

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2005**

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**SENATE BILL 1741**  
**Second Edition Engrossed 5/23/06**

Short Title: Modify Appropriations Act of 2005. (Public)

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Sponsors: Senators Garrou; Dalton, Hagan, Albertson, Atwater, Berger of Franklin, Bland, Boseman, Clodfelter, Cowell, Dannelly, Dorsett, Graham, Holloman, Hoyle, Kerr, Kinnaird, Lucas, Malone, Purcell, Rand, Snow, Soles, Swindell, and Weinstein.

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Referred to: Appropriations/Base Budget.

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May 22, 2006

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL APPROPRIATIONS ACT OF 2005, TO ENACT AN EARLY REDUCTION IN THE SALES TAX RATE AND AN EARLY REDUCTION IN THE INCOME TAX RATE APPLICABLE TO MOST SMALL BUSINESSES, TO CAP THE VARIABLE WHOLESALE COMPONENT OF THE MOTOR FUEL TAX RATE AT ITS CURRENT RATE, TO INCREASE THE MINIMUM WAGE, AND TO PROVIDE FOR THE FINANCING OF CONSTRUCTION OF PSYCHIATRIC HOSPITALS AND OTHER CAPITAL PROJECTS.

The General Assembly of North Carolina enacts:

**PART I. INTRODUCTION AND TITLE OF ACT**

**INTRODUCTION**

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

**TITLE OF ACT**

**SECTION 1.2.** This act shall be known as "The Current Operations and Capital Improvements Appropriations Act of 2006."

**PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

**CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

**SECTION 2.1.** Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated are adjusted for the fiscal year ending June 30, 2007, according to the

1 schedule that follows. Amounts set out in brackets are reductions from General Fund  
 2 appropriations for the 2006-2007 fiscal year.

3  
 4 **Current Operations – General Fund**

**FY 2006-2007**

5  
 6 **EDUCATION**

7  
 8 Community Colleges System Office \$ 43,124,642

9  
 10 Department of Public Instruction 129,758,427

11  
 12 University of North Carolina – Board of Governors

13 Appalachian State University 2,189

14 East Carolina University

15 Academic Affairs (1,589,622)

16 Health Affairs 0

17 Elizabeth City State University (28,887)

18 Fayetteville State University 42,675

19 NC Agricultural and Technical University (223,690)

20 North Carolina Central University (312)

21 North Carolina School of the Arts 29,159

22 North Carolina State University

23 Academic Affairs (3,908,353)

24 Agricultural Extension 0

25 Agricultural Research 65,287

26 University of North Carolina at Asheville (569,398)

27 University of North Carolina at Chapel Hill

28 Academic Affairs (846,370)

29 Health Affairs (795,501)

30 Area Health Education Centers 0

31 University of North Carolina at Charlotte (471,439)

32 University of North Carolina at Greensboro (1,138)

33 University of North Carolina at Pembroke (299,992)

34 University of North Carolina at Wilmington (100,910)

35 Western Carolina University (735,491)

36 Winston-Salem State University 0

37 General Administration 0

38 University Institutional Programs 140,629,097

39 Related Educational Programs 0

40 North Carolina School of Science and Mathematics 52,250

41 UNC Hospitals at Chapel Hill 0

42 **Total** \$ **131,249,554**

43  
 44 **HEALTH AND HUMAN SERVICES**

45  
 46 Department of Health and Human Services

47 Office of the Secretary \$ (65,275,120)

48 Division of Aging 3,000,000

49 Division of Blind Services/Deaf/HH 75,000

50 Division of Child Development 35,465,513

51 Division of Education Services 828,548

52 Division of Facility Services 0

53 Division of Medical Assistance (149,850,000)

54 Division of Mental Health 77,589,934

55 NC Health Choice 0

1	Division of Public Health	19,085,242
2	Division of Social Services	12,799,153
3	Division of Vocational Rehabilitation Services	0
4	<b>Total</b>	<b>\$ (66,281,730)</b>
5		
6	<b>NATURAL AND ECONOMIC RESOURCES</b>	
7		
8	Department of Agriculture and Consumer Services	\$ 3,676,261
9		
10	Department of Commerce	
11	Commerce	20,222,483
12	Commerce State-Aid	500,000
13	NC Biotechnology Center	4,000,000
14	Rural Economic Development Center	(500,000)
15		
16	Department of Environment and Natural Resources	
17	Environment and Natural Resources	14,895,997
18	Clean Water Management Trust Fund	0
19		
20	Department of Labor	613,894
21		
22	<b>JUSTICE AND PUBLIC SAFETY</b>	
23		
24	Department of Correction	\$ 33,281,348
25		
26	Department of Crime Control and Public Safety	3,675,280
27		
28	Judicial Department	27,095,425
29	Judicial Department – Indigent Defense	7,483,129
30		
31	Department of Justice	5,038,339
32		
33	Department of Juvenile Justice and Delinquency Prevention	2,527,679
34		
35	<b>GENERAL GOVERNMENT</b>	
36		
37	Department of Administration	\$ 4,217,236
38		
39	Office of Administrative Hearings	281,367
40		
41	Department of State Auditor	38,500
42		
43	Office of State Controller	0
44		
45	Department of Cultural Resources	
46	Cultural Resources	5,130,562
47	Roanoke Island Commission	0
48		
49	State Board of Elections	989,516
50		
51	General Assembly	168,346
52		
53	Office of the Governor	
54	Office of the Governor	100,000
55	Office of State Budget and Management	409,938

1	OSBM – Reserve for Special Appropriations	1,353,253
2	Housing Finance Agency	17,750,000
3		
4	Department of Insurance	
5	Insurance	142,057
6	Insurance – Volunteer Safety Workers' Compensation	0
7		
8	Office of Lieutenant Governor	88,433
9		
10	Department of Revenue	1,108,392
11		
12	Department of Secretary of State	553,067
13		
14	Department of State Treasurer	
15	State Treasurer	281,784
16	State Treasurer – Retirement for Fire and Rescue Squad Workers	514,000
17		
18	<b>TRANSPORTATION</b>	
19		
20	Department of Transportation	\$ 0
21		
22	<b>RESERVES, ADJUSTMENTS, AND DEBT SERVICE</b>	
23		
24	Reserve for Compensation Increases	\$ 692,188,373
25		
26	Reserve for Teachers' and State Employees' Retirement Rate Adjustment	27,107,200
27		
28	Retirement System Payback	30,000,000
29		
30	Information Technology Fund	42,087,229
31		
32	Reserve for Heating and Cooling Assistance	10,000,000
33		
34	Reserve for Legal Expenses	1,065,710
35		
36	Trust Fund for MH, DD, SAS, and Bridge Funding Needs	5,000,000
37		
38	Establish State Emergency Response Fund	20,000,000
39		
40	Debt Service	
41	General Debt Service	(50,000,000)
42	Federal Reimbursement	0
43		
44	<b>TOTAL CURRENT OPERATIONS – GENERAL FUND</b>	<b>\$ 1,170,935,691</b>
45		
46	<b>GENERAL FUND AVAILABILITY STATEMENT</b>	
47	<b>SECTION 2.2.(a)</b> Section 2.2(a) of S.L. 2005-276 is repealed. The General	
48	Fund availability used in adjusting the 2006-2007 budget is shown below:	
49		<b>FY 2006-2007</b>
50	Unappropriated Balance from FY 2005-2006	\$ 113,386,988
51	Less: HB 1868 Emergency Appropriation for	
52	Department of Correction	(15,000,000)
53	Projected Reversions from FY 2005-2006	125,000,000
54	Projected Over Collections from FY 2005-2006	1,072,100,000
55	<b>Year End Unreserved Credit Balance before Earmarkings</b>	<b>\$ 1,295,486,988</b>

1		
2	Less: Credit to Savings Reserve Account	\$ (323,871,747)
3	Less: Credit to Repairs and Renovations Reserve Account	(225,000,000)
4	<b>Revised Year End Unreserved Credit Balance</b>	<b>\$ 746,615,241</b>
5		
6	<b>Revenues Based on Existing Tax Structure</b>	<b>\$ 16,951,416,000</b>
7		
8	<b>Nontax Revenues</b>	
9	Investment Income	\$ 78,700,000
10	Judicial Fees	168,605,271
11	Disproportionate Share	100,000,000
12	Insurance	51,543,813
13	Other Nontax Revenues	455,382,930
14	<b>Subtotal Nontax Revenues</b>	<b>\$ 854,232,014</b>
15		
16	<b>Total General Fund Availability</b>	<b>\$ 18,552,263,255</b>
17		
18	<b>Adjustments to Availability: 2006 Session</b>	
19	Adjustment to Baseline Revenue Forecast	\$ 698,864,995
20	Reduce Sales Tax from 4.5% to 4.25% – January 1, 2007	(118,000,000)
21	Reduce Top Personal Income Tax Rate to 8.0% – January 1, 2007	(28,600,000)
22	Reserve for Other Tax Reductions	(55,100,000)
23	Reserve for Highway Fund Hold Harmless	(17,600,000)
24	Reserve for Highway Trust Fund Hold Harmless	(5,700,000)
25	Redirect Portion of Alcohol Excise Tax to Mental Health Trust Fund	(9,390,000)
26	Redirect Court of Justice Fee for Legal Service Programs	(1,000,000)
27	Reduce Transfer from Highway Trust Fund	(195,176,407)
28		
29	<b>Subtotal Adjustments to Availability: 2006 Session</b>	<b>\$ 268,298,588</b>
30		
31	<b>Revised General Fund Availability for the 2006-2007 Fiscal Year</b>	<b>\$ 18,820,561,843</b>
32		
33	<b>Less: Total General Fund Appropriations</b>	
34	2006-2007 Fiscal Year	(18,820,561,843)
35		
36	<b>Unappropriated Balance Remaining</b>	<b>\$ 0</b>
37		

38           **SECTION 2.2.(b)** Notwithstanding G.S. 143-15.2 and G.S. 143-15.3A, the  
39 State Controller shall transfer two hundred twenty-five million dollars (\$225,000,000)  
40 from the unreserved credit balance to the Repairs and Renovations Reserve Account on  
41 June 30, 2006. This subsection becomes effective June 30, 2006.

42           **SECTION 2.2.(c)** Funds transferred under this section to the Repairs and  
43 Renovations Reserve Account are appropriated for the 2006-2007 fiscal year to be used  
44 in accordance with G.S. 143-15.3A.

45           **SECTION 2.2.(d)** Section 2.2(e) of S.L. 2005-276 is repealed effective June  
46 30, 2006.

47           This subsection becomes effective June 30, 2006

48           **SECTION 2.2.(e)** Section 2.2.(f) of S.L. 2005-276 reads as rewritten:

49           "SECTION 2.2.(f) Notwithstanding G.S. 105-187.9(b)(1), the sum to be  
50 transferred under that subdivision for the 2005-2006 fiscal year is two hundred fifty  
51 million dollars (\$250,000,000) and for the 2006-2007 fiscal year is two hundred fifty  
52 million dollars (~~\$250,000,000~~). fifty-five million dollars (\$55,000,000)."

53           **SECTION 2.2.(f)** Pursuant to G.S. 105-187.9(b)(2), the sum to be  
54 transferred under that subdivision for the 2006-2007 fiscal year is two million four  
55 hundred eighty-six thousand six hundred two dollars (\$2,486,602).

1           **SECTION 2.2.(g)** The State Treasurer shall transfer funds reserved to hold  
 2 harmless the Highway Fund and the Highway Trust Fund from the General Fund to the  
 3 Highway Fund and the Highway Trust Fund only if the variable wholesale component  
 4 of the motor fuel excise tax rate in G.S. 105-449.80 would, without the imposition of  
 5 the cap imposed by Section 24.3 of this act, exceed twelve and four-tenths cents (12.4¢)  
 6 a gallon. A transfer required under this subsection must be made on a monthly basis.  
 7 The amount to be transferred from the General Fund to the Highway Fund is the  
 8 difference between the amount of motor fuel excise tax revenue allocated to the  
 9 Highway Fund under G.S. 105-449.125 for a month and the amount that would have  
 10 been allocated to it if the variable wholesale component were not capped at twelve and  
 11 four-tenths cents (12.4¢) a gallon. The total amount transferred to the Highway Fund  
 12 under this subsection during fiscal year 2006-2007 may not exceed seventeen million  
 13 six hundred thousand dollars (\$17,600,000). The amount to be transferred from the  
 14 General Fund to the Highway Trust Fund is the difference between the amount of motor  
 15 fuel excise tax revenue allocated to the Highway Trust Fund under G.S. 105-449.125 for  
 16 a month and the amount that would have been allocated to it if the variable wholesale  
 17 component were not capped at twelve and four-tenths cents (12.4¢) a gallon. The total  
 18 amount transferred to the Highway Trust Fund under this subsection during fiscal year  
 19 2006-2007 may not exceed five million seven hundred thousand dollars (\$5,700,000).

20  
 21 **PART III. CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND**

22  
 23 **CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND**

24           **SECTION 3.1.** Appropriations from the Highway Fund of the State for  
 25 maintenance and operation of the Department of Transportation, and for other purposes  
 26 as enumerated, are made for the fiscal year ending June 30, 2007, according to the  
 27 schedule that follows. Amounts set out in brackets are reductions from Highway Fund  
 28 Appropriations for the 2006-2007 fiscal year.

<b>Current Operations – Highway Fund</b>	<b>2006-2007</b>
Department of Transportation	
Administration	\$ (2,500,000)
Division of Highways	
Administration	0
Construction	29,439,500
Maintenance	196,018,256
Planning and Research	0
OSHA Program	0
Ferry Operations	1,000,000
State Aid	
Municipalities	1,439,500
Public Transportation	(14,000,000)
Railroads	3,198,750
Governor's Highway Safety	0
Division of Motor Vehicles	1,886,701
Other State Agencies	13,069,364
Reserves and Transfers	25,279,000
<b>TOTAL</b>	<b>\$254,831,071</b>

54  
 55 **HIGHWAY FUND AVAILABILITY STATEMENT**

1           **SECTION 3.2.** The Highway Fund availability used in developing the  
2 2005-2007 biennial budget is shown below:

<b>Highway Fund Availability Statement</b>	<b>2006-2007</b>
Beginning Credit Balance	0
Estimated Revenue	1,767,140,000
Estimated Reversions	26,600,000
Total Highway Fund Availability	\$ 1,793,740,000

#### **PART IV. HIGHWAY TRUST FUND APPROPRIATIONS**

##### **HIGHWAY TRUST FUND APPROPRIATIONS**

15           **SECTION 4.1.** Appropriations from the Highway Trust Fund of the State for  
16 maintenance and operation of the Department of Transportation, and for other purposes  
17 as enumerated, are made for the fiscal year ending June 30, 2007, according to the  
18 schedule that follows. Amounts set out in brackets are reductions from Highway Trust  
19 Fund Appropriations for the 2006-2007 fiscal year.

<b>Current Operations – Highway Trust Fund</b>	<b>2006-2007</b>
Intrastate System	97,860,379
Urban Loops	39,570,662
Aid to Municipalities	10,267,836
Secondary Roads	8,987,310
Program Administration	3,180,220
Transfer to General Fund	(195,176,407)
<b>GRAND TOTAL CURRENT OPERATIONS AND EXPANSION</b>	<b>(\$35,310,000)</b>

#### **PART V. BLOCK GRANTS**

##### **DHHS BLOCK GRANTS**

36           **SECTION 5.1.(a)** Appropriations from federal block grant funds are made  
37 for the fiscal year ending June 30, 2007, according to the following schedule:

##### **TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT**

Local Program Expenditures	
Division of Social Services	
01. Work First Family Assistance (Cash Assistance)	\$114,625,680
02. Work First County Block Grants	94,653,315
03. County Demonstration Grants	19,598,322
04. Child Protective Services – Child Welfare Workers for Local DSS	12,452,391
05. Work First – Boys and Girls Clubs	1,500,000

1			
2	06.	Work First – After-School Services for	
3		At-Risk Children	2,249,642
4			
5	07.	Work First – After-School Programs for	
6		At-Risk Youth in Middle Schools	500,000
7			
8	08.	Adoption Services – Special Children's	
9		Adoption Fund	3,000,000
10			
11	09.	Family Violence Prevention	2,200,000
12			
13	10.	Foster Care	2,000,000
14			
15		Division of Child Development	
16			
17	11.	Subsidized Child Care Program	36,563,266
18			
19		DHHS Administration	
20			
21	12.	Division of Social Services	586,931
22			
23	13.	Office of the Secretary	65,836
24			
25	14.	Office of the Secretary/DIRM – TANF	
26		Automation Projects	592,500
27			
28	15.	Office of the Secretary/DIRM – NC FAST	
29		Implementation	1,800,000
30			
31		Transfers to Other Block Grants	
32			
33		Division of Child Development	
34			
35	16.	Transfer to the Child Care and	
36		Development Fund	81,292,880
37			
38		Division of Social Services	
39			
40	17.	Transfer to Social Services Block Grant for	
41		Department of Juvenile Justice and Delinquency	
42		Prevention – Support Our Students	2,749,642
43			
44	18.	Transfer to Social Services Block Grant for Child	
45		Protective Services – Child Welfare Training in	
46		Counties	2,550,000
47			
48	19.	Transfer to Social Services Block Grant for	
49		Maternity Homes	838,000
50			
51	20.	Transfer to Social Services Block Grant for Teen	
52		Pregnancy Prevention Initiatives	2,500,000
53			
54	21.	Transfer to Social Services Block Grant for County	
55		Departments of Social Services for Children's Services	4,500,000



1		
2	22.	Transfer to Social Services Block Grant for
3		Foster Care Services
4		1,181,907
5	TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES	
6	(TANF) BLOCK GRANT	
7		\$388,000,312
8	SOCIAL SERVICES BLOCK GRANT	
9		
10	Local Program Expenditures	
11		
12	Divisions of Social Services and Aging & Adult	
13		
14	01.	County Departments of Social Services
15		(Transfer from TANF – \$4,500,000)
16		\$ 28,868,189
17	02.	State In-Home Services Fund
18		2,101,113
19	03.	State Adult Day Care Fund
20		2,155,301
21	04.	Child Protective Services/CPS Investigative
22		Services-Child Medical Evaluation Program
23		238,321
24	05.	Foster Care Services
25		(Transfer from TANF – \$1,181,907)
26		1,706,063
27	06.	Child Protective Services-Child Welfare Training
28		for Counties
29		(Transfer from TANF)
30		2,550,000
31	07.	Maternity Homes
32		(Transfer from TANF)
33		838,000
34	08.	Local DSS Services for Hurricane Victims
35		509,272
36	Division of Aging and Adult Services	
37		
38	09.	Home and Community Care Block Grant (HCCBG)
39		1,834,077
40	Division of Mental Health, Developmental Disabilities, and Substance	
41	Abuse Services	
42		
43	10.	Mental Health Services Program
44		422,003
45	11.	Developmental Disabilities Services Program
46		5,000,000
47	12.	Mental Health Services-Adult/Mental Health Services-
48		Child/Developmental Disabilities Program/
49		Substance Abuse Services-Adult
50		3,234,601
51	Division of Child Development	
52		
53	13.	Subsidized Child Care Program
54		3,150,000
55	Division of Vocational Rehabilitation	

1		
2	14.	Vocational Rehabilitation Services – Easter Seal
3		Society/UCP
4		188,263
5		Office of the Secretary – Office of Economic Opportunity
6		
7	15.	Elderly Supplemental Grant Program
8		41,302
9		Division of Public Health
10		
11	16.	Teen Pregnancy Prevention Initiatives
12		(Transfer from TANF)
13		2,500,000
14		DHHS Program Expenditures
15		
16		Division of Aging and Adult Services
17		
18	17.	UNC-CARES Training Contract
19		247,920
20		Division of Services for the Blind
21		
22	18.	Independent Living Program
23		3,314,114
24		Division of Facility Services
25		
26	19.	Adult Care Licensure Program
27		411,897
28	20.	Mental Health Licensure and Certification Program
29		205,668
30		DHHS Administration
31		
32	21.	Division of Aging and Adult Services
33		630,636
34	22.	Division of Social Services
35		869,058
36	23.	Office of the Secretary/Controller's Office
37		123,059
38	24.	Office of the Secretary/DIRM
39		82,009
40	25.	Division of Child Development
41		15,000
42	26.	Division of Mental Health, Developmental
43		Disabilities, and Substance Abuse Services
44		18,098
45	27.	Division of Facility Services
46		62,986
47	28.	Office of the Secretary-NC Inter-Agency Council
48		For Coordinating Homeless Programs
49		250,000
50	29.	Office of the Secretary-Housing Coalition
51		100,000
52		Transfers to Other State Agencies
53		
54		Department of Administration
55		

1	30.	NC Commission of Indian Affairs In-Home	
2		Services for the Elderly	203,198
3			
4		Department of Juvenile Justice and Delinquency Prevention	
5			
6	31.	Support Our Students	2,749,642
7		(Transfer from TANF)	
8			
9		Transfers to Other Block Grants	
10			
11		Division of Public Health	
12			
13	32.	Transfer to Preventive Health Services Block Grant for	
14		HIV/STD Prevention and Community Planning	145,819
15			
16		TOTAL SOCIAL SERVICES BLOCK GRANT	\$ 64,765,609
17			
18		LOW-INCOME ENERGY BLOCK GRANT	
19			
20		Local Program Expenditures	
21			
22		Division of Social Services	
23			
24	01.	Low Income Energy Assistance Program (LIHEAP)	\$ 28,684,494
25			
26	02.	Crisis Intervention Program (CIP)	20,831,114
27			
28		Office of the Secretary – Office of Economic Opportunity	
29			
30	03.	Weatherization Program	9,431,545
31			
32	04.	Heating Air Repair & Replacement Program (HARRP)	4,399,042
33			
34		Local Administration	
35			
36		Division of Social Services	
37			
38	05.	County DSS Administration	2,057,992
39			
40		Office of the Secretary – Office of Economic Opportunity	
41			
42	06.	Local Residential Energy Efficiency Service	
43		Providers – Weatherization	257,185
44			
45	07.	Local Residential Energy Efficiency Service	
46		Providers – HARRP	119,955
47			
48		DHHS Administration	
49			
50	08.	Division of Social Services	319,774
51			
52	09.	Division of Mental Health, Developmental	
53		Disabilities, and Substance Abuse Services	7,146
54			
55	10.	Office of the Secretary/DIRM	245,395

1		
2	11.	Office of the Secretary/Controller's Office 11,211
3		
4	12.	Office of the Secretary/Office of Economic Opportunity – Weatherization 257,185
5		
6		
7	13.	Office of the Secretary/Office of Economic Opportunity – HARRP 119,955
8		
9		
10		Transfers to Other State Agencies
11		
12	14.	Department of Administration – N.C. State Commission of Indian Affairs 58,455
13		
14		
15		TOTAL LOW-INCOME ENERGY BLOCK GRANT \$ 66,800,448
16		
17		CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT
18		
19		Local Program Expenditures
20		
21		Division of Child Development
22		
23	01.	Subsidized Child Care Services \$165,102,685
24		
25	02.	Subsidized Child Care Services (TANF to CCDF) 81,292,880
26		
27		
28		DHHS Program Expenditures
29		
30		Division of Child Development
31		
32	03.	Quality and Availability Initiatives 34,951,707
33		
34		Local Administrations
35		
36		Division of Child Development
37		
38	04.	Administrative Expenses (Non-Direct Subsidy Services Support) 1,849,000
39		
40		
41		DHHS Administration
42		
43	05.	DCD Administrative Expenses 6,028,354
44		
45		TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT \$289,224,626
46		
47		
48		MENTAL HEALTH SERVICES BLOCK GRANT
49		
50		Local Program Expenditures
51		
52	01.	Mental Health Services – Adult \$ 7,184,481
53		
54	02.	Mental Health Services – Child 3,921,991
55		

1	03. Comprehensive Treatment Service	
2	Program	1,500,000
3		
4	Local Administration	
5		
6	04. Division of Mental Health	100,000
7		
8	TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	\$ 12,706,472
9		
10	SUBSTANCE ABUSE PREVENTION	
11	AND TREATMENT BLOCK GRANT	
12		
13	Local Program Expenditures	
14		
15	01. Substance Abuse Services – Adult	\$ 20,537,390
16		
17	02. Substance Abuse Treatment Alternative for	
18	Women	8,069,524
19		
20	03. Substance Abuse – HIV and IV Drug	4,816,378
21		
22	04. Substance Abuse Prevention – Child	5,835,701
23		
24	05. Substance Abuse Services – Child	4,940,500
25		
26	06. Substance Abuse Strengthening Families –	
27	Prevention	851,156
28		
29	Division of Public Health	
30		
31	07. Risk Reduction Projects	383,980
32		
33	08. Aid-to-Counties	209,576
34		
35	09. Maternal Health	37,779
36		
37	DHHS Administration	
38		
39	10. Division of Mental Health	500,000
40		
41	TOTAL SUBSTANCE ABUSE PREVENTION	
42	AND TREATMENT BLOCK GRANT	\$ 46,181,984
43		
44	MATERNAL AND CHILD HEALTH BLOCK GRANT	
45		
46	Local Program Expenditures	
47		
48	Division of Public Health	
49		
50	01. Healthy Mothers/Healthy Children	9,359,236
51		
52	02. Children's Health Services	4,114,216
53		
54	03. Healthy Beginnings	404,559
55		

1	04. Maternal Health	397,761
2		
3	05. Teen Pregnancy Prevention Initiatives	85,710
4		
5	DHHS Program Expenditures	
6		
7	Division of Public Health	
8		
9	06. Children's Health Services	3,149,826
10		
11	07. Maternal Health	185,488
12		
13	08. State Center for Health Statistics	29,432
14		
15	09. Local Technical Assistance & Training	47,424
16		
17	10. Injury and Violence Prevention	149,438
18		
19	11. Office of Minority Health	98,236
20		
21	12. Special Supplemental Nutrition Program	
22	for Women, Infants, and Children (WIC)	22,856
23		
24	13. Immunization Program – Vaccine Distribution	414,175
25		
26	DHHS Administration	
27		
28	14. Division of Public Health Administration	550,681
29		
30	TOTAL MATERNAL AND CHILD	
31	HEALTH BLOCK GRANT	\$ 19,009,038
32		
33	PREVENTIVE HEALTH SERVICES BLOCK GRANT	
34		
35	Local Program Expenditures	
36		
37	01. NC Statewide Health Promotion	\$1,755,653
38		
39	02. Services to Rape Victims	197,112
40		
41	03. HIV/STD Prevention and Community Planning	
42	(Transfer from Social Services Block Grant)	145,819
43		
44	DHHS Program Expenditures	
45		
46	04. NC Statewide Health Promotion	431,444
47		
48	05. Oral Health	114,251
49		
50	06. Osteoporosis Program	67,593
51		
52	DHHS Administration	
53		
54	07. Division of Public Health	109,211
55		

1	TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	\$2,821,083
2		
3	COMMUNITY SERVICES BLOCK GRANT	
4		
5	Local Program Expenditures	
6		
7	Office of Economic Opportunity – Community Services Block Grant	
8		
9	01. Community Action Agencies	\$ 15,071,666
10		
11	02. Limited Purpose Agencies	823,261
12		
13	DHHS Administration	
14		
15	03. Office of Economic Opportunity	823,261
16		
17	TOTAL COMMUNITY SERVICES BLOCK GRANT	\$ 16,718,188
18		

**GENERAL PROVISIONS**

**SECTION 5.1.(b)** Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

- (1) A delineation of the proposed allocations by program or activity, including State and federal match requirements.
- (2) A delineation of the proposed State and local administrative expenditures.
- (3) An identification of all new positions to be established through the Block Grant, including permanent, temporary, and time-limited positions.
- (4) A comparison of the proposed allocations by program or activity with two prior years' program and activity budgets and two prior years' actual program or activity expenditures.
- (5) A projection of current year expenditures by program or activity.
- (6) A projection of federal Block Grant funds available, including unspent federal funds from the current and prior fiscal years.

**SECTION 5.1.(c)** Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Department shall not propose funding for new programs or activities not appropriated in this section or increase State administrative expenditures.

If the Congress of the United States decreases the federal fund availability for any of the Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall reduce State administration by at least the percentage of the reduction in federal funds. After determining the State administration, the remaining reductions shall be allocated proportionately across the program and activity appropriations identified for that Block Grant in this section. In allocating a decrease in federal fund availability, the Department shall not eliminate the funding for a program or activity appropriated in this section unless it is related to the State administration.

Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the

1 Department adjusts the allocation of any Block Grant due to changes in federal fund  
2 availability, then a report shall be made to the Joint Legislative Commission on  
3 Governmental Operations, the House of Representatives Appropriations Subcommittee  
4 on Health and Human Services, the Senate Appropriations Committee on Health and  
5 Human Services, and the Fiscal Research Division.

6 **SECTION 5.1.(d)** All changes to the budgeted allocations to the Block  
7 Grants administered by the Department of Health and Human Services that are not  
8 specifically addressed in this section shall be approved by the Office of State Budget  
9 and Management, and a report shall be submitted to the Joint Legislative Commission  
10 on Governmental Operations for review prior to implementing the changes. All changes  
11 to the budgeted allocations to the Block Grant shall be reported immediately to the  
12 House of Representatives Appropriations Subcommittee on Health and Human  
13 Services, the Senate Appropriations Committee on Health and Human Services, and the  
14 Fiscal Research Division. This subsection does not apply to block grant changes caused  
15 by legislative salary increases and benefit adjustments.

16 **SECTION 5.1.(e)** The Department of Health and Human Services shall  
17 report to the House of Representatives Appropriations Subcommittee on Health and  
18 Human Services, the Senate Appropriations Committee on Health and Human Services,  
19 and the Fiscal Research Division on positions funded from federal Block Grants. The  
20 report shall include the following for each Block Grant:

- 21 (1) All State positions currently funded through the Block Grant,  
22 including permanent, temporary, and time-limited positions.
- 23 (2) Budgeted salary and fringe benefits for each position.
- 24 (3) Identify the percentage of Block Grant funds used to fund each  
25 position.

26 The report shall be submitted no later than December 1, 2006.

## 27 28 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT** 29 **(TANF)**

30 **SECTION 5.1.(f)** The sum of five hundred eighty-six thousand nine hundred  
31 thirty-one dollars (\$586,931) appropriated in this section in the TANF Block Grant to  
32 the Department of Health and Human Services, Division of Social Services, for the  
33 2006-2007 fiscal year shall be used to support administration of TANF-funded  
34 programs.

35 **SECTION 5.1.(g)** The sum of two million dollars (\$2,000,000) appropriated  
36 under this section in the TANF Block Grant to the Department of Health and Human  
37 Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to  
38 provide domestic violence services to Work First recipients. These funds shall be used  
39 to provide domestic violence counseling, support, and other direct services to clients.  
40 These funds shall not be used to establish new domestic violence shelters or to facilitate  
41 lobbying efforts. The Division of Social Services may use up to seventy-five thousand  
42 dollars (\$75,000) in TANF funds to support one administrative position within the  
43 Division of Social Services to implement this subsection.

44 Each county department of social services and the local domestic violence  
45 shelter program serving the county shall jointly develop a plan for utilizing these funds.  
46 The plan shall include the services to be provided and the manner in which the services  
47 shall be delivered. The county plan shall be signed by the county social services director  
48 or the director's designee and the domestic violence program director or the director's  
49 designee and submitted to the Division of Social Services by December 1, 2006. The  
50 Division of Social Services, in consultation with the Council for Women, shall review  
51 the county plans and shall provide consultation and technical assistance to the  
52 departments of social services and local domestic violence shelter programs, if needed.

53 The Division of Social Services shall allocate these funds to county  
54 departments of social services according to the following formula: (i) each county shall  
55 receive a base allocation of five thousand dollars (\$5,000); and (ii) each county shall



1 receive an allocation of the remaining funds based on the county's proportion of the  
2 statewide total of the Work First caseload as of July 1, 2006, and the county's proportion  
3 of the statewide total of the individuals receiving domestic violence services from  
4 programs funded by the Council for Women as of July 1, 2006. The Division of Social  
5 Services may reallocate unspent funds to counties that submit a written request for  
6 additional funds.

7 **SECTION 5.1.(h)** The sum of two million two hundred forty-nine thousand  
8 six hundred forty-two dollars (\$2,249,642) appropriated in this section in the TANF  
9 Block Grant to the Department of Health and Human Services, Division of Social  
10 Services, for the 2006-2007 fiscal year shall be used to expand after-school programs  
11 and services for at-risk children. The Department shall develop and implement a grant  
12 program to award grants to community-based programs that demonstrate the ability to  
13 reach children at risk of teen pregnancy, school dropout, and gang participation. The  
14 Department shall award grants to community-based organizations that demonstrate the  
15 ability to develop and implement linkages with local departments of social services,  
16 area mental health programs, schools, and other human services programs in order to  
17 provide support services and assistance to the child and family. These funds may be  
18 used to fund one position within the Division of Social Services to coordinate at-risk  
19 after-school programs and shall not be used for other State administration.

20 **SECTION 5.1.(i)** The sum of twelve million four hundred fifty-two  
21 thousand three hundred ninety-one dollars (\$12,452,391) appropriated in this section to  
22 the Department of Health and Human Services, Division of Social Services, in the  
23 TANF Block Grant for the 2006-2007 fiscal year for child welfare improvements, shall  
24 be allocated to the county departments of social services for hiring or contracting staff  
25 to investigate and provide services in Child Protective Services cases; to provide foster  
26 care and support services; to recruit, train, license, and support prospective foster and  
27 adoptive families; and to provide interstate and postadoption services for eligible  
28 families.

29 **SECTION 5.1.(j)** The sum of three million dollars (\$3,000,000)  
30 appropriated in this section in the TANF Block Grant to the Department of Health and  
31 Human Services, Special Children Adoption Fund, for the 2006-2007 fiscal year shall  
32 be used in accordance with Section 10.48 of this act. The Division of Social Services,  
33 in consultation with the North Carolina Association of County Directors of Social  
34 Services and representatives of licensed private adoption agencies, shall develop  
35 guidelines for the awarding of funds to licensed public and private adoption agencies  
36 upon the adoption of children described in G.S. 108A-50 and in foster care. Payments  
37 received from the Special Children Adoption Fund by participating agencies shall be  
38 used exclusively to enhance the adoption services program. No local match shall be  
39 required as a condition for receipt of these funds.

40 **SECTION 5.1.(k)** The sum of one million eight hundred thousand dollars  
41 (\$1,800,000) in this section appropriated to the Department of Health and Human  
42 Services in the TANF Block Grant for the 2006-2007 fiscal year shall be used to  
43 implement N.C. FAST (North Carolina Families Accessing Services through  
44 Technology). The N.C. FAST Program involves the entire automation initiative through  
45 which families access services and local departments of social services deliver benefits,  
46 supervised by the Department of Health and Human Services, Divisions of Social  
47 Services, Aging and Adult Services, Medical Assistance, and Child Development. The  
48 statewide automated initiative shall be implemented in compliance with federal  
49 regulations in order to ensure federal financial participation in the project. The  
50 Department of Health and Human Services shall report on its compliance with this  
51 subsection to the House of Representatives Appropriations Subcommittee on Health and  
52 Human Services, the Senate Appropriations Committee on Health and Human Services,  
53 and the Fiscal Research Division no later than January 1, 2007.

54 **SECTION 5.1.(l)** The sum of five hundred thousand dollars (\$500,000)  
55 appropriated in this section to the Department of Health and Human Services, Division

1 of Social Services, in the TANF Block Grant for the 2006-2007 fiscal year shall be used  
2 to expand after-school programs for at-risk children attending middle school. The  
3 Department shall develop and implement a grant program to award funds to  
4 community-based programs demonstrating the capacity to reach children at risk of teen  
5 pregnancy, school dropout, and gang participation. These funds shall not be used for  
6 training or administration at the State level. All funds shall be distributed to  
7 community-based programs, focusing on those communities where similar programs do  
8 not exist in middle schools.

9 **SECTION 5.1.(m)** In implementing the TANF Block Grant, the Department  
10 of Health and Human Services shall review policies, programs, and initiatives to ensure  
11 that they support men in their role as fathers and strengthen fathers' involvement in their  
12 children's lives. The Department shall encourage county departments of social services  
13 to ensure their Work First programs emphasize responsible fatherhood and increased  
14 participation by noncustodial fathers.

15 **SECTION 5.1.(n)** The sum of nineteen million five hundred ninety-eight  
16 thousand three hundred twenty-two dollars (\$19,598,322) appropriated in this section to  
17 the Department of Health and Human Services, Division of Social Services, in the  
18 TANF Block Grant for the 2006-2007 fiscal year for county demonstration grants shall  
19 be used for Work First demonstration projects implemented by county departments of  
20 social services. The county demonstration grants may be awarded for up to three years  
21 with all projects ending no later than the end of fiscal year 2008-2009. The purpose of  
22 the county demonstration grants is to identify best practices that can be used by counties  
23 to improve the work participation rates for TANF recipients. The Division of Social  
24 Services is authorized to establish two time-limited positions to manage the grant award  
25 process and monitor the demonstration projects through fiscal year 2008-2009.

26 Funding provided under the county demonstration grants shall not be used to  
27 supplant local funds and counties shall be required to maintain the current level of effort  
28 and funding for the Work First program.

## 29 **SOCIAL SERVICES BLOCK GRANT**

30 **SECTION 5.1.(o)** Social Services Block Grant funds appropriated to the  
31 North Carolina Inter-Agency Council for Coordinating Homeless Programs and the  
32 North Carolina Housing Coalition are exempt from the provisions of 10A NCAC  
33 71R.0201(3).

34 **SECTION 5.1.(p)** The sum of two million seven hundred forty-nine  
35 thousand six hundred forty-two dollars (\$2,749,642) appropriated in this section in the  
36 Social Services Block Grant to the Department of Health and Human Services and  
37 transferred to the Department of Juvenile Justice and Delinquency Prevention for the  
38 2006-2007 fiscal year shall be used to support the existing Support Our Students  
39 Program, including gang prevention, and to expand the Program statewide, focusing on  
40 low-income communities in unserved areas. These funds shall not be used for  
41 administration of the Program.

42 **SECTION 5.1.(q)** The sum of two million five hundred fifty thousand  
43 dollars (\$2,550,000) appropriated in this section in the Social Services Block Grant to  
44 the Department of Health and Human Services, Division of Social Services, for the  
45 2006-2007 fiscal year shall be used to support various child welfare training projects as  
46 follows:  
47

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

53 **SECTION 5.1.(r)** The sum of eight hundred thirty-eight thousand dollars  
54 (\$838,000) appropriated in this section in the Social Services Block Grant to the

1 Department of Health and Human Services for the 2006-2007 fiscal year shall be used  
2 to purchase services at maternity homes throughout the State.

3 **SECTION 5.1.(s)** The sum of one million seven hundred six thousand  
4 sixty-three dollars (\$1,706,063) appropriated in this section in the Social Services Block  
5 Grant for child caring agencies for the 2006-2007 fiscal year shall be allocated to the  
6 State Private Child Caring Agencies Fund.

7 **SECTION 5.1.(t)** The sum of one million five hundred thousand dollars  
8 (\$1,500,000) appropriated in this section to the Department of Health and Human  
9 Services in the Social Services Block Grant for Boys and Girls Clubs for the 2006-2007  
10 fiscal year shall be used to make grants for approved programs. The Department of  
11 Health and Human Services, in accordance with federal regulations for the use of Social  
12 Services Block Grant funds, shall administer a grant program to award funds to the  
13 Boys and Girls Clubs across the State in order to implement programs that improve the  
14 motivation, performance, and self-esteem of youths and to implement other initiatives  
15 that would be expected to reduce gang participation, school dropout, and teen pregnancy  
16 rates. The Department shall encourage and facilitate collaboration between the Boys and  
17 Girls Clubs and Support Our Students, Communities in Schools, and similar programs  
18 to submit joint applications for the funds if appropriate.

19 **SECTION 5.1.(u)** The Department of Health and Human Services is  
20 authorized, subject to the approval of the Office of State Budget and Management, to  
21 transfer Social Services Block Grant funding allocated for departmental administration  
22 between divisions that have received administrative allocations from the Social Services  
23 Block Grant.

#### 24 25 **LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM**

26 **SECTION 5.1.(v)** Additional emergency contingency funds received may be  
27 allocated for Energy Assistance Payments or Crisis Intervention Payments without prior  
28 consultation with the Joint Legislative Commission on Governmental Operations.  
29 Additional funds received shall be reported to the Joint Legislative Commission on  
30 Governmental Operations and the Fiscal Research Division upon notification of the  
31 award. The Department of Health and Human Services shall not allocate funds for any  
32 activities, including increasing administration, other than assistance payments, without  
33 prior consultation with the Joint Legislative Commission on Governmental Operations.

#### 34 35 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

36 **SECTION 5.1.(w)** The sum of no more than four hundred thousand dollars  
37 (\$400,000) appropriated in this section to the Department of Health and Human  
38 Services in the Child Care and Development Fund Block Grant for the 2006-2007 fiscal  
39 year may be used for the operations of the Medical Child Care Pilot.

40 **SECTION 5.1.(x)** Payment for subsidized child care services provided with  
41 federal TANF funds shall comply with all regulations and policies issued by the  
42 Division of Child Development for the subsidized child care program.

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

#### 48 49 **MENTAL HEALTH BLOCK GRANT**

50 **SECTION 5.1.(z)** The sum of one million five hundred thousand dollars  
51 (\$1,500,000) appropriated in this section in the Mental Health Block Grant to the  
52 Department of Health and Human Services, Division of Mental Health, Developmental  
53 Disabilities, and Substance Abuse Services, for the 2006-2007 fiscal year, and the sum  
54 of four hundred twenty-two thousand three dollars (\$422,003) appropriated in this  
55 section in the Social Services Block Grant to the Department of Health and Human

1 Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to  
 2 continue a Comprehensive Treatment Services Program for Children in accordance with  
 3 Section 10.25 of S.L. 2005-276.

4 **SECTION 5.1.(aa)** The Department of Health and Human Services shall  
 5 contract with the University of North Carolina at Chapel Hill for the purpose of  
 6 providing psychology student stipends in the amount of fifty thousand dollars (\$50,000)  
 7 for the 2006-2007 fiscal year. Twenty-five thousand dollars (\$25,000) of this contract  
 8 shall be paid from the Mental Health Block Grant.

#### 9 10 **MATERNAL AND CHILD HEALTH BLOCK GRANT**

11 **SECTION 5.1.(bb)** If federal funds are received under the Maternal and  
 12 Child Health Block Grant for abstinence education, pursuant to section 912 of Public  
 13 Law 104-193 (42 U.S.C. § 710), for the 2006-2007 fiscal year, then those funds shall be  
 14 transferred to the State Board of Education to be administered by the Department of  
 15 Public Instruction. The Department of Public Instruction shall use the funds to establish  
 16 an Abstinence Until Marriage Education Program and shall delegate to one or more  
 17 persons the responsibility of implementing the program and G.S. 115C-81(e1)(4). The  
 18 Department of Public Instruction shall carefully and strictly follow federal guidelines in  
 19 implementing and administering the abstinence education grant funds.

20 **SECTION 5.1.(cc)** The Department of Health and Human Services shall  
 21 ensure that there will be follow-up testing in the Newborn Screening Program.

#### 22 23 **NER BLOCK GRANTS**

24 **SECTION 5.2.(a)** Appropriations from federal block grant funds are made  
 25 for fiscal year ending June 30, 2007, according to the following schedule:

#### 26 27 **COMMUNITY DEVELOPMENT BLOCK GRANT**

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

#### 36 37 **TOTAL COMMUNITY DEVELOPMENT**

38 **BLOCK GRANT – 2007 Program Year** \$ 45,000,000

39  
40  
41 **SECTION 5.2.(b)** Decreases in Federal Fund Availability. – If federal funds  
 42 are reduced below the amounts specified above after the effective date of this act, then  
 43 every program in each of these federal block grants shall be reduced by the same  
 44 percentage as the reduction in federal funds.

45 **SECTION 5.2.(c)** Increases in Federal Fund Availability for Community  
 46 Development Block Grant. – Any block grant funds appropriated by the Congress of the  
 47 United States in addition to the funds specified in this section shall be expended as  
 48  
49  
50  
51  
52  
53  
54

1 follows: each program category under the Community Development Block Grant shall  
2 be increased by the same percentage as the increase in federal funds.

3 **SECTION 5.2.(d)** Limitations on Community Development Block Grant  
4 Funds. – Of the funds appropriated in this section for the Community Development  
5 Block Grant, the following shall be allocated in each category for each program year: up  
6 to one million dollars (\$1,000,000) may be used for State Administration; not less than  
7 one million dollars (\$1,000,000) may be used for Urgent Needs and Contingency; up to  
8 thirteen million two hundred thousand dollars (\$13,200,000) may be used for Scattered  
9 Site Housing; up to eight million seven hundred ten thousand dollars (\$8,710,000) may  
10 be used for Economic Development, including Urban Redevelopment Grants and Small  
11 Business or Entrepreneurial Assistance; not less than thirteen million five hundred  
12 thousand dollars (\$13,500,000) shall be used for Community Revitalization; up to four  
13 hundred fifty thousand dollars (\$450,000) may be used for State Technical Assistance;  
14 up to two million dollars (\$2,000,000) may be used for Housing Development; up to  
15 five million one hundred forty thousand dollars (\$5,140,000) may be used for  
16 Infrastructure. If federal block grant funds are reduced or increased by the Congress of  
17 the United States after the effective date of this act, then these reductions or increases  
18 shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

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

25 **SECTION 5.2.(f)** Department of Commerce Demonstration Grants in  
26 Partnership with Rural Economic Development Center, Inc. – The Department of  
27 Commerce, in partnership with the Rural Economic Development Center, Inc., shall  
28 award up to two million two hundred fifty thousand dollars (\$2,250,000) in  
29 demonstration grants to local governments in very distressed rural areas of the State.  
30 These grants shall be used to address critical infrastructure and entrepreneurial needs  
31 and to provide small business assistance.

32 **SECTION 5.2.(g)** The Department of Commerce shall consult with the Joint  
33 Legislative Commission on Governmental Operations prior to reallocating Community  
34 Development Block Grant Funds. Notwithstanding the provisions of this subsection,  
35 whenever the Director of the Budget finds that:

- 36 (1) A reallocation is required because of an emergency that poses an  
37 imminent threat to public health or public safety, the Director of the  
38 Budget may authorize the reallocation without consulting the  
39 Commission. The Department of Commerce shall report to the  
40 Commission on the reallocation no later than 30 days after it was  
41 authorized and shall identify in the report the emergency, the type of  
42 action taken, and how it was related to the emergency.
- 43 (2) The State will lose federal block grant funds or receive less federal  
44 block grant funds in the next fiscal year unless a reallocation is made,  
45 the Department of Commerce shall provide a written report to the  
46 Commission on the proposed reallocation and shall identify the reason  
47 that failure to take action will result in the loss of federal funds. If the  
48 Commission does not hear the issue within 30 days of receipt of the  
49 report, the Department may take the action without consulting the  
50 Commission.

## 51 **PART VI. GENERAL PROVISIONS**

### 52 **CONTINGENCY AND EMERGENCY FUND ALLOCATIONS**

53 **SECTION 6.1.(a)** Section 6.2 of S.L. 2005-276 is repealed.  
54  
55

1           **SECTION 6.1.(b)** Funds in the amount of five million dollars (\$5,000,000)  
2 for the 2006-2007 fiscal year are appropriated to the Contingency and Emergency Fund.  
3 Except as provided in subsection (c) of this section, these funds shall be expended only  
4 as:

- 5           (1) Required by a court, Industrial Commission, or administrative hearing  
6           officer's order;
- 7           (2) Required to call out the national guard; or
- 8           (3) Required to respond to an unanticipated disaster such as a fire,  
9           hurricane, or tornado, if funds for this purpose are not available in the  
10           Reserve for Disaster Expenses as authorized in G.S. 166A.

11           **SECTION 6.1.(c)** Up to five hundred thousand dollars (\$500,000) may be  
12 spent for purposes other than those set out in subsection (b) of this section.  
13 Notwithstanding any other provision of law authorizing expenditures from the  
14 Contingency and Emergency Fund, no more than five hundred thousand dollars  
15 (\$500,000) of these funds shall be expended for purposes other than those set out in  
16 subsection (b) of this section.

## 17           **AUTHORIZATION TO ESTABLISH RECEIPT-SUPPORTED POSITIONS**

18           **SECTION 6.2.** Notwithstanding G.S. 143-34.1(a1), a department,  
19 institution, or other agency of State government may establish receipt-supported  
20 positions authorized in this act upon approval by the Director of the Budget. The  
21 Director, if necessary, may establish a receipt-supported position pursuant to this  
22 section at an annual salary amount different from the salary amount set out in this act if  
23 (i) funds are available from the proposed funding source and (ii) the alternative salary  
24 amount remains within the established salary range grade identified for the job  
25 classification of the affected receipt-supported position established in this act. The  
26 Director shall not change the job classifications or increase the number of  
27 receipt-supported positions specified in this act without prior consultation with the Joint  
28 Legislative Commission on Governmental Operations.

## 29           **CONSULTATION NOT REQUIRED PRIOR TO ESTABLISHING OR 30           INCREASING FEES PURSUANT TO THE EXECUTIVE BUDGET ACT**

31           **SECTION 6.3.** Notwithstanding G.S. 12-3.1, an agency is not required to  
32 consult with the Joint Legislative Commission on Governmental Operations prior to  
33 establishing or increasing a fee as authorized or anticipated in the Current Operations  
34 and Capital Improvements Appropriations Act of 2006 or the Senate Appropriations  
35 Committee Report on the Continuation, Expansion and Capital Budgets, which was  
36 distributed in the Senate Appropriations and Base Budget Committee and used to  
37 explain this act.

## 38           **NO FEE INCREASES WHICH THE GENERAL ASSEMBLY HAS REJECTED**

39           **SECTION 6.4.** Chapter 143 of the General Statutes is amended by adding a  
40 new section to read:

41           "**§ 143-16.7. No fee increases that the General Assembly has rejected.**

42           Notwithstanding any other provision of law, no fee shall be increased if the General  
43 Assembly has rejected an increase of that fee for the current fiscal period. For the  
44 purpose of this section, the General Assembly has rejected a fee increase when that fee  
45 increase is included in a bill which fails a reading, or if the fee increase is included in  
46 the version of a bill that passes one house, but the bill is enacted without the fee  
47 increase."  
48

## 49           **STATE EMERGENCY RESPONSE ACCOUNT**

50           **SECTION 6.5.(a)** G.S. 166A-6.01(b)(2) reads as rewritten:

51           "(b) Disaster Assistance Programs – Type I Disaster. – In the event that a Type I  
52 disaster is proclaimed, the Governor may make State funds available for disaster  
53

1 assistance in the disaster area in the form of individual assistance and public assistance  
2 as provided in this subsection.

- 3  
4       (2) Public assistance. – State disaster assistance in the form of public  
5 assistance grants may be made available to eligible entities located  
6 within the disaster area on the following terms and conditions:
- 7 a. Eligible entities shall meet the following qualifications:
    - 8 1. The eligible entity suffers a minimum of ten thousand  
9 dollars (\$10,000) in uninsurable losses;
    - 10 2. The eligible entity suffers uninsurable losses in an  
11 amount equal to or exceeding ~~one half percent (0.5%)~~  
12 one percent (1%) of the annual operating budget;
    - 13 3. For a state of disaster proclaimed pursuant to  
14 G.S. 166A-6(a) after the deadline established by the  
15 Federal Emergency Management Agency pursuant to the  
16 Disaster Mitigation Act of 2002, P.L. 106-390, the  
17 eligible entity shall have a hazard mitigation plan  
18 approved pursuant to the Stafford Act; and
    - 19 4. For a state of disaster proclaimed pursuant to  
20 G.S. 166A-6(a) after August 1, 2002, the eligible entity  
21 shall be participating in the National Flood Insurance  
22 Program in order to receive public assistance for  
23 flooding damage.
  - 24 b. Eligible entities shall be required to provide non-State matching  
25 funds equal to twenty-five percent (25%) of the eligible costs of  
26 the public assistance grant.
  - 27 c. An eligible entity that receives a public assistance grant  
28 pursuant to this subsection may use the grant for the following  
29 purposes only:
    - 30 1. Debris clearance.
    - 31 2. Emergency protective measures.
    - 32 3. Roads and bridges.
    - 33 4. Crisis counseling.
    - 34 5. Assistance with public transportation needs."

35       **SECTION 6.5.(b)** Article 1 of Chapter 166A of the General Statutes is  
36 amended by adding a new section to read:

37 **"§ 166A-6.02. State Emergency Response Account.**

38       (a) Account Established. – There is established a State Emergency Response  
39 Account as a reserve in the General Fund. Any funds appropriated to the Account shall  
40 remain available for expenditure as provided by this section, unless directed otherwise  
41 by the General Assembly.

42       (b) Purpose of Funds. – The Governor may spend funds from the Account for the  
43 following purposes:

- 44       (1) To cover the start-up costs of State Emergency Response Team  
45 operations for an emergency that poses an imminent threat of a Type I,  
46 Type II, or Type III disaster as defined by G.S. 166A-6.
- 47       (2) To cover the cost of first responders to a Type I, Type II, or Type III  
48 disaster and any related supplies and equipment needed by first  
49 responders that are not provided for under subdivision (1) of this  
50 subsection.

51       All other types of disaster assistance authorized by G.S. 166A-6 shall  
52 continue to be financed by the funds made available under G.S. 166A-6.01.

53       (c) Reporting Requirement. – The Governor shall report to the Joint Legislative  
54 Commission on Governmental Operations and to the Chairs of the Appropriations  
55 Committees of the Senate and House of Representatives on any expenditures from the

1 State Emergency Response Account no later than 30 days after making the expenditure.  
 2 The report shall include a description of the emergency and type of action taken."

3 **SECTION 6.5.(c)** G.S. 166A-4(1) reads as rewritten:

4 "~~(1)~~(1a) Disaster. – An occurrence or imminent threat of widespread or  
 5 severe damage, injury, or loss of life or property resulting from any  
 6 natural or man-made accidental, military or paramilitary cause."

7 **SECTION 6.5.(d)** G.S. 166A-4 is amended by adding a new subdivision to  
 8 read:

9 "(1) Account. – The State Emergency Response Account established in  
 10 G.S. 166A-6.02."

11  
 12 **INFORMATION TECHNOLOGY FUND AVAILABILITY STATEMENT**

13 **SECTION 6.6.** Section 6.13(a) of S.L. 2005-276 reads as rewritten:

14 "**SECTION 6.13.(a)** The availability used to support appropriations made in this  
 15 act from the Information Technology Fund established in G.S. 147-33.72H is as  
 16 follows:

	<b>FY 2005-2006</b>	<b>FY 2006-2007</b>
17 <u>Estimated Unencumbered Balance,</u>		
18 <u>June 30, 2006</u>		<u>\$1,120,000</u>
21 Receipts from Information Technology		
22     Enterprise Fee (G.S. 147-33.82)	\$5,000,000	\$5,000,000
24 Transfer from June 30, 2005, Information Technology		
25     Services Internal Service Fund cash balance to		
26     support statewide IT initiatives	\$5,000,000	
28 <del>Appropriation from General Fund</del>	<del>\$24,375,000</del>	<del>\$8,025,000</del>
29 <u>Appropriation from General Fund</u>	<u>\$24,375,000</u>	<u>\$50,112,229</u>
31 <b>Total Funds Available</b>	<b><del>\$34,375,000-</del></b>	<b><del>\$13,025,000-</del></b>
32 <u>Total Funds Available</u>	<u>\$34,375,000</u>	<u>\$56,232,229."</u>

33  
 34 **INFORMATION TECHNOLOGY APPROPRIATIONS**

35 **SECTION 6.7.** Section 6.14 of S.L. 2005-276 reads as rewritten:

36 "**SECTION 6.14.** Appropriations are made from the Information Technology Fund  
 37 established in G.S. 147-33.72H as follows:

	<b>FY 2005-2006</b>	<b>FY 2006-2007</b>
39 <b>Office of Information Technology Services</b>		
40     To establish two project management assistant		
41     positions and one enterprise licensing position		
42     and to purchase and maintain asset management		
43     software and enterprise licenses.	\$1,600,000	\$1,400,000
44     To continue existing activities including project		
45     management assistance, security, asset management,		
46     legal support, and legacy system assessment.	\$5,100,000	\$3,300,000
47     To provide services previously supported by		
48     cross subsidies in the rate structure, including		
49     State portal maintenance, security services,		
50     enterprise identity management, and office		
51     operations.	\$6,300,000	\$5,800,000
52     To facilitate consolidation of information		
53     technology services in State agencies.	\$500,000	
54 <u>To establish two attorneys to assist Information</u>		
55 <u>Technology Services (ITS) with complex</u>		



information technology procurements. \$298,826

**Office of State Controller**

To initiate replacement of the State's personnel and payroll systems consistent with the analysis and findings of the Statewide Business Infrastructure study \$20,875,000 \$2,525,000

To implement replacement of the State's human resources and payroll system with a new system, Building Enterprise Access for North Carolina's Core Operations (BEACON)/State Business Infrastructure Program (SBIP). \$20,875,000 \$44,313,403

To provide funding to integrate and deploy the following data warehousing projects as part of BEACON/SBIP:

- (i) Department of Revenue: Guest Worker Compliance Project.
- (ii) Office of State Personnel: Workforce Planning Project.
- (iii) Office of the State Auditor: Business Intelligence Software and Data Warehousing Project. \$1,000,000

**Total Appropriation** ~~\$34,375,000~~ ~~\$13,025,000~~  
Total Appropriation \$34,375,000 \$56,112,229

Funds appropriated under this section are subject to the reporting requirement set out in G.S. 147-33.72H."

**REVIEW OF INFORMATION TECHNOLOGY CONTRACTS**

**SECTION 6.8.** G.S. 147-33.103 reads as rewritten:

"§ 147-33.103. Attorney General contract assistance; ~~rule-making authority assistance; use of private counsel.~~

(a) At the request of the State Chief Information Officer, the Attorney General shall provide legal advice and services necessary to implement this Part.

(b) Repealed by Session Laws 2004-129, s. 26, effective July 1, 2004.

(c) The State Chief Information Officer shall retain private counsel to provide legal advice and services and to ensure that the State's interests are protected regarding information technology contracts that obligate the State to expend over five million dollars (\$5,000,000) over the life of the contract. The requirements of G.S. 114-2.3 do not apply to this subsection.

The State Chief Information Officer may use funds from the Information Technology Fund, which is established in G.S. 147-33.72H, for this purpose."

**AMEND CIVIL PENALTY AND FORFEITURE FUND AVAILABILITY**

**SECTION 6.9.(a)** Section 6.37(a) of S. L. 2005-276 reads as rewritten:

"**SECTION 6.37.(a)** Availability. – The availability used to support appropriations made in this act from the Civil Penalty and Forfeiture Fund is based upon estimated collections of fines and forfeitures from the agencies and in the amounts listed below:

	FY 2005-2006	FY 2006-2007
Department of Revenue	\$ 80,000,000	\$ <del>85,000,000</del> 63,000,000
Department of Transportation	\$ 15,000,000	\$ 15,000,000
Employment Security Commission	\$ 3,000,000	\$ 3,000,000
Department of Insurance	\$ 3,000,000	\$ <del>3,000,000</del> 1,000,000

1	University of North Carolina	\$ 5,000,000	\$ <del>5,000,000</del> 3,500,000
2	Other Agencies	\$ 14,500,000	\$ <del>14,500,000</del> 10,000,000
3	Total Funds Available	\$ 120,500,000	\$ <del>125,500,000</del> 95,500,000"

4 **SECTION 6.9.(b)** Section 6.37(b) of S.L. 2005-276 reads as rewritten:

5 **"SECTION 6.37.(b)** Appropriations. – Appropriations are made from the  
6 Civil Penalty and Forfeiture Fund for the fiscal biennium ending June 30, 2007, as  
7 follows:

8		2005-2006	2006-2007
9	School Technology Fund	\$ 18,000,000	\$ 18,000,000
10	State Public School Fund	\$ 102,500,000	\$ <del>107,500,000</del> 77,500,000
11	Total Appropriation	\$ 120,500,000	\$ <del>125,500,000</del> 95,500,000"

12 **SECTION 6.9.(c)** G.S. 115C-457.2 reads as rewritten:

13 **"§ 115C-457.2. Remittance of moneys to the Fund.**

14 The clear proceeds of all civil penalties, civil forfeitures, and civil fines that are  
15 collected by a State agency and that the General Assembly is authorized to place in a  
16 State fund pursuant to Article IX, Section 7(b) of the Constitution shall be remitted to  
17 the Office of State Budget and Management by the officer having custody of the funds  
18 within 10 days after the close of the calendar month in which the revenues were  
19 received or collected. Notwithstanding any other law, all such funds shall be deposited  
20 in the Civil Penalty and Forfeiture Fund. The clear proceeds of these funds include the  
21 full amount of all civil penalties, civil forfeitures, and civil fines collected under Page  
22 48 Session Law 2005-276 SL2005-0276 authority conferred by the State, diminished  
23 only by the actual costs of collection, not to exceed twenty percent (20%) of the amount  
24 collected. The collection cost percentage to be used by a State agency shall be  
25 established and approved by the Office of State Budget and Management on an annual  
26 basis based upon the computation of actual collection costs by each agency for the prior  
27 fiscal year."

28 **SECTION 6.9.(d)** The State Board of Education may use up to five hundred  
29 thousand dollars (\$500,000) from the State Public School Fund to support the Senior  
30 Project initiative. These funds shall be used for training for LEA staff and teachers to  
31 implement this graduation requirement which was approved by the State Board of  
32 Education in 2004.

33  
34 **FUNDS FOR ENROLLMENT INCREASES**

35 **SECTION 6.10.** G.S. 143-11 is amended by adding a new subsection to  
36 read:

37 "(a1) In developing the budget, the Director shall consider the information on  
38 student enrollment increases submitted to the Director by the State Board of Education,  
39 the State Board of Community Colleges, and the Board of Governors of The University  
40 of North Carolina. The Director shall include in the continuation budget the amount the  
41 Director proposes to fund for the enrollment increases for public schools, community  
42 colleges, and the university system."

43  
44 **HOUSING ASSISTANCE FUNDS**

45 **SECTION 6.11.** Section 5.1(c) of S.L. 2005-1 reads as rewritten:

46 **"SECTION 5.1.(c)** The Department of Crime Control and Public Safety  
47 shall modify the Crisis Housing Assistance Fund (CHAF) to provide money to persons  
48 who do not qualify for CHAF assistance solely because they failed to apply for federal  
49 assistance through FEMA or the Small Business Administration's (SBA) Real Property  
50 Disaster loan program. The Department shall review these persons' applications for  
51 CHAF assistance using the same criteria employed by the SBA to determine eligibility  
52 for an SBA Real Property Disaster loan. The applicants shall be eligible for CHAF  
53 assistance if it is determined that they would have failed to qualify for assistance under  
54 the SBA Real Property disaster loan criteria and that they otherwise meet the criteria for  
55 CHAF."

**PART VII. PUBLIC SCHOOLS**

**TEACHER SALARY SCHEDULES**

**SECTION 7.1.(a)** Effective for the 2006-2007 school year, the Director of the Budget shall transfer from the Reserve for Experience Step Salary Increase for Teachers and Principals in Public Schools funds necessary to implement the teacher salary schedules set out in subsection (b) of this section and for longevity in accordance with subsection (c) of this section, including funds for the employer's retirement and social security contributions for all teachers whose salaries are supported from the State's General Fund.

These funds shall be allocated to individuals according to rules adopted by the State Board of Education.

**SECTION 7.1.(b)** The following monthly salary schedules shall apply for the 2006-2007 fiscal year to certified personnel of the public schools who are classified as teachers. The schedule contains 30 steps with each step corresponding to one year of teaching experience.

2006-2007 Monthly Salary Schedule  
"A" Teachers

Years Of Experience	"A" Teachers	NBPTS Certification
0	\$2,851	N/A
1	\$2,893	N/A
2	\$2,937	N/A
3	\$3,093	\$3,464
4	\$3,233	\$3,621
5	\$3,367	\$3,771
6	\$3,496	\$3,916
7	\$3,600	\$4,032
8	\$3,648	\$4,086
9	\$3,697	\$4,141
10	\$3,747	\$4,197
11	\$3,796	\$4,252
12	\$3,847	\$4,309
13	\$3,898	\$4,366
14	\$3,951	\$4,425
15	\$4,005	\$4,486
16	\$4,060	\$4,547
17	\$4,115	\$4,609
18	\$4,174	\$4,675
19	\$4,232	\$4,740
20	\$4,290	\$4,805
21	\$4,352	\$4,874
22	\$4,413	\$4,943
23	\$4,479	\$5,016
24	\$4,543	\$5,088
25	\$4,608	\$5,161
26	\$4,674	\$5,235
27	\$4,742	\$5,311
28	\$4,813	\$5,391
29+	\$4,884	\$5,470

2006-2007 Monthly Salary Schedule

"M" Teachers		
Years Of Experience	"M" Teachers	NBPTS Certification
1		
2		
3		
4		
5	0	\$3,136
6	1	\$3,182
7	2	\$3,231
8	3	\$3,402
9	4	\$3,556
10	5	\$3,704
11	6	\$3,846
12	7	\$3,960
13	8	\$4,013
14	9	\$4,067
15	10	\$4,122
16	11	\$4,176
17	12	\$4,232
18	13	\$4,288
19	14	\$4,346
20	15	\$4,406
21	16	\$4,466
22	17	\$4,527
23	18	\$4,591
24	19	\$4,655
25	20	\$4,719
26	21	\$4,787
27	22	\$4,854
28	23	\$4,927
29	24	\$4,997
30	25	\$5,069
31	26	\$5,141
32	27	\$5,216
33	28	\$5,294
34	29+	\$5,372
35		

36 **SECTION 7.1.(c)** Annual longevity payments for teachers shall be at the  
 37 rate of one and one-half percent (1.5%) of base salary for 10 to 14 years of State  
 38 service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19  
 39 years of State service, three and twenty-five hundredths percent (3.25%) of base salary  
 40 for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary  
 41 for 25 or more years of State service. The longevity payment shall be paid in a lump  
 42 sum once a year.

43 **SECTION 7.1.(d)** Certified public schoolteachers with certification based  
 44 on academic preparation at the six-year degree level shall receive a salary supplement of  
 45 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation  
 46 provided for certified personnel of the public schools who are classified as "M"  
 47 teachers. Certified public schoolteachers with certification based on academic  
 48 preparation at the doctoral degree level shall receive a salary supplement of two  
 49 hundred fifty-three dollars (\$253.00) per month in addition to the compensation  
 50 provided for certified personnel of the public schools who are classified as "M"  
 51 teachers.

52 **SECTION 7.1.(e)** The first step of the salary schedule for school  
 53 psychologists shall be equivalent to Step 5, corresponding to five years of experience,  
 54 on the salary schedule established in this section for certified personnel of the public  
 55 schools who are classified as "M" teachers. Certified psychologists shall be placed on

1 the salary schedule at an appropriate step based on their years of experience. Certified  
 2 psychologists shall receive longevity payments based on years of State service in the  
 3 same manner as teachers.

4 Certified psychologists with certification based on academic preparation at  
 5 the six-year degree level shall receive a salary supplement of one hundred twenty-six  
 6 dollars (\$126.00) per month in addition to the compensation provided for certified  
 7 psychologists. Certified psychologists with certification based on academic preparation  
 8 at the doctoral degree level shall receive a salary supplement of two hundred fifty-three  
 9 dollars (\$253.00) per month in addition to the compensation provided for certified  
 10 psychologists.

11 **SECTION 7.1.(f)** Speech pathologists who are certified as speech  
 12 pathologists at the masters degree level and audiologists who are certified as  
 13 audiologists at the masters degree level and who are employed in the public schools as  
 14 speech and language specialists and audiologists shall be paid on the school  
 15 psychologist salary schedule.

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

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

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

27  
 28 **SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE**

29 **SECTION 7.2.(a)** Effective for the 2006-2007 school year, the Director of  
 30 the Budget shall transfer from the Reserve for Compensation Increases funds necessary  
 31 to implement the salary schedules for school-based administrators as provided in this  
 32 section. These funds shall be used for State-paid employees only.

33 **SECTION 7.2.(b)** The base salary schedule for school-based administrators  
 34 shall apply only to principals and assistant principals. The base salary schedule for the  
 35 2006-2007 fiscal year, commencing July 1, 2006, is as follows:

36  
 37 2006-2007  
 38 Principal and Assistant Principal Salary Schedules  
 39 Classification

41 Yrs. of	Assistant	Prin I	Prin II	Prin III	Prin IV
42 Exp	Principal	(0-10)	(11-21)	(22-32)	(33-43)
44 0-4	\$3,592				
45 5	\$3,741				
46 6	\$3,884				
47 7	\$4,000				
48 8	\$4,053	\$4,053			
49 9	\$4,108	\$4,108			
50 10	\$4,163	\$4,163	\$4,218		
51 11	\$4,218	\$4,218	\$4,274		
52 12	\$4,274	\$4,274	\$4,331	\$4,389	
53 13	\$4,331	\$4,331	\$4,389	\$4,450	\$4,511
54 14	\$4,389	\$4,389	\$4,450	\$4,511	\$4,572
55 15	\$4,450	\$4,450	\$4,511	\$4,572	\$4,637

1	16	\$4,511	\$4,511	\$4,572	\$4,637	\$4,702
2	17	\$4,572	\$4,572	\$4,637	\$4,702	\$4,766
3	18	\$4,637	\$4,637	\$4,702	\$4,766	\$4,835
4	19	\$4,702	\$4,702	\$4,766	\$4,835	\$4,903
5	20	\$4,766	\$4,766	\$4,835	\$4,903	\$4,976
6	21	\$4,835	\$4,835	\$4,903	\$4,976	\$5,047
7	22	\$4,903	\$4,903	\$4,976	\$5,047	\$5,120
8	23	\$4,976	\$4,976	\$5,047	\$5,120	\$5,192
9	24	\$5,047	\$5,047	\$5,120	\$5,192	\$5,268
10	25	\$5,120	\$5,120	\$5,192	\$5,268	\$5,347
11	26	\$5,192	\$5,192	\$5,268	\$5,347	\$5,426
12	27	\$5,268	\$5,268	\$5,347	\$5,426	\$5,535
13	28	\$5,347	\$5,347	\$5,426	\$5,535	\$5,646
14	29	\$5,426	\$5,426	\$5,535	\$5,646	\$5,759
15	30	\$5,535	\$5,535	\$5,646	\$5,759	\$5,874
16	31	\$5,646	\$5,646	\$5,759	\$5,874	\$5,991
17	32		\$5,759	\$5,874	\$5,991	\$6,111
18	33			\$5,991	\$6,111	\$6,233
19	34			\$6,111	\$6,233	\$6,358
20	35				\$6,358	\$6,485
21	36				\$6,485	\$6,615
22	37					\$6,747

Principal and Assistant Principal Salary Schedules  
Classification

Yrs. of Exp	PrinV (44-54)	PrinVI (55-65)	PrinVII (66-100)	PrinVIII (101+)
0-14	\$4,637			
15	\$4,702			
16	\$4,766	\$4,835		
17	\$4,835	\$4,903	\$5,047	
18	\$4,903	\$4,976	\$5,120	\$5,192
19	\$4,976	\$5,047	\$5,192	\$5,268
20	\$5,047	\$5,120	\$5,268	\$5,347
21	\$5,120	\$5,192	\$5,347	\$5,426
22	\$5,192	\$5,268	\$5,426	\$5,535
23	\$5,268	\$5,347	\$5,535	\$5,646
24	\$5,347	\$5,426	\$5,646	\$5,759
25	\$5,426	\$5,535	\$5,759	\$5,874
26	\$5,535	\$5,646	\$5,874	\$5,991
27	\$5,646	\$5,759	\$5,991	\$6,111
28	\$5,759	\$5,874	\$6,111	\$6,233
29	\$5,874	\$5,991	\$6,233	\$6,358
30	\$5,991	\$6,111	\$6,358	\$6,485
31	\$6,111	\$6,233	\$6,485	\$6,615
32	\$6,233	\$6,358	\$6,615	\$6,747
33	\$6,358	\$6,485	\$6,747	\$6,882
34	\$6,485	\$6,615	\$6,882	\$7,020
35	\$6,615	\$6,747	\$7,020	\$7,160
36	\$6,747	\$6,882	\$7,160	\$7,303
37	\$6,882	\$7,020	\$7,303	\$7,449
38	\$7,020	\$7,160	\$7,449	\$7,598

1	39	\$7,303	\$7,598	\$7,750
2	40	\$7,449	\$7,750	\$7,905
3	41		\$7,905	\$8,063

4           **SECTION 7.2.(c)** The appropriate classification for placement of principals  
5 and assistant principals on the salary schedule, except for principals in alternative  
6 schools and in cooperative innovative high schools, shall be determined in accordance  
7 with the following schedule:

8	Classification	Number of Teachers Supervised
9	Assistant Principal	
10	Principal I	Fewer than 11 Teachers
11	Principal II	11-21 Teachers
12	Principal III	22-32 Teachers
13	Principal IV	33-43 Teachers
14	Principal V	44-54 Teachers
15	Principal VI	55-65 Teachers
16	Principal VII	66-100 Teachers
17	Principal VIII	More than 100 Teachers

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

21           The beginning classification for principals in alternative schools and in  
22 cooperative innovative high school programs shall be the Principal III level. Principals  
23 in alternative schools who supervise 33 or more teachers shall be classified according to  
24 the number of teachers supervised.

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

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

37           **SECTION 7.2.(f)** Longevity pay for principals and assistant principals shall  
38 be as provided for State employees under the State Personnel Act.

39           **SECTION 7.2.(g)** If a principal is reassigned to a higher job classification  
40 because the principal is transferred to a school within a local school administrative unit  
41 with a larger number of State-allotted teachers, the principal shall be placed on the  
42 salary schedule as if the principal had served the principal's entire career as a principal  
43 at the higher job classification.

44           If a principal is reassigned to a lower job classification because the principal  
45 is transferred to a school within a local school administrative unit with a smaller number  
46 of State-allotted teachers, the principal shall be placed on the salary schedule as if the  
47 principal had served the principal's entire career as a principal at the lower job  
48 classification.

49           This subsection applies to all transfers on or after the effective date of this  
50 section, except transfers in school systems that have been created, or will be created, by  
51 merging two or more school systems. Transfers in these merged systems are exempt  
52

1 from the provisions of this subsection for one calendar year following the date of the  
2 merger.

3 **SECTION 7.2.(h)** Participants in an approved full-time masters in school  
4 administration program shall receive up to a 10-month stipend at the beginning salary of  
5 an assistant principal during the internship period of the masters program. For the  
6 2006-2007 fiscal year and subsequent fiscal years, the stipend shall not exceed the  
7 difference between the beginning salary of an assistant principal and any fellowship  
8 funds received by the intern as a full-time student, including awards of the Principal  
9 Fellows Program. The Principal Fellows Program or the school of education where the  
10 intern participates in a full-time masters in school administration program shall supply  
11 the Department of Public Instruction with certification of eligible full-time interns.

12 **SECTION 7.2.(i)** During the 2006-2007 fiscal year, the placement on the  
13 salary schedule of an administrator with a one-year provisional assistant principal's  
14 certificate shall be at the entry-level salary for an assistant principal or the appropriate  
15 step on the teacher salary schedule, whichever is higher.

16  
17 **CENTRAL OFFICE SALARIES**

18 **SECTION 7.3.(a)** The monthly salary ranges that follow apply to assistant  
19 superintendents, associate superintendents, directors/coordinators, supervisors, and  
20 finance officers for the 2006-2007 fiscal year, beginning July 1, 2006.

21	School Administrator I	\$3,079	\$6,012
22	School Administrator II	\$3,268	\$6,378
23	School Administrator III	\$3,468	\$6,765
24	School Administrator IV	\$3,608	\$7,035
25	School Administrator V	\$3,753	\$7,319
26	School Administrator VI	\$3,982	\$7,762
27	School Administrator VII	\$4,142	\$8,075

28 The local board of education shall determine the appropriate category and  
29 placement for each assistant superintendent, associate superintendent,  
30 director/coordinator, supervisor, or finance officer within the salary ranges and within  
31 funds appropriated by the General Assembly for central office administrators and  
32 superintendents. The category in which an employee is placed shall be included in the  
33 contract of any employee hired on or after July 1, 2006.

34 **SECTION 7.3.(b)** The monthly salary ranges that follow apply to public  
35 school superintendents for the 2006-2007 fiscal year, beginning July 1, 2006.

36	Superintendent I	\$4,396	\$8,566
37	Superintendent II	\$4,667	\$9,084
38	Superintendent III	\$4,952	\$9,637
39	Superintendent IV	\$5,225	\$10,221
40	Superintendent V	\$5,578	\$10,844

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

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

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



1 level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per  
2 month in addition to the compensation provided for under this section.

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

6 **SECTION 7.3.(f)** The annual salary increase for all permanent full-time  
7 personnel paid from the Central Office Allotment shall be five percent (5%),  
8 commencing July 1, 2006. The State Board of Education shall allocate these funds to  
9 local school administrative units. The local boards of education shall establish  
10 guidelines for providing salary increases to these personnel.

## 11 **NONCERTIFIED PERSONNEL SALARY AND FAIR MINIMUM PAY**

12 **SECTION 7.4.(a)** The annual salary increase for permanent, full-time  
13 noncertified public school employees whose salaries are supported from the State's  
14 General Fund shall be five percent (5%), commencing July 1, 2006.

15 **SECTION 7.4.(b)** Local boards of education shall increase the rates of pay  
16 for such employees who were employed for all or part of fiscal year 2005-2006 and who  
17 continue their employment for fiscal year 2006-2007 by providing an annual salary  
18 increase for employees of five percent (5%). For part-time employees, the pay increase  
19 shall be pro rata based on the number of hours worked.

20 **SECTION 7.4.(c)** The State Board of Education may adopt salary ranges for  
21 noncertified personnel to support increases of five percent (5%) for the 2006-2007 fiscal  
22 year.

23 **SECTION 7.4.(d)** Effective July 1, 2006, permanent full-time noncertified  
24 public school employees whose salaries are supported from the State's General Fund  
25 shall be paid a minimum salary of at least twenty thousand one hundred twelve dollars  
26 (\$20,112) per year. Permanent, full-time employees working on a schedule requiring  
27 less than 12 months' service per year and permanent part-time employees, whose  
28 salaries are supported from the State's General Fund, shall be paid the minimum salary  
29 pro rata. The fair minimum wage salary adjustment provided by this section shall be  
30 calculated and awarded after any across-the-board salary increases authorized by this  
31 act.

## 32 **BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY** 33 **SCHEDULES**

34 **SECTION 7.5.** Effective July 1, 2006, any permanent certified personnel  
35 employed on July 1, 2006, and paid on the teacher salary schedule with 29+ years of  
36 experience shall receive a one-time bonus equivalent to the average increase of the 26-  
37 to 29-year steps, one and fifty-five hundredths percent (1.55%). Effective July 1, 2006,  
38 any permanent personnel employed on July 1, 2006, and paid at the top of the principal  
39 and assistant principal salary schedule shall receive a one-time bonus equivalent to two  
40 percent (2%). For permanent part-time personnel, the one-time bonus shall be adjusted  
41 pro rata. Personnel defined under G.S. 115C-325(a)(5a) are not eligible to receive the  
42 bonus.

## 43 **FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION**

44 **SECTION 7.6.(a)** The State Board of Education shall use funds  
45 appropriated in this act for State Aid to Local School Administrative Units to provide  
46 incentive funding for schools that met or exceeded the projected levels of improvement  
47 in student performance during the 2005-2006 school year, in accordance with the ABCs  
48 of Public Education Program. In accordance with State Board of Education policy:

- 49 (1) Incentive awards in schools that achieve higher than expected  
50 improvements may be up to:
  - 51 a. One thousand five hundred dollars (\$1,500) for each teacher  
52 and for certified personnel; and  
53  
54  
55

- 1 b. Five hundred dollars (\$500.00) for each teacher assistant.  
2 (2) Incentive awards in schools that meet the expected improvements may  
3 be up to:  
4 a. Seven hundred fifty dollars (\$750.00) for each teacher and for  
5 certified personnel; and  
6 b. Three hundred seventy-five dollars (\$375.00) for each teacher  
7 assistant.

8 **SECTION 7.6.(b)** The State Board of Education may use funds appropriated  
9 to the State Public School Fund to provide assistance to low-performing schools.

## 10 CHILDREN WITH DISABILITIES

11 **SECTION 7.7.** The State Board of Education shall allocate funds for  
12 children with disabilities on the basis of two thousand nine hundred sixty-six dollars and  
13 sixty-five cents (\$2,966.65) per child for a maximum of 172,040 children for the  
14 2006-2007 school year. Each local school administrative unit shall receive funds for the  
15 lesser of (i) all children who are identified as children with disabilities, or (ii) twelve  
16 and five-tenths percent (12.5%) of the 2006-2007 allocated average daily membership  
17 in the local school administrative unit.

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 FUNDS FOR ACADEMICALLY GIFTED CHILDREN

24 **SECTION 7.8.** The State Board of Education shall allocate funds for  
25 academically or intellectually gifted children on the basis of nine hundred sixty-one  
26 dollars and sixty cents (\$961.60) per child. A local school administrative unit shall  
27 receive funds for a maximum of four percent (4%) of its 2006-2007 allocated average  
28 daily membership, regardless of the number of children identified as academically or  
29 intellectually gifted in the unit. The State Board shall allocate funds for no more than  
30 57,419 children for the 2006-2007 school year.

31 The dollar amounts allocated under this section for academically or  
32 intellectually gifted children shall also adjust in accordance with legislative salary  
33 increments, retirement rate adjustments, and health benefit adjustments for personnel  
34 who serve academically or intellectually gifted children.  
35

## 36 DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING

37 **SECTION 7.10.** Section 7.8 of S.L. 2005-276 is amended by adding a new  
38 subsection to read:

39 "SECTION 7.8.(c) Beginning in the 2006-2007 fiscal year, funds appropriated for  
40 disadvantaged student supplemental funding (DSSF) shall be allotted based upon a  
41 teacher-to-student ratio for the eligible DSSF population using the following formula:  
42

- 43 (1) Local education agencies (LEAs) in counties with wealth greater than  
44 ninety percent (90%) of the statewide average shall receive one  
45 teaching position per 20.5 DSSF population;  
46 (2) LEAs in counties with wealth not less than eighty percent (80%) and  
47 not greater than ninety percent (90%) of the statewide average shall  
48 receive one teaching position per 20 DSSF population;  
49 (3) LEAs in counties with wealth less than eighty percent (80%) of the  
50 statewide average shall receive one teaching position per 19.5 DSSF  
51 population;  
52 (4) LEAs receiving DSSF funds in 2005-2006 shall receive one teaching  
53 position per 16 DSSF population. These LEAs shall receive no less  
54 than the DSSF amount allotted in 2005-2006.

1           For the purpose of this subsection, wealth shall be calculated under the low  
2 wealth supplemental formula."

#### 4 **LEARN AND EARN HIGH SCHOOLS**

5           **SECTION 7.11.** Section 7.32 of S.L. 2005-276 is amended by adding the  
6 following new subsections:

7           "SECTION 7.32.(e) Enrollment fees and tuition for The University of North  
8 Carolina courses in which Learn and Earn students are enrolled are allowable uses of  
9 these funds. Tuition costs may include laboratory fees assessed to all students enrolled  
10 in the course or a similar course.

11           SECTION 7.32.(f) Textbooks required for college courses in which Learn and Earn  
12 students are enrolled may be purchased with these funds.

13           SECTION 7.32.(g) Payment of fees from these funds by local school  
14 administrative units to partnering community colleges and universities are restricted to  
15 technology or course fees. Funds appropriated in this act shall not be used to support the  
16 cost of athletic or other student activity or campus fees not required by enrollment in a  
17 specific course.

18           SECTION 7.32.(h) The State Board of Education shall allot funds for university  
19 enrollment, tuition and fees, and textbooks on the basis of and after verification of the  
20 credit hour enrollment of Learn and Earn students in university courses. The State  
21 Board of Education shall allot funds for community college fees and textbooks on the  
22 basis of and after verification of the credit hour enrollment of Learn and Earn students  
23 in community college courses."

#### 24 **NC WISE POSITIONS**

25           **SECTION 7.12.(a)** Notwithstanding G.S. 143-23, the State Board of  
26 Education may, in consultation with the Office of Information Technology Services, use  
27 funds appropriated in this act for NC WISE to create a maximum of 20 positions and  
28 incur expenditures necessary to transfer the maintenance and administration of the NC  
29 WISE system from the vendor to the Department of Public Instruction.

30           **SECTION 7.12.(b)** The Department of Public Instruction shall report on a  
31 quarterly basis to the Joint Legislative Education Oversight Committee on the  
32 implementation of the NC WISE project.  
33  
34

#### 35 **LITERACY COACHES**

36           **SECTION 7.13.(a)** Funds in the amount of four million seven hundred  
37 sixty-seven thousand four hundred dollars (\$4,767,400) are appropriated to support the  
38 selection and hiring of 100 literacy coaches. Coaches will be hired and placed in 100  
39 middle schools or other public schools with an eighth grade class. A site selection  
40 process including formal criteria will be developed by the State Board of Education in  
41 consultation with the North Carolina Teacher Academy. The site must receive formal  
42 approval of the State Board of Education to receive funds for this purpose. Sites  
43 prioritized for selection will include representation from a wide demographic and will  
44 include, but will not be limited to, feeder schools to Learn and Earn schools, New  
45 Schools Project schools, Disadvantaged Student Supplemental Funding (DSSF)  
46 districts, or select schools with the lowest tier of reading scores in the most recent three  
47 years on end-of-grade tests. To be selected, schools must (i) contain an eighth grade  
48 class, and (ii) ensure that Literacy Coaches will have no administrative responsibilities  
49 in the schools in which they are placed.

50           **SECTION 7.13.(b)** National Board for Professional Teaching Standards  
51 (NBPTS) certified teachers serving in these positions shall be exempt from the  
52 requirements in G.S.115C-296.2(b)(2)d. and shall remain on the NBPTS teacher salary  
53 schedule.  
54

**EXPAND LEA ACCESS TO EDUCATION VALUE ADDED ASSESSMENT SYSTEM (EVAAS)**

**SECTION 7.14.(a)** The State Board of Education shall identify local school administrative units to receive funds for purchasing licenses to EVAAS diagnostic software based on criteria that shall include (i) identified need, (ii) readiness, and (iii) county wealth, as defined in the Low-Wealth Supplemental Funding Formula. The Board shall identify as many units as possible within funds available for this purpose.

**SECTION 7.14.(b)** Funds appropriated for EVAAS in the 2005-2006 fiscal year shall not revert, but shall be carried forward to the 2006-2007 fiscal year for expenditures for training related to expanding local school administrative units' access to the EVAAS tool. Any such funds not spent by June 30, 2007, shall revert to the General Fund.

**SECTION 7.14.(c)** This section becomes effective June 30, 2006.

**CLARIFY DEFINITION: PUBLIC SCHOOL CAPITAL FUNDS**

**SECTION 7.15.** G.S. 115C-546.2(d)(2)a. reads as rewritten:

"a. "Effective county tax rate" means the actual county tax rate, including any countywide supplemental taxes levied for the benefit of public schools, multiplied by a three-year weighted average of the most recent annual sales assessment ratio studies."

**NORTH CAROLINA VIRTUAL PUBLIC SCHOOL**

**SECTION 7.16.(a)** The North Carolina Virtual Public School (NCVPS) program shall report to the State Board of Education and shall maintain an administrative office at the Department of Public Instruction

**SECTION 7.16.(b)** The Director of NCVPS will ensure that course quality standards are established and met and that all e-learning opportunities offered by State-funded entities to public school students are consolidated under the NC Virtual Public School Program, eliminating course duplication. The Director shall report on the proposed consolidation and operating plan for 2007-2008 to the Joint Legislative Education Oversight Committee, the Office of State Budget and Management, and the Fiscal Research Division no later than January 15, 2007. Consolidation will be completed by June 30, 2007. Notwithstanding G.S 143-23, the State Board of Education may move funds within the budget to implement the consolidation.

**SECTION 7.16.(c)** Subsequent to course consolidation, the Director will prioritize e-learning course offerings for students residing in rural and low-wealth county LEAs, in order to expand available instructional opportunities. First-available e-learning instructional opportunities should include courses required as part of the standard course of study for high school graduation and AP offerings not otherwise available.

**SECTION 7.16.(d)** The State Board of Education shall develop an allotment formula for funding e-learning, effective in the 2007-2008 fiscal year. In developing the formula, the Board shall consider, at a minimum, the following:

- (1) The number of students in average daily membership (ADM) projected to enroll in e-learning,
- (2) The projected cost of fees for e-learning courses,
- (3) The extent to which projected enrollment in e-learning courses affects funding required for other allotments that are based on ADM.

**SECTION 7.16.(e)** Any funds appropriated in this act for the NCVPS program that are not expended in fiscal year 2006-2007 shall be carried forward for expenditure in fiscal year 2007-2008. Any such funds that remain unexpended on June 30, 2008, shall revert to the General Fund.

**DISTANCE EDUCATION**

1           **SECTION 7.17.** Notwithstanding G.S. 143-23, the State Board of Education  
2 may use monies from the State Public School Fund in 2006-2007 only to pay for the  
3 additional costs associated with an increased number of registration fees for students  
4 enrolling in Distance Education courses.

5           In preparation for the 2007-2008 fiscal year, the Office of State Budget and  
6 Management is urged to include costs associated with increases in enrollment in  
7 Distance Education courses in the continuation budget.

8  
9           **TRANSFER MORE AT FOUR PROGRAM AND OFFICE OF SCHOOL  
10           READINESS TO THE DEPARTMENT OF PUBLIC INSTRUCTION**

11           **SECTION 7.18.(a)** The More at Four program and the Office of School  
12 Readiness are transferred from the Office of the Governor to the Department of Public  
13 Instruction effective July 1, 2006. This transfer shall have all of the elements of a Type  
14 I transfer, as defined in G.S. 143A-6. The Office of School Readiness will provide  
15 oversight to the More at Four program and other related early childhood and  
16 prekindergarten education experiences. An Executive Director for the Office of School  
17 Readiness will be appointed by the State Board of Education.

18           **SECTION 7.18.(b)** Section 10.67(a) of S.L. 2005-276 is repealed.

19           **SECTION 7.18.(c)** Section 10.67(b) of S.L. 2005-276 reads as rewritten:

20           **"SECTION 10.67.(b)** ~~The Department of Health and Human Services and the~~  
21 ~~Department of Public Instruction, with guidance from the Task Force,~~ shall continue the  
22 implementation of the "More at Four" prekindergarten program for at-risk  
23 four-year-olds who are at risk of failure in kindergarten. The program is available  
24 statewide to all counties that choose to participate, including underserved areas. The  
25 goal of the program is to provide quality prekindergarten services to a greater number of  
26 at-risk children in order to enhance kindergarten readiness for these children. The  
27 program shall be consistent with standards and assessments established jointly by the  
28 Department of Health and Human Services and the Department of Public Instruction.  
29 The program shall include:

- 30           (1) A process and system for identifying children at risk of academic  
31 failure.
- 32           (2) A process and system for identifying children who are not being  
33 served ~~first priority~~ in formal early education programs, such as child  
34 care, public or private preschools, Head Start, Early Head Start, early  
35 intervention programs, or other such programs, who demonstrate  
36 educational needs, and who are eligible to enter kindergarten the next  
37 school year, as well as children who are underserved.
- 38           (3) A curriculum or several curricula that are research-based and/or built  
39 on sound instructional theory recommended by the Task Force. ~~The~~  
40 ~~Task Force will identify and approve appropriate research based~~  
41 ~~curricula.~~ These curricula shall: (i) focus primarily on oral language  
42 and emergent literacy; (ii) engage children through key experiences  
43 and provide background knowledge requisite for formal learning and  
44 successful reading in the early elementary years; (iii) involve active  
45 learning; (iv) promote measurable kindergarten language-readiness  
46 skills that focus on emergent literacy and mathematical skills; and (v)  
47 develop skills that will prepare children emotionally and socially for  
48 kindergarten.
- 49           (4) An emphasis on ongoing family involvement with the prekindergarten  
50 program.
- 51           (5) Evaluation of child progress through a preassessment and  
52 ~~postassessment of children in the~~ statewide evaluation, as well as  
53 ongoing assessment of the children by teachers.

- 1 (6) Guidelines for a system to reimburse local school boards and systems,  
 2 private child care providers, and other entities willing to establish and  
 3 provide prekindergarten programs to serve at-risk children.  
 4 (7) A system built upon existing local school boards and systems, private  
 5 child care providers, and other entities that demonstrate the ability to  
 6 establish or expand prekindergarten capacity.  
 7 (8) A quality-control system. Participating providers shall comply with  
 8 standards and guidelines as established by the Department of Health  
 9 and Human Services and the Department of Public Instruction, ~~and the~~  
 10 ~~Task Force~~. The Department may use the child care rating system to  
 11 assist in determining program participation.  
 12 (9) Standards for minimum teacher qualifications. A portion of the  
 13 classroom sites initially funded shall have at least one teacher who is  
 14 certified or provisionally certified in birth-to-kindergarten education.  
 15 (10) A local contribution. Programs must demonstrate that they are  
 16 accessing resources other than "More at Four".  
 17 (11) A system of accountability.  
 18 (12) Consideration of the reallocation of existing funds. In order to  
 19 maximize current funding and resources, the Department of Health and  
 20 Human Services and the Department of Public Instruction, ~~and the~~  
 21 ~~Task Force~~ shall consider the reallocation of existing funds from State  
 22 and local programs that provide prekindergarten-related care and  
 23 services."

24 **SECTION 7.18.(d)** Section 10.67(c) of S.L. 2005-276 reads as rewritten:

25 **"SECTION 10.67.(c)** ~~The Department of Health and Human Services~~ Department  
 26 of Public Instruction shall implement a plan to expand plan for expansion of the "More  
 27 at Four" program standards within existing resources to include four- and five-star-rated  
 28 centers and schools serving four-year-olds and develop guidelines for these programs.  
 29 ~~The Department shall analyze guidelines for use of the "More at Four" funds, State~~  
 30 ~~subsidy funds, and Smart Start subsidy funds and devise a complementary plan for~~  
 31 ~~administration of funds for all four year old classrooms.~~ The "NC Prekindergarten  
 32 Program Standards" initiative shall recognize four- and five-star-rated centers that  
 33 choose to apply and meet equivalent "More at Four" program standards as high quality  
 34 pre-k classrooms. Classrooms meeting these standards shall, have at a minimum,  
 35 receive curricula and access to training and workshops for "More at Four" programs.  
 36 Whenever expansion slots are available, these classrooms shall have first priority to  
 37 receive them and be considered along with other "More at Four" programs for  
 38 T.E.A.C.H. funding. The Department shall ensure that no individual receives funding  
 39 from more than one source for the same purpose or activity during the same funding  
 40 period. For purposes of this subsection, sources shall include T.E.A.C.H., W.A.G.E.S.,  
 41 and T.E.A.C.H. Health Insurance programs for individual recipients.

42 The "More at Four" program shall review the number of slots filled by  
 43 counties on a monthly basis and shift the unfilled slots to counties with waiting lists.  
 44 The shifting of slots shall occur through ~~December 30, 2005,~~ January 31 of each year,  
 45 at which time any remaining funds for slots unfilled shall be used to meet the needs of  
 46 the waiting list for subsidized child care."

47 **SECTION 7.18.(e)** Section 10.67(d) of S.L. 2005-276 reads as rewritten:

48 **"SECTION 10.67.(d)** ~~The Department of Health and Human Services, the~~  
 49 ~~Department of Public Instruction, and the Task Force shall submit a report by February~~  
 50 ~~1, 2006~~ The Department of Public Instruction shall submit a report by February 1, 2007,  
 51 to the Joint Legislative Commission on Governmental Operations, the Joint Legislative  
 52 Education Oversight Committee, the Senate Appropriations Committee on ~~Health and~~  
 53 Human Services Education, the House of Representatives Appropriations Subcommittee  
 54 on ~~Health and Human Services~~ Education, and the Fiscal Research Division. This final  
 55 report shall include the following:

- 1 (1) The number of children participating in the program.
- 2 (2) The number of children participating in the program who have never
- 3 been served in other early education programs, such as child care,
- 4 public or private preschool, Head Start, Early Head Start, or early
- 5 intervention programs.
- 6 (3) The expected expenditures for the programs and the source of the local
- 7 match for each grantee.
- 8 (4) The location of program sites and the corresponding number of
- 9 children participating in the program at each site.
- 10 ~~(5) Activities involving Child Find in counties.~~
- 11 ~~(6)(5) A comprehensive cost analysis of the program, including the cost per~~
- 12 ~~child served by the program.~~
- 13 ~~(7)(6) The plan for expansion of "More at Four" through existing resources~~
- 14 ~~status of the NC Prekindergarten initiatives as outlined in this~~
- 15 ~~section."~~

16 **SECTION 7.18.(f)** Section 10.67(e) of S.L. 2005-276 reads as rewritten:

17 "**SECTION 10.67.(e)** For the 2005-2006 and the 2006-2007 fiscal years, the "More  
18 at Four" program shall establish income eligibility requirements for the program not to  
19 exceed seventy-five percent (75%) of the State median income ~~to make the program~~  
20 ~~consistent with the child care subsidy requirements.~~ Up to twenty percent (20%)  
21 of children enrolled may have family incomes in excess of seventy-five percent (75%) of  
22 median income if they have other designated risk factors."

23 **SECTION 7.18.(g)** Section 10.67(f) of S.L. 2005-276 reads as rewritten:

24 "**SECTION 10.67.(f)** The "More at Four" program funding shall not supplant any  
25 funding for classrooms serving four-year-olds as of the ~~2003-2004~~ 2005-2006 fiscal  
26 year. Support of existing four-year-old classrooms with "More at Four" program  
27 funding shall be permitted when current funding is eliminated, reduced or redirected as  
28 required to meet other specified federal or State educational mandates."

29 **SECTION 7.18.(h)** Section 10.67(g) of S.L. 2005-276 is repealed.

30 **SECTION 7.18.(i)** G.S. 115C-242(1) reads as rewritten:

- 31 "(1) A school bus may be used for the transportation of pupils enrolled in
- 32 and employees in the operation of the school to which such bus is
- 33 assigned by the superintendent of the local school administrative unit.
- 34 Except as otherwise herein provided, such transportation shall be
- 35 limited to transportation to and from such school for the regularly
- 36 organized school day, and from and to the points designated by the
- 37 principal of the school to which such bus is assigned, for the receiving
- 38 and discharging of passengers. No pupil or employee shall be so
- 39 transported upon any bus other than the bus to which such pupil or
- 40 employee has been assigned pursuant to the provisions of this Article:
- 41 Provided, that children enrolled in a Headstart program or any More at
- 42 Four program which is housed in a building owned and operated by a
- 43 local school administrative unit where school is being conducted may
- 44 be transported on public school buses, and any additional costs
- 45 associated with such so long as the contractual arrangements shall be
- 46 incurred by the benefitting Head Start or More at Four program ~~made~~
- 47 ~~cause no extra expense to the State:~~ Provided further, that children
- 48 with special needs may be transported to and from the nearest
- 49 appropriate private school having a special education program
- 50 approved by the State Board of Education if the children to be
- 51 transported are or have been placed in that program by a local school
- 52 administrative unit as a result of the State or the unit's duty to provide
- 53 such children with a free appropriate public education."
- 54
- 55

## ADMINISTRATIVE FUNDING FOR TEACHING FELLOWS PROGRAM

1           **SECTION 7.19.(a)** G.S. 115C-363.23A(f) reads as rewritten:

2           "(f) All funds appropriated to or otherwise received by the Teaching Fellows  
3 Program for scholarships, all funds received as repayment of scholarship loans, and all  
4 interest earned on these funds, shall be placed in a revolving fund. This revolving fund  
5 shall be used for scholarship loans granted under the Teaching Fellows Program. With  
6 the prior approval of the General Assembly in the Current Operations Appropriations  
7 Act, the revolving fund may also be used for campus and summer program support, and  
8 costs related to disbursement of awards and collection of loan repayments.

9           The Public School Forum, as administrator for the Teaching Fellows Program, may  
10 use up to ~~one hundred fifty thousand dollars (\$150,000) annually~~ eight hundred ten  
11 thousand dollars (\$810,000) for the 2006-2007 fiscal year from the fund balance for  
12 costs associated with administration of the Teaching Fellows Program. In subsequent  
13 fiscal years, this amount shall be increased by the Office of State Budget and  
14 Management as necessary to provide salary increases to Program employees  
15 commensurate with legislative salary increases for State employees."

16           **SECTION 7.19.(b)** The additional funding provided for administration of  
17 the Teaching Fellows Program in G.S. 115C-363.23A(f), as rewritten by subsection (a)  
18 of this section, shall be used to meet current administrative expenses of the Program,  
19 expand minority recruitment initiatives, and expand the Program to up to four additional  
20 campuses using a merit-based selection process developed by the North Carolina  
21 Teaching Fellows Commission.

22           The Teaching Fellows Program shall report to the Joint Legislative Education  
23 Oversight Committee by December 1, 2006, on the campuses selected and on the  
24 selection process.

## 25 26 **REFUND OF LOCAL SALES AND USE TAXES TO A LOCAL SCHOOL** 27 **ADMINISTRATIVE UNIT**

28           **SECTION 7.20.(a)** G.S. 105-467(b) reads as rewritten:

29           "(b) Exemptions and Refunds. – The State exemptions and exclusions contained  
30 in G.S. 105-164.13, the State sales and use tax holiday contained in G.S. 105-164.13C,  
31 and the State refund provisions contained in G.S. 105-164.14 apply to the local sales  
32 and use tax authorized to be levied and imposed under this Article. Except as provided  
33 in this subsection, a taxing county may not allow an exemption, exclusion, or refund  
34 that is not allowed under the State sales and use tax. A local school administrative unit  
35 and a joint agency created by interlocal agreement among local school administrative  
36 units pursuant to G.S. 160A-462 to jointly purchase food service-related materials,  
37 supplies, and equipment on their behalf is allowed an annual refund of sales and use  
38 taxes paid by it under this Article on direct purchases of tangible personal property and  
39 services, other than electricity and telecommunications service. Sales and use tax  
40 liability indirectly incurred by the entity on building materials, supplies, fixtures, and  
41 equipment that become a part of or annexed to any building or structure that is owned or  
42 leased by the entity and is being erected, altered, or repaired for use by the entity is  
43 considered a sales or use tax liability incurred on direct purchases by the entity for the  
44 purpose of this subsection. A request for a refund shall be in writing and shall include  
45 any information and documentation required by the Secretary. A request for a refund is  
46 due within six months after the end of the entity's fiscal year. Refunds applied for more  
47 than three years after the due date are barred."

48           **SECTION 7.20.(b)** Section 7.51(c) of S.L. 2005-276, as amended by  
49 Section 7 of S.L. 2005-345, reads as rewritten:

50           **"SECTION 7.51.(c)** Subsection (b) of this section becomes effective July 1, 2006.  
51 Notwithstanding the provisions of G.S. 105-164.44H, for the 2006-2007 fiscal year, the  
52 amount transferred to the State Public School Fund each quarter shall equal one-fourth  
53 of the amount refunded under G.S. 105-164.14(c)(2b) and (2c) during the 2005-2006  
54 fiscal year for State sales and use taxes only plus or minus the percentage of that amount  
55 by which the total collection of State sales and use tax increased or decreased during the



1 preceding fiscal year. The remainder of this section becomes effective July 1, 2005, and  
2 applies to sales made on or after that date."

3 **SECTION 7.20.(c)** This section becomes effective July 1, 2005, and applies  
4 to sales made on or after that date.

## 5 6 **SALARY SUPPLEMENT FOR MATH AND SCIENCE TEACHERS PILOT 7 PROGRAM**

8 **SECTION 7.21.(a)** Funds in the amount of five hundred fifteen thousand  
9 one hundred fifteen dollars (\$515,115) are appropriated in this act for a pilot program  
10 providing for a salary supplement for newly hired teachers (as defined by the State  
11 Board of Education) of mathematics or science at the middle or high school level. The  
12 State Board of Education shall develop the pilot program and select three local school  
13 administrative units to participate in the pilot program. In selecting the units, the Board  
14 shall target low-performing local school administrative units and take geographical  
15 diversity into account. Selected local school administrative units shall use salary  
16 supplement funds for newly hired teachers at low-performing schools.

17 Each of the pilot units shall receive funds to provide for a salary supplement  
18 of fifteen thousand dollars (\$15,000) to up to 10 newly hired teachers at the middle or  
19 high school level who have nonprovisional certification in and are teaching in one or  
20 more of the following areas of teacher certification:

- 21 (1) Middle grades mathematics,
- 22 (2) Middle grades science,
- 23 (3) Mathematics (9-12),
- 24 (4) Science (9-12),
- 25 (5) Earth science (9-12),
- 26 (6) Biology (9-12),
- 27 (7) Physics (9-12), and
- 28 (8) Chemistry (9-12).

29 **SECTION 7.21.(b)** In accordance with G.S. 115C-325 and by way of  
30 clarification, it shall not constitute a demotion as that term is defined in  
31 G.S. 115C-325(a)(4) if:

- 32 (1) A teacher who receives a salary supplement pursuant to subsection (a)  
33 of this section is reassigned to a school at which there is no such salary  
34 supplement;
- 35 (2) A teacher who receives a salary supplement pursuant to subsection (a)  
36 of this section moves to a different local school administrative unit; or
- 37 (3) A teacher receives a salary supplement pursuant to subsection (a) of  
38 this section and the salary supplement is subsequently discontinued or  
39 reduced.

40 **SECTION 7.21.(c)** Funds not needed to pay for salary supplements shall  
41 revert to the General Fund.

42 **SECTION 7.21.(d)** The State Board of Education shall report to the Joint  
43 Legislative Education Oversight Committee on the design of the pilot program prior to  
44 implementation. The State Board of Education shall report to the Joint Legislative  
45 Education Oversight Committee on the implementation of the pilot program by January  
46 15, 2007.

## 47 48 **PART VIII. COMMUNITY COLLEGES**

### 49 50 **SALARIES OF COMMUNITY COLLEGE FACULTY AND PROFESSIONAL 51 STAFF**

52 **SECTION 8.1.** Section 8.3 of S.L. 2005-276 is amended by adding a new  
53 subsection to read:

54 **"SECTION 8.3.(b1)** For the 2006-2007 school year, the minimum salaries for  
55 nine-month, full-time, curriculum community college faculty shall be as follows:

	Education Level	Minimum Salary 2006-2007
1		
2		
3	Vocational Diploma/Certificate or Less	\$31,728
4	Associate Degree or Equivalent	\$32,195
5	Bachelors Degree	\$34,220
6	Masters Degree or Education Specialist	\$36,016
7	Doctoral Degree	\$38,607
8	No full-time faculty member shall earn less than the minimum salary for his or her	
9	education level.	

10 The pro rata hourly rate of the minimum salary for each education level shall be  
11 used to determine the minimum salary for part-time faculty members."

### 12 13 **USE OF FUNDS APPROPRIATED FOR ISOTHERMAL COMMUNITY** 14 **COLLEGE**

15 **SECTION 8.2.** Funds appropriated for composite testing at Isothermal  
16 Community College and not used for that purpose may be used to purchase equipment  
17 for the Lifelong Learning Center located at Isothermal Community College.

### 18 19 **USE OF FUNDS FOR THE COLLEGE INFORMATION SYSTEM PROJECT**

20 **SECTION 8.3.(a)** Funds appropriated to the Community Colleges System  
21 Office for the College Information System Project shall not revert at the end of the  
22 2005-2006 fiscal year but shall remain available until expended.

23 **SECTION 8.3.(b)** Notwithstanding G.S. 143-23, the Community Colleges  
24 System Office may, subject to the approval of the Office of State Budget and  
25 Management, in consultation with the Office of Information Technology Services, and  
26 after consultation with the Joint Legislative Commission on Governmental Operations,  
27 use funds appropriated in this act for the College Information System Project to create a  
28 maximum of 20 positions or incur expenditures necessary to transfer the maintenance  
29 and administration of the College Information System Project from the vendor to the  
30 System Office.

31 **SECTION 8.3.(c)** The Community Colleges System Office shall report on a  
32 quarterly basis to the Joint Legislative Education Oversight Committee on the  
33 implementation of the College Information System Project.

34 **SECTION 8.3.(d)** Subsection (a) of this section becomes effective June 30,  
35 2006.

### 36 37 **CARRYFORWARD FOR EQUIPMENT**

38 **SECTION 8.4.(a)** Subject to the approval of the Office of State Budget and  
39 Management and cash availability, the North Carolina Community Colleges System  
40 Office may carry forward an amount not to exceed ten million dollars (\$10,000,000) of  
41 the operating funds that were not reverted in fiscal year 2005-2006 to be reallocated to  
42 the State Board of Community Colleges' Equipment Reserve Fund. These funds shall  
43 be distributed to colleges consistent with G.S. 115D-31.

44 **SECTION 8.4.(b)** This section becomes effective June 30, 2006.

### 45 46 **NC COMMUNITY COLLEGE SYSTEM MAY USE STATE FUNDS IN LIEU** 47 **OF FEDERAL FUNDS DUE TO FEDERAL MANDATES**

48 **SECTION 8.5.** Notwithstanding G.S. 143-23, the Community Colleges  
49 System Office may use State literacy funds to fund the State administration of the GED  
50 office. Federal funds previously used to support the State administration functions shall  
51 be reallocated to the colleges.

### 52 53 **REPORT ON THE NCCCS BIONETWORK**

54 **SECTION 8.6.** The Community Colleges System Office shall report by  
55 November 1, 2006, to the Joint Legislative Education Oversight Committee, the Office

1 of State Budget and Management, and the Fiscal Research Division on the  
2 implementation of the NCCCS BioNetwork. This report shall include an explanation of  
3 the BioNetwork's activities, accomplishments, and expenditures.  
4

#### 5 **STUDY OF NEW AND EXPANDING INDUSTRY TRAINING**

6 **SECTION 8.7.** The Office of State Budget and Management shall conduct a  
7 study to analyze and evaluate the New and Expanding Industry Training program of the  
8 North Carolina Community College System. This study shall examine the companies  
9 served, the number of times each company has been served, the number of jobs created,  
10 the length of time the company has remained in North Carolina after receiving New and  
11 Expanding Industry Training funds, and whether the company has maintained  
12 employment levels at the same level promised when training was received. The  
13 findings of the study shall be reported to the Joint Legislative Education Oversight  
14 Committee no later than April 1, 2007.  
15

#### 16 **MATCHING REQUIREMENT FOR BOND FUNDS**

17 **SECTION 8.8.** Section 3(d) of S.L. 2000-3 reads as rewritten:

18 **"Section 3.(d)** If the State Board of Community Colleges determines that a  
19 community college has not met its matching requirements by July 1, ~~2006,2007~~, with  
20 respect to a capital improvement project for which bond proceeds are allocated in this  
21 act, the Board shall certify that fact to the State Treasurer by October 1, ~~2006,2007~~. All  
22 of these bond proceeds with respect to which the Board certifies that the matching  
23 requirement has not been met by July 1, ~~2006,2007~~, shall be placed by the State  
24 Treasurer in a special account within the Community Colleges Bond Fund and shall be  
25 used for making grants to community colleges. Bond proceeds in the special account  
26 shall be allocated among the community colleges in accordance with the following  
27 conditions:

- 28 (1) The State Board of Community Colleges shall generate, by October 1,  
29 ~~2006,2007~~, a priority ranking of legitimate community college capital  
30 improvement needs using a formula based on objective meaningful  
31 factors relevant to capital needs, including actual and projected  
32 enrollment, space requirements, current capacity, construction costs,  
33 and any other factors the State Board considers relevant.
- 34 (2) The State Board of Community Colleges shall provide the State  
35 Treasurer a projected allocation of the proceeds in the special account  
36 in accordance with this priority ranking, except that:
  - 37 a. No projected allocation shall be made for a community college  
38 that the Board certified in accordance with this subsection had  
39 failed to meet a matching requirement.
  - 40 b. No more than four million dollars (\$4,000,000) shall be  
41 allocated to a single community college.
  - 42 c. Funds shall not be allocated for more than one project per  
43 community college.
- 44 (3) The proceeds of grants made from bond proceeds in the special  
45 account shall be allocated and expended for paying the cost of  
46 community college capital improvements in accordance with this  
47 allocation by the State Board of Community Colleges, to the extent  
48 and as provided in this act. The Director of the Budget is empowered,  
49 when the Director of the Budget determines it is in the best interest of  
50 the State and the North Carolina Community College System to do so,  
51 and if the cost of a particular project is less than the projected  
52 allocation, to use the excess funds to increase the size of that project or  
53 increase the size of any other project itemized in this section, or to  
54 increase the amount allocated to a particular community college within  
55 the aggregate amount of funds available under this section. The

1 Director of the Budget shall consult with the Advisory Budget  
2 Commission and the Joint Legislative Commission on Governmental  
3 Operations before making these changes."  
4

## 5 COMMUNITY COLLEGE LOW-WEALTH FUNDING

6 **SECTION 8.9.(a)** G.S. 115D-31.3 is amended by adding a new subsection  
7 to read:

8 "(j) Use of funds in low-wealth counties. – Funds retained by colleges or  
9 distributed to colleges pursuant to this section may be used to supplement local funding  
10 for maintenance of plant if the college does not receive maintenance of plant funds  
11 pursuant to G.S. 115D-31.2, and if the county in which the main campus of the  
12 community college is located:

- 13 (1) Is designated as a Tier 1 or Tier 2 county in accordance with  
14 G.S. 105-129.3;
- 15 (2) Had an unemployment rate of at least two percent (2%) above the  
16 State average or greater than seven percent (7%), whichever is higher,  
17 in the prior calendar year; and
- 18 (3) Is a county whose wealth, as calculated under the formula for  
19 distributing supplemental funding for schools in low-wealth counties,  
20 is eighty percent (80%) or less of the State average.

21 Funds may be used for this purpose only after all local funds appropriated for  
22 maintenance of plant have been expended."

23 **SECTION 8.9.(b)** This section becomes effective June 30, 2006.  
24

## 25 PART IX. UNIVERSITIES

### 26 UNC-NCCCS 2+2 E-LEARNING INITIATIVE

27 **SECTION 9.1.** The University of North Carolina and Community Colleges  
28 System Office shall report by September 1, 2006, to the Joint Legislative Education  
29 Oversight Committee, the Office of State Budget and Management, and the Fiscal  
30 Research Division of the General Assembly on the implementation of the UNC-NCCCS  
31 2+2 E-Learning Initiative. This report shall include:  
32

- 33 (1) The courses and programs within the 2+2 E-Learning Initiative;
- 34 (2) The total number of prospective teachers that have taken or are taking  
35 part in this initiative to date broken down by the current academic  
36 period and each of the previous academic periods since the program's  
37 inception;
- 38 (3) The total number of teachers currently in the State's classroom, by  
39 local school administrative unit, who have taken part in this initiative;
- 40 (4) The change in the number of teachers available to schools since the  
41 program's inception;
- 42 (5) The qualitative data from students, teachers, local school  
43 administrative unit personnel, university personnel, and community  
44 college personnel as to the impact of this initiative on our State's  
45 teaching pool; and
- 46 (6) An explanation of the expenditures and collaborative programs  
47 between the North Carolina Community College System and The  
48 University of North Carolina, including recommendations for  
49 improvement.  
50

### 51 TEACHER EDUCATION PROGRAM ENROLLMENT PLANS

52 **SECTION 9.2.** The University of North Carolina Board of Governors' Task  
53 Force on Meeting Teacher Supply and Demand called for the President to develop a  
54 plan for enrollment growth in the University System's teacher education programs to  
55 respond to the State's shortage of teachers. In a presentation to the Joint Legislative

1 Education Oversight Committee and to the Board of Governors, a commitment was  
2 made to increase the number of teacher education graduates. The University of North  
3 Carolina General Administration shall obtain plans from each constituent institution as  
4 to how they will maintain their current enrollment in the teacher education programs  
5 and achieve their growth targets to ensure such increases in those programs occur. Plans  
6 may include using enrollment growth funds for targeted admissions, enhanced student  
7 support, and advising, recruiting, increases in faculty in necessary instructional areas  
8 that lead to certification, and other methods General Administration believes will  
9 achieve those results. The University of North Carolina General Administration shall  
10 report back to the Office of State Budget and Management and the Joint Legislative  
11 Education Oversight Committee no later than December 30, 2006, on each constituent  
12 institution's plan. No later than March 31, 2007, The University of North Carolina  
13 General Administration shall submit a report on progress towards meeting this priority  
14 for the 2007-2008 academic year, based on each constituent institution's current  
15 students in the education programs, and the students who have been accepted for the  
16 2007-2008 fiscal year who are enrolling in the education programs. The report shall also  
17 explain the distribution of enrollment growth funds by specific initiative.  
18

### 19 **NORTH CAROLINA IN THE WORLD PROJECT**

20 **SECTION 9.3.** In collaboration with the State Board of Education and the  
21 NC Department of Commerce, the NC Center for International Understanding shall  
22 develop a plan to ensure that public K-12 international education efforts such as teacher  
23 and student exchanges, curriculum development, and other initiatives for students,  
24 teachers, and administrators are focused on key countries and regions of strategic  
25 economic interest to North Carolina. The NC Center for International Understanding  
26 shall report to the Office of State Budget and Management and the Joint Legislative  
27 Education Oversight Committee on the activities and accomplishments of the two  
28 hundred thousand dollar (\$200,000) nonrecurring appropriation for North Carolina in  
29 the World Project no later than March 31, 2007.  
30

### 31 **STUDY THE FEASIBILITY OF ADDING NORTH CAROLINA WESLEYAN** 32 **COLLEGE TO UNC SYSTEM**

33 **SECTION 9.4.(a)** The Board of Governors of The University of North  
34 Carolina shall study the feasibility of making North Carolina Wesleyan College a  
35 constituent institution of The University of North Carolina. The study shall include all  
36 of the following:

- 37 (1) Mission. – The Board of Governors shall evaluate the potential  
38 missions of the campus that would meet the academic and economic  
39 needs of the region, the State, and of the University System. The Board  
40 of Governors shall take into account the need to avoid duplication of  
41 curriculum and programs at other campuses, particularly those within  
42 the same geographic area, unless the need for duplication is warranted.  
43 The Board of Governors shall seek recommendations, suggestions, and  
44 comments from community leaders, educational experts, and business  
45 leaders in defining the mission of the new campus. Particular focus  
46 shall be placed on utilizing the campus in a manner that addresses both  
47 the economic and educational challenges of the region in a unique and  
48 focused manner, such as in the areas of science, technology, education,  
49 and economic development.
- 50 (2) Cost. – The Board of Governors shall analyze the potential operating  
51 costs of the campus. Factors such as the mission, staff and faculty  
52 salaries, benefits, total faculty and staff levels, total projected student  
53 enrollment, facility needs, and tuition rates shall be taken into account.
- 54 (3) Facility Needs. – The Board of Governors shall consider what  
55 additional facility needs there may be, taking into account the

1 proposed mission of the campus. Examples of those needs may be lab  
2 facility upgrades, new buildings to house an expanded student  
3 population, and associated infrastructure expansion.

- 4 (4) Asset Transfer. – The Board of Governors shall obtain legal and  
5 financial analyses to determine if there are any restrictions attached to  
6 any of the College's assets (title to property, gifts to endowment, assets  
7 purchased with restricted grant funds, etc.) that would prohibit the  
8 transfer of the assets to the State. If there are restrictions, then the  
9 analyses shall also include the steps necessary to lift the restrictions  
10 and the costs of obtaining a clear title.
- 11 (5) Liability Analysis. – The Board of Governors shall also obtain a legal  
12 analysis to determine whether there are pending liabilities against the  
13 campus or reasonably foreseeable future liabilities against the campus.  
14 If there are such liabilities, the legal analysis shall also address the  
15 action needed to avoid transfer of any liability to the State.
- 16 (6) Transition of Current Students/Programs. – The Board of Governors  
17 shall consider how best to handle the transition of the currently  
18 enrolled student population, both on and off campus, into continuing  
19 or new curriculum programs during the conversion period.
- 20 (7) Personnel. – The Board of Governors shall assess the employment  
21 status of current personnel to determine what, if any, contractual and  
22 other employment issues may arise in the conversion.
- 23 (8) Legislative Action. – The Board of Governors shall determine the  
24 legislative action and statutory amendments needed to authorize and  
25 implement the conversion.

26 **SECTION 9.4.(b)** Of the funds available to the Board of Governors of The  
27 University of North Carolina, the sum of fifty thousand dollars (\$50,000) for the  
28 2006-2007 fiscal year shall be used to conduct the study required by this act.  
29

### 30 NORTH CAROLINA PROGRESS BOARD

31 **SECTION 9.5.(a)** G.S. 143B-372.1 reads as rewritten:

#### 32 "§ 143B-372.1. North Carolina Progress Board.

33 (a) The North Carolina Progress Board is established. The Board shall be located  
34 administratively in the Board of Governors of The University of North Carolina and  
35 may be located at any constituent institution within The University of North Carolina, or  
36 at any institution to which it is invited formally, but shall exercise all its prescribed  
37 statutory powers independently of the Board of Governors or the institution at which it  
38 resides.

39 (b) The North Carolina Progress Board shall consist of 24 members of statewide  
40 prominence as follows:

- 41 (1) ~~The Governor, ex officio;~~  
42 (2) ~~Eight-Six~~ persons appointed by the Governor, none of whom shall be  
43 State employees or officers;  
44 (3) ~~Five-Six~~ persons appointed by the Speaker of the House of  
45 Representatives, two of whom shall be members of the House of  
46 Representatives;  
47 (4) ~~Five-Six~~ persons appointed by the President Pro Tempore of the  
48 Senate, two of whom shall be members of the Senate; and  
49 (5) ~~Five-Six~~ persons appointed by the North Carolina Progress Board.

50 (c) ~~The Governor or the Governor's designee shall be chair of the North Carolina~~  
51 ~~Progress Board. The Governor Progress Board shall appoint-elect a vice chair-chair~~  
52 ~~from among the membership of the North Carolina Progress Board to serve at the~~  
53 ~~pleasure of the Governor Progress Board. The North Carolina Progress Board may elect~~  
54 ~~such other any~~ officers as it sees fit.

1 (d) The North Carolina Progress Board shall meet at least twice annually on the  
2 call of the chair or as additionally provided by the North Carolina Progress Board. A  
3 quorum is 12 members of the Board. Members may not send designees to board  
4 meetings, nor may they vote by proxy.

5 (e) Board appointments shall be for terms to begin July 1, 1999, with subsequent  
6 appointments to be made as terms expire or resignations occur. Of the Governor's  
7 appointments, two shall be for one-year terms, two shall be for two-year terms, two  
8 shall be for three-year terms, and two shall be for four-year terms. Of the appointments  
9 made by the Speaker of the House of Representatives, the President Pro Tempore of the  
10 Senate, and the North Carolina Progress Board, one member appointed by each shall be  
11 appointed for a one-year term, one member appointed by each shall be appointed for a  
12 two-year term, one member appointed by each shall be appointed for a three-year term,  
13 and two members appointed by each shall be appointed for a four-year term. As terms  
14 expire, successors shall be appointed for four-year terms.

15 (d1) Effective July 1, 2006, the initial term for the additional member appointed  
16 by the Speaker of the House of Representatives to the North Carolina Progress Board  
17 shall be for a four-year term to begin on July 1, 2006, and the initial term for the  
18 additional member appointed by the President Pro Tempore of the Senate to the North  
19 Carolina Progress Board shall be for a four-year term to begin on July 1, 2006. The  
20 Governor shall not appoint any members on July 1, 2006, for four-year terms.

21 (f) No member may be appointed to more than two consecutive terms. A  
22 member of the House of Representatives appointed by the Speaker of the House vacates  
23 membership on the North Carolina Progress Board when that person is no longer a  
24 member of the House of Representatives, except that if that person is in office at the  
25 expiration of the term of office in the House of Representatives but has not been elected  
26 to the next term, that person shall continue to serve until the convening of the regular  
27 session. A member of the Senate appointed by the President Pro Tempore of the Senate  
28 vacates membership on the North Carolina Progress Board when that person is no  
29 longer a member of the Senate, except that if that person is in office at the expiration of  
30 the term of office in the Senate but has not been elected to the next term, that person  
31 shall continue to serve until the convening of the regular session."

32 **SECTION 9.5.(b)** G.S. 143B-372.3 reads as rewritten:

33 **"§ 143B-372.3. Staff.**

34 (a) ~~Upon the recommendation of the Board, the Governor The Progress Board or~~  
35 ~~its supporting nonprofit entity shall appoint an Executive Director who shall serve at the~~  
36 ~~pleasure of the Board and the Governor but, for administrative purposes, shall report to~~  
37 ~~the Board of Governors of The University of North Carolina. The Executive Director~~  
38 ~~shall report to the North Carolina Progress Board and the Governor. The Executive~~  
39 ~~Director shall hire or contract with support staff, who shall work at the pleasure of the~~  
40 ~~Executive Director staff and obtain any other resources and take any other actions~~  
41 ~~reasonably required to fulfill the duties of the Progress Board as set forth in~~  
42 ~~G.S. 143B-372.2.~~

43 (b) The Office of State Budget and Management shall also provide support,  
44 information, reports, and other assistance to the North Carolina Progress Board as  
45 requested.

46 (c) Repealed by Session Laws 1999-237, s. 10.12(a)."  
47

#### 48 **GRADUATE NURSE SCHOLARSHIP PROGRAM FOR FACULTY** 49 **PRODUCTION**

50 **SECTION 9.6.** Article 9H of Chapter 90 of the General Statutes is amended  
51 by adding the following new sections to read:

52 **"§ 90-171.95. Graduate Nurse Scholarship Program for Faculty Production**  
53 **established; administration.**

54 (a) There is established the Graduate Nurse Scholarship Program for Faculty  
55 Production. The North Carolina Nursing Scholars Commission shall determine selection

1 criteria, methods of selection, and shall select recipients of scholarship loans made  
2 under the Graduate Nurse Scholarship Program for Faculty Production.

3 (b) The Graduate Nurse Scholarship Program for Faculty Production shall be  
4 used to provide the following:

5 (1) A scholarship loan for up to two years in the amount of fifteen  
6 thousand dollars (\$15,000) per year, per recipient, to students enrolled  
7 in a masters degree program in nursing education or any other area of  
8 the nursing field that would permit them to become a nursing  
9 instructor at a North Carolina community college or university.

10 (2) A scholarship loan for up to three years in the amount of fifteen  
11 thousand dollars (\$15,000) per year, per recipient, to students enrolled  
12 in a doctoral degree program in nursing education or any other area of  
13 the nursing field that would permit them to become a nursing  
14 instructor at a North Carolina community college or university.

15 The State Education Assistance Authority shall adopt specific rules to regulate these  
16 scholarship loans.

17 (b1) If a recipient is awarded a scholarship loan under this program and is  
18 enrolled, or accepted for enrollment, in an eligible program, but is unable to pursue the  
19 course of study in nursing for a semester due to limited faculty resources at the  
20 institution for that semester, then the recipient shall continue to receive the scholarship  
21 loan for that semester and shall not be required to forfeit or repay the scholarship loan  
22 for that semester, provided that the recipient remains otherwise eligible for the program.  
23 This waiver shall be valid for only one semester of study and may extend a recipient's  
24 eligibility for funding under the program by no more than one semester.

25 (c) The Commission shall adopt stringent standards, which may include  
26 minimum grade point average, scholastic aptitude test scores, and other standards  
27 deemed appropriate by the Commission, to ensure that only the best potential students  
28 receive loans under the Graduate Nurse Scholarship Program for Faculty Production.  
29 Standards adopted by the Commission shall include provisions for ensuring that the  
30 qualifications of applicants who are or would be nontraditional students are considered  
31 fairly in providing them with opportunities to compete for the loans. Loans under the  
32 Graduate Nurse Scholarship Program for Faculty Production shall be awarded only to  
33 applicants who meet the standards set by the Commission and who agree to teach in a  
34 North Carolina public nursing program upon completion of the nursing education  
35 program supported by the loan.

36 (d) The Commission shall develop and administer the Graduate Nurse  
37 Scholarship Program for Faculty Production in cooperation with nursing schools at  
38 institutions approved by the Commission and the North Carolina Board of Nursing. The  
39 Graduate Nurse Scholarship Program for Faculty Production shall provide for  
40 participants to be exposed to a range of extracurricular activities while in school, which  
41 activities shall be aimed at instilling in students a strong motivation to remain in the  
42 practice of nursing education and to provide leadership for the nursing profession.

43 (e) The Commission may form regional review committees to assist it in  
44 identifying the best high school seniors and other applicants for the program. The  
45 Commission and the review committees shall make an effort to identify and encourage  
46 minority students and students who may not otherwise consider a career in nursing to  
47 apply for the Graduate Nurse Scholarship Program for Faculty Production.

48 (f) Upon the naming of recipients of loans from the Graduate Nurse Scholarship  
49 Program for Faculty Production, the Commission shall inform the State Education  
50 Assistance Authority (SEAA) of its decisions. The SEAA shall perform all of the  
51 administrative functions necessary to implement this Article, which functions shall  
52 include: rulemaking, dissemination of information to the public, distribution and receipt  
53 of applications for scholarship loans, and the functions necessary for the execution,  
54 payment, and enforcement of promissory notes required under this Article.

55 **"§ 90-171.96. Terms of loans; receipt and disbursement of funds.**



1       (a) All scholarship loans shall be evidenced by notes made payable to the State  
2 Education Assistance Authority that bear interest at the rate of ten percent (10%) per  
3 year beginning 90 days after completion of the nursing education program, or 90 days  
4 after termination of the scholarship loan, whichever is earlier. The scholarship loan may  
5 be terminated upon the recipient's withdrawal from school or by the recipient's failure to  
6 meet the standards set by the Commission.

7       (b) The State Education Assistance Authority shall forgive the loan if, within  
8 seven years after graduation from a nursing education program, the recipient teaches in  
9 a public nursing education program in a public educational institution in North Carolina  
10 for one year for every year a scholarship loan was provided. If the recipient repays the  
11 scholarship loan by cash payments, all indebtedness shall be repaid within 10 years. The  
12 Authority may provide for accelerated repayment and for less than full-time  
13 employment options to encourage the practice of nursing education in either geographic  
14 or nursing specialty shortage areas. The Authority shall adopt specific rules to designate  
15 these geographic areas and these nursing specialty shortage areas, upon  
16 recommendations of the North Carolina Center for Nursing. The North Carolina Center  
17 for Nursing shall base its recommendations on objective information provided by  
18 interested groups or agencies and upon objective information collected by the Center.  
19 The Authority may forgive the scholarship loan if it determines that it is impossible for  
20 the recipient to teach in a public nursing program in North Carolina for a sufficient time  
21 to repay the loan because of the death or permanent disability of the recipient within 10  
22 years following graduation or termination of enrollment in a nursing education program.

23       (c) All funds appropriated to or otherwise received by the Graduate Nurse  
24 Scholarship Program for Faculty Production for scholarships, all funds received as  
25 repayment of scholarship loans, and all interest earned on these funds, shall be placed in  
26 a revolving fund. This revolving fund may be used only for scholarship loans granted  
27 under the Graduate Nurse Scholarship Program for Faculty Production."

28  
29 **MANAGEMENT FLEXIBILITY TO REORGANIZE BUDGET CODE 16012**  
30 **UNC BOARD OF GOVERNORS RELATED EDUCATIONAL PROGRAMS**

31       **SECTION 9.7.** Notwithstanding G.S. 143-23, for the 2006-2007 fiscal year,  
32 the General Administration of The University of North Carolina and the State  
33 Educational Assistance Authority shall, with the approval of the Office of State Budget  
34 and Management, reorganize budget code 16012, UNC Board of Governors Related  
35 Educational Programs, so that the budget reflects and segregates each specific program  
36 individually. The Office of State Budget and Management shall work with The  
37 University of North Carolina General Administration and the State Educational  
38 Assistance Authority to ensure that each program represented in code 16012 is  
39 identified and budgeted separately.

40  
41 **TRANSFERS OF APPROPRIATION**

42       **SECTION 9.8.** G.S. 116-30.2(a) reads as rewritten:

43       "(a) All General Fund appropriations made by the General Assembly for  
44 continuing operations of a special responsibility constituent institution of The  
45 University of North Carolina shall be made in the form of a single sum to each budget  
46 code of the institution for each year of the fiscal period for which the appropriations are  
47 being made. Notwithstanding G.S. 143-23(a1), G.S. 143-23(a2), and G.S. 120-76(8),  
48 each special responsibility constituent institution may expend monies from the overhead  
49 receipts special fund budget code and the General Fund monies so appropriated to it in  
50 the manner deemed by the Chancellor to be calculated to maintain and advance the  
51 programs and services of the institutions, consistent with the directives and policies of  
52 the Board of Governors. Special responsibility constituent institutions may transfer  
53 appropriations between budget codes. These transfers shall be considered certified even  
54 if as a result of agreements between special responsibility constituent institutions. The  
55 preparation, presentation, and review of General Fund budget requests of special

1 responsibility constituent institutions shall be conducted in the same manner as are  
2 requests of other constituent institutions. The quarterly allotment procedure established  
3 pursuant to G.S. 143-17 shall apply to the General Fund appropriations made for the  
4 current operations of each special responsibility constituent institution. All General  
5 Fund monies so appropriated to each special responsibility constituent institution shall  
6 be recorded, reported, and audited in the same manner as are General Fund  
7 appropriations to other constituent institutions."  
8

## 9 NURSING SCHOLARS PROGRAM MODIFICATION

10 SECTION 9.9.(a) G.S. 90-171.61 reads as rewritten:

### 11 "§ 90-171.61. Nursing Scholars Program established; administration.

12 (a) There is established the Nursing Scholars Program. The North Carolina  
13 Nursing Scholars Commission shall determine selection criteria, methods of selection,  
14 and shall select recipients of scholarship loans made under the Nursing Scholars  
15 Program.

16 (b) The Nursing Scholars Program shall be used to provide the following:

- 17 (1) ~~A four year scholarship loan~~Scholarship loans in the amount~~amounts~~  
18 ~~of up to of five thousand dollars (\$5,000)~~six thousand five hundred  
19 ~~dollars (\$6,500) per year, for each scholarship of no more than four~~  
20 ~~years per recipient, to North Carolina high school seniors or other~~  
21 ~~persons~~residents interested in preparing to become a registered ~~nurse~~  
22 ~~nurses through a associate or baccalaureate degree program.~~programs  
23 ~~or through diploma programs.~~
- 24 (2) ~~A two year scholarship loan in the amount of three thousand dollars~~  
25 ~~(\$3,000) per year, per recipient, to persons interested in preparing to be~~  
26 ~~a registered nurse through an associate degree nursing program or a~~  
27 ~~diploma nursing program.~~
- 28 (3) ~~A two year scholarship loan in the amount of three thousand dollars~~  
29 ~~(\$3,000) per year, per recipient, for two years of baccalaureate nursing~~  
30 ~~study for college juniors or community college graduates interested in~~  
31 ~~preparing to be a registered nurse.~~
- 32 (4) ~~A two year scholarship loan of three thousand dollars (\$3,000) per~~  
33 ~~year, per recipient, for two years of baccalaureate study in nursing for~~  
34 ~~registered nurses who do not hold a baccalaureate degree in nursing.~~
- 35 (5) ~~A two year scholarship loan~~Scholarship loans of six thousand ~~five~~  
36 ~~hundred~~ dollars (\$6,000)~~(\$6,500) per year, per recipient, for two years~~  
37 ~~of study leading to a master of science in nursing degree for people~~  
38 ~~residents~~ already holding a baccalaureate degree in nursing.

39 ~~In addition to the awarding scholarship loans awarded pursuant to subdivisions (1)~~  
40 ~~through and (5) of this subsection, the Commission may award pro rata scholarship~~  
41 ~~loans to recipients enrolled at least half-time in study to become registered nurses or to~~  
42 ~~attain a master of science in nursing degree.~~in study leading to a master of science in  
43 ~~nursing degree who already hold a baccalaureate degree in nursing and to recipients~~  
44 ~~enrolled at least half-time in study leading to a baccalaureate degree in nursing who~~  
45 ~~already are licensed as registered nurses.~~ In awarding all scholarship loans, the  
46 Commission shall give priority to full-time students over part-time students. The State  
47 Education Assistance Authority shall adopt specific rules to regulate scholarship loans  
48 to part-time ~~master of science in nursing students and part time baccalaureate degree~~  
49 ~~students.~~students.

50 Within current funds available or with any additional funds provided by the General  
51 Assembly for this purpose, the Commission may set aside slots for scholarship loans  
52 prescribed by ~~subdivisions (1) and (2)~~ subdivision (1) of this subsection to enable  
53 licensed practical nurses to become registered nurses. The State Education Assistance  
54 Authority shall adopt specific rules to regulate these scholarship loans.

1 (b1) If a recipient is awarded a scholarship loan under this program and is  
2 enrolled, or accepted for enrollment, in a baccalaureate nursing program, but is unable  
3 to pursue the course of study in nursing for a semester due to limited faculty resources  
4 at the institution for that semester, then the recipient shall continue to receive the  
5 scholarship loan for that semester and shall not be required to forfeit or repay the  
6 scholarship loan for that semester provided that the recipient remains otherwise eligible  
7 for the program. This waiver shall be valid for only one semester of study and may  
8 extend a recipient's eligibility for funding under the program by no more than one  
9 semester.

10 (c) The Commission shall adopt stringent standards, which may include  
11 minimum grade point average, scholastic aptitude test scores, and other standards  
12 deemed appropriate by the Commission, to ensure that only the best potential students  
13 receive and retain loans under the Nursing Scholars Program. Standards adopted by the  
14 Commission shall include provisions for ensuring that the qualifications of applicants  
15 who are or would be nontraditional students are considered fairly in providing them  
16 with opportunities to compete for the loans. Loans under the Nursing Scholars Program  
17 shall be awarded only to applicants who meet the standards set by the Commission and  
18 who agree to practice nursing in North Carolina upon completion of the nursing  
19 education program supported by the loan.

20 (d) The Commission shall develop and administer the Nursing Scholars Program  
21 in cooperation with nursing schools at institutions approved by the Commission and the  
22 North Carolina Board of Nursing. The Nursing Scholars Program shall provide for  
23 participants to be exposed to a range of extracurricular activities while in school, which  
24 activities shall be aimed at instilling in students a strong motivation to remain in the  
25 practice of nursing and to provide leadership for the nursing profession.

26 (e) The Commission may form regional review committees within North  
27 Carolina to assist it in identifying the best high school seniors and other applicants for  
28 the program. The Commission and the review committees shall make an effort to  
29 identify and encourage minority students and students who may not otherwise consider  
30 a career in nursing to apply for the Nursing Scholars Program.

31 (f) Upon the naming of recipients of loans from the Nursing Scholars Program,  
32 the Commission shall inform the State Education Assistance Authority (SEAA) of its  
33 decisions. The SEAA shall perform all of the administrative functions necessary to  
34 implement this Article, which functions shall include: rule-making, dissemination of  
35 information to the public, distribution and receipt of applications for scholarship loans,  
36 and the functions necessary for the execution, payment, and enforcement of promissory  
37 notes required under this Article."

38 **SECTION 9.9.(b)** This section applies to all scholarship loans awarded or  
39 renewed on or after July 1, 2006.

#### 40 **UNC BOARD OF GOVERNORS MEDICAL AND DENTAL SCHOLARSHIPS**

41 **SECTION 9.10.(a)** Section 9.9(a) of S.L. 2005-276 reads as rewritten:

42 **"SECTION 9.9.(a)** The current Board of Governors' Dental Scholarship Program,  
43 under the purview of the Board of Governors of The University of North Carolina, shall  
44 make any awards to students admitted after July 1, 2005, as scholarship loan awards.  
45 The Board of Governors' Dental Scholarship Program is administered by the Board of  
46 Governors of The University of North Carolina. The Board of Governors' Dental  
47 Scholarship Program shall be used to provide a four-year scholarship loan of relevant  
48 tuition and fees, mandatory medical insurance, required laptop computers for first-year  
49 students, required dental equipment, and an annual payment of five thousand dollars  
50 (\$5,000) per year to students who have been accepted for admission to the School of  
51 Dentistry at the University of North Carolina at Chapel Hill. The Board may adopt  
52 standards, including minimum grade point average and DAT scores, for awarding these  
53 scholarship loans to ensure that only the most qualified students receive them. The  
54 Board shall make an effort to identify and encourage minority and economically  
55

1 disadvantaged youth to enter the program. All scholarship loans shall be evidenced by  
2 notes made payable to the Board that shall bear interest at the rate of ten percent (10%)  
3 per year beginning September 1 after completion of the program, or immediately after  
4 termination of the scholarship loan, whichever is earlier. The scholarship loan may be  
5 terminated by the recipient withdrawing from school or by the recipient not meeting the  
6 standards set by the Board. The Board shall forgive the loan if, within seven years after  
7 graduation, the recipient practices dentistry in North Carolina for four years. An  
8 extension of the seven-year period for satisfaction of the service requirements for the  
9 scholarship loan may be granted subject to the approval on the finding of extenuating  
10 circumstances by the State Education Assistance Authority. Such extenuating  
11 circumstances may include, but are not be limited to, participation in a dental residency  
12 program. The Board shall also forgive the loan if it finds that it is impossible for the  
13 recipient to practice dentistry in North Carolina for four years, within seven years after  
14 graduation, because of the death or permanent disability of the recipient. All unused  
15 funds appropriated to or otherwise received by the Board for scholarships, all funds  
16 received as repayment of scholarship loans, and all interest earned on these funds shall  
17 revert to the General Fund at the end of each fiscal year."

18 **SECTION 9.10.(b)** Section 9.10(a) reads as rewritten:

19 **"SECTION 9.10.(a)** The current Board of Governors' Medical Scholarship  
20 Program, under the purview of the Board of Governors of The University of North  
21 Carolina, shall make any awards to students admitted after July 1, 2005, as scholarship  
22 loan awards. The Board of Governors' Medical Scholarship Program is administered by  
23 the Board of Governors of The University of North Carolina. The Board of Governors'  
24 Medical Scholarship Program shall be used to provide a four-year scholarship loan of  
25 relevant tuition and fees, mandatory medical insurance, required laptop computers, and  
26 an annual payment of five thousand dollars (\$5,000) per year to students who have been  
27 accepted for admission to either Duke University School of Medicine, Brody School of  
28 Medicine at East Carolina University, the University of North Carolina at Chapel Hill  
29 School of Medicine, or the Wake Forest University School of Medicine. The Board may  
30 adopt standards, including minimum grade point average and MCAT scores, for  
31 awarding these scholarship loans to ensure that only the most qualified students receive  
32 them. The Board shall make an effort to identify and encourage minority and  
33 economically disadvantaged youth to enter the program. All scholarship loans shall be  
34 evidenced by notes made payable to the Board that shall bear interest at the rate of ten  
35 percent (10%) per year beginning September 1 after completion of the program, or  
36 immediately after termination of the scholarship loan, whichever is earlier. The  
37 scholarship loan may be terminated by the recipient withdrawing from school or by the  
38 recipient not meeting the standards set by the Board. The Board shall forgive the loan if,  
39 within seven years after graduation, the recipient practices medicine in North Carolina  
40 for four years. An extension of the seven-year period for satisfaction of the service  
41 requirements of the scholarship loan may be granted subject to the approval of the State  
42 Education Assistance Authority. Such extenuating circumstances may include, but not  
43 be limited to, participation in a medical residency program. The Board shall also  
44 forgive the loan if it finds that it is impossible for the recipient to practice medicine in  
45 North Carolina for four years, within seven years after graduation, because of the death  
46 or permanent disability of the recipient. All unused funds appropriated to or otherwise  
47 received by the Board for scholarships, all funds received as repayment of scholarship  
48 loans, and all interest earned on these funds shall revert to the General Fund at the end  
49 of each fiscal year."

50 **SECTION 9.10.(c)** This section is effective when it becomes law and  
51 applies to all scholarship loans issued after July 1, 2005.

52  
53 **NC SCHOOL OF SCIENCE AND MATH/HIGH SCHOOL CONSTITUENT**  
54 **INSTITUTION**

55 **SECTION 9.11.(a)** G.S. 116-2 reads as rewritten:

**"§ 116-2. Definitions.**

As used in this Article, unless the context clearly indicates a contrary intent:

- (1) "Board" means the Board of Governors of the University of North Carolina.
- (2) "Board of trustees" means the board of trustees of a constituent institution.
- (3) "Chancellor" means the chancellor of a constituent institution.
- (4) "Constituent institution" or "institution" means one of the 16 public ~~senior institutions,~~ institutions of higher education, to wit, the University of North Carolina at Chapel Hill, North Carolina State University at Raleigh, the University of North Carolina at Greensboro, the University of North Carolina at Charlotte, the University of North Carolina at Asheville, the University of North Carolina at Wilmington, Appalachian State University, East Carolina University, Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, North Carolina School of the Arts, Pembroke State University, redesignated effective July 1, 1996, as the "University of North Carolina at Pembroke", Western Carolina University, and Winston-Salem State University, and the constituent high school, the North Carolina School of Science and Mathematics.
- (5) "President" means the President of the University of North Carolina.
- (6) "Vending facilities" has the same meaning as it does in G.S. 143-12.1."

**SECTION 9.11.(b)** G.S. 116-4 reads as rewritten:

**"§ 116-4. Constituent institutions of the University of North Carolina.**

~~On July 1, 1972, the~~ The University of North Carolina shall be composed of the following ~~institutions:~~ institutions of higher education: the University of North Carolina at Chapel Hill, North Carolina State University at Raleigh, the University of North Carolina at Greensboro, the University of North Carolina at Charlotte, the University of North Carolina at Asheville, the University of North Carolina at Wilmington, Appalachian State University, East Carolina University, Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, North Carolina School of the Arts, Pembroke State University, redesignated effective July 1, 1996, as the "University of North Carolina at Pembroke", Western Carolina University and Winston-Salem State University, and the constituent high School, the North Carolina School of Science and Mathematics."

**SECTION 9.11.(c)** G.S. 116-12 reads as rewritten:

**"§ 116-12. Property and obligations.**

All property of whatsoever kind and all rights and privileges held by the Board of Higher Education and by the Boards of Trustees of Appalachian State University, East Carolina University, Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, North Carolina School of the Arts, Pembroke State University, redesignated effective July 1, 1996, as the "University of North Carolina at Pembroke", Western Carolina University and Winston-Salem State University, as said property, rights and privileges may exist immediately prior to July 1, 1972, shall be, and hereby are, effective July 1, 1972, transferred to and vested in the Board of Governors of the University of North Carolina. All obligations of whatsoever kind of the Board of Higher Education and of the Boards of Trustees of Appalachian State University, East Carolina University, Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, North Carolina School of the Arts, Pembroke State University, redesignated effective July 1, 1996, as the "University of North Carolina at Pembroke", Western

1 Carolina University and Winston-Salem State University, as said obligations may exist  
2 immediately prior to July 1, 1972, shall be, and the same hereby are, effective July 1,  
3 1972, transferred to and assumed by the Board of Governors of the University of North  
4 Carolina. Any property, real or personal, held immediately prior to July 1, 1972, by a  
5 board of trustees of a constituent institution for the benefit of that institution or by the  
6 University of North Carolina for the benefit of any one or more of its six institutions,  
7 shall from and after July 1, 1972, be kept separate and distinct from other property held  
8 by the Board of Governors, shall continue to be held for the benefit of the institution or  
9 institutions that were previously the beneficiaries and shall continue to be held subject  
10 to the provisions of the respective instruments, grants or other means or process by  
11 which any property right was acquired. All property of whatsoever kind and all rights  
12 and privileges held by the Board of Trustees of the North Carolina School of Science  
13 and Mathematics, as said property, rights and privileges may exist immediately prior to  
14 July 1, 2007, shall be and hereby are, effective July 1, 2007, transferred to and vested in  
15 the Board of Governors of The University of North Carolina. All obligations of  
16 whatsoever kind of the Board of Trustees of the North Carolina School of Science and  
17 Mathematics as said obligations may exist immediately prior to July 1, 2007, shall be,  
18 and the same hereby are, effective July 1, 2007, transferred to and assumed by the  
19 Board of Governors of The University of North Carolina. In case a conflict arises as to  
20 which property, rights or privileges were held for the beneficial interest of a particular  
21 institution, or as to the extent to which such property, rights or privileges were so held,  
22 the Board of Governors shall determine the issue, and the determination of the Board  
23 shall constitute final administrative action. Nothing in this Article shall be deemed to  
24 increase or diminish the income, other revenue or specific property which is pledged, or  
25 otherwise hypothecated, for the security or liquidation of any obligations, it being the  
26 intent that the Board of Governors shall assume said obligations without thereby either  
27 enlarging or diminishing the rights of the holders thereof."

28 **SECTION 9.11.(d)** G.S. 116-17 reads as rewritten:

29 **"§ 116-17. Purchase of annuity or retirement income contracts for faculty**  
30 **members, officers and employees.**

31 Notwithstanding any provision of law relating to salaries and/or salary schedules for  
32 the pay of faculty members, administrative officers, or any other employees of  
33 universities, ~~colleges-colleges, constituent institutions,~~ and ~~other~~ institutions of higher  
34 learning as named and set forth in this Article, and other State agencies qualified as  
35 educational institutions under section 501(c)(3) of the United States Internal Revenue  
36 Code, the governing boards of any such universities, ~~colleges-colleges, constituent~~  
37 ~~institutions,~~ and ~~other~~ institutions of higher learning may authorize the business officer  
38 or agent of same to enter into annual contracts with any of the faculty members,  
39 administrative officers and employees of said institutions ~~of higher learning~~ which  
40 provide for a reduction in salary below the total established compensation or salary  
41 schedule for a term of one year. The financial officer or agent shall use the funds  
42 derived from the reduction in the salary of the faculty member, administrative officer or  
43 employee to purchase a nonforfeitable annuity or retirement income contract for the  
44 benefit of said faculty member, administrative officer or employee of said universities,  
45 colleges and ~~institutions of higher learning-institutions.~~ A faculty member,  
46 administrative officer or employee who has agreed to a salary reduction for this purpose  
47 shall not have the right to receive the amount of the salary reduction in cash or in any  
48 other way except the annuity or retirement income contract. Funds used for the purchase  
49 of an annuity or retirement income contract shall not be in lieu of any amount earned by  
50 the faculty member, administrative officer or employee before his election for a salary  
51 reduction has become effective. The agreement for salary reductions referred to herein  
52 shall be effected under any necessary regulations and procedures adopted by the various  
53 governing boards of the various institutions ~~of higher learning~~ and on forms prepared by  
54 said governing boards. Notwithstanding any other provision of this section or law, the  
55 amount by which the salary of any faculty member, administrative officer or employee

1 is reduced pursuant to this section shall not be excluded, but shall be included, in  
2 computing and making payroll deductions for social security and retirement system  
3 purposes, and in computing and providing matching funds for retirement system  
4 purposes.

5 In lieu of the annuity and related contracts provided for under this section, interests  
6 in custodial accounts pursuant to Section 401(f), Section 403(b)(7), and related sections  
7 of the Internal Revenue Code of 1986 as amended may be purchased for the benefit of  
8 qualified employees under this section with the funds derived from the reduction in the  
9 salaries of such employees."

10 **SECTION 9.11.(e)** The catch line of G.S. 116-30.2 reads as rewritten:

11 **"§ 116-30.2. Appropriations to special responsibility constituent institutions and to**  
12 **~~the North Carolina School of Science and Mathematics institutions.~~"**

13 **SECTION 9.11.(f)** G.S. 116-30.2(b) is repealed.

14 **SECTION 9.11.(g)** G.S. 116-31(d) reads as rewritten:

15 "(d) ~~Effective~~ Except as provided in G.S. 116-65, effective July 1, 1973, each of  
16 the 16 ~~constituent~~ institutions of higher education set out in G.S. 116-2(4) shall have  
17 board of trustees composed of 13 persons chosen as follows:

- 18 (1) Eight elected by the Board of Governors,
- 19 (2) Four appointed by the Governor, and
- 20 (3) The president of the student government ex officio.

21 The Board of Trustees of the North Carolina School of Science and Mathematics shall  
22 be established in accordance with G.S. 116-233."

23 **SECTION 9.11.(h)** G.S. 116-40.22(c) reads as rewritten:

24 "(c) Tuition and Fees. – Notwithstanding any provision in Chapter 116 of the  
25 General Statutes to the contrary, in addition to any tuition and fees set by the Board of  
26 Governors pursuant to G.S. 116-11(7), the Board of Trustees of the institution may  
27 recommend to the Board of Governors tuition and fees for program-specific and  
28 institution-specific needs at that institution without regard to whether an emergency  
29 situation exists and not inconsistent with the actions of the General Assembly. The  
30 institution shall retain any tuition and fees set pursuant to this subsection for use by the  
31 institution. Notwithstanding this subsection, neither the Board of Governors of The  
32 University of North Carolina nor its Board of Trustees shall impose any tuition or  
33 mandatory fee at the North Carolina School of Science and Mathematics without the  
34 approval of the General Assembly."

35 **SECTION 9.11.(i)** G.S. 116-143 reads as rewritten:

36 **"§ 116-143. State-supported institutions of higher education required to charge**  
37 **tuition and fees.**

38 The Board of Governors of ~~the~~The University of North Carolina shall fix the tuition  
39 and fees, not inconsistent with actions of the General Assembly, at the institutions of  
40 higher education enumerated in G.S. 116-4 in such amount or amounts as it may deem  
41 best, taking into consideration the nature of each institution and program of study and  
42 the cost of equipment and maintenance; and each institution shall charge and collect  
43 from each student, at the beginning of each semester or quarter, tuition, fees, and an  
44 amount sufficient to pay other expenses for the term.

45 In the event that said students are unable to pay the cost of tuition and required  
46 academic fees as the same may become due, in cash, the said several boards of trustees  
47 are hereby authorized and empowered, in their discretion, to accept the obligation of the  
48 student or students together with such collateral or security as they may deem necessary  
49 and proper, it being the purpose of this Article that all students in State institutions of  
50 higher learning shall be required to pay tuition, and that free tuition is hereby abolished.  
51 Notwithstanding this section, neither the Board of Governors of The University of  
52 North Carolina nor its Board of Trustees shall impose any tuition or mandatory fee at  
53 the North Carolina School of Science and Mathematics without the approval of the  
54 General Assembly.

1 Inasmuch as the giving of tuition and fee waivers, or especially reduced rates,  
2 represent in effect a variety of scholarship awards, the said practice is hereby prohibited  
3 except when expressly authorized by statute or by the Board of Governors of ~~the~~The  
4 University of North Carolina; and, furthermore, it is hereby directed and required that  
5 all budgeted funds expended for scholarships of any type must be clearly identified in  
6 budget reports.

7 Notwithstanding the above provision relating to the abolition of free tuition, the  
8 Board of Governors of ~~the~~The University of North Carolina may, in its discretion,  
9 provide regulations under which a full-time faculty member of the rank of full-time  
10 instructor or above, and any full-time staff member of ~~the~~The University of North  
11 Carolina may during the period of normal employment enroll for not more than one  
12 course per semester in ~~the~~The University of North Carolina free of charge for tuition,  
13 provided such enrollment does not interfere with normal employment obligations and  
14 further provided that such enrollments are not counted for the purpose of receiving  
15 general fund appropriations."

16 **SECTION 9.11.(j)** G.S. 116-230.1 reads as rewritten:

17 **"§ 116-230.1. Policy.**

18 It is hereby declared to be the policy of the State to foster, encourage, promote, and  
19 provide assistance in the development of skills and careers in science and mathematics  
20 among the people of the State."

21 **SECTION 9.11.(k)** G.S. 116-231 reads as rewritten:

22 **"§ 116-231. Reestablishment of the North Carolina School of Science and  
23 Mathematics as an ~~Affiliated School~~ Constituent High School of The  
24 University of North Carolina.**

25 The North Carolina School of Science and Mathematics is hereby reestablished, as  
26 ~~an affiliated~~ a constituent high school of The University of North Carolina, and shall be  
27 governed by the Board of Governors as prescribed in this Chapter and a Board of  
28 Trustees as prescribed in this Article."

29 **SECTION 9.11.(l)** G.S. 116-232 reads as rewritten:

30 **"§ 116-232. Purposes.**

31 The purposes of the School shall be to foster the educational development of North  
32 Carolina high school students who are academically talented in the areas of science and  
33 mathematics and show promise of exceptional development and global leadership  
34 through participation in a residential educational setting emphasizing instruction in the  
35 areas of science and mathematics; ~~to develop, evaluate, and disseminate experimental~~  
36 ~~instructional programs; and to serve all schools of the State through research and~~  
37 ~~outreach activities and to provide instruction, methods, and curricula designed to~~  
38 improve teaching and learning in North Carolina and the nation with an emphasis on  
39 distance education and programs that expand pathways for students into careers in  
40 science and mathematics."

41 **SECTION 9.11.(m)** The introductory language of G.S. 116-233(a) reads as  
42 rewritten:

43 "(a) ~~There~~ Notwithstanding the provisions of G.S. 116-31(d), there shall be a  
44 Board of Trustees of the School, which shall consist of 27 members as follows:

45 ..."

46 **SECTION 9.11.(n)** G.S. 116-234 reads as rewritten:

47 **"§ 116-234. Board of Trustees; meetings; rules of procedure; officers.**

48 (a) The Board of Trustees shall meet at least ~~four~~three times a year and may  
49 hold special meetings at any time, at the call of the chairman or upon petition addressed  
50 to the chairman by at least four of the members of the Board.

51 (b) ~~The~~ Notwithstanding the provisions of G.S. 116-32, the Board of Trustees  
52 shall elect a chairman and a vice-chairman; no ex officio member may hold such an  
53 office.

54 (c) The Board of Trustees shall determine its own rules of procedure and may  
55 delegate to such committees as it may create such of its powers as it deems appropriate.



1 (d) Members of the Board of Trustees, other than ex officio members under  
2 G.S. 116-233(a)(3), shall receive such per diem compensation and necessary travel and  
3 subsistence expenses while engaged in the discharge of their official duties as is  
4 provided by law for members of State boards and commissions. Ex officio members  
5 under G.S. 116-233(a)(3) shall be reimbursed for travel expenses as provided by  
6 G.S. 138-6."

7 **SECTION 9.11.(o)** The catch line of G.S. 116-235 reads as rewritten:

8 "**§ 116-235. Board of Trustees; additional powers and duties.**"

9 **SECTION 9.11.(p)** G.S. 116-235 is amended by adding a new subsection to  
10 read:

11 "(a) In addition to the powers enumerated in Chapter 116, Article I, Part 3, the  
12 Board of Trustees shall have the powers and duties set out in this section."

13 **SECTION 9.11.(q)** G.S. 116-235(a) reads as rewritten:

14 "~~(a)~~(a1) Academic Program. –

15 (1) The Board of Trustees shall establish the standard course of study for  
16 the School. This course of study shall set forth the subjects to be taught  
17 in each grade and the texts and other educational materials on each  
18 subject to be used in each grade.

19 (2) The Board of Trustees shall adopt regulations governing class size, the  
20 instructional calendar, the length of the instructional day, and the  
21 number of instructional days in each term."

22 **SECTION 9.11.(r)** G.S. 116-235(b) reads as rewritten:

23 "(b) Students. –

24 (1) Admission of Students. – The School shall admit students in  
25 accordance with criteria, standards, and procedures established by the  
26 Board of Trustees. To be eligible to be considered for admission, an  
27 applicant must be either a legal resident of the State, as defined by  
28 G.S. 116-143.1(a)(1), or a student whose parent is an active duty  
29 member of the armed services, as defined by G.S. 116-143.3(2), who  
30 is abiding in this State incident to active military duty at the time the  
31 application is submitted, provided the student shares the abode of that  
32 parent; eligibility to remain enrolled in the School shall terminate at  
33 the end of any school year during which a student becomes a  
34 nonresident of the State. The Board of Trustees shall ensure, insofar as  
35 possible without jeopardizing admission standards, that an equal  
36 number of qualified ~~rising high school juniors~~applicants is admitted to  
37 the program and to the residential summer institutes in science and  
38 mathematics from each of North Carolina's congressional districts. In  
39 no event shall the differences in the number of ~~rising high school~~  
40 ~~juniors~~qualified applicants offered admission to the program from each  
41 of North Carolina's congressional districts be more than two and  
42 one-half percentage points from the average number per district who  
43 are offered admission.

44 (2) School Attendance. – Every parent, guardian, or other person in this  
45 State having charge or control of a child who is enrolled in the School  
46 and who is less than 16 years of age shall cause such child to attend  
47 school continuously for a period equal to the time which the School  
48 shall be in session. No person shall encourage, entice, or counsel any  
49 child to be unlawfully absent from the School. Any person who aids or  
50 abets a student's unlawful absence from the School shall, upon  
51 conviction, be guilty of a Class 1 misdemeanor. The ~~Director~~  
52 Chancellor of the School shall be responsible for implementing such  
53 additional policies concerning compulsory attendance as shall be  
54 adopted by the Board of Trustees, including regulations concerning  
55 lawful and unlawful absences, permissible excuses for temporary

absences, maintenance of attendance records, and attendance counseling.

- (3) Student Discipline. – Rules of conduct governing students of the School shall be established by the Board of Trustees. The ~~Director, Chancellor,~~ other administrative officers, and all teachers, substitute teachers, voluntary teachers, teacher aides and assistants, and student teachers in the School may use reasonable force in the exercise of lawful authority to restrain or correct pupils and maintain order.

**SECTION 9.11.(s)** G.S. 116-235(c) through G.S. 116-235(h) is repealed.

**SECTION 9.11.(t)** G.S. 116-236 is repealed.

**SECTION 9.11.(u)** G.S. 116-237 is repealed.

**SECTION 9.11.(v)** G.S. 116-238 is repealed

**SECTION 9.11.(w)** G.S.66-58(c)(3) reads as rewritten:

"(c) The provisions of subsection (a) shall not prohibit:

- ...
  - (3) The business operation of endowment funds established for the purpose of producing income for educational purposes; for purposes of this section, the phrase "operation of endowment funds" shall include the operation by ~~public postsecondary educational~~ constituent institutions of The University of North Carolina of campus stores, the profits from which are used exclusively for awarding scholarships to defray the expenses of students attending the institution; provided, that the operation of the stores must be approved by the board of trustees of the institution, and the merchandise sold shall be limited to educational materials and supplies, gift items and miscellaneous personal-use articles. Provided further that, notwithstanding this subsection, profits from a campus store operated by the endowment of the North Carolina School of Science and Mathematics are used exclusively for student activities, athletics, and other programs to enhance student life. Provided further that sales at campus stores are limited to employees of the institution and members of their immediate families, to duly enrolled students of the campus at which a campus store is located and their immediate families, to duly enrolled students of other campuses of the University of North Carolina other than the campus at which the campus store is located, to other campus stores and to other persons who are on campus other than for the purpose of purchasing merchandise from campus stores. It is the intent of this subdivision that campus stores be established and operated for the purpose of assuring the availability of merchandise described in this Article for sale to persons enumerated herein and not for the purpose of competing with stores operated in the communities surrounding the campuses of the University of North Carolina."

**SECTION 9.11.(x)** G.S. 66-58(g) is repealed.

**SECTION 9.11.(y)** G.S. 126-5(c1)(8) reads as rewritten:

"(c1) Except as to the provisions of Articles 6 and 7 of this Chapter, the provisions of this Chapter shall not apply to:

- ...
  - (8) Instructional and research staff, physicians, and dentists of The University of North Carolina ~~Carolina,~~ including the faculty of the North Carolina School of Science and Mathematics.

...  
**SECTION 9.11.(z)** G.S. 126-5(c1)(11) is repealed.

**SECTION 9.11.(aa)** The catch line of G.S. 135-5.1 reads as rewritten:

1 "§ 135-5.1. **Optional retirement program for State institutions of higher**  
 2 **education. The University of North Carolina.**"

3 **SECTION 9.11.(bb)** G.S. 135-5.1(a) reads as rewritten:

4 "(a) An Optional Retirement Program provided for in this section is authorized  
 5 and established and shall be implemented by the Board of Governors of The University  
 6 of North Carolina. The Optional Retirement Program shall be underwritten by the  
 7 purchase of annuity contracts, which may be both fixed and variable contracts or a  
 8 combination thereof, or financed through the establishment of a trust, for the benefit of  
 9 participants in the Program. Participation in the Optional Retirement Program shall be  
 10 limited to ~~university~~ University personnel who are eligible for membership in the  
 11 Teachers' and State Employees' Retirement Program and who are:

- 12 (1) Administrators and faculty of The University of North Carolina with  
 13 the rank of instructor or above;
- 14 (2) The President and employees of The University of North Carolina who  
 15 are appointed by the Board of Governors on recommendation of the  
 16 President pursuant to G.S. 116-11(4), 116-11(5), and 116-14 or who  
 17 are appointed by the Board of Trustees of a constituent institution of  
 18 The University of North Carolina upon the recommendation of the  
 19 Chancellor pursuant to G.S. 116-40.22(b);
- 20 (3) Nonfaculty instructional and research staff who are exempt from the  
 21 State Personnel Act, as defined by the provisions of  
 22 G.S. 126-5(e1)(8); 126-5(c1)(8), and the faculty of the North Carolina  
 23 School of Science and Mathematics; and
- 24 (4) Field faculty of the Cooperative Agriculture Extension Service, and  
 25 tenure track faculty in North Carolina State University agriculture  
 26 research programs who are exempt from the State Personnel Act and  
 27 who are eligible for membership in the Teachers' and State Employees'  
 28 Retirement System pursuant to G.S. 135-3(1), who in any of the cases  
 29 described in this subsection (i) had been members of the Optional  
 30 Retirement Program under the provisions of Chapter 338, Session  
 31 Laws of 1971, immediately prior to July 1, 1985, or (ii) have sought  
 32 membership as required in subsection (b), below. Under the Optional  
 33 Retirement Program, the State and the participant shall contribute, to  
 34 the extent authorized or required, toward the purchase of such  
 35 contracts or deposited in such trust on the participant's behalf."

36 **SECTION 9.11.(cc)** G.S. 143-597(a) is amended by adding a new  
 37 subdivision to read:

38 "(7) The North Carolina School of Science and Mathematics."

39 **SECTION 9.11.(dd)** This section becomes effective July 1, 2007.  
 40 Subsection (bb) of this section applies only to eligible persons who are employees as of  
 41 July 1, 2007, or who are employed thereafter.

## 42 **EXPAND TUITION WAIVER PROGRAM FOR UNC FACULTY & STAFF**

43 **SECTION 9.12.** G.S. 116-143 reads as rewritten:

44 "**§ 116-143. State-supported institutions of higher education required to charge**  
 45 **tuition and fees.**

46 (a) The Board of Governors of the University of North Carolina shall fix the  
 47 tuition and fees, not inconsistent with actions of the General Assembly, at the  
 48 institutions enumerated in G.S. 116-4 in such amount or amounts as it may deem best,  
 49 taking into consideration the nature of each institution and program of study and the  
 50 cost of equipment and maintenance; and each institution shall charge and collect from  
 51 each student, at the beginning of each semester or quarter, tuition, fees, and an amount  
 52 sufficient to pay other expenses for the term.

53 (b) In the event that said students are unable to pay the cost of tuition and  
 54 required academic fees as the same may become due, in cash, the said several boards of  
 55

1 trustees are hereby authorized and empowered, in their discretion, to accept the  
2 obligation of the student or students together with such collateral or security as they  
3 may deem necessary and proper, it being the purpose of this Article that all students in  
4 State institutions of higher learning shall be required to pay tuition, and that free tuition  
5 is hereby abolished.

6 (c) Inasmuch as the giving of tuition and fee waivers, or especially reduced rates,  
7 represent in effect a variety of scholarship awards, the said practice is hereby prohibited  
8 except when expressly authorized by statute or by the Board of Governors of the  
9 University of North Carolina; and, furthermore, it is hereby directed and required that  
10 all budgeted funds expended for scholarships of any type must be clearly identified in  
11 budget reports.

12 (d) Notwithstanding the above provision relating to the abolition of free tuition,  
13 the Board of Governors of the University of North Carolina may, in its discretion,  
14 provide regulations under which a full-time faculty member of the rank of full-time  
15 instructor or above, and any full-time staff member of the University of North Carolina  
16 may during the period of normal employment enroll for not more than ~~one course~~ three  
17 courses per semester-year in the University of North Carolina free of charge for tuition,  
18 provided such enrollment does not interfere with normal employment obligations and  
19 further provided that such enrollments are not counted for the purpose of receiving  
20 general fund appropriations."  
21

## 22 TUITION AND CONTRACTUAL GRANTS FOR TEACHING/NURSING

23 SECTION 9.13.(a) G.S. 116-19 reads as rewritten:

24 "§ 116-19. **Contracts with private institutions to aid North Carolina**  
25 **students; students and licensure students; reporting requirement.**

26 (a) In order to encourage and assist private institutions to continue to educate  
27 North Carolina ~~students, students and licensure students,~~ the State Education Assistance  
28 Authority may enter into contracts with the institutions under the terms of which an  
29 institution receiving any funds that may be appropriated pursuant to this section would  
30 agree that, during any fiscal year in which such funds were received, the institution  
31 would provide and administer scholarship funds for needy North Carolina students and  
32 licensure students in an amount at least equal to the amount paid to the institution,  
33 pursuant to this section, during the fiscal year. Under the terms of the contracts the State  
34 Education Assistance Authority would agree to pay to the institutions, subject to the  
35 availability of funds, a fixed sum of money for each North Carolina student and  
36 licensure student enrolled at the institutions for the regular academic year, said sum to  
37 be determined by appropriations that might be made from time to time by the General  
38 Assembly pursuant to this section. Funds appropriated pursuant to this section shall be  
39 paid by the State Education Assistance Authority to an institution on certification of the  
40 institution showing the number of North Carolina students and licensure students  
41 enrolled at the institution as of October 1 of any year for which funds may be  
42 appropriated. For purposes of this subsection, "needy North Carolina ~~students~~" students  
43 and licensure students" are those eligible students and licensure students who have  
44 financial need as determined by the institution under the institutional methodology or  
45 the federal methodology as defined by the State Education Assistance Authority. For  
46 purposes of this subsection, "institutional methodology" means a need-analysis formula,  
47 developed by College Scholarship Service, that determines the student's ~~and or licensure~~  
48 student's and his or her family's capacity to pay for postsecondary education each year.

49 (b) The State Education Assistance Authority shall document the number of  
50 full-time equivalent North Carolina undergraduate students and full-time and less than  
51 full-time licensure students that are enrolled in off-campus programs and the State funds  
52 collected by each institution pursuant to G.S. 116-19 for those students. The State  
53 Education Assistance Authority shall also document the number of scholarships and the  
54 amount of the scholarships that are awarded under G.S. 116-19 to students and licensure

1 students enrolled in off-campus programs. An "off-campus program" is any program  
2 offered for degree credit away from the institution's main permanent campus.

3 The State Education Assistance Authority shall include in its annual report to the  
4 Joint Legislative Education Oversight Committee the information it has compiled and  
5 its findings regarding this program."

6 **SECTION 9.13.(b)** G.S. 116-20 reads as rewritten:

7 **"§ 116-20. Scholarship and contract terms; base period.**

8 In order to encourage and assist private institutions to educate additional numbers of  
9 North Carolinians, the Board of Governors of the University of North Carolina is hereby  
10 authorized to enter into contracts within the institutions under the terms of which an  
11 institution receiving any funds that may be appropriated pursuant to this section would  
12 agree that, during any fiscal year in which such funds were received, the institution  
13 would provide and administer scholarship funds for needy North Carolina students and  
14 licensure students in an amount at least equal to the amount paid to the institution,  
15 pursuant to this section, during the fiscal year. Under the terms of the contracts the  
16 Board of Governors of the University of North Carolina would agree to pay to the  
17 institutions, subject to the availability of funds, a fixed sum of money for each North  
18 Carolina student and licensure student enrolled as of October 1 of any year for which  
19 appropriated funds may be available, over and above the number of North Carolina  
20 students enrolled in that institution as of October 1, 1997, which shall be the base date  
21 for the purpose of this calculation. Funds appropriated pursuant to this section shall be  
22 paid by the State Education Assistance Authority to an institution upon recommendation  
23 of the Board of Governors of the University of North Carolina and on certification of  
24 the institution showing the number of North Carolina students and licensure students  
25 enrolled at the institution as of October 1 of any year for which funds may be  
26 appropriated over the number enrolled on the base date. In the event funds are  
27 appropriated for expenditure pursuant to this section and funds are also appropriated, for  
28 the same fiscal year, for expenditure pursuant to G.S. 116-19, students and licensure  
29 students who are enrolled at an institution in excess of the number enrolled on the base  
30 date may be counted under this section for the purpose of calculating the amount to be  
31 paid to the institution, but the same students and licensure students may also be counted  
32 under G.S. 116-19, for the purpose of calculating payment to be made under that  
33 section."

34 **SECTION 9.13.(c)** G.S. 116-21.1 reads as rewritten:

35 **"§ 116-21.1. Financial aid for North Carolina students and licensure students**  
36 **attending private institutions of higher education in North Carolina.**

37 (a) Funds shall be appropriated each fiscal year in the Current Operations  
38 Appropriations Act to the Board of Governors of The University of North Carolina for  
39 aid to institutions and shall be disbursed in accordance with the provisions of  
40 G.S. 116-19, 116-21, and 116-22.

41 (b) The funds appropriated in compliance with this section shall be placed in a  
42 separate, identifiable account in each eligible institution's budget or chart of accounts.  
43 All funds in the account shall be provided as scholarship funds for needy North Carolina  
44 students and licensure students during the fiscal year. Each student and licensure student  
45 awarded a scholarship from this account shall be notified of the source of the funds and  
46 of the amount of the award. Funds not utilized under G.S. 116-19 shall be available for  
47 the tuition grant program as defined in G.S. 116-21.2."

48 **SECTION 9.13.(d)** G.S. 116-21.2 reads as rewritten:

49 **"§ 116-21.2. Legislative tuition grants to aid students and licensure students**  
50 **attending private institutions of higher education.**

51 (a) In addition to any funds appropriated pursuant to G.S. 116-19 and in addition  
52 to all other financial assistance made available to institutions, or to ~~students~~ persons  
53 attending these institutions, there is granted to each full-time North Carolina  
54 undergraduate student attending an approved institution as defined in G.S. 116-22, a

1 sum, to be determined by the General Assembly for each academic year which shall be  
2 distributed to the full-time undergraduate student as provided by this subsection.

3 (a1) The legislative tuition grant provided by this section shall also be granted to  
4 each full-time licensure student who is enrolled in a program intended to result in a  
5 license in teaching or nursing at an approved institution. The legislative tuition grant  
6 provided by this section shall be awarded on a pro rata basis to any licensure student  
7 who is enrolled less than full-time in a program intended to result in a license in  
8 teaching or nursing at an approved institution. The legislative tuition grant and prorated  
9 legislative tuition grant authorized under this subsection shall be paid for undergraduate  
10 courses only.

11 (b) The tuition grants provided for in this section shall be administered by the  
12 State Education Assistance Authority pursuant to rules adopted by the State Education  
13 Assistance Authority not inconsistent with this section. The State Education Assistance  
14 Authority shall not approve any grant until it receives proper certification from an  
15 approved institution that the student or licensure student applying for the grant is ~~an~~  
16 ~~eligible student.~~ eligible. Upon receipt of the certification, the State Education  
17 Assistance Authority shall remit at the times as it prescribes the grant to the approved  
18 institution on behalf, and to the credit, of the ~~student.~~ student or licensure student.

19 (c) ~~In~~ Except as provided in subsection (a1) of this section, in the event a student  
20 on whose behalf a grant has been paid is not enrolled and carrying a minimum academic  
21 load as of the tenth classroom day following the beginning of the school term for which  
22 the grant was paid, the institution shall refund the full amount of the grant to the State  
23 Education Assistance Authority. If a licensure student on whose behalf a prorated grant  
24 has been paid in accordance with subsection (a1) of this section is not enrolled in the  
25 undergraduate class as of the tenth classroom day following the beginning of the school  
26 term for which the grant was paid, the institution shall refund the full amount of the  
27 grant to the State Education Assistance Authority. Each approved institution shall be  
28 subject to examination by the State Auditor for the purpose of determining whether the  
29 institution has properly certified eligibility and enrollment of students and licensure  
30 students and credited grants paid on behalf of ~~the students.~~ them.

31 (d) In the event there are not sufficient funds to provide each eligible student or  
32 licensure student with a full ~~grant.~~ grant as provided by subsection (a) of this section or a  
33 full or a prorated grant as provided by subsection (a1) of this section:

34 (1) The Board of Governors of The University of North Carolina, with the  
35 approval of the Office of State Budget and Management, may transfer  
36 available funds to meet the needs of the programs provided by  
37 subsections ~~(a)~~ (a), (a1), and (b) of this section; and

38 (2) Each eligible student and licensure student shall receive a pro rata  
39 share of funds then available for the remainder of the academic year  
40 within the fiscal period covered by the current appropriation.

41 (e) Any remaining funds shall revert to the General Fund."

42 **SECTION 9.13.(e)** G.S. 116-21.3 reads as rewritten:

43 **"§ 116-21.3. Legislative tuition grant limitations.**

44 (a) For purposes of this section, an "off-campus program" is any program offered  
45 for degree credit away from the institution's main permanent campus.

46 (b) No legislative tuition grant funds shall be expended for a program at an  
47 off-campus site of a private institution, as defined in G.S. 116-22(1), established after  
48 May 15, 1987, unless (i) the private institution offering the program has previously  
49 notified and secured agreement from other private institutions operating degree  
50 programs in the county in which the off-campus program is located or operating in the  
51 counties adjacent to that county or (ii) the degree program is neither available nor  
52 planned in the county with the off-campus site or in the counties adjacent to that county.

53 (c) Any member of the armed services, as defined in G.S. 116-143.3(a), abiding  
54 in this State incident to active military duty, who does not qualify as a resident for  
55 tuition purposes, as defined under G.S. 116-143.1, is eligible for a legislative tuition

1 grant pursuant to this section if the member is enrolled as a full-time  
 2 ~~student-undergraduate student or as a licensure student.~~ The member's legislative tuition  
 3 grant shall not exceed the cost of tuition less any tuition assistance paid by the member's  
 4 employer.

5 (d) A legislative tuition grant authorized under ~~G.S. 116-21.2~~ G.S. 116-21.2(a)  
 6 shall be reduced by twenty-five percent (25%) for any individual student who has  
 7 completed 140 semester credit hours or the equivalent of 140 semester credit hours."

8 **SECTION 9.13.(f)** G.S. 116-21.4(b) reads as rewritten:

9 "(b) Expenditures made pursuant to G.S. 116-19, 116-20, 116-21.1, or 116-21.2  
 10 shall not be used for any student or licensure student who:

- 11 (1) Is incarcerated in a State or federal correctional facility for committing  
 12 a Class A, B, B1, or B2 felony; or
- 13 (2) Is incarcerated in a State or federal correctional facility for committing  
 14 a Class C through I felony and is not eligible for parole or release  
 15 within 10 years."

16 **SECTION 9.13.(g)** G.S. 116-22 is amended by adding a new subdivision to  
 17 read:

18 "(1b) Licensure student shall mean a person who:

- 19 a. Has a bachelors degree;
- 20 b. Is enrolled either full-time or less than full-time in a program  
 21 intended to result in licensure in teaching or nursing;
- 22 c. Attends an institution located in the State; and
- 23 d. Qualifies as a resident of North Carolina in accordance with  
 24 definitions of residency that may from time to time be adopted  
 25 by the Board of Governors of The University of North Carolina  
 26 and published in the residency manual of the Board."

## 27

### 28 **PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

#### 29

#### 30 **CHANGE REPORTING DATE OF AGING STUDY COMMISSION**

31 **SECTION 10.1.** The third paragraph of Section 10.40A.(p) of S.L. 2005-276  
 32 reads as rewritten:

33 "**SECTION 10.40A.(p)**

34 ...

35 The Department shall submit a progress report to the North Carolina Study  
 36 Commission on Aging and to the Senate Appropriations Committee on Health and  
 37 Human Services and to the House of Representatives Subcommittee on Health and  
 38 Human Services on or before ~~April 1, 2006~~ January 1, 2007.

39 ..."

#### 40

#### 41 **RATE SETTING FOR CHILD CARING INSTITUTIONS**

42 **SECTION 10.2.(a)** Section 10.47(b) of S.L. 2005-276 is repealed.

43 **SECTION 10.2.(b)** G.S. 110-93.1 is repealed.

44 **SECTION 10.2.(c)** G.S. 143B-153(2)d. reads as rewritten:

45 "**§ 143B-153. Social Services Commission – creation, powers and duties.**

46 There is hereby created the Social Services Commission of the Department of Health  
 47 and Human Services with the power and duty to adopt rules and regulations to be  
 48 followed in the conduct of the State's social service programs with the power and duty  
 49 to adopt, amend, and rescind rules and regulations under and not inconsistent with the  
 50 laws of the State necessary to carry out the provisions and purposes of this Article.  
 51 Provided, however, the Department of Health and Human Services shall have the power  
 52 and duty to adopt rules and regulations to be followed in the conduct of the State's  
 53 medical assistance program.

54 ...

(2) The Social Services Commission shall have the power and duty to establish standards and adopt rules and regulations:

d. For the payment of State funds to private child-placing agencies as defined in G.S. 131D-10.2(4) and residential child care facilities as defined in G.S. 131D-10.2(13) for care and services provided to children who are in the custody or placement responsibility of a county department of social services; ~~and services.~~ The Commission shall establish standardized rates for child caring institutions in this State, which rates shall be updated annually on July 1. Rate-setting recommendations provided by the Office of the State Auditor shall be incorporated into the Department of Social Services' rate-setting methodology; and

... " **SECTION 10.2.(d)** The effective date for establishing standardized rates for child caring institutions in this State, as enacted in subsection (c) of this section, shall be July 1, 2007.

**MEDICAID**

**SECTION 10.3.** Section 10.11 of S.L. 2005-276 reads as rewritten:

"SECTION 10.11.(a) Use of Funds, Allocation of Costs, Other Authorizations.

- (1) Use of Funds. – Funds appropriated in this act for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy.
- (2) Allocation of Nonfederal Cost of Medicaid. – The State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the nonfederal costs of all applicable services listed in this section. In addition, the State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004.
- (3) Funds for Development and Acquisition of Equipment and Software. – If first approved by the Office of State Budget and Management, the Division of Medical Assistance, Department of Health and Human Services, may use funds that are identified to support the cost of development and acquisition of equipment and software through contractual means to improve and enhance information systems that provide management information and claims processing. The Department of Health and Human Services shall identify adequate funds to support the implementation and first year's operational costs that exceed the currently allocated funds for the new contract for the fiscal agent for the Medicaid Management Information System.
- (4) Reports. – Unless otherwise provided, whenever the Department of Health and Human Services is required by this section to report to the General Assembly, the report shall be submitted to the House of Representatives Appropriations Subcommittee for Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division of the Legislative Services Office. Reports shall be submitted on the date provided in the reporting requirement.

**SECTION 10.11.(b) Policy. –**

- (1) Volume purchase plans and single source procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State



1 Medicaid Plan, contract for services, medical equipment, supplies, and  
2 appliances by implementation of volume purchase plans, single source  
3 procurement, or other contracting processes in order to improve cost  
4 containment.

5 (2) Cost-containment programs. – The Department of Health and Human  
6 Services, Division of Medical Assistance, may undertake  
7 cost-containment programs, including contracting for services,  
8 preadmissions to hospitals, and prior approval for certain outpatient  
9 surgeries before they may be performed in an inpatient setting.

10 (3) Fraud and abuse. –

11 a. The Division of Medical Assistance, Department of Health and  
12 Human Services, may provide incentives to counties that  
13 successfully recover fraudulently spent Medicaid funds by  
14 sharing State savings with counties responsible for the recovery  
15 of the fraudulently spent funds.

16 b. For the purposes of investigating and reducing client fraud and  
17 abuse, the Department of Health and Human Services, Division  
18 of Medical Assistance, shall, unless prohibited by federal law,  
19 include in the Medicaid enrollment process the requirement that  
20 the applicant for Medicaid consent to or authorize in writing the  
21 release of the applicant's medical records for the three years  
22 immediately preceding the application for Medicaid benefits.  
23 The Department shall obtain and use information from the  
24 applicant's medical records in a manner and form that complies  
25 with the Health Insurance Portability and Accountability Act of  
26 1996 ("HIPAA"), P.L. 104-191, as amended, and that protects  
27 the privacy of the information as required by other applicable  
28 federal or State law. In addition to fraud and abuse detection,  
29 the Department may require the applicant's consent for other  
30 purposes permitted by HIPAA and required or authorized by  
31 other applicable federal or State law.

32 (4) Medical policy. –

33 Unless required for compliance with federal law, the Department shall  
34 not change medical policy affecting the amount, sufficiency, duration,  
35 and scope of health care services and who may provide services until  
36 the Division of Medical Assistance has prepared a five-year fiscal  
37 analysis documenting the increased cost of the proposed change in  
38 medical policy and submitted it for Departmental review. If the fiscal  
39 impact indicated by the fiscal analysis for any proposed medical policy  
40 change exceeds three million dollars (\$3,000,000) in total  
41 requirements for a given fiscal year, then the Department shall submit  
42 the proposed policy change with the fiscal analysis to the Office of  
43 State Budget and Management and the Fiscal Research Division. The  
44 Department shall not implement any proposed medical policy change  
45 exceeding three million dollars (\$3,000,000) in total requirements for a  
46 given fiscal year unless the source of State funding is identified and  
47 approved by the Office of State Budget and Management. The  
48 Department shall provide the Office of State Budget and Management  
49 and the Fiscal Research Division a quarterly report itemizing all  
50 medical policy changes with total requirements of less than three  
51 million dollars (\$3,000,000).

52 **SECTION 10.11.(c)** Eligibility. – Eligibility for Medicaid shall be  
53 determined in accordance with the following:

54 (1) Medicaid and Work First Family Assistance, Income Eligibility  
55 Standards. – The maximum net family annual income eligibility

standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:

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

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

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

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

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

(3) The Department of Health and Human Services shall provide Medicaid to 19 and 20-year-olds in accordance with federal rules and regulations.

(4) Pregnant women and children. – The Department of Health and Human Services shall provide coverage to pregnant women and to children according to the following schedule:

a. Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

b. Effective January 1, 2006, infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

c. Effective January 1, 2006, children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

d. Children aged six through 18 with family incomes equal to or less than the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

e. The Department of Health and Human Services shall provide Medicaid coverage for adoptive children with special or rehabilitative needs regardless of the adoptive family's income.

Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as

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

6 (5) The Department of Health and Human Services shall provide Medicaid  
 7 coverage for family planning services to men and women of  
 8 childbearing age with family incomes equal to or less than one  
 9 hundred eight-five percent (185%) of the federal poverty level.

10 (6) ICF and ICF/MR Work Incentive Allowances. – The Department of  
 11 Health and Human Services may provide an incentive allowance to  
 12 Medicaid-eligible recipients of ICF and ICF/MR services, who are  
 13 regularly engaged in work activities as part of their developmental  
 14 plan, and for whom retention of additional income contributes to their  
 15 achievement of independence. The State funds required to match the  
 16 federal funds that are required by these allowances shall be provided  
 17 from savings within the Medicaid budget or from other unbudgeted  
 18 funds available to the Department. The incentive allowances may be as  
 19 follows:

<u>Monthly Net Wages</u>	<u>Monthly Incentive Allowance</u>
\$1.00 to \$100.99	Up to \$50.00
\$101.00 to \$200.99	\$80.00
\$201.00 to \$300.99	\$130.00
\$301.00 and greater	\$212.00

25 (7) Medicaid enrollment of categorically needy families with children  
 26 shall be continuous for one year without regard to changes in income  
 27 or assets.

28 (8) For all Medicaid eligibility classifications for which the federal  
 29 poverty level is used as an income limit for eligibility determination,  
 30 the income limits will be updated each April 1 immediately following  
 31 publication of federal poverty guidelines.

32 (9) When implementing the Supplemental Security Income (SSI) method  
 33 for considering equity value of income producing property, the  
 34 Department shall, to the maximum extent possible, employ procedures  
 35 to mitigate the hardship to Medicaid enrollees occurring from  
 36 application of the SSI method.

37 **SECTION 10.11.(d) Services and Payment Bases. – Funds appropriated for**  
 38 **Medicaid services shall be expended in accordance with the following schedule of**  
 39 **services and payment bases. All services and payments are subject to the language at the**  
 40 **end of this subsection. This subsection is divided into services that are mandated by**  
 41 **federal law, and those that are optional under federal law. Unless otherwise provided,**  
 42 **services and payment bases will be as prescribed in the State Plan as established by the**  
 43 **Department of Health and Human Services and may be changed with the approval of**  
 44 **the Director of the Budget.**

45 **Services and payment bases – Mandatory**

46 (1) Hospital inpatient.

47 (2) Hospital outpatient. – Eighty percent (80%) of allowable costs or a  
 48 prospective reimbursement plan as established by the Department of  
 49 Health and Human Services.

50 (3) Nursing facilities. – Nursing facilities providing services to Medicaid  
 51 recipients who also qualify for Medicare must be enrolled in the  
 52 Medicare program as a condition of participation in the Medicaid  
 53 program. State facilities are not subject to the requirement to enroll in  
 54 the Medicare program. Residents of nursing facilities who are eligible  
 55 for Medicare coverage of nursing facility services must be placed in a

1 Medicare-certified bed. Medicaid shall cover facility services only  
2 after the appropriate services have been billed to Medicare. The  
3 Division of Medical Assistance shall allow nursing facility providers  
4 sufficient time from the effective date of this act to certify additional  
5 Medicare beds if necessary. In determining the date that the  
6 requirements of this subdivision become effective, the Division of  
7 Medical Assistance shall consider the regulations governing  
8 certification of Medicare beds and the length of time required for this  
9 process to be completed.

10 (4) Physicians, certified nurse midwife services, nurse practitioners. – Fee  
11 schedules as development by the Department of Health and Human  
12 Services.

13 (5) Community Alternative Program, EPSDT Screens. – Payments in  
14 accordance with rate schedule developed by the Department of Health  
15 and Human Services.

16 (6) Home health and related services, durable medical equipment. –  
17 Payments according to reimbursement plans developed by the  
18 Department of Health and Human Services.

19 (7) Hearing aids. – Wholesale cost plus dispensing fee to provider.

20 (8) Rural health clinical services. – Provider-based, reasonable cost;  
21 non-provider-based, single-cost reimbursement rate per clinic visit.

22 (9) Family planning. – Negotiated rate for local health departments. For  
23 other providers see specific services, e.g. hospitals, physicians.

24 (10) Independent laboratory and X-ray services. – Uniform fee schedules as  
25 developed by the Department of Health and Human Services.

26 (11) Ambulatory surgical centers.

27 **Services and payment bases – Optional**

28 (12) Private duty nursing, clinic services, prepaid health plans.

29 (13) Intermediate care facilities for the mentally retarded.

30 (14) Chiropractors, podiatrists, optometrists, dentists.

31 (15) Limitations on Dental Coverage. – Dental services shall be provided  
32 on a restricted basis in accordance with criteria adopted by the  
33 Department to implement this subsection.

34 (16) Medicare Buy-In. – Social Security Administration premium.

35 (17) Ambulance services. – Uniform fee schedules as developed by the  
36 Department of Health and Human Services. Public ambulance  
37 providers will be reimbursed at cost.

38 (18) Optical supplies. – Payment for materials is made to a contractor in  
39 accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing  
40 providers are negotiated fees established by the State agency based on  
41 industry charges.

42 (19) Medicare crossover claims. – The Department shall apply Medicaid  
43 medical policy to Medicare claims for dually eligible recipients. The  
44 Department shall pay an amount up to the actual coinsurance or  
45 deductible or both, in accordance with the State Plan, as approved by  
46 the Department of Health and Human Services.

47 (20) Physical therapy and speech therapy. – Services limited to  
48 EPSDT-eligible children. Payments are to be made only to qualified  
49 providers at rates negotiated by the Department of Health and Human  
50 Services. Physical therapy (including occupational therapy) and speech  
51 therapy services are subject to prior approval and utilization review.

52 (21) Personal care services.

53 (22) Case management services. – Reimbursement in accordance with the  
54 availability of funds to be transferred within the Department of Health  
55 and Human Services.

- 1           (23) Hospice.
- 2           (24) Medically necessary prosthetics or orthotics. – In order to be eligible  
3 for reimbursement, providers must be Board certified. Medically  
4 necessary prosthetics and orthotics are subject to prior approval and  
5 utilization review.
- 6           (25) Health insurance premiums.
- 7           (26) Medical care/other remedial care. – Services not covered elsewhere in  
8 this section include related services in schools; health professional  
9 services provided outside the clinic setting to meet maternal and infant  
10 health goals; and services to meet federal EPSDT mandates.
- 11          (27) Pregnancy-related services. – Covered services for pregnant women  
12 shall include nutritional counseling, psychosocial counseling, and  
13 predelivery and postpartum home visits by maternity care coordinators  
14 and public health nurses.
- 15          (28) Drugs. – Reimbursements. Reimbursements shall be available for  
16 prescription drugs as allowed by federal regulations plus a professional  
17 services fee per month, excluding refills for the same drug or generic  
18 equivalent during the same month. Payments for drugs are subject to  
19 the provisions of this subdivision or in accordance with the State Plan  
20 adopted by the Department of Health and Human Services, consistent  
21 with federal reimbursement regulations. Payment of the professional  
22 services fee shall be made in accordance with the State Plan adopted  
23 by the Department of Health and Human Services, consistent with  
24 federal reimbursement regulations. The professional services fee shall  
25 be five dollars and sixty cents (\$5.60) per prescription for generic  
26 drugs and four dollars (\$4.00) per prescription for brand-name drugs.  
27 Adjustments to the professional services fee shall be established by the  
28 General Assembly. In addition to the professional services fee, the  
29 Department may pay an enhanced fee for pharmacy services.
- 30           Limitations on quantity. – The Department of Health and Human  
31 Services may establish authorizations, limitations, and reviews for  
32 specific drugs, drug classes, brands, or quantities in order to manage  
33 effectively the Medicaid pharmacy program, except that the  
34 Department shall not impose limitations on brand-name medications  
35 for which there is a generic equivalent in cases where the prescriber  
36 has determined, at the time the drug is prescribed, that the brand-name  
37 drug is medically necessary and has written on the prescription order  
38 the phrase "medically necessary". In addition to the entities listed in  
39 subsection (a) of this section, the Department shall report to the Joint  
40 Legislative Commission on Governmental Operations on  
41 authorizations, limitations, and reviews established under this  
42 subparagraph, including limitations on monthly brand-name and  
43 generic prescriptions as well as restrictions on the total number of  
44 medications. The Department shall submit the report not later than  
45 May 1, 2006.
- 46           Dispensing of generic drugs. – Notwithstanding G.S. 90-85.27  
47 through G.S. 90-85.31, or any other law to the contrary, under the  
48 Medical Assistance Program (Title XIX of the Social Security Act),  
49 and except as otherwise provided in this subsection for atypical  
50 antipsychotic drugs and drugs listed in the narrow therapeutic index, a  
51 prescription order for a drug designated by a trade or brand name shall  
52 be considered to be an order for the drug by its established or generic  
53 name, except when the prescriber has determined, at the time the drug  
54 is prescribed, that the brand-name drug is medically necessary and has  
55 written on the prescription order the phrase "medically necessary". An

1 initial prescription order for an atypical antipsychotic drug or a drug  
2 listed in the narrow therapeutic drug index that does not contain the  
3 phrase "medically necessary" shall be considered an order for the drug  
4 by its established or generic name, except that a pharmacy shall not  
5 substitute a generic or established name prescription drug for  
6 subsequent brand or trade name prescription orders of the same  
7 prescription drug without explicit oral or written approval of the  
8 prescriber given at the time the order is filled. Generic drugs shall be  
9 dispensed at a lower cost to the Medical Assistance Program rather  
10 than trade or brand-name drugs. As used in this subsection, "brand  
11 name" means the proprietary name the manufacturer places upon a  
12 drug product or on its container, label, or wrapping at the time of  
13 packaging; and "established name" has the same meaning as in section  
14 502(e)(3) of the Federal Food, Drug, and Cosmetic Act as amended,  
15 21 U.S.C. § 352(e)(3).

16 Prior authorization. – The Department of Health and Human Services  
17 shall not impose prior authorization requirements or other restrictions  
18 under the State Medical Assistance Program on medications prescribed  
19 for Medicaid recipients for the treatment of: (i) mental illness,  
20 including, but not limited to, medications for schizophrenia, bipolar  
21 disorder, and major depressive disorder, or (ii) HIV/AIDS.

22 (29) Other mental health services. – Unless otherwise covered by this  
23 section, coverage is limited to:

24 a. Services as defined by the Division of Mental Health,  
25 Developmental Disabilities, and Substance Abuse Services and  
26 approved by the Centers for Medicare and Medicaid Services  
27 (CMS) when provided in agencies meeting the requirements of  
28 the rules established by the Commission for Mental Health,  
29 Developmental Disabilities, and Substance Abuse Services and  
30 reimbursement is made in accordance with a State Plan  
31 developed by the Department of Health and Human Services  
32 not to exceed the upper limits established in federal regulations,  
33 and

34 b. For children eligible for EPSDT services provided by:

35 1. Licensed or certified psychologists, licensed clinical  
36 social workers, certified clinical nurse specialists in  
37 psychiatric mental health advanced practice, nurse  
38 practitioners certified as clinical nurse specialists in  
39 psychiatric mental health advanced practice, licensed  
40 psychological associates, licensed professional  
41 counselors, licensed marriage and family therapists,  
42 certified clinical addictions specialists, and certified  
43 clinical supervisors, when Medicaid-eligible children are  
44 referred by the Community Care of North Carolina  
45 primary care physician, a Medicaid-enrolled psychiatrist,  
46 or the area mental health program or local management  
47 entity, and

48 2. Institutional providers of residential services as defined  
49 by the Division of Mental Health, Developmental  
50 Disabilities, and Substance Abuse Services and approved  
51 by the Centers for Medicare and Medicaid Services  
52 (CMS) for children and Psychiatric Residential  
53 Treatment Facility services that meet federal and State  
54 requirements as defined by the Department.

1           c.    For Medicaid-eligible adults, services provided by licensed or  
2           certified psychologists, licensed clinical social workers,  
3           certified clinical nurse specialists in psychiatric mental health  
4           advanced practice, and nurse practitioners certified as clinical  
5           nurse specialists in psychiatric mental health advanced practice,  
6           licensed psychological associates, licensed professional  
7           counselors, licensed marriage and family therapists, licensed  
8           clinical addictions specialists, and licensed clinical supervisors,  
9           Medicaid-eligible adults may be self-referred.

10          d.    Payments made for services rendered in accordance with this  
11          subdivision shall be to qualified providers in accordance with  
12          approved policies and the State Plan. Nothing in  
13          sub-subdivision b. or c. of this subdivision shall be interpreted  
14          to modify the scope of practice of any service provider,  
15          practitioner, or licensee, nor to modify or attenuate any  
16          collaboration or supervision requirement related to the  
17          professional activities of any service provider, practitioner, or  
18          licensee. Nothing in sub-subdivision b. or c. of this subdivision  
19          shall be interpreted to require any private health insurer or  
20          health plan to make direct third-party reimbursements or  
21          payments to any service provider, practitioner, or licensee.

22          e.    The Department of Health and Human Services shall not enroll  
23          licensed psychological associates, licensed professional  
24          counselors, licensed marriage and family therapists, licensed  
25          clinical addiction specialists, and licensed clinical supervisors  
26          until all of the following conditions have been met:

27           1.   The fiscal impact of payments to these qualified  
28           providers has been projected;

29           2.   Funding for any projected requirements in excess of  
30           budgeted Division of Medical Assistance funding has  
31           been identified from within State funds appropriated to  
32           the Department of Health and Human Services, Division  
33           of Mental Health, Developmental Disabilities, and  
34           Substance Abuse Services to support area mental health  
35           programs or county programs, or identified from other  
36           sources; and

37           3.   Approval has been obtained from the Office of State  
38           Budget and Management to transfer these State or other  
39           source funds from the Division of Mental Health,  
40           Developmental Disabilities, and Substance Abuse  
41           Services to the Division of Medical Assistance. Upon  
42           approval and implementation, the Department of Health  
43           and Human Services shall, on a quarterly basis, provide a  
44           status report to the Office of State Budget and  
45           Management and the Fiscal Research Division.

46          Notwithstanding G.S. 150B-21.1(a), the Department of Health and  
47          Human Services may adopt temporary rules in accordance with  
48          Chapter 150B of the General Statutes further defining the  
49          qualifications of providers and referral procedures in order to  
50          implement this subdivision. Coverage policy for services defined by  
51          the Division of Mental Health, Developmental Disabilities, and  
52          Substance Abuse Services under sub-subdivisions a. and b.2 of this  
53          subdivision shall be established by the Division of Medical Assistance.

54          **SECTION 10.11.(e) Limitations on payments. –**

- 1           (1) Payment is limited to Medicaid-enrolled providers that purchase a  
2 performance bond in an amount not to exceed one hundred thousand  
3 dollars (\$100,000) naming as beneficiary the Department of Health  
4 and Human Services, Division of Medical Assistance, or provide to the  
5 Department a validly executed letter of credit or other financial  
6 instrument issued by a financial institution or agency honoring a  
7 demand for payment in an equivalent amount. The Department may  
8 wave or limit the requirements of this paragraph for one or more  
9 classes of Medicaid-enrolled providers based on the provider's dollar  
10 amount of monthly billings to Medicaid or the length of time the  
11 provider has been licensed in this State to provide services. In waiving  
12 or limiting requirements of this paragraph, the Department shall take  
13 into consideration the potential fiscal impact of the waiver or  
14 limitation on the State Medicaid Program. The Department may adopt  
15 temporary rules in accordance with G.S. 150B-21.1 as necessary to  
16 implement this provision.
- 17           (2) Reimbursement is available and may be limited in accordance with  
18 federal EPSDT requirements to any one or combination of the  
19 following: physicians, clinics, hospital outpatient, optometrists,  
20 chiropractors, and podiatrists. Prenatal services, all EPSDT children,  
21 emergency rooms, and mental health services subject to independent  
22 utilization review are exempt from the visit limitations contained in  
23 this paragraph. Exceptions may be authorized by the Department of  
24 Health and Human Services where the life of the patient would be  
25 threatened without such additional care.

26           **SECTION 10.11.(f) Exceptions and limitations on services; authorization of**  
27 **co-payments and other services.**

- 28           (1) Exceptions to Service Limitations, Eligibility Requirements, and  
29 Payments. – Service limitations, eligibility requirements, and  
30 payments bases in this section may be waived by the Department of  
31 Health and Human Services, with the approval of the Director of the  
32 Budget, to allow the Department to carry out pilot programs for  
33 prepaid health plans, contracting for services, managed care plans, or  
34 community-based services programs in accordance with plans  
35 approved by the United States Department of Health and Human  
36 Services or when the Department determines that such a waiver will  
37 result in a reduction in the total Medicaid costs for the recipient. The  
38 Department of Health and Human Services may proceed with planning  
39 and development work on the Program of All-Inclusive Care for the  
40 Elderly.
- 41           (2) Co-Payment for Medicaid Services. – The Department of Health and  
42 Human Services may establish co-payments up to the maximum  
43 permitted by federal law and regulation and required by this subsection  
44 in order to achieve reductions in the budget in fiscal years 2005-2006  
45 and 2006-2007.
- 46           (3) The Department of Health and Human Services shall provide Medicaid  
47 coverage for family planning services to men and women of  
48 childbearing age with family incomes equal to or less than one  
49 hundred eighty-five percent (185%) of the federal poverty level. Of the  
50 funds appropriated in this act to the Division of Medical Assistance,  
51 the sum of seven hundred fifty thousand dollars (\$750,000) for the  
52 2005-2006 fiscal year shall be used to provide the State-match for the  
53 family planning demonstration waiver approved by the federal  
54 government.

55           **SECTION 10.11.(g) Rules, Reports, and Other Matters. –**



- 1           (1) Rules. – The Department of Health and Human Services may adopt  
2 temporary or emergency rules according to the procedures established  
3 in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that these rules  
4 are necessary to maximize receipt of federal funds within existing  
5 State appropriations, to reduce Medicaid expenditures, and to reduce  
6 fraud and abuse. Prior to the filing of these temporary or emergency  
7 rules with the Rules Review Commission and the Office of  
8 Administrative Hearings, the Department shall consult with the Office  
9 of State Budget and Management on the possible fiscal impact of the  
10 temporary or emergency rule and its effect on State appropriations and  
11 local governments.
- 12           (2) Changes to Medicaid program; reports. – The Department shall report  
13 on any change it anticipates making in the Medicaid program that  
14 impacts the type or level of service, reimbursement methods, or  
15 waivers, any of which require a change in the State Plan or other  
16 approval by the Centers for Medicare and Medicaid Services (CMS).  
17 The reports shall be provided at the same time they are submitted to  
18 CMS for approval. In addition to the entities listed in subsection (a)(4)  
19 of this section, the report shall be submitted to the Joint Legislative  
20 Health Care Oversight Committee."

21           ~~SECTION 10.11.(a) Funds appropriated in this act for services provided in~~  
22 ~~accordance with Title XIX of the Social Security Act (Medicaid) are for both the~~  
23 ~~categorically needy and the medically needy. Funds appropriated for these services~~  
24 ~~shall be expended in accordance with the following schedule of services and payment~~  
25 ~~bases. All services and payments are subject of the language at the end of this~~  
26 ~~subsection.~~

27           ~~Services and payment bases:~~

- 28           (1) ~~Hospital inpatient. Payment for hospital inpatient services will be~~  
29 ~~prescribed in the State Plan as established by the Department of Health~~  
30 ~~and Human Services.~~
- 31           (2) ~~Hospital outpatient. Eighty percent (80%) of allowable costs or a~~  
32 ~~prospective reimbursement plan as established by the Department of~~  
33 ~~Health and Human Services.~~
- 34           (3) ~~Nursing facilities. Payment for nursing facility services will be~~  
35 ~~prescribed in the State Plan as established by the Department of Health~~  
36 ~~and Human Services. Nursing facilities providing services to Medicaid~~  
37 ~~recipients who also qualify for Medicare must be enrolled in the~~  
38 ~~Medicare program as a condition of participation in the Medicaid~~  
39 ~~program. State facilities are not subject to the requirement to enroll in~~  
40 ~~the Medicare program. Residents of nursing facilities who are eligible~~  
41 ~~for Medicare coverage of nursing facility services must be placed in a~~  
42 ~~Medicare certified bed. Medicaid shall cover facility services only~~  
43 ~~after the appropriate services have been billed to Medicare. The~~  
44 ~~Division of Medical Assistance shall allow nursing facility providers~~  
45 ~~sufficient time from the effective date of this act to certify additional~~  
46 ~~Medicare beds if necessary. In determining the date that the~~  
47 ~~requirements of this subdivision become effective, the Division of~~  
48 ~~Medical Assistance shall consider the regulations governing~~  
49 ~~certification of Medicare beds and the length of time required for this~~  
50 ~~process to be completed.~~
- 51           (4) ~~Intermediate care facilities for the mentally retarded. As prescribed~~  
52 ~~in the State Plan as established by the Department of Health and~~  
53 ~~Human Services.~~
- 54           (5) ~~Drugs. Reimbursements. Reimbursements shall be available for~~  
55 ~~prescription drugs as allowed by federal regulations plus a professional~~

1 services fee per month, excluding refills for the same drug or generic  
2 equivalent during the same month. Payments for drugs are subject to  
3 the provisions of this subdivision or in accordance with the State Plan  
4 adopted by the Department of Health and Human Services, consistent  
5 with federal reimbursement regulations. Payment of the professional  
6 services fee shall be made in accordance with the State Plan adopted  
7 by the Department of Health and Human Services, consistent with  
8 federal reimbursement regulations. The professional services fee shall  
9 be five dollars and sixty cents (\$5.60) per prescription for generic  
10 drugs and four dollars (\$4.00) per prescription for brand name drugs.  
11 Adjustments to the professional services fee shall be established by the  
12 General Assembly. In addition to the professional services fee, the  
13 Department may pay an enhanced fee for pharmacy services.

14 ~~Limitations on quantity.~~—The Department of Health and Human  
15 Services may establish authorizations, limitations, and reviews for  
16 specific drugs, drug classes, brands, or quantities in order to manage  
17 effectively the Medicaid pharmacy program, except that the  
18 Department shall not impose limitations on brand name medications  
19 for which there is a generic equivalent in cases where the prescriber  
20 has determined, at the time the drug is prescribed, that the brand name  
21 drug is medically necessary and has written on the prescription order  
22 the phrase "medically necessary". The Department shall report to the  
23 Joint Legislative Commission on Governmental Operations, the Senate  
24 Appropriations Committee on Health and Human Services, the House  
25 of Representatives Appropriations Subcommittee on Health and  
26 Human Services, and the Fiscal Research Division on authorizations,  
27 limitations, and reviews established under this subparagraph, including  
28 limitations on monthly brand name and generic prescriptions as well  
29 as restrictions on the total number of medications. The Department  
30 shall submit the report not later than May 1, 2006.

31 ~~Dispensing of generic drugs.~~—Notwithstanding G.S. 90-85.27  
32 through G.S. 90-85.31, or any other law to the contrary, under the  
33 Medical Assistance Program (Title XIX of the Social Security Act),  
34 and except as otherwise provided in this subsection for atypical  
35 antipsychotic drugs and drugs listed in the narrow therapeutic index, a  
36 prescription order for a drug designated by a trade or brand name shall  
37 be considered to be an order for the drug by its established or generic  
38 name, except when the prescriber has determined, at the time the drug  
39 is prescribed, that the brand name drug is medically necessary and has  
40 written on the prescription order the phrase "medically necessary". An  
41 initial prescription order for an atypical antipsychotic drug or a drug  
42 listed in the narrow therapeutic drug index that does not contain the  
43 phrase "medically necessary" shall be considered an order for the drug  
44 by its established or generic name, except that a pharmacy shall not  
45 substitute a generic or established name prescription drug for  
46 subsequent brand or trade name prescription orders of the same  
47 prescription drug without explicit oral or written approval of the  
48 prescriber given at the time the order is filled. Generic drugs shall be  
49 dispensed at a lower cost to the Medical Assistance Program rather  
50 than trade or brand name drugs. As used in this subsection, "brand  
51 name" means the proprietary name the manufacturer places upon a  
52 drug product or on its container, label, or wrapping at the time of  
53 packaging; and "established name" has the same meaning as in section  
54 502(e)(3) of the Federal Food, Drug, and Cosmetic Act as amended,  
55 21 U.S.C. § 352(e)(3).

1                   ~~Prior authorization.—The Department of Health and Human~~  
2                   ~~Services shall not impose prior authorization requirements or other~~  
3                   ~~restrictions under the State Medical Assistance Program on~~  
4                   ~~medications prescribed for Medicaid recipients for the treatment of: (i)~~  
5                   ~~mental illness, including, but not limited to, medications for~~  
6                   ~~schizophrenia, bipolar disorder, and major depressive disorder, or (ii)~~  
7                   ~~HIV/AIDS.~~

- 8                   ~~(6) Physicians, chiropractors, podiatrists, optometrists, dentists, certified~~  
9                   ~~nurse midwife services, nurse practitioners.— Fee schedules as~~  
10                   ~~developed by the Department of Health and Human Services.~~  
11                   ~~Payments for dental services are subject to the provisions of subsection~~  
12                   ~~(g) of this section.~~
- 13                   ~~(7) Community Alternative Program, EPSDT screens.— Payment to be~~  
14                   ~~made in accordance with the rate schedule developed by the~~  
15                   ~~Department of Health and Human Services.~~
- 16                   ~~(8) Home health and related services, private duty nursing, clinic services,~~  
17                   ~~prepaid health plans, durable medical equipment.— Payment to be~~  
18                   ~~made according to reimbursement plans developed by the Department~~  
19                   ~~of Health and Human Services.~~
- 20                   ~~(9) Medicare Buy In.— Social Security Administration premium.~~
- 21                   ~~(10) Ambulance services.— Uniform fee schedules as developed by the~~  
22                   ~~Department of Health and Human Services. Public ambulance~~  
23                   ~~providers will be reimbursed at cost.~~
- 24                   ~~(11) Hearing aids.— Wholesale cost plus a dispensing fee to the provider.~~
- 25                   ~~(12) Rural health clinic services.— Provider based, reasonable cost;~~  
26                   ~~nonprovider based, single cost reimbursement rate per clinic visit.~~
- 27                   ~~(13) Family planning.— Negotiated rate for local health departments. For~~  
28                   ~~other providers, see specific services, for instance, hospitals,~~  
29                   ~~physicians.~~
- 30                   ~~(14) Independent laboratory and X ray services.— Uniform fee schedules as~~  
31                   ~~developed by the Department of Health and Human Services.~~
- 32                   ~~(15) Optical supplies.— Payment for materials is made to a contractor in~~  
33                   ~~accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing~~  
34                   ~~providers are negotiated fees established by the State agency based on~~  
35                   ~~industry charges.~~
- 36                   ~~(16) Ambulatory surgical centers.— Payment as prescribed in the~~  
37                   ~~reimbursement plan established by the Department of Health and~~  
38                   ~~Human Services.~~
- 39                   ~~(17) Medicare crossover claims.— By not later than October 1, 2005, the~~  
40                   ~~Department shall apply Medicaid medical policy to Medicare claims~~  
41                   ~~for dually eligible recipients. The Department shall pay an amount up~~  
42                   ~~to the actual coinsurance or deductible or both, in accordance with the~~  
43                   ~~State Plan, as approved by the Department of Health and Human~~  
44                   ~~Services.~~
- 45                   ~~(18) Physical therapy and speech therapy.— Services limited to~~  
46                   ~~EPSDT eligible children. Payments are to be made only to qualified~~  
47                   ~~providers at rates negotiated by the Department of Health and Human~~  
48                   ~~Services. Physical therapy (including occupational therapy) and speech~~  
49                   ~~therapy services are subject to prior approval and utilization review.~~
- 50                   ~~(19) Personal care services.— Payment in accordance with the State Plan~~  
51                   ~~approved by the Department of Health and Human Services.~~
- 52                   ~~(20) Case management services.— Reimbursement in accordance with the~~  
53                   ~~availability of funds to be transferred within the Department of Health~~  
54                   ~~and Human Services.~~

- 1           (21) Hospice.—Services may be provided in accordance with the State Plan  
2 developed by the Department of Health and Human Services.
- 3           (22) Other mental health services.—Unless otherwise covered by this  
4 section, coverage is limited to:
- 5           a. ~~Services as defined by the Division of Mental Health,~~  
6 ~~Developmental Disabilities, and Substance Abuse Services and~~  
7 ~~approved by the Centers for Medicare and Medicaid Services~~  
8 ~~(CMS) when provided in agencies meeting the requirements of~~  
9 ~~the rules established by the Commission for Mental Health,~~  
10 ~~Developmental Disabilities, and Substance Abuse Services and~~  
11 ~~reimbursement is made in accordance with a State Plan~~  
12 ~~developed by the Department of Health and Human Services~~  
13 ~~not to exceed the upper limits established in federal regulations,~~  
14 ~~and~~
- 15           b. For children eligible for EPSDT services provided by:
- 16           1. ~~Licensed or certified psychologists, licensed clinical~~  
17 ~~social workers, certified clinical nurse specialists in~~  
18 ~~psychiatric mental health advanced practice, nurse~~  
19 ~~practitioners certified as clinical nurse specialists in~~  
20 ~~psychiatric mental health advanced practice, licensed~~  
21 ~~psychological associates, licensed professional~~  
22 ~~counselors, licensed marriage and family therapists,~~  
23 ~~certified clinical addictions specialists, and certified~~  
24 ~~clinical supervisors, when Medicaid eligible children are~~  
25 ~~referred by the Community Care of North Carolina~~  
26 ~~primary care physician, a Medicaid enrolled psychiatrist,~~  
27 ~~or the area mental health program or local management~~  
28 ~~entity, and~~
- 29           2. ~~Institutional providers of residential services as defined~~  
30 ~~by the Division of Mental Health, Developmental~~  
31 ~~Disabilities, and Substance Abuse Services and approved~~  
32 ~~by the Centers for Medicare and Medicaid Services~~  
33 ~~(CMS) for children and Psychiatric Residential~~  
34 ~~Treatment Facility services that meet federal and State~~  
35 ~~requirements as defined by the Department.~~
- 36           c. ~~For Medicaid eligible adults, services provided by licensed or~~  
37 ~~certified psychologists, licensed clinical social workers,~~  
38 ~~certified clinical nurse specialists in psychiatric mental health~~  
39 ~~advanced practice, and nurse practitioners certified as clinical~~  
40 ~~nurse specialists in psychiatric mental health advanced practice,~~  
41 ~~licensed psychological associates, licensed professional~~  
42 ~~counselors, licensed marriage and family therapists, certified~~  
43 ~~clinical addictions specialists, and certified clinical supervisors,~~  
44 ~~Medicaid eligible adults may be self-referred.~~
- 45           d. ~~Payments made for services rendered in accordance with this~~  
46 ~~subdivision shall be to qualified providers in accordance with~~  
47 ~~approved policies and the State Plan. Nothing in~~  
48 ~~sub-subdivision b. or c. of this subdivision shall be interpreted~~  
49 ~~to modify the scope of practice of any service provider,~~  
50 ~~practitioner, or licensee, nor to modify or attenuate any~~  
51 ~~collaboration or supervision requirement related to the~~  
52 ~~professional activities of any service provider, practitioner, or~~  
53 ~~licensee. Nothing in sub-subdivision b. or c. of this subdivision~~  
54 ~~shall be interpreted to require any private health insurer or~~

- 1 health plan to make direct third party reimbursements or  
2 payments to any service provider, practitioner, or licensee.
- 3 e. ~~The Department of Health and Human Services shall not enroll~~  
4 ~~licensed psychological associates, licensed professional~~  
5 ~~counselors, licensed marriage and family therapists, certified~~  
6 ~~clinical addiction specialists, and certified clinical supervisors~~  
7 ~~until all of the following conditions have been met:~~
- 8 1. ~~The fiscal impact of payments to these qualified~~  
9 ~~providers has been projected;~~
  - 10 2. ~~Funding for any projected requirements in excess of~~  
11 ~~budgeted Division of Medical Assistance funding has~~  
12 ~~been identified from within State funds appropriated to~~  
13 ~~the Department of Health and Human Services, Division~~  
14 ~~of Mental Health, Developmental Disabilities, and~~  
15 ~~Substance Abuse Services to support area mental health~~  
16 ~~programs or county programs, or identified from other~~  
17 ~~sources; and~~
  - 18 3. ~~Approval has been obtained from the Office of State~~  
19 ~~Budget and Management to transfer these State or other~~  
20 ~~source funds from the Division of Mental Health,~~  
21 ~~Developmental Disabilities, and Substance Abuse~~  
22 ~~Services to the Division of Medical Assistance. Upon~~  
23 ~~approval and implementation, the Department of Health~~  
24 ~~and Human Services shall, on a quarterly basis, provide a~~  
25 ~~status report to the Office of State Budget and~~  
26 ~~Management and the Fiscal Research Division.~~

27 Notwithstanding G.S. 150B 21.1(a), the Department of Health and  
28 Human Services may adopt temporary rules in accordance with  
29 Chapter 150B of the General Statutes further defining the  
30 qualifications of providers and referral procedures in order to  
31 implement this subdivision. Coverage policy for services defined by  
32 the Division of Mental Health, Developmental Disabilities, and  
33 Substance Abuse Services under sub-subdivisions a. and b.2 of this  
34 subdivision shall be established by the Division of Medical Assistance.

- 35 (23) ~~Medically necessary prosthetics or orthotics. Reimbursement in~~  
36 ~~accordance with the State Plan approved by the Department of Health~~  
37 ~~and Human Services, except that in order to be eligible for~~  
38 ~~reimbursement, providers must be Board certified not later than July 1,~~  
39 ~~2005. Medically necessary prosthetics and orthotics are subject to prior~~  
40 ~~approval and utilization review.~~
- 41 (24) ~~Health insurance premiums. Payments to be made in accordance~~  
42 ~~with the State Plan adopted by the Department of Health and Human~~  
43 ~~Services consistent with federal regulations.~~
- 44 (25) ~~Medical care/other remedial care. Services not covered elsewhere in~~  
45 ~~this section include related services in schools; health professional~~  
46 ~~services provided outside the clinic setting to meet maternal and infant~~  
47 ~~health goals; and services to meet federal EPSDT mandates. Services~~  
48 ~~addressed by this subdivision are limited to those prescribed in the~~  
49 ~~State Plan as established by the Department of Health and Human~~  
50 ~~Services.~~
- 51 (26) ~~Pregnancy related services. Covered services for pregnant women~~  
52 ~~shall include nutritional counseling, psychosocial counseling, and~~  
53 ~~predelivery and postpartum home visits by maternity care coordinators~~  
54 ~~and public health nurses.~~

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

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

Reimbursement is available for up to 24 visits per recipient per year to any one or combination of the following: physicians, clinics, hospital outpatient, optometrists, chiropractors, and podiatrists. Prenatal services, all EPSDT children, emergency rooms, and mental health services subject to independent utilization review are exempt from the visit limitations contained in this paragraph. Exceptions may be authorized by the Department of Health and Human Services where the life of the patient would be threatened without such additional care.

**SECTION 10.11.(b)** Allocation of Nonfederal Cost of Medicaid.—The State shall pay eighty five percent (85%); the county shall pay fifteen percent (15%) of the nonfederal costs of all applicable services listed in this section. In addition, the State shall pay eighty five percent (85%); the county shall pay fifteen percent (15%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004.

**SECTION 10.11.(c)** Co-Payment for Medicaid Services.—The Department of Health and Human Services may establish co-payments up to the maximum permitted by federal law and regulation and required by this subsection in order to achieve reductions in the budget in fiscal years 2005-2006 and 2006-2007.

**SECTION 10.11.(d)** Medicaid and Work First Family Assistance, Income Eligibility Standards.—The maximum net family annual income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:

Family Size	Categorically Needy WFFA*		Medically Needy	
	Standard of Need	Families and Children Income Level	AA, AB, AD*	
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	

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

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

1           These standards may be changed with the approval of the Director of the  
2 Budget with the advice of the Advisory Budget Commission.

3           ~~SECTION 10.11.(e) The Department of Health and Human Services,  
4 Division of Medical Assistance, shall provide Medicaid coverage to all elderly, blind,  
5 and disabled people who have incomes equal to or less than one hundred percent  
6 (100%) of the federal poverty guidelines, as revised each April 1. This subsection  
7 expires December 31, 2005.~~

8           ~~SECTION 10.11.(f) ICF and ICF/MR Work Incentive Allowances.—The  
9 Department of Health and Human Services may provide an incentive allowance to  
10 Medicaid eligible recipients of ICF and ICF/MR facilities who are regularly engaged in  
11 work activities as part of their developmental plan and for whom retention of additional  
12 income contributes to their achievement of independence. The State funds required to  
13 match the federal funds that are required by these allowances shall be provided from  
14 savings within the Medicaid budget or from other unbudgeted funds available to the  
15 Department. The incentive allowances may be as follows:~~

Monthly Net Wages	Monthly Incentive Allowance
\$1.00 to \$100.99	Up to \$50.00
\$101.00 to \$200.99	\$80.00
\$201.00 to \$300.99	\$130.00
\$301.00 and greater	\$212.00.

16  
17  
18  
19  
20  
21  
22           ~~SECTION 10.11.(g) Dental Coverage Limits.—Dental services shall be  
23 provided on a restricted basis in accordance with rules adopted by the Department to  
24 implement this subsection.~~

25           ~~SECTION 10.11.(h) Exceptions to Service Limitations, Eligibility  
26 Requirements, and Payments.—Service limitations, eligibility requirements, and  
27 payments bases in this section may be waived by the Department of Health and Human  
28 Services, with the approval of the Director of the Budget, to allow the Department to  
29 carry out pilot programs for prepaid health plans, contracting for services, managed care  
30 plans, or community based services programs in accordance with plans approved by the  
31 United States Department of Health and Human Services or when the Department  
32 determines that such a waiver will result in a reduction in the total Medicaid costs for  
33 the recipient. The Department of Health and Human Services may proceed with  
34 planning and development work on the Program of All Inclusive Care for the Elderly.~~

35           ~~SECTION 10.11.(i) Volume Purchase Plans and Single Source  
36 Procurement.—The Department of Health and Human Services, Division of Medical  
37 Assistance, may, subject to the approval of a change in the State Medicaid Plan,  
38 contract for services, medical equipment, supplies, and appliances by implementation of  
39 volume purchase plans, single source procurement, or other contracting processes in  
40 order to improve cost containment.~~

41           ~~SECTION 10.11.(j) Cost Containment Programs.—The Department of  
42 Health and Human Services, Division of Medical Assistance, may undertake  
43 cost containment programs, including contracting for services, preadmissions to  
44 hospitals, and prior approval for certain outpatient surgeries before they may be  
45 performed in an inpatient setting.~~

46           ~~SECTION 10.11.(k) For all Medicaid eligibility classifications for which the  
47 federal poverty level is used as an income limit for eligibility determination, the income  
48 limits will be updated each April 1 immediately following publication of federal poverty  
49 guidelines.~~

50           ~~SECTION 10.11.(l) The Department of Health and Human Services shall  
51 provide Medicaid to 19-, 20-, and 21-year olds in accordance with federal rules and  
52 regulations.~~

53           ~~SECTION 10.11.(m) The Department of Health and Human Services shall  
54 provide coverage to pregnant women and to children according to the following  
55 schedule:~~

- 1           (1) ~~Pregnant women with incomes equal to or less than one hundred~~  
2 ~~eighty five percent (185%) of the federal poverty guidelines as revised~~  
3 ~~each April 1 shall be covered for Medicaid benefits.~~  
4           (2) ~~Effective until January 1, 2006, infants under the age of one with~~  
5 ~~family incomes equal to or less than one hundred eighty five percent~~  
6 ~~(185%) of the federal poverty guidelines as revised each April 1 shall~~  
7 ~~be covered for Medicaid benefits. Effective January 1, 2006, infants~~  
8 ~~under the age of one with family incomes equal to or less than two~~  
9 ~~hundred percent (200%) of the federal poverty guidelines as revised~~  
10 ~~each April 1 shall be covered for Medicaid benefits.~~  
11          (3) ~~Effective until January 1, 2006, children aged one through five with~~  
12 ~~family incomes equal to or less than one hundred thirty three percent~~  
13 ~~(133%) of the federal poverty guidelines as revised each April 1 shall~~  
14 ~~be covered for Medicaid benefits. Effective January 1, 2006, children~~  
15 ~~aged one through five with family incomes equal to or less than two~~  
16 ~~hundred percent (200%) of the federal poverty guidelines as revised~~  
17 ~~each April 1 shall be covered for Medicaid benefits.~~  
18          (4) ~~Children aged six through 18 with family incomes equal to or less than~~  
19 ~~the federal poverty guidelines as revised each April 1 shall be covered~~  
20 ~~for Medicaid benefits.~~  
21          (5) ~~The Department of Health and Human Services shall provide Medicaid~~  
22 ~~coverage for adoptive children with special or rehabilitative needs~~  
23 ~~regardless of the adoptive family's income.~~

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

30           ~~**SECTION 10.11.(n)** Medicaid enrollment of categorically needy families~~  
31 ~~with children shall be continuous for one year without regard to changes in income or~~  
32 ~~assets.~~

33           ~~**SECTION 10.11.(o)** The Division of Medical Assistance, Department of~~  
34 ~~Health and Human Services, may provide incentives to counties that successfully~~  
35 ~~recover fraudulently spent Medicaid funds by sharing State savings with counties~~  
36 ~~responsible for the recovery of the fraudulently spent funds.~~

37           ~~**SECTION 10.11.(p)** If first approved by the Office of State Budget and~~  
38 ~~Management, the Division of Medical Assistance, Department of Health and Human~~  
39 ~~Services, may use funds that are identified to support the cost of development and~~  
40 ~~acquisition of equipment and software through contractual means to improve and~~  
41 ~~enhance information systems that provide management information and claims~~  
42 ~~processing. The Department of Health and Human Services shall identify adequate~~  
43 ~~funds to support the implementation and first year's operational costs that exceed the~~  
44 ~~currently allocated funds for the new contract for the fiscal agent for the Medicaid~~  
45 ~~Management Information System.~~

46           ~~**SECTION 10.11.(q)** The Department of Health and Human Services may~~  
47 ~~adopt temporary or emergency rules according to the procedures established in~~  
48 ~~G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that these rules are necessary to~~  
49 ~~maximize receipt of federal funds within existing State appropriations, to reduce~~  
50 ~~Medicaid expenditures, and to reduce fraud and abuse. Prior to the filing of these~~  
51 ~~temporary or emergency rules with the Rules Review Commission and the Office of~~  
52 ~~Administrative Hearings, the Department shall consult with the Office of State Budget~~  
53 ~~and Management on the possible fiscal impact of the temporary or emergency rule and~~  
54 ~~its effect on State appropriations and local governments.~~



1           ~~SECTION 10.11.(r)~~ The Department shall report to the Fiscal Research  
2 Division of the Legislative Services Office and to the House of Representatives  
3 Appropriations Subcommittee on Health and Human Services and the Senate  
4 Appropriations Committee on Health and Human Services or the Joint Legislative  
5 Health Care Oversight Committee on any change it anticipates making in the Medicaid  
6 program that impacts the type or level of service, reimbursement methods, or waivers,  
7 any of which require a change in the State Plan or other approval by the Centers for  
8 Medicare and Medicaid Services (CMS). The reports shall be provided at the same time  
9 they are submitted to CMS for approval.

10           ~~SECTION 10.11.(s)~~ The Department of Health and Human Services shall  
11 provide Medicaid coverage for family planning services to men and women of  
12 childbearing age with family incomes equal to or less than one hundred eighty five  
13 percent (185%) of the federal poverty level. Of the funds appropriated in this act to the  
14 Division of Medical Assistance, the sum of seven hundred fifty thousand dollars  
15 (\$750,000) for the 2005-2006 fiscal year shall be used to provide the State match for the  
16 family planning demonstration waiver approved by the federal government.

17           ~~SECTION 10.11.(t)~~ For the purposes of determining eligibility for Medical  
18 Assistance, the Department of Health and Human Services may apply federal transfer of  
19 assets policies, as described in Title XIX, section 1917(c) of the Social Security Act,  
20 including the attachment of liens, to (i) life estates purchased by or on behalf of the  
21 recipient, other than life estates excluded from countable resources under this section,  
22 and (ii) to real property excluded as "income producing", tenancy in common, or as  
23 nonhomesite property made "income producing" under Title XIX, section 1902(r)(2) of  
24 the Social Security Act. The transfer of assets policy shall apply only to an  
25 institutionalized individual or the individual's spouse as defined in Title XIX, section  
26 1917(c) of the Social Security Act. The Department shall exclude from countable  
27 resources any life estate in real property that is in the recipient's home, is measured by  
28 the recipient's life, and is the result of the transfer of a remainder interest.

29           Federal transfer of assets policies applied to "income producing" real property  
30 under Title XIX, section 1902(r)(2) of the Social Security Act shall become effective  
31 not earlier than October 1, 2001. Federal transfer of assets policies and attachment of  
32 liens applied to real property excluded as tenancy in common, or as nonhomesite  
33 property made "income producing" in accordance with this subsection shall become  
34 effective not earlier than November 1, 2002. Federal transfer of assets policies applied  
35 to life estates in accordance with this subsection shall become effective not earlier than  
36 October 1, 2005.

37           ~~SECTION 10.11.(u)~~ When implementing the Supplemental Security Income  
38 (SSI) method for considering equity value of income producing property, the  
39 Department shall, to the maximum extent possible, employ procedures to mitigate the  
40 hardship to Medicaid enrollees occurring from application of the Supplemental Security  
41 Income (SSI) method.

42           ~~SECTION 10.11.(v)~~ Unless required for compliance with federal law, the  
43 Department shall not change medical policy affecting the amount, sufficiency, duration,  
44 and scope of health care services and who may provide services until the Division of  
45 Medical Assistance has prepared a five year fiscal analysis documenting the increased  
46 cost of the proposed change in medical policy and submitted it for Departmental review.  
47 If the fiscal impact indicated by the fiscal analysis for any proposed medical policy  
48 change exceeds three million dollars (\$3,000,000) in total requirements for a given  
49 fiscal year, then the Department shall submit the proposed policy change with the fiscal  
50 analysis to the Office of State Budget and Management and the Fiscal Research  
51 Division. The Department shall not implement any proposed medical policy change  
52 exceeding three million dollars (\$3,000,000) in total requirements for a given fiscal year  
53 unless the source of State funding is identified and approved by the Office of State  
54 Budget and Management. The Department shall provide the Office of State Budget and

1 Management and the Fiscal Research Division a quarterly report itemizing all medical  
2 policy changes with total requirements of less than three million dollars (\$3,000,000).

3 ~~SECTION 10.11.(w) The Department shall develop, amend, and adopt~~  
4 ~~medical coverage policy in accordance with the following:~~

- 5 (1) ~~During the development of new medical coverage policy or~~  
6 ~~amendment to existing medical coverage policy, consult with and seek~~  
7 ~~the advice of the Physician Advisory Group of the North Carolina~~  
8 ~~Medical Society and other organizations the Secretary deems~~  
9 ~~appropriate. The Secretary shall also consult with and seek the advice~~  
10 ~~of officials of the professional societies or associations representing~~  
11 ~~providers who are affected by the new medical coverage policy or~~  
12 ~~amendments to existing medical coverage policy.~~
- 13 (2) ~~At least 45 days prior to the adoption of new or amended medical~~  
14 ~~coverage policy, the Department shall:~~
- 15 a. ~~Publish the proposed new or amended medical coverage policy~~  
16 ~~on the Department's Web site;~~
- 17 b. ~~Notify all Medicaid providers of the proposed, new, or amended~~  
18 ~~policy; and~~
- 19 c. ~~Upon request, provide persons copies of the proposed medical~~  
20 ~~coverage policy.~~
- 21 (3) ~~During the 45 day period immediately following publication of the~~  
22 ~~proposed new or amended medical coverage policy, accept oral and~~  
23 ~~written comments on the proposed new or amended policy.~~
- 24 (4) ~~If, following the comment period, the proposed new or amended~~  
25 ~~medical coverage policy is modified, then the Department shall, at~~  
26 ~~least 15 days prior to its adoption:~~
- 27 a. ~~Notify all Medicaid providers of the proposed policy;~~  
28 b. ~~Upon request, provide persons notice of amendments to the~~  
29 ~~proposed policy; and~~
- 30 c. ~~Accept additional oral or written comments during this 15 day~~  
31 ~~period.~~

32 ~~SECTION 10.11.(x) For the purposes of investigating and reducing client~~  
33 ~~fraud and abuse, the Department of Health and Human Services, Division of Medical~~  
34 ~~Assistance, shall, unless prohibited by federal law, include in the Medicaid enrollment~~  
35 ~~process the requirement that the applicant for Medicaid consent to or authorize in~~  
36 ~~writing the release of the applicant's medical records for the three years immediately~~  
37 ~~preceding the application for Medicaid benefits. The Department shall obtain and use~~  
38 ~~information from the applicant's medical records in a manner and form that complies~~  
39 ~~with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), P.L.~~  
40 ~~104 191, as amended, and that protects the privacy of the information as required by~~  
41 ~~other applicable federal or State law. In addition to fraud and abuse detection, the~~  
42 ~~Department may require the applicant's consent for other purposes permitted by HIPAA~~  
43 ~~and required or authorized by other applicable federal or State law.~~

44 ~~SECTION 10.11.(y) The Joint Legislative Oversight Committee on Mental~~  
45 ~~Health, Developmental Disabilities, and Substance Abuse Services shall provide an~~  
46 ~~opportunity for interested advocacy organizations to comment on restrictions imposed~~  
47 ~~by the Department of Health and Human Services, Division of Medical Assistance, on~~  
48 ~~the medications prescribed for Medicaid recipients, as authorized under subsection~~  
49 ~~(a)(5) of this section. The Committee may report its findings or recommendations based~~  
50 ~~on comments received to the Senate Appropriations Committee on Health and Human~~  
51 ~~Services, the House of Representatives Appropriations Subcommittee on Health and~~  
52 ~~Human Services, and the Fiscal Research Division on or before April 30, 2006."~~

## 53 PROCEDURES FOR CHANGES TO DHHS MEDICAL POLICY

54

1           **SECTION 10.4.** Article 2 of Chapter 108A of the General Statutes is  
2 amended by adding the following new section to read:

3 **"§ 108A-54.2. Procedures for changing medical policy.**

4           The Department shall develop, amend, and adopt medical coverage policy in  
5 accordance with the following:

- 6           (1) During the development of new medical coverage policy or  
7 amendment to existing medical coverage policy, consult with and seek  
8 the advice of the Physician Advisory Group of the North Carolina  
9 Medical Society and other organizations the Secretary deems  
10 appropriate. The Secretary shall also consult with and seek the advice  
11 of officials of the professional societies or associations representing  
12 providers who are affected by the new medical coverage policy or  
13 amendments to existing medical coverage policy.
- 14           (2) At least 45 days prior to the adoption of new or amended medical  
15 coverage policy, the Department shall:
- 16           a. Publish the proposed new or amended medical coverage policy  
17 on the Department's Web site;
- 18           b. Notify all Medicaid providers of the proposed, new, or amended  
19 policy; and
- 20           c. Upon request, provide persons copies of the proposed medical  
21 coverage policy.
- 22           (3) During the 45-day period immediately following publication of the  
23 proposed new or amended medical coverage policy, accept oral and  
24 written comments on the proposed new or amended policy.
- 25           (4) If, following the comment period, the proposed new or amended  
26 medical coverage policy is modified, then the Department shall, at  
27 least 15 days prior to its adoption:
- 28           a. Notify all Medicaid providers of the proposed policy;
- 29           b. Upon request, provide persons notice of amendments to the  
30 proposed policy; and
- 31           c. Accept additional oral or written comments during this 15-day  
32 period."

33  
34 **TRANSFER OF ASSETS REWRITE**

35           **SECTION 10.5.(a)** G.S. 108A-58 is repealed.

36           **SECTION 10.5.(b)** Part 6 of Article 2 of Chapter 108A of the General  
37 Statutes is amended by adding the following new section to read:

38 **"§ 108A-58.1. Ineligibility for medical assistance based on transferring assets for**  
39 **less than fair market value.**

40           (a) General rule. – Except as otherwise provided herein, an individual who is  
41 otherwise eligible to receive medical assistance under this Part is ineligible for Medicaid  
42 coverage and payment for the services specified in subsection (d) during the period  
43 specified in subsection (c) if the individual or the individual's spouse transfers an asset  
44 for less than fair market value on or after the "lookback date" specified in subsection  
45 (b).

46           (b) Lookback date. –

47           (1) Except as otherwise provided herein, the lookback date is the date  
48 specified in 42 U.S.C. § 1396p(c)(1)(B).

49           (2) Notwithstanding subdivision (1), the lookback date with respect to the  
50 medical services specified in subdivision (d)(2) is the date specified in  
51 42 U.S.C. § 1396p(c)(1)(B) or February 1, 2003, whichever is later.

52           (c) Penalty period. – The penalty period for the transfer of assets for less than fair  
53 market value is the period specified in 42 U.S.C. § 1396p(c)(1)(D), (E), and (H).

54           (d) Medical services. –

- 1           (1) In the case of an institutionalized individual, the transfer of assets  
2 penalty applies with respect to nursing facility services, a level of care  
3 in any institution equivalent to that of nursing facility services, and to  
4 home or community-based services furnished under the State's  
5 Community Alternatives Program waiver pursuant to 42 U.S.C. §  
6 1396n(c) or (d).
- 7           (2) In the case of a noninstitutionalized individual, the transfer of assets  
8 penalty applies with respect to home health services and personal care  
9 services as defined in 42 U.S.C. § 1396d(a)(7) and (24) and, to the  
10 extent permitted by federal law, such other long-term care services  
11 specified by rules adopted by the Department of Health and Human  
12 Services pursuant to subsection (k) of this section.
- 13       (e) Assets. – Assets are the income and resources of an individual or the  
14 individual's spouse (including the individual's or spouse's home) as defined in 42 U.S.C.  
15 § 1396p(h) and 42 U.S.C. § 1396p(c)(1)(G), (I), and (J).
- 16       (f) Fair market value and uncompensated value. –
- 17           (1) The fair market value of an asset is the value (minus any valid and  
18 legally enforceable liens, mortgages, and encumbrances against the  
19 asset) that would have been received if the asset had been sold for  
20 good and valuable consideration at the prevailing market price at the  
21 time the asset was transferred. In the case of real or personal property  
22 that is taxable under Subchapter II of Chapter 105 of the General  
23 Statutes, there is a rebuttable presumption that the fair market value of  
24 the property is its most recent value as ascertained under Subchapter II  
25 of Chapter 105 of the General Statutes (minus any valid and legally  
26 enforceable liens, mortgages, and encumbrances against the property).
- 27           (2) The uncompensated value of an asset is its fair market value minus the  
28 amount of good and valuable consideration received in exchange for  
29 the asset's transfer.
- 30       (g) Individual. – An individual is a person who applies for or is receiving medical  
31 assistance under this Part regardless of whether the person was, at the time an asset was  
32 transferred, a Medicaid applicant or recipient. The term "individual" also includes an  
33 individual's legal representative, anyone acting at the individual's direction or request,  
34 and any person, agency, or court acting lawfully on behalf of the individual.
- 35       (h) Institutionalized and noninstitutionalized individuals. –
- 36           (1) An institutionalized individual is an individual who meets the criteria  
37 set forth in 42 U.S.C. § 1396p(h)(3), regardless of whether the  
38 individual was institutionalized at the time an asset was transferred.
- 39           (2) A noninstitutionalized individual is any individual who (i) is not an  
40 institutionalized individual, (ii) is an aged, blind, or disabled person  
41 who is categorically or medically needy pursuant to 42 C.F.R. § 435. §  
42 120 or a qualified Medicare beneficiary as defined in 42 U.S.C. §  
43 1396d(p)(1), and (3) is not eligible for medical assistance under this  
44 Part based on his or her eligibility for an optional State supplement  
45 pursuant to 42 C.F.R. § 435.232.
- 46       (i) Exceptions. –
- 47           (1) This section does not apply if an individual establishes by the greater  
48 weight of the evidence that the transfer was exclusively for some  
49 purpose other than establishing or retaining eligibility for medical  
50 assistance under this Part.
- 51           (2) This section does not apply to any transfer specified in 42 U.S.C. §  
52 1396p(c)(2)(A), (B), (C)(i), or (C)(iii).
- 53       (j) Hardship waiver. – The Department of Health and Human Services shall  
54 wave a transfer of assets penalty that has been imposed or is imposable under this

1 section if the Department determines that imposition of the penalty would create an  
2 undue hardship.

3 (k) Rules and compliance with federal law.–

4 (1) This section shall be interpreted and administered consistently with  
5 governing federal law, including 42 U.S.C. § 1396p(c).

6 (2) The Department of Health and Human Services shall determine and  
7 publish at least annually the average monthly cost of nursing facility  
8 services for private patients that will be used in determining the length  
9 of a penalty period under this section.

10 (3) The Department of Health and Human Services shall provide for a  
11 hardship waiver process in accordance with 42 U.S.C. §  
12 1396p(c)(2)(D).

13 (4) The Department of Health and Human Services may adopt  
14 administrative rules that are necessary and appropriate to implement  
15 this section or the requirements of 42 U.S.C. § 1396p(c) or other  
16 federal laws governing the transfer of assets and Medicaid eligibility."

17 **SECTION 10.5.(c)** This section is effective when it becomes law. This  
18 section does not affect the validity of any Medicaid transfer of assets penalty that was  
19 validly imposed before the date this act becomes law under prior federal or state law or  
20 rules.

## 21 **MEDICAID DUALY ELIGIBLE TO ENROLL IN MEDICARE PARTS A,B,C,** 22 **D**

23 **SECTION 10.6.** G.S. 108A-55.1 reads as rewritten:

24 **"§ 108A-55.1. Medicare enrollment required.**

25 The Department shall require State Medical Assistance Program recipients who  
26 qualify for Medicare to enroll in Medicare, in accordance with Title XIX of the Social  
27 Security Act, in order to pay medical expenditures that qualify for payment under  
28 Medicare ~~Part B.~~ Parts A, B, C, and D.

29 Failure to enroll in Medicare shall result in nonpayment of these expenditures under  
30 the State Medical Assistance Program. A provider may seek payment for services from  
31 Medicaid enrollees who are eligible for but not enrolled in Medicare ~~Part B.~~ Parts A, B,  
32 C, and D."

## 33 **MEDICAID RESERVE FUND TRANSFER**

34 **SECTION 10.7.(a)** Of the funds transferred to the Department of Health and  
35 Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of fifty  
36 million dollars (\$50,000,000) for the 2006-2007 fiscal year shall be allocated as  
37 prescribed by G.S. 143-23.2(b) for Medicaid programs. Notwithstanding the  
38 prescription in G.S. 143-23.2(b) that these funds not reduce State general revenue  
39 funding, these funds shall replace the reduction in general revenue funding effected in  
40 this act.

41 **SECTION 10.7.(b)** Of the funds transferred to the Department of Health and  
42 Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of five  
43 million four thousand five hundred four dollars (\$5,004,504) for the 2006-2007 fiscal  
44 year shall be allocated as prescribed by G.S. 143-23.2(b) for the implementation of the  
45 Medicaid Management Information System (MMIS).

## 46 **REQUIRED DATA SHARING BY PRIVATE HEALTH INSURERS**

47 **SECTION 10.8.** Part 1 of Article 50 of Chapter 58 of the General Statutes is  
48 amended by adding the following new section to read:

49 **"§ 58-50-46. Insurers to provide certain information to Department of Health and**  
50 **Human Services.**

51 (a) As used in this section, the terms:

52 (1) 'Department' means the Department of Health and Human Services.  
53  
54  
55

1           (2) 'Division' means the Division of Medical Assistance of the Department  
2 of Health and Human Services.

3           (3) 'Health insurer' includes self-insured plans, group health plans (as  
4 defined in section 607(1) of the Employee Retirement Income Security  
5 Act of 1974, [29 USC Section 1167(1)], service benefit plans,  
6 managed care organizations, pharmacy benefit managers, or other  
7 parties that are, by statute, contract, or agreement, legally responsible  
8 for payment of a claim for a health care item or service as a condition  
9 of doing business in the State.

10          (4) 'Medical assistance' means medical assistance benefits provided under  
11 the State Medical Assistance Plan.

12          (b) Notwithstanding any other provision of law, every insurer issuing a health  
13 benefit plan shall provide, in a timely manner and at no cost, to the Department of  
14 Health and Human Services, upon its request, information, including automated data  
15 matches conducted under the direction of the Department of Health and Human  
16 Services, Division of Medical Assistance, as necessary to (i) identify individuals  
17 covered under the insurer's health benefit plans who are also recipients of medical  
18 assistance; (ii) determine the period during which the individual or the individual's  
19 spouses or the individual's dependents may be or may have been covered by the health  
20 benefit plan; and (iii) determine the nature of the coverage. To facilitate the Division in  
21 obtaining this and other related information, every insurer shall:

22           (1) Cooperate with the Division to determine whether a named individual  
23 who is a recipient of medical assistance may be covered under the  
24 insurer's health benefit plan and eligible to receive benefits under the  
25 health benefit plan for services provided under the State Medical  
26 Assistance Plan.

27           (2) Accept the Division's authorization for the provision of medical  
28 services on behalf of the recipient of medical assistance as the insurer's  
29 authorization for the provision of the services.

30           (3) Respond to the request for information within 30 working days after  
31 receipt of written proof of loss or claim for payment for health care  
32 services provided to a recipient of medical assistance who is covered  
33 by the insurer's health benefit plan.

34           (4) Accept the Division's right of recovery and the assignment to the  
35 Division of any right of an individual or other entity to payment from  
36 the party for an item or service for which payment has been made  
37 under the State Medical Assistance Plan.

38           (5) Respond to any inquiry by the Division of Medical Assistance  
39 regarding a claim for payment for any health care item or service that  
40 is submitted not later than three years after the date of the provision of  
41 the health care item or service.

42           (6) Agree not to deny a claim submitted by the Division of Medical  
43 Assistance solely on the basis of the date of submission of the claim,  
44 the type of format of the claim form, or a failure to present property  
45 documentation at the point-of-sale that is the basis of the claim, if:

46           a. The claim is submitted by the Division within the three-year  
47 period beginning on the date on which the item or service was  
48 furnished; and

49           b. Any action by the Division to enforce its rights with respect to  
50 such claim is commenced within six years of the Division's  
51 submission of the claim.

52          (c) An insurer that complies with this section shall not be liable on that account  
53 in any civil or criminal actions or proceedings brought by an individual covered under  
54 the insurer's health benefit plan or the individual's beneficiaries."  
55

**TICKET TO WORK EFFECTIVE DATE CHANGE**

**SECTION 10.9.(a)** Section 10.18(c) of S.L. 2005-276 reads as rewritten:

**"SECTION 10.18.(c)** Subsection (b) of this section becomes effective July 1, 2006. Subsection (a) of this section becomes effective July 1, 2007, ~~or within 30 days after the date on which the MMIS becomes operational, as determined by the Department of Health and Human Services, whichever occurs later, 2007.~~ Client enrollment shall begin not later than six months from the date subsection (a) becomes effective. The remainder of this section is effective when it becomes law."

**SECTION 10.9.(b)** The Department of Health and Human Services shall study and develop a plan for the implementation of the Ticket to Work Program. The Department shall report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than March 1, 2007, on the results of its study. The report shall include what system changes need to be made to implement the Ticket to Work Program, how soon the changes can be made, and an analysis of the five-year fiscal impact of the Program.

**PUBLIC-PRIVATE LONG TERM CARE PARTNERSHIP PROGRAM**

**SECTION 10.10.** Pursuant to authority under Section 1917(b) of the Social Security Act (42 USC 1396p(c)), as amended by Public Law 109-171 effective January 1, 2007, there is established in the Department of Health and Human Services the North Carolina Long-Term Care Partnership Program. The purpose of the Program is to reduce future Medicaid costs for long-term care by delaying or eliminating dependence on Medicaid. The Program shall be administered by the Department of Health and Human Services with the assistance of the Commissioner of Insurance. The Department shall structure and administer the Program in accordance with applicable federal law and guidelines for qualified State long-term care partnerships. The Program, including the treatment of assets for Medicaid eligibility and estate recovery, notwithstanding statutory provisions on treatment of assets and estate recovery to the contrary, shall offer incentives to individuals to insure against the substantial costs of providing for their long-term care needs. The Long-Term Care Partnership Program becomes effective on the effective date of the approved State Plan amendment.

**STUDY MEDICAID PROVIDER RATE INCREASES**

**SECTION 10.11.(a)** The Secretary of the Department of Health and Human Services shall study and develop a proposal for an equitable standard for providing inflationary increases and other cost-related increases to service providers in the Medicaid program. The Department shall seek the assistance of external consultants and other appropriate financial experts and affected parties to validate any methodologies used in the development of the standard.

**SECTION 10.11.(b)** Of the funds appropriated in this act to the Department of Health and Human Services, Division of Medical Assistance, the sum of one hundred thousand dollars (\$100,000) for the 2006-2007 fiscal year shall be used to support the study. Not later than March 1, 2007, the Department shall report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on the findings and recommendations of the study.

**SECTION 10.11.(c)** The Department of Health and Human Services shall study the feasibility and effectiveness of adjusting and rebasing case-mix reimbursement rates using 2005 cost data for nursing facilities. The study shall include the frequency of rebasing to appropriately reflect increases and decreases in reported and audit costs.

**INCREASE HEALTH CARE ACCESS FOR UNINSURED PERSONS**

1           **SECTION 10.12.(a)** The Secretary of the Department of Health and Human  
2 Services shall develop a plan to expand health care access for uninsured North  
3 Carolinians through the use of public/private partnerships, federal flexibility and  
4 resources, and promotion of charity care by health care providers. The goals of the plan  
5 are to:

- 6           (1) Aid small businesses that want to provide health care coverage.
- 7           (2) Expand health care coverage for the working uninsured persons.
- 8           (3) Secure all available federal funds to support the program.
- 9           (4) Promote charity care by health care providers.

10           **SECTION 10.12.(b)** In developing the plan, the Secretary shall:

- 11           (1) Consider findings and recommendations of previous studies on  
12 increased access to health care and covering the uninsured to  
13 determine their feasibility.
- 14           (2) Draw on the experience of other states that have successfully increased  
15 access to health care and covered the uninsured.
- 16           (3) Determine waivers necessary to secure federal funding available  
17 through 1115 Demonstration Waivers and other federal waivers to  
18 cover the uninsured.
- 19           (4) Explore options such as those available through the Deficit Reduction  
20 Act of 2005 (DEFRA) to adjust Medicaid eligibility and benefits to  
21 cover the uninsured.
- 22           (5) Consider the use of existing funding that might be used to leverage  
23 additional federal matching funds including certified public  
24 expenditures (CPE), and appropriate federal Disproportionate Share  
25 Hospital Program (DSH) funds.
- 26           (6) Pursue an agreement with the Centers for Medicare and Medicaid  
27 Services (CMS) to develop a methodology for investing Medicare  
28 savings realized from the expansion of the scope of Community Care  
29 of North Carolina Program to help fund the plan; and
- 30           (7) Determine in conjunction with the Office of State Budget and  
31 Management the fiscal impact of the plan for a five-year period.

32           **SECTION 10.12.(c)** Of the funds appropriated in this act to the Department  
33 of Health and Human Services, Division of Medical Assistance, the sum of two hundred  
34 thousand dollars (\$200,000) for the 2006-2007 fiscal year shall be used to support the  
35 development of the plan. The proposed plan shall be submitted to the 2007 General  
36 Assembly not later than March 1, 2007.

## 37 38 **HEALTH INFORMATION SYSTEMS (HIS) FUNDS**

39           **SECTION 10.13.(a)** The sum of nine million eight hundred thirty-five  
40 thousand seven hundred ninety-five dollars (\$9,835,795) is appropriated from Budget  
41 Code 24430, Fund Code 2117, to the Department of Health and Human Services,  
42 Division of Public Health, for the 2006-2007 fiscal year. These funds shall be used for  
43 the development and implementation of the Health Information Systems (HIS), an  
44 initiative that will provide an automated means of capturing, monitoring, reporting, and  
45 billing services provided in local health departments, CDSAs, and the State Public  
46 Health Lab. The HIS will allow for interfaces to local health departments' own vendor  
47 systems and is intended to replace the outdated Health Services Information System.  
48 Allocation of these funds is contingent upon full compliance with the reporting  
49 requirements of Section 10.59A.(b) of S.L. 2005-276 and the identification of total  
50 estimated costs and future funding sources.

51           **SECTION 10.13.(b)** The Department of Health and Human Services,  
52 Division of Public Health, shall report on the use of these funds to the House of  
53 Representatives Appropriations Subcommittee on Health and Human Services, the  
54 Senate Appropriations Committee on Health and Human Services, and the Fiscal  
55 Research Division not later than March 1, 2007.



**REPEAL VISION CARE PROGRAM**

**SECTION 10.14.** Section 10.59F of S.L. 2005-276 (as amended by Section 20 of S.L. 2005-345), G.S. 130A-440.1, and Part 34 of Article 3 of Chapter 143B of the General Statutes are repealed.

**EARLY INTERVENTION SERVICES REPORT**

**SECTION 10.15.** The Department of Health and Human Services, Division of Public Health, shall report on Early Intervention services. The report shall include the following information for all children, ages birth to three years, entering the Early Intervention system as of July 1, 2006, through December 31, 2006:

- (1) Children served: the number of children referred and the source of referral, the number of children receiving initial evaluations, the number of children determined eligible, the number of children enrolled, and the number of IFS Plans developed.
- (2) Services provided: the number and types of evaluation services, treatment services, and other services provided and whether the service was provided by an employee of a Children's Developmental Services Agency or a private provider.
- (3) Sliding scale participation: the percentage of enrolled children whose family income falls into each of the following categories: at or below 200% of the federal poverty level, between 250% and 300% of the federal poverty level, between 350% and 400% of the federal poverty level, and over 400% of the federal poverty level. These percentages shall be reported based on gross income and net income after allowable deductions.

The Division of Public Health shall report its findings and recommendations to the Senate Appropriations Committee on Health and Human Services, the House of Representative Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than February 1, 2007.

**COMMUNITY HEALTH CENTER CHANGES**

**SECTION 10.16.** Section 10.9(a) of S.L. 2005-276 reads as rewritten:

**"SECTION 10.9.(a)** Of the funds appropriated in this act for Community Health Grants, the sum of two million dollars (\$2,000,000) in recurring funds for the 2005-2006 fiscal year, and the sum of two million dollars (\$2,000,000) in recurring funds for the 2006-2007 fiscal year shall be used for federally qualified health centers, for those health centers that meet the criteria for federally qualified health centers, and for State-designated rural health centers and public health departments and other clinics to:

- (1) Increase access to preventative and primary care services by uninsured or medically indigent patients in existing or new health center locations;
- (2) Establish community health center services in counties where no such services exist;
- (3) Create new services or augment existing services provided to uninsured or medically indigent patients, including primary care and preventative medical services, dental services, pharmacy, and behavioral health; and
- (4) Increase capacity necessary to serve the uninsured by enhancing or replacing facilities, equipment, or technologies.

Grant funds may not be used to enhance or increase compensation or other benefits of personnel, administrators, directors, consultants, or any other parties. Grant funds may not be used to supplant federal funds traditionally received by federally qualified community health centers and may not be used to finance or satisfy any existing debt.

1 The Department of Health and Human Services shall distribute funds on the basis of the  
2 availability of other funds for the agency, and also on the basis of incidence of poverty  
3 or percentage of indigent clients served. Grant applicants must provide after-hours  
4 access in order to qualify for grant funds. The Department shall give preference to those  
5 grant applicants demonstrating collaboration with the applicant's community hospital."  
6

#### 7 **EDUCATION ON PREVENTION OF PRETERM BIRTHS**

8 **SECTION 10.17.** Of the funds appropriated in this act to the Department of  
9 Health and Human Services, Division of Public Health, the sum of one hundred fifty  
10 thousand dollars (\$150,000) for the 2006-2007 fiscal year shall be used to provide  
11 education to women on the benefits of progesterone for those who have had preterm  
12 births and to purchase medication for eligible minority and low-income women until the  
13 medication becomes readily available through the Medicaid Program. The Division of  
14 Public Health shall evaluate the impact of the use of these funds and shall share the  
15 outcomes of the evaluation with the Division of Medical Assistance, the Senate  
16 Appropriations Committee on Health and Human Services, the House of  
17 Representatives Appropriations Subcommittee on Health and Human Services, and the  
18 Fiscal Research Division.  
19

#### 20 **COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES** 21 **INITIATIVE**

22 **SECTION 10.18.** Of funds appropriated in this act to the Department of  
23 Health and Human Services for the 2006-2007 fiscal year, the sum of two million  
24 dollars (\$2,000,000) shall be allocated for the Community-Focused Eliminating Health  
25 Disparities Initiative (CFEHDI) to provide grants-in-aid to local public health  
26 departments, American Indian tribes, and faith-based and community-based  
27 organizations to close the gap in the health status of African-Americans,  
28 Hispanics/Latinos, and American Indians as compared to white persons. These grants  
29 shall focus on the use of preventive measures to support health lifestyles. The areas of  
30 focus on health status shall be infant mortality, HIV-AIDS and sexually transmitted  
31 infections, cancer, diabetes, and homicides and motor vehicle deaths. These funds shall  
32 also be used to support one FTE in the Department of Health and Human Services to  
33 monitor, track, and evaluate grantees' progress in meeting performance-based standards  
34 and outcomes established by the Department.  
35

#### 36 **AUTHORIZE ONE NEW POSITION FOR HEALTHY CAROLINIANS** 37 **INITIATIVE**

38 **SECTION 10.18A.** The Department of Health and Human Services,  
39 Division of Public Health, may use funds appropriated for the 2006-2007 fiscal year to  
40 support one new position for the Healthy Carolinians Initiative.  
41

#### 42 **CLARIFICATION OF CERTAIN AUDIT REQUIREMENTS**

43 **SECTION 10.19.** G.S. 143B-139.4.(b) reads as rewritten:

44 "(b) A private, nonprofit organization that receives employee assistance or other  
45 appropriate services in accordance with subsection (a) of this section, shall document all  
46 contributions received, including employee time, supplies, materials, equipment, and  
47 physical space. The documentation shall also provide an estimated value of all  
48 contributions received as well as any compensation paid to or bonuses received by State  
49 employees. This documentation shall be submitted annually to the Secretary of the  
50 Department of Health and Human Services in a format approved by the Secretary.  
51 Nonprofit organizations with less than five hundred thousand dollars (\$500,000) in  
52 annual income shall submit an affidavit from the chief officer of the organization  
53 providing and attesting to the financial condition of the organization and the expenditure  
54 of funds or use of State employee services or other State services. The board of directors  
55 of each private, nonprofit organization with an annual income of five hundred thousand

dollars (\$500,000) or more shall secure and pay for the services of the State Auditor's Office or employ a certified public accountant to conduct an annual audit of the financial accounts of the organization. The board of directors shall transmit to the Secretary of the Department a copy of the annual financial audit report of the private nonprofit organization. Nothing in this subsection shall be construed to relieve the private, nonprofit organization from other applicable reporting requirements established by law."

**AIDS DRUG ASSISTANCE PROGRAM**

**SECTION 10.21.** Section 10.59(a) of S.L. 2005-276 reads as rewritten:

"SECTION 10.59.(a) For the 2005-2006 fiscal year and for the 2006-2007 fiscal year, HIV positive individuals with incomes at or below one hundred twenty five percent (125%) of the federal poverty level are eligible for participation in ADAP. Eligibility for participation in ADAP during the 2005-2007 fiscal biennium shall not be extended to individuals with incomes above one hundred twenty five percent (125%) of the federal poverty level. For the 2006-2007 fiscal year, the Department may adjust the financial eligibility criterion of the ADAP Program up to an amount not exceeding two hundred fifty percent (250%) of the federal poverty level in order to serve as many eligible North Carolinians living with HIV disease as possible within existing resources plus any new federal resources. If the Department raises the eligibility limit above one hundred twenty-five percent (125%) of the federal poverty level and a waiting list develops as a result, the Department shall give priority on the waiting list to those individuals at or below one hundred twenty-five percent (125%) of the federal poverty level."

**TECHNICAL CORRECTION TO LICENSURE FEE LIMITS**

**SECTION 10.22.** G.S. 131E-267 reads as rewritten:

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

The Department of Health and Human Services shall charge a fee for the review of each health care facility construction project to ensure that project plans and construction are in compliance with State law. The fee shall be charged on a one-time, per-project basis, as follows, and shall not exceed ~~twelve thousand five hundred dollars (\$12,500)~~ twenty-five thousand dollars (\$25,000) for any single project:

**Institutional Project**

**Project Fee**

Hospitals	\$ 300.00 plus \$0.20/square foot of project space
Nursing Homes	\$ 250.00 plus \$0.16/square foot of project space
Ambulatory Surgical Facility	\$ 200.00 plus \$0.16/square foot of project space
Psychiatric Hospital	\$ 200.00 plus \$0.16/square foot of project space
Adult Care Home	
7 or more beds	\$ 175.00 plus \$0.10/square foot of project space

**Residential Project**

**Project Fee**

Family Care Homes	\$ 175.00 flat fee
ICF/MR Group Homes	\$ 275.00 flat fee
Group Homes: 1-3 beds	\$ 100.00 flat fee
Group Homes: 4-6 beds	\$ 175.00 flat fee
Group Homes: 7-9 beds	\$ 225.00 flat fee
Other residential:	
More than 9 beds	\$ 225.00 plus \$0.075/square foot of project space."

**CLARIFICATION OF FEES FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICE FACILITIES**

**SECTION 10.23.** G.S. 122C-23(h) reads as rewritten:

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

Type of Facility	Number of Beds	Base Fee	Per-Bed Fee
<del>Facilities (non ICF/MR):</del>	<del>0 beds</del>	<del>\$175.00</del>	<del>\$0</del>
<del>Facilities (non ICF/MR):</del>	<del>6 or fewer</del>		
	1 to 6 beds	\$250.00	\$0
	More than 6 beds	\$350.00	\$12.50
ICF/MR Only:	<del>6 or fewer</del>		
	1 to 6 beds	\$650.00	\$0
	More than 6 beds	\$650.00	\$12.50"

**TRANSFER ADVOCACY AND CUSTOMER SERVICE SECTION TO OFFICE OF THE SECRETARY**

**SECTION 10.24.** The Advocacy and Customer Service Section of the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services is transferred to the Office of the Secretary of the Department of Health and Human Services. The transfer has the elements of a Type I transfer as defined in G.S. 143A-6. In addition to its other responsibilities, the Advocacy and Customer Service Section shall assume and carry out the requirements of the Consumer Advocacy Program as established under Article 1A of Chapter 122C of the General Statutes.

**AUTHORIZE LOCAL MANAGEMENT ENTITIES TO TRANSFER FUNDS BETWEEN AGE AND DISABILITY CATEGORIES**

**SECTION 10.25.(a)** Notwithstanding G.S. 143-23, an area authority or a county program may transfer from one age or disability category to a different age or disability category up to fifteen percent (15%) of the funds initially allocated to the age or disability category from which funds are being transferred. Prior to the transfer, the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall verify that the transfer meets applicable federal requirements. Area authorities and county programs shall:

- (1) Publicly document that they have addressed the service needs of the category from which the funds are being transferred before any transfer may occur, and
- (2) Submit the required documentation to the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and to the Fiscal Research Division within 15 days of making the transfer.

**SECTION 10.25.(b)** This section expires July 1, 2007.

**AREA AUTHORITY AND COUNTY PROGRAM CRISIS REGIONS**

**SECTION 10.26.(a)** Using funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, and allocated to area authorities and county programs for this purpose, area authorities and county programs shall organize themselves into no more than 21 crisis regions based upon the existing Geriatric Specialty team configurations or other approved regions. These funds shall be allocated to each area authority or county programs on a per capita basis. The funds may be used for operational start-up, capital, or subsidies related to developing a continuum of crisis services. No more than three percent (3%) may be spent for administrative costs. The area authorities and county program within a crisis region shall work together to identify gaps in their ability to provide a continuum of crisis services for all consumers and use the funds allocated to them to develop and implement a plan to address those needs. At a minimum, the plan must address the development over time of the following components: 24-hour crisis telephone lines, walk-in crisis services, mobile crisis

1 outreach, crisis respite/residential services, crisis stabilization units, 23-hour beds,  
2 facility-based crisis, in-patient crisis and transportation. Options for voluntary  
3 admissions to a secured facility must include at least one service appropriate to address  
4 the mental health, developmental disability, and substance abuse needs of adults, and  
5 the mental health, developmental disability, and substance abuse needs of children.  
6 Options for involuntary commitment to a secured facility must include at least one  
7 option in addition to admission to a State facility.

8 If all area authorities and county programs in a crisis region determine that a  
9 facility-based crisis center is needed and sustainable on a long-term basis, the crisis  
10 region shall attempt to secure those services through a community hospital or other  
11 community facility first. If all the area authorities and county programs in the crisis  
12 region determine the region's crisis needs are being met, the area authorities and county  
13 programs may use the funds to meet local crisis service needs.

14 **SECTION 10.26.(b)** Of the funds appropriated in this act for consultant  
15 services to aid local management entities and the Division of Mental Health,  
16 Developmental Disabilities, and Substance Abuse Services, the sum of two hundred  
17 twenty-five thousand dollars (\$225,000) shall be used for consulting services engaged  
18 pursuant to this subsection. Each area authority and county program and each crisis  
19 region shall utilize the technical assistance of a consultant under contract with the  
20 Division to develop and implement its crisis services plan. The consultant shall assist  
21 area authorities and county programs and crisis regions to identify local and regional  
22 gaps in crisis services, identify options for providing services, implement new services,  
23 and maintain transparency and accountability for the use of funds. The crisis region or  
24 area authorities and county programs shall submit their crisis services plan to the  
25 consultant and to the Division of Mental Health, Developmental Disabilities, and  
26 Substance Abuse Services (Division) for review and public comment. The crisis regions  
27 and area authorities and county programs shall consider the comments prior to  
28 submitting a final plan for implementation. Upon submission of a final plan to DHHS,  
29 each crisis region, area authority, and county program will receive implementation  
30 funds. Funds not expended during the 2006-2007 fiscal year shall not revert.

31 Area authorities and county programs and crisis regions shall report monthly  
32 to the consultant and to the Division regarding the use of the funds, whether there has  
33 been a reduction in the use of State psychiatric hospitals for acute admissions, and  
34 remaining gaps in local and regional crisis services. The consultant shall report  
35 regularly to the General Assembly, the Fiscal Research Division, and the Joint  
36 Legislative Oversight Committee on Mental Health, Developmental Disabilities, and  
37 Substance Abuse Services regarding each crisis region's and area authorities' and county  
38 programs' proposed and actual use of the funds.

#### 40 **EXTEND SUNSET FOR FIRST COMMITMENT PILOT PROGRAM**

41 **SECTION 10.27.** S.L. 2003-178 reads as rewritten:

42 **"SECTION 1.** The Secretary of Health and Human Services may, upon request of a  
43 phase-one local management entity, waive temporarily the requirements of  
44 G.S. 122C-261 through G.S. 122C-263 and G.S. 122C-281 through G.S. 122C-283  
45 pertaining to initial (first-level) examinations by a physician or eligible psychologist of  
46 individuals meeting the criteria of G.S. 122C-261(a) or G.S. 122C-281(a), as applicable,  
47 as follows:

- 48 (1) The Secretary has received a request from a phase-one local  
49 management entity to substitute for a physician or eligible  
50 psychologist, a licensed clinical social worker, a masters level  
51 psychiatric nurse, or a masters level certified clinical addictions  
52 specialist to conduct the initial (first-level) examinations of individuals  
53 meeting the criteria of G.S. 122C-261(a) or G.S. 122C-281(a). The  
54 waiver shall be implemented on a pilot-program basis. The request

1 from the local management entity shall be submitted as part of the  
2 entity's local business plan and shall specifically describe:

- 3 a. How the purpose of the statutory requirement would be better  
4 served by waiving the requirement and substituting the  
5 proposed change under the waiver.  
6 b. How the waiver will enable the local management entity to  
7 improve the delivery or management of mental health,  
8 developmental disabilities, and substance abuse services.  
9 c. How the services to be provided by the licensed clinical social  
10 worker, the masters level psychiatric nurse, or the masters level  
11 certified clinical addictions specialist under the waiver are  
12 within each of these professional's scope of practice.  
13 d. How the health, safety, and welfare of individuals will continue  
14 to be at least as well protected under the waiver as under the  
15 statutory requirement.

16 (2) The Secretary shall review the request and may approve it upon  
17 finding that:

- 18 a. The request meets the requirements of this section.  
19 b. The request furthers the purposes of State policy under  
20 G.S. 122C-2 and mental health, developmental disabilities, and  
21 substance abuse services reform.  
22 c. The request improves the delivery of mental health,  
23 developmental disabilities, and substance abuse services in the  
24 counties affected by the waiver and also protects the health,  
25 safety, and welfare of individuals receiving these services.  
26 d. The duties and responsibilities performed by the licensed  
27 clinical social worker, the masters level psychiatric nurse, or the  
28 masters level certified clinical addictions specialist are within  
29 the individual's scope of practice.

30 (3) The Secretary shall evaluate the effectiveness, quality, and efficiency  
31 of mental health, developmental disabilities, and substance abuse  
32 services and protection of health, safety, and welfare under the waiver.  
33 The Secretary shall send a report on the evaluation to the Joint  
34 Legislative Oversight Committee on Mental Health, Developmental  
35 Disabilities, and Substances Abuse Services on or before July 1, 2006.

36 (4) The waiver granted by the Secretary under this section shall be in  
37 effect ~~for a period not to exceed three years, or the period for which~~  
38 ~~the requesting local management entity's business plan is approved,~~  
39 ~~whichever is shorter, until October 1, 2007.~~

40 (5) The Secretary may grant a waiver under this section to up to five local  
41 management entities that have been designated as phase-one entities as  
42 of July 1, 2003.

43 (6) In no event shall the substitution of a licensed clinical social worker,  
44 masters level psychiatric nurse, or masters level certified clinical  
45 addictions specialist under a waiver granted under this section be  
46 construed as authorization to expand the scope of practice of the  
47 licensed clinical social worker, the masters level psychiatric nurse, or  
48 the masters level certified clinical addictions specialist.

49 (7) The Department shall assure that staff performing the duties are  
50 trained and privileged to perform the functions identified in the waiver.  
51 The Department shall involve stakeholders including, but not limited  
52 to, the North Carolina Psychiatric Association, The North Carolina  
53 Nurses Association, National Association of Social Workers, The  
54 North Carolina Substance Abuse Professional Certification Board,  
55 North Carolina Psychological Association, The North Carolina Society

1 for Clinical Social Work, and the North Carolina Medical Society in  
2 developing required staff competencies.

- 3 (8) The local management entity shall assure that a physician is available  
4 at all times to provide backup support to include telephone  
5 consultation and face-to-face evaluation, if necessary.

6 **SECTION 2.** This act becomes effective July 1, 2003, and expires ~~July 1,~~  
7 ~~2006.~~October 1, 2007."

8  
9 **CHANGES TO THE STATE PLAN FOR MENTAL HEALTH,  
10 DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES**

11 **SECTION 10.28.(a)** G.S. 122C-102 reads as rewritten:

12 "**§ 122C-102. State Plan for Mental Health, Developmental Disabilities, and**  
13 **Substance Abuse Services.**Services; system performance measures.

14 (a) Purpose of State Plan. – The Department shall develop and implement a State  
15 Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services. The  
16 purpose of the State Plan is to provide a strategic template regarding how State and  
17 local resources shall be organized and used to provide services. The State Plan shall be  
18 issued every three years beginning July 1, 2007. It shall identify specific goals to be  
19 achieved by the Department, area authorities, and county programs over a three-year  
20 period of time and benchmarks for determining whether progress is being made towards  
21 those goals. It shall also identify data that will be used to measure progress towards the  
22 specified goals. In order to increase the ability of the State, area authorities, county  
23 programs, private providers, and consumers to successfully implement the goals of the  
24 State Plan, the Department shall not adopt or implement policies that are inconsistent  
25 with the State Plan without first consulting with the Joint Legislative Committee on  
26 Mental Health, Developmental Disabilities, and Substance Abuse Services.

27 (b) Content of State Plan. – The State Plan shall include the following:

- 28 (1) Vision and mission of the State Mental Health, Developmental  
29 Disabilities, and Substance Abuse Services system.  
30 (2) ~~Organizational structure of the Department and the divisions of the~~  
31 ~~Department responsible for managing and monitoring mental health,~~  
32 ~~developmental disabilities, and substance abuse services.~~  
33 (3) Protection of client rights and consumer involvement in planning and  
34 management of system services.  
35 (4) Provision of services to targeted populations, including criteria for  
36 identifying targeted populations.  
37 (5) Compliance with federal mandates in establishing service priorities in  
38 mental health, developmental disabilities, and substance abuse.  
39 (6) Description of the core services that are available to all individuals in  
40 order to improve consumer access to mental health, developmental  
41 disabilities, and substance abuse services at the local level.  
42 (7) Service standards for the mental health, developmental disabilities, and  
43 substance abuse services system.  
44 (8) Implementation of the uniform portal process.  
45 (9) Strategies and schedules for implementing the service plan, including  
46 consultation on Medicaid policy with area and county programs,  
47 qualified providers, and others as designated by the Secretary,  
48 intersystem collaboration, promotion of best practices, technical  
49 assistance, outcome-based monitoring, and evaluation.  
50 (10) A plan for coordination of the State Plan for Mental Health,  
51 Developmental Disabilities, and Substance Abuse Services with the  
52 Medicaid State Plan, and NC Health Choice.  
53 (11) A business plan to demonstrate efficient and effective resource  
54 management of the mental health, developmental disabilities, and

1 substance abuse services system, including strategies for  
2 accountability for non-Medicaid and Medicaid services.

- 3 (12) Strategies and schedules for implementing a phased in plan to  
4 eliminate disparities in the allocation of State funding across county  
5 programs and area authorities by January 1, 2007, including methods  
6 to identify service gaps and to ensure equitable use of State funds to  
7 fill those gaps among all counties.

8 (c) State Performance Measures. – The State Plan shall also include a mechanism  
9 for measuring the State's progress towards increased performance on the following  
10 matters: access to services, consumer-focused outcomes, individualized planning and  
11 supports, promotion of best practices, quality management systems, system efficiency  
12 and effectiveness, and prevention and early intervention. Beginning October 1, 2006,  
13 and every six months thereafter, the Secretary shall report to the General Assembly and  
14 the Joint Legislative Oversight Committee on Mental Health, Developmental  
15 Disabilities, and Substance Abuse Services on the State's progress in these performance  
16 areas."

17 **SECTION 10.28.(b)** The North Carolina Department of Health and Human  
18 Services (DHHS) shall review all State Plans for Mental Health, Developmental  
19 Disabilities, and Substance Abuse Services, implemented after July 1, 2001, and before  
20 the effective date of this act and produce a single document that contains a cumulative  
21 statement of all still applicable provisions of those Plans. This cumulative document  
22 shall constitute the State Plan until July 1, 2007.

23 DHHS and the Secretary shall also identify those provisions in  
24 G.S. 122C-112.1, prior State Plans, and directives or communications by the Division of  
25 Mental Health, Developmental Disabilities, and Substance Abuse Services that must be  
26 adopted as administrative rules in order to be enforceable and undertake to adopt those  
27 rules.

28 **SECTION 10.28.(c)** Independent consultants hired by the Department from  
29 funds appropriated in this act for this purpose shall undertake the following tasks:

- 30 (1) Assist DHHS with the strategic planning necessary to develop the  
31 revised State Plan as required under G.S. 122C-102. The State Plan  
32 shall be coordinated with local and regional crisis service plans by area  
33 authorities and county programs.
- 34 (2) Study and make recommendations to increase the capacity of DHHS to  
35 implement system reform successfully and in a manner that maintains  
36 strong management functions by area authorities and county programs  
37 at the local level.
- 38 (3) Assist the Division of Mental Health, Developmental Disabilities, and  
39 Substance Abuse Services to work with area authorities and county  
40 programs to:
- 41 a. Develop and implement five to ten critical performance  
42 indicators to be used to hold area authorities and county  
43 programs accountable for managing the mental health,  
44 developmental disabilities, and substance abuse services  
45 system. The performance system indicators shall be  
46 implemented no later than six months after the consultant's  
47 contract is awarded and in no event later than July 1, 2007.
- 48 b. Standardize the utilization management functions for Medicaid  
49 and non-Medicaid services and for the review and approval of  
50 person-centered plans.
- 51 c. Develop area authorities' and county programs' expertise to  
52 assume utilization management for Medicaid services. The goal  
53 shall be to have a portion of the area authorities and county  
54 programs assume that function beginning July 1, 2007, and the  
55 remainder to assume the function no later than July 1, 2009.



- 1 d. Implement other uniform procedures for the management  
2 functions of area authorities and county programs.
- 3 (4) Provide technical assistance and oversight to private service providers,  
4 area authorities, and county programs to ensure that best practices and  
5 new services are being delivered with fidelity to the service definition  
6 model.
- 7 (5) Provide ongoing and focused technical assistance to area authorities  
8 and county programs in the implementation of their administrative and  
9 management functions and the establishment and operation of  
10 community-based programs. The Secretary shall include in the State  
11 Plan a mechanism for monitoring the Department's success in  
12 implementing this duty and the progress of area authorities and county  
13 programs in achieving these functions.
- 14 (6) Assist the Division with implementing standard forms, contracts,  
15 processes, and procedures to be used by all area authorities and county  
16 programs with other public and private service providers. These  
17 processes and procedures shall include standardized denial codes and a  
18 standard policy regarding the coordination of benefits. The  
19 independent consultant shall consult with area authorities and county  
20 programs regarding the development of these forms, contracts,  
21 processes, and procedures. Any document or process developed under  
22 this subdivision shall place an obligation upon providers to transmit to  
23 area authorities and county programs timely client information and  
24 outcome data. The independent consultant shall also recommend  
25 language regarding what constitutes a clean claim for purposes of  
26 billing. When implementing this subdivision, the independent  
27 consultant shall balance the need for area authorities and county  
28 programs to exercise discretion in the discharge of their management  
29 responsibilities with the need of private service providers for a uniform  
30 system of doing business with public entities. The independent  
31 consultant shall also (i) identify other areas of standardization that may  
32 be implemented without undermining the authority of area authorities  
33 and county programs, and (ii) identify and eliminate processes and  
34 procedures that are duplicative or result in unnecessary paperwork.  
35

36 **FACILITY LICENSURE REQUIREMENTS FOR OUTPATIENT SUBSTANCE**  
37 **ABUSE SERVICES CONSISTENT WITH FACILITY LICENSURE**  
38 **REQUIREMENTS FOR OUTPATIENT MENTAL HEALTH AND**  
39 **DEVELOPMENTAL DISABILITY SERVICES**

40 **SECTION 10.29.** G.S. 122C-3(14) reads as rewritten:

41 **"§ 122C-3. Definitions.**

42 As used in this Chapter, unless another meaning is specified or the context clearly  
43 requires otherwise, the following terms have the meanings specified:  
44

- 45 (14) "Facility" means any person at one location whose primary purpose is  
46 to provide services for the care, treatment, habilitation, or  
47 rehabilitation of the mentally ill, the developmentally disabled, or  
48 substance abusers, and includes:
- 49 a. An "area facility", which is a facility that is operated by or  
50 under contract with the area authority or county program. For  
51 the purposes of this subparagraph, a contract is a contract,  
52 memorandum of understanding, or other written agreement  
53 whereby the facility agrees to provide services to one or more  
54 clients of the area authority or county program. Area facilities

1 may also be licensable facilities in accordance with Article 2 of  
2 this Chapter. A State facility is not an area facility;

- 3 b. A "licensable facility", which is a facility that provides services  
4 to individuals who are mentally ill, developmentally disabled,  
5 or substance abusers for one or more minors or for two or more  
6 adults. ~~When the services offered are provided to individuals~~  
7 ~~who are mentally ill or developmentally disabled, these~~ These  
8 services shall be day services offered to the same individual for  
9 a period of three hours or more during a 24-hour period, or  
10 residential services provided for 24 consecutive hours or more.  
11 ~~When the services offered are provided to individuals who are~~  
12 ~~substance abusers, these services shall include all outpatient~~  
13 ~~services, day services offered to the same individual for a~~  
14 ~~period of three hours or more during a 24 hour period, or~~  
15 ~~residential services provided for 24 consecutive hours or more.~~  
16 Facilities for individuals who are substance abusers include  
17 chemical dependency facilities;
- 18 c. A "private facility", which is a facility that is either a licensable  
19 facility or a special unit of a general hospital or a part of either  
20 in which the specific service provided is not covered under the  
21 terms of a contract with an area authority;
- 22 d. The psychiatric service of the University of North Carolina  
23 Hospitals at Chapel Hill;
- 24 e. A "residential facility", which is a 24-hour facility that is not a  
25 hospital, including a group home;
- 26 f. A "State facility", which is a facility that is operated by the  
27 Secretary;
- 28 g. A "24-hour facility", which is a facility that provides a  
29 structured living environment and services for a period of 24  
30 consecutive hours or more and includes hospitals that are  
31 facilities under this Chapter; and
- 32 h. A Veterans Administration facility or part thereof that provides  
33 services for the care, treatment, habilitation, or rehabilitation of  
34 the mentally ill, the developmentally disabled, or substance  
35 abusers."  
36

### 37 INDEDPENDENT- AND SUPPORTIVE-LIVING APARTMENTS INITIATIVE

38 **SECTION 10.30.** The independent and supportive living apartments for  
39 persons with disabilities constructed from funds appropriated in this act for that purpose  
40 shall be affordable to persons with incomes at the Supplemental Security Income (SSI)  
41 level. If the North Carolina Housing Finance Agency is able to finance the apartments  
42 for less than the amount appropriated under this section, any remaining funds, as well as  
43 any interest earned on the amount appropriated, may be used to finance additional  
44 apartments, group homes, and transitional housing for individuals with disabilities.  
45

### 46 LME FINANCIAL REPORTS TO COUNTY REVIEWED BY COUNTY 47 FINANCE OFFICERS

48 **SECTION 10.31.(a)** G.S. 122C-117(c) reads as rewritten:

49 "(c) Within 30 days of the end of each quarter of the fiscal year, the area director  
50 and finance officer of the area authority shall provide to each member of the board of  
51 county commissioners the quarterly report of the area authority. The quarterly report  
52 shall also be presented to the county finance officer for review and comment. The clerk  
53 to the board of commissioners shall notify the area director and finance officer if it has  
54 not received the quarterly report required by this subsection. This information shall be  
55 presented in a format prescribed by the county. At least twice a year, this information

1 shall be presented in person and shall be read into the minutes of the meeting at which it  
2 is presented. In addition, the area director or finance officer of the area authority shall  
3 provide to the board of county commissioners ad hoc reports as requested by the board  
4 of county commissioners."

5 **SECTION 10.31.(b)** Article 23 of Chapter 153A of the General Statutes is  
6 amended by adding the following new section to read:

7 "**§ 153A-453. Quarterly reports of Mental Health, Developmental Disabilities, and**  
8 **Substance Abuse Services area authority or county program.**

9 Quarterly reports by the area director and finance officer of Mental Health,  
10 Developmental Disabilities, and Substance Abuse Services area authorities or county  
11 programs shall be submitted to the county finance officer as provided under  
12 G.S. 122C-117(c)."

#### 13 14 **LOCAL MANAGEMENT ENTITY ADMINISTRATIVE FUNCTIONS**

15 **SECTION 10.32.** The Department of Health and Human Services shall  
16 recalculate local management entity (LME) systems management allocations for fiscal  
17 year 2006-2007 to include funds for each LME to implement 24-hour, seven days a  
18 week screening, triage, and referral, and the review and approval of all person-centered  
19 plans. The Department shall allocate funds appropriated in this act for this purpose to  
20 LMEs to implement the functions described in this section.

#### 21 22 **PORTION OF PROCEEDS FROM ALCOHOL EXCISE TAX DEPOSITED TO** 23 **TRUST FUND FOR MENTAL HEALTH, DEVELOPMENTAL** 24 **DISABILITIES, AND SUBSTANCE ABUSE SERVICES AND BRIDGE** 25 **FUNDING NEEDS**

26 **SECTION 10.33.(a)** Part 4 of Article 2C of Chapter 105 of the General  
27 Statutes is amended by adding a new section to read:

28 "**§ 105-113.82A. Distribution to the Trust Fund for Mental Health, Developmental**  
29 **Disabilities, and Substance Abuse Services and Bridge Funding Needs.**

30 After setting aside funds for the distributions required by G.S. 105-113.81A and  
31 G.S. 105-113.82, the Secretary shall on a monthly basis distribute to the Trust Fund for  
32 Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge  
33 Funding Needs, established under G.S. 143-15.3D, five percent (5%) of the net  
34 proceeds of the amount of excise taxes collected under this Article on malt beverages,  
35 unfortified wine, fortified wine, and spirituous liquor."

36 **SECTION 10.33.(b)** This section becomes effective July 1, 2006, and  
37 applies to taxes collected on or after that date.

#### 38 39 **CHILD CARE ALLOCATION FORMULA**

40 **SECTION 10.34.** Section 10.61(c) of S.L. 2005-276 reads as rewritten:

41 "**SECTION 10.61.(c)** Notwithstanding subsection (a) of this section, the  
42 Department of Health and Human Services shall allocate up to twenty-two million  
43 dollars (\$22,000,000) in federal block grant funds and State funds appropriated for  
44 fiscal years ~~2004-2005~~2005-2006 and ~~2005-2006~~2006-2007 for child care services.  
45 These funds shall be allocated to prevent termination of child care services."

#### 46 47 **CHILD CARE SUBSIDY RATES**

48 **SECTION 10.35.** Section 10.62(e) of S.L. 2005-276 reads as rewritten:

49 "**SECTION 10.62.(e)** A market rate shall be calculated for child care centers and  
50 homes at each rated license level for each county and for each age group or age category  
51 of enrollees and shall be representative of fees charged to ~~unsubsidized privately paying~~  
52 parents for each age group of enrollees within the county. The Division of Child  
53 Development shall also calculate a statewide rate and regional market rates for each  
54 rated license level for each age category."  
55

**PART XI. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**

**CONSERVATION RESERVE ENHANCEMENT PROGRAM**

**SECTION 11.1.** Funds appropriated to the Department of Environment and Natural Resources for the 2006-2007 fiscal year for the Division of Soil and Water Conservation for the Conservation Reserve Enhancement Program for acquiring conservation easements and leases or for contracts under the Program shall not revert, but shall remain available for these purposes.

**AQUARIUM FUNDS**

**SECTION 11.2.** Of the funds appropriated in this act to the Department of Environment and Natural Resources, the sum of two million five hundred thousand dollars (\$2,500,000) for the 2006-2007 fiscal year shall be for the Division of Aquariums for the operations of the Division of Aquariums of the Department of Environment and Natural Resources. These funds are in addition to the funding the Division of Aquariums receives from departmental receipts, and the Department of Environment and Natural Resources may use these funds to shift funding for operations of the Division from receipt-support to General Fund support.

**GRASSROOTS SCIENCE PROGRAM**

**SECTION 11.3.** Section 12.5 of S.L. 2005-276, as amended by Section 23 of S.L. 2005-345, reads as rewritten:

**"SECTION 12.5.(a)** Of the funds appropriated in this act to the Department of Environment and Natural Resources for the Grassroots Science Program, the sum of three million one hundred ninety-seven thousand seven hundred sixty-two dollars (\$3,197,762) for the 2005-2006 fiscal year and the sum of three million eight hundred sixty-three thousand seven hundred dollars (\$3,863,700) for the 2006-2007 fiscal year is allocated as grants-in-aid ~~for each fiscal year~~ as follows:

	2005-2006	<u>2006-2007</u>
Aurora Fossil Museum	\$59,057	<u>\$62,593</u>
Cape Fear Museum	\$161,007	<u>\$195,926</u>
Carolina Raptor Center	\$112,174	<u>\$126,878</u>
Catawba Science Center	\$133,429	<u>\$181,452</u>
<u>The Children's Museum of Iredell County</u>		<u>\$65,424</u>
<del>Colburn Gem and Mineral Museum, Inc.</del> <u>Earth Science</u>		
<u>Museum, Inc.</u>	\$74,545	<u>\$82,856</u>
Discovery Place	\$662,865	<u>\$845,882</u>
Eastern NC Regional Science Center	\$50,000	<u>\$51,094</u>
<del>Port Discover: Northeastern North Carolina's</del>	\$50,000	
<del>Center for Hands-On Science, Inc.</del>		
Fascinate-U	\$80,742	<u>\$92,389</u>
Granville County Museum Commission, Inc.-Harris Gallery	\$56,422	<u>\$58,079</u>
Greensboro Children's Museum	\$135,076	<u>\$142,558</u>
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	\$134,499	<u>\$194,079</u>
Highlands Nature Center	\$79,268	<u>\$83,826</u>
Imagination Station	\$86,034	<u>\$95,505</u>
Kidsenses	\$50,000	<u>\$92,676</u>
Museum of Coastal Carolina	\$74,192	<u>\$80,207</u>
<u>The Natural Science Center of Greensboro</u> <del>Greensboro, Inc.</del>	\$186,354	<u>\$218,069</u>
North Carolina Museum of Life		

1	and Science	\$379,826	\$432,752
2	<u>Port Discover: Northeastern North Carolina's</u>		
3	<u>Center for Hands-On Science, Inc.</u>	\$50,000	\$50,117
4	Rocky Mount Children's Museum	\$72,254	\$74,928
5	Schiele Museum of Natural History		
6	<u>and Planetarium, Inc.</u>	\$229,547	\$264,353
7	Sci Works Science Center and		
8	Environmental Park of Forsyth County	\$146,499	\$177,886
9	Western North Carolina Nature Center	\$112,879	\$123,079
10	Wilmington Children's Museum	\$71,093	\$71,093
11			
12	Total	\$3,197,762	\$3,863,700

13 **SECTION 12.5.(b)** No later than March 1, 2006, the Department of Environment  
 14 and Natural Resources shall report to the Fiscal Research Division all of the following  
 15 information for each museum that receives funds under this section:

- 16 (1) The operating budget for the 2004-2005 fiscal year.
- 17 (2) The operating budget for the 2005-2006 fiscal year.
- 18 (3) The total attendance at the museum during the 2005 calendar year.

19 **SECTION 12.5.(c)** No later than March 1, 2007, the Department of Environment  
 20 and Natural Resources shall report to the Fiscal Research Division all of the following  
 21 information for each museum that receives funds under this section:

- 22 (1) The operating budget for the 2005-2006 fiscal year.
- 23 (2) The operating budget for the 2006-2007 fiscal year.
- 24 (3) The total attendance at the museum during the 2006 calendar year."

25  
 26 **MORATORIUM IMPOSED ON NEW LANDFILLS**

27 **SECTION 11.4.(a)** Definitions. – The definitions set forth in G.S. 130A-290  
 28 apply throughout this section.

29 **SECTION 11.4.(b)** Moratorium Established. – There is hereby established a  
 30 moratorium on consideration of applications for a permit and on the issuance of permits  
 31 for new landfills in the State. The purposes of this moratorium are to allow the State to  
 32 study solid waste disposal issues in order to protect public health and the environment.  
 33 The Department of Environment and Natural Resources shall not consider a permit  
 34 application nor issue a permit for a new landfill for the disposal of construction or  
 35 demolition waste, municipal solid waste, or industrial solid waste for a period beginning  
 36 on 1 July 2006 and ending on 1 January 2008.

37 **SECTION 11.4.(c)** Exceptions. – The moratorium established by subsection  
 38 (b) of this section shall not prohibit consideration of an application for or issuance of:

- 39 (1) A modification of a permit for an existing permitted landfill.
- 40 (2) A permit to expand an existing permitted landfill if the proposed  
 41 facility boundary will provide no more than five years of disposal  
 42 capacity.
- 43 (3) A modification of a permit to reflect a transfer of ownership of an  
 44 existing permitted landfill.
- 45 (4) A modification of a permit to provide for a substantial change to the  
 46 waste stream described in a permit in effect as of 1 May 2006 for an  
 47 existing landfill.
- 48 (5) A permit for a sanitary landfill used only to dispose of waste generated  
 49 by a coal-fired generating unit that is owned or operated by an  
 50 investor-owned utility subject to the requirements of  
 51 G.S. 143-215.107D.
- 52 (6) A permit for a sanitary landfill determined to be necessary by the  
 53 Secretary in order to respond to an imminent hazard to public health or  
 54 a natural disaster.

1           **SECTION 11.4.(d)** Study. – The Environmental Review Commission, with  
2 the assistance of the Division of Waste Management of the Department of Environment  
3 and Natural Resources, shall study issues related to solid waste. The Commission shall  
4 specifically study measures concerning:

- 5           (1) Financial responsibility requirements for solid waste landfills,  
6 including the application of requirements to limited liability companies  
7 and other business entity structures of applicants seeking solid waste  
8 landfill permits.
- 9           (2) Application of franchise requirements and local government approval  
10 for solid waste landfill permits, including adequacy of public notice  
11 and comment, community studies, and site designations prior to local  
12 government approval.
- 13           (3) Siting, design, and operational requirements for landfills for the  
14 disposal of construction or demolition waste, municipal solid waste, or  
15 industrial solid waste that are proposed in areas susceptible to flooding  
16 from natural disasters, areas with high water tables, and other  
17 environmentally sensitive areas.
- 18           (4) Traffic considerations for proposed landfills.
- 19           (5) Regulatory oversight and staffing for permitting and compliance of  
20 solid waste landfills, and inspection of waste containers on barges,  
21 railways, and trucks.
- 22           (6) Compliance with statutory prohibitions on disposal of certain types of  
23 solid waste and measures to prevent disposal of hazardous waste in  
24 solid waste and construction and demolition landfills.
- 25           (7) Ways to reduce the amount of solid waste disposed of within North  
26 Carolina landfills, including statewide tipping fees, bans on the  
27 disposal of certain types of waste in landfills, more aggressive  
28 recycling requirements, and enhanced regulatory requirements for  
29 landfills and other solid waste management facilities.

30           **SECTION 11.4.(e)** Subcommittee. – In order to facilitate the conduct of this  
31 study, the Cochairs of the Environmental Review Commission may establish a  
32 subcommittee of the Commission. The subcommittee of the Commission may include  
33 nonlegislative members who have special knowledge, interest, or expertise in various  
34 aspects of solid waste management, appointed in consultation with the President Pro  
35 Tempore of the Senate and the Speaker of the House of Representatives.

36           **SECTION 11.4.(f)** Report. – The Commission shall report its findings,  
37 together with any recommended legislation, to the 2007 Regular Session of the 2007  
38 General Assembly upon its convening.

39           **SECTION 11.4.(g)** This section is effective when this act becomes law.  
40

## 41 **PART XII. DEPARTMENT OF COMMERCE**

### 42 **EMPLOYMENT SECURITY FUNDS**

43           **SECTION 12.1.** Section 13.4 of S.L. 2005-276 reads as rewritten:

44           **"SECTION 13.4.(a)** Funds from the Employment Security Commission Reserve  
45 Fund shall be available to the Employment Security Commission to use as collateral to  
46 secure federal funds and to pay the administrative costs associated with the collection of  
47 the Employment Security Commission Reserve Fund surcharge. The total  
48 administrative costs paid with funds from the Reserve shall not exceed the total  
49 administrative costs paid in fiscal year ~~2004-2005-2005-2006~~.  
50

51           **SECTION 13.4.(b)** There is appropriated from the Employment Security  
52 Commission Reserve Fund to the Employment Security Commission of North Carolina  
53 the sum of six million three hundred thousand dollars (\$6,300,000) for the  
54 ~~2005-2006~~2006-2007 fiscal year to be used for the following purposes:

- 1 (1) Six million dollars (\$6,000,000) for the operation and support of local  
2 offices.  
3 (2) Two hundred thousand dollars (\$200,000) for the State Occupational  
4 Information Coordinating Committee to develop and operate an  
5 interagency system to track former participants in State education and  
6 training programs.  
7 (3) One hundred thousand dollars (\$100,000) to maintain compliance with  
8 Chapter 96 of the General Statutes, which directs the Commission to  
9 employ the Common Follow-Up Management Information System to  
10 evaluate the effectiveness of the State's job training, education, and  
11 placement programs."  
12

### 13 ONE NORTH CAROLINA FUND

14 **SECTION 12.2.** Section 13.6(a) of S.L. 2005-276 reads as rewritten:

15 "**SECTION 13.6.(a)** Of the funds appropriated in this act to the One North Carolina  
16 Fund, the Department of Commerce may use up to three hundred thousand dollars  
17 (\$300,000) to cover its expenses in administering the One North Carolina Fund and  
18 other economic development incentive grant programs in the ~~2005-2006~~2006-2007  
19 fiscal year."  
20

### 21 EXTEND E-NC AUTHORITY SUNSET/E-NC AUTHORITY FUNDS AND 22 REPORTING REQUIREMENTS

23 **SECTION 12.3.(a)** Section 4 of S.L. 2003-425 reads as rewritten:

24 "**SECTION 4.** Sections 1 and 2 of this act become effective December 31, 2003,  
25 with the e-NC Authority hereby designated as the successor entity of the Rural Internet  
26 Access Authority that will dissolve on that date, as provided by Section 5 of S.L.  
27 2000-149. The remainder of this act is effective when it becomes law. The e-NC  
28 Authority created in this act is dissolved effective ~~December 31, 2006.~~ December 31,  
29 2008. This act is repealed effective ~~December 31, 2006.~~ December 31, 2008. Part 2F of  
30 Article 10 of Chapter 143B of the General Statutes and G.S. 120-123(77), as enacted by  
31 this act, are repealed effective ~~December 31, 2006.~~ December 31, 2008."  
32

33 **SECTION 12.3.(b)** Section 13.12 of S.L. 2005-276 reads as rewritten:

34 "**SECTION 13.12.(a)** Of the funds appropriated in this act to the Rural Economic  
35 Development Center, Inc., the sum of twenty million dollars (\$20,000,000) for the  
36 2005-2006 fiscal year and the sum of ~~twenty million dollars (\$20,000,000)~~nineteen  
37 million five hundred thousand dollars (\$19,500,000) for the 2006-2007 fiscal year shall  
38 be allocated as follows:

- 39 (1) To continue the North Carolina Infrastructure Program. The purpose of  
40 the Program is to provide grants to local governments to construct  
41 critical water and wastewater facilities and to provide other  
42 infrastructure needs, including technology needs, to sites where these  
43 facilities will generate private job-creating investment. At least fifteen  
44 million dollars (\$15,000,000) of the funds appropriated in this act for  
45 each year of the biennium must be used to provide grants under this  
46 Program.  
47 (2) To provide matching grants to local governments in distressed areas  
48 and equity investments in public-private ventures that will  
49 productively reuse vacant buildings and properties, with priority given  
50 to towns or communities with populations of less than 5,000.  
51 (3) To provide economic development research and demonstration grants.

52 **SECTION 13.12.(f)** Of the funds appropriated in this act to the Rural Economic  
53 Development Center, Inc., and allocated in subsection (a) of this section, the sum of five  
54 hundred thousand dollars (\$500,000) for the 2005-2006 fiscal year ~~and the sum of five~~

1 ~~hundred thousand dollars (\$500,000) for the 2006-2007 fiscal year~~ shall be allocated to  
2 the e-NC Authority.

3 The e-NC Authority may contract with other State agencies, The University of North  
4 Carolina, the North Carolina Community College System, and nonprofit organizations  
5 to assist with program development and the evaluation of program activities.

6 The e-NC Authority shall report to the 2006 General Assembly on the following:

- 7 (1) The activities necessary to be undertaken in distressed urban areas of  
8 the State to enhance the capability of citizens and businesses residing  
9 in these areas to access the high-speed Internet.
- 10 (2) An implementation plan for the training of citizens and businesses in  
11 distressed urban areas.
- 12 (3) The technology and digital literacy training necessary to assist citizens  
13 and existing businesses to create new technology-based enterprises in  
14 these communities and to use the Internet to enhance the productivity  
15 of their businesses.

16 The e-NC Authority shall, by January 31, 2006, and quarterly thereafter, report to  
17 the Joint Legislative Commission on Governmental Operations on program  
18 development and the evaluation of program activities."

19 **SECTION 12.3.(c)** Of the funds appropriated in this act to the Department  
20 of Commerce, the sum of five hundred thousand dollars (\$500,000) shall be allocated to  
21 the e-NC Authority.

22 The e-NC Authority may contract with other State agencies, The University  
23 of North Carolina, the North Carolina Community College System, and nonprofit  
24 organizations to assist with program development and the evaluation of program  
25 activities.

26 The e-NC Authority shall report to the 2007 General Assembly on the  
27 following:

- 28 (1) The activities necessary to be undertaken in distressed urban areas of  
29 the State to enhance the capability of citizens and businesses residing  
30 in these areas to access high-speed Internet.
- 31 (2) An implementation plan for the training of citizens and businesses in  
32 distressed urban areas.
- 33 (3) The technology and digital literacy training necessary to assist citizens  
34 and existing businesses to create new technology-based enterprises in  
35 these communities and to use the Internet to enhance the productivity  
36 of their businesses.

37 The e-NC Authority shall, by September 30, 2006, and quarterly thereafter,  
38 report to the Joint Legislative Commission on Governmental Operations on program  
39 development and the evaluation of program activities.

#### 40 **COUNCIL OF GOVERNMENT FUNDS/ELECTRONIC TRANSFER**

41 **SECTION 12.4.** Section 13.2(c) of S.L. 2005-276 reads as rewritten:

42 **"SECTION 13.2.(c)** Funds appropriated by this section shall be paid by electronic  
43 transfer in two equal installments, the first no later than ~~September 1, 2005,~~  
44 September 1, 2006, and the second subsequent to acceptable submission of the annual report due to  
45 the Joint Legislative Commission on Governmental Operations and the Fiscal Research  
46 Division by ~~January 15, 2006,~~  
47 January 15, 2007, as specified in subdivision (e)(2) of this  
48 section."  
49

#### 50 **ADVANCED VEHICLE RESEARCH CENTER REPORTING** 51 **REQUIREMENTS/FUNDS SHALL NOT REVERT**

52 **SECTION 12.5.(a)** Section 13.8A(d) of S.L. 2005-276 reads as rewritten:

53 **"SECTION 13.8A.(d)** By ~~December 31, 2005,~~  
54 December 31, 2006, and ~~April 30,~~  
55 April 30, 2007, the Center shall report to the Governor, the Joint Legislative  
Commission on Governmental Operations, and the Fiscal Research Division the



1 following information: (i) fiscal year ~~2005-2006~~2006-2007 projects, objectives, and  
2 accomplishments; and (ii) fiscal year ~~2005-2006~~2006-2007 itemized expenditures and  
3 fund sources. The ~~April 30, 2006,~~April 30, 2007, report shall also contain the following:  
4 (i) fiscal year ~~2006-2007~~2007-2008 planned projects, objectives, and accomplishments;  
5 and (ii) fiscal year ~~2006-2007~~2007-2008 estimated expenditures and fund sources."

6 **SECTION 12.5.(b)** Funds appropriated to the Advanced Vehicle Research  
7 Center Reserve for the 2005-2006 fiscal year for the Advanced Vehicle Research Center  
8 of North Carolina, Inc., that are unexpended and unencumbered as of June 30, 2006,  
9 shall not revert to the General Fund on June 30, 2006, but shall remain available in the  
10 Reserve.

11 **SECTION 12.5.(c)** Subsection (b) of this section becomes effective June 30,  
12 2006.

### 13 **WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS**

14 **SECTION 12.6.** Section 13.1 of S.L. 2005-276 reads as rewritten:

15 **"SECTION 13.1.(a)** Funds appropriated to the Department of Commerce for the  
16 ~~2004-2005~~2005-2006 fiscal year for the Wanchese Seafood Industrial Park that are  
17 unexpended and unencumbered as of ~~June 30, 2005,~~June 30, 2006, shall not revert to  
18 the General Fund on ~~June 30, 2005,~~June 30, 2006, but shall remain available to the  
19 Department to be expended by the Wanchese Seafood Industrial Park for operations,  
20 maintenance, repair, and capital improvements in accordance with Article 23C of  
21 Chapter 113 of the General Statutes.

22 **SECTION 13.1.(b)** Funds appropriated to the Department of Commerce for the  
23 ~~2004-2005~~2005-2006 fiscal year for the Oregon Inlet Project that are unexpended and  
24 unencumbered as of ~~June 30, 2005,~~June 30, 2006, shall not revert to the General Fund  
25 on ~~June 30, 2005,~~June 30, 2006.

26 **SECTION 13.1.(c)** This section becomes effective ~~June 30, 2005,~~June 30, 2006."

### 27 **DEPARTMENT OF COMMERCE/REPORT ON AGRIBUSINESS FUNDS**

28 **SECTION 12.7.(a)** The Department of Commerce (Department) shall report  
29 on all funds available for companies or organizations designed to promote agribusiness  
30 in North Carolina. The report shall include the following: (i) information on all  
31 Department economic incentive funds, including Commerce State Aid funds; and (ii)  
32 information on the number of agribusinesses and organizations that applied for State  
33 funds through the Department or other organizations, including the number of requests  
34 for funds, the amount of funds requested, and whether the requests were awarded or  
35 denied.  
36

37 **SECTION 12.7.(b)** In the report, the Department shall make  
38 recommendations for the development of economic incentive programs designed  
39 specifically for agribusinesses. The report shall include a plan to implement the  
40 programs recommended and the estimated cost of the programs. In determining the  
41 estimated cost of the programs, the Department shall consider and include all sources of  
42 funding, including federal, State, local, and grant funds.

43 **SECTION 12.7.(c)** The Department shall collaborate with the Department of  
44 Agriculture and Consumer Services, the Rural Economic Development Center, Inc., and  
45 the University System, in preparing the report.

46 **SECTION 12.7.(d)** The Department shall submit the report to the House  
47 Appropriations Committee on Environment, Health, and Natural Resources, the Senate  
48 Appropriations Committee on Natural and Economic Resources, and the Fiscal  
49 Research Division no later than May 1, 2007.  
50

### 51 **PART XIII. DEPARTMENT OF LABOR**

#### 52 **REPEAL FEE FOR MINE SAFETY EDUCATION/TRAINING PROGRAMS**

53 **SECTION 13.1.** G.S. 74-24.16(d) is repealed.  
54  
55

**PART XIV. JUDICIAL DEPARTMENT**

**COLLECTION OF WORTHLESS CHECK FUNDS**

**SECTION 14.1.** Notwithstanding the provisions of G.S. 7A-308(c), the Judicial Department may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2006, for the purchase or repair of office or information technology equipment during the 2006-2007 fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the Joint Legislative Commission on Governmental Operations and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on the equipment to be purchased or repaired and the reasons for the purchases.

**GRANT FUNDS**

**SECTION 14.2.** The Judicial Department may use up to the sum of one million two hundred fifty thousand dollars (\$1,250,000) from funds available to the Department to provide the State match needed in order to receive grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

**PROVIDE ADDITIONAL ASSISTANT DISTRICT ATTORNEYS**

**SECTION 14.3.(a)** G.S. 7A-60(a1) reads as rewritten:

"(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties and the number of full-time assistant district attorneys set forth in the following table:

Prosecutorial District	Counties	No. of Full-Time Asst. District Attorneys
1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans	<del>10</del> <u>11</u>
2	Beaufort, Hyde, Martin, Tyrrell, Washington	<del>6</del> <u>7</u>
3A	Pitt	<del>9</del> <u>11</u>
3B	Carteret, Craven, Pamlico	<del>10</del> <u>11</u>
4	Duplin, Jones, Onslow, Sampson	<del>14</del> <u>16</u>
5	New Hanover, Pender	<del>14</del> <u>16</u>
6A	Halifax	<del>4</del> <u>5</u>
6B	Bertie, Hertford, Northampton	<del>4</del> <u>5</u>
7	Edgecombe, Nash, Wilson	<del>16</del> <u>18</u>
8	Greene, Lenoir, Wayne	<del>11</del> <u>13</u>
9	Franklin, Granville, Vance, Warren	<del>11</del> <u>12</u>
9A	Person, Caswell	<del>4</del> <u>5</u>
10	Wake	<del>31</del> <u>38</u>
11	Harnett, Johnston, Lee	<del>14</del> <u>16</u>
12	Cumberland	<del>18</del> <u>21</u>
13	Bladen, Brunswick, Columbus	<del>11</del> <u>12</u>
14	Durham	<del>13</del> <u>15</u>
15A	Alamance	<del>8</del> <u>10</u>
15B	Orange, Chatham	<del>7</del> <u>9</u>

1	16A	Scotland, Hoke	<del>5</del> <u>6</u>
2	16B	Robeson	<del>10</del> <u>13</u>
3	17A	Rockingham	<del>5</del> <u>6</u>
4	17B	Stokes, Surry	<del>5</del> <u>7</u>
5	18	Guilford	<del>27</del> <u>30</u>
6	19A	Cabarrus	<del>6</del> <u>8</u>
7	19B	Montgomery, Moore, Randolph	<del>11</del> <u>12</u>
8	19C	Rowan	<del>5</del> <u>7</u>
9	20A	Anson, Richmond,	<del>8</del> <u>10</u>
10		Stanly	
11	20B	Union	<del>7</del> <u>8</u>
12	21	Forsyth	<del>17</del> <u>20</u>
13	22	Alexander, Davidson, Davie,	<del>16</del> <u>20</u>
14		Iredell	
15	23	Alleghany, Ashe, Wilkes,	<del>5</del> <u>7</u>
16		Yadkin	
17	24	Avery, Madison, Mitchell,	<del>4</del> <u>6</u>
18		Watauga, Yancey	
19	25	Burke, Caldwell, Catawba	<del>15</del> <u>18</u>
20	26	Mecklenburg	<del>36</del> <u>49</u>
21	27A	Gaston	<del>12</del> <u>14</u>
22	27B	Cleveland,	<del>9</del> <u>10</u>
23		Lincoln	
24	28	Buncombe	<del>11</del> <u>13</u>
25	29A	McDowell, Rutherford	<del>5</del> <u>6</u>
26	29B	Henderson, Polk, Transylvania	<del>6</del> <u>7</u>
27	30	Cherokee, Clay, Graham,	<del>9</del> <u>11</u>
28		Haywood, Jackson, Macon,	
29		Swain."	

**SECTION 14.3.(b)** This section becomes effective January 1, 2007.

**ADDITIONAL DISTRICT COURT JUDGESHIPS**

**SECTION 14.4.(a)** G.S. 7A-133(a) reads as rewritten:

"(a) Each district court district shall have the numbers of judges as set forth in the following table:

District	Judges	County
1	5	Camden
		Chowan
		Currituck
		Dare
		Gates
		Pasquotank
		Perquimans
2	4	Martin
		Beaufort
		Tyrrell
		Hyde
		Washington
3A	<del>5</del> <u>6</u>	Pitt
3B	<del>5</del> <u>6</u>	Craven
		Pamlico
		Carteret
4	8	Sampson
		Duplin
		Jones

1			Onslow
2	5	8	New Hanover
3			Pender
4	6A	<del>2</del> <u>3</u>	Halifax
5	6B	3	Northampton
6			Bertie
7			Hertford
8	7	7	Nash
9			Edgecombe
10			Wilson
11	8	6	Wayne
12			Greene
13			Lenoir
14	9	4	Granville
15			(part of Vance
16			see subsection (b))
17			Franklin
18	9A	2	Person
19			Caswell
20	9B	2	Warren
21			(part of Vance
22			see subsection (b))
23	10	<del>15</del> <u>17</u>	Wake
24	11	8	Harnett
25			Johnston
26			Lee
27	12	9	Cumberland
28	13	6	Bladen
29			Brunswick
30			Columbus
31	14	<del>6</del> <u>7</u>	Durham
32	15A	4	Alamance
33	15B	<del>4</del> <u>5</u>	Orange
34			Chatham
35	16A	3	Scotland
36			Hoke
37	16B	5	Robeson
38	17A	2	Rockingham
39	17B	4	Stokes
40			Surry
41	18	<del>12</del> <u>13</u>	Guilford
42	19A	4	Cabarrus
43	19B	<del>6</del> <u>7</u>	Montgomery
44			Moore
45			Randolph
46	19C	<del>4</del> <u>5</u>	Rowan
47	20A	4	Stanly
48			Anson
49			Richmond
50	20B	3	Union
51	21	9	Forsyth
52	22	9	Alexander
53			Davidson
54			Davie
55			Iredell

1	23	4	Alleghany
2			Ashe
3			Wilkes
4			Yadkin
5	24	4	Avery
6			Madison
7			Mitchell
8			Watauga
9			Yancey
10	25	<del>8</del> 9	Burke
11			Caldwell
12			Catawba
13	26	<del>17</del> 18	Mecklenburg
14	27A	<del>6</del> 7	Gaston
15	27B	4 <del>5</del>	Cleveland
16			Lincoln
17	28	<del>6</del> 7	Buncombe
18	29A	3	McDowell
19			Rutherford
20	29B	4	Henderson
21			Polk
22			Transylvania
23	30	<del>5</del> 6	Cherokee
24			Clay
25			Graham
26			Haywood
27			Jackson
28			Macon
29			Swain."

**SECTION 14.4.(b)** The Governor shall appoint the additional district court judges for Districts 3A, 3B, 6A, 10, 14, 15B, 18, 19B, 19C, 25, 26, 27A, 27B, 28, and 30 authorized by this act, and those judges' successors shall be elected in the 2008 election for four-year terms commencing on January 1, 2009.

**SECTION 14.4.(c)** This section becomes effective January 15, 2007, except as to any district court district subject to Section 5 of the Voting Rights Act of 1965, it becomes effective January 15, 2007 or the date upon which subsection (a) of this section is approved under Section 5 of the Voting Rights Act of 1965, whichever is later.

**PROVIDE ADDITIONAL MAGISTRATES/ELIMINATE MAXIMUM ALLOCATION OF MAGISTRATES**

**SECTION 14.5.** G.S. 7A-133(c) reads as rewritten:

"(c) Each county shall have the numbers of magistrates and additional seats of district court, as set forth in the following table:

County	Magistrates Min.—Max.	Additional Seats of Court
Camden	1 3	
Chowan	2 3	
Currituck	1 4	
Dare	3 8	
Gates	2 3	
Pasquotank	3 5	
Perquimans	2 4	
Martin	4 8	

1	Beaufort	4	8	
2	Tyrrell	1	3	
3	Hyde	2	4	
4	Washington	3	4	
5	Pitt	10	<del>12</del>	Farmville
6				Ayden
7	Craven	7	<del>10</del>	Havelock
8	Pamlico	2	4	
9	Carteret	<del>5</del> <u>6</u>	8	
10	Sampson	6	8	
11	Duplin	8	<del>11</del>	
12	Jones	2	3	
13	Onslow	8	14	
14	New Hanover	6	<del>11</del>	
15	Pender	4	6	
16	Halifax	9	14	Roanoke
17				Rapids,
18				Scotland Neck
19	Northampton	5	7	
20	Bertie	4	6	
21	Hertford	5	7	
22	Nash	7	<del>10</del>	Rocky Mount
23	Edgecombe	4	7	Rocky Mount
24	Wilson	4	7	
25	Wayne	5	<del>12</del>	Mount Olive
26	Greene	<del>2</del> <u>3</u>	4	
27	Lenoir	4	<del>10</del>	La Grange
28	Granville	3	7	
29	Vance	3	6	
30	Warren	3	5	
31	Franklin	3	7	
32	Person	3	4	
33	Caswell	2	5	
34	Wake	12	<del>21</del>	Apex,
35				Wendell,
36				Fuquay-
37				Varina,
38				Wake Forest
39	Harnett	7	<del>11</del>	Dunn
40	Johnston	10	<del>12</del>	Benson,
41				Clayton,
42				Selma
43	Lee	4	6	
44	Cumberland	10	<del>19</del>	
45	Bladen	4	6	
46	Brunswick	4	9	
47	Columbus	6	<del>10</del>	Tabor City
48	Durham	8	<del>13</del>	
49	Alamance	<del>7</del> <u>8</u>	<del>11</del>	Burlington
50	Orange	4	<del>11</del>	Chapel Hill
51	Chatham	3	9	Siler City
52	Scotland	3	5	
53	Hoke	4	5	
54	Robeson	<del>8</del> <u>9</u>	<del>16</del>	Fairmont,
55				Maxton,

1				Pembroke,
2				Red Springs,
3				Rowland,
4				St. Pauls
5	Rockingham	4	9	Reidsville,
6				Eden,
7				Madison
8	Stokes	2	5	
9	Surry	5	9	Mt. Airy
10	Guilford	20	27	High Point
11	Cabarrus	5	9	Kannapolis
12	Montgomery	<del>2</del> 3	4	
13	Randolph	5	10	Liberty
14	Rowan	5	10	
15	Stanly	5	6	
16	Union	4	7	
17	Anson	4	6	
18	Richmond	5	6	Hamlet
19	Moore	5	8	Southern
20				Pines
21	Forsyth	3	15	Kernersville
22	Alexander	2	4	
23	Davidson	7	10	Thomasville
24	Davie	2	4	
25	Iredell	4	9	Mooresville
26	Alleghany	1	2	
27	Ashe	3	4	
28	Wilkes	4	6	
29	Yadkin	3	5	
30	Avery	3	5	
31	Madison	4	5	
32	Mitchell	3	4	
33	Watauga	4	6	
34	Yancey	2	4	
35	Burke	4	7	
36	Caldwell	4	7	
37	Catawba	6	10	Hickory
38	Mecklenburg	15	28	
39	Gaston	<del>11</del> 12	22	
40	Cleveland	5	8	
41	Lincoln	4	7	
42	Buncombe	6	15	
43	Henderson	4	7	
44	McDowell	3	6	
45	Polk	3	4	
46	Rutherford	6	8	
47	Transylvania	2	4	
48	Cherokee	3	4	
49	Clay	1	2	
50	Graham	2	3	
51	Haywood	5	7	Canton
52	Jackson	3	5	
53	Macon	3	5	
54	Swain	2	4."	
55				

1 **INCREASE THE PORTION OF THE GENERAL COURT OF JUSTICE**  
2 **COURT FEE USED FOR LEGAL SERVICES PROGRAMS**

3 **SECTION 14.6.(a)** G.S. 7A-304(a)(4) reads as rewritten:

4 "(4) For support of the General Court of Justice, the sum of eighty-five  
5 dollars and fifty cents (\$85.50) in the district court, including cases  
6 before a magistrate, and the sum of ninety-two dollars and fifty cents  
7 (\$92.50) in the superior court, to be remitted to the State Treasurer. For  
8 a person convicted of a felony in superior court who has made a first  
9 appearance in district court, both the district court and superior court  
10 fees shall be assessed. The State Treasurer shall remit the sum of ~~one~~  
11 ~~dollar and five cents (\$1.05)~~ two dollars and five cents (\$2.05) of each  
12 fee collected under this subdivision to the North Carolina State Bar for  
13 the provision of services described in G.S. 7A-474.4, and ninety-five  
14 cents (\$.95) of each fee collected under this subdivision to the North  
15 Carolina State Bar for the provision of services described in  
16 G.S. 7A-474.19."

17 **SECTION 14.6.(b)** G.S. 7A-305(a)(2) reads as rewritten:

18 "(2) For support of the General Court of Justice, the sum of seventy-nine  
19 dollars (\$79.00) in the superior court, except that if a case is assigned  
20 to a special superior court judge as a complex business case under  
21 G.S. 7A-45.3, an additional two hundred dollars (\$200.00) shall be  
22 paid upon its assignment, and the sum of sixty-four dollars (\$64.00) in  
23 the district court except that if the case is assigned to a magistrate the  
24 sum shall be fifty-three dollars (\$53.00). Sums collected under this  
25 subdivision shall be remitted to the State Treasurer. The State  
26 Treasurer shall remit the sum of ~~one dollar and five cents (\$1.05)~~ two  
27 dollars and five cents (\$2.05) of each fee collected under this  
28 subdivision to the North Carolina State Bar for the provision of  
29 services described in G.S. 7A-474.4, and ninety-five cents (\$.95) of  
30 each fee collected under this subdivision to the North Carolina State  
31 Bar for the provision of services described in G.S. 7A-474.19."

32 **SECTION 14.6.(c)** G.S. 7A-306(a)(2) reads as rewritten:

33 "(2) For support of the General Court of Justice the sum of forty dollars  
34 (\$40.00). In addition, in proceedings involving land, except boundary  
35 disputes, if the fair market value of the land involved is over one  
36 hundred dollars (\$100.00), there shall be an additional sum of thirty  
37 cents (30¢) per one hundred dollars (\$100.00) of value, or major  
38 fraction thereof, not to exceed a maximum additional sum of two  
39 hundred dollars (\$200.00). Fair market value is determined by the sale  
40 price if there is a sale, the appraiser's valuation if there is no sale, or  
41 the appraised value from the property tax records if there is neither a  
42 sale nor an appraiser's valuation. Sums collected under this subdivision  
43 shall be remitted to the State Treasurer. The State Treasurer shall remit  
44 the sum of ~~one dollar and five cents (\$1.05)~~ two dollars and five cents  
45 (\$2.05) of each forty-dollar (\$40.00) General Court of Justice fee  
46 collected under this subdivision to the North Carolina State Bar for the  
47 provision of services described in G.S. 7A-474.4."

48 **SECTION 14.6.(d)** G.S. 7A-307(a)(2) reads as rewritten:

49 "(2) For support of the General Court of Justice, the sum of forty dollars  
50 (\$40.00), plus an additional forty cents (40¢) per one hundred dollars  
51 (\$100.00), or major fraction thereof, of the gross estate, not to exceed  
52 six thousand dollars (\$6,000). Gross estate shall include the fair market  
53 value of all personalty when received, and all proceeds from the sale of  
54 realty coming into the hands of the fiduciary, but shall not include the  
55 value of realty. In collections of personal property by affidavit, the fee



1 based on the gross estate shall be computed from the information in  
2 the final affidavit of collection made pursuant to G.S. 28A-25-3 and  
3 shall be paid when that affidavit is filed. In all other cases, this fee  
4 shall be computed from the information reported in the inventory and  
5 shall be paid when the inventory is filed with the clerk. If additional  
6 gross estate, including income, comes into the hands of the fiduciary  
7 after the filing of the inventory, the fee for such additional value shall  
8 be assessed and paid upon the filing of any account or report  
9 disclosing such additional value. For each filing the minimum fee shall  
10 be fifteen dollars (\$15.00). Sums collected under this subdivision shall  
11 be remitted to the State Treasurer. The State Treasurer shall remit the  
12 sum of ~~one dollar and five cents (\$1.05)~~ two dollars and five cents  
13 (\$2.05) of each forty-dollar (\$40.00) General Court of Justice fee  
14 collected under this subdivision to the North Carolina State Bar for the  
15 provision of services described in G.S. 7A-474.4."

16 **SECTION 14.6.(e)** This section becomes effective July 1, 2006, and applies  
17 to fees assessed or collected on or after that date.

## 18 19 **COLLECTION OF OFFENDER FINES AND FEES ASSESSED BY THE** 20 **GENERAL COURT OF JUSTICE**

21 **SECTION 14.7.** Article 28 of Chapter 7A of the General Statutes is  
22 amended by adding a new section to read:

### 23 **"§ 7A-321. Collection of offender fines and fees assessed by the court.**

24 (a) The Judicial Department may, in lieu of payment by cash or check, accept  
25 payment by credit card, charge card, or debit card for the fines and fees owed to the  
26 Court by offenders. The Department may pay any negotiated discount, processing fee,  
27 transaction fee, or other charge imposed by a credit card, charge card, or debit card  
28 company, or by a third-party merchant bank, as a condition of contracting for the  
29 Department's acceptance of electronic payment. The Department may impose the fee or  
30 charge as a surcharge on the amount paid by the offender using electronic payment.

31 (b) In attempting to collect the fines and fees owed by offenders to the Judicial  
32 Department, the Department may:

- 33 (1) Refer an offender who owes the court for fines and fees to a reputable  
34 credit counseling agency for the purpose of assisting the offender in  
35 restructuring the debt, with the Department designated as the lead or  
36 primary creditor.
- 37 (2) Assess additional collection fees if an amount due remains unpaid after  
38 the time period allotted by the Department.
- 39 (3) Assign debt, in the form of fines and fees owed to the Department, to a  
40 collection agency after internal collection efforts have failed.
- 41 (4) Report the delinquency to agencies that assemble or evaluate credit  
42 information.
- 43 (5) Intercept tax refunds under Chapter 105A of the General Statutes, the  
44 Setoff Debt Collection Act."

## 45 46 **JURY FEE WAIVER PROGRAM**

47 **SECTION 14.8.(a)** G.S. 7A-312 reads as rewritten:

### 48 **"§ 7A-312. Uniform fees for jurors; meals.**

49 (a) A juror in the General Court of Justice including a petit juror, or a coroner's  
50 juror, but excluding a grand juror, shall receive twelve dollars (\$12.00) per day, except  
51 that if any person serves as a juror for more than five days in any 24-month period, the  
52 juror shall receive thirty dollars (\$30.00) per day for each day of service in excess of  
53 five days. A grand juror shall receive twelve dollars (\$12.00) per day. However, any  
54 juror may waive payment of the per diem fees provided for in this section. A juror  
55 waiving the fee may designate that the fee be used for any of various services provided

1 in that district, as designated by the senior resident superior court judge in accordance  
2 with the provisions of subsection (b) of this section. A juror required to remain  
3 overnight at the site of the trial shall be furnished adequate accommodations and  
4 subsistence. If required by the presiding judge to remain in a body during the trial of a  
5 case, meals shall be furnished the jurors during the period of sequestration. Jurors from  
6 out of the county summoned to sit on a special venire shall receive mileage at the same  
7 rate as State employees.

8 (b) The senior resident superior court judge in each district may provide jurors  
9 with a choice of various services in that district to which they may designate their  
10 waived juror fees. The services designated by the senior resident superior court judge  
11 shall be human services provided either by a government agency or a charitable  
12 nonprofit corporation and may include drug treatment court client services, courthouse  
13 self-help centers, and courthouse child care centers. The choice may also include the  
14 Crime Victims Compensation Fund and designation to a fund for the establishment of a  
15 service not yet available in that district to be provided by a governmental agency or a  
16 charitable nonprofit corporation. If the senior resident superior court judge elects not to  
17 provide jurors with a choice of human services to designate their waived fees to, or if  
18 jurors elect not to designate the fees to a particular service, the waived fees shall  
19 represent cost savings to the Judicial Department."

20 **SECTION 14.8.(b)** This section becomes effective July 1, 2006, and applies  
21 to jury service that begins on or after that date.

## 22 23 **ESTABLISH INTERMEDIATE DEFERRED PROSECUTION FOR THE DRUG** 24 **TREATMENT COURT PROGRAM**

25 **SECTION 14.9.(a)** Section 14.22 of S.L. 2005-276 is repealed.

26 **SECTION 14.9.(b)** G.S. 15A-1341(a2) reads as rewritten:

27 "(a2) Deferred Prosecution for Purpose of Drug Treatment Court Program. – A  
28 defendant eligible for a Drug Treatment Court Program pursuant to Article 62 of  
29 Chapter 7A of the General Statutes may be placed on probation if the court finds that  
30 prosecution has been deferred by the prosecutor, with the approval of the court,  
31 pursuant to a written agreement with the defendant, for the purpose of allowing the  
32 defendant to participate in and successfully complete the Drug Treatment Court  
33 Program. A defendant who would be eligible for deferred prosecution but for a prior  
34 criminal conviction may participate in the Drug Treatment Court Program by executing  
35 a local drug treatment court contract, by being placed on supervised probation, and by  
36 submitting to any of the following additional conditions the court may require:

37 (1) Special probation as defined in G.S. 15A-1351(a);

38 (2) Assignment to a residential program;

39 (3) House arrest with electronic monitoring;

40 (4) Intensive probation; or

41 (5) Assignment to a day-reporting center."

42 **SECTION 14.9.(c)** G.S. 7A-796 reads as rewritten:

### 43 **"§ 7A-796. Local drug treatment court management committee.**

44 Each judicial district choosing to establish a drug treatment court shall form a local  
45 drug treatment court management committee, which shall be comprised to assure  
46 representation appropriate to the type or types of drug treatment court operations to be  
47 conducted in the district and shall consist of persons appointed by the senior resident  
48 superior court judge with the concurrence of the chief district court judge and the  
49 district attorney for that district, chosen from the following list:

50 (1) A judge of the superior court;

51 (2) A judge of the district court;

52 (3) A district attorney or assistant district attorney;

53 (4) A public defender or assistant public defender in judicial districts  
54 served by a public defender;

- 1 (5) An attorney representing a county department of social services within
- 2 the district;
- 3 (6) A representative of the guardian ad litem;
- 4 (7) A member of the private criminal defense bar;
- 5 (8) A member of the private bar who represents respondents in department
- 6 of social services juvenile matters;
- 7 (9) A clerk of superior court;
- 8 (10) The trial court administrator in judicial districts served by a trial court
- 9 administrator;
- 10 (11) The director or member of the child welfare services division of a
- 11 county department of social services within the district;
- 12 (12) The chief juvenile court counselor for the district;
- 13 (13) A probation officer;
- 14 (14) A local law enforcement officer;
- 15 (15) A representative of the local school administrative unit;
- 16 (16) A representative of the local community college;
- 17 (17) A representative of the treatment providers;
- 18 (18) A representative of the area mental health program;
- 19 (19) The local program director provided for in G.S. 7A-798; and
- 20 (20) Any other persons selected by the local management committee.

21 The local drug treatment court management committee shall develop local  
 22 guidelines and ~~procedures, not inconsistent with the State guidelines, procedures~~ that  
 23 are necessary for the operation and evaluation of the local drug treatment ~~court, courts~~  
 24 in accordance with the National Drug Court Institute's "Ten Key Components" for drug  
 25 treatment courts and in consultation with the Director of the Administrative Office of  
 26 the Courts and the Drug Treatment Court Advisory Committee.

27 The senior resident superior court judge and the chief district court judge shall have  
 28 hiring and appointment authority over drug treatment court personnel and over policy  
 29 issues, and they shall consult with the local management committee concerning the  
 30 local drug treatment court policies and procedures."

31 **SECTION 14.9.(d)** G.S. 7A-797 reads as rewritten:

32 **"§ 7A-797. Eligible population; drug treatment court ~~procedures.~~ procedures;**  
 33 **funding.**

34 (a) The Director of the Administrative Office of the Courts, in conjunction with  
 35 the State Drug Treatment Court Advisory ~~Committee,~~ Committee and local drug  
 36 treatment court management committees, shall develop criteria for eligibility and other  
 37 procedural and substantive guidelines for drug treatment court ~~operation-operation in~~  
 38 accordance with the National Drug Court Institute's "Ten Key Components" for drug  
 39 treatment courts.

40 (b) Limitations imposed by the Division of Mental Health, Developmental  
 41 Disabilities, and Substance Abuse Services on other public funds spent for substance  
 42 abuse treatment shall not apply to treatment provided for Drug Treatment Court  
 43 Programs."

#### 44 **PERMANENCY MEDIATION**

45 **SECTION 14.10.(a)** Article 2 of Chapter 7B of the General Statutes is  
 46 amended by adding a new section to read:

47 **"§ 7B-202. Permanency Mediation.**

48 (a) The Administrative Office of the Courts shall establish a Permanency  
 49 Mediation Program to provide statewide and uniform services to resolve issues in cases  
 50 under this Subchapter in which a juvenile is alleged or has been adjudicated to be  
 51 abused, neglected, or dependent, or in which a petition or motion to terminate a parent's  
 52 rights has been filed. Participants in the mediation shall include the parties and their  
 53 attorneys, including the guardian ad litem and attorney advocate for the child; provided,  
 54 the court may allow mediation to proceed without the participation of a parent whose  
 55

1 identity is unknown, a party who was served and has not made an appearance, or a  
2 parent, guardian, or custodian who has not been served despite a diligent attempt to  
3 serve the person. Upon a finding of good cause, the court may allow mediation to  
4 proceed without the participation of a parent who is unable to participate due to  
5 incarceration, illness, or some other cause. Others may participate by agreement of the  
6 parties, their attorneys, and the mediator, or by order of the court.

7 (b) The Administrative Office of the Courts shall establish in phases a statewide  
8 Permanency Mediation Program consisting of local district programs to be established  
9 in all judicial districts of the State. The Director of the Administrative Office of the  
10 Courts is authorized to approve contractual agreements for such services as executed by  
11 order of the Chief District Court Judge of a district court district, such contracts to be  
12 exempt from competitive bidding procedures under Chapter 143 of the General Statutes.  
13 The Administrative Office of the Courts shall promulgate policies and regulations  
14 necessary and appropriate for the administration of the program. Any funds  
15 appropriated by the General Assembly for the establishment and maintenance of  
16 permanency mediation programs under this Article shall be administered by the  
17 Administrative Office of the Courts.

18 (c) Mediation proceedings shall be held in private and shall be confidential.  
19 Except as provided otherwise in this section, all verbal or written communications from  
20 participants in the mediation to the mediator or between or among the participants in the  
21 presence of the mediator are absolutely privileged and inadmissible in court.

22 (d) Neither the mediator nor any party or other person involved in mediation  
23 sessions under this section shall be competent to testify to communications made during  
24 or in furtherance of such mediation sessions; provided, there is no confidentiality or  
25 privilege as to communications made in furtherance of a crime or fraud. Nothing in this  
26 subsection shall be construed as permitting an individual to obtain immunity from  
27 prosecution for criminal conduct or as excusing an individual from the reporting  
28 requirements of Article 3 of Chapter 7B of the General Statutes or G.S. 108A-102.

29 (e) Any agreement reached by the parties as a result of the mediation, whether  
30 referred to as a "placement agreement," "case plan," or some similar name, shall be  
31 reduced to writing, signed by each party, and submitted to the court as soon as  
32 practicable. Unless the court finds good reason not to, the court shall incorporate the  
33 agreement in a court order, and the agreement shall become enforceable as a court  
34 order. If some or all of the issues referred to mediation are not resolved by mediation,  
35 the mediator shall report that fact to the court."

36 **SECTION 14.10.(b)** The Administrative Office of the Courts may use funds  
37 available in the 2006-2007 fiscal year to implement the provisions of this section.

## 38 39 **COURT INTERPRETERS**

40 **SECTION 14.11.(a)** G.S. 7A-314(f) reads as rewritten:

41 "(f) In a ~~criminal case when a person who~~ any case in which the Judicial  
42 Department is bearing the costs of representation for a party and that party or a witness  
43 for that party does not speak or understand the English language ~~is an indigent~~  
44 ~~defendant, a witness for an indigent defendant, or a witness for the State~~ language, and  
45 the court appoints a foreign language interpreter to assist that ~~defendant or witness in~~  
46 ~~the case, party or witness,~~ the reasonable fee for the interpreter's services, ~~as set by the~~  
47 court, ~~are~~ is payable from funds appropriated to the Administrative Office of the Courts.  
48 Judicial Department. The appointment and payment shall be made in accordance with  
49 G.S. 7A-343(9b)."

50 **SECTION 14.11.(b)** G.S. 7A-343 is amended by adding a new subdivision  
51 to read:

52 "(9b) Prescribe, in consultation with the Office of Indigent Defense  
53 Services, policies and procedures for the appointment and payment of foreign language  
54 interpreters in those cases specified in G.S. 7A-314(f). These policies and procedures  
55 shall be applied uniformly throughout the General Court of Justice. After consultation

1 with the Joint Legislative Commission on Governmental Operations, the Director may  
2 also convert contractual foreign language interpreter positions to permanent State  
3 positions when the Director determines that it is more cost-effective to do so."

4 **SECTION 14.11.(c)** G.S. 7A-450(a) reads as rewritten:

5 "(a) An indigent person is a person who is financially unable to secure legal  
6 representation and to provide all other necessary expenses of representation in an action  
7 or proceeding enumerated in this Subchapter. An A sign language interpreter is a  
8 necessary expense as defined in Chapter 8B of the General Statutes for a deaf person  
9 who is entitled to counsel under this subsection. A foreign language interpreter is a  
10 necessary expense for a party entitled to counsel under this subsection who does not  
11 speak or understand the English language."

12 **SECTION 14.11.(d)** G.S. 8C-1, Evidence Rule 604, reads as rewritten:

13 **"Rule 604. Interpreters.**

14 An interpreter is subject to the provisions of these rules relating to qualification as an  
15 expert and the administration of an oath or affirmation that he will make a true  
16 translation-interpretation. Interpreters provided under G.S. 7A-314(f) shall be appointed  
17 and compensated in accordance with G.S. 7A-343(9b)."

18  
19 **MONITORING OF COMMUNITY MEDIATION CENTERS**

20 **SECTION 14.12.** G.S. 7A-38.6(a) reads as rewritten:

21 "(a) All community mediation centers currently receiving State funds shall report  
22 annually to the Mediation Network of North Carolina on the program's funding and  
23 activities, including:

- 24 (1) Types of dispute settlement services provided;
- 25 (2) Clients receiving each type of dispute settlement service;
- 26 (3) Number and type of referrals received, cases actually mediated  
27 (identified by docket number), cases resolved in mediation, and total  
28 clients served in the cases mediated;
- 29 (4) Total program funding and funding sources;
- 30 (5) Itemization of the use of funds, including operating expenses and  
31 personnel;
- 32 (6) Itemization of the use of State funds appropriated to the center;
- 33 (7) Level of volunteer activity; and
- 34 (8) Identification of future service demands and budget requirements.

35 The Mediation Network of North Carolina shall compile and summarize the  
36 information provided pursuant to this subsection and shall provide the information to  
37 the Chairs of the House of Representatives and Senate Appropriations Committees and  
38 the Chairs of the House of Representatives and Senate Appropriations Subcommittees  
39 on Justice and Public Safety by February 1 of each year.

40 The Mediation Network of North Carolina shall also submit a copy of its report to  
41 the Administrative Office of the Courts. The receipt and review of this report by the  
42 Administrative Office of the Courts shall satisfy any program monitoring, evaluation,  
43 and contracting requirements imposed on the Administrative Office of the Courts by  
44 G.S. 143-6.2 and any rules adopted under that section."

45  
46 **COMMUNITY MEDIATION CENTER FUNDING**

47 **SECTION 14.13.** G.S. 7A-38.6(e) reads as rewritten:

48 "(e) Each community mediation center receiving State funds for six or more years  
49 shall document that at least ~~fifty percent (50%)~~ twenty-five percent (25%) of total  
50 funding comes from non-State sources."

51  
52 **INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS**

53 **SECTION 14.14.** The Office of Indigent Defense Services may use a sum  
54 up to fifty thousand dollars (\$50,000) from funds available to provide the State  
55 matching funds needed to receive grant funds. Prior to using funds for this purpose, the

1 Office shall report to the Chairs of the Senate and House of Representatives  
2 Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative  
3 Commission on Governmental Operations on the grants to be matched using these  
4 funds.

## 6 OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS

7 SECTION 14.15. Section 14.11 of S.L. 2005-276 reads as rewritten:

8 "SECTION 14.11. The Judicial Department, Office of Indigent Defense Services,  
9 may use up to the sum of one million sixty nine thousand six hundred forty five dollars  
10 (~~\$1,069,645~~) in appropriated funds during the 2005-2006 fiscal year and up to the sum  
11 of ~~one million twenty three thousand one hundred thirty five dollars (\$1,023,135)~~ two  
12 million one hundred eighteen thousand five hundred eighty dollars (\$2,118,580) in  
13 appropriated funds during the 2006-2007 fiscal year for the expansion of existing  
14 offices currently providing legal services to the indigent population under the oversight  
15 of the Office of Indigent Defense Services by creating up to ~~40~~20 new attorney  
16 positions and ~~five~~10 new support staff positions. These funds may be used for salaries,  
17 benefits, equipment, and related expenses. Prior to using funds for this purpose, the  
18 Office of Indigent Defense Services shall report to the Chairs of the House and the  
19 Senate Appropriations Subcommittees on Justice and Public Safety on the proposed  
20 expansion."

## 22 PART XV. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY 23 PREVENTION

### 25 REPORTS ON CERTAIN PROGRAMS

26 SECTION 15.1. Section 16.3 of S.L. 2005-276 reads as rewritten:

27 "SECTION 16.3.(a) Project Challenge North Carolina, Inc., shall report to the  
28 Chairs of the Senate and House of Representatives Appropriations Subcommittees on  
29 Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and  
30 Juvenile Justice Oversight Committee by April 1 each year on the operation and the  
31 effectiveness of its program in providing alternative dispositions and services to  
32 juveniles who have been adjudicated delinquent or undisciplined. The report shall  
33 include information on:

- 34 (1) The source of referrals for juveniles.
- 35 (2) The types of offenses committed by juveniles participating in the  
36 program.
- 37 (3) The amount of time those juveniles spend in the program.
- 38 (4) The number of juveniles who successfully complete the program.
- 39 (5) The number of juveniles who commit additional offenses after  
40 completing the program.
- 41 (6) The program's budget and expenditures, including all funding sources.

42 SECTION 16.3.(b) The Juvenile Assessment Center shall report to the Chairs of  
43 the Senate and House of Representatives Appropriations Subcommittees on Justice and  
44 Public Safety and the Joint Legislative Corrections, Crime Control, and Juvenile Justice  
45 Oversight Committee on the effectiveness of the Center by April 1 each year. The report  
46 shall include information on the number of juveniles served and an evaluation of the  
47 effectiveness of juvenile assessment plans and services provided as a result of these  
48 plans. In addition, the report shall include information on the Center's budget and  
49 expenditures, including all funding sources.

50 SECTION 16.3.(c) Communities in Schools shall report to the Chairs of the Senate  
51 and House of Representatives Appropriations Subcommittees on Justice and Public  
52 Safety, ~~the Joint Legislative Commission on Governmental Operations, the Joint~~  
53 ~~Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, and~~  
54 ~~the Joint Legislative Education Oversight Committee~~ by April 1 each year on the  
55 operation and effectiveness of its program. The report shall include information on:

- 1 (1) The number of children served.
- 2 (2) The number of volunteers used.
- 3 (3) The impact on children who have received services from Communities
- 4 in Schools.
- 5 (4) The program's budget and expenditures, including all funding
- 6 sources."
- 7

## 8 STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

9 SECTION 15.2. Section 16.5 of S.L. 2005-276 reads as rewritten:

10 "SECTION 16.5. Funds appropriated in this act to the Department of Juvenile  
11 Justice and Delinquency Prevention for the ~~2005-2006-2006-2007~~ fiscal year may be  
12 used as matching funds for the Juvenile Accountability Incentive Block Grants. If North  
13 Carolina receives Juvenile Accountability Incentive Block Grants, or a notice of funds  
14 to be awarded, the Office of State Budget and Management and the Governor's Crime  
15 Commission shall consult with the Department of Juvenile Justice and Delinquency  
16 Prevention regarding the criteria for awarding federal funds. The Office of State Budget  
17 and Management, the Governor's Crime Commission, and the Department of Juvenile  
18 Justice and Delinquency Prevention shall report to the Appropriations Committees of  
19 the Senate and House of Representatives and the Joint Legislative Commission on  
20 Governmental Operations prior to allocation of the federal funds. The report shall  
21 identify the amount of funds to be received for the ~~2005-2006-2006-2007~~ fiscal year,  
22 the amount of funds anticipated for the ~~2006-2007-2007-2008~~ fiscal year, and the  
23 allocation of funds by program and purpose."

## 24 WAIVER OF REVISED LICENSING STANDARDS FOR JUVENILE 25 FACILITIES

26 SECTION 15.3. Notwithstanding any other provision of law, the  
27 Department of Juvenile Justice and Delinquency Prevention shall operate the seven  
28 wilderness camping programs in conjunction with Eckerd Youth Alternatives, Inc.,  
29 pursuant to the mental health licensing standards of the Department of Health and  
30 Human Services, Division of Social Services, effective on July 1, 2006, until January 1,  
31 2008. Revisions or amendments to the State mental health licensing standards that  
32 become effective after July 1, 2006, shall not apply to the seven Eckerd wilderness  
33 camping programs from July 1, 2006, to July 1, 2008.

## 34 ANNUAL EVALUATION OF COMMUNITY PROGRAMS

35 SECTION 15.4. Section 16.4 of S.L. 2005-276 reads as rewritten:

36 "SECTION 16.4. The Department of Juvenile Justice and Delinquency Prevention  
37 shall conduct an evaluation of the Eckerd and Camp Woodson wilderness camp  
38 programs, the teen court programs, the program that grants funds to the local  
39 organizations of the Boys and Girls Clubs established pursuant to Section 21.10 of S.L.  
40 1999-237, the Save Our Students program, the Governor's One-on-One Programs, and  
41 multipurpose group homes. The teen court report shall include statistical information on  
42 the number of juveniles served, the number and type of offenses considered by teen  
43 courts, referral sources for teen courts, and the number of juveniles that become  
44 court-involved after participation in teen courts. The report on the Boys and Girls Clubs  
45 program shall include information on:

- 46 (1) The expenditure of State appropriations on the program;
- 47 (2) The operations and the effectiveness of the program; and
- 48 (3) The number of juveniles served under the program.

49 In conducting the evaluation of each of these programs, the Department shall  
50 consider whether participation in each program results in a reduction of court  
51 involvement among juveniles. The Department shall also identify whether the programs  
52 are achieving the goals and objectives of the Juvenile Justice Act, S.L. 1998-202. The  
53 Department shall report the results of the evaluation to the Joint Corrections, Crime  
54  
55

1 Control, and Juvenile Justice Oversight Committee, the Chairs of the House of  
2 Representatives and Senate Appropriations Committees-Committees, and the Chairs of  
3 the Subcommittees on Justice and Public Safety of the House of Representatives and  
4 Senate Appropriations Committees by March 1 of each year."  
5

## 6 **ALTERNATIVES TO JUVENILE COMMITMENT/JUVENILE CRIME** 7 **PREVENTION COUNCILS**

8 **SECTION 15.5.** Section 16.11 of S.L. 2005-276 reads as rewritten:

9 **"SECTION 16.11.(a)** Of the funds appropriated in this act to the Department of  
10 Juvenile Justice and Delinquency Prevention, the sum of two hundred fifty thousand  
11 dollars (\$250,000) shall be used to expand Juvenile Crime Prevention Councils  
12 demonstration projects designed to reduce commitments to youth development centers.  
13 Specifically, the funds shall be awarded to Juvenile Crime Prevention Councils to  
14 provide residential and/or community-based intensive services to juveniles who have  
15 been adjudicated delinquent with a level 2 or 3 disposition or who are reentering the  
16 community after serving time in a youth development center. The Department shall  
17 develop a competitive grant award process to allocate the funds to county Juvenile  
18 Crime Prevention Councils. The programs must initiate services to the targeted  
19 population no later than March 1, 2006. On June 30, 2006, any funds not awarded for  
20 demonstration projects pursuant to this section by the Department shall revert to the  
21 General Fund. The Department may award up to four grants to Juvenile Crime  
22 Prevention Councils, and no individual grant may exceed one hundred thousand dollars  
23 (\$100,000).

24 **SECTION 16.11.(b)** The Department of Juvenile Justice and Delinquency  
25 Prevention shall report to the Joint Legislative Corrections, Crime Control, and Juvenile  
26 Justice Oversight Committee no later than March 1, 2006, on the implementation and  
27 award process. The report shall provide a detailed description of the services to be  
28 provided by each program, the number and types of juveniles to be served, and the  
29 amount awarded to each program.

30 **SECTION 16.11.(c)** The Department of Juvenile Justice and Delinquency  
31 Prevention shall report to the Senate and House of Representatives Appropriations  
32 Subcommittees on Justice and Public Safety no later than March 1, 2006, and annually  
33 thereafter, on the results of the alternatives to commitment demonstration programs  
34 funded by Section 16.7 of S.L. 2004-124. The 2007 report and all annual reports  
35 thereafter shall also include projects funded by this section for the 2005-2006 fiscal  
36 year. Specifically, the report shall provide a detailed description of each of the  
37 demonstration programs, including the numbers of juveniles served, their adjudication  
38 status at the time of service, the services/treatments provided, the length of service, the  
39 total cost per juvenile, and the six- and 12-month recidivism rates for the juveniles after  
40 the termination of program services.

41 **SECTION 16.11.(d)** The requirements of this section apply to all future allocations  
42 by the Department of Juvenile Justice and Delinquency Prevention of the funds  
43 appropriated to the Department by Section 16.11 of S.L. 2005-276 and Section 16.7 of  
44 S.L. 2004-124."  
45

## 46 **REPORTS ON YOUTH DEVELOPMENT CENTERS**

47 **SECTION 15.6.(a)** Section 16.6 of S.L. 2005-276 reads as rewritten:

48 **"SECTION 16.6.(a)** The Department of Juvenile Justice and Delinquency  
49 Prevention shall report December 31, 2005, and quarterly thereafter during the  
50 2005-2007 biennium to the Chairs of the Senate and House of Representatives  
51 Appropriations Subcommittees on Justice and Public Safety and to the Joint  
52 Corrections, Crime Control, and Juvenile Justice Oversight Committee on the treatment  
53 staffing model being piloted at Samarkand and Stonewall Jackson Youth Development  
54 Centers. The report shall include a list of total positions at each facility by job class,  
55 whether the position is vacant or filled, whether positions were filled from internal



1 employees or new employees, and the training and certification status of each position.  
2 The report shall also describe the nature of the treatment program, the criteria for  
3 evaluating the program, and how the program is performing in comparison to these  
4 criteria. The report shall also describe the training approach to be used to train staff in  
5 using treatment methods in youth development centers and provide information on  
6 current staff training and staff training planned for the next quarter. The Department  
7 shall also develop indicators for evaluating staff performance once the model has been  
8 implemented.

9 **SECTION 16.6.(b)** The Department of Juvenile Justice and Delinquency  
10 Prevention shall report December 31, 2005, and quarterly thereafter during the  
11 2005-2007 biennium to the Chairs of the Senate and House of Representatives  
12 Appropriations Subcommittees on Justice and Public Safety and the Joint Corrections,  
13 Crime Control, and Juvenile Justice Oversight Committee on the implementation of the  
14 treatment staffing model at Dobbs, Dillon, and Juvenile Evaluation Center Youth  
15 Development Centers. The Department shall identify the number of positions  
16 reallocated to the new treatment job classes and the source of funding for those  
17 positions.

18 **SECTION 16.6.(c)** The Department of Juvenile Justice and Delinquency  
19 Prevention shall report to the Chairs of the Senate and House of Representatives  
20 Appropriations Subcommittees on Justice and Public Safety and the Joint Corrections,  
21 Crime Control, and Juvenile Justice Oversight Committee by November 10, 2006, on  
22 the final recommended staffing plan for youth development centers for the 2007-2008  
23 fiscal year. The report shall include:

- 24 (1) The latest results of the evaluation of the pilot treatment staffing  
25 models at the Samarkand and Stonewall Jackson Youth Development  
26 Centers and the progress in implementing the model at other youth  
27 development centers.
- 28 (2) The total recommended staffing by position classification for each  
29 youth development center. Staffing by shift shall be provided for each  
30 housing unit as well as justification for the level and type of staff on  
31 each shift.
- 32 (3) The total cost and cost per bed for each youth development center to  
33 implement the staffing model.
- 34 (4) The primary basis for the number of staff at each youth development  
35 center by classification.
- 36 (5) An identification of other states that have implemented a treatment  
37 based staffing model, how the staffing patterns compare to the  
38 Department of Juvenile Justice and Delinquency Prevention proposal,  
39 and any research on the benefits and outcomes of using the treatment  
40 based approach in these states."

41 **SECTION 15.6.(b)** It is the intent of the General Assembly to consider  
42 appropriating funds for new treatment positions at youth development centers only  
43 when the report required by subsection (a) of this section is received by the Chairs of  
44 the Senate and House of Representatives Appropriations Subcommittees on Justice and  
45 Public Safety.

## 47 PART XVI. DEPARTMENT OF CORRECTION

### 49 INMATE COSTS/MEDICAL BUDGET FOR PRESCRIPTION DRUGS AND 50 INMATE LAUNDRY SERVICES

51 **SECTION 16.1.** Section 17.6 of S.L. 2005-276 reads as rewritten:

52 **"SECTION 17.6.(a)** If the cost of providing ~~food~~ and health care to inmates housed  
53 in the Division of Prisons is anticipated to exceed the continuation budget amounts  
54 provided for that purpose in this act, the Department of Correction shall report the  
55 reasons for the anticipated cost increase and the source of funds the Department intends

1 to use to cover those additional needs to the Joint Legislative Commission on  
2 Governmental Operations, the Chairs of the Senate and House of Representatives  
3 Appropriations Committees, and the Chairs of the Senate and House of Representatives  
4 Appropriations Subcommittees on Justice and Public Safety.

5 **SECTION 17.6.(b)** Notwithstanding the provisions of G.S. 143-23(a2), the  
6 Department of Correction may use funds available during the ~~2005-2006 fiscal year~~  
7 2005-2007 biennium for the purchase of prescription drugs for inmates if expenditures  
8 are projected to exceed the Department's inmate medical continuation budget for  
9 prescription drugs. The Department shall consult with the Joint Legislative Commission  
10 on Governmental Operations prior to exceeding the continuation budget amount.

11 **SECTION 17.6.(c)** Notwithstanding the provisions of G.S. 143-23(a2), the  
12 Department of Correction may use funds available during the ~~2005-2006 fiscal year~~  
13 2005-2007 biennium for the purchase of ~~clothing and~~ laundry services for inmates if  
14 expenditures are projected to exceed the Department's budget for clothing and laundry  
15 services. The Department shall consult with the Joint Legislative Commission on  
16 Governmental Operations prior to exceeding the continuation budget amount."  
17

## 18 **CONVERSION OF CONTRACTED MEDICAL POSITIONS**

19 **SECTION 16.2.** Section 17.7 of S.L. 2005-276 reads as rewritten:

20 **"SECTION 17.7.(a)** The Department of Correction may convert contract medical  
21 positions to permanent State medical positions if the Department can document that the  
22 total savings generated will exceed the total cost of the new positions for each facility.  
23 Where practical, the Department shall convert contract positions to permanent positions  
24 by using existing vacancies in medical positions.

25 **SECTION 17.7.(b)** The Department of Correction shall report by ~~April 1, 2006,~~  
26 April of each year to the Joint Legislative Commission on Governmental Operations  
27 and the Chairs of the Senate and House of Representatives Appropriations  
28 Subcommittees on Justice and Public Safety on all conversions made pursuant to this  
29 section, by type of position and location, and on the savings generated at each  
30 correctional facility."  
31

## 32 **COMPUTER/DATA PROCESSING SERVICES FUNDS**

33 **SECTION 16.3.** Section 17.10. of S.L. 2005-276 reads as rewritten:

34 **"SECTION 17.10.** Notwithstanding the provisions of G.S. 143-23(a2), the  
35 Department of Correction may use funds available during the ~~2005-2006 fiscal year~~  
36 2005-2007 biennium for expenses for computer/data processing services if expenditures  
37 exceed the Department's continuation budget amount for those services. The  
38 Department shall report to the Joint Legislative Commission on Governmental  
39 Operations prior to exceeding the continuation budget amount."  
40

## 41 **REPORTS ON NONPROFIT PROGRAMS**

42 **SECTION 16.4.** Section 17.22 of Session Laws 2005-276 reads as rewritten:

43 **"SECTION 17.22.(a)** Funds appropriated in this act to the Department of  
44 Correction to support the programs of Harriet's House may be used for program  
45 operating costs, the purchase of equipment, and the rental of real property to serve  
46 women released from prison with children in their custody. Harriet's House shall report  
47 by February 1 of each year to the ~~Joint Legislative Commission on Governmental~~  
48 Operations Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight  
49 Committee on the expenditure of State appropriations and on the effectiveness of the  
50 program, including information on the number of clients served, the number of clients  
51 who successfully complete the Harriet's House program, and the number of clients who  
52 have been rearrested within three years of successfully completing the program. The  
53 report shall provide financial and program data for the complete fiscal year prior to the  
54 year in which the report is submitted. The financial report shall identify all funding  
55 sources and amounts.

1       **SECTION 17.22.(b)** Summit House shall report by February 1 of each year to the  
2 ~~Joint Legislative Commission on Governmental Operations~~ Joint Legislative  
3 Corrections, Crime Control, and Juvenile Justice Oversight Committee on the  
4 expenditure of State appropriations and on the effectiveness of the program, including  
5 information on the number of clients served, the number of clients who have had their  
6 probation revoked, the number of clients who successfully complete the program while  
7 housed at Summit House, Inc., and the number of clients who have been rearrested  
8 within three years of successfully completing the program. The report shall provide  
9 financial and program data for the complete fiscal year prior to the year in which the  
10 report is submitted. The financial report shall identify all funding sources and amounts.

11       **SECTION 17.22.(c)** Women at Risk shall report by February 1 of each year to the  
12 ~~Joint Legislative Commission on Governmental Operations~~ Joint Legislative  
13 Corrections, Crime Control, and Juvenile Justice Oversight Committee on the  
14 expenditure of State funds and on the effectiveness of the program, including  
15 information on the number of clients served, the number of clients who have had their  
16 probation revoked, the number of clients who have successfully completed the program,  
17 and the number of clients who have been rearrested within three years of successfully  
18 completing the program. The report shall provide financial and program data for the  
19 complete fiscal year prior to the year in which the report is submitted. The financial  
20 report shall identify all funding sources and amounts."  
21

## 22 **PAROLE ELIGIBILITY REPORT**

23       **SECTION 16.5.** Section 17.28 of S.L. 2005-276 reads as rewritten:

24       **"SECTION 17.28.(a)** The Post-Release Supervision and Parole Commission shall,  
25 with the assistance of the North Carolina Sentencing and Policy Advisory Commission  
26 and the Department of Correction, analyze the amount of time each parole-eligible  
27 inmate has served compared to the time served by offenders under Structured  
28 Sentencing for comparable crimes. The Commission shall determine if the person has  
29 served more time in custody than the person would have served if sentenced to the  
30 maximum sentence under the provisions of Article 81B of Chapter 15A of the General  
31 Statutes. The "maximum sentence", for the purposes of this section, shall be calculated  
32 as set forth in subsection (b) of this section.

33       **SECTION 17.28.(b)** For the purposes of this section, the following rules apply for  
34 the calculation of the maximum sentence:

- 35       (1) The offense upon which the person was convicted shall be classified as  
36 the same felony class as the offense would have been classified if  
37 committed after the effective date of Article 81B of Chapter 15A of  
38 the General Statutes.
- 39       (2) The minimum sentence shall be the maximum number of months in  
40 the presumptive range of minimum durations in Prior Record Level VI  
41 of G.S. 15A-1340.17(c) for the felony class determined under  
42 subdivision (1) of this subsection. The maximum sentence shall be  
43 calculated using G.S. 15A-1340.17(d), (e), or (e1).
- 44       (3) If a person is serving sentences for two or more offenses that are  
45 concurrent in any respect, then the offense with the greater  
46 classification shall be used to determine a single maximum sentence  
47 for the concurrent offenses. The fact that the person has been  
48 convicted of multiple offenses may be considered by the Commission  
49 in making its determinations under subsection (a) of this section.

50       **SECTION 17.28.(c)** The Commission shall report to the Joint Legislative  
51 Corrections, Crime Control, and Juvenile Justice Oversight Committee ~~on the results of~~  
52 ~~its analysis by October 1, 2005.~~ and to the Chairs of the Senate and House of  
53 Representatives Appropriations Committees, and the Chairs of the Senate and House of  
54 Representatives Appropriations Subcommittees on Justice and Public Safety by April 1,  
55 2007. The report shall include the following: the class of the offense for which each

1 parole-eligible inmate was convicted and whether an inmate had multiple criminal  
2 convictions. The Commission shall reinstate the parole review process for each  
3 offender who has served more time than that person would have under Structured  
4 Sentencing as provided by subsections (a) and (b) of this section.

5 The Commission shall also report by February 1, 2006, regarding on the number of  
6 parole-eligible inmates reconsidered in compliance with this section and the number  
7 who were actually paroled."  
8

## 9 PRETRIAL SERVICES PROGRAM

10 **SECTION 16.6.** Of funds appropriated from the General Fund to the  
11 Department of Correction the sum of four hundred thousand dollars (\$400,000) for the  
12 2006-2007 fiscal year shall be used for the Pretrial Services Program. These funds will  
13 be managed by the Criminal Justice Partnership Program and will be allocated on a  
14 matching basis according to the following priorities:

- 15 (1) Counties that received State funds through the Criminal Justice  
16 Partnership Program to operate pretrial services programs in the  
17 2005-2006 fiscal year.
- 18 (2) Counties that do not currently have a pretrial services program, but  
19 would like to start one.
- 20 (3) Counties that currently operate pretrial services programs but did not  
21 receive State funds to operate during the 2005-2006 fiscal year.

## 22 GPS MONITORING OF MOST SERIOUS SEX OFFENDERS

23 **SECTION 16.7.(a)** Article 27A of Chapter 14 of the General Statutes is  
24 amended by adding a new Part to read:

25 "Part 5. Sex Offender Monitoring.

### 26 "§ 14-208.33. Establishment of program; creation of guidelines; duties.

27 (a) The Department of Correction shall establish a sex offender monitoring  
28 program that uses a continuous satellite-based monitoring system and shall create  
29 guidelines to govern the program. The program shall be designed to monitor two  
30 categories of offenders as follows:

- 31 (1) Any offender who is convicted of a reportable conviction as defined by  
32 G.S. 14-208.6(4) and who is required to register under Part 3 of Article  
33 27A of Chapter 14 of the General Statutes because the defendant is  
34 classified as a sexually violent predator, is a recidivist, or was  
35 convicted of an aggravated offense as those terms are defined in  
36 G.S. 14-208.6. An offender in this category who is ordered by the  
37 court to submit to satellite-based monitoring is subject to that  
38 requirement for the person's natural life, unless the requirement is  
39 terminated pursuant to G.S. 14-208.36.
- 40 (2) Any offender who satisfies all of the following criteria: (i) is  
41 convicted of a reportable conviction as defined by G.S. 14-208.6(4),  
42 (ii) is required to register under Part 2 of Article 27A of Chapter 14 of  
43 the General Statutes, (iii) has committed an offense involving the  
44 physical, mental, or sexual abuse of a minor, and (iv) based on the  
45 Department's risk assessment program requires the highest possible  
46 level of supervision and monitoring. An offender in this category who  
47 is ordered by the court to submit to satellite-based monitoring is  
48 subject to that requirement only for the period of time ordered by the  
49 court and is not subject to a requirement of lifetime satellite-based  
50 monitoring.

51 (b) In developing the guidelines for the program, the Department shall require  
52 that any offender who is enrolled in the satellite-based program submit to an active  
53 continuous satellite-based monitoring program, unless an active program will not work  
54 as provided by this section. If the Department determines that an active program will  
55

1 not work as provided by this section, then the Department shall require that the  
2 defendant submit to a passive continuous satellite-based program that works within the  
3 technological or geographical limitations.

4 (c) The satellite-based monitoring program shall use a system that provides all of  
5 the following:

6 (1) Time-correlated and continuous tracking of the geographic location of  
7 the subject using a global positioning system based on satellite and  
8 other location tracking technology.

9 (2) Reporting of subject's violations of prescriptive and proscriptive  
10 schedule or location requirements. Frequency of reporting may range  
11 from once a day (passive) to near real-time (active).

12 (d) The Department may contract with a single vendor for the hardware services  
13 needed to monitor subject offenders and correlate their movements to reported crime  
14 incidents. The contract may provide for services necessary to implement or facilitate  
15 any of the provisions of this Part.

16 **§ 14-208.34. Enrollment in satellite-based monitoring programs mandatory;**  
17 **length of enrollment.**

18 (a) Any person described by G.S. 14-208.33(a)(1) shall enroll in a satellite-based  
19 monitoring program with the Division of Community Corrections office in the county  
20 where the person resides. The person shall remain enrolled in the satellite-based  
21 monitoring program for the registration period imposed under G.S. 14-208.23 which is  
22 the person's life, unless the requirement to enroll in the satellite-based monitoring  
23 program is terminated pursuant to G.S. 14-208.35.

24 (b) Any person described by G.S. 14-208.33(a)(2) who is ordered by the court to  
25 enroll in a satellite-based monitoring program shall do so with the Division of  
26 Community Corrections office in the county where the person resides. The person shall  
27 remain enrolled in the satellite-based monitoring program for the period of time ordered  
28 by the court.

29 **§ 14-208.35. Lifetime registration offenders required to submit to satellite-based**  
30 **monitoring for life and to continue on unsupervised probation upon**  
31 **completion of sentence.**

32 Notwithstanding any other provision of law, when the court sentences an offender  
33 who is in the category described by G.S. 14-208.33(a)(1) for a reportable conviction as  
34 defined by G.S. 14-208.6(4), and orders the offender to enroll in a satellite-based  
35 monitoring program, the court shall also order that the offender, upon completion of the  
36 offender's sentence and any term of parole, post-release supervision, intermediate  
37 punishment, or supervised probation that follows the sentence, continue to be enrolled  
38 in the satellite-based monitoring program for the offender's life and be placed on  
39 unsupervised probation unless the requirement that the person enroll in a satellite-based  
40 monitoring program is terminated pursuant to G.S. 14-208.36.

41 **§ 14-208.36. Request for termination of satellite-based monitoring requirement.**

42 (a) An offender described by G.S. 14-308.33(a)(1) who is required to submit to  
43 satellite-based monitoring for the offender's life may file a request for termination of  
44 monitoring requirement with the Post-Release Supervision and Parole Commission. The  
45 request to terminate the satellite-based monitoring requirement and to terminate the  
46 accompanying requirement of unsupervised probation may not be submitted until at  
47 least one year after the offender: (i) has served his or her sentence for the offense for  
48 which the satellite-based monitoring requirement was imposed, and (ii) has also  
49 completed any period of probation, parole, or post-release supervision imposed as part  
50 of the sentence.

51 (b) Upon receipt of the request for termination, the Commission shall review  
52 documentation contained in the offender's file and the statewide registry to determine  
53 whether the person has complied with the provisions of this Article. In addition, the  
54 Commission shall conduct fingerprint-based state and federal criminal history record

1 checks to determine whether the person has been convicted of any additional reportable  
2 convictions.

3 (c) If it is determined that the person has not received any additional reportable  
4 convictions during the period of satellite-based monitoring and the person has  
5 substantially complied with the provisions of this Article, the Commission may  
6 terminate the monitoring requirement if the Commission finds that the person is not  
7 likely to pose a threat to the safety of others.

8 (d) If it is determined that the person has received any additional reportable  
9 convictions during the period of satellite-based monitoring or has not substantially  
10 complied with the provisions of this Article, the Commission shall not order the  
11 termination of the monitoring requirement.

12 (e) The Commission shall not consider any request to terminate a monitoring  
13 requirement except as provided by this section. The Commission has no authority to  
14 consider or terminate a monitoring requirement for an offender described in  
15 G.S. 14-208.33(a)(2).

16 **"§ 14-208.37. Failure to enroll; tampering with device.**

17 (a) Any person required to enroll in a satellite-based monitoring program who  
18 fails to enroll shall be guilty of a Class E felony.

19 (b) Any person who intentionally tampers with, removes, or vandalizes a device  
20 issued pursuant to a satellite-based monitoring program to a person duly enrolled in the  
21 program shall be guilty of a Class C felony.

22 **"§ 14-208.38. Fees.**

23 (a) There shall be a onetime fee of ninety dollars (\$90.00) assessed to each  
24 person required to enroll pursuant to this Part. The court may exempt a person from  
25 paying the fee only for good cause and upon motion of the person placed on  
26 satellite-based monitoring. The court may require that the fee be paid in advance or in a  
27 lump sum or sums, and a probation officer may require payment by those methods if the  
28 officer is authorized by subsection (c) of this section to determine the payment schedule.  
29 This fee is intended to offset only the costs associated with the time-correlated tracking  
30 of the geographic location of subjects using the location tracking crime correlation  
31 system.

32 (b) The fee shall be payable to the clerk of superior court, and the fees shall be  
33 remitted quarterly to the Department.

34 (c) If a person placed on supervised probation, parole, or post-release supervision  
35 is required as a condition of that probation, parole, or post-release supervision to pay  
36 any moneys to the clerk of superior court, the court may delegate to a probation officer  
37 the responsibility to determine the payment schedule."

38 **SECTION 16.7.(b)** G.S. 15A-1343(b2) reads as rewritten:

39 "(b2) Special Conditions of Probation for Sex Offenders and Persons Convicted of  
40 Offenses Involving Physical, Mental, or Sexual Abuse of a Minor. – As special  
41 conditions of probation, a defendant who has been convicted of an offense which is a  
42 reportable conviction as defined in G.S. 14-208.6(4), or which involves the physical,  
43 mental, or sexual abuse of a minor, must:

- 44 (1) Register as required by G.S. 14-208.7 if the offense is a reportable  
45 conviction as defined by G.S. 14-208.6(4).
- 46 (2) Participate in such evaluation and treatment as is necessary to  
47 complete a prescribed course of psychiatric, psychological, or other  
48 rehabilitative treatment as ordered by the court.
- 49 (3) Not communicate with, be in the presence of, or found in or on the  
50 premises of the victim of the offense.
- 51 (4) Not reside in a household with any minor child if the offense is one in  
52 which there is evidence of sexual abuse of a minor.
- 53 (5) Not reside in a household with any minor child if the offense is one in  
54 which there is evidence of physical or mental abuse of a minor, unless  
55 the court expressly finds that it is unlikely that the defendant's harmful

1 or abusive conduct will recur and that it would be in the minor child's  
2 best interest to allow the probationer to reside in the same household  
3 with a minor child.

4 (6) Satisfy any other conditions determined by the court to be reasonably  
5 related to his rehabilitation.

6 (7) Submit to satellite-based monitoring pursuant to Part 5 of Article 27A  
7 of Chapter 14 of the General Statutes, if the defendant is described by  
8 G.S. 14-208.33(a)(1).

9 (8) Submit to electronic monitoring pursuant to Part 5 of Article 27A of  
10 Chapter 14 of the General Statutes, if the defendant is in the category  
11 described by G.S. 14-208.33(a)(2), and the Department of Correction,  
12 based on the Department's risk assessment program, recommends that  
13 the defendant submit to the highest possible level of supervision and  
14 monitoring.

15 Defendants subject to the provisions of this subsection shall not be placed on  
16 unsupervised probation."

17 **SECTION 16.7.(c)** G.S. 15A-1343.2 is amended by adding a new subsection  
18 to read:

19 "(f1) Mandatory Condition of Satellite-Based Monitoring For Some Sex Offenders.  
20 – Notwithstanding any other provision of this section, the court shall impose  
21 satellite-based monitoring pursuant to Part 5 of Article 27A of Chapter 14 of the  
22 General Statutes as a condition of probation on any offender who is described by  
23 G.S. 14-208.33(a)(1)."

24 **SECTION 16.7.(d)** G.S. 15A-1343.2(f) is amended by adding a new  
25 subdivision to read:

26 "(5) Submit to electronic monitoring pursuant to Part 5 of Article 27A of  
27 Chapter 14 of the General Statutes, if the defendant is described by  
28 G.S. 14-208.33(a)(2)."

29 **SECTION 16.7.(e)** G.S. 15A-1344 is amended by adding a new subsection  
30 to read:

31 "(e2) Mandatory Satellite-Based Monitoring Required for Extension of Probation  
32 in Response to Violation by Certain Sex Offenders. – If a defendant who is in the  
33 category described by G.S. 14-208.33(a)(1) violates probation and if the court extends  
34 the probation as a result of the violation, then the court shall order satellite-based  
35 monitoring pursuant to Part 5 of Article 27A of Chapter 14 of the General Statutes as a  
36 condition of the extended probation."

37 **SECTION 16.7.(f)** G.S. 15A-1368.2 is amended by adding a new subsection  
38 to read:

39 "(c1) Notwithstanding subsection (c) of this section, a person required to submit to  
40 satellite-based monitoring pursuant to G.S. 15A-1368.4(b1)(6) shall continue to  
41 participate in satellite-based monitoring beyond the period of post-release supervision  
42 until the Commission releases the person from that requirement pursuant to  
43 G.S. 15A-1368.4A."

44 **SECTION 16.7.(g)** G.S. 15A-1368.4 (b1) reads as rewritten:

45 "(b1) Additional Required Conditions for Sex Offenders and Persons Convicted of  
46 Offenses Involving Physical, Mental, or Sexual Abuse of a Minor. –

47 In addition to the required condition set forth in subsection (b) of this section, for a  
48 supervisee who has been convicted of an offense which is a reportable conviction as  
49 defined in G.S. 14-208.6(4), or which involves the physical, mental, or sexual abuse of a  
50 minor, controlling conditions, violations of which may result in revocation of  
51 post-release supervision, are:

52 (1) Register as required by G.S. 14-208.7 if the offense is a reportable  
53 conviction as defined by G.S. 14-208.6(4).

- 1 (2) Participate in such evaluation and treatment as is necessary to  
2 complete a prescribed course of psychiatric, psychological, or other  
3 rehabilitative treatment as ordered by the Commission.  
4 (3) Not communicate with, be in the presence of, or found in or on the  
5 premises of the victim of the offense.  
6 (4) Not reside in a household with any minor child if the offense is one in  
7 which there is evidence of sexual abuse of a minor.  
8 (5) Not reside in a household with any minor child if the offense is one in  
9 which there is evidence of physical or mental abuse of a minor, unless  
10 a court of competent jurisdiction expressly finds that it is unlikely that  
11 the defendant's harmful or abusive conduct will recur and that it would  
12 be in the child's best interest to allow the supervisee to reside in the  
13 same household with a minor child.  
14 (6) Failure to submit to satellite-based monitoring pursuant to Part 5 of  
15 Article 27A of Chapter 14 of the General Statutes, if the offense is a  
16 reportable conviction as defined by G.S. 14-208.6(4) and the  
17 supervisee is in the category described by G.S. 14-208.33(a)(1).  
18 (7) Failure to submit to satellite-based monitoring pursuant to Part 5 of  
19 Article 27A of Chapter 14 of the General Statutes, if the offense is a  
20 reportable conviction as defined by G.S. 14-208.6(4) and the  
21 supervisee is in the category described by G.S. 14-208.33(a)(2)."

22 **SECTION 16.7.(h)** G.S. 15A-1374 is amended by adding a new subsection

23 to read:

24 "(b1) Mandatory Satellite-Based Monitoring Required as Condition of Parole for  
25 Certain Offenders. – If a parolee is in a category described by G.S. 14-208.33(a)(1), the  
26 Commission must require as a condition of parole that the parolee submit to  
27 satellite-based monitoring pursuant to Part 5 of Article 27A of Chapter 14 of the  
28 General Statutes. If a parolee is in a category described by G.S. 14-208.33(a)(2), the  
29 Commission may require as a condition of parole that the parolee submit to  
30 satellite-based monitoring pursuant to Part 5 of Article 27A of Chapter 14 of the  
31 General Statutes."

32 **SECTION 16.7.(i)** G.S. 143B-266 is amended by adding a new subsection

33 to read:

34 "(e) The Commission may accept and review requests from persons placed on  
35 probation, parole, or post-release supervision to terminate a mandatory condition of  
36 satellite-based monitoring as provided by G.S. 14-208.35. The Commission may grant  
37 or deny those requests in compliance with G.S.14-208.35."

38 **SECTION 16.7.(j)** The Department of Correction shall have the program  
39 enacted by subsection (a) of this section established by January 1, 2007.

40 **SECTION 16.7.(k)** This section is effective when it becomes law and  
41 applies to offenses committed on or after that date. This section also applies to any  
42 person sentenced to intermediate punishment on or after that date and to any person  
43 released from prison by parole or post-release supervision on or after that date. This  
44 section also applies to any person who completes his or her sentence on or after the  
45 effective date of this section who is not on post-release supervision or parole. However,  
46 the requirement to enroll in a satellite-based program is not mandatory until January 1,  
47 2007, when the program is established.

## 48 49 **PART XVII. DEPARTMENT OF ADMINISTRATION**

### 50 51 **EXAMINE FEASIBILITY OF COMBINING FUNDING SOURCES/NC** 52 **COUNCIL FOR WOMEN AND DOMESTIC VIOLENCE COMMISSION**

53 **SECTION 17.1.** The North Carolina Council for Women and the Domestic  
54 Violence Commission, within the Department of Administration, shall examine the  
55 feasibility of combining the funding sources to distribute domestic violence grants and



1 sexual assault grants. The North Carolina Council for Women and the Domestic  
2 Violence Commission shall report their findings to the Joint Legislative Commission on  
3 Governmental Operations by February 1, 2007.

## 4 5 **PART XVIII. OFFICE OF ADMINISTRATIVE HEARINGS**

### 6 7 **CODIFIER'S AUTHORITY OVER THE REGISTER**

8 **SECTION 18.1.** G.S. 150B-21.17 reads as rewritten:

#### 9 **"§ 150B-21.17. North Carolina Register.**

10 (a) Content. – The Codifier of Rules must publish the North Carolina Register.  
11 The North Carolina Register must be published at least two times a month and must  
12 contain the following:

13 (1) Temporary rules entered in the North Carolina Administrative Code.

14 (1a) The text of proposed rules and the text of permanent rules approved by  
15 the Commission.

16 (1b) Emergency rules entered into the North Carolina Administrative Code.

17 (2) Notices of receipt of a petition for municipal incorporation, as required  
18 by G.S. 120-165.

19 (3) Executive orders of the Governor.

20 (4) Final decision letters from the United States Attorney General  
21 concerning changes in laws that affect voting in a jurisdiction subject  
22 to section 5 of the Voting Rights Act of 1965, as required by  
23 G.S. 120-30.9H.

24 (5) Orders of the Tax Review Board issued under G.S. 105-241.2.

25 (6) Other information the Codifier determines to be helpful to the public.

26 (b) Form. – When an agency publishes notice in the North Carolina Register of  
27 the proposed text of a new rule, the Codifier of Rules must publish the complete text of  
28 the proposed new rule. In publishing the text of a proposed new rule, the Codifier must  
29 indicate the rule is new by underlining the proposed text of the rule.

30 When an agency publishes notice in the North Carolina Register of the proposed text  
31 of an amendment to an existing rule, the Codifier must publish the complete text of the  
32 rule that is being amended unless the Codifier determines that publication of the  
33 complete text of the rule being amended is not necessary to enable the reader to  
34 understand the proposed amendment. In publishing the text of a proposed amendment to  
35 a rule, the Codifier must indicate deleted text with overstrikes and added text with  
36 underlines.

37 When an agency publishes notice in the North Carolina Register of the proposed  
38 repeal of an existing rule, the Codifier must publish the complete text of the rule the  
39 agency proposes to repeal unless the Codifier determines that publication of the  
40 complete text is impractical. In publishing the text of a rule the agency proposes to  
41 repeal, the Codifier must indicate the rule is to be repealed.

42 (c) The Codifier may authorize and license the private indexing, marketing,  
43 sales, reproduction, and distribution of the Register."

## 44 45 **PART XIX. DEPARTMENT OF REVENUE**

### 46 47 **EXTENDED DOR CALL CENTER FEE USE**

48 **SECTION 19.1.** Section 22.6(a) of S.L. 2002-126, as amended by Section  
49 23.1 of S.L. 2003-284, as amended by Section 23.1 of S.L. 2004-124, reads as rewritten:

50 **"SECTION 22.6.(a)** There is appropriated from the collection assistance fee  
51 account created in G.S. 105-243.1 to the Department of Revenue the sum of one million  
52 six hundred twenty-two thousand eight hundred ninety-six dollars (\$1,622,896) for the  
53 2003-2004 fiscal year and the sum of two million one hundred fifty-four thousand five  
54 hundred ninety-three dollars (\$2,154,593) for the 2004-2005 fiscal year to pay for the  
55 costs of establishing and equipping a central taxpayer telecommunications service

1 center for collections and assistance and for the costs associated with aligning local field  
2 offices with the new center. Of the funds appropriated in this subsection, the sum of  
3 three million dollars (\$3,000,000) that was designated for the 2003-2005 biennium to  
4 pay for the costs of establishing and equipping a central taxpayer telecommunications  
5 service center does not revert at the end of the 2004-2005 fiscal year but remains  
6 available until June 30, ~~2006, 2007~~, for operating costs of the service center."  
7

## 8 **REVISED MAXIMUMS FOR COLLECTION ASSISTANCE FEES**

9 **SECTION 19.2.** G.S. 105-243.1(e) reads as rewritten:

10 "(e) Use. – The fee is a receipt of the Department and must be applied to the costs  
11 of collecting overdue tax debts. The proceeds of the fee must be credited to a special  
12 account within the Department and may be expended only as provided in this  
13 subsection. The proceeds of the fee may not be used for any purpose that is not directly  
14 and primarily related to collecting overdue tax debts. The Department may apply the  
15 proceeds of the fee for the purposes listed in this subsection. The remaining proceeds of  
16 the fee may be spent only pursuant to appropriation by the General Assembly. The fee  
17 proceeds do not revert but remain in the special account until spent for the costs of  
18 collecting overdue tax debts. The Department and the Office of State Budget and  
19 Management must account for all expenditures using accounting procedures that clearly  
20 distinguish costs allocable to collecting overdue tax debts from costs allocable to other  
21 purposes and must demonstrate that none of the fee proceeds are used for any purpose  
22 other than collecting overdue tax debts.

23 The Department may apply the fee proceeds for the following purposes:

- 24 (1) To pay contractors for collecting overdue tax debts under subsection  
25 (b) of this section.
- 26 (2) To pay the fee the United States Department of the Treasury charges  
27 for setoff to recover tax owed to North Carolina.
- 28 (3) To pay for taxpayer locator services, not to exceed ~~one hundred~~  
29 ~~thousand dollars (\$100,000)~~ one hundred forty-one thousand dollars  
30 (\$141,000) a year.
- 31 (4) To pay for postage or other delivery charges for correspondence  
32 directly and primarily relating to collecting overdue tax ~~debts.~~debts,  
33 not to exceed three hundred fifty-three thousand dollars (\$353,000) a  
34 year.
- 35 (5) To pay for operating expenses for Project Collection Tax and the  
36 Taxpayer Assistance Call Center.
- 37 (6) To pay for expenses of the Examination and Collection Division  
38 directly and primarily relating to collecting overdue tax debts."  
39

## 40 **CONSOLIDATE TAX PROJECTS REPORTS**

41 **SECTION 19.3.(a)** G.S. 105-243.1(f) reads as rewritten:

42 "(f) Reports. – The report of Department activities required by G.S. 105-256  
43 contains information on the Department's efforts to collect tax debts and its use of the  
44 proceeds of the collection assistance fee.~~Department must report semiannually to the~~  
45 ~~Joint Legislative Commission on Governmental Operations and to the Revenue Laws~~  
46 ~~Study Committee on its efforts to collect tax debts. Each report must include a~~  
47 ~~breakdown of the amount and age of tax debts collected by collection agencies on~~  
48 ~~contract, the amount and age of tax debts collected by the Department through warning~~  
49 ~~letters, and the amount and age of tax debts otherwise collected by Department~~  
50 ~~personnel. The report must itemize collections by type of tax. Each report must also~~  
51 ~~include a long term collection plan, a timeline for implementing each step of the plan, a~~  
52 ~~summary of steps taken since the last report and their results, and any other data~~  
53 ~~requested by the Commission or the Committee.~~

1 ~~The Department must report by April 1, 2006, and annually thereafter, to the~~  
2 ~~Revenue Laws Study Committee and the Fiscal Research Division of the General~~  
3 ~~Assembly on the use of the fee proceeds for collecting overdue tax debts."~~

4 **SECTION 19.3.(b)** G.S. 105-256(a) reads as rewritten:

5 "(a) Reports. – The Secretary shall prepare and publish the following:

6  
7 ~~...~~  
8 (6) On an annual basis, a report on the quality of services provided to  
9 ~~taxpayers, including telephone and taxpayers through the Taxpayer~~  
10 ~~Assistance Call Center, walk-in assistance—assistance, and taxpayer~~  
11 ~~education. The report must be submitted to the Joint Legislative~~  
12 ~~Commission on Governmental Operations.~~

13 ~~...~~  
14 (8) By January 1 and July 1 of each year, a semiannual report on the  
15 Department's activities listed in this subdivision. The report must be  
16 submitted to the Joint Legislative Commission on Governmental  
17 Operations and to the Revenue Laws Study Committee.

18 a. Its efforts to increase compliance with the tax laws. The report  
19 must describe the Department's existing initiatives in this area  
20 as of July 1, 2006, and must estimate, by tax type and amount,  
21 the revenue expected in the fiscal year by the initiative. The  
22 report must describe any new initiative implemented since July  
23 1, 2006, and estimate, by tax type and amount, the revenue  
24 expected in the fiscal year by the initiative.

25 b. Its efforts to identify and address fraud and other abuses of the  
26 voluntary tax compliance system that result in unreported and  
27 underreported tax. The report must describe the Department's  
28 long-term plan for achieving greater voluntary compliance and  
29 must summarize the steps taken since the last report and their  
30 results.

31 c. Its efforts to collect tax debts. The report must include a  
32 breakdown of the amount and age of tax debts collected through  
33 warning letters and by other means, must itemize collections by  
34 type of tax, must describe the Department's long-term collection  
35 plan, and must summarize the steps taken since the last report  
36 and their results.

37 d. Its use of the proceeds of the collection assistance fee imposed  
38 by G.S. 105-243.1.

39 **SECTION 19.3.(c)** The first report required under G.S. 105-256(a)(8), as  
40 enacted by this section, is due by January 1, 2007.

#### 41 **PAYMENT OF USUB PENALTIES TO CIVIL PENALTY AND FORFEITURE** 42 **FUND**

43 **SECTION 19.4.** Notwithstanding G.S. 143-18, the Department of Revenue  
44 shall be allowed to expend up to two million four hundred thirty-four thousand two  
45 hundred seventy dollars and seventy-one cents (\$2,434,270.71) of unencumbered  
46 maintenance appropriations as of June 30, 2006, for the purpose of paying the Civil  
47 Penalty and Forfeiture Fund. The amount to be expended represents Unauthorized  
48 Substance Tax penalty collections that were paid to local law enforcement agencies for  
49 the period of July 1, 2005, through December 31, 2005. The source of the  
50 unencumbered funds shall come entirely from the Department of Revenue. If  
51 unencumbered funds are not sufficient at June 30, 2006, the Department shall use  
52 anticipated unencumbered funds as of July 1, 2006. The Department shall reduce  
53 succeeding distributions to a law enforcement agency under G.S. 105-113.113 by the  
54 amount that was improperly distributed to that agency.  
55

**PART XX. DEPARTMENT OF THE STATE TREASURER****CONSOLIDATE PUBLIC EMPLOYEE RETIREMENT PROGRAMS IN SINGLE AGENCY**

**SECTION 20.1.** G.S. 143B-426.24 reads as rewritten:

**"§ 143B-426.24. Board of Trustees of the North Carolina Public Employee Deferred Compensation Plan.**

(a) The Governor may, by Executive Order, establish a Board of Trustees of the North Carolina Public Employee Deferred Compensation Plan, which when established shall be constituted an agency of the State of North Carolina within the Department of ~~Administration~~ State Treasurer. The Board shall create, establish, implement, coordinate and administer a Deferred Compensation Plan for employees of the State, any county or municipality, the North Carolina Community College System, and any political subdivision of the State. Until so established, the Board heretofore established pursuant to Executive Order XII dated November 12, 1974, shall continue in effect. Likewise, the Plan heretofore established shall continue until a new plan is established.

(b) The Board shall consist of seven voting members, as follows:

- (1) Three persons shall be appointed by the Governor who shall have experience with taxation, finance and investments, one of whom shall be a State employee;
- (2) One member shall be appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives under G.S. 120-121;
- (3) One member shall be appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate under G.S. 120-121;
- (4) ~~The State Treasurer~~ Secretary of Administration, ex officio; and
- (5) ~~The Secretary of Administration~~ State Treasurer, ex officio, chairman.

(c) General Assembly appointments shall serve two year terms. A member shall continue to serve until his successor is duly appointed but a holdover under this provision does not affect the expiration date of the succeeding term. No member of the Board may serve more than three consecutive two year terms.

(d) In case of a vacancy on the Board before the expiration of a member's term, a successor shall be appointed within 30 days of the vacancy for the remainder of the unexpired term by the appropriate official pursuant to subsection (b). Vacancies in legislative appointments shall be filled under G.S. 120-122.

(e) Other than ex officio members, members appointed by the Governor shall serve at his pleasure.

(f) Any ex officio member may designate in writing, filed with the Board, any employee of his department to act at any meeting of the Board from which the member is absent, to the same extent that the member could act if present in person at such meeting.

(g) It shall be the duty of the Board when established to review all contracts, agreements or arrangements then in force relating to G.S. 147-9.2 and Executive Order XII to include, but not be limited to, such contracts, agreements or arrangements pertaining to the administrative services and the investment of deferred funds under the Plan for the purpose of recommending continuation of or changes to such contracts, agreements or arrangements.

(h) It shall be the duty of the Board to devise a uniform Deferred Compensation Plan for teachers and employees, which shall include a reasonable number of options to the teacher or employee, for the investment of deferred funds, among which may be life insurance, fixed or variable annuities and retirement income contracts, regulated investment trusts, pooled investment funds managed by the Board or its designee, or other forms of investment approved by the Board, always in such form as will assure the desired tax treatment of such funds. The Board may alter, revise and modify the Plan

1 from time to time to improve the Plan or to conform to and comply with requirements of  
2 State and federal laws and regulations relating to the deferral of compensation of  
3 teachers and public employees generally.

4 (h1) Notwithstanding any other law, an employee of any county or municipality,  
5 an employee of the North Carolina Community College System, or an employee of any  
6 political subdivision of the State may participate in any 457 Plan adopted by the State,  
7 with the consent of the Board and with the consent of the proper governing authority of  
8 such county, municipality, community college, or political subdivision of the State  
9 where such employee is employed.

10 (i) The Board is authorized to delegate the performance of such of its  
11 administrative duties as it deems appropriate including coordination, administration, and  
12 marketing of the Plan to teachers and employees. Prior to entering into any contract  
13 with respect to such administrative duties, it shall seek bids, hold public hearings and in  
14 general take such steps as are calculated by the Board to obtain competent, efficient and  
15 worthy services for the performance of such administrative duties.

16 (j) The Board may acquire investment vehicles from any company duly  
17 authorized to conduct such business in this State or may establish, alter, amend and  
18 modify, to the extent it deems necessary or desirable, a trust for the purpose of  
19 facilitating the administration, investment and maintenance of assets acquired by the  
20 investment of deferred funds. All assets of the Plan, including all deferred amounts,  
21 property and rights purchased with deferred amounts, and all income attributed thereto  
22 shall be held in trust for the exclusive benefit of the Plan participants and their  
23 beneficiaries.

24 (k) Members of the Board, who are not officers or employees of the State, shall  
25 receive per diem and necessary travel and subsistence in accordance with the provisions  
26 of G.S. 138-5, funded as provided in subsection (m) hereof.

27 (l) All clerical and other services and personnel required by the Board shall be  
28 supplied by the ~~Secretary of Administration~~, Department of State Treasurer, funded as  
29 provided in subsection (m) hereof.

30 (m) Investment of deferred funds shall not be unreasonably delayed, and in no  
31 case shall the investment of deferred funds be delayed more than 30 days. The Board  
32 may accumulate such funds pending investment, and the interest earned on such funds  
33 pending investment shall be available to and may be spent in the discretion of the Board  
34 only for the reasonable and necessary expenses of the Board. The ~~Secretary of~~  
35 ~~Administration~~ State Treasurer is authorized to prescribe guidelines for the expenditure  
36 of such funds by the Board. From time to time as the Board may direct, funds not  
37 required for such expenses may be used to defray administrative expenses and fees  
38 which would otherwise be required to be borne by teachers and employees who are then  
39 participating in the Plan.

40 (n) A majority of the Board shall constitute a quorum for the transaction of  
41 business.

42 (o) It is intended that the provisions of this Part shall be liberally construed to  
43 accomplish the purposes provided for herein."  
44

## 45 **PART XXI. DEPARTMENT OF TRANSPORTATION**

### 46 **TRANSPORTATION OF WOOD RESIDUALS**

47 **SECTION 21.1.** G.S. 20-118(c)(15) reads as rewritten:

48 "(c) Exceptions. – The following exceptions apply to G.S. 20-118(b) and  
49 20-118(e).  
50

51  
52 (15) Subsections (b) and (e) of this section do not apply to a vehicle or  
53 vehicle combination that meets all of the conditions below, but all  
54 other enforcement provisions of this Article remain applicable:

- 1 a. Is hauling wood residuals, including wood chips, sawdust,  
 2 mulch, or tree bark, ~~bark from any site~~; or is transporting bulk  
 3 soil, bulk rock, sand, sand rock, or asphalt millings from a site  
 4 that does not have a certified scale for weighing the vehicle.  
 5 b. Does not operate on an interstate highway, a posted light-traffic  
 6 road, or a posted bridge.  
 7 c. Does not exceed a maximum gross weight 4,000 pounds in  
 8 excess of what is allowed in subsection (b) of this section.  
 9 d. Does not exceed a single-axle weight of more than 22,000  
 10 pounds and a tandem-axle weight of more than 42,000 pounds.  
 11 ..."

### 13 ONLINE DEALER REGISTRATION FUNDS

14 **SECTION 21.2.(a)** Notwithstanding the provisions of Section 28.22(b) of  
 15 S.L. 2005-276, for fiscal year 2006-2007, the Division of Motor Vehicles is prohibited  
 16 from spending any funds appropriated to it for Online Dealer Registration  
 17 enhancements.

18 **SECTION 21.2.(b)** This section becomes effective June 30, 2006.  
 19

### 20 TRANSPORTATION IMPROVEMENT PLAN PILOT

21 **SECTION 21.3.** The Department of Transportation may enter into  
 22 agreements with units of local government for the purpose of expediting transportation  
 23 projects currently programmed in the Transportation Improvement Plan.

24 The agreements affected by this section shall be between the Department of  
 25 Transportation and units of local government. The agreements may authorize units of  
 26 local government to construct projects scheduled in the Transportation Improvement  
 27 Plan more than two years from the date of the agreement. The units of local government  
 28 shall fund one hundred percent (100%) of the project at current prices. In a future year,  
 29 when the project is funded from State and federal sources, the units of local government  
 30 shall be reimbursed an appropriate share of the funds, at the future programmed project  
 31 funding amount, as identified and scheduled in the Transportation Improvement Plan.

32 The Department of Transportation shall report to the Joint Legislative  
 33 Transportation Oversight Committee by December 1, 2006, on any agreements executed  
 34 with units of local government pursuant to this section.  
 35

### 36 CASH FLOW HIGHWAY FUNDS AND HIGHWAY TRUST FUND 37 APPROPRIATIONS

38 **SECTION 21.4.(a)** The General Assembly authorizes and certifies  
 39 anticipated revenues of the Highway Fund as follows:

40	For Fiscal Year 2007-2008	\$1,798.0 million
41	For Fiscal Year 2008-2009	\$1,836.2 million
42	For Fiscal Year 2009-2010	\$1,859.2 million
43	For Fiscal Year 2010-2011	\$1,872.6 million

44 **SECTION 21.4.(b)** The General Assembly authorizes and certifies  
 45 anticipated revenues of the Highway Trust Fund as follows:

46	For Fiscal Year 2007-2008	\$1,128.9 million
47	For Fiscal Year 2008-2009	\$1,167.8 million
48	For Fiscal Year 2009-2010	\$1,203.0 million
49	For Fiscal Year 2010-2011	\$1,235.0 million

### 50 51 DEPARTMENT OF TRANSPORTATION TO PROVIDE REAL-TIME ACCESS 52 TO ALL WEIGH-IN-MOTION DATA PRODUCED AND TRANSMITTED 53 FROM WEIGH-IN-MOTION SITES THROUGHOUT THE STATE AND 54 PROVIDE PERIODIC SUMMARIES OF DATA COLLECTED AT 55 EXISTING DOT WEIGH-IN-MOTION SITES

1           **SECTION 21.5.(a)** The Department of Transportation shall provide the  
2 State Highway Patrol real-time access to all real-time data collection efforts at all  
3 existing weigh-in-motion sites by October 1, 2006, to include but not limited to:

- 4           (1) Install wireless access points at each site to allow the State Highway  
5 Patrol to station troopers at or near the weigh-in-motion site, capture  
6 data on a computer with software and technology capable of receiving  
7 the real-time data as it is captured by the weigh-in-motion site, and  
8 then take appropriate enforcement action.
- 9           (2) Provide periodic summaries of collected data to assist in monitoring  
10 overweight vehicle travel volumes, habits, routes, and date and time  
11 information.
- 12           (3) Acquire any necessary software to allow the State Highway Patrol to  
13 interface with the existing systems at all weigh-in-motion sites  
14 throughout the State.
- 15           (4) Provide access to any new facilities constructed on DOT rights-of-way  
16 that collect, monitor, seize, or capture any data related to violations of  
17 weight, length, or height restrictions.

18           **SECTION 21.5.(b)** The State Highway Patrol shall report the effectiveness  
19 of the access to weigh-in-motion sites, the collected data, and use of these sites as a  
20 vehicle weight screening technology to increase the effectiveness of Motor Carrier  
21 Enforcement activities to the Joint Legislative Transportation Oversight Committee by  
22 October 1, 2006.

## 23 24 **FUNDS FOR ECONOMIC DEVELOPMENT, SPOT SAFETY, AND** 25 **TRANSPORTATION IMPROVEMENT PROGRAM PROJECTS**

26           **SECTION 21.6.** Of the funds appropriated by this act to the Department of  
27 Transportation in fiscal year 2006-2007, twenty-eight million dollars (\$28,000,000)  
28 shall be allocated equally among the 14 Highway Divisions for economic development  
29 transportation projects recommended by the member of the Board of Transportation  
30 representing the Division in which the project is to be constructed in consultation with  
31 the Division Engineer and approved by the Board of Transportation. Funds in each  
32 Division not needed for economic development projects shall be used on spot safety  
33 needs to enhance safety, reduce congestion, improve traffic flow, reduce accidents, and  
34 for system preservation. Any remaining funds in each Division shall be used on  
35 Transportation Improvement Program projects. The Secretary of Transportation shall  
36 not prevent or delay the implementation of any projects approved by the Board of  
37 Transportation pursuant to this section.

## 38 39 **CHANGE SUNSET OF OPEN CONTAINER LAW**

40           **SECTION 21.7.** Section 21 of S.L. 2000-155, as amended by Section 1 of  
41 S.L. 2002-25, reads as rewritten:

42           "**SECTION 21.** Section 4 of this act is effective September 1, 2000, and expires  
43 September 30, ~~2006~~2010. Sections 19 and 20 of this act are effective when those  
44 sections become law. The remainder of this act becomes effective September 1, 2000,  
45 and applies to offenses committed on or after that date."

## 46 47 **MAINTENANCE OF PERMANENT WEIGH STATIONS**

48           **SECTION 21.8.** G.S. 20-183.9 reads as rewritten:

49           "**§ 20-183.9. Establishment and maintenance of permanent weigh stations.**

50           The Department of Crime Control and Public Safety is hereby authorized,  
51 empowered and directed to ~~equip, operate, and maintain~~ equip and operate permanent  
52 weigh stations equipped to weigh vehicles using the streets and highways of this State to  
53 determine whether such vehicles are being operated in accordance with legislative  
54 enactments relating to weights of vehicles and their loads. The permanent weigh  
55 stations shall be established at such locations on the streets and highways in this State as

1 will enable them to be used most advantageously in determining the weight of vehicles  
2 and their loads. The Department of Transportation shall be responsible for the  
3 maintenance and upkeep of all permanent weigh stations established pursuant to this  
4 section."

#### 5 6 **VIPER RADIO PROGRAM**

7 **SECTION 21.9.** The State Highway Patrol shall issue a request for a  
8 proposal for the maintenance of the Voice Interoperability Plan for Emergency  
9 Responders (VIPER). The bid shall be for the current system in place and shall not  
10 include installation of the system.

11 The Criminal Justice Information Network (CJIN) shall prepare a cost  
12 allocation plan for the continued building and operation of the VIPER system that shall  
13 include proposed shared costs for installation and use by all State government users,  
14 including, but not limited to the Department of Health and Human Services, the State  
15 Emergency Management Division, the Wildlife Resources Commission, the State  
16 Bureau of Investigation, the State Highway Patrol, and Alcohol Law Enforcement.

17 The CJIN shall report to the Legislative Transportation Oversight Committee,  
18 the Chairs of both the Appropriations Subcommittees for Transportation and Justice and  
19 Public Safety, and the Fiscal Research Division by October 1, 2006.

#### 20 21 **ACCESS ROADS FOR ECONOMIC DEVELOPMENT**

22 **SECTION 21.10.** Of funds appropriated to the Department of  
23 Transportation, the Department shall use up to the sum of one million seven hundred  
24 thousand dollars (\$1,700,000) from the maintenance funds account for construction of  
25 access roads in municipalities that have populations greater than 500,000 persons,  
26 according to the most recent decennial federal census, to encourage economic  
27 development of undeveloped lands. The Department of Transportation may contract  
28 with an approved developer to construct an access road and reimburse the developer  
29 from the appropriate funds.

#### 30 31 **CONFORM SEAT BELT LAW TO FEDERAL LAW TO PREVENT A LOSS OF** 32 **FEDERAL HIGHWAY FUNDS**

33 **SECTION 21.11.** G.S. 20-135.2A.(c) reads as rewritten:

34 "(c) This section shall not apply to any of the following:

- 35 (1) A driver or occupant of a noncommercial motor vehicle with a medical  
36 or physical condition that prevents appropriate restraint by a safety belt  
37 or with a professionally certified mental phobia against the wearing of  
38 vehicle restraints;
- 39 (2) A motor vehicle operated by a rural letter carrier of the United States  
40 Postal Service while performing duties as a rural letter carrier and a  
41 motor vehicle operated by a newspaper delivery person while actually  
42 engaged in delivery of newspapers along the person's specified route;
- 43 (3) A driver or passenger frequently stopping and leaving the vehicle or  
44 delivering property from the vehicle if the speed of the vehicle  
45 between stops does not exceed 20 miles per hour;
- 46 (4) Any vehicle registered and licensed as a property-carrying vehicle in  
47 accordance with G.S. 20-88, while being used for agricultural ~~or~~  
48 ~~commercial purposes;~~ purposes in intrastate commerce; or
- 49 (5) A motor vehicle not required to be equipped with seat safety belts  
50 under federal law."

#### 51 52 **UTILIZATION OF SMALL BUSINESS ENTERPRISES IN DEPARTMENT** 53 **PROJECTS OR THE USE OF FULLY OPERATED RENTAL EQUIPMENT**

54 **SECTION 21.12.** From funds available to the Department of Transportation,  
55 a goal of fifty million dollars (\$50,000,000) per year is established for the utilization of



1 small business enterprises through contracts or the use of fully operated rental  
2 equipment.

3  
4 **CONSOLIDATION OF RURAL FUNDING PROGRAMS BY THE**  
5 **DEPARTMENT OF TRANSPORTATION'S PUBLIC TRANSPORTATION**  
6 **DIVISION**

7 **SECTION 21.13.** The Department of Transportation, Public Transportation  
8 Division, may consolidate its rural funding programs into one large rural capital and  
9 operating program for funding of rural and small urban public transportation systems.  
10 The Division shall have flexibility to realign funding based on actual needs of  
11 transportation systems and for leveraging additional federal funds. The programs  
12 affected by the consolidation include: Rural Capital Program, Rural Intercity Program,  
13 Rural General Public, Rural Facility Program, Elderly and Disabled Transportation  
14 Assistance Program, Rural Technology Program, and Work First/Employment  
15 Transportation Program.

16 The Division shall submit a report on its funding allocation no later than  
17 October 31, 2006, to the Chairs of the Appropriations Subcommittee for Transportation  
18 and the Fiscal Research Division.

19  
20 **FUNDS FOR STORMWATER PROJECTS**

21 **SECTION 21.14.** Of funds available to the Department of Transportation,  
22 fifteen million dollars (\$15,000,000) shall be transferred during the 2006-2007 fiscal  
23 year to the Department of Environment and Natural Resources for a stormwater pilot  
24 project to clean up State-maintained ocean outfalls and associated outlets through new  
25 and innovative technologies and filtering mechanisms.

26  
27 **ALLOWABLE LOADS IN AGRICULTURAL TRANSPORTING**

28 **SECTION 21.15.** G.S. 20-51(6) reads as rewritten:

29 "(6) Any trailer or semitrailer attached to and drawn by a properly licensed  
30 motor vehicle when used by a farmer, his tenant, agent, or employee in  
31 transporting unginning cotton, peanuts, soybeans, corn, hay, tobacco,  
32 silage, cucumbers, ~~potatoes, potatoes,~~ all vegetables, fruits, greenhouse  
33 and nursery plants and flowers, Christmas trees, fertilizers or  
34 chemicals purchased or owned by the farmer or tenant for personal use  
35 in implementing husbandry, irrigation pipes, loaders, or equipment  
36 owned by the farmer or tenant from place to place on the same farm,  
37 from one farm to another, from farm to gin, from farm to dryer, or  
38 from farm to market, and when not operated on a for-hire basis. The  
39 term "transporting" as used herein shall include the actual hauling of  
40 said products and all unloaded travel in connection therewith."

41  
42 **AN ACT TO PROMOTE PRESERVATION OF THE INTERSTATE HIGHWAY**  
43 **SYSTEM**

44 **SECTION 21.16.** In order to promote the preservation of the Interstate  
45 Highway System and to more effectively utilize existing Federal Highway Funds for  
46 Interstate Maintenance and Preservation, the Department of Transportation shall  
47 annually allocate, of the funds available from the Interstate Maintenance Federal Funds  
48 authorization, thirty million dollars (\$30,000,000) to the 14 Highway Divisions for  
49 Interstate resurfacing and preventive maintenance activities specifically for the purposes  
50 of pavement preservation, improving ride quality, and extending the life of the Interstate  
51 System.

52 These funds shall be distributed to each Highway Division according to the  
53 percentage of lane-miles of Interstate Highways within that division and deducting from  
54 that lane-mileage, projects awarded the previous fiscal year for pavement rehabilitation,  
55 not including Division awarded projects for preventive maintenance.

1 If during any fiscal year, the Board of Transportation authorizes the transfer  
 2 of Interstate Maintenance Funds to other federal funding types, the amount of funds  
 3 distributed to the 14 Highway Divisions by this act shall be concurrently increased by  
 4 an amount equal to the transfer of Interstate Maintenance Funds.

5  
 6 **DEVELOP AND IMPLEMENT A PLAN TO PLANT TREES AND OTHER**  
 7 **VEGETATION ON THE RIGHT-OF-WAYS OF THE STATE'S ROADS AND**  
 8 **HIGHWAYS AND TO PROVIDE FUNDING FOR THAT PLAN.**

9 **SECTION 21.17.(a)** The Department of Environment and Natural  
 10 Resources, in collaboration with the Departments of Transportation and Correction shall  
 11 develop and implement a plan to plant the maximum number of trees and other natural  
 12 and native vegetation feasible along State roads and highways in the right-of-way of the  
 13 Department of Transportation. The Department of Environment and Natural Resources  
 14 shall report to the Legislative Oversight Commission on Governmental Operations and  
 15 the Fiscal Research Division by January 1, 2007, on the number of trees and the amount  
 16 of native vegetation planted pursuant to this section.

17 **SECTION 21.17.(b)** Of the funds available to the Department of  
 18 Transportation, the Department shall transfer twenty-five thousand dollars (\$25,000) to  
 19 the Department of Environment and Natural Resources during the 2006-2007 fiscal year  
 20 to implement this section.

21  
 22 **PART XXII. SALARIES AND EMPLOYEE BENEFITS**

23  
 24 **GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES**

25 **SECTION 22.1.(a)** Effective July 1, 2006, G.S. 147-11(a) reads as  
 26 rewritten:

27 "(a) The salary of the Governor shall be ~~one hundred twenty three thousand eight~~  
 28 ~~hundred nineteen dollars (\$123,819)~~ one hundred thirty thousand ten dollars (\$130,010)  
 29 annually, payable monthly."

30 **SECTION 22.1.(b)** Section 29.1(b) of S.L. 2005-276 reads as rewritten:

31 **"SECTION 29.1.(b)** Effective ~~July 1, 2005,~~ July 1, 2006, the annual salaries for the  
 32 members of the Council of State, payable monthly, for the ~~2005-2006 and 2006-2007~~  
 33 fiscal years-year are:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$109,279 <u>114,743</u>
Attorney General	<del>109,279</del> <u>114,743</u>
Secretary of State	<del>109,279</del> <u>114,743</u>
State Treasurer	<del>109,279</del> <u>114,743</u>
State Auditor	<del>109,279</del> <u>114,743</u>
Superintendent of Public Instruction	<del>109,279</del> <u>114,743</u>
Agriculture Commissioner	<del>109,279</del> <u>114,743</u>
Insurance Commissioner	<del>109,279</del> <u>114,743</u>
Labor Commissioner	<del>109,279</del> <u>114,743</u> "

45  
 46 **NONELECTED DEPARTMENT HEADS/SALARY INCREASES**

47 **SECTION 22.2.** Section 29.2 of S.L. 2005-276 reads as rewritten:

48 **"SECTION 29.2.** In accordance with G.S. 143B-9, the maximum annual salaries,  
 49 payable monthly, for the nonelected heads of the principal State departments for the  
 50 ~~2005-2006 and 2006-2007~~ fiscal years-year are:

<u>Nonelected Department Heads</u>	<u>Annual Salary</u>
Secretary of Administration	\$106,765 <u>112,103</u>
Secretary of Correction	<del>106,765</del> <u>112,103</u>
Secretary of Crime Control and Public Safety	<del>106,765</del> <u>112,103</u>

1	Secretary of Cultural Resources	406,765	112,103
2	Secretary of Commerce	406,765	112,103
3	Secretary of Environment and Natural Resources	406,765	112,103
4	Secretary of Health and Human Services	406,765	112,103
5	Secretary of Juvenile Justice and Delinquency	406,765	112,103
6	Secretary of Revenue	406,765	112,103
7	Secretary of Transportation	406,765	112,103"

**CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES**

**SECTION 22.3.** Section 29.3 of Section of S.L. 2005-276 reads as rewritten:

"**SECTION 29.3.** The annual salaries, payable monthly, for the ~~2005-2006 and 2006-2007~~ fiscal ~~years-year~~ for the following executive branch officials are:

	<u>Executive Branch Officials</u>	<u>Annual Salary</u>
14	Chairman, Alcoholic Beverage Control Commission	\$ <del>97,175</del> <u>102,034</u>
15	State Controller	<del>135,997</del> <u>142,797</u>
16	Commissioner of Motor Vehicles	<del>97,175</del> <u>102,034</u>
17	Commissioner of Banks	<del>109,279</del> <u>114,743</u>
18	Chairman, Employment Security Commission	<del>133,161</del>
19	State Personnel Director	<del>406,765</del> <u>112,103</u>
20	Chairman, Parole Commission	<del>88,733</del> <u>93,170</u>
21	Members of the Parole Commission	<del>40,960</del> <u>43,008</u>
22	Chairman, Utilities Commission	<del>121,701</del> <u>127,786</u>
23	Members of the Utilities Commission	<del>109,279</del> <u>114,743</u>
24	Executive Director, Agency for Public Telecommunications	<del>81,921</del> <u>86,017</u>
25	Director, Museum of Art	<del>99,573</del> <u>104,552</u>
26	Executive Director, North Carolina Agricultural Finance Authority	<del>94,587</del> <u>99,316</u>
27	State Chief Information Officer	<del>135,915</del> <u>142,711"</u>

**JUDICIAL BRANCH OFFICIALS/SALARY INCREASES**

**SECTION 22.4.** Section 29.4 of S.L. 2005-276 reads as rewritten:

"**SECTION 29.4.(a)** The annual salaries, payable monthly, for specified Judicial Branch officials for the ~~2005-2006 and 2006-2007~~ fiscal ~~years-year~~ are:

	<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
37	Chief Justice, Supreme Court	\$ <del>123,819</del> <u>130,010</u>
38	Associate Justice, Supreme Court	<del>120,583</del> <u>126,612</u>
39	Chief Judge, Court of Appeals	<del>117,568</del> <u>123,446</u>
40	Judge, Court of Appeals	<del>115,559</del> <u>121,337</u>
41	Judge, Senior Regular Resident Superior Court	<del>112,419</del> <u>118,040</u>
42	Judge, Superior Court	<del>109,279</del> <u>114,743</u>
43	Chief Judge, District Court	<del>99,231</del> <u>104,193</u>
44	Judge, District Court	<del>96,091</del> <u>100,896</u>
45	Administrative Officer of the Courts	<del>112,419</del> <u>118,040</u>
46	Assistant Administrative Officer of the Courts	<del>102,684</del> <u>107,818"</u>

**SECTION 29.4.(b)** The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district do not exceed ~~sixty-two thousand nine hundred thirty dollars (\$62,930),~~ sixty-six thousand seventy-seven dollars (\$66,077), and the minimum salary of any assistant district attorney or assistant public defender is at least ~~thirty-two thousand~~

~~eight hundred eighty five dollars (\$32,885), thirty-four thousand five hundred twenty-nine dollars (\$34,529) effective July 1, 2005.~~ July 1, 2006.

**SECTION 29.4.(c)** Effective July 1, 2005, the annual salaries of permanent, full-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by the greater of eight hundred fifty dollars (\$850.00) or two percent (2%). Effective July 1, 2006, the annual salaries of permanent full-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by five percent (5%).

**SECTION 29.4.(d)** Effective July 1, 2005, the annual salaries of permanent, part-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by pro rata amounts of eight hundred fifty dollars (\$850.00) or two percent (2%), whichever is greater. Effective July 1, 2006 the annual salaries of permanent, part-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by five percent (5%)."

**CLERK OF SUPERIOR COURT/SALARY INCREASES**

**SECTION 22.5.** Effective July 1, 2006, G.S. 7A-101(a) reads as rewritten:

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

Population	Annual Salary
Less than 100,000	<del>\$73,092</del> <u>\$76,747</u>
100,000 to 149,999	<del>82,024</del> <u>86,122</u>
150,000 to 249,999	<del>90,952</del> <u>95,500</u>
250,000 and above	<del>99,884.</del> <u>104,878.</u>

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

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

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

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

**SECTION 22.6.** Effective July 1, 2006, 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	<del>\$28,365</del> <u>\$29,783</u>
Maximum	<del>48,579</del> <u>51,008</u>
Deputy Clerks	Annual Salary
Minimum	<del>\$24,415</del> <u>\$25,636</u>
Maximum	<del>37,784.</del> <u>39,673."</u>

**MAGISTRATES' SALARY INCREASES**

**SECTION 22.7.(a)** Effective July 1, 2006, 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	<del>\$28,739</del> \$30,176
Step 1	<del>31,375</del> 32,944
Step 2	<del>34,243</del> 35,955
Step 3	<del>37,373</del> 39,242
Step 4	<del>40,802</del> 42,842
Step 5	<del>44,665</del> 46,898
Step 6	<del>48,997</del> 51,447.

- (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, a magistrate who is licensed to practice law in North Carolina or any other state shall receive the annual salary provided in the Table in subdivision (1) of this subsection for Step 4."

**SECTION 22.7.(b)** Effective July 1, 2006, 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	<del>\$23,175</del> \$24,334
1 or more but less than 3 years of service	<del>24,239</del> 25,451
3 or more but less than 5 years of service	<del>26,380</del> 27,699.

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/SALARY INCREASES**

**SECTION 22.8.** Effective July 1, 2006, 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 ~~ninety two thousand three hundred twenty four dollars (\$92,324)~~ ninety-six thousand nine hundred forty dollars (\$96,940) payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. 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."

**SERGEANTS-AT-ARMS AND READING CLERKS**

**SECTION 22.9.** Effective July 1, 2006, 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 ~~three hundred twenty seven dollars (\$327.00)~~ three hundred forty-three dollars (\$343.00) 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**

**SECTION 22.10.** Effective July 1, 2006, the Legislative Services Officer shall increase the salaries of nonelected employees of the General Assembly in effect for fiscal year 2005-2006 by five percent (5%). Nothing in this act limits any of the provisions of G.S. 120-32.

**COMMUNITY COLLEGE PERSONNEL/SALARY INCREASES**

**SECTION 22.11.** Section 29.11 of S.L. 2005-276 reads as rewritten:

1       **"SECTION 29.11.** The Director of the Budget shall transfer from the Reserve for  
2 Compensation Increases, created in this act for fiscal years 2005-2006 and 2006-2007,  
3 funds to the North Carolina Community Colleges System Office necessary to provide an  
4 annual salary increase of the greater of eight hundred fifty dollars (\$850.00) or two  
5 percent (2%), including funds for the employer's retirement and social security  
6 contributions, commencing July 1, 2005, for all community college employees  
7 supported by State funds. The Director of the Budget shall transfer from the Reserve for  
8 Compensation Increases, created in this act for fiscal year 2006-2007, funds to the  
9 North Carolina Community Colleges System Office necessary to provide:

10       (1) An annual salary increase for faculty and professional staff of six  
11 percent (6%), plus a one-time two percent (2%) bonus, including funds  
12 for the employer's retirement and social security contributions,  
13 commencing July 1, 2006, for all community college employees  
14 supported by State funds. The one-time two percent (2%) bonus  
15 authorized by this section shall be made in accordance with rules  
16 adopted by the State Board of Community Colleges.

17       (2) An annual increase of five percent (5%), including funds for  
18 employer's retirement and social security contributions, commencing  
19 July 1, 2006, for all other community college employees supported by  
20 State funds."

## 21 **UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA COMPENSATION**

22       **SECTION 22.12.** Section 29.12 of S.L. 2005-276 reads as rewritten:

23       **"SECTION 29.12.(a)** ~~The~~ For the 2005-2006 fiscal year, the Director of the Budget  
24 shall transfer to the Board of Governors of The University of North Carolina sufficient  
25 funds from the Reserve for Compensation Increases, created in this act for fiscal years  
26 2005-2006 and 2006-2007, to provide an annual salary increase of the greater of eight  
27 hundred fifty dollars (\$850.00) or two percent (2%), including funds for the employer's  
28 retirement and social security contributions, commencing July 1, 2005, for all  
29 employees of The University of North Carolina, as well as employees other than  
30 teachers of the North Carolina School of Science and Mathematics, supported by State  
31 funds and whose salaries are exempt from the State Personnel Act (EPA). The flat  
32 dollar increase of eight hundred fifty dollars (\$850.00) shall be made to all employees  
33 whose annual salary is less than or equal to forty-two thousand five hundred dollars  
34 (\$42,500). The percentage annual salary increase of two percent (2%) authorized by this  
35 section shall be made on an aggregated average basis, and these funds shall be allocated  
36 to individuals whose annual salary is greater than forty-two thousand five hundred  
37 dollars (\$42,500), according to the rules adopted by the Board of Governors of The  
38 University of North Carolina or the Board of Trustees of the North Carolina School of  
39 Science and Mathematics, as appropriate, and may not be used for any purpose other  
40 than for salary increases and necessary employer contributions provided by this section.

41       **SECTION 29.12(a1)** For the 2006-2007 fiscal year, the Director of the Budget  
42 shall transfer to the Board of Governors of The University of North Carolina sufficient  
43 funds from the Reserve for Compensation Increases, created in this act for fiscal year  
44 2006-2007, to provide an annual salary increase of six percent (6%), plus a one-time  
45 two percent bonus (2%), including funds for the employer's retirement and social  
46 security contributions, commencing July 1, 2006, for all employees of The University of  
47 North Carolina, as well as employees other than teachers of the North Carolina School  
48 of Science and Mathematics, supported by State funds and whose salaries are exempt  
49 from the State Personnel Act (EPA). The percentage annual salary increase of six  
50 percent (6%), plus the one-time two percent (2%) bonus, authorized by this section shall  
51 be made on an aggregated average basis, according to the rules adopted by the Board of  
52 Governors of The University of North Carolina or the Board of Trustees of the North  
53 Carolina School of Science and Mathematics, as appropriate, and may not be used for  
54

1 any purpose other than for salary increases and necessary employer contributions  
2 provided by this section.

3 **SECTION 29.12.(b)** The Director of the Budget shall transfer to the Board of  
4 Governors of The University of North Carolina sufficient funds from the Reserve for  
5 Compensation Increases, created in this act for fiscal years 2005-2006 and 2006-2007,  
6 to provide an average annual salary increase of two and twenty-four hundredths percent  
7 (2.24%), including funds for the employer's retirement and social security contributions,  
8 commencing July 1, 2005, for all teaching employees of the North Carolina School of  
9 Science and Mathematics, supported by State funds and whose salaries are exempt from  
10 the State Personnel Act (EPA). These funds shall be allocated to individuals according  
11 to the rules adopted by the Board of Trustees of the North Carolina School of Science  
12 and Mathematics and may not be used for any purpose other than for salary increases  
13 and necessary employer contributions provided by this section.

14 **SECTION 29.12.(b1)** The Director of the Budget shall transfer to the Board of  
15 Governors of The University of North Carolina sufficient funds from the Reserve for  
16 Compensation Increases, created in this act for fiscal year 2006-2007, to provide an  
17 average annual salary increase of eight percent (8%), but at least an annual increase of  
18 two thousand two hundred fifty dollars (\$2,250) including funds for the employer's  
19 retirement and social security contributions, commencing July 1, 2006, for all teaching  
20 employees of the North Carolina School of Science and Mathematics, supported by  
21 State funds and whose salaries are exempt from the State Personnel Act (EPA). These  
22 funds shall be allocated to individuals according to the rules adopted by the Board of  
23 Trustees of the North Carolina School of Science and Mathematics and may not be used  
24 for any purpose other than for salary increases and necessary employer contributions  
25 provided by this section."

## 26 27 MOST STATE EMPLOYEES/SALARY INCREASES

28 **SECTION 22.13.** Section 29.13 of S.L. 2005-276 reads as rewritten:

29 **"SECTION 29.13.(a)** The salaries in effect June 30, 2005, of all permanent  
30 full-time State employees whose salaries are set in accordance with the State Personnel  
31 Act and who are paid from the General Fund or the Highway Fund shall be increased,  
32 effective July 1, 2005, by the greater of eight hundred fifty dollars (\$850.00) or two  
33 percent (2%), unless otherwise provided by this act. Effective July 1, 2006, the salaries  
34 in effect June 30, 2006, of all permanent full-time State employees whose salaries are  
35 set in accordance with the State Personnel Act, and who are paid from the General Fund  
36 or Highway Funds shall be increased by five percent (5%).

37 **SECTION 29.13.(b)** Except as otherwise provided in this act, the fiscal year  
38 2005-2006 salaries for permanent full-time State officials and persons in exempt  
39 positions that are recommended by the Governor or the Governor and the Advisory  
40 Budget Commission and set by the General Assembly shall be increased by the greater  
41 of eight hundred fifty dollars (\$850.00) or two percent (2%), effective July 1, 2005,  
42 unless otherwise provided by this act. Effective July 1, 2006, the compensation of  
43 permanent full-time State officials and persons in exempt positions that are  
44 recommended by the Governor or the Governor and the Advisory Budget Commission  
45 and set by the General Assembly shall be increased by five percent (5%).

46 **SECTION 29.13.(c)** The salaries in effect for fiscal year 2005-2006 for all  
47 permanent part-time State employees shall be increased, effective July 1, 2005, by pro  
48 rata amounts of eight hundred fifty dollars (\$850.00) or two percent (2%), whichever is  
49 greater. Effective July 1, 2006, the salaries of all permanent part-time State employees  
50 shall be increased by five percent (5%).

51 **SECTION 29.13.(d)** The Director of the Budget may allocate out of special  
52 operating funds or from other sources of the employing agency, except tax revenues,  
53 sufficient funds to allow ~~a salary increase, effective July 1, 2005, salary increases,~~ in  
54 accordance with subsection (a), (b), or (c) of this section, including funds for the  
55 employer's retirement and social security contributions, for the permanent full-time and



1 part-time employees of the agency, provided the employing agency elects to make  
2 available the necessary funds.

3 **SECTION 29.13.(e)** ~~Within~~ For the 2005-2006 fiscal year, within regular  
4 Executive Budget Act procedures as limited by this act, all State agencies and  
5 departments may increase on an equitable basis the rate of pay of temporary and  
6 permanent hourly State employees, subject to availability of funds in the particular  
7 agency or department, by pro rata amounts of the greater of the eight hundred fifty  
8 dollar (\$850.00) or two percent (2%) increase provided for permanent full-time  
9 employees covered by the provisions of subsection (a) of this section, commencing July  
10 1, 2005. For the 2006-2007 fiscal year, within regular Executive Budget Act procedures  
11 as limited by this act, all State agencies and departments may increase on an equitable  
12 basis the rate of pay of temporary and permanent hourly State employees, subject to  
13 availability of funds in the particular agency or department, by the five percent (5%)  
14 increase provided for permanent full-time employees covered by the provisions of  
15 subsection (a) of this section, commencing July 1, 2006."

### 16 17 **ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES**

18 **SECTION 22.14.** Section 29.14 of S.L. 2005-276 reads as rewritten:

19 **"SECTION 29.14.(a)** Salaries and related benefits for positions that are funded  
20 partially from the General Fund or Highway Fund and partially from sources other than  
21 the General Fund or Highway Fund shall be increased from the General Fund or  
22 Highway Fund appropriation only to the extent of the proportionate part of the salaries  
23 paid from the General Fund or Highway Fund.

24 **SECTION 29.14.(b)** The granting of the salary increases under this act does not  
25 affect the status of eligibility for salary increments for which employees may be eligible  
26 unless otherwise required by this act.

27 **SECTION 29.14.(c)** The fiscal year 2005-2006 salary increases provided in this act  
28 are to be effective July 1, 2005, and do not apply to persons separated from State service  
29 due to resignation, dismissal, reduction in force, death, or retirement, or whose last  
30 workday is prior to July 1, 2005. The fiscal year 2006-2007 salary increases provided in  
31 this act are to be effective July 1, 2006, and do not apply to persons separated from  
32 State service due to resignation, dismissal, reduction in force, death, or retirement, or  
33 whose last workday is prior to July 1, 2006.

34 Payroll checks issued to employees after July 1, 2005, which represent payment of  
35 services provided prior to July 1, 2005, these increases shall not be eligible for salary  
36 increases provided for in this act. This subsection shall apply to all employees, subject  
37 to or exempt from the State Personnel Act, paid from State funds, including public  
38 schools, community colleges, and The University of North Carolina.

39 **SECTION 29.14.(d)** The Director of the Budget shall transfer from the Reserve for  
40 Compensation Increases in this act for fiscal year 2005-2006 and fiscal year 2006-2007  
41 all funds necessary for the salary increases provided by this act, including funds for the  
42 employer's retirement and social security contributions.

43 **SECTION 29.14.(e)** Nothing in this act authorizes the transfer of funds between the  
44 General Fund and the Highway Fund for salary increases.

45 **SECTION 29.14.(f)** ~~Permanent~~ For the 2005-2006 fiscal year, permanent full-time  
46 employees who work a nine-, ten-, or eleven-month work year schedule shall receive  
47 the eight hundred fifty dollars (\$850.00) or two percent (2%) annual increase provided  
48 by this act, whichever is greater. For the 2006-2007 fiscal year, permanent full-time  
49 employees who work a nine-, ten-, or eleven-month work year schedule shall receive  
50 the five percent (5%) annual increase provided by this act."

### 51 52 **SALARY ADJUSTMENT FUND**

53 **SECTION 22.15.** Section 29.15(b) of S.L. 2005-276 reads as rewritten:

1 "SECTION 29.15.(b) Funds appropriated or otherwise transferred to the Salary  
2 Adjustment Fund by this act or any other provision of law shall be used to fund agency  
3 requests for the following purposes:

- 4 (1) Salary range ~~revisions~~ revisions, including special minimum rate  
5 adjustments, to provide competitive salary rates for affected job  
6 classifications in response to changes in labor market salary rates as  
7 documented through data collection and analysis according to accepted  
8 human resource professional practices and standards.  
9 (2) Reallocation of positions to higher-level job classifications to  
10 compensate employees for more difficult duties at competitive salary  
11 rates as documented through data collection and analysis according to  
12 accepted human resource professional practices and standards.

13 The terms 'salary range revision' and 'reallocation' as used in this section shall  
14 conform to the definitions of those terms as previously contained in the State Personnel  
15 Manual and adopted by the State Personnel Commission effective immediately prior to  
16 November 1, 2005. Priority funding Funding shall be given only to those salary range  
17 revisions previously approved by the State Personnel Commission and reallocations  
18 previously approved by the Office of State Personnel or ~~designee~~ designee prior to  
19 January 1, 2006, and shall not be used for other purposes including, but not limited to,  
20 in-range adjustments, career banding adjustments (whether by grade to band transfer  
21 adjustments, career progression adjustments, or other similar methods), geographic  
22 differentials, or other adjustments as these terms may be defined by State Personnel  
23 Policy."

## 24 25 **DIVISION OF WATER QUALITY SALARY INCREASES**

26 **SECTION 22.16.** The Department of Environment and Natural Resources is  
27 authorized to, and shall, provide to the employees of the Division of Water Quality an  
28 increase in annual salary of ten percent (10%). This increase shall be calculated and  
29 awarded after any across-the-board salary increases authorized by this act.  
30

## 31 **SALARY-RELATED CONTRIBUTIONS/EMPLOYER**

32 **SECTION 22.17.** Section 29.24(c) of S.L. 2005-276 reads as rewritten:

33 "**SECTION 29.24.(c)** Effective July 1, 2006, the State's employer contribution rates  
34 budgeted for retirement and related benefits as percentage of covered salaries for the  
35 2006-2007 fiscal year are: (i) ~~six and eighty two hundredths percent (6.82%)~~ seven and  
36 fourteen hundredths percent (7.14%) – Teachers and State Employees; (ii) ~~eleven and~~  
37 ~~eighty two hundredths percent (11.82%)~~ twelve and fourteen hundredths percent  
38 (12.14%) – State Law Enforcement Officers; (iii) eleven and sixteen hundredths percent  
39 (11.16%) – University Employees' Optional Retirement System; (iv) eleven and sixteen  
40 hundredths percent (11.16%) – Community College Optional Retirement Program; (v)  
41 sixteen and thirty-nine hundredths percent (16.39%) – Consolidated Judicial Retirement  
42 System; and (vi) three and eight-tenths percent (3.8%) – Legislative Retirement System.  
43 Each of the foregoing contribution rates includes three and eight-tenths percent (3.8%)  
44 for hospital and medical benefits. The rate for Teachers and State Employees, State Law  
45 Enforcement Officers, Community College Optional Retirement Program, and for the  
46 University Employees' Optional Retirement Program includes fifty-two hundredths  
47 percent (0.52%) for the Disability Income Plan. The rates for Teachers and State  
48 Employees and State Law Enforcement Officers include sixteen hundredths percent  
49 (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers  
50 includes five percent (5%) for Supplemental Retirement Income."  
51

## 52 **PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE** 53 **TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE** 54 **JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE** 55 **RETIREMENT SYSTEM**

1           **SECTION 22.18.(a).** G.S. 135-5 is amended by adding a new subsection to  
2 read:

3           "(ooo) From and after July 1, 2006, the retirement allowance to or on account of  
4 beneficiaries whose retirement commenced on or before July 1, 2005, shall be increased  
5 by three percent (3%) of the allowance payable on June 1, 2006, in accordance with  
6 G.S. 135-5(o). Furthermore, from and after July 1, 2006, the retirement allowance to or  
7 on account of beneficiaries whose retirement commenced after July 1, 2005, but before  
8 June 30, 2006, shall be increased by a prorated amount of three percent (3%) of the  
9 allowance payable as determined by the Board of Trustees based upon the number of  
10 months that a retirement allowance was paid between July 1, 2005, and June 30, 2006."

11           **SECTION 22.18.(b)** G.S. 120-4.22A is amended by adding a new  
12 subsection to read:

13           "(u) In accordance with subsection (a) of this section, from and after July 1, 2006,  
14 the retirement allowance to or on account of beneficiaries whose retirement commenced  
15 on or before January 1, 2006, shall be increased by three percent (3%) of the allowance  
16 payable on June 1, 2006. Furthermore, from and after July 1, 2006, the retirement  
17 allowance to or on account of beneficiaries whose retirement commenced after January  
18 1, 2006, but before June 30, 2006, shall be increased by a prorated amount of three  
19 percent (3%) of the allowance payable as determined by the Board of Trustees based  
20 upon the number of months that a retirement allowance was paid between January 1,  
21 2006, and June 30, 2006."

22           **SECTION 22.18.(c)** G.S. 135-65 is amended by adding a new subsection to  
23 read:

24           "(aa) From and after July 1, 2006, the retirement allowance to or on account of  
25 beneficiaries whose retirement commenced on or before July 1, 2005, shall be increased  
26 by three percent (3%) of the allowance payable on June 1, 2006. Furthermore, from and  
27 after July 1, 2006, the retirement allowance to or on account of beneficiaries whose  
28 retirement commenced after July 1, 2005, but before June 30, 2006, shall be increased  
29 by a prorated amount of three percent (3%) of the allowance payable as determined by  
30 the Board of Trustees based upon the number of months that a retirement allowance was  
31 paid between July 1, 2005, and June 30, 2006."

32  
33 **INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S**  
34 **AND RESCUE SQUAD WORKERS' PENSION FUND**

35           **SECTION 22.19.** G.S. 58-86-55 reads as rewritten:

36 **"§ 58-86-55. Monthly pensions upon retirement.**

37           Any member who has served 20 years as an "eligible fireman" or "eligible rescue  
38 squad worker" in the State of North Carolina, as provided in G.S. 58-86-25 and  
39 G.S. 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly  
40 pension from this fund. The monthly pension shall be in the amount of ~~one hundred~~  
41 ~~sixty three dollars (\$163.00)~~ one hundred sixty-five dollars (\$165.00) per month. Any  
42 retired fireman receiving a pension shall, effective ~~July 1, 2005,~~ July 1, 2006, receive a  
43 pension of ~~one hundred sixty three dollars (\$163.00)~~ one hundred sixty-five dollars  
44 (\$165.00) per month.

45           Members shall pay ten dollars (\$10.00) per month as required by G.S. 58-86-35 and  
46 G.S. 58-86-40 for a period of no longer than 20 years. No "eligible rescue squad  
47 member" shall receive a pension prior to July 1, 1983. No member shall be entitled to a  
48 pension hereunder until the member's official duties as a fireman or rescue squad  
49 worker for which the member is paid compensation shall have been terminated and the  
50 member shall have retired as such according to standards or rules fixed by the board of  
51 trustees.

52           A member who is totally and permanently disabled while in the discharge of the  
53 member's official duties as a result of bodily injuries sustained or as a result of extreme  
54 exercise or extreme activity experienced in the course and scope of those official duties  
55 and who leaves the fire or rescue squad service because of this disability shall be

1 entitled to be paid from the fund a monthly benefit in an amount of ~~one hundred~~  
2 ~~sixty three dollars (\$163.00)~~ one hundred sixty-five dollars (\$165.00) per month  
3 beginning the first month after the member's fifty-fifth birthday. All applications for  
4 disability are subject to the approval of the board who may appoint physicians to  
5 examine and evaluate the disabled member prior to approval of the application, and  
6 annually thereafter. Any disabled member shall not be required to make the monthly  
7 payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

8 A member who is totally and permanently disabled for any cause, other than line of  
9 duty, who leaves the fire or rescue squad service because of this disability and who has  
10 at least 10 years of service with the pension fund, may be permitted to continue making  
11 a monthly contribution of ten dollars (\$10.00) to the fund until the member has made  
12 contributions for a total of 240 months. The member shall upon attaining the age of 55  
13 years be entitled to receive a pension as provided by this section. All applications for  
14 disability are subject to the approval of the board who may appoint physicians to  
15 examine and evaluate the disabled member prior to approval of the application and  
16 annually thereafter.

17 A member who, because his residence is annexed by a city under Part 2 or Part 3 of  
18 Article 4 of Chapter 160A of the General Statutes, or whose department is closed  
19 because of an annexation by a city under Part 2 or Part 3 of Article 4 of Chapter 160A  
20 of the General Statutes, or whose volunteer department is taken over by a city or county,  
21 and because of such annexation or takeover is unable to perform as a fireman or rescue  
22 squad worker of any status, and if the member has at least 10 years of service with the  
23 pension fund, may be permitted to continue making a monthly contribution of ten  
24 dollars (\$10.00) to the fund until the member has made contributions for a total of 240  
25 months. The member upon attaining the age of 55 years and completion of such  
26 contributions shall be entitled to receive a pension as provided by this section. Any  
27 application to make monthly contributions under this section shall be subject to a  
28 finding of eligibility by the Board of Trustees upon application of the member.

29 The pensions provided shall be in addition to all other pensions or benefits under any  
30 other statutes of the State of North Carolina or the United States, notwithstanding any  
31 exclusionary provisions of other pensions or retirement systems provided by law."  
32

### 33 **INCREASE THE MAXIMUM MONTHLY PENSION BENEFITS FOR** 34 **RETIRED MEMBERS OF THE NORTH CAROLINA NATIONAL GUARD**

35 **SECTION 22.20.** G.S. 127A-40(a) reads as rewritten:

36 "(a) Every member and former member of the North Carolina national guard who  
37 meets the requirements hereinafter set forth shall receive, commencing at age 60, a  
38 pension of ~~seventy five dollars (\$75.00)~~ eighty dollars (\$80.00) per month for 20 years'  
39 creditable military service with an additional ~~seven dollars and fifty cents (\$7.50)~~ eight  
40 dollars (\$8.00) per month for each additional year of such service; provided, however,  
41 that the total pension shall not exceed ~~one hundred fifty dollars (\$150.00)~~ one hundred  
42 sixty dollars (\$160.00) per month. The requirements for such pension are that each  
43 member shall:

- 44 (1) Have served and qualified for at least 20 years' creditable military  
45 service, including national guard, reserve and active duty, under the  
46 same requirement specified for entitlement to retired pay for  
47 nonregular service under Chapter 67, Title 10, United States Code.
- 48 (2) Have at least 15 years of the aforementioned service as a member of  
49 the North Carolina national guard.
- 50 (3) Have received an honorable discharge from the North Carolina  
51 national guard."  
52

### 53 **PART XXIII. CAPITAL APPROPRIATIONS.**

#### 54 **CAPITAL APPROPRIATIONS/GENERAL FUND** 55

**SECTION 23.1.** There is appropriated from the General Fund for the 2006-2007 fiscal year the following amounts for capital improvements:

<b>Capital Improvements – General Fund</b>	<b>2006-2007</b>
Department of Agriculture and Consumer Services	
Rollins Laboratory – Bio Security Level 2 Lab Conversion	\$250,000
Department of Crime Control and Public Safety	
Emergency Management Operations Center	8,500,000
Department of Environment and Natural Resources	
Hickory Nut Gorge Expansion	15,000,000
Water Resources Development Projects	20,000,000
Office of the Governor	
Information Technology Services – State Data Center	24,841,300
University of North Carolina System	
University of North Carolina at Wilmington – School of Nursing	27,000,000
North Carolina State University – Engineering Complex III	61,000,000
University of North Carolina at Charlotte – Center City Classroom Building	45,827,400
Winston Salem State University – Center for Design Innovation	3,500,000
University of North Carolina at Chapel Hill – Genomics Science Building Design and Construction Preparation	35,000,000
UNC Hospitals at Chapel Hill – Master Facilities Plan	3,000,000
Western Carolina University – New School of Health and Gerontological Sciences Building Planning Funds	2,402,661
Dental Schools Planning Funds	7,000,000
<b>TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND</b>	<b>\$253,321,361</b>

**WATER RESOURCES DEVELOPMENT PROJECT FUNDS**

**SECTION 23.2.(a)** The Department of Environment and Natural Resources shall allocate the funds appropriated in this act for water resources development projects to the following projects whose costs are as indicated:

<b>Name of Project</b>	<b>2006-2007</b>
(1) Wilmington Harbor Deepening	\$ 5,275,000
(2) Morehead City Harbor Sand Management	1,200,000
(3) Manteo (Shallowbag) Bay Channel Maintenance	-
(4) Wilmington Harbor Maintenance Dredging	-
(5) Morehead City Harbor Maintenance Dredging	0
(6) Carolina Beach Renourishment	1,125,000
(7) Carolina Beach Renourishment (Kure Beach)	681,000

1	(8)	Brunswick County Beaches Study	0
2	(9)	Ocean Isle Beach Renourishment (Brunswick County)	435,000
3	(10)	Beaufort Harbor Maintenance Dredging	300,000
4	(11)	B. Everett Jordan Reservoir Water Supply Storage	100,000
5	(12)	Aquatic Weed Control – Lake Gaston and Statewide	400,000
6	(13)	Waterway Connecting Pamlico Sound to Beaufort Harbor (Carteret)	400,000
7	(14)	John H. Kerr Reservoir Operations Evaluation	188,000
8	(15)	Currituck Sound Water Management Study	386,000
9	(16)	Surf City / North Topsail Beach Protection Study	-
10	(17)	West Onslow Beach (Topsail) Study (Pender County)	85,000
11	(18)	Hurricane Steam Restoration – Western NC (Phase II)	2,000,000
12	(19)	Hurricane Isabel Emergency Management	
13		Stream Cleanup (Phase III)	850,000
14	(20)	Bogue Banks Shore Protection Study (Carteret County)	-
15	(21)	Neuse River Basin Study	280,000
16	(22)	Beach and Inlet Management Study	500,000
17	(23)	Dredging Contingency Fund	2,295,000
18	(24)	State – Local Projects	3,500,000
19		<b>TOTALS</b>	<b>\$ 20,000,000</b>

20 **SECTION 23.2.(b)** Where the actual costs are different from the estimated  
 21 costs under subsection (a) of this section, the Department may adjust the allocations  
 22 among projects as needed. If any projects funded under subsection (a) of this section are  
 23 delayed and the budgeted State funds cannot be used during the 2006-2007 fiscal year,  
 24 or if the projects funded under subsection (a) of this section are accomplished at a lower  
 25 cost, the Department may use the resulting fund availability to fund any of the  
 26 following:

- 27 (1) U.S. Army Corps of Engineers project feasibility studies.
- 28 (2) U.S. Army Corps of Engineers projects whose schedules have  
 29 advanced and require State-matching funds in fiscal year 2006-2007.
- 30 (3) State-local water resources development projects.

31 Funds not expended or encumbered for these purposes shall revert to the  
 32 General Fund at the end of the 2007-2008 fiscal year.

33 **SECTION 23.2.(c)** The Department shall make semiannual reports on the  
 34 use of these funds to the Joint Legislative Commission on Governmental Operations,  
 35 the Fiscal Research Division, and the Office of State Budget and Management. Each  
 36 report shall include all of the following:

- 37 (1) All projects listed in this section.
- 38 (2) The estimated cost of each project.
- 39 (3) The date that work on each project began or is expected to begin.
- 40 (4) The date that work on each project was completed or is expected to be  
 41 completed.
- 42 (5) The actual cost of each project.

43 The semiannual reports shall also show those projects advanced in schedule,  
 44 those projects delayed in schedule, and an estimate of the amount of funds expected to  
 45 revert to the General Fund.

#### 46 **REPAIRS AND RENOVATIONS RESERVE ALLOCATION**

47 **SECTION 23.3.** Of the funds in the Reserve for Repairs and Renovations  
 48 for the 2006-2007 fiscal year, forty-six percent (46%) shall be allocated to the Board of  
 49 Governors of The University of North Carolina for repairs and renovations pursuant to  
 50 G.S. 143-15.3A, in accordance with guidelines developed in The University of North  
 51 Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as  
 52 approved by the Board of Governors of The University of North Carolina, and fifty-four  
 53 percent (54%) shall be allocated to the Office of State Budget and Management for  
 54 repairs and renovations pursuant to G.S. 143-15.3A.  
 55

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

7 The Board of Governors and the Office of State Budget and Management  
8 shall consult with the Joint Legislative Commission on Governmental Operations prior  
9 to the allocation or reallocation of these funds.

10  
11 **INCLUDE IN THE SIX-YEAR CAPITAL IMPROVEMENT PLAN THE**  
12 **RECOMMENDED FUNDING SOURCES FOR THE PROJECTS PROPOSED**  
13 **SECTION 23.4.** G.S. 143-34.45 reads as rewritten:

14 **"§ 143-34.45. Six-year capital improvement plan.**

15 (a) The State capital improvement plan shall address the long-term capital  
16 improvement needs of all State government agencies and shall incorporate all capital  
17 projects, however financed, proposed to meet those needs, except that transportation  
18 infrastructure projects shall be excluded. On or before December 31 of each  
19 even-numbered year, the Director of the Budget shall prepare and transmit to the  
20 General Assembly a six-year capital improvement plan. When preparing the plan, the  
21 Director of the Budget shall consider the capital improvement needs estimates  
22 submitted by State agencies as required in G.S. 143-34.44. The plan shall be prepared in  
23 two parts.

24 (b) The first part of the capital improvement plan shall set forth repair and  
25 renovations requirements that, in the judgment of the Director of the Budget, must be  
26 met to protect and preserve existing capital improvement facilities. ~~General Fund~~  
27 ~~expenditure levels anticipated in this part of the plan shall be consistent with the~~  
28 ~~formula establishing the repair and renovation reserve in G.S. 143-15.3A.~~ The plan shall  
29 identify individual projects in priority order by State agency and shall specify the  
30 proposed means of financing.

31 (c) The second part of the capital improvement plan shall set forth an integrated  
32 schedule for land acquisition, new construction, or rehabilitation of existing facilities  
33 that, in the judgment of the Director of the Budget, should be initiated within each year  
34 of the six-year planning period. ~~The plan shall contain an estimated schedule for each~~  
35 ~~project, along with estimates of planning, design, and construction cost.~~ The plan shall  
36 contain all of the following for each project:

- 37 (1) An estimate of land acquisition and construction or rehabilitation  
38 costs.  
39 (2) The proposed means of financing the project. Where the means of  
40 financing would involve direct or indirect debt service obligations, the  
41 plan shall include a schedule of those obligations.  
42 (3) An estimated schedule for the completion of the project."

43  
44 **USE OF EXISTING PLANS FOR STATE CONSTRUCTION**

45 **SECTION 23.5.(a)** G.S. 143-31.1 reads as rewritten:

46 **"§ 143-31.1. Study Use of existing plans for State construction projects; study and**  
47 **review of plans and specifications for building, improvement, etc.,**  
48 **projects.**

49 (a) All State agencies shall use existing plans and specifications for construction  
50 projects, where feasible. Prior to designing a project, State agencies shall consult with  
51 the Department of Administration on the availability of appropriate existing plans and  
52 specifications and the feasibility of using them for a project.

53 (b) ~~It shall be the duty and responsibility of the~~ The Director of the Budget to  
54 shall determine whether buildings, repairs, alterations, additions or improvements to  
55 physical properties for which appropriations of State funds are made have been

1 designed for the specific purpose for which such appropriations are made, that such  
2 projects have been designed giving proper consideration to economy in first cost, in  
3 maintenance cost, in materials and type of construction. Architectural features shall be  
4 selected which give proper consideration to economy in design. The Director of the  
5 Budget shall have prepared a complete study and review of all plans and specifications  
6 for such projects and bids on same will not be received until the results of such study  
7 and review have been incorporated in such plans and specifications, and until economic  
8 conditions of the construction industry are considered by the Office of State Budget and  
9 Management to be favorable to the letting of construction contracts. The Director of the  
10 Budget may, when he considers it in the best interest of the State to do so, terminate  
11 design contracts when it is documented that the designer has failed to perform the  
12 conditions enumerated in the contract.

13 Notwithstanding G.S. 143-135, the Director of the Budget may authorize the  
14 Department of Health and Human Services and the Department of Correction to use  
15 funds necessary for projects that correct deficiencies, improve living conditions, or  
16 renovate unneeded patient space for State office space."

17 **SECTION 23.5.(b)** G.S. 116-31.11(a) reads as rewritten:

18 "(a) Notwithstanding G.S. 143-341(3) and G.S. 143-135.1, the Board shall, with  
19 respect to the design, construction, or renovation of buildings, utilities, and other  
20 property developments of The University of North Carolina requiring the estimated  
21 expenditure of public money of two million dollars (\$2,000,000) or less:

- 22 (1) Conduct the fee negotiations for all design contracts and supervise the  
23 letting of all construction and design contracts.
- 24 (2) Develop procedures governing the responsibilities of The University  
25 of North Carolina and its affiliated and constituent institutions to  
26 perform the duties of the Department of Administration and the  
27 Director or Office of State Construction under G.S. 133-1.1(d) and  
28 G.S. 143-341(3).
- 29 (3) Develop procedures and reasonable limitations governing the use of  
30 open-end design agreements, subject to G.S. 143-64.34 and the  
31 approval of the State Building Commission.
- 32 (4) Use existing plans and specifications for construction projects, where  
33 feasible. Prior to designing a project, the Board shall consult with the  
34 Department of Administration on the availability of existing plans and  
35 specifications and the feasibility of using them for a project."

36 **SECTION 23.5.(c)** This section applies to construction projects on which  
37 design is begun after that date.

## 38 39 **USE OF RECEIPTS OF THE AQUARIUMS**

40 **SECTION 23.6.** Notwithstanding any other provision of law and pursuant to  
41 G.S. 143B-289.44, the Department of Environment and Natural Resources shall use  
42 funds available in the North Carolina Aquariums Fund to pay the debt service related to  
43 the construction of a one million gallon aquarium tank at the aquarium on Roanoke  
44 Island, a one million gallon tank at the Fort Fisher aquarium, and improvements to  
45 Jennette's pier in Nags Head and the Emerald Isle pier.

## 46 47 **TIMBER SALES RECEIPTS FOR CAPITAL IMPROVEMENTS AT** 48 **AGRICULTURAL RESEARCH STATIONS AND FARMS**

49 **SECTION 23.7.** Section 11.2 of S.L. 2005-276 reads as rewritten:

50 **"SECTION 11.2.** The sum of one million thirty-three thousand one hundred dollars  
51 (\$1,033,100) shall be transferred from the Department of Agriculture and Consumer  
52 Services' timber sales capital improvement account in the Department of Agriculture  
53 and Consumer Services as such funds become available ~~during the 2005-2006 fiscal~~  
54 year, during the 2006-2007 fiscal year and used by the Department for the following  
55 capital improvements projects at agricultural research stations and research farms:



- 1 (1) \$378,000 for improvements at the swine facility at the Cherry  
2 Research Farm.  
3 (2) \$285,500 for renovation of dairy facilities at the Cherry Research  
4 Farm.  
5 (3) \$369,600 for land acquisition and development at the Tidewater  
6 Research Station."  
7

## 8 **TIMBER SALES RECEIPTS FOR LAND ACQUISITION AT PIEDMONT** 9 **RESEARCH STATION**

10 **SECTION 23.8.** The sum of one million seven hundred thousand dollars  
11 (\$1,700,000) shall be transferred from the Department of Agriculture and Consumer  
12 Services' timber sales capital improvement account in the Department of Agriculture  
13 and Consumer Services as such funds become available during the 2006-2007 fiscal  
14 year and shall be used by the Department for land acquisition at the Piedmont Research  
15 Station in Rowan County.  
16

## 17 **PLANT CONSERVATION PROGRAM FUNDS**

18 **SECTION 23.9.** Section 11.3 of S.L. 2005-276 reads as rewritten:

19 "**SECTION 11.3.** From funds ~~received from the sale of timber~~ that are deposited  
20 with the State Treasurer pursuant to G.S. 146-30 to the credit of the Department of  
21 Agriculture and Consumer Services in a capital improvement account, the sum of  
22 ~~twenty thousand dollars (\$20,000)~~ thirty thousand dollars (\$30,000) for the 2006-2007  
23 fiscal year shall be transferred to the Department of Agriculture and Consumer Services  
24 to be used by the Department for its plant conservation program under Article 19B of  
25 Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such  
26 as land appraisals, land surveys, title searches, and environmental ~~studies~~ studies and for  
27 the management of plant conservation program preserves owned by the Department."  
28

## 29 **PART XXIV. TAX REDUCTIONS**

### 30 **REDUCE SALES TAX RATE EARLY**

31 **SECTION 24.1.(a)** Section 34.13(c) of S.L. 2001-424, as amended by  
32 Section 38.1 of S.L. 2003-284, Section 9.1 of S.L. 2005-144, and Section 33.1 of S.L.  
33 2005-276, reads as rewritten:  
34

35 "**SECTION 34.13.(c)** This section becomes effective October 16, 2001, and applies  
36 to sales made on or after that date. ~~This section is repealed effective for sales made on~~  
37 ~~or after July 1, 2007.~~ This section does not affect the rights or liabilities of the State, a  
38 taxpayer, or another person arising under a statute amended or repealed by this section  
39 before the effective date of its amendment or repeal; nor does it affect the right to any  
40 refund or credit of a tax that accrued under the amended or repealed statute before the  
41 effective date of its amendment or repeal."  
42

43 **SECTION 24.1.(b)** G.S. 105-164.4(a), as amended by subsection (a) of this  
44 section, reads as rewritten:

45 "(a) A privilege tax is imposed on a retailer at the following percentage rates of  
46 the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is  
47 four and ~~one-half percent (4 1/2%)~~ one-quarter percent (4.25%).  
48

49 ..."

50 **SECTION 24.1.(c)** G.S. 105-164.4(a), as amended by subsections (a) and  
51 (b) of this section, reads as rewritten:

52 "(a) A privilege tax is imposed on a retailer at the following percentage rates of  
53 the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is  
54 four ~~and one-quarter percent (4.25%)~~ percent (4%).  
55

56 ..."

57 **SECTION 24.1.(d)** G.S. 105-164.44F (a) reads as rewritten:

"(a) Amount. – The Secretary must distribute to the cities part of the taxes imposed by G.S. 105-164.4(a)(4c) on telecommunications service. The Secretary must make the distribution within 75 days after the end of each calendar quarter. The amount the Secretary must distribute is ~~eighteen and three one-hundredths percent (18.03%)~~ eighteen and seventy one-hundredths percent (18.70%) of the net proceeds of the taxes collected during the quarter, minus two million six hundred twenty thousand nine hundred forty-eight dollars (\$2,620,948). This deduction is one-fourth of the annual amount by which the distribution to cities of the gross receipts franchise tax on telephone companies, imposed by former G.S. 105-120, was required to be reduced beginning in fiscal year 1995-96 as a result of the "freeze deduction." The Secretary must distribute the specified percentage of the proceeds, less the "freeze deduction" among the cities in accordance with this section."

**SECTION 24.1.(e)** G.S. 105-164.44F(a), as amended by subsection (d) of this section, reads as rewritten:

"(a) Amount. – The Secretary must distribute to the cities part of the taxes imposed by G.S. 105-164.4(a)(4c) on telecommunications service. The Secretary must make the distribution within 75 days after the end of each calendar quarter. The amount the Secretary must distribute is ~~eighteen and seventy one-hundredths percent (18.70%)~~ nineteen and forty-two one-hundredths percent (19.42%) of the net proceeds of the taxes collected during the quarter, minus two million six hundred twenty thousand nine hundred forty-eight dollars (\$2,620,948). This deduction is one-fourth of the annual amount by which the distribution to cities of the gross receipts franchise tax on telephone companies, imposed by former G.S. 105-120, was required to be reduced beginning in fiscal year 1995-96 as a result of the "freeze deduction." The Secretary must distribute the specified percentage of the proceeds, less the "freeze deduction" among the cities in accordance with this section."

**SECTION 24.1.(f)** Subsection (b) of this section becomes effective January 1, 2007, and applies to sales made on or after that date. Subsection (d) of this section becomes effective January 1, 2007, and applies to taxes collected on or after that date. Subsection (c) of this section becomes effective July 1, 2007, and applies to sales made on or after that date. Subsection (e) of this section becomes effective July 1, 2007, and applies to taxes collected on or after that date. The remainder of this section is effective when it becomes law.

**REDUCE INCOME TAX RATE APPLICABLE TO MOST SMALL BUSINESSES EARLY**

**SECTION 24.2.(a)** Section 39.1 of S.L. 2003-284, as amended by Section 36.1(a) of S.L. 2005-276, is repealed.

**SECTION 24.2.(b)** G.S. 105-134.2(a), as amended by subsection (a) of this section, reads as rewritten:

"(a) A tax is imposed upon the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually and shall be computed at the following percentages of the taxpayer's North Carolina taxable income.

(1) For married individuals who file a joint return under G.S. 105-152 and for surviving spouses, as defined in section 2(a) of the Code:

Over	Up To	Rate
0	\$21,250	6%
\$21,250	\$100,000	7%
\$100,000	\$200,000	7.75%
\$200,000	NA	<del>8.25%</del> <u>8%</u>

(2) For heads of households, as defined in section 2(b) of the Code:

Over	Up To	Rate
------	-------	------

1	0	\$17,000	6%
2	\$17,000	\$80,000	7%
3	\$80,000	\$160,000	7.75%
4	\$160,000	NA	<del>8.25%</del> 8%

(3) For unmarried individuals other than surviving spouses and heads of households:

	<b>Over</b>	<b>Up To</b>	<b>Rate</b>
9	0	\$12,750	6%
10	\$12,750	\$60,000	7%
11	\$60,000	\$120,000	7.75%
12	\$120,000	NA	<del>8.25%</del> 8%

(4) For married individuals who do not file a joint return under G.S. 105-152:

	<b>Over</b>	<b>Up To</b>	<b>Rate</b>
18	0	\$10,625	6%
19	\$10,625	\$50,000	7%
20	\$50,000	\$100,000	7.75%
21	\$100,000	NA	<del>8.25%</del> 8%

**SECTION 24.2.(c)** G.S. 105-134.2(a), as amended by subsections (a) and

(b) of this section, reads as rewritten:

"(a) A tax is imposed upon the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually and shall be computed at the following percentages of the taxpayer's North Carolina taxable income.

(1) For married individuals who file a joint return under G.S. 105-152 and for surviving spouses, as defined in section 2(a) of the Code:

	<b>Over</b>	<b>Up To</b>	<b>Rate</b>
31	0	\$21,250	6%
32	\$21,250	\$100,000	7%
33	\$100,000	<del>\$200,000</del> NA	7.75%
34	\$200,000	NA	8%

(2) For heads of households, as defined in section 2(b) of the Code:

	<b>Over</b>	<b>Up To</b>	<b>Rate</b>
39	0	\$17,000	6%
40	\$17,000	\$80,000	7%
41	\$80,000	<del>\$160,000</del> NA	7.75%
42	\$160,000	NA	8%

(3) For unmarried individuals other than surviving spouses and heads of households:

	<b>Over</b>	<b>Up To</b>	<b>Rate</b>
48	0	\$12,750	6%
49	\$12,750	\$60,000	7%
50	\$60,000	<del>\$120,000</del> NA	7.75%
51	\$120,000	NA	8%

(4) For married individuals who do not file a joint return under G.S. 105-152:

	Over	Up To	Rate
	0	\$10,625	6%
	\$10,625	\$50,000	7%
	\$50,000	\$100,000	7.75%
	\$100,000	NA	8%

**SECTION 24.2.(d)** Subsection (b) of this section is effective for taxable years beginning on or after January 1, 2007. Subsection (c) of this section is effective for taxable years beginning on or after January 1, 2008. The remainder of this section is effective when it becomes law.

**CAP THE VARIABLE WHOLESALE COMPONENT OF THE MOTOR FUEL TAX RATE AT ITS CURRENT RATE FOR ONE YEAR.**

**SECTION 24.3(a).** Notwithstanding G.S. 105-449.80(a), for the period July 1, 2006, through June 30, 2007, the variable wholesale component of the motor fuel excise tax rate may not exceed twelve and four-tenths cents (12.4¢) a gallon.

**PART XXV. MINIMUM WAGE INCREASE**

**INCREASE MINIMUM WAGE**

**SECTION 25.1.(a)** G.S. 95-25.3(a) reads as rewritten:

"(a) Every employer shall pay to each employee who in any workweek performs any work, wages of at least ~~the minimum wage set forth in paragraph 1 of section 6(a) of the Fair Labor Standards Act, 29 U.S.C. 206(a)(1), as that wage may change from time to time, six dollars and fifteen cents (\$6.15) per hour,~~ except as otherwise provided in this section."

**SECTION 25.1.(b)** This section becomes effective September 1, 2006.

**PART XXVI. SET REGULATORY FEES**

**SET UTILITIES REGULATORY FEE**

**SECTION 26.1.(a)** The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is twelve-hundredths of one percent (0.12%) for each public utility's North Carolina jurisdictional revenues earned during each quarter that begins on or after July 1, 2006.

**SECTION 26.1.(b)** The electric membership corporation regulatory fee imposed under G.S. 62-302(b1) for the 2006-2007 fiscal year is two hundred thousand dollars (\$200,000).

**SET INSURANCE REGULATORY FEE**

**SECTION 26.2.** The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is five and one-half percent (5.5%) for the 2006 calendar year.

**PART XXVII. SPECIAL INDEBTEDNESS PROJECTS**

**HOSPITAL AND MUSEUM SPECIAL INDEBTEDNESS**

**SECTION 27.1.(a)** In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the following maximum aggregate principal amounts to finance the costs of the following projects. The table below provides the maximum principal amounts. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the cost of these projects. Each project is listed below in its order of priority.

1	<b>Aggregate</b>	<b>Project</b>
2	<b>Maximum</b>	
3	\$20,000,000	Completing the construction and equipping of
4		the Central Regional Psychiatric Hospital for
5		the Department of Health and Human
6		Services.
7		
8	\$145,500,000	Acquiring, constructing, and equipping a new
9		Eastern Regional Psychiatric Hospital for the
10		Department of Health and Human Services.
11		
12	\$40,000,000	Acquiring, constructing, and equipping an
13		expansion for the North Carolina Museum of
14		Art, but not including the acquisition of
15		additional land.
16		
17	<b>TOTAL:</b>	
18	\$205,500,000	

19 **SECTION 27.1.(b)** In accordance with G.S. 142-83, this subsection  
20 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate  
21 principal amount of one hundred sixty-two million eight hundred thousand dollars  
22 (\$162,800,000) to finance the capital facility costs of a new Western Regional  
23 Psychiatric Hospital for the Department of Health and Human Services. The State, with  
24 the prior approval of the State Treasurer and the Council of State, as provided in Article  
25 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special  
26 indebtedness in order to provide funds to the State to be used, together with other  
27 available funds, to pay the costs of acquiring, constructing, and equipping the project  
28 described in this subsection. The special indebtedness authorized by this subsection  
29 may not be issued before July 1, 2008, unless the State Treasurer makes a specific  
30 written finding that an earlier issuance date is in the best interests of the State.

31 **SECTION 27.1.(c)** This section is effective when it becomes law.

## 32 **PART XXVIII. MISCELLANEOUS PROVISIONS**

### 33 **EXECUTIVE BUDGET ACT APPLIES**

34 **SECTION 28.1.** The provisions of the Executive Budget Act, Chapter 143,  
35 Article 1 of the General Statutes, are reenacted and shall remain in full force and effect  
36 and are incorporated in this act by reference.  
37

### 38 **COMMITTEE REPORT**

39 **SECTION 28.2.(a)** The Senate Appropriations Committee Report on the  
40 Continuation, Expansion, and Capital Budgets shall indicate action by the General  
41 Assembly on this act and shall therefore be used to construe this act, as provided in  
42 G.S. 143-15 of the Executive Budget Act, and for these purposes shall be considered a  
43 part of this act and as such shall be printed as a part of the Session Laws.  
44

45 **SECTION 28.2.(b)** The budget enacted by the General Assembly for the  
46 maintenance of the various departments, institutions, and other spending agencies of the  
47 State for the 2006-2007 fiscal year is a line-item budget, in accordance with the Budget  
48 Code Structure and the State Accounting System Uniform Chart of Accounts set out in  
49 the Administrative Policies and Procedures Manual of the Office of the State Controller.  
50 This budget includes the appropriations made from all sources including the General  
51 Fund, Highway Fund, special funds, cash balances, federal receipts, and departmental  
52 receipts.  
53

54 The General Assembly amended the requested adjustments to the budgets  
55 submitted to the General Assembly by the Director of the Budget and the Advisory

1 Budget Commission in accordance with the steps that follow, and the line-item detail in  
2 the budget enacted by the General Assembly may be derived accordingly:

3 (1) The base budget was adjusted in accordance with the base budget cuts  
4 and additions that were set out in the Senate Appropriations  
5 Committee Report on the Continuation, Expansion, and Capital  
6 Budgets.

7 (2) Transfers of funds supporting programs were made in accordance with  
8 the Senate Appropriations Committee Report on the Continuation,  
9 Expansion, and Capital Budgets.

10 **SECTION 28.2.(c)** The budget enacted by the General Assembly shall also  
11 be interpreted in accordance with the special provisions in this act and in accordance  
12 with other appropriate legislation.

13 In the event that there is a conflict between the line-item budget certified by  
14 the Director of the Budget and the budget enacted by the General Assembly, the budget  
15 enacted by the General Assembly shall prevail.

16  
17 **MOST TEXT APPLIES ONLY TO 2006-2007**

18 **SECTION 28.3.** Except for statutory changes or other provisions that clearly  
19 indicate an intention to have effects beyond the 2006-2007 fiscal year, the textual  
20 provisions of this act apply only to funds appropriated for, and activities occurring  
21 during, the 2006-2007 fiscal year.

22  
23 **APPROPRIATIONS LIMITATIONS AND DIRECTIONS APPLY**

24 **SECTION 28.4.(a)** Except where expressly repealed or amended by this act,  
25 the provisions of S.L. 2005-276 and S.L. 2005-345 remain in effect.

26 **SECTION 28.4.(b)** Notwithstanding any modifications by this act in the  
27 amounts appropriated, except where expressly repealed or amended, the limitations and  
28 directions for the 2006-2007 fiscal year in S.L. 2005-276 and S.L. 2005-345 that  
29 applied to appropriations to particular agencies or for particular purposes apply to the  
30 newly enacted appropriations and budget reductions of this act for those same particular  
31 purposes.

32  
33 **EFFECT OF HEADINGS**

34 **SECTION 28.5.** The headings to the parts and sections of this act are a  
35 convenience to the reader and are for reference only. The headings do not expand,  
36 limit, or define the text of this act, except for effective dates referring to a part.

37  
38 **SEVERABILITY CLAUSE**

39 **SECTION 28.6.** If any section or provision of this act is declared  
40 unconstitutional or invalid by the courts, it does not affect the validity of this act as a  
41 whole or any part other than the part so declared to be unconstitutional or invalid.

42  
43 **EFFECTIVE DATE**

44 **SECTION 28.7.** Except as otherwise provided, this act becomes effective  
45 July 1, 2006.