governmental Operations and the
27 Fiscal Research Division the following information:

- 28 a. State fiscal year 2003-2004 program activities, objectives, and
29 accomplishments;
- 30 b. State fiscal year 2003-2004 itemized expenditures and fund
31 sources;
- 32 c. State fiscal year 2004-2005 planned activities, objectives, and
33 accomplishments including actual results through December 31,
34 2003; and
- 35 d. State fiscal year 2004-2005 estimated itemized expenditures
36 and fund sources including actual expenditures and fund
37 sources through December 31, 2003; and

38 (3) Provide to the Fiscal Research Division a copy of the organization's
39 annual audited financial statement within 30 days of issuance of the
40 statement.

41 **SECTION 54.4.** The North Carolina Biotechnology Center shall provide a
42 report containing detailed budget, personnel, and salary information to the Office of
43 State Budget and Management and to the Fiscal Research Division in the same manner
44 as State departments and agencies in preparation for biennium budget requests.

1
2 **NONPROFIT REPORTING REQUIREMENTS**

3 **SECTION 55.1.** The N.C. Institute for Minority Economic Development,
4 Inc., Land Loss Prevention Project, North Carolina Minority Support Center, North
5 Carolina Community Development Initiative, Inc., North Carolina Association of
6 Community Development Corporations, Inc., and Partnership for the Sounds, Inc., shall
7 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 31,
17 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 31,
30 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 **SECTION 55.2.** No funds appropriated under this act shall be released to a
38 nonprofit organization listed in section 53.1 until the organization has satisfied the
39 reporting requirement for January 15, 2003. Fourth quarter allotments shall not be
40 released to any nonprofit organization that does not satisfy the reporting requirements
41 for January 15, 2004, or January 15, 2005.
42

43 **RURAL ECONOMIC DEVELOPMENT CENTER**

1 **SECTION 56.1.** The Rural Economic Development Center, Inc., shall
2 provide a report containing detailed budget, personnel, and salary information to the
3 Office of State Budget and Management in the same manner as State departments and
4 agencies in preparation for biennium budget requests.

5 **SECTION 56.2.** Not more than fifty percent (50%) of the interest earned on
6 State funds appropriated to the Rural Economic Development Center, Inc., may be used
7 by the Center for administrative purposes, including salaries and fringe benefits.

8 **SECTION 56.3.** The Rural Economic Development Center, Inc., shall:

9 (1) By January 15, 2004, and more frequently as requested, report to the
10 Joint Legislative Commission on Governmental Operations and the
11 Fiscal Research Division the following information:

- 12 a. State fiscal year 2002-2003 program activities, objectives, and
13 accomplishments;
14 b. State fiscal year 2002-2003 itemized expenditures and fund
15 sources;
16 c. State fiscal year 2003-2004 planned activities, objectives, and
17 accomplishments including actual results through December 31,
18 2003; and
19 d. State fiscal year 2003-2004 estimated itemized expenditures
20 and fund sources including actual expenditures and fund
21 sources through December 31, 2003.

22 (2) By January 15, 2005, and more frequently as requested, report to the
23 Joint Legislative Commission on Governmental Operations and the
24 Fiscal Research Division the following information:

- 25 a. State fiscal year 2003-2004 program activities, objectives, and
26 accomplishments;
27 b. State fiscal year 2003-2004 itemized expenditures and fund
28 sources;
29 c. State fiscal year 2004-2005 planned activities, objectives, and
30 accomplishments including actual results through December 31,
31 2004; and
32 d. State fiscal year 2004-2005 estimated itemized expenditures
33 and fund sources including actual expenditures and fund
34 sources through December 31, 2004.

35 (3) Provide to the Fiscal Research Division a copy of each grant
36 recipient's annual audited financial statement within 30 days of
37 issuance of the statement.

38 39 **PART X. REGULATORY FEE FOR UTILITIES COMMISSION**

40
41 **SECTION 57.1.** The percentage rate to be used in calculating the public
42 utility regulatory fee under G.S. 62-302(b)(2) is twelve hundredths of a percent (0.12%)
43 for each public utility's North Carolina jurisdictional revenues earned during each
44 quarter that begins on or after July 1, 2003.

1 **SECTION 57.2.** The electric membership corporation regulatory fee
2 imposed under G.S. 62-302(b1) for the 2002-2003 fiscal year is two hundred thousand
3 dollars (\$200,000).

4 **SECTION 57.3.** This section becomes effective July 1, 2003.

5
6 **PART XI. INSURANCE**

7
8 **SECTION 58.** The Commissioner of Insurance shall transfer funds quarterly
9 from the Department of Insurance Fund to the General Fund to repay the funds
10 appropriated to the Department of Insurance from the General Fund for each fiscal year,
11 plus accrued interest at a rate determined by the State Treasurer.

12
13 **PART XII. HOUSING FINANCE AGENCY HOME PROGRAM MATCHING**
14 **FUNDS**

15
16 **SECTION 59.1.** Funds appropriated in this act to the Housing Finance
17 Agency for the federal HOME Program shall be used to match federal funds
18 appropriated for the HOME Program. In allocating State funds appropriated to match
19 federal HOME Program funds, the Agency shall give priority to HOME Program
20 projects, as follows:

- 21 (1) First priority to projects that are located in counties designated as Tier
22 One, Tier Two, or Tier Three Enterprise Counties under G.S.
23 105-129.3; and
24 (2) Second priority to projects that benefit persons and families whose
25 incomes are fifty percent (50%) or less of the median family income
26 for the local area, with adjustments for family size, according to the
27 latest figures available from the United States Department of Housing
28 and Urban Development.

29 The Housing Finance Agency shall report to the Joint Legislative
30 Commission on Governmental Operations by April 1 of each year concerning the status
31 of the HOME Program and shall include in the report information on priorities met,
32 types of activities funded, and types of activities not funded.

33 **SECTION 59.2.** If the United States Congress changes the HOME Program
34 such that matching funds are not required for a given program year, then the Agency
35 shall not spend the matching funds appropriated under this act for that program year.

36 **SECTION 59.3.** Funds appropriated in this act to match federal HOME
37 Program funds shall not revert to the General Fund on June 30, 2004, or on June 30,
38 2005.

39
40 **PART XIII. JUSTICE AND PUBLIC SAFETY**

41
42 **STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

43 **SECTION 60.** Funds appropriated in this act to the Department of Juvenile
44 Justice and Delinquency Prevention for the 2003-2004 fiscal year may be used as

1 matching funds for the Juvenile Accountability Incentive Block Grants. If North
2 Carolina receives Juvenile Accountability Incentive Block Grants, or a notice of funds
3 to be awarded, the Office of State Budget and Management and the Governor's Crime
4 Commission shall consult with the Department of Juvenile Justice and Delinquency
5 Prevention regarding the criteria for awarding federal funds. The Office of State Budget
6 and Management, the Governor's Crime Commission, and the Department of Juvenile
7 Justice and Delinquency Prevention shall report to the Appropriations Committees of
8 the Senate and House of Representatives and the Joint Legislative Commission on
9 Governmental Operations prior to allocation of the federal funds. The report shall
10 identify the amount of funds to be received for the 2003-2004 fiscal year, the amount of
11 funds anticipated for the 2004-2005 fiscal year, and the allocation of funds by program
12 and purpose.

13 14 **FEDERAL GRANT MATCHING FUNDS**

15 **SECTION 61.** Notwithstanding the provisions of G.S. 148-2, the
16 Department of Correction may use up to the sum of nine hundred thousand dollars
17 (\$900,000) from funds available to the Department to provide the State match needed in
18 order to receive federal grant funds. Prior to using funds for this purpose, the
19 Department shall report to the Chairs of the Senate and House of Representatives
20 Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative
21 Commission on Governmental Operations on the grants to be matched using these
22 funds.

23 24 **MEDIUM CUSTODY ROAD CREW COMPENSATION**

25 **SECTION 62.** Of funds appropriated to the Department of Transportation by
26 this act, the sum of ten million dollars (\$10,000,000) per year shall be transferred by the
27 Department to the Department of Correction during the 2003-2005 biennium for the
28 actual costs of highway-related labor performed by medium-custody prisoners, as
29 authorized by G.S. 148-26.5. This transfer shall be made quarterly in the amount of two
30 million five hundred thousand dollars (\$2,500,000). The Department of Transportation
31 may use funds appropriated by this act to pay an additional amount exceeding the ten
32 million dollars (\$10,000,000), but those payments shall be subject to negotiations
33 among the Department of Transportation, the Department of Correction, and the Office
34 of State Budget and Management prior to payment by the Department of
35 Transportation.

36 37 **LIMIT USE OF OPERATIONAL FUNDS**

38 **SECTION 63.** Funds appropriated in this act to the Department of
39 Correction for operational costs for additional facilities shall be used for personnel and
40 operating expenses set forth in the budget approved by the General Assembly in this act.
41 These funds shall not be expended for any other purpose, except as provided for in this
42 act, and shall not be expended for additional prison personnel positions until the new
43 facilities are within 180 days of projected completion, except for certain management,

1 security, and support positions necessary to prepare the facility for opening, as
2 authorized in the budget approved by the General Assembly.

4 **USE OF CLOSED PRISON FACILITIES**

5 **SECTION 64.** In conjunction with the closing of prison facilities, including
6 small expensive prison units recommended for consolidation by the Government
7 Performance Audit Committee, the Department of Correction shall consult with the
8 county or municipality in which the unit is located, with the elected State and local
9 officials, and with State agencies about the possibility of converting that unit to other
10 use. The Department may also consult with any private for-profit or nonprofit firm
11 about the possibility of converting the unit to other use. In developing a proposal for
12 future use of each unit, the Department shall give priority to converting the unit to other
13 criminal justice use. Consistent with existing law and the future needs of the
14 Department of Correction, the State may provide for the transfer or the lease of any of
15 these units to counties, municipalities, State agencies, or private firms wishing to
16 convert them to other use. The Department of Correction may also consider converting
17 some of the units recommended for closing from one security custody level to another,
18 where that conversion would be cost-effective. A prison unit under lease to a county
19 pursuant to the provisions of this section for use as a jail is exempt for the period of the
20 lease from any of the minimum standards adopted by the Secretary of Health and
21 Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that
22 would subject the unit to greater standards than those required of a unit of the State
23 prison system.

24 Prior to any transfer or lease of these units, the Department of Correction
25 shall report on the terms of the proposed transfer or lease to the Joint Legislative
26 Commission on Governmental Operations and the Joint Legislative Corrections, Crime
27 Control, and Juvenile Justice Oversight Committee. The Department of Correction shall
28 also provide annual summary reports to the Joint Legislative Commission on
29 Governmental Operations and the Joint Legislative Corrections, Crime Control, and
30 Juvenile Justice Oversight Committee on the conversion of these units to other use and
31 on all leases or transfers entered into pursuant to this section.

33 **PART XIV. DEPARTMENT OF ADMINISTRATION**

35 **PETROLEUM OVERCHARGE FUNDS ALLOCATION**

36 **SECTION 65.1.** There is appropriated from funds and interest thereon
37 received from the case of United States v. Exxon that remain in the Special Reserve for
38 Oil Overcharge Funds to the Department of Administration the sum of one million
39 dollars (\$1,000,000) for the 2003-2004 fiscal year. Funds are to be used for the Energy
40 Efficient Affordable Housing Program. The Energy Efficient Affordable Housing
41 Program does not duplicate the current weatherization program administered by the
42 Department of Health and Human Services. Funds will be administered by the State
43 Energy Office within the Department of Administration.

1 **SECTION 65.2.** Any funds remaining in the Special Reserve for Oil
2 Overcharge Funds after the allocation is made pursuant to section 64.1 may be
3 expended only as authorized by the General Assembly. All interest or income accruing
4 from all deposits or investments of cash balances shall be credited to the Special
5 Reserve for Oil Overcharge Funds.

6 7 **PART XV. OFFICE OF THE STATE AUDITOR**

8 9 **SMART START AUDITS**

10 **SECTION 66.** G.S. 143B-168.14(b) reads as rewritten:

11 "(b) Each local partnership shall be subject to audit and review by the State
12 Auditor under Article 5A of Chapter 147 of the General Statutes. The State Auditor
13 shall conduct annual financial and compliance audits of ~~the local partnerships~~ that are
14 rated "needs improvement" in performance assessments authorized in G.S.
15 143B-168.12(a)(7). Local partnerships that are rated "superior" or "satisfactory" in
16 performance assessments authorized in G.S. 143B-168.12(a)(7) shall undergo biennial
17 financial and compliance audits by the State Auditor."

18 19 **PART XVI. DEPARTMENT OF TRANSPORTATION**

20 21 **GLOBAL TRANSPARK AUTHORITY TO REIMBURSE HIGHWAY FUND** 22 **FROM FEDERAL SOURCES**

23 **SECTION 67.** When funds are provided from the Highway Fund to the
24 Global TransPark Authority for environmental impact statements or assessments and the
25 Global TransPark Authority applies for and receives reimbursement for those expenses
26 from federal sources, up to one million eight hundred thousand dollars (\$1,800,000) of
27 the federal reimbursements shall be paid over by the Global TransPark Authority into
28 the Highway Fund within 30 days of receipt. These funds shall be allocated to
29 State-funded maintenance appropriations in the manner approved by the Board of
30 Transportation.

31 32 **AIRCRAFT AND FERRY ACQUISITIONS**

33 **SECTION 68.** Before approving the purchase of an aircraft from the
34 Equipment Fund or a ferry in a Transportation Improvement Program, the Board of
35 Transportation shall prepare an estimate of the operational costs and capital costs
36 associated with the addition of the aircraft or ferry and shall report those additional costs
37 to the General Assembly pursuant to G.S. 136-12(b), and to the Joint Legislative
38 Commission on Governmental Operations.

39 40 **HIGHWAY FUND ALLOCATIONS BY CONTROLLER**

41 **SECTION 69.** The Controller of the Department of Transportation shall
42 allocate at the beginning of each fiscal year from the various appropriations made to the
43 Department of Transportation in this act, Titles:
44 State Construction

1 State Funds to Match Federal Highway Aid
 2 State Maintenance
 3 Ferry Operations,
 4 sufficient funds to eliminate all overdrafts on State maintenance and construction
 5 projects, and these allocations may not be diverted to other purposes.
 6

7 **CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND**
 8 **APPROPRIATIONS**

9 **SECTION 70.1.** The General Assembly authorizes and certifies anticipated
 10 revenues of the Highway Fund as follows:

11	For Fiscal Year 2005-06	\$1,409.2 Million
12	For Fiscal Year 2006-07	\$1,458.9 Million
13	For Fiscal Year 2007-08	\$1,509.4 Million
14	For Fiscal Year 2008-09	\$1,558.8 Million

15 **SECTION 70.2.** The General Assembly authorizes and certifies anticipated
 16 revenues of the Highway Trust Fund as follows:

17	For Fiscal Year 2005-06	\$1,096.3 Million
18	For Fiscal Year 2006-07	\$1,148.0 Million
19	For Fiscal Year 2007-08	\$1,202.6 Million
20	For Fiscal Year 2008-09	\$1,252.4 Million

21
 22 **HIGHWAY FUND LIMITATIONS ON OVER-EXPENDITURES**

23 **SECTION 71.1.** Over-expenditures from Section 4 of this act may be made
 24 by authorization of the Director of the Budget, Titles:

25 State Construction Primary Construction
 26 State Construction Urban Construction
 27 Spot Safety Construction
 28 State Construction Access and Public Service Roads
 29 State Funds to Match Federal Highway Aid
 30 State Maintenance
 31 Ferry Operations,

32 provided that there are corresponding under-expenditures from these same Titles.
 33 Over-expenditures or under-expenditures in any Titles may not vary by more than ten
 34 percent (10%) without prior consultation with the Advisory Budget Commission.
 35 Written reports covering over-expenditures or under-expenditures of more than ten
 36 percent (10%) shall be made to the Joint Legislative Oversight Committee. The reports
 37 shall be delivered to the Director of the Fiscal Research Division not less than 96 hours
 38 prior to the beginning of the Commission's full meeting.

39 **SECTION 71.2.** Over-expenditures from Section 4 of this act, Titles:

40 State Construction Primary Construction
 41 State Construction Urban Construction
 42 Spot Safety Construction
 43 State Construction Access and Public Service Roads
 44 State Funds to Match Federal Highway Aid

1 State Maintenance
2 Ferry Operations,
3 for the purpose of providing additional positions, shall be approved by the Director of
4 the Budget and shall be reported on a quarterly basis to the Joint Legislative Highway
5 Oversight Committee and to the Fiscal Research Division.
6

7 HIGHWAY FUND ADJUSTMENTS TO REFLECT ACTUAL REVENUE

8 SECTION 72. Any unreserved credit balance in the Highway Fund on June
9 30 of each of the fiscal years of this biennium shall support appropriations in the
10 succeeding fiscal year. If all of the balance is not needed for these appropriations, the
11 Director of the Budget may use the remaining excess to establish a reserve for access
12 and public roads, a reserve for unforeseen happening of a state of affairs requiring
13 prompt action as provided by G.S. 136-44.2, and other required reserves. If all of the
14 remaining excess is not used to establish these reserves, the remainder shall be allocated
15 to the State-funded maintenance appropriations in the manner approved by the Board of
16 Transportation. The Board of Transportation shall report monthly to the Joint
17 Legislative Highway Oversight Committee and the Fiscal Research Division about the
18 use of the reserve for highway and maintenance.
19

20 DEPARTMENT OF TRANSPORTATION EXEMPTION FROM GENERAL 21 STATUTES FOR EXPERIMENTAL PROJECT-CONGESTION 22 MANAGEMENT

23 SECTION 73. The Department of Transportation may enter into a
24 design-build-warrant contract to develop, with Federal Highway Administration
25 participation under The 1991 Intermodal Surface Transportation Efficiency Act, Title
26 VI, Part B, Sections 6051-6059, a "Congestion Avoidance and Reduction for Autos and
27 Trucks (CARAT)" system of traffic management for the greater Charlotte-Mecklenburg
28 urban areas. Notwithstanding any other provision of law, contractors, contractors'
29 employees, and Department of Transportation employees involved only in this project
30 do not have to be licensed by occupational licensing boards as "license" and
31 "occupational licensing board" as these terms are defined in G.S. 93B-1. For the
32 purpose of entering into contracts, the Department of Transportation is exempted from
33 the provisions of the following General Statutes: G.S. 136-28.1, 143-52, 143-53,
34 143-58, 143-128, and 143-129. These statutory exemptions are limited and available
35 only to the extent necessary to comply with federal rules, regulations, and policies for
36 completion of this project.

37 The Department of Transportation shall report quarterly to the Joint
38 Legislative Highway Oversight Committee on its efforts to enter into a
39 design-build-warrant contract and to award and construct the project. The report shall
40 include, but not be limited to, the number of types of firms bidding on the project,
41 special qualifications of the firms bidding, and the effect statutory exemptions might
42 have had on the award and construction of the project and the receipt of federal
43 discretionary funding for the project.
44

1 ALLOCATION OF FUNDS FOR DRIVER TRAINING

2 **SECTION 74.** In allocating funds for driver training, the State Board of
3 Education shall consider the needs of small and low-wealth local school administrative
4 units.

**5 INCREASE IN TRANSFER AMOUNT FROM HIGHWAY TRUST FUND TO
6 GENERAL FUND**

7 **SECTION 75.** Pursuant to G.S. 105-187.9 Highway Use Taxes collected at
8 the rate of three percent (3%) of motor vehicle sales shall be credited to the North
9 Carolina Highway Trust Fund. An inflationary amount of eighty million dollars
10 (\$80,000,000) shall be added to the transfer amount for Fiscal Year 2004-2005 of one
11 hundred fifty one million seven hundred seventy four thousand three hundred and thirty
12 dollars (\$151,774,330) making the total transfer for Fiscal Year 2004-2005 to be two
13 hundred thirty one million seven hundred seventy four thousand three hundred and
14 thirty dollars (\$231,774,330).

15 The increase of eighty million dollars (\$80,000,000) in the transfer represents
16 an inflationary factor that is applied to bring the initial amount established in 1989 to
17 today's value and shall be continued each year hereafter until revised by legislation.
18

19 DMV/PROOF OF RESIDENCY

20 **SECTION 76.** If any person has prior to January 1, 2002, been issued an
21 identification card, learners permit, or drivers license by the Division of Motor Vehicles
22 without providing that person's valid social security number, the Commissioner may not
23 renew or accept an address change to that identification card, learners permit, or drivers
24 license without the proof of that person's valid social security number or valid
25 Individual Taxpayer Identification Number required for original issuance.
26

27 DIVISION 3 HEADQUARTERS COMPLEX FUNDS

28 **SECTION 77.** The requirement in Section 27.14 of S.L. 1999-237 that the
29 Highway Fund reimburse the Highway Trust Fund by June 30, 2004, for the capital
30 costs required to relocate the Division 3 headquarters complex in Wilmington, North
31 Carolina, is rescinded.
32

33 ASPHALT PAVEMENT RECYCLING

34 **SECTION 78.** The Department of Transportation as part of its resurfacing
35 programs, shall recycle pavement surfaces, where feasible, based on engineering and
36 economic analyses. On projects where hot in-place recycling is determined to be a
37 viable option, the Department shall use an alternate bid process.
38

**39 DEPARTMENT OF TRANSPORTATION PRODUCTIVITY PILOT
40 PROGRAMS**

41 **SECTION 79.** The Department of Transportation may establish two pilot
42 programs to test incentive pay for employees as a means for increasing efficiency and
43 productivity. One of the pilot programs shall involve the highway resurfacing program

1 using road oil. Up to one-fourth of one percent (0.25%) of the budget allocation for this
2 program may be used to provide employee incentive payments.

3 The other pilot project may be selected by the Department of Transportation,
4 and up to twenty-five thousand dollars (\$25,000) may be used from existing budgets for
5 incentives.

6 Incentive payments shall be based on quantifiable measures and production
7 schedules determined prior to the implementation of the pilot programs that shall last no
8 more than two years.

9 The Department of Transportation shall report to the Joint Legislative
10 Transportation Oversight Committee on the pilot programs at least 30 days prior to their
11 implementation.

12 13 **DEPARTMENT OF TRANSPORTATION CASH FLOW MANAGEMENT**

14 **SECTION 80.** The Department of Transportation is directed to reorganize
15 its cash management procedures consistent with the March 2001 Joint Legislative
16 Transportation Oversight Committee Cash Management Study final report.

17 The Department is directed to:

- 18 (1) Utilize cash flow financing to the maximum extent possible to fund
19 highway construction projects with the goal of reducing the combined
20 average daily cash balance of the Highway Trust Fund and the
21 Highway Fund to an amount equal to twelve percent (12%) of
22 combined estimate of the yearly receipts of the Funds, exclusive of
23 municipal aid funds.
- 24 (2) Establish necessary management controls to facilitate use of cash flow
25 financing, such as establishment of a financial planning committee,
26 development of a monthly financial report, establishment of
27 appropriate fund cash level targets, review of revenue forecasting
28 procedures, and reduction of accrued unbilled costs.
- 29 (3) Strengthen the project delivery process by reorganization of
30 preconstruction functions in order to expedite project delivery and
31 maximize use of cash flow financing of projects. The Department shall
32 designate one person responsible for project delivery, developing
33 project delivery reports, and continually assessing which projects can
34 be accelerated using cash flow financing.
- 35 (4) Report quarterly to the Joint Legislative Transportation Oversight
36 Committee on its efforts to reorganize the cash management and
37 project delivery process and the results of those efforts.

38 39 **STATE TIRE RETREADING CONTRACT**

40 **SECTION 81.** The Purchase and Contract Division of the Department of
41 Administration shall take steps to insure that the bid process for the State contract for
42 tire retreading is fair and open and that it complies with State purchasing laws.

43 Before soliciting bids, the Purchase and Contract Division shall:

- 1 (1) Research technologies for tire retreading and tire retread testing to
2 determine which technologies are most consistent with State needs and
3 safety requirements.
- 4 (2) Circulate proposed specifications for the retread tire contract to tire
5 retread vendors, tire retreading industry associations, and State users of
6 retread tires.
- 7 (3) Solicit comments and feedback from the entities listed in subdivision
8 (2) of this section.
- 9 (4) Provide a copy of the final specifications for the retread tire contract to
10 the Joint Legislative Transportation Oversight Committee at least six
11 weeks prior to soliciting bids.

12 **STATE HIGHWAY PATROL TO REPORT TO LEGISLATIVE OVERSIGHT**
13 **COMMITTEES ON BUDGETARY MATTERS**

14 **SECTION 82.** The State Highway Patrol shall report to the Joint Legislative
15 Transportation Oversight Committee and to the Joint Legislative Corrections, Crime
16 Control, and Juvenile Justice Oversight Committee on its revenues, expenditures, and
17 other budget related matters. These financial reports shall be made in writing to the
18 co-chairs of the oversight committees and to the Fiscal Research Division by November
19 15, February 15, May 15, and August 15 of each year to be taken up, if necessary, at the
20 next meetings of the oversight committees following those dates.

21
22 **LEGISLATIVE RESEARCH COMMISSION TO STUDY NONBETTERMENT**
23 **UTILITY RELOCATION COSTS IN HIGHWAY**
24 **CONSTRUCTION**

25 **SECTION 83.** The Legislative Research Commission may study the issue of
26 nonbetterment utility relocation costs. As a part of its study, the LRC shall consider all
27 of the following:

- 28 (1) The current statutory procedure for allocation of relocation costs,
29 found in G.S. 136-27.1.
- 30 (2) The current population ceiling of 5,500 for municipalities to receive
31 utility relocation assistance from the Department of Transportation,
32 and the appropriateness of this ceiling.
- 33 (3) The history of exceptions to the general policy on the nonpayment by
34 the Department of Transportation for nonbetterment utility relocation
35 costs and the rationales for these exceptions.
- 36 (4) The development of a rational and equitable policy for the payment for
37 nonbetterment utility relocation costs.
- 38 (5) Any other issue related to nonbetterment utility relocation costs.

39
40 **RAIL DIVISION FUNDS FOR RAILROAD BRIDGE REPLACEMENT**
41 **PROJECT PLANNING AND PRELIMINARY ENGINEERING**

42 **SECTION 84.** Of funds appropriated to the Department of Transportation
43 Rail Division, up to eight hundred thousand dollars (\$800,000) shall be used for
44 planning and preliminary engineering of the Neuse Railroad Bridge east of Kinston

1 replacement project and the Highway 54 Railroad bridge in Research Triangle Park
2 replacement project.

3
4 **PART XVII. PUBLIC EDUCATION**

5
6 **TEACHER SALARY SCHEDULES**

7 **SECTION 85.1.** Effective for the 2003-2004 school year, the Director of the
8 Budget shall transfer from the Reserve for Experience Step Salary Increase for Teachers
9 and Principals in Public Schools for the 2003-2004 fiscal year funds necessary to
10 implement the teacher salary schedule set out in section 84.2, including funds for the
11 employer's retirement and social security contributions and funds for annual longevity
12 payments at one and one-half percent (1.5%) of base salary for 10 to 14 years of State
13 service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19
14 years of State service, three and twenty-five hundredths percent (3.25%) of base salary
15 for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary
16 for 25 or more years of State service, commencing July 1, 2003, for all teachers whose
17 salaries are supported from the State's General Fund. These funds shall be allocated to
18 individuals according to rules adopted by the State Board of Education. The longevity
19 payment shall be paid in a lump sum once a year.

20 **SECTION 85.2.** For the 2003-2004 school year, the following monthly
21 salary schedules shall apply to certified personnel of the public schools who are
22 classified as teachers. The schedule contains 30 steps with each step corresponding to
23 one year of teaching experience.

24 **2003-2004 MONTHLY SALARY SCHEDULE**

25 **"A" TEACHERS**

26	Years of	"A"	NBPTS
27	Experience	Teachers	Certification
28	0	\$2,525	N/A
29	1	\$2,567	N/A
30	2	\$2,611	N/A
31	3	\$2,764	\$3,096
32	4	\$2,904	\$3,252
33	5	\$3,036	\$3,400
34	6	\$3,164	\$3,544
35	7	\$3,266	\$3,658
36	8	\$3,314	\$3,712
37	9	\$3,362	\$3,765
38	10	\$3,412	\$3,821
39	11	\$3,461	\$3,876
40	12	\$3,511	\$3,932
41	13	\$3,561	\$3,988
42	14	\$3,614	\$4,048
43	15	\$3,667	\$4,107
44	16	\$3,722	\$4,169

1	17	\$3,777	\$4,230
2	18	\$3,834	\$4,294
3	19	\$3,892	\$4,359
4	20	\$3,950	\$4,424
5	21	\$4,011	\$4,492
6	22	\$4,072	\$4,561
7	23	\$4,136	\$4,632
8	24	\$4,200	\$4,704
9	25	\$4,264	\$4,776
10	26	\$4,330	\$4,850
11	27	\$4,398	\$4,926
12	28	\$4,467	\$5,003
13	29	\$4,538	\$5,083
14	30+	\$4,538	\$5,083

15

2003-2004 MONTHLY SALARY SCHEDULE

17 "M" TEACHERS

18	Years of	"M"	NBPTS
19	Experience	Teachers	Certification
20	0	\$2,778	N/A
21	1	\$2,824	N/A
22	2	\$2,872	N/A
23	3	\$3,040	\$3,405
24	4	\$3,194	\$3,577
25	5	\$3,340	\$3,741
26	6	\$3,480	\$3,898
27	7	\$3,593	\$4,024
28	8	\$3,645	\$4,082
29	9	\$3,698	\$4,142
30	10	\$3,753	\$4,203
31	11	\$3,807	\$4,264
32	12	\$3,862	\$4,325
33	13	\$3,917	\$4,387
34	14	\$3,975	\$4,452
35	15	\$4,034	\$4,518
36	16	\$4,094	\$4,585
37	17	\$4,155	\$4,654
38	18	\$4,217	\$4,723
39	19	\$4,281	\$4,795
40	20	\$4,345	\$4,866
41	21	\$4,412	\$4,941
42	22	\$4,479	\$5,016
43	23	\$4,550	\$5,096
44	24	\$4,620	\$5,174

1	25	\$4,690	\$5,253
2	26	\$4,763	\$5,335
3	27	\$4,838	\$5,419
4	28	\$4,914	\$5,504
5	29	\$4,992	\$5,591
6	30+	\$4,992	\$5,591

7 **SECTION 85.3.** Certified public school teachers with certification based on
8 academic preparation at the six-year degree level shall receive a salary supplement of
9 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation
10 provided for certified personnel of the public schools who are classified as "M"
11 teachers. Certified public school teachers with certification based on academic
12 preparation at the doctoral degree level shall receive a salary supplement of two
13 hundred fifty-three dollars (\$253.00) per month in addition to the compensation
14 provided for certified personnel of the public schools who are classified as "M"
15 teachers.

16 **SECTION 85.4.** Effective for the 2003-2004 school year, the first step of the
17 salary schedule for school psychologists shall be equivalent to Step 5, corresponding to
18 five years of experience, on the salary schedule established in this section for certified
19 personnel of the public schools who are classified as "M" teachers. Certified
20 psychologists shall be placed on the salary schedule at an appropriate step based on their
21 years of experience. Certified psychologists shall receive longevity payments based on
22 years of State service in the same manner as teachers.

23 Certified psychologists with certification based on academic preparation at
24 the six-year degree level shall receive a salary supplement of one hundred twenty-six
25 dollars (\$126.00) per month in addition to the compensation provided for certified
26 psychologists. Certified psychologists with certification based on academic preparation
27 at the doctoral degree level shall receive a salary supplement of two hundred fifty-three
28 dollars (\$253.00) per month in addition to the compensation provided for certified
29 psychologists.

30 **SECTION 85.5.** Effective for the 2003-2004 school year, speech
31 pathologists who are certified as speech pathologists at the masters degree level and
32 audiologists who are certified as audiologists at the masters degree level and who are
33 employed in the public schools as speech and language specialists and audiologists shall
34 be paid on the school psychologist salary schedule.

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

42 **SECTION 85.6.** Certified school nurses who are employed in the public
43 schools as nurses shall be paid on the "M" salary schedule.

1	29	\$5,042	\$5,042	\$5,143	\$5,246	\$5,351
2	30	\$5,143	\$5,143	\$5,246	\$5,351	\$5,458
3	31	\$5,246	\$5,246	\$5,351	\$5,458	\$5,567
4	32	-	\$5,351	\$5,458	\$5,567	\$5,678
5	33	-	-	\$5,567	\$5,678	\$5,792
6	34	-	-	\$5,678	\$5,792	\$5,908
7	35	-	-	-	\$5,908	\$6,026
8	36	-	-	-	\$6,026	\$6,147
9	37	-	-	-	-	\$6,270

2003-2004

PRINCIPAL AND ASSISTANT PRINCIPAL SALARY SCHEDULES
CLASSIFICATION

14	Yrs of	Prin V	Prin VI	Prin VII	Prin VIII
15	Exp	(44-54)	(55-65)	(66-100)	(101+)
16	14	\$4,259	-	-	-
17	15	\$4,324	-	-	-
18	16	\$4,388	\$4,456	-	-
19	17	\$4,456	\$4,524	\$4,666	-
20	18	\$4,524	\$4,596	\$4,737	\$4,811
21	19	\$4,596	\$4,666	\$4,811	\$4,886
22	20	\$4,666	\$4,737	\$4,886	\$4,963
23	21	\$4,737	\$4,811	\$4,963	\$5,042
24	22	\$4,811	\$4,886	\$5,042	\$5,143
25	23	\$4,886	\$4,963	\$5,143	\$5,246
26	24	\$4,963	\$5,042	\$5,246	\$5,351
27	25	\$5,042	\$5,143	\$5,351	\$5,458
28	26	\$5,143	\$5,246	\$5,458	\$5,567
29	27	\$5,246	\$5,351	\$5,567	\$5,678
30	28	\$5,351	\$5,458	\$5,678	\$5,792
31	29	\$5,458	\$5,567	\$5,792	\$5,908
32	30	\$5,567	\$5,678	\$5,908	\$6,026
33	31	\$5,678	\$5,792	\$6,026	\$6,147
34	32	\$5,792	\$5,908	\$6,147	\$6,270
35	33	\$5,908	\$6,026	\$6,270	\$6,395
36	34	\$6,026	\$6,147	\$6,395	\$6,523
37	35	\$6,147	\$6,270	\$6,523	\$6,653
38	36	\$6,270	\$6,395	\$6,653	\$6,786
39	37	\$6,395	\$6,523	\$6,786	\$6,922
40	38	\$6,523	\$6,653	\$6,922	\$7,060
41	39	-	\$6,786	\$7,060	\$7,201
42	40	-	\$6,922	\$7,201	\$7,345
43	41	-	-	\$7,345	\$7,492

1 **SECTION 86.3.** The appropriate classification for placement of principals
2 and assistant principals on the salary schedule, except for principals in alternative
3 schools, shall be determined in accordance with the following schedule:

<u>Classification</u>	<u>Number of Teachers</u> <u>Supervised</u>
Assistant Principal	
Principal I	Fewer than 11 Teachers
Principal II	11-21 Teachers
Principal III	22-32 Teachers
Principal IV	33-43 Teachers
Principal V	44-54 Teachers
Principal VI	55-65 Teachers
Principal VII	66-100 Teachers
Principal VIII	More than 100 Teachers

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

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

21 **SECTION 86.4.** A principal shall be placed on the step on the salary
22 schedule that reflects total number of years of experience as a certificated employee of
23 the public schools and an additional step for every three years of experience as a
24 principal. A principal or assistant principal shall also continue to receive any additional
25 State-funded percentage increases earned for the 1997-1998, 1998-1999, and the
26 1999-2000 school years for improvement in student performance or maintaining a safe
27 and orderly school.

28 **SECTION 86.5.** Principals and assistant principals with certification based
29 on academic preparation at the six-year degree level shall be paid a salary supplement of
30 one hundred twenty-six dollars (\$126.00) per month and at the doctoral degree level
31 shall be paid a salary supplement of two hundred fifty-three dollars (\$253.00) per
32 month.

33 **SECTION 86.6.** There shall be no State requirement that superintendents in
34 each local school unit shall receive in State-paid salary at least one percent (1%) more
35 than the highest paid principal receives in State salary in that school unit: Provided,
36 however, the additional State-paid salary a superintendent who was employed by a local
37 school administrative unit for the 1992-1993 fiscal year received because of that
38 requirement shall not be reduced because of this subsection for subsequent fiscal years
39 that the superintendent is employed by that local school administrative unit so long as
40 the superintendent is entitled to at least that amount of additional State-paid salary under
41 the rules in effect for the 1992-1993 fiscal year.

42 **SECTION 86.7.** Longevity pay for principals and assistant principals shall
43 be as provided for State employees under the State Personnel Act.

44 **SECTION 86.8.**

- 1 (1) If a principal is reassigned to a higher job classification because the
 2 principal is transferred to a school within a local school administrative
 3 unit with a larger number of State-allotted teachers, the principal shall
 4 be placed on the salary schedule as if the principal had served the
 5 principal's entire career as a principal at the higher job classification.
- 6 (2) If a principal is reassigned to a lower job classification because the
 7 principal is transferred to a school within a local school administrative
 8 unit with a smaller number of State-allotted teachers, the principal
 9 shall be placed on the salary schedule as if the principal had served the
 10 principal's entire career as a principal at the lower job classification.

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

16 **SECTION 86.9.** Participants in an approved full-time Masters in School
 17 Administration program shall receive up to a 10-month stipend at the beginning salary
 18 of an assistant principal during the internship period of the masters program.
 19 Certification of eligible full-time interns shall be supplied to the Department of Public
 20 Instruction by the Principal Fellows Program or a school of education where the intern
 21 participates in a full-time Masters in School Administration.

22 **SECTION 86.10.** During the 2003-2004 fiscal year, the placement on the
 23 salary schedule of an administrator with a one-year provisional assistant principal's
 24 certificate shall be at the entry-level salary for an assistant principal or the appropriate
 25 step on the teacher salary schedule, whichever is higher.

26 CENTRAL OFFICE SALARIES

27 **SECTION 87.1.** The monthly salary ranges that follow apply to assistant
 28 superintendents, associate superintendents, directors/coordinators, supervisors, and
 29 finance officers for the 2003-2004 fiscal year, beginning July 1, 2003. The top of these
 30 ranges shall be increased by one and sixth-tenths percent (1.6%) annually for full-time
 31 employees.
 32

33	School Administrator I	\$2,932	\$5,266
34	School Administrator II	\$3,112	\$5,586
35	School Administrator III	\$3,303	\$5,925
36	School Administrator IV	\$3,436	\$6,162
37	School Administrator V	\$3,574	\$6,410
38	School Administrator VI	\$3,792	\$6,799
39	School Administrator VII	\$3,945	\$7,072

40 The local board of education shall determine the appropriate category and
 41 placement for each assistant superintendent, associate superintendent,
 42 director/coordinator, supervisor, or finance officer within the salary ranges and within
 43 funds appropriated by the General Assembly for central office administrators and

1 superintendents. The category in which an employee is placed shall be included in the
2 contract of any employee hired on or after July 1, 2003.

3 **SECTION 87.2.** The monthly salary ranges that follow apply to public
4 school superintendents for the 2003-2004 fiscal year, beginning July 1, 2003. The top
5 of these ranges shall be increased by one and sixth-tenths percent (1.6%) annually for
6 full-time employees.

7 Superintendent I	\$4,187	\$7,503
8 Superintendent II	\$4,445	\$7,956
9 Superintendent III	\$4,716	\$8,441
10 Superintendent IV	\$5,005	\$8,953
11 Superintendent V	\$5,312	\$9,499

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

16 Notwithstanding the provisions of this subsection, a local board of education
17 may pay an amount in excess of the applicable range to a superintendent who is entitled
18 to receive the higher amount under Section 85.6 of this act.

19 **SECTION 87.3.** Longevity pay for superintendents, assistant
20 superintendents, associate superintendents, directors/coordinators, supervisors, and
21 finance officers shall be as provided for State employees under the State Personnel Act.

22 **SECTION 87.4.** Superintendents, assistant superintendents, associate
23 superintendents, directors/coordinators, supervisors, and finance officers with
24 certification based on academic preparation at the six-year degree level shall receive a
25 salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to
26 the compensation provided pursuant to this section. Superintendents, assistant
27 superintendents, associate superintendents, directors/coordinators, supervisors, and
28 finance officers with certification based on academic preparation at the doctoral degree
29 level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per
30 month in addition to the compensation provided for under this section.

31 **SECTION 87.5.** The State Board of Education shall not permit local school
32 administrative units to transfer State funds from other funding categories for salaries for
33 public school central office administrators.

34 **SECTION 87.6.** The Director of the Budget shall transfer from the Reserve
35 for Compensation Increases created in this act for fiscal year 2003-2004, beginning July
36 1, 2003, funds necessary to provide an average annual salary increase of one and
37 six-tenths percent (1.6%), including funds for the employer's retirement and social
38 security contributions, commencing July 1, 2003, for all permanent full-time personnel
39 paid from the Central Office Allotment. The State Board of Education shall allocate
40 these funds to local school administrative units. The local boards of education shall
41 establish guidelines for providing their salary increases to these personnel.

42 43 **NON-CERTIFIED PERSONNEL**

1 **SECTION 88.1.** The Director of the Budget shall transfer from the Reserve
2 for Compensation Increases created in this act for fiscal year 2003-2004, commencing
3 July 1, 2003, funds necessary to provide a salary increase of one and six-tenths percent
4 (1.6%) including funds for the employer's retirement and social security contribution,
5 commencing July 1, 2003, for all non-certified public school employees whose salaries
6 are supported from the State's General Fund.

7 **SECTION 88.2.** Local boards of education shall increase the rates of pay for
8 all such employees who were employed for all or part of fiscal year 2002-2003 and who
9 continue their employment for fiscal year 2003-2004 by at least one and six-tenths
10 percent (1.6 %), commencing July 1, 2003. For part-time employees, the pay increase
11 shall be pro rata based on the number of hours worked.

12 **SECTION 88.3.** These funds shall not be used for any purpose other than for
13 the salary increases and necessary employer contributions provided by this section.

14 **SECTION 88.4.** The State Board of Education may adopt salary ranges for
15 non-certified personnel to support increases of one and six-tenths percent (1.6%) for the
16 2003-2004 school year.

17
18 **RESERVE FOR EXPERIENCE STEP INCREASE FOR TEACHERS AND**
19
20 **PRINCIPALS IN PUBLIC SCHOOLS**

21 **SECTION 89.1.** Funds in the Reserve for Experience Step Increase for
22 Teachers and Principals in Public Schools shall be used for experience step increases for
23 employees of schools operated by a local board of education, the Department of Health
24 and Human Services, the Department of Correction, or the Department of Juvenile
25 Justice and Delinquency Prevention, who are paid on the teacher salary schedule or the
26 principal and assistant principal salary schedule.

27 **SECTION 89.2.** Effective July 1, 2003, any permanent certified personnel
28 employed on July 1, 2003, and paid on the teacher salary schedule with 29+ years of
29 experience shall receive a one-time bonus equivalent to the average increase of the 26 to
30 29 year steps. Effective July 1, 2003, any permanent personnel employed on July 1,
31 2003, and paid at the top of the principal and assistant principal salary schedule shall
32 receive a one-time bonus equivalent to two percent (2%). For permanent part-time
33 personnel, the one-time bonus shall be adjusted pro rata. Personnel defined under G.S.
34 115C-325(a)(5a) are not eligible to receive the bonus.

35 **SECTION 89.3.** The Director of the Budget shall transfer to the Board of
36 Governors of The University of North Carolina sufficient funds from the Reserve for
37 Experience Step Increase for Teachers and Principals in Public Schools to provide an
38 annual average salary increase of one and eighty-one hundredths percent (1.81%),
39 including funds for the employer's retirement and social security contributions,
40 commencing July 1, 2003, for all teaching employees of the North Carolina School of
41 Science and Mathematics, supported by State funds and whose salaries are Exempt from
42 the State Personnel Act (EPA). These funds shall be allocated to individuals according
43 to the rules adopted by the Board of Trustees of the North Carolina School of Science

1 and Mathematics and may not be used for any purpose other than for salary increases
2 and necessary employer contributions provided by this section.

3
4 **SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES**

5 **SECTION 90.1.** Funds for Supplemental Funding. – The Governor finds
6 that it is appropriate to provide supplemental funds in low-wealth counties to allow
7 those counties to enhance the instructional program and student achievement.
8 Therefore, funds are appropriated to State Aid to Local School Administrative Units for
9 the 2003-2004 fiscal year and the 2004-2005 fiscal year to be used for supplemental
10 funds for the schools.

11 **SECTION 90.2.** Use of Funds for Supplemental Funding. – All funds
12 received pursuant to this section shall be used only: (i) to provide instructional
13 positions, instructional support positions, teacher assistant positions, clerical positions,
14 school computer technicians, instructional supplies and equipment, staff development,
15 and textbooks; (ii) for salary supplements for instructional personnel and instructional
16 support personnel; and (iii) to pay an amount not to exceed ten thousand dollars
17 (\$10,000) of the plant operation contract cost charged by the Department of Public
18 Instruction for services.

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

31 **SECTION 90.3.** Definitions. – As used in this section:

- 32 (1) "Anticipated county property tax revenue availability" means the
33 county-adjusted property tax base multiplied by the effective State
34 average tax rate.
- 35 (2) "Anticipated total county revenue availability" means the sum of the:
36 a. Anticipated county property tax revenue availability,
37 b. Local sales and use taxes received by the county that are levied
38 under Chapter 1096 of the 1967 Session Laws or under
39 Subchapter VIII of Chapter 105 of the General Statutes,
40 c. Food stamp exemption reimbursement received by the county
41 under G.S. 105-164.44C,
42 d. Homestead exemption reimbursement received by the county
43 under G.S. 105-277.1A,

- 1 e. Inventory tax reimbursement received by the county under G.S.
2 105-275.1 and G.S. 105-277.001,
- 3 f. Intangibles tax distribution and reimbursement received by the
4 county under G.S. 105-275.2, and
- 5 g. Fines and forfeitures deposited in the county school fund for the
6 most recent year for which data are available.
- 7 (3) "Anticipated total county revenue availability per student" means the
8 anticipated total county revenue availability for the county divided by
9 the average daily membership of the county.
- 10 (4) "Anticipated State average revenue availability per student" means the
11 sum of all anticipated total county revenue availability divided by the
12 average daily membership for the State.
- 13 (5) "Average daily membership" means average daily membership as
14 defined in the North Carolina Public Schools Allotment Policy
15 Manual, adopted by the State Board of Education. If a county contains
16 only part of a local school administrative unit, the average daily
17 membership of that county includes all students who reside within the
18 county and attend that local school administrative unit.
- 19 (6) "County-adjusted property tax base" shall be computed as follows:
20 a. Subtract the present-use value of agricultural land, horticultural
21 land, and forestland in the county, as defined in G.S. 105-277.2,
22 from the total assessed real property valuation of the county,
- 23 b. Adjust the resulting amount by multiplying by a weighted
24 average of the three most recent annual sales assessment ratio
25 studies,
- 26 c. Add to the resulting amount the:
27 1. Present-use value of agricultural land, horticultural land,
28 and forestland, as defined in G.S. 105-277.2,
29 2. Value of property of public service companies,
30 determined in accordance with Article 23 of Chapter 105
31 of the General Statutes, and
32 3. Personal property value for the county.
- 33 (7) "County-adjusted property tax base per square mile" means the
34 county-adjusted property tax base divided by the number of square
35 miles of land area in the county.
- 36 (8) "County wealth as a percentage of State average wealth" shall be
37 computed as follows:
38 a. Compute the percentage that the county per capita income is of
39 the State per capita income and weight the resulting percentage
40 by a factor of five-tenths,
41 b. Compute the percentage that the anticipated total county
42 revenue availability per student is of the anticipated State
43 average revenue availability per student and weight the
44 resulting percentage by a factor of four-tenths,

- 1 c. Compute the percentage that the county-adjusted property tax
2 base per square mile is of the State-adjusted property tax base
3 per square mile and weight the resulting percentage by a factor
4 of one-tenth,
- 5 d. Add the three weighted percentages to derive the county wealth
6 as a percentage of the State average wealth.
- 7 (9) "Effective county tax rate" means the actual county tax rate multiplied
8 by a weighted average of the three most recent annual sales assessment
9 ratio studies.
- 10 (10) "Effective State average tax rate" means the average of effective
11 county tax rates for all counties.
- 12 (10a) "Local current expense funds" means the most recent county current
13 expense appropriations to public schools, as reported by local boards
14 of education in the audit report filed with the Secretary of the Local
15 Government Commission pursuant to G.S. 115C-447.
- 16 (11) "Per capita income" means the average for the most recent three years
17 for which data are available of the per capita income according to the
18 most recent report of the United States Department of Commerce,
19 Bureau of Economic Analysis, including any reported modifications
20 for prior years as outlined in the most recent report.
- 21 (12) "Sales assessment ratio studies" means sales assessment ratio studies
22 performed by the Department of Revenue under G.S. 105-289(h).
- 23 (13) "State average current expense appropriations per student" means the
24 most recent State total of county current expense appropriations to
25 public schools, as reported by local boards of education in the audit
26 report filed with the Secretary of the Local Government Commission
27 pursuant to G.S. 115C-447.
- 28 (14) "State average adjusted property tax base per square mile" means the
29 sum of the county-adjusted property tax bases for all counties divided
30 by the number of square miles of land area in the State.
- 31 (14a) "Supplant" means to decrease local per student current expense
32 appropriations from one fiscal year to the next fiscal year.
- 33 (15) "Weighted average of the three most recent annual sales assessment
34 ratio studies" means the weighted average of the three most recent
35 annual sales assessment ratio studies in the most recent years for which
36 county current expense appropriations and adjusted property tax
37 valuations are available. If real property in a county has been revalued
38 one year prior to the most recent sales assessment ratio study, a
39 weighted average of the two most recent sales assessment ratios shall
40 be used. If property has been revalued the year of the most recent sales
41 assessment ratio study, the sales assessment ratio for the year of
42 revaluation shall be used.

43 **SECTION 90.4.** Eligibility for Funds. – Except as provided in Section 89.8,
44 the State Board of Education shall allocate these funds to local school administrative

1 units located in whole or in part in counties in which the county wealth as a percentage
2 of the State average wealth is less than one hundred percent (100%).

3 **SECTION 90.5.** Allocation of Funds. – Except as provided in Section 89.7,
4 the amount received per average daily membership for a county shall be the difference
5 between the State average current expense appropriations per student and the current
6 expense appropriations per student that the county could provide given the county's
7 wealth and an average effort to fund public schools. (To derive the current expense
8 appropriations per student that the county could be able to provide given the county's
9 wealth and an average effort to fund public schools, multiply the county wealth as a
10 percentage of State average wealth by the State average current expense appropriations
11 per student.)

12 The funds for the local school administrative units located in whole or in part
13 in the county shall be allocated to each local school administrative unit, located in
14 whole or in part in the county, based on the average daily membership of the county's
15 students in the school units.

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

19 **SECTION 90.6.** Formula for Distribution of Supplemental Funding
20 Pursuant to This Section Only. – The formula in this section is solely a basis for
21 distribution of supplemental funding for low-wealth counties and is not intended to
22 reflect any measure of the adequacy of the educational program or funding for public
23 schools. The formula is also not intended to reflect any commitment by the General
24 Assembly to appropriate any additional supplemental funds for low-wealth counties.

25 **SECTION 90.7.** Minimum Effort Required. - Counties that had effective tax
26 rates in the 1996-1997 fiscal year that were above the State average effective tax rate
27 but that had effective rates below the State average in the 1997-1998 fiscal year or
28 thereafter shall receive reduced funding under this section. This reduction in funding
29 shall be determined by subtracting the amount that the county would have received
30 pursuant to Section 17.1(g) of Chapter 507 of the 1995 Session Laws from the amount
31 that the county would have received if qualified for full funding and multiplying the
32 difference by ten percent (10%). This method of calculating reduced funding shall
33 apply one time only.

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

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

43 **SECTION 90.8.** Nonsupplant Requirement. – A county in which a local
44 school administrative unit receives funds under this section shall use the funds to

1 supplement local current expense funds and shall not supplant local current expense
2 funds. For the 2003-2005 fiscal biennium, the State Board of Education shall not
3 allocate funds under this section to a county found to have used these funds to supplant
4 local per student current expense funds. The State Board of Education shall make a
5 finding that a county has used these funds to supplant local current expense funds in the
6 prior year, or the year for which the most recent data are available, if:

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

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

16 **SECTION 90.9.** Reports. - The State Board of Education shall report to the
17 Joint Legislative Education Oversight Committee prior to May 1, 2004, if it determines
18 that counties have supplanted funds.

19 **SECTION 90.10.** Department of Revenue Reports. - The Department of
20 Revenue shall provide to the Department of Public Instruction a preliminary report for
21 the current fiscal year of the assessed value of the property tax base for each county
22 prior to March 1 of each year and a final report prior to May 1 of each year. The reports
23 shall include for each county the annual sales assessment ratio and the taxable values of
24 (i) total real property, (ii) the portion of total real property represented by the
25 present-use value of agricultural land, horticultural land, and forestland as defined in
26 G.S. 105-277.2, (iii) property of public service companies determined in accordance
27 with Article 23 of Chapter 105 of the General Statutes, and (iv) personal property.

28 **SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

29 **SECTION 91.1.** Funds for Small School Systems. - Except as provided in
30 Section 90.2, the State Board of Education shall allocate funds appropriated for small
31 school system supplemental funding (i) to each county school administrative unit with
32 an average daily membership of fewer than 3,175 students and (ii) to each county
33 school administrative unit with an average daily membership of from 3,175 to 4,000
34 students if the county in which the local school administrative unit is located has a
35 county-adjusted property tax base per student that is below the State-adjusted property
36 tax base per student and if the total average daily membership of all local school
37 administrative units located within the county is from 3,175 to 4,000 students. The
38 allocation formula shall:

- 39 (1) Round all fractions of positions to the next whole position.
- 40 (2) Provide five and one-half additional regular classroom teachers in
41 counties in which the average daily membership per square mile is
42 greater than four, and seven additional regular classroom teachers in
43

1 counties in which the average daily membership per square mile is
2 four or fewer.

3 (3) Provide additional program enhancement teachers adequate to offer
4 the standard course of study.

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

7 (5) Provide a base for the consolidated funds allotment of at least five
8 hundred seventy-seven thousand one hundred eleven dollars
9 (\$577,111), excluding textbooks.

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

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

19 **SECTION 91.2.** Nonsupplant Requirement. - A county in which a local
20 school administrative unit receives funds under this section shall use the funds to
21 supplement local current expense funds and shall not supplant local current expense
22 funds. For the 2003-2005 fiscal biennium, the State Board of Education shall not
23 allocate funds under this section to a county found to have used these funds to supplant
24 local per student current expense funds. The State Board of Education shall make a
25 finding that a county has used these funds to supplant local current expense funds in the
26 prior year, or the year for which the most recent data are available, if:

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

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

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

36 **SECTION 91.3.** Phase-Out Provisions. - If a local school administrative unit
37 becomes ineligible for funding under this formula solely because of an increase in the
38 county-adjusted property tax base per student of the county in which the local school
39 administrative unit is located, funding for that unit shall be phased out over a two-year
40 period. For the first year of ineligibility, the unit shall receive the same amount it
41 received for the prior fiscal year. For the second year of ineligibility, it shall receive
42 one-half of that amount.

43 If a local school administrative unit becomes ineligible for funding under this
44 formula solely because of an increase in the population of the county in which the local

1 school administrative unit is located, funding for that unit shall be continued for five
2 years after the unit becomes ineligible.

3 **SECTION 91.4.** Definitions. - As used in this section:

- 4 (1) "Average daily membership" means within two percent (2%) of the
5 average daily membership as defined in the North Carolina Public
6 Schools Allotment Policy Manual, adopted by the State Board of
7 Education.
- 8 (2) "County-adjusted property tax base per student" means the total
9 assessed property valuation for each county, adjusted using a weighted
10 average of the three most recent annual sales assessment ratio studies,
11 divided by the total number of students in average daily membership
12 who reside within the county.
- 13 (2a) "Local current expense funds" means the most recent county current
14 expense appropriations to public schools, as reported by local boards
15 of education in the audit report filed with the Secretary of the Local
16 Government Commission pursuant to G.S. 115C-447.
- 17 (3) "Sales assessment ratio studies" means sales assessment ratio studies
18 performed by the Department of Revenue under G.S. 105-289(h).
- 19 (4) "State-adjusted property tax base per student" means the sum of all
20 county adjusted property tax bases divided by the total number of
21 students in average daily membership who reside within the State.
- 22 (4a) "Supplant" means to decrease local per student current expense
23 appropriations from one fiscal year to the next fiscal year.
- 24 (5) "Weighted average of the three most recent annual sales assessment
25 ratio studies" means the weighted average of the three most recent
26 annual sales assessment ratio studies in the most recent years for which
27 county current expense appropriations and adjusted property tax
28 valuations are available. If real property in a county has been revalued
29 one year prior to the most recent sales assessment ratio study, a
30 weighted average of the two most recent sales assessment ratios shall
31 be used. If property has been revalued during the year of the most
32 recent sales assessment ratio study, the sales assessment ratio for the
33 year of revaluation shall be used.

34 **SECTION 91.5.** Reports. - The State Board of Education shall report to the
35 Joint Legislative Education Oversight Committee prior to May 1, 2004, if it determines
36 that counties have supplanted funds.

37 **SECTION 91.6.** Use of Funds. - Local boards of education are encouraged
38 to use at least twenty percent (20%) of the funds they receive pursuant to this section to
39 improve the academic performance of children who are performing at Level I or II on
40 either reading or mathematics end-of-grade tests in grades 3-8 and children who are
41 performing at Level I or II on the writing tests in grades 4 and 7. Local boards of
42 education shall report to the State Board of Education on an annual basis on funds used
43 for this purpose and the State Board shall report this information to the Joint Legislative
44 Education Oversight Committee. These reports shall specify how these funds were

1 targeted and used to implement specific improvement strategies of each local school
2 administrative unit and its schools such as teacher recruitment, closing the achievement
3 gap, improving student accountability, addressing the needs of at-risk students, and
4 establishing and maintaining safe schools.

5 6 **APPROPRIATIONS FOR CONTINUALLY LOW-PERFORMING SCHOOLS**

7 **SECTION 92.** Of funds appropriated from the General Fund to State Aid to
8 Local School Administrative Units, the sum of one million nine hundred fifty-six
9 thousand one hundred fifteen dollars (\$1,956,115) for the 2003-2004 and 2004-2005
10 fiscal years shall be used to provide the State's chronically low-performing schools with
11 tools needed to dramatically improve student achievement. These funds shall be used to
12 implement any of the following strategies at the schools that have not previously been
13 implemented with State or other funds:

- 14 (1) The sum of one million six hundred fifty-seven thousand three
15 hundred forty-five dollars (\$1,657,345) for the 2003-2004 and
16 2004-2005 fiscal years shall be used to reduce class size at a
17 continually low-performing school to ensure that the number of
18 teachers allotted for students in grades four and five is one for every 17
19 students, and that the number of teachers allotted in grades six through
20 eight is one for every 17 students, and that the number of teachers
21 allotted in grades nine through twelve is one for every 20 students; and
22 (2) The sum of two hundred ninety-eight thousand seven hundred seventy
23 dollars (\$298,770) for the 2003-2004 and 2004-2005 fiscal years shall
24 be used to extend teachers' contracts for a total of 10 days, including
25 five days of additional instruction with related costs for other than
26 teachers' salaries for the 2003-2004 and 2004-2005 school years.

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

30 31 **IMMEDIATE ASSISTANCE TO THE HIGHEST PRIORITY ELEMENTARY** 32 **SCHOOLS**

33 **SECTION 93.** Of funds appropriated from the General Fund to State Aid to
34 Local School Administrative Units, the sum of ten million one hundred thirty-four
35 thousand six hundred and seven dollars (\$10,134,607) for the 2003-2004 and 2004-2005
36 fiscal years shall be budgeted to provide the State's lowest performing elementary
37 schools with the tools needed to dramatically improve student achievement. These
38 funds shall be used for the 37 elementary schools at which, for the 1999-2000 school
39 year over eighty percent (80%) of the students qualified for free or reduced-price
40 lunches and no more than fifty-five percent (55%) of the students performed at or above
41 grade level. Of these funds:

- 42 (1) The sum of six million ninety-three thousand one hundred eighty-one
43 dollars (\$6,093,181) for the 2003-2004 and 2004-2005 fiscal years

- 1 shall be used to reduce class size at each of these schools to ensure that
2 no class kindergarten through third grade has more than 15 students;
- 3 (2) The sum of two million two hundred sixty-six thousand twenty-six
4 dollars (\$2,266,026) for the 2003-2004 and 2004-2005 fiscal years
5 shall be used to extend all teachers' contracts at these schools for a
6 total of 10 days, with five days for staff development, including staff
7 development on methods to individualize instruction in smaller
8 classes, and preparation for the 2003-2004 and 2004-2005 school years
9 and five additional days of instruction with related costs for other than
10 teachers' salaries; and
- 11 (3) The sum of one million seven hundred seventy-five thousand four
12 hundred dollars (\$1,775,400) for the 2003-2004 and 2004-2005 fiscal
13 years shall be used to provide one additional instructional support
14 position at each priority school.

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

21
22 **EVALUATION OF INITIATIVES TO ASSIST HIGH-PRIORITY SCHOOLS**

23 **SECTION 94.1.** In order for the high-priority schools identified in Section
24 92 of this act to remain eligible for the additional resources provided in this section, the
25 schools must meet the expected growth for each year and must achieve high growth for
26 at least two out of three years based on the State Board of Education's annual
27 performance standards set for each school. No adjustment in the allotment of resources
28 based on performance shall be made until the 2004-2005 school year.

29 **SECTION 94.2.** All teaching positions allotted for students in high-priority
30 schools and continually low-performing schools in those grades targeted for smaller
31 class sizes shall be assigned to and teach in those grades and in those schools. The
32 maximum class size in grades K-3 in high-priority schools and in grades K-5 in
33 continually low-performing schools shall be no more than one student above the
34 allotment ratio in that grade. The Department of Public Instruction shall monitor class
35 sizes at these schools at the end of the first month of school and report to the SBE on the
36 actual class sizes at these schools. If the local school administrative unit notifies the
37 State Board of Education that they do not have sufficient resources to adhere to the class
38 size maximum requirements, the State Board shall verify the accuracy of the request. If
39 the additional resources are determined necessary, the SBE may allocate additional
40 teaching positions to the unit from the Reserve for Average Daily Membership
41 adjustments.

42 **SECTION 94.3.** Of funds appropriated from the General Fund to State Aid
43 to Local School Administrative Units, the sum of five hundred thousand dollars
44 (\$500,000) for fiscal year 2003-2004 and the sum of five hundred thousand dollars

1 (\$500,000) for fiscal year 2004-2005 shall be used by the State Board of Education to
2 contract with an outside organization to evaluate the initiatives set forth in this act. The
3 evaluation shall include:

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

22 The State Board of Education (SBE) shall make a report to the Joint
23 Legislative Education Oversight Committee regarding the results of this evaluation by
24 December 1 of each year. The SBE shall submit its recommendations for changes to
25 these initiatives to the Committee at any time.

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

27 **SECTION 95.** The State Board of Education may use up to two hundred
28 thousand dollars (\$200,000) of the funds in the Alternative Schools/At-Risk Student
29 allotment each year for the 2003-2004 fiscal year and for the 2004-2005 fiscal year to
30 implement G.S. 115C-12(4).
31

32 **ADDITIONAL TEACHER POSITIONS FOR SECOND GRADE**

33 **SECTION 96.1.** The maximum class size limits for second grade established
34 by the State Board of Education for the 2003-2004 school year shall be reduced by two
35 from the 2002-2003 limits, based on an allotment ratio of one teacher for every 18
36 students.
37

38 **SECTION 96.2.** For the 2003-2004 school year, local school administrative
39 units shall use these additional teacher positions to reduce class size in second grade.
40

41 **CHILDREN WITH DISABILITIES**

42 **SECTION 97.** The State Board of Education shall allocate funds for
43 children with disabilities on the basis of two thousand six hundred seventy dollars and
44 twenty-eight cents (\$2,670.28) per child for a maximum of 165,266 children for the

1 2003-2004 school year. Each local school administrative unit shall receive funds for the
2 lesser of (i) all children who are identified as children with disabilities or (ii) twelve and
3 five-tenths percent (12.5%) of the 2003-2004 allocated average daily membership in the
4 local school administrative unit.

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

9 10 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

11 **SECTION 98.** The State Board of Education shall allocate funds for
12 academically or intellectually gifted children on the basis of eight hundred eighty-four
13 dollars and fifty-five cents (\$884.55) per child. A local school administrative unit shall
14 receive funds for a maximum of four percent (4%) of its 2003-2004 allocated average
15 daily membership, regardless of the number of children identified as academically or
16 intellectually gifted in the unit. The State Board shall allocate funds for no more than
17 53,712 children for the 2003-2004 school year.

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

22 23 **STUDENTS WITH LIMITED ENGLISH PROFICIENCY**

24 **SECTION 99.1.** The State Board of Education shall develop guidelines for
25 identifying and providing services to students with limited proficiency in the English
26 language.

27 The State Board shall allocate these funds to local school administrative units
28 and to charter schools under a formula that takes into account the average percentage of
29 students in the units or the charters over the past three years who have limited English
30 proficiency. The State Board shall allocate funds to a unit or a charter school only if (i)
31 average daily membership of the unit or the charter school includes at least 20 students
32 with limited English proficiency or (ii) students with limited English proficiency
33 comprise at least two and one-half percent (2.5%) of the average daily membership of
34 the unit or charter school. For the portion of the funds that is allocated on the basis of
35 the number of identified students, the maximum number of identified students for whom
36 a unit or charter school receives funds shall not exceed ten and six-tenths percent
37 (10.6%) of its average daily membership.

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

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

1 **SECTION 99.2.** The Department of Public Instruction shall prepare a
2 current head count of the number of students classified with limited English proficiency
3 by December 1 of each year.

4 Students in the head count shall be assessed at least once every three years to
5 determine their level of English proficiency. A student who scores "superior" on the
6 standard English language proficiency assessment instrument used in this State shall not
7 be included in the head count of students with limited English proficiency.

8 9 **FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION**

10 **SECTION 100.1.** The State Board of Education shall use funds appropriated
11 for State Aid to Local School Administrative Units for the 2003-2004 fiscal year to
12 provide incentive funding for schools that met or exceeded the projected levels of
13 improvement in student performance during the 2002-2003 school year, in accordance
14 with the ABCs of Public Education Program and the Federal No Child Left Behind
15 (NCLB) program. In accordance with State Board of Education policy:

- 16 (1) Incentive awards in schools that achieve higher than expected
17 improvements and achieve Adequate Yearly Progress in NCLB may
18 be up to:
- 19 a. One thousand eight hundred dollars (\$1,800) for each teacher
20 and for certified personnel; and
 - 21 b. Six hundred dollars (\$600.00) for each teacher assistant.
- 22 (2) Incentive awards in schools that achieve higher than expected
23 improvements may be up to:
- 24 a. One thousand two hundred dollars (\$1,200) for each teacher
25 and for certified personnel; and
 - 26 b. Four hundred dollars (\$400.00) for each teacher assistant.
- 27 (3) Incentive awards in schools that meet the expected improvements may
28 be up to:
- 29 a. Six hundred dollars (\$600.00) for each teacher and for certified
30 personnel; and
 - 31 b. Two hundred dollars (\$200.00) for each teacher assistant.

32 **SECTION 100.2.** The State Board of Education may use funds appropriated
33 to State Aid to Local School Administrative Units for assistance teams to
34 low-performing schools.

35 36 **LEA ASSISTANCE PROGRAM**

37 **SECTION 101.** Of funds appropriated from the General Fund to State Aid to
38 Local School Administrative Units, the sum of five hundred thousand dollars
39 (\$500,000) for fiscal year 2003-2004 shall be used to provide assistance to the State's
40 low-performing Local School Administrative Units (LEAs). The State Board of
41 Education shall report to the Office of State Budget and Management, the Fiscal
42 Research Division, and the Joint Legislative Education Oversight Committee on the
43 expenditure of these funds by May 15, 2004. The report shall contain: 1) the criteria for
44 selecting LEAs to receive assistance, 2) measurable goals and objectives for the

1 assistance program, 3) an explanation of the assistance provided, 4) findings from the
2 assistance program, 5) actual expenditures by category, 6) recommendations for the
3 continuance of this program, and 7) any other information the State Board deems
4 necessary.

6 EXPENDITURE OF FUNDS TO IMPROVE STUDENT ACCOUNTABILITY

7 SECTION 102.1. Funds appropriated for the 2003-2004 and 2004-2005
8 fiscal years for Student Accountability Standards shall be used to assist students to
9 perform at or above grade level in reading and mathematics in grades 3-8 as measured
10 by the State's end-of-grade tests. The SBE shall allocate these funds to LEAs based on
11 the number of students who score at Level I or Level II on either reading or
12 mathematics end-of-grade tests in grades 3-8. Funds in the allocation category shall be
13 used to improve the academic performance of (i) students who are performing at Level I
14 or II on either reading or mathematics end-of-grade tests in grades 3-8 or (ii) students
15 who are performing at Level I or II on the writing tests in grades 4 and 7. These funds
16 may also be used to improve the academic performance of students who are performing
17 at Level I or II on the high school end-of-course tests. These funds shall not be
18 transferred to other allocation categories or otherwise used for other purposes. Except
19 as otherwise provided by law, local boards of education may transfer other funds
20 available to them into this allocation category.

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

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

28 These funds shall be allocated to local school administrative units for the
29 2003-2004 fiscal year within 30 days of the date this act becomes law.

30 SECTION 102.2. Funds appropriated for Student Accountability Standards
31 shall not revert at the end of each fiscal year but shall remain available for expenditure
32 until August 31 of the subsequent fiscal year.

34 FUNDS FOR TEACHER RECRUITMENT INITIATIVES

35 SECTION 103. The State Board of Education may use up to two hundred
36 thousand dollars (\$200,000) of the funds appropriated for State Aid to Local School
37 Administrative Units each year for the 2003-2004 fiscal year and for the 2004-2005
38 fiscal year to enable teachers who have received NBPTS certification or who have
39 otherwise received special recognition to advise the State Board of Education on teacher
40 recruitment and other strategic priorities of the State Board.

42 RECRUITMENT AND RETENTION INCENTIVE TO ADDRESS TEACHER 43 SHORTAGE

1 **SECTION 104.1.** Of the funds appropriated from the General Fund to State
2 Aid to Local School Administrative Units, the sum of two million eight hundred ninety
3 thousand dollars (\$2,890,000) for the 2003-2004 and 2004-2005 fiscal years shall be
4 used to provide annual bonuses of one thousand eight hundred dollars (\$1,800) to
5 teachers certified in and teaching in the fields of mathematics, science, or special
6 education in grades 6 through 12 at middle and high schools with eighty percent (80%)
7 or more of the students eligible for free or reduced lunch or with fifty percent (50%) or
8 more of students performing below grade level in Algebra I and Biology. The bonus
9 shall be paid monthly with matching benefits. Teachers shall remain eligible for the
10 bonuses so long as they continue to teach in one of these disciplines at a school that was
11 eligible for the bonus program when the teacher first received this bonus.

12 **SECTION 104.2.** In accordance with G.S. 115C-325 and by way of
13 clarification, it shall not constitute a demotion as that term is defined in G.S.
14 115C-325(a)(4), if:

- 15 (1) A teacher who receives a bonus pursuant to this section is reassigned
16 to a school at which there is no such bonus;
- 17 (2) A teacher who receives a bonus pursuant to this section is reassigned
18 to teach in a field for which there is no such bonus; or
- 19 (3) A teacher receives a bonus pursuant to this section and the bonus is
20 subsequently discontinued or reduced.

21 22 **FUNDS FOR THE TESTING AND IMPLEMENTATION OF THE NEW** 23 **STUDENT INFORMATION SYSTEM**

24 **SECTION 105.1.** The State Board of Education may transfer up to one
25 million dollars (\$1,000,000) in funds appropriated for the Uniform Education Reporting
26 System for the 2003-2004 fiscal year and up to one million dollars (\$1,000,000) in
27 funds appropriated for the Uniform Education Reporting System for the 2004-2005
28 fiscal year to the Department of Public Instruction to lease or purchase equipment
29 necessary for the testing and implementation of NC WISE, the new student information
30 system in the public schools.

31 **SECTION 105.2.** Funds appropriated for the Uniform Education Reporting
32 System shall not revert at the end of the 2003-2004 and 2004-2005 fiscal years, but shall
33 remain available until expended.

34 **SECTION 105.3.** This section becomes effective June 30, 2003.
35

36 **LITIGATION RESERVE FUNDS**

37 **SECTION 106.** The State Board of Education may expend up to five
38 hundred thousand dollars (\$500,000) each year for the 2003-2004 and 2004-2005 fiscal
39 years from unexpended funds for certified employees' salaries to pay expenses related to
40 pending litigation.
41

42 **LOCAL EDUCATION AGENCY FLEXIBILITY**

43 **SECTION 107.** Within 14 days of the date this act becomes law, the State
44 Board of Education shall notify each local school administrative unit of the amount the

1 unit must reduce from State General Fund appropriations. The State Board shall
2 determine the amount of the reduction for each unit on the basis of average daily
3 membership.

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

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

21
22 **BASE BUDGET REDUCTION TO DEPARTMENT OF PUBLIC**
23 **INSTRUCTION**

24 **SECTION 108.** Notwithstanding any other provision of law, the Department
25 of Public Instruction may use salary reserve funds and other funds, and may transfer
26 funds within the Department's continuation budget to implement budget reductions for
27 the 2003-2004 fiscal year.

28
29 **REPLACEMENT SCHOOL BUSES FUNDS**

30 **SECTION 109.1.** Of the funds appropriated to the State Board of Education,
31 the Board may use up to twenty-six million two hundred ninety-eight thousand nine
32 hundred thirty-five dollars (\$26,298,935) for the 2003-2004 fiscal year and up to
33 forty-seven million seven hundred fifty-two thousand eight hundred thirteen dollars
34 (\$47,752,813) for the 2004-2005 fiscal year for allotments to local boards of education
35 for replacement school buses under G.S. 115C-249(c) and (d). In making these
36 allotments, the State Board of Education may impose any of the following conditions:

- 37 (1) The local board of education must use the funds only to make the first
38 or second year's payment on a financing contract entered into pursuant
39 to G.S. 115C-528.
- 40 (2) The term of a financing contract entered into under this section shall
41 not exceed three years.
- 42 (3) The local board of education must purchase the buses only from
43 vendors selected by the State Board of Education and on terms
44 approved by the State Board of Education.

1 (4) The State Board of Education shall solicit bids for the direct purchase
2 of buses and for the purchasing of buses through financing. The State
3 Board of Education may solicit separate bids for financing if the Board
4 determines that multiple financing options are more cost-efficient.

5 (5) A bus financed pursuant to this section must meet all federal motor
6 vehicle safety regulations for school buses.

7 (6) Any other condition the State Board of Education considers
8 appropriate.

9 **SECTION 109.2.** Any term contract for the purchase or lease-purchase of
10 school buses or school activity buses shall not require vendor payment of the electronic
11 procurement transaction fee of the North Carolina E-Procurement Service.
12

13 **EXPENDITURES FOR DRIVING EDUCATION CERTIFICATES**

14 **SECTION 110.** The State Board of Education may use funds appropriated
15 for drivers education for the 2003-2004 fiscal year and for the 2004-2005 fiscal year for
16 driving eligibility certificates.
17

18 **CORPORATE TAX TRANSFER MORATORIUM**

19 **SECTION 111.1.** Notwithstanding the provisions of G.S. 115C-489.1(b),
20 the Secretary of Revenue shall not deposit any funds in the Critical School Facility
21 Needs Fund during the 2003-2005 fiscal years but shall deposit in the State Public
22 School Fund the funds that would have otherwise been deposited in the Critical School
23 Facility Needs Fund pursuant to G.S. 115C-489.1(b). The Department of Public
24 Instruction shall transfer three million three hundred seventy thousand eight hundred
25 and eighteen dollars (\$3,370,318) to the Critical School Facility Needs Fund, Budget
26 Code 29112, to fund the last LEA on the priority list established under G.S.
27 115C-489.2.

28 **SECTION 111.2.** Notwithstanding the provisions of G.S. 115C-546.1(b),
29 the Secretary of Revenue shall not remit any funds for credit to the Public School
30 Building Capital Fund during the 2003-2004 and 2004-2005 fiscal years but shall
31 deposit in the State Public School Fund the funds that would have otherwise been
32 deposited in the Public School Building Capital Fund pursuant to G.S. 115C-546.1(b).
33 The six staff members in the Department of Public Instruction may continue to be
34 supported by these funds.
35

36 **PUBLIC SCHOOL BUILDING CAPITAL FUND**

37 **SECTION 112.1.** The Public School Building Capital Fund is transferred
38 from the Office of State Budget and Management to the Department of Public
39 Instruction, as if by a Type I transfer as defined in G.S. 143A-6, with all the elements of
40 such a transfer.

41 **SECTION 112.2.** G.S. 115C-546.1(c) reads as rewritten:

42 "(c) The Fund shall be administered by the ~~Office of State Budget and~~
43 ~~Management~~ Department of Public Instruction."
44

1 DISCREPANCIES BETWEEN ANTICIPATED AND ACTUAL ADM

2 **SECTION 113.1.** If the State Board of Education does not have sufficient
3 resources in the ADM Contingency Reserve line item to make allotment adjustments in
4 accordance with the Allotment Adjustments for ADM Growth provisions of the North
5 Carolina Public Schools Allotment Policy Manual, the State Board of Education may
6 use funds appropriated to State Aid for Public Schools for this purpose.

7 **SECTION 113.2.** If the higher of the first or second month average daily
8 membership in a local school administrative unit is at least two percent (2%) or 100
9 students lower than the anticipated average daily membership used for allotments for
10 the unit, the State Board of Education shall reduce allotments for the unit. The reduced
11 allotments shall be based on the higher of the first or second month average daily
12 membership plus one-half of the number of students overestimated in the anticipated
13 average daily membership.

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

17
18 CHARTER SCHOOL ADVISORY COMMITTEE/CHARTER SCHOOL
19 EVALUATION

20 **SECTION 114.** The State Board of Education may spend up to fifty
21 thousand dollars (\$50,000) a year from the State Aid to Local School Administrative
22 Units for the 2003-2004 and 2004-2005 fiscal years to continue support of a charter
23 school advisory committee and to continue to evaluate charter schools.

24
25 PART XVIII. COMMUNITY COLLEGES**26**
27 COMMUNITY COLLEGE FUNDING FLEXIBILITY

28 **SECTION 115.** A local community college may use all State funds allocated
29 to it, except for Literacy Funds and Funds for New and Expanding Industries, for any
30 authorized purpose that is consistent with the college's Institutional Effectiveness Plan.
31 Each local community college shall include in its Institutional Effectiveness Plan a
32 section on how funding flexibility allows the college to meet the demands of the local
33 community and to maintain a presence in all previously funded categorical programs.

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

39
40 PERMIT TRANSFERS OF FUNDS TO NEW AND EXPANDING INDUSTRY
41 TRAINING PROGRAM

42 **SECTION 116.** Notwithstanding G.S. 143-16.3, G.S. 143-23, or any other
43 provision of law, the Director of the Budget may, after consultation with the Joint
44 Legislative Commission on Governmental Operations, transfer funds from any agency

1 or program funded from the General Fund to the New and Expanding Industry Training
2 program to supplement the needs of this program during the 2003-2005 biennium. If
3 the Joint Legislative Commission on Governmental Operations does not meet within 45
4 days of the receipt of a request, the Director of the Budget may approve such transfers
5 and inform the Joint Legislative Commission on Governmental Operations at its next
6 scheduled meeting.

7
8 **BOTANICAL LABORATORY AT FAYETTEVILLE TECHNICAL**
9 **COMMUNITY COLLEGE**

10 **SECTION 117.** For the 2003-2004 and the 2004-2005 fiscal years, the State
11 Board of Community College shall allocate up to two hundred thousand dollars
12 (\$200,000) from excess overrealized receipts for the Botanical Laboratory at
13 Fayetteville Technical Community College.

14
15 **FLEXIBILITY TO IMPLEMENT BUDGET REDUCTIONS**

16 **SECTION 118.** Notwithstanding G.S. 143-23 or any other provision of law,
17 the State Board of Community Colleges may use salary reserve funds and other funds,
18 and may transfer funds within the Community College System Office continuation
19 budget to the extent necessary to implement budget reductions for the 2003-2004 fiscal
20 year.

21
22 **STATE BOARD OF COMMUNITY COLLEGE MANAGEMENT**
23 **FLEXIBILITY**

24 **SECTION 119.** Within 14 days of the date this act becomes law, the State
25 Board of Community Colleges shall notify each college of the amount the college must
26 reduce from State General Fund appropriations. The State Board shall determine the
27 amount of the reduction for each unit on the basis of FTE or another method that
28 accounts for the unique needs of specific colleges.

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

35 For fiscal year 2003-2004, the General Assembly urges local college
36 administrators to make every effort to reduce spending whenever and wherever such
37 budget reductions are appropriate and as long as the targeted reductions do not directly
38 impact classroom services or those services that are identified in Section 121 as a high-
39 need area for the State. If reductions to the allotment categories listed in this paragraph
40 are necessary in order to meet the reduction target, the local college administration shall
41 submit an explanation of the anticipated impact of the reductions to student services
42 along with the budget reductions to the State Board of Community Colleges.

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

4
5 **REGISTRATION FEES FOR OCCUPATIONAL CONTINUING EDUCATION**
6 **OR FOCUSED INDUSTRIAL TRAINING**

7 **SECTION 120.** Of the funds appropriated to the North Carolina Community
8 College System (NCCCS) for the 2003-2005 biennium, the State Board of Community
9 Colleges may use up to one hundred thousand dollars (\$100,000) each year to pay
10 registration fees and material costs for Occupational Continuing Education or Focused
11 Industrial Training safety courses provided to companies that (i) are eligible to
12 participate in the Focused Industrial Training Program, (ii) have less than 150
13 employees, and (iii) are found by community college representatives and regional
14 customized training directors to face challenges in paying these fees and costs. These
15 funds shall not be expended without the prior approval of the NCCCS office, Division
16 of Economic and Workforce Development.

17
18 **WORKER TRAINING TRUST FUND**

19 **SECTION 121.** Notwithstanding the provisions of G.S. 96-5(f), funds
20 appropriated for 2002-2003 from the Worker Training Trust Fund to the Community
21 College System Office for both the Focused Industrial Training Program and the
22 Training Initiatives shall not revert, but shall remain available to the System Office for
23 the support of each program in fiscal year 2003-2004.

24
25 **SUMMER SCHOOL FUNDING**

26 **SECTION 122.** The funds appropriated to the NCCCS for the summer term
27 shall be used to support summer curriculum FTE in high-needs areas for the State and
28 other strategic initiatives. High-needs areas include but are not limited to Business
29 Technology, Health Science, Child Care Training, and Public Service Technologies
30 such as law enforcement, fire protection, and education. Funding of specific initiatives
31 and high-needs areas are subject to approval by the Office of State Budget and
32 Management.

33
34 **CARRY FORWARD FOR EQUIPMENT**

35 **SECTION 123.** Subject to cash availability, the NCCCS may carry forward
36 up to fifteen million dollars (\$15,000,000) of the operating funds held in reserve that
37 were not reverted in fiscal year 2002-2003 to be reallocated to the State Board of
38 Community Colleges' Equipment Reserve Fund. These funds should be distributed to
39 colleges consistent with G.S. 115D-31.

40
41 **PART XIX. UNIVERSITIES**

42
43 **UNC FLEXIBILITY GUIDELINES**

1 **SECTION 124.1.** The Chancellor of each constituent institution shall report
2 to the Board of Governors of The University of North Carolina on the reductions made
3 to the General Fund budget codes in order to meet the reduction reserve amounts for
4 that institution. The President of The University of North Carolina shall report to the
5 Board of Governors of The University of North Carolina on the reductions made to the
6 General Fund budget codes controlled by the Board in order to meet the reduction
7 reserve amounts for those entities. The Board of Governors shall make a summary
8 report to the Office of State Budget and Management and the Fiscal Research Division
9 by December 31, 2003, on all reductions made by these entities and constituent
10 institutions in order to reduce the budgets by the targeted amounts.

11 **SECTION 124.2.** There is appropriated from the Escheats Fund income to
12 the Board of Governors of The University of North Carolina the sum of thirteen million
13 five hundred thousand dollars (\$13,500,000) for each year of the 2003-2005 biennium
14 and to the State Board of Community Colleges the sum of seven million sixty-two
15 thousand eight hundred six dollars (\$7,062,806) for each year of the 2003-2005
16 biennium. These funds shall be allocated by the State Educational Assistance Authority
17 for need-based student financial aid in accordance with G.S. 116B-7. There is
18 appropriated from the Escheats Fund income to the Department of Administration,
19 Division of Veteran Affairs, the sum of five million one hundred seven thousand two
20 hundred ninety-three dollars (\$5,107,293). These funds shall be allocated by the
21 Department of Administration, Division of Veteran Affairs, for need-based financial
22 aid.

23 **SECTION 124.3.** The Director of the Budget shall include General Fund
24 appropriations in the amounts provided in Section 123.2 in the proposed 2005-2007
25 continuation budget for the purposes provided in G.S. 116B-7.

26 **SECTION 124.4.** The North Carolina State Education Assistance Authority
27 (SEAA) shall perform all of the administrative functions necessary to implement this
28 program of financial aid. The SEAA shall conduct periodic evaluations of expenditures
29 of the Scholarship Programs to determine if allocations are utilized to ensure access to
30 institutions of higher learning and to meet the goals of the respective programs. The
31 SEAA may make recommendations for redistribution of funds to The University of
32 North Carolina, and/or the President of the Community College System regarding their
33 respective scholarship programs, who then may authorize redistribution of unutilized
34 funds for a particular fiscal year.

35 **SECTION 124.5.** All obligations to students for uses of the funds set out in
36 Section 123.2 that were made prior to the effective date of Section 123.2 shall be
37 fulfilled as to students who remain eligible under the provisions of the respective
38 programs.

39 **AID TO STUDENTS ATTENDING PRIVATE COLLEGES PROCEDURE**

40 **SECTION 125.1.** Funds appropriated in this act to the Board of Governors
41 of The University of North Carolina for aid to private colleges shall be disbursed in
42 accordance with the provisions of G.S. 116-19, 116-21, and 116-22. These funds shall
43 provide up to one thousand one hundred dollars (\$1,100) per full-time equivalent North
44

1 Carolina undergraduate student enrolled at a private institution as of October 1, 2003,
2 for the 2003-2004 fiscal year for need-based financial aid and up to one thousand one
3 hundred dollars (\$1,100) per full-time equivalent North Carolina undergraduate student
4 enrolled at a private institution as of October 1, 2004, for the 2004-2005 fiscal year.

5 **SECTION 125.2.** In addition to any funds appropriated pursuant to G.S.
6 116-19 and in addition to all other financial assistance made available to private
7 educational institutions located within the State, or to students attending these
8 institutions, there is granted to each full-time North Carolina undergraduate student
9 attending an approved institution as defined in G.S. 116-22, a sum, not to exceed one
10 thousand eight hundred dollars (\$1,800) for the 2003-2004 academic year and one
11 thousand eight hundred dollars (\$1,800) for the 2004-2005 academic year, which shall
12 be distributed to the student as hereinafter provided.
13
14

15 **BOARD OF GOVERNORS' MEDICAL SCHOLARSHIPS**

16 **SECTION 128.** The current Board of Governors' Medical Scholarship
17 Program, under the purview of the Board of Governors of The University of North
18 Carolina, shall make any awards to students admitted after July 1, 2003, as scholarship
19 loan awards. The Board of Governors' Medical Scholarship Program is administered by
20 the Board of Governors of The University of North Carolina. The Board of Governors'
21 Medical Scholarship Program shall be used to provide a four-year scholarship loan of
22 relevant tuition and fees, mandatory medical insurance, required laptop computers, and
23 an annual stipend of five thousand dollars (\$5,000) per year to students who have been
24 accepted for admission to either Duke University School of Medicine, Brody School of
25 Medicine at East Carolina University, the University of North Carolina at Chapel Hill
26 School of Medicine, or the Wake Forest University School of Medicine. The Board
27 may adopt standards, including minimum grade point average and scholastic aptitude
28 test scores, for awarding these scholarship loans to ensure that only the most qualified
29 students receive them. The Board shall make an effort to identify and encourage
30 minority and economically disadvantaged youth to enter the program. All scholarship
31 loans shall be evidenced by notes made payable to the Board that shall bear interest at
32 the rate of ten percent (10%) per year beginning September 1 after completion of the
33 program, or immediately after termination of the scholarship loan, whichever is earlier.
34 The scholarship loan may be terminated by the recipient withdrawing from school or by
35 the recipient not meeting the standards set by the Board. The Board shall forgive the
36 loan if, within seven years after graduation, the recipient practices medicine in North
37 Carolina for four years. The Board shall also forgive the loan if it finds that it is
38 impossible for the recipient to practice medicine in North Carolina for four years, within
39 seven years after graduation, because of the death or permanent disability of the
40 recipient. All unused funds appropriated to or otherwise received by the Board for
41 scholarships, all funds received as repayment of scholarship loans, and all interest
42 earned on these funds, shall revert to the General Fund at the end of each fiscal year.
43

44 **BOARD OF GOVERNORS' DENTAL SCHOLARSHIPS**

1 **SECTION 129.** The current Board of Governors' Dental Scholarship
2 Program, under the purview of the Board of Governors of The University of North
3 Carolina, shall make any awards to students admitted after July 1, 2003, as scholarship
4 loan awards. The Board of Governors' Dental Scholarship Program is administered by
5 the Board of Governors of The University of North Carolina. The Board of Governors'
6 Dental Scholarship Program shall be used to provide a four-year scholarship loan of
7 relevant tuition and fees, mandatory medical insurance, required laptop computers for
8 first-year students, required dental equipment and an annual stipend of five thousand
9 dollars (\$5,000) per year to students who have been accepted for admission to the
10 School of Dentistry at the University of North Carolina at Chapel Hill. The Board may
11 adopt standards, including minimum grade point average and scholastic aptitude test
12 scores, for awarding these scholarship loans to ensure that only the most qualified
13 students receive them. The Board shall make an effort to identify and encourage
14 minority and economically disadvantaged youth to enter the program. All scholarship
15 loans shall be evidenced by notes made payable to the Board that shall bear interest at
16 the rate of ten percent (10%) per year beginning September 1 after completion of the
17 program, or immediately after termination of the scholarship loan, whichever is earlier.
18 The scholarship loan may be terminated by the recipient withdrawing from school or by
19 the recipient not meeting the standards set by the Board. The Board shall forgive the
20 loan if, within seven years after graduation, the recipient practices medicine in North
21 Carolina for four years. The Board shall also forgive the loan if it finds that it is
22 impossible for the recipient to practice medicine in North Carolina for four years, within
23 seven years after graduation, because of the death or permanent disability of the
24 recipient. All unused funds appropriated to or otherwise received by the Board for
25 scholarships, all funds received as repayment of scholarship loans, and all interest
26 earned on these funds, shall revert to the General Fund at the end of each fiscal year.

27
28 **PART XX. SALARIES AND BENEFITS**

29
30 **SALARY-RELATED CONTRIBUTIONS/EMPLOYER**

31 **SECTION 130.1.** Required employer salary-related contributions for
32 employees whose salaries are paid from department, office, institution, or agency
33 receipts shall be paid from the same source as the source of the employees' salary. If an
34 employee's salary is paid in part from the General Fund or Highway Fund and in part
35 from department, office, institution, or agency receipts, required employer salary-related
36 contributions may be paid from the General Fund or Highway Fund only to the extent of
37 the proportionate part paid from the General Fund or Highway Fund in support of the
38 salary of the employee, and the remainder of the employer's requirements shall be paid
39 from the source that supplies the remainder of the employee's salary. The requirements
40 of this section as to source of payment are also applicable to payments on behalf of the
41 employee for hospital-medical benefits, longevity pay, unemployment compensation,
42 accumulated leave, workers' compensation, severance pay, separation allowances, and
43 applicable disability income benefits.

1 **SECTION 130.2.** Effective July 1, 2003, the State's employer contribution
2 rates budgeted for retirement and related benefits as percentage of covered salaries for
3 the 2003-2004 fiscal year are (i) three and thirty-one hundredths percent (3.31%) -
4 Teachers and State Employees; (ii) eight and thirty-one hundredths percent (8.31%) -
5 State Law Enforcement Officers; (iii) nine and seventy-one hundredths percent (9.71%)
6 - University Employees' Optional Retirement System; (iv) nine and seventy-one
7 hundredths percent (9.71%) - Community College Optional Retirement Program; (v)
8 fourteen and twenty-seven hundredths percent (14.27%) Consolidated Judicial
9 Retirement System; and (vi) two and thirty-five hundredths percent (2.35%) -
10 Legislative Retirement System. Each of the foregoing contribution rates includes two
11 and thirty-five hundredths percent (2.35%) for hospital and medical benefits. The rate
12 for Teachers and State Employees, State Law Enforcement Officers, Community
13 College Optional Retirement Program, and for the University Employees' Optional
14 Retirement Program includes fifty-two hundredths percent (0.52%) for the Disability
15 Income Plan. The rates for Teachers and State Employees and State Law Enforcement
16 Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The
17 rate for State Law Enforcement Officers includes five percent (5%) for Supplemental
18 Retirement Income.

19 **SECTION 130.3.** Effective October 1, 2003, the State's employer
20 contribution rates budgeted for retirement and related benefits as percentage of covered
21 salaries for the 2003-2004 fiscal year are (i) three and fifty-seven hundredths percent
22 (3.57%) - Teachers and State Employees; (ii) eight and fifty-seven hundredths percent
23 (8.57%) - State Law Enforcement Officers; (iii) nine and ninety-seven hundredths
24 percent (9.97%) - University Employees' Optional Retirement System; (iv) nine and
25 ninety-seven hundredths percent (9.97%) - Community College Optional Retirement
26 Program; (v) fourteen and fifty-three hundredths percent (14.53%) - Consolidated
27 Judicial Retirement System; and (vi) two and sixty-one hundredths percent (2.61%) -
28 Legislative Retirement System. Each of the foregoing contribution rates includes two
29 and sixty-one hundredths percent (2.61%) for hospital and medical benefits. The rate
30 for Teachers and State Employees, State Law Enforcement Officers, Community
31 College Optional Retirement Program, and for the University Employees' Optional
32 Retirement Program includes fifty-two hundredths percent (0.52%) for the Disability
33 Income Plan. The rates for Teachers and State Employees and State Law Enforcement
34 Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The
35 rate for State Law Enforcement Officers includes five percent (5%) for Supplemental
36 Retirement Income.

37 **SECTION 130.4.** Effective July 1, 2004, the State's employer contribution
38 rates budgeted for retirement and related benefits as percentage of covered salaries for
39 the 2004-2005 fiscal year are (i) five and forty hundredths percent (5.40%) - Teachers
40 and State Employees; (ii) ten and forty hundredths percent (10.40%) - State Law
41 Enforcement Officers; (iii) nine and ninety-seven hundredths (9.97%) - University
42 Employees' Optional Retirement System; (iv) nine and ninety-seven hundredths
43 (9.97%) - Community College Optional Retirement Program; (v) fourteen and
44 fifty-three hundredths percent (14.53%) - Consolidated Judicial Retirement System; and

(vi) two and sixty-one hundredths percent (2.61%) – Legislative Retirement System. Each of the foregoing contribution rates includes two and sixty-one hundredths percent (2.61%) for hospital and medical benefits. The rate for Teachers and State Employees, State Law Enforcement Officers, Community College Optional Retirement Program, and for the University Employees’ Optional Retirement Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income.

SECTION 130.5. The maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2003-2004 fiscal year to the Teachers’ and State Employees’ Comprehensive Major Medical Plan are: (i) Medicare-eligible employees and retirees – two thousand four hundred seventeen dollars (\$2,417), and (ii) non-Medicare-eligible employees and retirees – three thousand one hundred seventy-five dollars (\$3,175).

SECTION 130.6. The maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2004-2005 fiscal year to the Teachers’ and State Employees’ Comprehensive Major Medical Plan are: (i) Medicare-eligible employees and retirees – two thousand four hundred eighty dollars (\$2,480), and (ii) non-Medicare-eligible employees and retirees – three thousand two hundred fifty-eight dollars (\$3,258).

GOVERNOR AND COUNCIL OF STATE

SECTION 131.1. Effective July 1, 2003, G.S. 147-11(a) reads as rewritten:

"(a) The salary of the Governor shall be ~~one hundred eighteen thousand four hundred thirty dollars (\$118,430)~~ one hundred twenty thousand three hundred twenty-five dollars (\$120,325) annually, payable monthly."

SECTION 131.2. Effective July 1, 2003, the annual salaries for the members of the Council of State, payable monthly, for the 2003-2004 and 2004-2005 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
State Auditor	106,195
Superintendent of Public Instruction	106,195
Agriculture Commissioner	106,195
Insurance Commissioner	106,195
Labor Commissioner	106,195

NONELECTED DEPARTMENT HEAD/SALARY INCREASES

1 **SECTION 132.** In accordance with G.S. 143B-9, the maximum annual
2 salaries, payable monthly, for the nonelected heads of the principal State departments
3 for the 2003-2004 and 2004-2005 fiscal years are:

<u>Nonelected Department Heads</u>	<u>Annual Salary</u>
Secretary of Administration	\$ 103,753
Secretary of Correction	103,753
Secretary of Crime Control and Public Safety	103,753
Secretary of Cultural Resources	103,753
Secretary of Commerce	103,753
Secretary of Environment, Health, and Natural Resources	103,753
Secretary of Human Resources	103,753
Secretary of Revenue	103,753
Secretary of Transportation	103,753

14
15 **CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES**

16 **SECTION 133.** The annual salaries, payable monthly, for the 2003-2004
17 and 2004-2005 fiscal years for the following executive branch officials are:

<u>Executive Branch Officials</u>	<u>Annual Salary</u>
Chairman, Alcoholic Beverage Control Commission	\$ 94,433
State Controller	132,159
Commissioner of Motor Vehicles	94,433
Commissioner of Banks	106,195
Chairman, Employment Security Commission	131,992
State Personnel Director	103,753
Chairman, Parole Commission	86,229
Members of the Parole Commission	79,610
Chairman, Utilities Commission	118,267
Members of the Utilities Commission	106,195
Executive Director, Agency for Public Telecommunications	79,610
General Manager, Ports Railway Commission	71,887
Director, Museum of Art	96,764
Executive Director, North Carolina Housing Finance Agency	116,872
Executive Director, North Carolina Agricultural Finance Authority	91,918
State Chief Information Officer	132,080

35
36 **JUDICIAL BRANCH OFFICIALS/SALARY INCREASE**

37 **SECTION 134.1.** The annual salaries, payable monthly, for specified
38 judicial branch officials for the 2003-2004 and 2004-2005 fiscal years are:

<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
Chief Justice, Supreme Court	\$ 120,325
Associate Justice, Supreme Court	117,181
Chief Judge, Court of Appeals	114,251
Judge, Court of Appeals	112,298
Judge, Senior Regular Resident Superior Court	109,247

1	Judge, Superior Court	106,195
2	Chief Judge, District Court	96,431
3	Judge, District Court	93,380
4	Administrative Officer of the Courts	109,247
5	Assistant Administrative Officer of the Courts	99,787

6 **SECTION 134.2.** The district attorney or public defender of a judicial
7 district, with the approval of the Administrative Officer of the Courts or the
8 Commission on Indigent Defense Services, respectively, shall set the salaries of
9 assistant district attorneys or assistant public defenders, respectively, in that district such
10 that the average salaries of assistant district attorneys or assistant public defenders in
11 that district do not exceed sixty-one thousand one hundred fifty-four dollars (\$61,154),
12 and the minimum salary of any assistant district attorney or assistant public defender is
13 at least thirty-one thousand five hundred thirty-two dollars (\$31,532) effective July 1,
14 2003.

15

16 **CLERK OF SUPERIOR COURT SALARY INCREASES**

17 **SECTION 135.** Effective July 1, 2003, G.S. 7A-101(a) reads as rewritten:

18 "(a) The clerk of superior court is a full-time employee of the State and shall
19 receive an annual salary, payable in equal monthly installments, based on the population
20 of the county as determined in subsection (a1) of this section, according to the following
21 schedule:

22	Population	Annual Salary
23	Less than 100,000	\$69,911 <u>71,030</u>
24	100,000 to 149,999	78,452 <u>79,707</u>
25	150,000 to 249,999	86,994 <u>88,386</u>
26	250,000 and above	95,537 <u>97,066</u>

27

28 The salary schedule in this subsection is intended to represent the following
29 approximate percentage of the salary of a chief district court judge:

30	Population	Annual Salary
31	Less than 100,000	73%
32	100,000 to 149,999	82%
33	150,000 to 249,999	91%
34	250,000 and above	100%.

35

36 When a county changes from one population group to another, the salary of the clerk
37 shall be changed, on July 1 of the fiscal year for which the change is reported, to the
38 salary appropriate for the new population group, except that the salary of an incumbent
39 clerk shall not be decreased by any change in population group during his continuance
40 in office."

41

42 **ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY**

43 **INCREASES/ELIMINATE DEPUTY CLERK HIRING RATE**

44 **SECTION 136.** Effective July 1, 2003, G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$26,515 <u>26,939</u>
Maximum	46,464 <u>47,207</u>
Deputy Clerks	Annual Salary
Minimum	\$22,565 <u>22,926</u>
Maximum	35,934 <u>36,508.</u> "

MAGISTRATES' SALARY INCREASES

SECTION 137.1. Effective July 1, 2003, G.S. 7A-171.1(a) 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 <u>27,319</u>
Step 1	29,525 <u>29,997</u>
Step 2	32,393 <u>32,911</u>
Step 3	35,523 <u>36,091</u>
Step 4	38,952 <u>39,575</u>
Step 5	42,721 <u>43,405</u>
Step 6	46,864 <u>47,614.</u>

- (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."

SECTION 137.2. Effective July 1, 2003, G.S. 7A-171.1(a1) reads as

rewritten:

"(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 <u>21,666</u>
1 or more but less than 3 years of service	22,389 <u>22,747</u>
3 or more but less than 5 years of service	24,530 <u>24,922.</u>

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."

GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 138. 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 changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SERGEANT-AT-ARMS AND READING CLERKS

SECTION 139. Effective July 1, 2003, G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~two hundred ninety two dollars (\$292.00)~~ two hundred ninety-seven dollars (\$297.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

LEGISLATIVE EMPLOYEES

1 **SECTION 140.** The Legislative Services Officer shall increase the salaries
2 of nonelected employees of the General Assembly in effect for fiscal year 2002-2003 by
3 one and six-tenths percent (1.6%). Nothing in this act limits any of the provisions of
4 G.S. 120-32.

5
6 **COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES**

7 **SECTION 141.** The Director of the Budget shall transfer from the Reserve
8 for Compensation Increases, created in this act for fiscal years 2003-2004 and
9 2004-2005, funds to the North Carolina Community College System Office necessary to
10 provide an annual salary increase of one and six-tenths percent (1.6%) including funds
11 for the employer's retirement and social security contributions, commencing July 1,
12 2003, for all permanent full-time community college institutional personnel supported
13 by State funds.

14
15 **UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES**

16 **SECTION 142.1.** The Director of the Budget shall transfer to the Board of
17 Governors of The University of North Carolina sufficient funds from the Reserve for
18 Compensation Increases, created in this act for fiscal years 2003-2004 and 2004-2005,
19 to provide an annual salary increase of one and six-tenths percent (1.6%), including
20 funds for the employer's retirement and social security contributions, commencing July
21 1, 2003, for all employees of The University of North Carolina, as well as employees
22 other than teachers of the North Carolina School of Science and Mathematics, supported
23 by State funds and whose salaries are exempt from the State Personnel Act (EPA).

24 **SECTION 142.2.** The Director of the Budget shall transfer to the Board of
25 Governors of The University of North Carolina sufficient funds from the Reserve for
26 Compensation Increases, created in this act for fiscal years 2003-2004 and 2004-2005,
27 to provide an annual salary increase of one and eighty-one hundredths percent (1.81%),
28 including funds for the employer's retirement and social security contributions,
29 commencing July 1, 2003, for all teaching employees of the North Carolina School of
30 Science and Mathematics, supported by State funds and whose salaries are exempt from
31 the State Personnel Act (EPA). These funds shall be allocated to individuals according
32 to the rules adopted by the Board of Trustees of the North Carolina School of Science
33 and Mathematics and may not be used for any purpose other than for salary increases
34 and necessary employer contributions provided by this section.

35
36 **MOST STATE EMPLOYEES**

37 **SECTION 143.1.** The salaries in effect June 30, 2003, of all permanent
38 full-time State employees whose salaries are set in accordance with the State Personnel
39 Act, and who are paid from the General Fund or the Highway Fund shall be increased,
40 on or after July 1, 2003, unless otherwise provided by this act, by one and six-tenths
41 percent (1.6%).

42 **SECTION 143.2.** Except as otherwise provided in this act, the fiscal year
43 2003-2004 salaries for permanent full-time State officials and persons in exempt
44 positions that are recommended by the Governor or the Governor and the Advisory

1 Budget Commission and set by the General Assembly shall be increased by one and
2 six-tenths percent (1.6%), commencing July 1, 2003.

3 **SECTION 143.3.** The salaries in effect for fiscal year 2003-2004 for all
4 permanent part-time State employees shall be increased on and after July 1, 2003, by
5 pro rata amounts of the one and six-tenths percent (1.6%) salary increase provided for
6 permanent full-time employees covered under Section 142.1.

7 **SECTION 143.4.** The Director of the Budget may allocate out of special
8 operating funds or from other sources of the employing agency, except tax revenues,
9 sufficient funds to allow a salary increase, on and after July 1, 2003, in accordance with
10 Sections 142.1, 142.2, and 142.3 including funds for the employer's retirement and
11 social security contributions, for the permanent full-time and part-time employees of the
12 agency, provided the employing agency elects to make available the necessary funds.

13 **SECTION 143.5.** Within regular Executive Budget Act procedures as
14 limited by this act, all State agencies and departments may increase on an equitable
15 basis the rate of pay of temporary and permanent hourly State employees, subject to
16 availability of funds in the particular agency or department, by pro rata amounts of the
17 one and six-tenths percent (1.6%) salary increase provided for permanent full-time
18 employees covered by the provisions of Section 142.1, commencing July 1, 2003.

19 20 **ALL STATE-SUPPORTED PERSONNEL**

21 **SECTION 144.1.** Salaries and related benefits for positions that are funded
22 partially from the General Fund or Highway Fund and partially from sources other than
23 the General Fund or Highway Fund shall be increased from the General Fund or
24 Highway Fund appropriation only to the extent of the proportionate part of the salaries
25 paid from the General Fund or Highway Fund.

26 **SECTION 144.2.** The granting of the salary increases under this act does not
27 affect the status of eligibility for salary increments for which employees may be eligible
28 unless otherwise required by this act.

29 **SECTION 144.3.** The salary increases provided in this act are to be effective
30 July 1, 2003, do not apply to persons separated from State service due to resignation,
31 dismissal, reduction in force, death, or retirement, or whose last workday is prior to July
32 1, 2003.

33 Payroll checks issued to employees after July 1, 2003, which represent
34 payment of services provided prior to July 1, 2001, shall not be eligible for salary
35 increases provided for in this act. This subsection shall apply to all employees, subject
36 to or exempt from the State Personnel Act, paid from State funds, including public
37 schools, community colleges, and The University of North Carolina.

38 **SECTION 144.4.** The Director of the Budget shall transfer from the Reserve
39 for Compensation Increases in this act for fiscal year 2003-2004 all funds necessary for
40 the salary increases provided by this act, including funds for the employer's retirement
41 and social security contributions.

42 **SECTION 144.5.** Nothing in this act authorizes the transfer of funds
43 between the General Fund and the Highway Fund for salary increases.

44

1 **TEMPORARY SALES TAX TRANSFER FOR WILDLIFE RESOURCES**
2 **COMMISSION SALARIES**

3 **SECTION 145.1.** For the 2003-2004 and 2004-2005 fiscal years, the
4 Secretary of Revenue shall transfer at the end of each quarter from the State sales and
5 use tax net collections received by the Department of Revenue under Article 5 of
6 Chapter 105 of the General Statutes to the State Treasurer for the Wildlife Resources
7 Fund to fund the cost of any legislative salary increase for employees of the Wildlife
8 Resources Commission.

9 **SECTION 145.2.** This section becomes effective July 1, 2003.
10

11 **PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE**
12 **TEACHERS' AND STATE EMPLOYEES' RETIREMENT**
13 **SYSTEM, THE JUDICIAL RETIREMENT SYSTEM, AND THE**
14 **LEGISLATIVE RETIREMENT SYSTEM**

15 **SECTION 146.1.** G.S. 135-5(iii) reads as rewritten:

16 "(iii) From and after July 1, ~~2001, 2003,~~ the retirement allowance to or on account
17 of beneficiaries whose retirement commenced on or before July 1, ~~2000, 2002,~~ shall be
18 increased by ~~two percent (2%)~~ one and one-half percent (1.5%) of the allowance
19 payable on June 1, ~~2001, 2003,~~ in accordance with G.S. 135-5(o). Furthermore, from
20 and after July 1, ~~2001, 2003,~~ the retirement allowance to or on account of beneficiaries
21 whose retirement commenced after July 1, ~~2000, 2002,~~ but before June 30, ~~2001, 2003,~~
22 shall be increased by a prorated amount of ~~two percent (2%)~~ one and one-half percent
23 (1.5%) of the allowance payable as determined by the Board of Trustees based upon the
24 number of months that a retirement allowance was paid between July 1, ~~2000, 2002,~~ and
25 June 30, ~~2001, 2003.~~"

26 **SECTION 146.2.** G.S. 135-65(v) reads as rewritten:

27 "(v) From and after July 1, ~~2001, 2003,~~ the retirement allowance to or on account
28 of beneficiaries whose retirement commenced on or before July 1, ~~2000, 2002,~~ shall be
29 increased by ~~two percent (2%)~~ one and one-half percent (1.5%) of the allowance
30 payable on June 1, ~~2001, 2003.~~ Furthermore, from and after July 1, ~~2001, 2003,~~ the
31 retirement allowance to or on account of beneficiaries whose retirement commenced
32 after July 1, ~~2000, 2002,~~ but before June 30, ~~2001, 2003,~~ shall be increased by a
33 prorated amount of ~~two percent (2%)~~ one and one-half percent (1.5%) of the allowance
34 payable as determined by the Board of Trustees based upon the number of months that a
35 retirement allowance was paid between July 1, ~~2000, 2002,~~ and June 30, ~~2001, 2003.~~"

36 **SECTION 146.3.** G.S. 120-4.22A(p) reads as rewritten:

37 "(p) In accordance with subsection (a) of this section, from and after July 1, ~~2001,~~
38 ~~2003,~~ the retirement allowance to or on account of beneficiaries whose retirement
39 commenced on or before January 1, ~~2001, 2003,~~ shall be increased by ~~two percent (2%)~~
40 one and one-half percent (1.5%) of the allowance payable on June 1, ~~2001, 2003.~~
41 Furthermore, from and after July 1, ~~2001, 2003,~~ the retirement allowance to or on
42 account of beneficiaries whose retirement commenced after January 1, ~~2001, 2003,~~ but
43 before June 30, ~~2001, 2003,~~ shall be increased by a prorated amount of ~~two percent~~
44 ~~(2%)~~ one and one-half percent (1.5%) of the allowance payable as determined by the

1 Board of Trustees based upon the number of months that a retirement allowance was
2 paid between January 1, ~~2001, 2003,~~ and June 30, ~~2001, 2003.~~"

3 **SECTION 146.4.** G.S. 128-27(zz) reads as rewritten:

4 "(zz) From and after July 1, ~~2001, 2003,~~ the retirement allowance to or on account
5 of beneficiaries whose retirement commenced on or before July 1, ~~2000, 2002,~~ shall be
6 increased by ~~two percent (2%)~~ one and one-half percent (1.5%) of the allowance
7 payable on June 1, ~~2001, 2003,~~ in accordance with subsection (k) of this section.
8 Furthermore, from and after July 1, ~~2001, 2003,~~ the retirement allowance to or on
9 account of beneficiaries whose retirement commenced after July 1, ~~2000, 2002,~~ but
10 before June 30, ~~2001, 2003,~~ shall be increased by a prorated amount of ~~two percent~~
11 ~~(2%)~~ one and one-half percent (1.5%) of the allowance payable as determined by the
12 Board of Trustees based upon the number of months that a retirement allowance was
13 paid between July 1, ~~2000, 2002,~~ and June 30, ~~2001, 2003.~~"

14 **SECTION 146.5.** This section becomes effective July 1, 2003.

15 16 **PART XXI. GENERAL CAPITAL APPROPRIATIONS/PROVISIONS**

17 18 **CAPITAL APPROPRIATIONS/GENERAL FUND**

19 **SECTION 147.1.** There is appropriated from the General Fund for the
20 2003-2004 fiscal year the following amount for capital improvements:

	<u>2003-2004</u>
21 Department of Environment and Natural Resources	
22 Water Resource Projects	\$29,407,000
23	
24	
25 TOTAL CAPITAL APPROPRIATION	\$29,407,000
26	

27 **SECTION 147.2.** Where the actual costs are different from the estimated
28 costs under Section 146.1, the Department may adjust the allocations among projects as
29 needed. If any projects funded under Section 146.1 are delayed and the budgeted State
30 funds cannot be used during the 2003-2004 fiscal year, or if the projects funded under
31 Section 146.1 are accomplished at a lower cost, the Department may use the resulting
32 fund availability to fund any of the following:

- 33 (1) Corps of Engineers project feasibility studies.
- 34 (2) Corps of Engineers projects whose schedules have advanced and
35 require State-matching funds in fiscal year 2003-2004.
- 36 (3) State-local water resources development projects. Funds not expended
37 or encumbered for these purposes shall revert to the General Fund at
38 the end of the 2004-2005 fiscal year.

39 **SECTION 147.3.** The Department shall make quarterly reports on the use of
40 these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal
41 Research Division, and the Office of State Budget and Management. Each report shall
42 include all of the following:

- 43 (1) All projects listed in this section.
- 44 (2) The estimated cost of each project.

1 (3) The date that work on each project began or is expected to begin.

2 (4) The date that work on each project was completed or is expected to be
3 completed.

4 (5) The actual cost of each project.

5 The quarterly reports shall also show those projects advanced in schedule,
6 those projects delayed in schedule, and an estimate of the amount of funds expected to
7 revert to the General Fund.

8 **SECTION 147.4.** Notwithstanding G.S. 143-23, if additional federal funds
9 that require a State match are received for water resources projects or for beach
10 renourishment projects for the 2003-2004 fiscal year, the Director of the Budget may,
11 after consultation with the Joint Legislative Commission on Governmental Operations,
12 transfer funds from General Fund appropriations to match the federal funds.

13 14 **PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS**

15 **SECTION 148.** The appropriations made by the 2003 General Assembly for
16 capital improvements shall be disbursed for the purposes provided by this act.
17 Expenditure of funds shall not be made by any State department, institution, or agency
18 until an allotment has been approved by the Governor as Director of the Budget. The
19 allotment shall be approved only after full compliance with the Executive Budget Act,
20 Article 1 of Chapter 143 of the General Statutes. Prior to the award of construction
21 contracts for projects to be financed in whole or in part with self-liquidating
22 appropriations, the Director of the Budget shall approve the elements of the method of
23 financing of those projects including the source of funds, interest rate, and liquidation
24 period. Provided, however, that if the Director of the Budget approves the method of
25 financing a project, the Director shall report that action to the Joint Legislative
26 Commission on Governmental Operations at its next meeting.

27 Where direct capital improvement appropriations include the purpose of
28 furnishing fixed and movable equipment for any project, those funds for equipment
29 shall not be subject to transfer into construction accounts except as authorized by the
30 Director of the Budget. The expenditure of funds for fixed and movable equipment and
31 furnishings shall be reviewed and approved by the Director of the Budget prior to
32 commitment of funds.

33 Capital improvement projects authorized by the 2003 General Assembly shall
34 be completed, including fixed and movable equipment and furnishings, within the limits
35 of the amounts of the direct or self-liquidating appropriations provided, except as
36 otherwise provided in this act. Capital improvement projects authorized by the 2003
37 General Assembly for the design phase only shall be designed within the scope of the
38 project as defined by the approved cost estimate filed with the Director of the Budget,
39 including costs associated with site preparation, demolition, and movable and fixed
40 equipment.

41 42 **ENCUMBERED APPROPRIATIONS AND PROJECT RESERVE FUNDS**

43 **SECTION 149.** When each capital improvement project appropriated by the
44 2003 General Assembly, other than those projects under the Board of Governors of The

1 University of North Carolina, is placed under a construction contract, direct
2 appropriations shall be encumbered to include all costs for construction, design,
3 investigation, administration, movable equipment, and a reasonable contingency.
4 Unencumbered direct appropriations remaining in the project budget shall be placed in a
5 project reserve fund credited to the Office of State Budget and Management. Funds in
6 the project reserve may be used for emergency repair and renovation projects at State
7 facilities with the approval of the Director of the Budget. The project reserve fund may
8 be used, at the discretion of the Director of the Budget, to allow for award of contracts
9 where bids exceed appropriated funds, if those projects supplemented were designed
10 within the scope intended by the applicable appropriation or any authorized change in it,
11 and if, in the opinion of the Director of the Budget, all means to award contracts within
12 the appropriation were reasonably attempted. At the discretion of the Director of the
13 Budget, any balances in the project reserve fund shall revert to the original source.

14 **EXPENDITURES OF FUNDS FROM THE RESERVE FOR REPAIRS AND**

15 **RENOVATIONS**

16
17 **SECTION 150.** Of the funds in the Reserve for Repairs and Renovations for
18 the 2003-2004 fiscal year, forty-six percent (46%) shall be allocated to the Board of
19 Governors of The University of North Carolina for repairs and renovations pursuant to
20 G.S. 143-15.3A, in accordance with guidelines developed in The University of North
21 Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as
22 approved by the Board of Governors of The University of North Carolina, and fifty-four
23 percent (54%) shall be allocated to the Office of State Budget and Management for
24 repairs and renovations pursuant to G.S. 143-15.3A.

25
26 Notwithstanding G.S. 143-15.3A, the Board of Governors may allocate funds
27 for the repair and renovation of facilities not supported from the General Fund if the
28 Board determines that sufficient funds are not available from other sources and that
29 conditions warrant General Fund assistance. Any such finding shall be included in the
30 Board's submission to the Joint Legislative Commission on Governmental Operations
31 on the proposed allocation of funds.

32 The Board of Governors and the Office of State Budget and Management
33 shall submit to the Joint Legislative Commission on Governmental Operations and to
34 the Fiscal Research Division of the Legislative Services Office, for their review, the
35 proposed allocations of these funds. Subsequent changes in the proposed allocations
36 shall be reported prior to expenditure to the Joint Legislative Commission on
37 Governmental Operations and to the Fiscal Research Division of the Legislative
38 Services Office.

39 **CAPITAL IMPROVEMENT PROJECTS/SUPPLEMENTAL FUNDING**

40 **APPROVAL/REPORTING REQUIREMENT**

41
42 **SECTION 151.** Each department receiving capital improvement
43 appropriations from the Highway Fund under this act shall report quarterly to the
44

1 Director of the Budget on the status of those capital projects. The reporting procedure
2 to be followed shall be developed by the Director of the Budget.

3 Highway Fund capital improvement projects authorized in this act that have
4 not been placed under contract for construction due to insufficient funds may be
5 supplemented with funds identified by the Director of the Budget, provided:

- 6 (1) That the project was designed and bid within the scope as authorized
7 by the General Assembly;
- 8 (2) That the funds to supplement the project are from the same source as
9 authorized for the original project;
- 10 (3) That the department to which the project was authorized has
11 unsuccessfully pursued all statutory authorizations to award the
12 contract; and
- 13 (4) That the action be reported to the Fiscal Research Division of the
14 Legislative Services Office.

15 16 **PROJECT COST INCREASE**

17 **SECTION 152.** Upon the request of the administration of a State agency,
18 department, or institution, the Director of the Budget may, when in the Director's
19 opinion it is in the best interest of the State to do so, increase the cost of a capital
20 improvement project. Provided, however, that if the Director of the Budget increases
21 the cost of a project, the Director shall report that action to the Joint Legislative
22 Commission on Governmental Operations at its next meeting. The increase may be
23 funded from gifts, federal or private grants, special fund receipts, excess patient receipts
24 above those budgeted at the University of North Carolina Hospitals at Chapel Hill, or
25 direct capital improvement appropriations to that department or institution.

26 27 **NEW PROJECT AUTHORIZATION**

28 **SECTION 153.** Upon the request of the administration of any State agency,
29 department, or institution, the Director of the Budget may authorize the construction of
30 a capital improvement project not specifically authorized by the General Assembly if
31 such project is to be funded by gifts, federal or private grants, special fund receipts,
32 excess patient receipts above those budgeted at the University of North Carolina
33 Hospitals at Chapel Hill, or self-liquidating indebtedness. Prior to authorizing the
34 construction of a capital improvement project pursuant to this section, the Director shall
35 consult with the Joint Legislative Commission on Governmental Operations.

36 37 **ADVANCE PLANNING OF CAPITAL IMPROVEMENT PROJECTS**

38 **SECTION 154.** Funds that become available by gifts, excess patient receipts
39 above those budgeted at the University of North Carolina Hospitals at Chapel Hill,
40 federal or private grants, receipts becoming a part of special funds by act of the General
41 Assembly, or any other funds available to a State department or institution may be
42 utilized for advance planning through the working drawing phase of capital
43 improvement projects, upon approval of the Director of the Budget. The Director of the
44 Budget may make allocations from the Advance Planning Fund for advance planning

1 through the working drawing phase of capital improvement projects, except that this
2 revolving fund shall not be utilized by the Board of Governors of The University of
3 North Carolina or the State Board of Community Colleges.

4 5 **APPROPRIATIONS LIMITS/REVERSION OR LAPSE**

6 **SECTION 155.** Except as permitted in previous sections of this act, the
7 appropriations for capital improvements made by the 2003 General Assembly may be
8 expended only for specific projects set out by the 2003 General Assembly and for no
9 other purpose. Construction of all capital improvement projects enumerated by the
10 2003 General Assembly shall be commenced, or self-liquidating indebtedness with
11 respect to them shall be incurred, within 12 months following the first day of the fiscal
12 year in which the funds are available. If construction contracts on those projects have
13 not been awarded or self-liquidating indebtedness has not been incurred within that
14 period, the direct appropriation for those projects shall revert to the original source, and
15 the self-liquidating appropriation shall lapse; except that direct appropriations may be
16 placed in a reserve fund as authorized in this act. This deadline with respect to both
17 direct and self-liquidating appropriations may be extended with the approval of the
18 Director of the Budget up to an additional 12 months if circumstances and conditions
19 warrant such extension.

20 21 **PART XXII. MISCELLANEOUS PROVISIONS**

22 23 **EXECUTIVE BUDGET ACT APPLIES**

24 **SECTION 156.** The provisions of the Executive Budget Act, Chapter 143 of
25 Article 1 of the General Statutes, are reenacted and shall remain in full force and effect
26 and are incorporated in this act by reference.

27 28 **MOST TEXT APPLIES ONLY TO THE 2003-2005 FISCAL BIENNIUM**

29 **SECTION 157.** Except for statutory changes or other provisions that clearly
30 indicate an intention to have effects beyond the 2003-2005 fiscal biennium, the textual
31 provisions of this act apply only to funds appropriated for, and activities occurring
32 during, the 2003-2005 fiscal biennium.

33 34 **EFFECT OF HEADINGS**

35 **SECTION 158.** The headings to the parts and sections of this act are a
36 convenience to the reader and are for reference only. The headings do not expand,
37 limit, or define the text of this act, except for effective dates referring to a Part.

38 39 **SEVERABILITY CLAUSE**

40 **SECTION 159.** If any section or provision of this act is declared
41 unconstitutional or invalid by the courts, it does not affect the validity of this act as a
42 whole or any part other than the part so declared to be unconstitutional or invalid.

43 44 **EFFECTIVE DATE**

1 **SECTION 160.** Except as otherwise provided, this act becomes effective
2 July 1, 2003.