

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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HOUSE BILL 1473
Committee Substitute Favorable 5/8/07
Committee Substitute #2 Favorable 5/9/07

Short Title: 2007 Appropriations Act.

(Public)

Sponsors:

Referred to:

April 16, 2007

A BILL TO BE ENTITLED

1 AN ACT TO MAKE EXPANSION AND BASE BUDGET APPROPRIATIONS FOR
2 CURRENT OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND
3 AGENCIES; TO EXTEND THE STATE SALES TAX RATE AT 4.25% UNTIL
4 JULY 1, 2009; TO EXTEND THE UPPER INCOME TAX RATE AT 8%
5 THROUGH 2009; TO UPDATE THE INTERNAL REVENUE CODE
6 REFERENCE; TO PROVIDE INDIVIDUAL AND BUSINESS TAX RELIEF
7 THROUGH A REFUNDABLE EARNED INCOME TAX CREDIT, A
8 MEANS-TESTED LONG-TERM CARE INSURANCE TAX CREDIT, AN
9 ADOPTION TAX CREDIT, A CONVERSION OF THE SALES TAX ON
10 SOFTWARE PUBLISHERS' MACHINERY AND EQUIPMENT TO A
11 PRIVILEGE TAX AT THE RATE OF 1% WITH AN \$80 CAP, TO RAISE THE
12 EXEMPTION AMOUNT FOR SCHOOL INSTRUCTIONAL MATERIALS
13 DURING THE SALES TAX HOLIDAY, AN INCREASED TAX CREDIT FOR
14 QUALIFIED R&D EXPENSES, AN ENHANCEMENT OF THE TAX CREDIT
15 FOR CONSTRUCTING RENEWABLE FUEL FACILITIES, AN EXPANSION OF
16 THE SALES AND USE TAX REFUND FOR AIRCRAFT MANUFACTURING
17 TO INCLUDE AIRCRAFT PARTS, AN ENHANCEMENT OF THE SALES TAX
18 HOLIDAY, AND AN ADJUSTMENT TO THE TAX RATE ON PROPERTY
19 COVERAGE INSURANCE CONTRACTS; TO SET THE INSURANCE
20 REGULATORY CHARGE, TO SET THE PUBLIC UTILITY REGULATORY
21 FEE, TO INCREASE CERTAIN FEES TO SUPPORT RECEIPT-SUPPORTED
22 SERVICES, TO PROVIDE FOR THE FINANCING OF VARIOUS HIGHER
23 EDUCATION AND STATE FACILITIES; AND FOR OTHER PURPOSES.

24 The General Assembly of North Carolina enacts:

25
26
27 **PART I. INTRODUCTION AND TITLE OF ACT**

28
29 **INTRODUCTION**

30 **SECTION 1.1.** The appropriations made in this act are for maximum
31 amounts necessary to provide the services and accomplish the purposes described in the
32 budget. Savings shall be effected where the total amounts appropriated are not required

1 to perform these services and accomplish these purposes and, except as allowed by the
 2 State Budget Act, or this act, the savings shall revert to the appropriate fund at the end
 3 of each fiscal year.

4
 5 **TITLE OF ACT**

6 **SECTION 1.2.** This act shall be known as the "Current Operations and
 7 Capital Improvements Appropriations Act of 2007."
 8

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

10
 11 **CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

12 **SECTION 2.1.** Appropriations from the General Fund of the State for the
 13 maintenance of the State departments, institutions, and agencies, and for other purposes
 14 as enumerated, are made for the biennium ending June 30, 2009, according to the
 15 following schedule:

16 Current Operations – General Fund	17 2007-2008	18 2008-2009
19 EDUCATION		
20 Community Colleges System Office	21 \$ 926,981,160	22 \$ 895,293,003
23 Department of Public Instruction	24 7,617,858,906	25 7,647,067,360
26 University of North Carolina - Board of Governors		
27 Appalachian State University	28 121,088,901	29 122,546,135
30 East Carolina University		
31 Academic Affairs	32 199,045,069	33 205,525,138
34 Health Affairs	35 48,700,539	36 48,649,036
37 Elizabeth City State University	38 31,383,354	39 32,120,970
40 Fayetteville State University	41 52,707,308	42 53,547,957
43 North Carolina Agricultural and		
44 Technical University	45 89,645,552	46 90,016,889
47 North Carolina Central University	48 75,885,006	49 77,267,483
50 North Carolina School of the Arts	51 24,391,420	23,729,158
52 North Carolina State University		
53 Academic Affairs	54 345,923,308	55 354,659,304
56 Agricultural Extension	57 42,241,968	58 42,126,187
59 Agricultural Research	60 53,406,637	61 52,144,009
62 University of North Carolina at Asheville	63 33,294,273	64 33,724,733
65 University of North Carolina at Chapel Hill		
66 Academic Affairs	67 264,945,034	68 270,689,011
69 Health Affairs	70 188,883,060	71 194,407,363
72 Area Health Education Centers	73 47,818,875	74 47,818,875
75 University of North Carolina at Charlotte	76 160,339,554	77 165,594,896
78 University of North Carolina at Greensboro	79 144,430,129	80 148,224,622
81 University of North Carolina at Pembroke	82 52,719,972	83 54,338,118
84 University of North Carolina at Wilmington	85 93,986,841	86 96,392,956
87 Western Carolina University	88 83,713,910	89 84,907,386
90 Winston-Salem State University	91 65,806,656	92 68,862,020
93 General Administration	94 42,489,469	95 42,647,024

1	University Institutional Programs	86,387,408	78,275,794
2	Related Educational Programs	149,629,645	149,933,562
3	North Carolina School of Science and Mathematics	16,859,174	17,065,422
4	UNC Hospitals at Chapel Hill	45,673,970	45,673,970
5	Total University of North Carolina –		
6	Board of Governors	\$ 2,561,397,032	\$ 2,600,888,018
7			
8	HEALTH AND HUMAN SERVICES		
9			
10	Department of Health and Human Services		
11	Office of the Secretary	70,456,262	64,218,183
12	Division of Aging	35,907,589	35,909,179
13	Division of Blind Services/Deaf/HH	11,212,540	11,434,643
14	Division of Child Development	306,853,499	311,284,207
15	Division of Education Services	38,794,264	38,855,457
16	Division of Facility Services	20,398,484	20,561,228
17	Division of Medical Assistance	2,845,030,681	3,124,704,806
18	Division of Mental Health	722,132,137	730,053,807
19	NC Health Choice	59,391,155	59,391,155
20	Division of Public Health	197,880,664	182,086,071
21	Division of Social Services	216,988,902	218,708,788
22	Division of Vocation Rehabilitation	44,216,797	45,518,365
23	Total Health and Human Services	\$ 4,569,262,974	\$ 4,842,725,889
24			
25	NATURAL AND ECONOMIC RESOURCES		
26			
27	Department of Agriculture and Consumer Services	\$ 69,857,939	\$ 60,997,179
28			
29	Department of Commerce		
30	Commerce	62,068,944	40,289,341
31	Commerce State-Aid	35,445,235	24,200,235
32	NC Biotechnology Center	12,354,692	12,354,692
33	Rural Economic Development Center	43,190,022	24,190,022
34			
35	Department of Environment and Natural Resources	197,575,831	187,713,956
36			
37	DENR Clean Water Management Trust Fund	100,000,000	100,000,000
38			
39	Department of Labor	16,494,758	16,494,951
40			
41	JUSTICE AND PUBLIC SAFETY		
42			
43	Department of Correction	\$ 1,213,986,709	\$ 1,235,779,061
44			
45	Department of Crime Control and Public Safety	51,162,444	41,200,144
46			
47	Judicial Department	414,383,094	416,627,599
48	Judicial Department – Indigent Defense	107,316,301	111,437,472
49			
50	Department of Justice	95,313,802	91,003,047
51			

1	Department of Juvenile Justice and		
2	Delinquency Prevention	158,833,717	165,147,912
3			
4	GENERAL GOVERNMENT		
5			
6	Department of Administration	67,122,032	67,390,336
7			
8	Office of Administrative Hearings	3,691,458	3,521,735
9			
10	Department of State Auditor	12,903,026	12,916,479
11			
12	Office of State Controller	20,539,148	20,562,655
13			
14	Department of Cultural Resources		
15	Cultural Resources	73,183,844	69,434,486
16	Roanoke Island Commission	2,020,023	2,020,023
17			
18	State Board of Elections	6,385,722	5,969,618
19			
20	General Assembly	54,538,665	55,740,786
21			
22	Office of the Governor		
23	Office of the Governor	6,436,304	6,474,572
24	Office of State Budget and Management	5,757,493	5,764,198
25	OSBM – Reserve for Special Appropriations	5,938,446	4,938,446
26	Housing Finance Agency	18,608,417	9,608,417
27			
28	Department of Insurance		
29	Insurance	30,922,133	30,936,704
30	Insurance – Volunteer Safety Workers' Compensation	4,500,000	4,500,000
31			
32	Office of Lieutenant Governor	914,122	915,109
33			
34	Department of Revenue	84,851,963	84,944,343
35			
36	Department of Secretary of State	11,476,990	10,743,041
37			
38	Department of State Treasurer		
39	State Treasurer	9,285,010	9,282,070
40	State Treasurer – Retirement for Fire and		
41	Rescue Squad Workers	9,458,957	9,458,957
42			
43	TRANSPORTATION		
44			
45	Department of Transportation	0	0
46			
47	RESERVES, ADJUSTMENTS AND DEBT SERVICE		
48			
49	Reserve for Compensation Increases	567,932,019	501,610,500
50			
51	Salary Adjustment Fund: 2007-09 Biennium	23,688,000	23,688,000

1			
2	Reserve for Teachers' and State Employees'		
3	Retirement Contribution	29,600,000	29,600,000
4			
5	Reserve for Retirement System Payback	45,000,000	0
6			
7	Reserve for State Health Plan	133,978,000	178,637,000
8			
9	Contingency and Emergency Fund	5,000,000	5,000,000
10			
11	Information Technology Fund	25,140,000	2,840,000
12			
13	Reserve for Job Development Investment Grants (JDIG)	12,400,000	12,400,000
14			
15	Integrated Tax Administration System Replacement	10,000,000	0
16			
17	Energy Efficiency Reserve	10,000,000	0
18			
19	Reserve for Pending Legislation	2,233,213	1,320,324
20			
21	Distinguished Professors Endowment Fund	6,000,000	0
22			
23	Reserve for Eliminated Positions	(103,000,000)	(103,000,000)
24			
25	One-time Fiscal Relief for Medicaid County Share	60,000,000	0
26			
27	Debt Service		
28	General Debt Service	619,793,004	701,454,348
29	Federal Reimbursement	1,616,380	1,616,380
30			
31	TOTAL CURRENT OPERATIONS –		
32	 GENERAL FUND	\$ 20,131,397,929	\$ 20,283,698,408

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2.(a) The General Fund availability used in developing the 2007-2009 biennial budget is shown below:

	FY 2007-2008	FY 2008-2009
37		
38		
39	Unappropriated Balance Remaining	
40	from Previous Year	\$ 0
41	Projected Reversions FY 2006-07	\$ 107,989,902
42	Projected Overcollections FY 2006-07	0
43	Less Earmarkings of Year End Fund Balance	0
44	Savings Reserve Account	(315,050,000)
45	Repairs and Renovations Reserve Account	(145,000,000)
46	Beginning Unreserved Fund Balance	\$ 800,150,000
47		
48	Revenues Based on Existing Tax Structure	\$ 18,532,400,000
49		
50	Nontax Revenues	
51	Investment Income	211,100,000

1	Judicial Fees	173,000,000	177,100,000
2	Disproportionate Share	100,000,000	100,000,000
3	Insurance	55,500,000	57,900,000
4	Other Nontax Revenues	140,400,000	154,300,000
5	Tobacco Trust Fund Transfer	10,000,000	0
6	Highway Trust Fund/Use Tax		
7	Reimbursement Transfer	172,500,000	172,500,000
8	Highway Fund Transfer	18,190,000	17,610,000
9	Subtotal Nontax Revenues	\$ 871,190,000	\$ 890,510,000
10			
11	Total General Fund Availability	\$ 20,203,740,000	\$ 20,549,499,902
12			
13	Adjustments to Availability: 2007 Session		
14	Extend 4.25% Sales Tax Rate for 2 Years	258,400,000	285,900,000
15	Extend 8.25% Upper Income Tax Bracket		
16	for 2 Years	40,800,000	93,700,000
17	IRC Conformity	(56,900,000)	(49,100,000)
18	Health & Human Services/Facility Services Fees	1,705,501	1,642,407
19	Secretary of State Corporate Annual Report Fees	563,016	563,016
20	Earned Income Tax Credit	0	(68,900,000)
21	Long-term Care Insurance Tax Credit	(7,000,000)	(7,200,000)
22	Adoption Tax Credit	(3,000,000)	(3,000,000)
23	Enhance 529 Plan Deduction (House Bill 1016)	(200,000)	(200,000)
24	Privilege Tax on Software Publishers	(3,700,000)	(4,000,000)
25	Research & Development Credit Enhancement	(400,000)	(800,000)
26	Modify Tax on Property Coverage Contracts	(1,500,000)	(3,100,000)
27	Reserve for Manufacturers' and		
28	Farmers Energy Tax Provisions	(14,500,000)	(30,100,000)
29	Enhanced Credit for Constructing		
30	Renewable Fuels Facilities	0	(2,250,000)
31	Reserve for Military Tax Relief	(4,000,000)	(4,000,000)
32	Reserve for Work Opportunity Tax Credit	(6,000,000)	(6,000,000)
33	Sales Tax Refund for Aircraft Part Mfgs.	(800,000)	(800,000)
34	Adjust Sales Tax Holiday	(600,000)	(600,000)
35	Adjust Transfer from Insurance Regulatory Fund	80,274	56,274
36	Adjust Transfer from Treasurer's Office	66,638	54,638
37	Transfer from Closed Capital Account	3,506,143	0
38	Subtotal Adjustments to Availability:		
39	 2007 Session	\$ 206,521,572	\$ 201,866,335
40			
41	Revised General Fund Availability	\$ 20,410,261,572	\$ 20,751,366,237
42			
43	Less: General Fund Appropriations	(20,302,271,670)	(20,359,306,633)
44			
45	Unappropriated Balance Remaining	\$ 107,989,902	\$ 392,059,604
46			

47 **SECTION 2.2.(b)** Notwithstanding the provisions of G.S. 143-15.2 and
48 G.S. 143-15.3A, the State Controller shall transfer one hundred forty-five million
49 dollars (\$145,000,000) from the unreserved credit balance to the Repairs and
50 Renovations Reserve Account on June 30, 2007. This subsection becomes effective
51 June 30, 2007.

1 **SECTION 2.2.(c)** Funds transferred under this section to the Repairs and
2 Renovations Reserve Account are appropriated for the 2007-2008 fiscal year to be used
3 in accordance with G.S. 143C-4-3.

4 **SECTION 2.2.(d)** Notwithstanding the provisions of G.S. 105-187.9(b)(1),
5 the sum to be transferred under that subdivision for the 2007-2008 fiscal year is one
6 hundred seventy million dollars (\$170,000,000) and for the 2008-2009 fiscal year is one
7 hundred seventy million dollars (\$170,000,000).

8 **SECTION 2.2.(e)** Pursuant to G.S. 105-187.9(b)(2), the sum to be
9 transferred under that subdivision for the 2007-2008 fiscal year is two million five
10 hundred thousand dollars (\$2,500,000) and for the 2008-2009 fiscal year is two million
11 five hundred thousand dollars (\$2,500,000).

12 **SECTION 2.2.(f)** The appropriation made in this act to the Clean Water
13 Management Trust Fund in the amount of one hundred million dollars (\$100,000,000) is
14 made pursuant to G.S. 113A-253.1 and is not in addition to the statutory appropriation
15 made in that section.

16 **PART III. CURRENT OPERATIONS/HIGHWAY FUND**

17 **CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND**

18
19 **SECTION 3.1.** Appropriations from the State Highway Fund for the
20 maintenance and operation of the Department of Transportation and for other purposes
21 as enumerated are made for the fiscal biennium ending June 30, 2009, according to the
22 following schedule:
23

24	25 Current Operations – Highway Fund	26 2007-2008	27 2008-2009
28	Department of Transportation		
29	Administration	\$ 65,089,050	\$ 84,255,576
30	Division of Highways		
31	Administration	32,651,442	32,703,136
32	Construction	175,895,465	140,173,949
33	Maintenance	905,658,411	900,648,052
34	Planning and Research	4,700,000	4,700,000
35	OSHA Program	425,000	425,000
36	Ferry Operations	31,313,921	27,763,921
37	State Aid		
38	Municipalities	93,046,035	93,073,949
39	Public Transportation	73,466,447	96,866,447
40	Airports	21,860,122	19,730,033
41	Railroads	21,951,153	17,101,153
42	Governor's Highway Safety	334,314	335,449
43	Division of Motor Vehicles	103,676,924	119,130,944
44	Other State Agencies	262,132,152	259,796,180
45	Reserves and Transfers	38,239,564	34,876,211
46	TOTAL	\$1,830,440,000	\$1,831,580,000

47 **HIGHWAY FUND AVAILABILITY STATEMENT**

1 **SECTION 3.2.** The Highway Fund availability used in developing the
2 2007-2009 biennial budget is shown below:

3		2007-2008	2008-2009
4	Highway Fund Availability Statement		
5			
6	Beginning Credit Balance	\$ 30,000,000	-
7	Estimated Revenue	1,800,440,000	1,831,580,000
8			
9	Total Highway Fund Availability	\$ 1,830,440,000	\$ 1,831,580,000

10
11 **PART IV. HIGHWAY TRUST FUND APPROPRIATIONS**

12
13 **HIGHWAY TRUST FUND APPROPRIATIONS**

14 **SECTION 4.1.** Appropriations from the State Highway Trust Fund for the
15 maintenance and operation of the Department of Transportation and for other purposes
16 as enumerated are made for the biennium ending June 30, 2009, according to the
17 following schedule:

18		2007-2008	2008-2009
19	Current Operations – Highway Trust Fund		
20	Intrastate System	\$ 540,326,825	\$ 550,107,613
21	Urban Loops	218,485,665	222,440,608
22	Aid to Municipalities	56,692,887	57,719,120
23	Secondary Roads	94,808,677	96,786,225
24	Program Administration	42,722,640	43,386,880
25	Transfer to General Fund	172,543,306	172,619,554
26			
27	GRAND TOTAL CURRENT OPERATIONS		
28	AND EXPANSION	\$ 1,125,580,000	\$ 1,143,060,000

29
30 **HIGHWAY TRUST FUND AVAILABILITY STATEMENT**

31 **SECTION 4.2.** The Highway Trust Fund availability used in developing the
32 2007-2009 biennial budget is shown below:

33			
34	Total Highway Trust Fund Availability	\$ 1,125,580,000	\$ 1,143,060,000

35
36 **PART V. OTHER AVAILABILITY**

37
38 **CIVIL PENALTIES AND FORFEITURE FUND AVAILABILITY AND**
39 **APPROPRIATION**

40 **SECTION 5.1.(a)** Availability. – The availability used to support
41 appropriations made in this act from the Civil Penalty and Forfeiture Fund is based upon
42 estimated collections of fines and forfeitures from the agencies and in the amounts listed
43 below:

44		FY 2007-2008	FY 2008-2009
45	Department of Revenue	\$63,000,000	\$63,000,000
46	Department of Transportation	\$15,000,000	\$15,000,000
47	Employment Security Commission	\$3,000,000	\$3,000,000
48	Department of Insurance	\$1,000,000	\$1,000,000
49	University of North Carolina	\$3,500,000	\$3,500,000
50	Other Agencies	\$10,000,000	\$10,000,000
51	Total Funds Available	\$95,500,000	\$95,500,000

SECTION 5.1.(b) Appropriations. – Appropriations are made from the Civil Penalty and Forfeiture Fund for the fiscal biennium ending June 30, 2009, as follows:

	FY 2007-2008	FY 2008-2009
School Technology Fund	\$18,000,000	\$18,000,000
State Public School Fund	\$77,500,000	\$77,500,000
Total Appropriation	\$95,500,000	\$95,500,000

EDUCATION LOTTERY

SECTION 5.2.(a) Pursuant to G.S. 18C-164, the revenue used to support appropriations made in this act is transferred from the State Lottery Fund in the amount of three hundred fifty million dollars (\$350,000,000) for the 2007-2008 fiscal year.

SECTION 5.2.(b) The appropriations made from the Education Lottery Fund pursuant to G.S. 18C-164(d) for the 2007-2008 fiscal year are as follows:

Class Size Reduction	\$ 105,000,000
Prekindergarten Program	70,000,000
Public School Building Capital Fund	140,000,000
Scholarships for Needy Students	35,000,000
Total Appropriation	\$ 350,000,000

SECTION 5.2.(c) Notwithstanding G.S. 18C-164(f), if the actual net revenues exceed the amounts appropriated for the 2007-2008 fiscal year in subsection (b) of this section, the excess net revenues shall remain in the Education Lottery Fund, and then may be transferred by the Director of the Budget among the four categories in that subsection in the discretion of the Director and are appropriated for those purposes.

SECTION 5.2.(d) This section becomes effective June 30, 2007.

INFORMATION TECHNOLOGY FUND AVAILABILITY AND APPROPRIATION

SECTION 5.3.(a) The availability used to support appropriations made in this act from the Information Technology Fund established in G.S. 147-33.72H is as follows:

	FY 2007-2008	FY 2008-2009
Receipts from Information Technology Enterprise Fee	\$9,800,000	\$9,800,000
Interest Income	\$100,000	\$100,000
IT Fund Balance June 30, 2007	\$600,000	-
Appropriation from General Fund	\$4,140,000	\$2,840,000
Total Funds Available	\$14,640,000	\$12,740,000

SECTION 5.3.(b) Appropriations are made from the Information Technology Fund for the 2007-2009 fiscal biennium as set forth in the Committee Report.

PART VI. GENERAL PROVISIONS

APPROPRIATION OF CASH BALANCES AND RECEIPTS

SECTION 6.1.(a) Expenditures of cash balances, federal funds, departmental receipts, grants, and gifts from the various General Fund, Special Revenue Fund, Enterprise Fund, Internal Service Fund, and Trust and Agency Fund budget codes are appropriated and authorized for the 2007-2009 fiscal biennium as follows:

- (1) For all budget codes listed in "North Carolina State Budget, Recommended Operating Budget 2007-2009, Volumes 1 through 6," cash balances and receipts are appropriated up to the amounts specified in Volumes 1 through 6, as adjusted by the General Assembly, for the 2007-2008 fiscal year and the 2008-2009 fiscal year. Funds may be expended only for the programs, purposes, objects, and line items specified in Volumes 1 through 6, or otherwise authorized by the General Assembly.
- (2) For all budget codes that are not listed in "North Carolina State Budget, Recommended Operating Budget 2007-2009, Volumes 1 through 6," cash balances and receipts are appropriated for each year of the 2007-2009 fiscal biennium up to the level of actual expenditures for the 2006-2007 fiscal year, unless otherwise provided by law. Funds may be expended only for the programs, purposes, objects, and line items authorized for the 2006-2007 fiscal year.
- (3) Notwithstanding subdivisions (1) and (2) of this subsection, any receipts that are required to be used to pay debt service requirements for various outstanding bond issues and certificates of participation are appropriated up to the actual amounts received for the 2007-2008 fiscal year and the 2008-2009 fiscal year and shall be used only to pay debt service requirements.
- (4) Notwithstanding subdivisions (1) and (2) of this subsection, cash balances and receipts of funds that meet the definition issued by the Governmental Accounting Standards Board of a trust or agency fund are appropriated for and in the amounts required to meet the legal requirements of the trust agreement for the 2007-2008 fiscal year and the 2008-2009 fiscal year.

All these cash balances, federal funds, departmental receipts, grants, and gifts shall be expended and reported in accordance with the provisions of the State Budget Act, except as otherwise provided by law and this section.

SECTION 6.1.(b) Receipts collected in a fiscal year in excess of the amounts authorized by this section shall remain unexpended and unencumbered until appropriated by the General Assembly in a subsequent fiscal year, unless the expenditure of overrealized receipts in the fiscal year in which the receipts were collected is authorized by the State Budget Act.

Overrealized receipts are appropriated up to the amounts necessary to implement this subsection.

In addition to the consultation and reporting requirements set out in G.S. 143C-26-4 and the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division of the Legislative Services Office within 30 days after the end of each quarter on any overrealized receipts approved for expenditure under this subsection by the Director of the Budget. The report shall include the source of the receipt, the amount overrealized, the amount authorized for expenditure, and the rationale for expenditure.

1 **SECTION 6.1.(c)** Notwithstanding subsections (a) and (b) of this section,
2 there is appropriated from the Reserve for Reimbursements to Local Governments and
3 Shared Tax Revenues for each fiscal year an amount equal to the amount of the
4 distributions required by law to be made from that reserve for that fiscal year.
5

6 **EXPENDITURES OF FUNDS IN RESERVES LIMITED**

7 **SECTION 6.2.** All funds appropriated by this act into reserves may be
8 expended only for the purposes for which the reserves were established.
9

10 **REVISE FREQUENCY OF FEE REPORT**

11 **SECTION 6.3.** G.S. 143C-9-4 reads as rewritten:

12 "**§ 143C-9-4. ~~Annual Fee Report.~~Biennial fee report.**

13 The Office of State Budget and Management shall prepare a report ~~annually~~
14 biennially on the fees charged by each State department, bureau, division, board,
15 commission, institution, and agency during the previous two fiscal ~~year~~-years. The
16 report shall include the statutory or regulatory authority for each fee, the amount of the
17 fee, when the amount of the fee was last changed, the number of times the fee was
18 collected during the prior fiscal year, and the total receipts from the fee during the prior
19 fiscal year."
20

21 **BUDGET REALIGNMENT**

22 **SECTION 6.4.** Notwithstanding G.S. 143C-6-4(b), the Office of State
23 Budget and Management, in consultation with the Office of the State Controller and the
24 Fiscal Research Division, may adjust the enacted budget by making transfers among
25 purposes or programs for the sole purpose of correctly aligning authorized positions and
26 associated operating costs with the appropriate purposes or programs as defined in
27 G.S. 143C-1-1(d)(23). The Office of State Budget and Management shall change the
28 certified budget to reflect these adjustments only after reporting the proposed
29 adjustments to the Joint Legislative Commission on Governmental Operations and the
30 Fiscal Research Division. Under no circumstances shall total General Fund
31 expenditures for a State department exceed the amount appropriated to that department
32 from the General Fund for the fiscal year.
33

34 **CONSULTATION NOT REQUIRED PRIOR TO ESTABLISHING OR** 35 **INCREASING FEES PURSUANT TO THE STATE BUDGET ACT**

36 **SECTION 6.5.** Notwithstanding G.S. 12-3.1, an agency is not required to
37 consult with the Joint Legislative Commission on Governmental Operations prior to
38 establishing or increasing a fee as authorized or anticipated in this act, or in the House
39 of Representatives Appropriations Committee Reports on the Continuation, Expansion
40 and Capital Budgets, that were distributed in the House of Representatives
41 Appropriations and Base Budget Committees and used to explain this act.
42

43 **CONVERSION OF CONTRACTED POSITIONS**

44 **SECTION 6.6.(a)** Except as provided by subsection (b) of this section and
45 notwithstanding any other provision in law, State government executive branch
46 agencies under Chapter 143A or Chapter 143B of the General Statutes shall not use
47 State funds appropriated for purposes other than the establishment of permanent
48 positions to create permanent positions.

49 **SECTION 6.6.(b)** If the Director of the Budget finds that State funds
50 previously appropriated for personal services contracts would be more efficiently and
51 effectively used to maintain a purpose, program, or service for which the functions were

1 originally appropriated, the Director may use State funds to convert existing personal
2 services contracts to permanent positions.

3 **SECTION 6.6.(c)** If the Director of the Budget makes a finding as described
4 in subsection (b) of this section prior to taking the action needed to effectuate the
5 conversion of contracted positions to permanent status, the Office of State Budget and
6 Management and Office of State Personnel shall consult with the Joint Legislative
7 Commission on Governmental Operations prior to implementing the proposed
8 conversions. In addition to the information requirements set forth in G.S. 143-64.70,
9 that report shall set out the reason the positions are necessary to maintain the purpose,
10 program, or service including detailed information on the purpose of the original
11 contract positions, the reasons for the conversions, and the cost of the contract positions
12 over the life of the contract as compared to the cost of the State positions over the same
13 period of time.

14 **SECTION 6.6.(d)** The Office of State Budget and Management and the
15 Office of State Personnel shall report to the House of Representatives Appropriations
16 Committee, to the Senate Committee on Appropriations, and to the Fiscal Research
17 Division of the Legislative Services Office on compliance with this section by no later
18 than February 1 in odd-numbered years and no later than April 1 in even-numbered
19 years.

20 **STAFFING ANALYSIS OF STATE AGENCY BUSINESS FUNCTIONS**

21 **SECTION 6.7.(a)** The Office of State Budget and Management, in
22 consultation with the Office of State Controller and the Office of State Personnel, shall
23 conduct annual follow-up analyses to the Human Resources/Payroll Function Mapping
24 Analysis that was completed in fiscal year 2007 by the BEACON staff and OSBM.
25 This initial analysis was conducted to provide not only a pre-implementation assessment
26 of State agency Human Resources/Payroll staffing prior to BEACON HR/Payroll
27 implementation but also to provide a basis on which new HR/Payroll roles required by
28 BEACON implementation could be mapped. These follow-up analyses of State agency
29 HR/Payroll staffing should be completed by January 1 of each year to assure the staffing
30 levels remain appropriate. The annual staffing analyses shall be conducted throughout
31 the implementation of the BEACON HR/Payroll System and shall continue for a
32 reasonable time after the implementation to assure that the staffing levels are adjusted
33 based on the increased efficiency provided by the implementation.

34 **SECTION 6.7.(b)** The Office of State Budget and Management, in
35 consultation with the Office of State Controller, shall conduct a staffing analysis of the
36 business functions of State government to include, but not necessarily be limited to,
37 agency fiscal offices, budget offices, and procurement offices to be completed by April
38 30, 2008. This initial analysis will serve as a pre-implementation assessment of State
39 agency business functions staffing prior to the proposed implementation of the
40 remaining components of the BEACON ERP System. Follow-up analyses should be
41 conducted annually and completed by January 1 of each year to assure the staffing
42 levels remain appropriate. The annual staffing analyses shall be conducted throughout
43 the implementation of future BEACON components and shall continue for a reasonable
44 time after the implementation to assure that the staffing levels are adjusted based on the
45 increased efficiency provided by the implementation.

46 **SECTION 6.7.(c)** By April 30, 2008, the Office of State Budget and
47 Management, in consultation with the Office of State Controller, and then by January 1,
48 2009, and annually thereafter, the Office of State Budget and Management, in
49 consultation with the Office of State Controller and the Office of State Personnel, shall
50 report to the Chairs of the House of Representatives Appropriations Committee, to the
51

1 Chairs of the Senate Committee on Appropriations/Base Budget, to the Joint Legislative
2 Oversight Committee on Information Technology, and to the Fiscal Research Division
3 on the results of the annual staffing analyses of State government business functions
4 conducted pursuant to subsection (a) of this section and on the implementation of the
5 BEACON HR/Payroll System.

6 **SECTION 6.7.(d)** Prior to any staffing changes that result from the staffing
7 analyses conducted pursuant to subsection (b) of this section, the Office of State Budget
8 and Management, in consultation with the Office of State Controller and the Office of
9 State Personnel, shall report to the Chairs of the House of Representatives
10 Appropriations Committee, to the Chairs of the Senate Committee on
11 Appropriations/Base Budget, to the Joint Legislative Oversight Committee on
12 Information Technology, and to the Fiscal Research Division on the annual staffing
13 analyses of State government business functions conducted pursuant to subsection (b) of
14 this section and on the proposed implementation of the remaining components of the
15 BEACON ERP System.

16 **BEACON DATA INTEGRATION**

17 **SECTION 6.8.(a)** The Office of the State Controller, in cooperation with the
18 State Chief Information Officer, shall develop a comprehensive plan for the integration
19 of databases and the sharing of information among State agencies, operations, and
20 programs. This plan shall be developed and implemented under the governance of the
21 BEACON Project Steering Committee and in cooperation and in communication with
22 leadership within the several State agencies and with the support and cooperation of the
23 Office of State Budget and Management. This plan shall include the following:

- 24 (1) Definition of requirements for achieving statewide data integration.
- 25 (2) A schedule for implementation with a completion date of no later than
26 the year 2010.
- 27 (3) Priorities for database integration, commencing with the integration of
28 databases that the BEACON Project Steering Committee identifies as
29 most crucial to the enhancement of operations and effectiveness,
30 focusing on two or three State agencies that can achieve the greatest
31 initial benefit from implementation.
- 32 (4) Identification of current statewide and agency data integration efforts
33 and a strategy for integrating those projects into this effort.
- 34 (5) Detailed cost information for development and implementation, as
35 well as five years of operations and maintenance costs.

36 While it is the intent that this initiative provide a broad new access to
37 information across State government, the plan shall comply with all necessary security
38 measures and restrictions to ensure that access to any specific information held
39 confidential under federal and State law shall be limited to appropriate and authorized
40 persons.

41 **SECTION 6.8.(b)** Of the funds appropriated from the General Fund to the
42 North Carolina Information Technology Fund, the sum of one million dollars
43 (\$1,000,000) for the 2007-2008 fiscal year shall be used for BEACON data integration
44 as provided by subsection (a) of this section. The Office of State Controller, in
45 coordination with State agencies and with the support of the Office of State Budget and
46 Management, shall identify and obtain any federal matching funds or other funding
47 sources available to assist in funding this initiative.

48 **SECTION 6.8.(c)** By January 31, 2008, the Office of the State Controller,
49 with the support of the State's Chief Information Officer, shall provide this
50 comprehensive plan including implementation schedule in an oral report to the Joint
51

1 Legislative Commission on Governmental Operations and in a written report to the
2 Chairs of the Senate Appropriations Committee and the House of Representatives
3 Appropriations Committee, the Chairs of the Senate Information Technology
4 Committee and House Science and Technology Committee, and the Fiscal Research
5 Division. The Office of State Controller shall provide a written report of the plan's
6 implementation progress, including benefits and return on investment analysis as
7 identified by the Office of State Budget and Management to the Chairs of the Senate
8 Appropriations Committee and the House of Representatives Appropriations
9 Committee, the Chairs of the Senate Information Technology Committee and House
10 Science and Technology Committee, and Fiscal Research Division no later than the date
11 of the convening of the 2008 Regular Session of the General Assembly.

12 **SECTION 6.8.(d)** This effort shall not place any new or additional
13 requirements upon The University of North Carolina or the North Carolina Community
14 College System.
15

16 **TWENTY PERCENT COLLECTION ASSISTANCE FEE**

17 **SECTION 6.9.** G.S. 105-243.1(e) reads as rewritten:

18 "(e) Use. – The fee is a receipt of the Department and must be applied to the costs
19 of collecting overdue tax debts. The proceeds of the fee must be credited to a special
20 account within the Department and may be expended only as provided in this
21 subsection. The proceeds of the fee may not be used for any purpose that is not directly
22 and primarily related to collecting overdue tax debts. The Department may apply the
23 proceeds of the fee for the purposes listed in this subsection. The remaining proceeds of
24 the fee may be spent only pursuant to appropriation by the General Assembly. The fee
25 proceeds do not revert but remain in the special account until spent for the costs of
26 collecting overdue tax debts. The Department and the Office of State Budget and
27 Management must account for all expenditures using accounting procedures that clearly
28 distinguish costs allocable to collecting overdue tax debts from costs allocable to other
29 purposes and must demonstrate that none of the fee proceeds are used for any purpose
30 other than collecting overdue tax debts.

31 The Department may apply the fee proceeds for the following purposes:

- 32 (1) To pay contractors for collecting overdue tax debts under subsection
33 (b) of this section.
- 34 (2) To pay the fee the United States Department of the Treasury charges
35 for setoff to recover tax owed to North Carolina.
- 36 (3) To pay for taxpayer locator services, not to exceed one hundred fifty
37 thousand dollars (\$150,000) a year.
- 38 (4) To pay for postage or other delivery charges for correspondence
39 directly and primarily relating to collecting overdue tax debts, not to
40 exceed ~~three hundred fifty three~~five hundred thousand dollars
41 ~~(\$353,000)~~(\$500,000) a year.
- 42 (5) To pay for operating expenses for Project Collection Tax and the
43 Taxpayer Assistance Call Center.
- 44 (6) To pay for expenses of the Examination and Collection Division
45 directly and primarily relating to collecting overdue tax debts.
- 46 (7) To pay for the replacement of the Integrated Tax Administration
47 System (ITAS) and related collections initiatives, not to exceed forty
48 million dollars (\$40,000,000)."
49

50 **ENERGY EFFICIENCY RESERVE**

1 **SECTION 6.10.** Of the funds appropriated in this act, the sum of ten million
2 dollars (\$10,000,000) shall be used to establish the Energy Efficiency Reserve. The
3 Reserve shall be administered by the State Energy Office. The State Energy Office may
4 use up to two million dollars (\$2,000,000) for any current grants program to promote
5 the conservation of energy, alternative fuels for transportation, and renewable energy
6 sources. The State Energy Office, in consultation with the State Construction Office,
7 shall use the remaining funds in the Energy Efficiency Reserve to provide funding for
8 projects designed to make State, university, or community college facilities more energy
9 efficient. Projects eligible to make State, university, or community college facilities
10 more energy efficient from remaining funds in the Energy Efficiency Reserve include:

- 11 (1) Replacement of incandescent light bulbs with compact fluorescent
12 light bulbs, installation of exit signs that employ light-emitting diode
13 (LED) technology, the installation of occupancy sensors or optical
14 sensors, and other lighting efficiency improvements.
- 15 (2) For windows that need replacement, installation of more energy
16 efficient windows.
- 17 (3) Insulation improvements when practicable.
- 18 (4) Replacement of inefficient or oversized heating, ventilation, and air
19 conditioning (HVAC) systems when those systems are subject to
20 replacement, and installation of programmable automation systems.
- 21 (5) Installation of aerators in sink faucets that reduce the flow rate, and
22 other water system projects that reduce water consumption.
- 23 (6) Any other retrofit or replacement projects that make State, university,
24 or community college facilities more energy efficient for which the
25 incremental cost of the project will be equal to or less than the energy
26 or water savings that result over a period of three years after
27 completion.

28 Funds appropriated to the Reserve for the 2007-2008 fiscal year shall not
29 revert and shall remain available until expended. The State Energy Office shall report to
30 the House of Representatives and Senate Appropriations Committees on the use of the
31 Reserve funds no later than May 1, 2008.

32 **OFFICE OF INFORMATION TECHNOLOGY SERVICES BUDGET REVIEW**

33 **SECTION 6.11.(a)** Notwithstanding G.S. 147-33.88, the Office of
34 Information Technology Services (ITS) shall develop an annual budget for review and
35 approval by the Office of State Budget and Management in accordance with the
36 schedule prescribed by the Director. The approved ITS budget shall be included in the
37 Governor's budget recommendations to the General Assembly.

38 **SECTION 6.11.(b)** The Office of State Budget and Management shall
39 ensure that State agencies have an opportunity to adjust their budgets based on any rate
40 changes proposed by the Office of Information Technology Services.
41

42 **OFFICE OF INFORMATION TECHNOLOGY SERVICES REVIEW OF 43 STATE IT BUDGET SUBMISSIONS**

44 **SECTION 6.12.(a)** The State Chief Information Officer (SCIO) shall review
45 each information technology project budget request from the various State departments,
46 agencies, and institutions prior to the formal submission of those requests to the
47 Governor in order to facilitate a coherent and cost-effective State investment strategy
48 for information technology projects and systems. The SCIO's review shall:

- 49 (1) Identify the purpose of the information technology project or system.
50

- 1 (2) Identify whether the project or system would result in any duplication
2 of effort across governmental agencies, including State, local, and
3 federal agencies.
- 4 (3) Determine the completeness, timeliness, and accessibility of the data
5 developed and used by the system.
- 6 (4) Estimate the cost and actual staffing for the project or system.
- 7 (5) Ascertain the organizational location of the system as well as the
8 hardware and software inventories associated with the system or
9 project.
- 10 (6) Assess the current and potential benefits that the technology
11 investment would provide to the State.
- 12 (7) Identify any opportunities for the State to leverage federal and local
13 support of the information technology system or project.
- 14 (8) Consider any other information pertinent to the utility, functionality,
15 and cost-effectiveness of the project or system.

16 The SCIO shall submit the detailed analysis of each information technology
17 budget request to the Office of State Budget and Management (OSBM). Based on that
18 analysis, the OSBM may require State departments, agencies, and institutions to
19 coordinate information technology budget requests and projects to increase efficiency
20 and eliminate duplication in the governance, organization, staffing, and functionality of
21 information technology projects and systems across State government.

22 **SECTION 6.12.(b)** By February 1, 2008, the Office of State Budget and
23 Management shall report to the General Assembly on its efforts and outcomes relative
24 to increasing the efficiency and cost-effectiveness of the State's information technology
25 projects and programs as prescribed by this section. This report shall include detailed
26 information on initiatives to eliminate duplication.

27 **SECTION 6.12.(c)** This section does not apply to The University of North
28 Carolina System or to the Judicial Branch.

29 **GEOGRAPHIC INFORMATION SYSTEM (GIS) STUDY**

30 **SECTION 6.13.(a)** The Office of State Budget and Management (OSBM),
31 in consultation with the Center for Geographic Information and Analysis (CGIA), the
32 State Chief Information Officer, and the chair of the Geographic Information
33 Coordinating Council (GICC), shall conduct a study to identify the development and
34 use of Geographical Information Systems (GIS) in North Carolina by State agencies.
35 The study shall identify the purpose of each system; any duplication of effort across
36 agencies, including local governments and federal agencies; the completeness,
37 timeliness, and accessibility of the data developed and used by the systems; the cost and
38 actual staffing for each system; the organizational location of each system; the hardware
39 and software inventories associated with each system. The study shall also assess the
40 current and potential benefits that GIS investments provide to the State and identify
41 opportunities for the State to leverage federal and local support for North Carolina GIS
42 systems.

43 **SECTION 6.13.(b)** OSBM shall make recommendations on the governance,
44 organization, and staffing of GIS in and across State agencies and on a coherent and
45 cost-effective State investment strategy for GIS that appropriately leverages local and
46 federal support and eliminates duplication of capabilities. The report shall include a
47 recommended strategy for consolidating State GIS initiatives. The OSBM shall make a
48 written report of these findings and recommendations to the General Assembly by
49 January 15, 2008.
50

1 **SECTION 6.13.(c)** This section does not apply to The University of North
2 Carolina or to the Judicial Branch.

3
4 **E-COMMERCE LONG-RANGE STRATEGY REPORT**

5 **SECTION 6.14.** The Office of the State Controller shall evaluate the
6 opportunities for efficiencies in State government through the use of electronic
7 commerce as it relates to both disbursement and collection of funds, and shall report the
8 results of that evaluation to the 2008 Regular Session of the 2007 General Assembly.
9 The report shall include all of the following:

- 10 (1) Input from the entire State government user base, including State
11 agencies, universities, community colleges, local education agencies,
12 and other units of government that may be disbursing or collecting
13 State funds. Input is also to be obtained from the various central
14 agencies involved in the financial affairs of State government and from
15 the Office of Information Technology.
- 16 (2) Specific proposals that would, if implemented, expand electronic
17 commerce activity in the State government fiscal environment, and
18 which shall include the establishment of an ongoing function within
19 State government to execute the expansion. The recommendations
20 should address activities that are suitable for statewide contractual
21 arrangements, as well as those suitable for governmental entities to
22 pursue individually. The recommendations should include expected
23 costs and benefits of these implementations; recommendations for
24 funding recurring and nonrecurring costs of the specific proposals; and
25 a business case to support the recommendations.
- 26 (3) Proposed legislation that may be considered by the 2008 Regular
27 Session of the 2007 General Assembly to ensure compliance with
28 merchant card industry policies and standards for operations and
29 security.
- 30 (4) Proposed legislation that may be considered by the 2008 Regular
31 Session of the 2007 General Assembly that addresses any
32 inconsistencies or conflicts in existing statutes relating to electronic
33 commerce activities.

34 Periodic updates on this activity may be requested by the Joint Legislative
35 Commission on Governmental Operations. The final report is due no later than April 30,
36 2008.

37
38 **UNC DISTINGUISHED PROFESSOR CHALLENGE-GRANT**
39 **INITIATIVE/REDUCE BACKLOG FOR DISTINGUISHED PROFESSOR**
40 **ENDOWMENT TRUST FUND PROFESSORSHIPS**

41 **SECTION 6.15.(a)** The UNC Distinguished Professor Challenge-Grant
42 Initiative is established as a reserve fund to be administered by the Board of Governors
43 of The University of North Carolina. Funds in the UNC Distinguished Professor
44 Challenge-Grant Initiative shall be used to provide State matching funds for a private
45 challenge-grant initiative and shall be allocated consistent with G.S. 116-41.15. Funds
46 from the UNC Distinguished Professor Challenge-Grant Initiative when matched with
47 private funds shall provide the funding required to endow one distinguished
48 professorship at each of the 16 constituent institutions of The University of North
49 Carolina in the 2007-2008 fiscal year. All professorships endowed through this
50 Initiative shall be in the fields of teacher education, engineering, nursing, or the
51 traditional arts and sciences.

1 **SECTION 6.15.(b)** Funds are allocated in the North Carolina House of
2 Representatives Committee Report on the Continuation, Expansion and Capital Budget,
3 dated May 8, 2007, for the purpose of addressing the existing backlog of professorships
4 under the Distinguished Professors Endowment Trust Fund.
5

6 **ONE-TIME FISCAL RELIEF FOR MEDICAID COUNTY SHARE**

7 **SECTION 6.16.(a)** Of the funds appropriated in this act to the Department
8 of Health and Human Services, Division of Medical Assistance, a sum not to exceed
9 sixty million dollars (\$60,000,000) in nonrecurring funds for the 2007-2008 fiscal year
10 shall be allocated to provide one-time assistance for the county share of the nonfederal
11 share of Medicaid as provided in this section.

12 **SECTION 6.16.(b)** Of the funds allocated in subsection (a) of this section,
13 the sum of thirty million dollars (\$30,000,000) shall be allocated to all 100 counties for
14 one-time assistance. Each county's share of the one-time assistance for the county share
15 of the nonfederal share of Medicaid shall be determined by calculating the ratio of each
16 county's total Medicaid expenditures in fiscal year 2006-2007 to the total Statewide
17 Medicaid expenditures for 2006.

18 **SECTION 6.16.(c)** Of the funds allocated in subsection (a) of this section,
19 the sum of thirty million dollars (\$30,000,000) shall be allocated for targeted assistance
20 for those counties whose Medicaid population is twenty-five percent (25%) or greater of
21 the county's total population in 2006. Each targeted county's share of one-time targeted
22 assistance for the county share of the nonfederal share of Medicaid shall be determined
23 by calculating the ratio of each targeted county's targeted assistance share to the total
24 Medicaid expenses of all of the targeted counties in fiscal year 2006-2007.

25 **SECTION 6.16.(d)** The Division of Medical Assistance shall distribute the
26 one-time assistance for the county share of the nonfederal share of Medicaid
27 expenditures by subtracting one-twelfth of each county's share of the one-time
28 assistance from the county's monthly Medical Assistance payments during fiscal year
29 2007-2008.

30 **SECTION 6.16.(e)** For purposes of this section:

- 31 (1) "Medical Assistance payments" include Medicare Part D payments.
- 32 (2) Medical Assistance payments in fiscal year 2006-2007 represent the
33 sum of 12 county warrants for Medicaid expenditures from June 2006
34 through May 2007. Medical Assistance payments in fiscal year
35 2007-2008 represent the sum of the 12 warrants for Medicaid
36 expenditures from June 2007 through May 2008.
- 37 (3) "Targeted county" is a county whose Medicaid population in 2006 was
38 twenty-five percent (25%) or greater of that county's total population
39 in 2006.
40

41 **ELIMINATION OF VACANT POSITIONS**

42 **SECTION 6.17.** The Office of State Budget and Management shall
43 eliminate all positions across State government that are funded through the General
44 Fund and vacant for more than six months on June 30, 2007, by transferring from the
45 various State departments, agencies, and institutions the salary and benefits related
46 funding appropriated for State government positions vacant on that date.
47 Notwithstanding G.S. 143C-6-9, the savings to the State associated with the elimination
48 of vacant positions required by this section shall be credited to the Reserve for
49 Compensation Increases, effective July 1, 2007.
50

51 **STUDY OF LAPSED SALARY USE**

SECTION 6.18.(a) The Office of State Budget and Management shall conduct an analysis of lapsed salary use by all State agencies. The analysis shall include a five-year history of lapsed salaries generated by State departments, institutions, and agencies and the uses of those lapsed salaries. The report should note instances where spending of lapsed salaries was specifically authorized by legislative action. The report shall include recommendations for methods to reduce the use of lapsed salary and the amount of funds generated as lapsed salary by use for each State department, institution, and agency.

SECTION 6.18.(b) The Office of State Budget and Management shall report its findings to the Joint Legislative Commission on Governmental Operations by April 30, 2008.

PART VII. PUBLIC SCHOOLS

TEACHER SALARY SCHEDULES

SECTION 7.1.(a) Effective for the 2007-2008 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 (d) 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 2007-2008 fiscal year to certified personnel of the public schools who are classified as teachers. The schedule contains 32 steps with each step corresponding to one year of teaching experience.

2007-2008 Monthly Salary Schedule

Years of Experience	"A" Teachers	NBPTS Certification
0	\$2,975	N/A
1	\$3,017	N/A
2	\$3,061	N/A
3	\$3,217	\$3,603
4	\$3,357	\$3,760
5	\$3,491	\$3,910
6	\$3,620	\$4,054
7	\$3,724	\$4,171
8	\$3,772	\$4,225
9	\$3,821	\$4,280
10	\$3,871	\$4,336
11	\$3,920	\$4,390
12	\$3,971	\$4,448
13	\$4,022	\$4,505
14	\$4,075	\$4,564
15	\$4,129	\$4,624
16	\$4,184	\$4,686
17	\$4,239	\$4,748
18	\$4,298	\$4,814

1	19	\$4,356	\$4,879
2	20	\$4,414	\$4,944
3	21	\$4,476	\$5,013
4	22	\$4,537	\$5,081
5	23	\$4,603	\$5,155
6	24	\$4,667	\$5,227
7	25	\$4,732	\$5,300
8	26	\$4,798	\$5,374
9	27	\$4,866	\$5,450
10	28	\$4,937	\$5,529
11	29	\$5,008	\$5,609
12	30	\$5,106	\$5,719
13	31+	\$5,208	\$5,833

2007-2008 Monthly Salary Schedule

"M" Teachers

Years of Experience	"M" Teachers	NBPTS Certification
18	0	N/A
19	1	N/A
20	2	N/A
21	3	\$3,964
22	4	\$4,136
23	5	\$4,301
24	6	\$4,460
25	7	\$4,588
26	8	\$4,647
27	9	\$4,707
28	10	\$4,769
29	11	\$4,829
30	12	\$4,892
31	13	\$4,955
32	14	\$5,021
33	15	\$5,087
34	16	\$5,154
35	17	\$5,223
36	18	\$5,295
37	19	\$5,367
38	20	\$5,438
39	21	\$5,515
40	22	\$5,590
41	23	\$5,671
42	24	\$5,750
43	25	\$5,830
44	26	\$5,911
45	27	\$5,995
46	28	\$6,083
47	29	\$6,170
48	30	\$6,291
49	31+	\$6,416

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

8 **SECTION 7.1.(d)** Certified public schoolteachers with certification based
9 on academic preparation at the six-year degree level shall receive a salary supplement of
10 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation
11 provided for certified personnel of the public schools who are classified as "M"
12 teachers. Certified public schoolteachers with certification based on academic
13 preparation at the doctoral degree level shall receive a salary supplement of two
14 hundred fifty-three dollars (\$253.00) per month in addition to the compensation
15 provided for certified personnel of the public schools who are classified as "M"
16 teachers.

17 **SECTION 7.1.(e)** The first step of the salary schedule for school
18 psychologists shall be equivalent to Step 5, corresponding to five years of experience,
19 on the salary schedule established in this section for certified personnel of the public
20 schools who are classified as "M" teachers. Certified psychologists shall be placed on
21 the salary schedule at an appropriate step based on their years of experience. Certified
22 psychologists shall receive longevity payments based on years of State service in the
23 same manner as teachers.

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

31 **SECTION 7.1.(f)** Speech pathologists who are certified as speech
32 pathologists at the master's degree level and audiologists who are certified as
33 audiologists at the master's degree level and who are employed in the public schools as
34 speech and language specialists and audiologists shall be paid on the school
35 psychologist salary schedule.

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

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

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

47 **SECTION 7.1.(i)** Teachers paid on Step 0 of the salary schedule for the
48 2007-2008 school year shall receive a one-time, lump sum sign-on bonus of two
49 hundred fifty dollars (\$250.00), payable at the end of the school year.

50 SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 7.2.(a) Effective for the 2007-2008 school year, the Director of the Budget shall transfer from the Reserve for Compensation Increases funds necessary to implement the salary schedules for school-based administrators as provided in this section. These funds shall be used for State-paid employees only.

SECTION 7.2.(b) The base salary schedule for school-based administrators shall apply only to principals and assistant principals. The base salary schedule for the 2007-2008 fiscal year, commencing July 1, 2007, is as follows:

2007-2008 Principal and Assistant Principal Salary Schedules
Classification

Years of Exp	Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)
0-4	\$3,730	-	-	-	-
5	\$3,878	-	-	-	-
6	\$4,022	-	-	-	-
7	\$4,137	-	-	-	-
8	\$4,190	\$4,190	-	-	-
9	\$4,245	\$4,245	-	-	-
10	\$4,301	\$4,301	\$4,355	-	-
11	\$4,355	\$4,355	\$4,412	-	-
12	\$4,412	\$4,412	\$4,468	\$4,528	-
13	\$4,468	\$4,468	\$4,528	\$4,587	\$4,648
14	\$4,528	\$4,528	\$4,587	\$4,648	\$4,710
15	\$4,587	\$4,587	\$4,648	\$4,710	\$4,775
16	\$4,648	\$4,648	\$4,710	\$4,775	\$4,840
17	\$4,710	\$4,710	\$4,775	\$4,840	\$4,904
18	\$4,775	\$4,775	\$4,840	\$4,904	\$4,973
19	\$4,840	\$4,840	\$4,904	\$4,973	\$5,041
20	\$4,904	\$4,904	\$4,973	\$5,041	\$5,114
21	\$4,973	\$4,973	\$5,041	\$5,114	\$5,185
22	\$5,041	\$5,041	\$5,114	\$5,185	\$5,257
23	\$5,114	\$5,114	\$5,185	\$5,257	\$5,331
24	\$5,185	\$5,185	\$5,257	\$5,331	\$5,407
25	\$5,257	\$5,257	\$5,331	\$5,407	\$5,485
26	\$5,331	\$5,331	\$5,407	\$5,485	\$5,564
27	\$5,407	\$5,407	\$5,485	\$5,564	\$5,675
28	\$5,485	\$5,485	\$5,564	\$5,675	\$5,789
29	\$5,564	\$5,564	\$5,675	\$5,789	\$5,905
30	\$5,675	\$5,675	\$5,789	\$5,905	\$6,023
31	\$5,789	\$5,789	\$5,905	\$6,023	\$6,143
32	-	\$5,905	\$6,023	\$6,143	\$6,266
33	-	-	\$6,143	\$6,266	\$6,391
34	-	-	\$6,266	\$6,391	\$6,519
35	-	-	-	\$6,519	\$6,649
36	-	-	-	\$6,649	\$6,782
37	-	-	-	-	\$6,918

2007-2008 Principal and Assistant Principal Salary Schedules
Classification

Years of Exp	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
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1	0-14	\$4,775	-	-	-
2	15	\$4,840	-	-	-
3	16	\$4,904	\$4,973	-	-
4	17	\$4,973	\$5,041	\$5,185	-
5	18	\$5,041	\$5,114	\$5,257	\$5,331
6	19	\$5,114	\$5,185	\$5,331	\$5,407
7	20	\$5,185	\$5,257	\$5,407	\$5,485
8	21	\$5,257	\$5,331	\$5,485	\$5,564
9	22	\$5,331	\$5,407	\$5,564	\$5,675
10	23	\$5,407	\$5,485	\$5,675	\$5,789
11	24	\$5,485	\$5,564	\$5,789	\$5,905
12	25	\$5,564	\$5,675	\$5,905	\$6,023
13	26	\$5,675	\$5,789	\$6,023	\$6,143
14	27	\$5,789	\$5,905	\$6,143	\$6,266
15	28	\$5,905	\$6,023	\$6,266	\$6,391
16	29	\$6,023	\$6,143	\$6,391	\$6,519
17	30	\$6,143	\$6,266	\$6,519	\$6,649
18	31	\$6,266	\$6,391	\$6,649	\$6,782
19	32	\$6,391	\$6,519	\$6,782	\$6,918
20	33	\$6,519	\$6,649	\$6,918	\$7,056
21	34	\$6,649	\$6,782	\$7,056	\$7,197
22	35	\$6,782	\$6,918	\$7,197	\$7,341
23	36	\$6,918	\$7,056	\$7,341	\$7,488
24	37	\$7,056	\$7,197	\$7,488	\$7,638
25	38	\$7,197	\$7,341	\$7,638	\$7,791
26	39	-	\$7,488	\$7,791	\$7,947
27	40	-	\$7,638	\$7,947	\$8,106
28	41	-	-	\$8,106	\$8,268

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

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

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

The beginning classification for principals in alternative schools and in cooperative innovative high school programs shall be the Principal III level. Principals

1 in alternative schools who supervise 33 or more teachers shall be classified according to
 2 the number of teachers supervised.

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

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

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

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

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

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

32 **SECTION 7.2.(h)** Participants in an approved full-time master's in school
 33 administration program shall receive up to a 10-month stipend at the beginning salary of
 34 an assistant principal during the internship period of the master's program. For the
 35 2006-2007 fiscal year and subsequent fiscal years, the stipend shall not exceed the
 36 difference between the beginning salary of an assistant principal plus the cost of tuition,
 37 fees, and books and any fellowship funds received by the intern as a full-time student,
 38 including awards of the Principal Fellows Program. The Principal Fellows Program or
 39 the school of education where the intern participates in a full-time master's in school
 40 administration program shall supply the Department of Public Instruction with
 41 certification of eligible full-time interns.

42 **SECTION 7.2.(i)** During the 2007-2008 fiscal year, the placement on the
 43 salary schedule of an administrator with a one-year provisional assistant principal's
 44 certificate shall be at the entry-level salary for an assistant principal or the appropriate
 45 step on the teacher salary schedule, whichever is higher.

46
 47 **CENTRAL OFFICE SALARIES**

48 **SECTION 7.3.(a)** The monthly salary ranges that follow apply to assistant
 49 superintendents, associate superintendents, directors/coordinators, supervisors, and
 50 finance officers for the 2007-2008 fiscal year, beginning July 1, 2007.

51 School Administrator I \$3,305 \$6,207

1	School Administrator II	\$3,580	\$6,583
2	School Administrator III	\$3,724	\$6,984
3	School Administrator IV	\$3,874	\$7,262
4	School Administrator V	\$4,029	\$7,556
5	School Administrator VI	\$4,275	\$8,013
6	School Administrator VII	\$4,447	\$8,305

7 The local board of education shall determine the appropriate category and
8 placement for each assistant superintendent, associate superintendent,
9 director/coordinator, supervisor, or finance officer within the salary ranges and within
10 funds appropriated by the General Assembly for central office administrators and
11 superintendents. The category in which an employee is placed shall be included in the
12 contract of any employee.

13 **SECTION 7.3.(b)** The monthly salary ranges that follow apply to public
14 school superintendents for the 2007-2008 fiscal year, beginning July 1, 2007.

15	Superintendent I	\$4,719	\$8,842
16	Superintendent II	\$5,010	\$9,376
17	Superintendent III	\$5,316	\$9,949
18	Superintendent IV	\$5,642	\$10,552
19	Superintendent V	\$5,988	\$11,195

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

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

27 **SECTION 7.3.(d)** Superintendents, assistant superintendents, associate
28 superintendents, directors/coordinators, supervisors, and finance officers with
29 certification based on academic preparation at the six-year degree level shall receive a
30 salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to
31 the compensation provided pursuant to this section. Superintendents, assistant
32 superintendents, associate superintendents, directors/coordinators, supervisors, and
33 finance officers with certification based on academic preparation at the doctoral degree
34 level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per
35 month in addition to the compensation provided for under this section.

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

39 **SECTION 7.3.(f)** The annual salary increase for all permanent full-time
40 personnel paid from the Central Office Allotment shall be four and one-quarter percent
41 (4.25%), commencing July 1, 2007. The State Board of Education shall allocate these
42 funds to local school administrative units. The local boards of education shall establish
43 guidelines for providing salary increases to these personnel.

44 **NONCERTIFIED PERSONNEL SALARIES**

45 **SECTION 7.4.(a)** The annual salary increase for permanent, full-time
46 noncertified public school employees whose salaries are supported from the State's
47 General Fund shall be four and one-quarter percent (4.25%) commencing July 1, 2007.

48 **SECTION 7.4.(b)** Local boards of education shall increase the rates of pay
49 for such employees who were employed for all or part of fiscal year 2006-2007 and who
50

1 continue their employment for fiscal year 2007-2008 by providing an annual salary
2 increase for employees of four and one-quarter percent (4.25%).

3 For part-time employees, the pay increase shall be pro rata based on the
4 number of hours worked.

5 **SECTION 7.4.(c)** The State Board of Education may adopt salary ranges for
6 noncertified personnel to support increases of four and one-quarter percent (4.25%) for
7 the 2007-2008 fiscal year.

8 9 **BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY** 10 **SCHEDULES**

11 **SECTION 7.5.** Effective July 1, 2007, any permanent personnel employed
12 on July 1, 2007, and paid at the top of the principal and assistant principal salary
13 schedule shall receive a one-time bonus equivalent to two percent (2%). Personnel
14 defined under G.S. 115C-325(a)(5a) are not eligible to receive the bonus.

15 16 **USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES**

17 **SECTION 7.6.(a)** Funds for Supplemental Funding. – The General
18 Assembly finds that it is appropriate to provide supplemental funds in low-wealth
19 counties to allow those counties to enhance the instructional program and student
20 achievement. Therefore, funds are appropriated to State Aid to Local School
21 Administrative Units for the 2007-2008 fiscal year and the 2008-2009 fiscal year to be
22 used for supplemental funds for the schools.

23 **SECTION 7.6.(b)** Use of Funds for Supplemental Funding. – All funds
24 received pursuant to this section shall be used only: (i) to provide instructional
25 positions, instructional support positions, teacher assistant positions, clerical positions,
26 school computer technicians, instructional supplies and equipment, staff development,
27 and textbooks; (ii) for salary supplements for instructional personnel and instructional
28 support personnel; and (iii) to pay an amount not to exceed ten thousand dollars
29 (\$10,000) of the plant operation contract cost charged by the Department of Public
30 Instruction for services.

31 Local boards of education are encouraged to use at least twenty-five percent
32 (25%) of the funds received pursuant to this section to improve the academic
33 performance of children who are performing at Level I or II on either reading or
34 mathematics end-of-grade tests in grades 3-8 and children who are performing at Level
35 I or II on the writing tests in grades 4 and 7. Local boards of education shall report to
36 the State Board of Education on an annual basis on funds used for this purpose, and the
37 State Board shall report this information to the Joint Legislative Education Oversight
38 Committee. These reports shall specify how these funds were targeted and used to
39 implement specific improvement strategies of each local school administrative unit and
40 its schools, such as teacher recruitment, closing the achievement gap, improving student
41 accountability, addressing the needs of at-risk students, and establishing and
42 maintaining safe schools.

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

- 44 (1) "Anticipated county property tax revenue availability" means the
45 county-adjusted property tax base multiplied by the effective State
46 average tax rate.
- 47 (2) "Anticipated total county revenue availability" means the sum of the:
48 a. Anticipated county property tax revenue availability,
49 b. Local sales and use taxes received by the county that are levied
50 under Chapter 1096 of the 1967 Session Laws or under
51 Subchapter VIII of Chapter 105 of the General Statutes,

- 1 c. Sales tax hold harmless reimbursement received by the county
2 under G.S. 105-521, and
3 d. Fines and forfeitures deposited in the county school fund for the
4 most recent year for which data are available.
- 5 (3) "Anticipated total county revenue availability per student" means the
6 anticipated total county revenue availability for the county divided by
7 the average daily membership of the county.
- 8 (4) "Anticipated State average revenue availability per student" means the
9 sum of all anticipated total county revenue availability divided by the
10 average daily membership for the State.
- 11 (5) "Average daily membership" means average daily membership as
12 defined in the North Carolina Public Schools Allotment Policy
13 Manual, adopted by the State Board of Education. If a county contains
14 only part of a local school administrative unit, the average daily
15 membership of that county includes all students who reside within the
16 county and attend that local school administrative unit.
- 17 (6) "County-adjusted property tax base" shall be computed as follows:
18 a. Subtract the present-use value of agricultural land, horticultural
19 land, and forestland in the county, as defined in G.S. 105-277.2,
20 from the total assessed real property valuation of the county,
21 b. Adjust the resulting amount by multiplying by a weighted
22 average of the three most recent annual sales assessment ratio
23 studies,
24 c. Add to the resulting amount the:
25 1. Present-use value of agricultural land, horticultural land,
26 and forestland, as defined in G.S. 105-277.2,
27 2. Value of property of public service companies,
28 determined in accordance with Article 23 of Chapter 105
29 of the General Statutes, and
30 3. Personal property value for the county.
- 31 (7) "County-adjusted property tax base per square mile" means the
32 county-adjusted property tax base divided by the number of square
33 miles of land area in the county.
- 34 (8) "County wealth as a percentage of State average wealth" shall be
35 computed as follows:
36 a. Compute the percentage that the county per capita income is of
37 the State per capita income and weight the resulting percentage
38 by a factor of five-tenths,
39 b. Compute the percentage that the anticipated total county
40 revenue availability per student is of the anticipated State
41 average revenue availability per student and weight the
42 resulting percentage by a factor of four-tenths,
43 c. Compute the percentage that the county-adjusted property tax
44 base per square mile is of the State-adjusted property tax base
45 per square mile and weight the resulting percentage by a factor
46 of one-tenth,
47 d. Add the three weighted percentages to derive the county wealth
48 as a percentage of the State average wealth.
- 49 (9) "Effective county tax rate" means the actual county tax rate multiplied
50 by a weighted average of the three most recent annual sales assessment
51 ratio studies.

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

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

38 **SECTION 7.6.(e)** Allocation of Funds. – Except as provided in subsection
39 (g) of this section, the amount received per average daily membership for a county shall
40 be the difference between the State average current expense appropriations per student
41 and the current expense appropriations per student that the county could provide given
42 the county's wealth and an average effort to fund public schools. (To derive the current
43 expense appropriations per student that the county could be able to provide given the
44 county's wealth and an average effort to fund public schools, multiply the county wealth
45 as a percentage of State average wealth by the State average current expense
46 appropriations per student.)

47 The funds for the local school administrative units located in whole or in part
48 in the county shall be allocated to each local school administrative unit located in whole
49 or in part in the county based on the average daily membership of the county's students
50 in the school units.

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

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

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

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

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

28 **SECTION 7.6.(h)** Nonsupplant Requirement. – A county in which a local
29 school administrative unit receives funds under this section shall use the funds to
30 supplement local current expense funds and shall not supplant local current expense
31 funds. For the 2007-2009 fiscal biennium, the State Board of Education shall not
32 allocate funds under this section to a county found to have used these funds to supplant
33 local per student current expense funds. The State Board of Education shall make a
34 finding that a county has used these funds to supplant local current expense funds in the
35 prior year, or the year for which the most recent data are available, if:

- 36 (1) The current expense appropriation per student of the county for the
37 current year is less than ninety-five percent (95%) of the average of the
38 local current expense appropriations per student for the three prior
39 fiscal years; and
- 40 (2) The county cannot show: (i) that it has remedied the deficiency in
41 funding or (ii) that extraordinary circumstances caused the county to
42 supplant local current expense funds with funds allocated under this
43 section.

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

45 **SECTION 7.6.(i)** Reports. – The State Board of Education shall report to the
46 Joint Legislative Education Oversight Committee prior to May 1, 2008, if it determines
47 that counties have supplanted funds.

48 **SECTION 7.6.(j)** Department of Revenue Reports. – The Department of
49 Revenue shall provide to the Department of Public Instruction a preliminary report for
50 the current fiscal year of the assessed value of the property tax base for each county
51 prior to March 1 of each year and a final report prior to May 1 of each year. The reports

1 shall include for each county the annual sales assessment ratio and the taxable values of
2 (i) total real property, (ii) the portion of total real property represented by the
3 present-use value of agricultural land, horticultural land, and forestland as defined in
4 G.S. 105-277.2, (iii) property of public service companies determined in accordance
5 with Article 23 of Chapter 105 of the General Statutes, and (iv) personal property.
6

7 **SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

8 **SECTION 7.7.(a)** Funds for Small School Systems. – Except as provided in
9 subsection (b) of this section, the State Board of Education shall allocate funds
10 appropriated for small school system supplemental funding (i) to each county school
11 administrative unit with an average daily membership of fewer than 3,175 students and
12 (ii) to each county school administrative unit with an average daily membership from
13 3,175 to 4,000 students if the county in which the local school administrative unit is
14 located has a county-adjusted property tax base per student that is below the
15 State-adjusted property tax base per student and if the total average daily membership of
16 all local school administrative units located within the county is from 3,175 to 4,000
17 students. The allocation formula shall:

- 18 (1) Round all fractions of positions to the next whole position.
- 19 (2) Provide five and one-half additional regular classroom teachers in
20 counties in which the average daily membership per square mile is
21 greater than four and seven additional regular classroom teachers in
22 counties in which the average daily membership per square mile is
23 four or fewer.
- 24 (3) Provide additional program enhancement teachers adequate to offer
25 the standard course of study.
- 26 (4) Change the duty-free period allocation to one teacher assistant per 400
27 average daily membership.
- 28 (5) Provide a base for the consolidated funds allotment of at least seven
29 hundred seventy-seven thousand one hundred eleven dollars
30 (\$777,111), excluding textbooks for the 2007-2008 fiscal year and a
31 base of at least seven hundred seventy-seven thousand one hundred
32 eleven dollars (\$777,111) for the 2008-2009 fiscal year.
- 33 (6) Allot vocational education funds for grade 6 as well as for grades 7-12.

34 If funds appropriated for each fiscal year for small school system
35 supplemental funding are not adequate to fully fund the program, the State Board of
36 Education shall reduce the amount allocated to each county school administrative unit
37 on a pro rata basis. This formula is solely a basis for distribution of supplemental
38 funding for certain county school administrative units and is not intended to reflect any
39 measure of the adequacy of the educational program or funding for public schools. The
40 formula is also not intended to reflect any commitment by the General Assembly to
41 appropriate any additional supplemental funds for such county school administrative
42 units.

43 **SECTION 7.7.(b)** Nonsupplant Requirement. – A county in which a local
44 school administrative unit receives funds under this section shall use the funds to
45 supplement local current expense funds and shall not supplant local current expense
46 funds. For the 2007-2009 fiscal biennium, the State Board of Education shall not
47 allocate funds under this section to a county found to have used these funds to supplant
48 local per student current expense funds. The State Board of Education shall make a
49 finding that a county has used these funds to supplant local current expense funds in the
50 prior year, or the year for which the most recent data are available, if:

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

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

10 **SECTION 7.7.(c) Phase-Out Provisions.** – If a local school administrative
11 unit becomes ineligible for funding under this formula because of (i) an increase in the
12 population of the county in which the local school administrative unit is located or (ii)
13 an increase in the county-adjusted property tax base per student of the county in which
14 the local school administrative unit is located, funding for that unit shall be continued
15 for seven years after the unit becomes ineligible.

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

- 17 (1) "Average daily membership" means within two percent (2%) of the
18 average daily membership as defined in the North Carolina Public
19 Schools Allotment Policy Manual adopted by the State Board of
20 Education.
21 (2) "County-adjusted property tax base per student" means the total
22 assessed property valuation for each county, adjusted using a weighted
23 average of the three most recent annual sales assessment ratio studies,
24 divided by the total number of students in average daily membership
25 who reside within the county.
26 (2a) "Local current expense funds" means the most recent county current
27 expense appropriations to public schools, as reported by local boards
28 of education in the audit report filed with the Secretary of the Local
29 Government Commission pursuant to G.S. 115C-447.
30 (3) "Sales assessment ratio studies" means sales assessment ratio studies
31 performed by the Department of Revenue under G.S. 105-289(h).
32 (4) "State-adjusted property tax base per student" means the sum of all
33 county-adjusted property tax bases divided by the total number of
34 students in average daily membership who reside within the State.
35 (4a) "Supplant" means to decrease local per student current expense
36 appropriations from one fiscal year to the next fiscal year.
37 (5) "Weighted average of the three most recent annual sales assessment
38 ratio studies" means the weighted average of the three most recent
39 annual sales assessment ratio studies in the most recent years for which
40 county current expense appropriations and adjusted property tax
41 valuations are available. If real property in a county has been revalued
42 one year prior to the most recent sales assessment ratio study, a
43 weighted average of the two most recent sales assessment ratios shall
44 be used. If property has been revalued during the year of the most
45 recent sales assessment ratio study, the sales assessment ratio for the
46 year of revaluation shall be used.

47 **SECTION 7.7.(e) Reports.** – The State Board of Education shall report to
48 the Joint Legislative Education Oversight Committee prior to May 1, 2008, if it
49 determines that counties have supplanted funds.

50 **SECTION 7.7.(f) Use of Funds.** – Local boards of education are encouraged
51 to use at least twenty percent (20%) of the funds they receive pursuant to this section to

1 improve the academic performance of children who are performing at Level I or II on
2 either reading or mathematics end-of-grade tests in grades 3-8 and children who are
3 performing at Level I or II on the writing tests in grades 4 and 7. Local boards of
4 education shall report to the State Board of Education on an annual basis on funds used
5 for this purpose, and the State Board shall report this information to the Joint
6 Legislative Education Oversight Committee. These reports shall specify how these
7 funds were targeted and used to implement specific improvement strategies of each
8 local school administrative unit and its schools such as teacher recruitment, closing the
9 achievement gap, improving student accountability, addressing the needs of at-risk
10 students, and establishing and maintaining safe schools.

11 12 **DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING**

13 **SECTION 7.8.(a)** Funds are appropriated in this act to address the capacity
14 needs of local school administrative units to meet the needs of disadvantaged students.
15 Each local school administrative unit shall use funds allocated to it for disadvantaged
16 student supplemental funding to implement a plan jointly developed by the unit and the
17 LEA Assistance Program team. The plan shall be based upon the needs of students in
18 the unit not achieving grade-level proficiency. The plan shall detail how these funds
19 shall be used in conjunction with all other supplemental funding allotments such as
20 Low-Wealth, Small County, At-Risk Student Services/Alternative Schools, and
21 Improving Student Accountability, to provide instructional and other services that meet
22 the educational needs of these students. Prior to the allotment of disadvantaged student
23 supplemental funds, the plan shall be approved by the State Board of Education.

24 Funds received for disadvantaged student supplemental funding shall be used,
25 consistent with the policies and procedures adopted by the State Board of Education,
26 only to:

- 27 (1) Provide instructional positions or instructional support positions and/or
28 professional development;
- 29 (2) Provide intensive in-school and/or after-school remediation;
- 30 (3) Purchase diagnostic software and progress-monitoring tools; and
- 31 (4) Provide funds for teacher bonuses and supplements. The State Board
32 of Education shall set a maximum percentage of the funds that may be
33 used for this purpose.

34 The State Board of Education may require districts receiving funding under
35 the Disadvantaged Student Supplemental Fund to purchase the Education Value Added
36 Assessment System in order to provide in-depth analysis of student performance and
37 help identify strategies for improving student achievement. This data shall be used
38 exclusively for instructional and curriculum decisions made in the best interest of
39 children and for professional development for their teachers and administrators.

40 **SECTION 7.8.(b)** Funds are appropriated in this act to evaluate the
41 Disadvantaged Student Supplemental Funding Initiatives and Low-Wealth Initiatives.
42 The State Board of Education shall use these funds to:

- 43 (1) Evaluate the strategies implemented by local school administrative
44 units with Disadvantaged Student Supplemental Funds and
45 Low-Wealth Funds and assess their impact on student performance;
46 and
- 47 (2) Evaluate the efficiency and effectiveness of the technical assistance
48 and support provided to local school administrative units by the
49 Department of Public Instruction.

1 The State Board of Education shall report the results of the evaluation to the
2 Office of State Budget and Management, the Joint Legislative Education Oversight
3 Committee, and the Fiscal Research Division by January 15 of each year.

4 **SECTION 7.8.(c)** Funds appropriated to a local school administrative unit
5 for disadvantaged student supplemental funding shall be allotted based on: (i) the local
6 school administrative unit's eligible DSSF population and (ii) the difference between a
7 teacher-to-student ratio of 1:21 and the following teacher-to-student ratios:

- 8 (1) For counties with wealth greater than ninety percent (90%) of the
9 statewide average, a ratio of 1:20;
- 10 (2) For counties with wealth not less than eighty percent (80%) and not
11 greater than ninety percent (90%) of the statewide average, a ratio of
12 1:19.5;
- 13 (3) For counties with wealth less than eighty percent (80%) of the
14 statewide average, a ratio of 1:18.8; and
- 15 (4) For LEAs receiving DSSF funds in 2005-2006, a ratio of 1:16. These
16 LEAs shall receive no less than the DSSF amount allotted in
17 2006-2007.

18 For the purpose of this subsection, wealth shall be calculated under the low-wealth
19 supplemental formula.

20 **SECTION 7.8.(d)** If a local school administrative unit's wealth increases to a
21 level that adversely affects the unit's DSSF allotment ratio, the DSSF allotment ratio for
22 that unit shall be maintained at the prior year level for one additional fiscal year.

23 24 **STUDENTS WITH LIMITED ENGLISH PROFICIENCY**

25 **SECTION 7.9.(a)** The State Board of Education shall develop guidelines for
26 identifying and providing services to students with limited proficiency in the English
27 language.

28 The State Board shall allocate these funds to local school administrative units
29 and to charter schools under a formula that takes into account the average percentage of
30 students in the units or the charters over the past three years who have limited English
31 proficiency. The State Board shall allocate funds to a unit or a charter school only if (i)
32 average daily membership of the unit or the charter school includes at least 20 students
33 with limited English proficiency or (ii) students with limited English proficiency
34 comprise at least two and one-half percent (2.5%) of the average daily membership of
35 the unit or charter school. For the portion of the funds that is allocated on the basis of
36 the number of identified students, the maximum number of identified students for whom
37 a unit or charter school receives funds shall not exceed ten and six-tenths percent
38 (10.6%) of its average daily membership.

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

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

46 **SECTION 7.9.(b)** The Department of Public Instruction shall prepare a
47 current head count of the number of students classified with limited English proficiency
48 by December 1 of each year.

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

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

3 4 **CHILDREN WITH DISABILITIES**

5 **SECTION 7.10.** The State Board of Education shall allocate funds for
6 children with disabilities on the basis of three thousand one hundred eighty-six dollars
7 and fifty-seven cents (\$3,186.57) per child for a maximum of 172,317 children for the
8 2007-2008 school year. Each local school administrative unit shall receive funds for the
9 lesser of (i) all children who are identified as children with disabilities or (ii) twelve and
10 five-tenths percent (12.5%) of the 2007-2008 allocated average daily membership in the
11 local school administrative unit.

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

16 17 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

18 **SECTION 7.11.** The State Board of Education shall allocate funds for
19 academically or intellectually gifted children on the basis of one thousand forty-two
20 dollars and fifty-three cents (\$1,042.53) per child. A local school administrative unit
21 shall receive funds for a maximum of four percent (4%) of its 2007-2008 allocated
22 average daily membership, regardless of the number of children identified as
23 academically or intellectually gifted in the unit. The State Board shall allocate funds for
24 no more than 58,470 children for the 2007-2008 school year.

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

29 30 **EXPENDITURE OF FUNDS TO IMPROVE STUDENT ACCOUNTABILITY**

31 **SECTION 7.12.(a)** Funds appropriated for the 2007-2008 and 2008-2009
32 fiscal years for Student Accountability Standards shall be used to assist students to
33 perform at or above grade level in reading and mathematics in grades 3-8 as measured
34 by the State's end-of-grade tests. The State Board of Education shall allocate these funds
35 to local school administrative units based on the number of students who score at Level
36 I or Level II on either reading or mathematics end-of-grade tests in grades 3-8. Funds in
37 the allocation category shall be used to improve the academic performance of (i)
38 students who are performing at Level I or II on either reading or mathematics
39 end-of-grade tests in grades 3-8 or (ii) students who are performing at Level I or II on
40 the writing tests in grades 4 and 7. These funds may also be used to improve the
41 academic performance of students who are performing at Level I or II on the high
42 school end-of-course tests. These funds shall not be transferred to other allocation
43 categories or otherwise used for other purposes. Except as otherwise provided by law,
44 local boards of education may transfer other funds available to them into this allocation
45 category.

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

49 Local boards of education are encouraged to use federal funds such as Title I
50 Comprehensive School Reform Development Funds and to examine the use of State

1 funds to ensure that every student is performing at or above grade level in reading and
2 mathematics.

3 These funds shall be allocated to local school administrative units for the
4 2007-2008 fiscal year within 30 days of the date this act becomes law.

5 **SECTION 7.12.(b)** Funds appropriated for Student Accountability
6 Standards shall not revert at the end of each fiscal year but shall remain available for
7 expenditure until August 31 of the subsequent fiscal year.
8

9 **LITIGATION RESERVE FUNDS**

10 **SECTION 7.13.** The State Board of Education may expend up to two
11 hundred thousand dollars (\$200,000) each year for the 2007-2008 and 2008-2009 fiscal
12 years from unexpended funds for certified employees' salaries to pay expenses related to
13 pending litigation.
14

15 **REPLACEMENT SCHOOL BUSES FUNDS**

16 **SECTION 7.14.(a)** The State Board of Education may impose any of the
17 following conditions on allotments to local boards of education for replacement school
18 buses:

- 19 (1) The local board of education shall use the funds only to make the first,
20 second, or third year's payment on a financing contract entered into
21 pursuant to G.S. 115C-528.
- 22 (2) The term of a financing contract entered into under this section shall
23 not exceed three years.
- 24 (3) The local board of education shall purchase the buses only from
25 vendors selected by the State Board of Education and on terms
26 approved by the State Board of Education.
- 27 (4) The Department of Administration, Division of Purchase and Contract,
28 in cooperation with the State Board of Education, shall solicit bids for
29 the direct purchase of school buses and activity buses and shall
30 establish a statewide term contract for use by the State Board of
31 Education. Local boards of education and other agencies shall be
32 eligible to purchase from the statewide term contract. The State Board
33 of Education shall also solicit bids for the financing of school buses.
- 34 (5) A bus financed pursuant to this section shall meet all State and federal
35 motor vehicle safety regulations for school buses.
- 36 (6) Any other condition the State Board of Education considers
37 appropriate.

38 **SECTION 7.14.(b)** Any term contract for the purchase or lease-purchase of
39 school buses or school activity buses shall not require vendor payment of the electronic
40 procurement transaction fee of the North Carolina E-Procurement Service.
41

42 **DISCREPANCIES BETWEEN ANTICIPATED AND ACTUAL ADM**

43 **SECTION 7.15.(a)** If the State Board of Education does not have sufficient
44 resources in the ADM Contingency Reserve line item to make allotment adjustments in
45 accordance with the Allotment Adjustments for ADM Growth provisions of the North
46 Carolina Public Schools Allotment Policy Manual, the State Board of Education may
47 use funds appropriated to State Aid for Public Schools for this purpose.

48 **SECTION 7.15.(b)** If the higher of the first or second month average daily
49 membership in a local school administrative unit is at least two percent (2%) or 100
50 students lower than the anticipated average daily membership used for allotments for
51 the unit, the State Board of Education shall reduce allotments for the unit. The reduced

1 allotments shall be based on the higher of the first or second month average daily
2 membership plus one-half of the number of students overestimated in the anticipated
3 average daily membership.

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

7 8 **CHARTER SCHOOL EVALUATION**

9 **SECTION 7.16.(a)** The State Board of Education may spend up to fifty
10 thousand dollars (\$50,000) a year from State Aid to Local School Administrative Units
11 for the 2007-2008 and 2008-2009 fiscal years to evaluate charter schools. In particular,
12 the State Board of Education shall consider the extent to which charter schools have
13 accomplished the following six objectives, which are set out in G.S. 115C-238.29A:

- 14 (1) Improve student learning;
- 15 (2) Increase learning opportunities for all students, with special emphasis
16 on expanded learning experiences for students who are identified as at
17 risk of academic failure or academically gifted;
- 18 (3) Encourage the use of different and innovative teaching methods;
- 19 (4) Create new professional opportunities for teachers, including the
20 opportunities to be responsible for the learning program at the school
21 site;
- 22 (5) Provide parents and students with expanded choices in the types of
23 educational opportunities that are available within the public school
24 system; and
- 25 (6) Hold the schools established under this Part accountable for meeting
26 measurable student achievement results and provide the schools with a
27 method to change from rule-based to performance-based
28 accountability systems.

29 **SECTION 7.16.(b)** The State Board of Education shall report the results of
30 its evaluation to the Joint Legislative Education Oversight Committee and the Fiscal
31 Research Division.

32 33 **MENTOR TEACHER FUNDS MAY BE USED FOR FULL-TIME MENTORS**

34 **SECTION 7.17.(a)** The State Board of Education shall grant flexibility to a
35 local board of education regarding the use of mentor funds to provide mentoring
36 support, provided the local board submits a detailed plan on the use of the funds to the
37 State Board and the State Board approves that plan. The plan shall include information
38 on how all mentors in the local school administrative unit have been or will be
39 adequately trained to provide mentoring support.

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

44 **SECTION 7.17.(b)** The State Board, after consultation with the Professional
45 Teaching Standards Commission, shall adopt standards for mentor training.

46 **SECTION 7.17.(c)** Each local board of education with a plan approved
47 pursuant to subsection (a) of this section shall report to the State Board on the impact of
48 its mentor program on teacher retention. The State Board shall analyze these reports to
49 determine the characteristics of mentor programs that are most effective in retaining
50 teachers and shall report its findings to the Joint Legislative Education Oversight
51 Committee by October 15 of each year of the biennium.

1 **SECTION 7.17.(d)** In addition to the report required in subsection (c) of this
2 section, the State shall also evaluate the effectiveness of a representative sample of local
3 mentor programs and report on its findings to the Joint Legislative Education Oversight
4 Committee and the Fiscal Research Division by December 15 of each year of the
5 biennium. The evaluation shall focus on quantitative evidence, quality of service
6 delivery, and satisfaction of those involved. The report shall include the results of the
7 evaluation and recommendations both for improving mentor programs generally and for
8 an appropriate level of State support for mentor programs.
9

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

11 **SECTION 7.18.(a)** The State Board of Education shall use funds
12 appropriated in this act for State Aid to Local School Administrative Units to provide
13 incentive funding for schools that met or exceeded the projected levels of improvement
14 in student performance during the 2006-2007 school year, in accordance with the ABCs
15 of Public Education Program. In accordance with State Board of Education policy:

- 16 (1) Incentive awards in schools that achieve higher than expected
17 improvements may be:
 - 18 a. Up to one thousand five hundred dollars (\$1,500) for each
19 teacher and for certified personnel; and
 - 20 b. Up to five hundred dollars (\$500.00) for each teacher assistant.
- 21 (2) Incentive awards in schools that meet the expected improvements may
22 be:
 - 23 a. Up to seven hundred fifty dollars (\$750.00) for each teacher and
24 for certified personnel; and
 - 25 b. Up to three hundred seventy-five dollars (\$375.00) for each
26 teacher assistant.

27 **SECTION 7.18.(b)** The State Board of Education may use funds
28 appropriated to the State Public School Fund to implement the consolidated assistance
29 program, as directed in Section 7.6(b) of S.L. 2006-66. The Board shall report to the
30 Joint Legislative Education Oversight Committee by January 15, 2008, on any
31 restructuring of the program pursuant to this section.
32

33 **LEARN AND EARN HIGH SCHOOLS**

34 **SECTION 7.19.(a)** Funds are appropriated in this act for the Learn and Earn
35 high school workforce development program. The purpose of the program is to create
36 rigorous and relevant high school options that provide students with the opportunity and
37 assistance to earn an associate degree or two years of college credit by the conclusion of
38 the year after their senior year in high school. The State Board of Education shall work
39 closely with the Education Cabinet and the New Schools Project in administering the
40 program.

41 **SECTION 7.19.(b)** These funds shall be used to establish new high schools
42 in which a local school administrative unit, two- and four-year colleges and universities,
43 and local employers work together to ensure that high school and postsecondary college
44 curricula operate seamlessly and meet the needs of participating employers.

45 Funds shall not be allotted until Learn and Earn high schools are certified as
46 operational.

47 **SECTION 7.19.(c)** During the first year of its operation, a high school
48 established under G.S. 115C-238.50 shall be allotted a principal regardless of the
49 number of State-paid teachers assigned to the school or the number of students enrolled
50 in the school. The budget flexibility authorized by G.S. 115C-105.25 does not apply to
51 these positions.

1 **SECTION 7.19.(d)** The State Board of Education, in consultation with the
2 State Board of Community Colleges and The University of North Carolina Board of
3 Governors, shall conduct an annual evaluation of this program. The evaluation shall
4 include measures as identified in G.S. 115C-238.55. It shall also include: (i) an
5 accounting of how funds and personnel resources were utilized and their impact on
6 student achievement, retention, and employability; (ii) recommended statutory and
7 policy changes; and (iii) recommendations for improvement of the program. The State
8 Board of Education shall report the results of this evaluation to the Office of State
9 Budget and Management, the Joint Legislative Education Oversight Committee, and the
10 Fiscal Research Division by January 15 of each fiscal year.

11 **SECTION 7.19.(e)** Enrollment fees and tuition for The University of North
12 Carolina courses in which Learn and Earn students are enrolled are allowable uses of
13 these funds. Tuition costs may include laboratory fees assessed to all students enrolled
14 in the course or a similar course.

15 **SECTION 7.19.(f)** Textbooks required for college courses in which Learn
16 and Earn students are enrolled may be purchased with these funds.

17 **SECTION 7.19.(g)** Payment of fees from these funds by local school
18 administrative units to partnering community colleges and universities are restricted to
19 technology or course fees. Funds appropriated in this act shall not be used to support the
20 cost of athletic or other student activity or campus fees not required by enrollment in a
21 specific course.

22 **SECTION 7.19.(h)** The State Board of Education shall allot funds for
23 university enrollment, tuition and fees, and textbooks on the basis of and after
24 verification of the credit hour enrollment of Learn and Earn students in university
25 courses. The State Board of Education shall allot funds for community college fees and
26 textbooks on the basis of and after verification of the credit hour enrollment of Learn
27 and Earn students in community college courses.

28 **NORTH CAROLINA VIRTUAL PUBLIC SCHOOL**

29 **SECTION 7.20.(a)** The North Carolina Virtual Public School (NCVPS)
30 program shall report to the State Board of Education and shall maintain an
31 administrative office at the Department of Public Instruction.

32 **SECTION 7.20.(b)** The Director of NCVPS shall continue to ensure that
33 course quality standards are established and met and that all e-learning opportunities
34 offered by State-funded entities to public school students are consolidated under the
35 North Carolina Virtual Public School Program, eliminating course duplication.

36 **SECTION 7.20.(c)** Subsequent to course consolidation, the Director shall
37 prioritize e-learning course offerings for students residing in rural and low-wealth
38 county LEAs, in order to expand available instructional opportunities. First-available
39 e-learning instructional opportunities should include courses required as part of the
40 standard course of study for high school graduation and AP offerings not otherwise
41 available.

42 **SECTION 7.20.(d)** The State Board of Education shall implement an
43 allotment formula developed pursuant to Section 7.16(d) of S.L. 2006-66, for funding
44 e-learning, effective in the 2008-2009 fiscal year.

45 **SECTION 7.20.(e)** The North Carolina Virtual Public School (NCVPS)
46 shall be available at no cost to all students in North Carolina who are enrolled in North
47 Carolina's public schools, Department of Defense schools, and schools operated by the
48 Bureau of Indian Affairs. The Department of Public Instruction shall communicate to
49 local school administrative units all applicable guidelines regarding the enrollment of
50 nonpublic school students in these courses.
51

SMALL RESTRUCTURED HIGH SCHOOLS

SECTION 7.21. The State Board of Education shall report to the Office of State Budget and Management, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee no later than January 15 of each year on the results of its evaluation of the small, restructured high school program. The evaluation shall include measures as identified in G.S. 115C-238.55. It shall also include: (i) an accounting of how funds and personnel resources were utilized and their impact on student achievement, retention, and employability; and (ii) recommendations for improvement of the program.

NC WISE POSITIONS

SECTION 7.22. Notwithstanding G.S. 143C-6-4, the State Board of Education may, subject to the approval of the Office of State Budget and Management, in consultation with the Office of Information Technology Services, and after consultation with the Joint Legislative Commission on Governmental Operations, use funds appropriated in this act for NC WISE to create a maximum of 10 positions and incur expenditures necessary to maintain and administer the NC WISE system within the Department of Public Instruction.

21ST CENTURY LITERACY COACHES

SECTION 7.23. Funds are appropriated in this act to support the selection and hiring of 60 new literacy coaches. Coaches shall be hired and placed in 60 middle schools or other public schools with an eighth grade class. The State Board of Education, in consultation with the North Carolina Teacher Academy, shall develop a site selection process including formal criteria. The site must receive formal approval by the State Board of Education to receive funds for this purpose. To be selected schools must:

- (1) Contain an eighth grade class, and
- (2) Ensure that literacy coaches will have no administrative responsibilities in the schools in which they are placed.

MORE AT FOUR PROGRAM AND OFFICE OF SCHOOL READINESS

SECTION 7.24.(a) The Department of Public Instruction shall continue the implementation of the "More at Four" prekindergarten program for at-risk four-year-olds who are at risk of failure in kindergarten. The program is available statewide to all counties that choose to participate, including underserved areas. The goal of the program is to provide quality prekindergarten services to a greater number of at-risk children in order to enhance kindergarten readiness for these children. The program shall be consistent with standards and assessments established jointly by the Department of Health and Human Services and the Department of Public Instruction. The program shall include:

- (1) A process and system for identifying children at risk of academic failure.
- (2) A process and system for identifying children who are not being served in formal early education programs, such as child care, public or private preschools, Head Start, Early Head Start, early intervention programs, or other such programs, who demonstrate educational needs, and who are eligible to enter kindergarten the next school year, as well as children who are underserved.

- 1 (3) A curriculum or several curricula that are research-based and/or built
2 on sound instructional theory. These curricula shall: (i) focus primarily
3 on oral language and emergent literacy; (ii) engage children through
4 key experiences and provide background knowledge requisite for
5 formal learning and successful reading in the early elementary years;
6 (iii) involve active learning; (iv) promote measurable kindergarten
7 language-readiness skills that focus on emergent literacy and
8 mathematical skills; and (v) develop skills that will prepare children
9 emotionally and socially for kindergarten.
- 10 (4) An emphasis on ongoing family involvement with the prekindergarten
11 program.
- 12 (5) Evaluation of child progress through a statewide evaluation, as well as
13 ongoing assessment of the children by teachers.
- 14 (6) Guidelines for a system to reimburse local school boards and systems,
15 private child care providers, and other entities willing to establish and
16 provide prekindergarten programs to serve at-risk children.
- 17 (7) A system built upon existing local school boards and systems, private
18 child care providers, and other entities that demonstrate the ability to
19 establish or expand prekindergarten capacity.
- 20 (8) A quality-control system. Participating providers shall comply with
21 standards and guidelines as established by the Department of Health
22 and Human Services and the Department of Public Instruction. The
23 Department may use the child care rating system to assist in
24 determining program participation.
- 25 (9) Standards for minimum teacher qualifications. A portion of the
26 classroom sites initially funded shall have at least one teacher who is
27 certified or provisionally certified in birth-to-kindergarten education.
- 28 (10) A local contribution. Programs must demonstrate that they are
29 accessing resources other than "More at Four."
- 30 (11) A system of accountability.
- 31 (12) Consideration of the reallocation of existing funds. In order to
32 maximize current funding and resources, the Department of Health and
33 Human Services and the Department of Public Instruction shall
34 consider the reallocation of existing funds from State and local
35 programs that provide prekindergarten-related care and services.

36 **SECTION 7.24.(b)** The Department of Public Instruction shall implement a
37 plan to expand "More at Four" program standards within existing resources to include
38 four- and five-star-rated centers and schools serving four-year-olds and develop
39 guidelines for these programs. The "NC Prekindergarten Program Standards" initiative
40 shall recognize four- and five-star-rated centers that choose to apply and meet
41 equivalent "More at Four" program standards as high quality pre-k classrooms.
42 Classrooms meeting these standards shall have access to training and workshops for
43 "More at Four" programs. Whenever expansion slots are available, these classrooms
44 shall have first priority to receive them.

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

50 **SECTION 7.24.(c)** The Department of Public Instruction shall submit a
51 report by February 1, 2008, to the Joint Legislative Commission on Governmental

1 Operations, the Joint Legislative Education Oversight Committee, the Senate
2 Appropriations Committee on Education, the House of Representatives Appropriations
3 Subcommittee on Education, and the Fiscal Research Division. This final report shall
4 include the following:

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

18 **SECTION 7.24.(d)** For the 2007-2008 and the 2008-2009 fiscal years, the
19 "More at Four" program shall establish income eligibility requirements for the program
20 not to exceed seventy-five percent (75%) of the State median income. Up to twenty
21 percent (20%) of children enrolled may have family incomes in excess of seventy-five
22 percent (75%) of median income if they have other designated risk factors.

23 **SECTION 7.24.(e)** The "More at Four" program funding shall not supplant
24 any funding for classrooms serving four-year-olds as of the 2005-2006 fiscal year.
25 Support of existing four-year-old classrooms with "More at Four" program funding
26 shall be permitted when current funding is eliminated, reduced, or redirected as required
27 to meet other specified federal or State educational mandates.

28 **ADMINISTRATIVE FUNDING FOR TEACHING FELLOWS PROGRAM**

29 **SECTION 7.25.(a)** G.S. 115C-363.23A(f) reads as rewritten:

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

37 ~~With the prior approval of the General Assembly in the Current Operations~~
38 ~~Appropriations Act, the revolving fund may also be used by the~~ The Public School
39 Forum, as administrator for the Teaching Fellows Program, for Program, may use up to
40 eight hundred ten thousand dollars (\$810,000) annually from the fund balance for costs
41 associated with administration of the Teaching Fellows Program."

42 **SECTION 7.25.(b)** The funding provided for in this section shall be used to
43 meet current administrative expenses of the Program and continue minority recruitment
44 initiatives.

45 **SECTION 7.25.(c)** The Teaching Fellows Program shall report to the Joint
46 Legislative Education Oversight Committee by March 15, 2008, on:

- 47 (1) Actual expenditures for the 2006-2007 fiscal year and budgeted
48 expenditures for the 2007-2008 fiscal year for administration of the
49 Program and
- 50 (2) Initiatives to recruit minorities to the Program.

1 **SECTION 7.25.(d)** The General Assembly urges the North Carolina
2 Teaching Fellows Commission to use funds available in the revolving fund to establish
3 additional teaching fellows scholarships.
4

5 **NO COST SUMMER SCHOOL OR OTHER REMEDIATION ACTIVITIES**

6 **SECTION 7.26.(a)** G.S. 115C-105.41 prohibits charging tuition or fees to
7 Students at Risk for Academic Failure. Effective July 1, 2007, local school
8 administrative units shall formally communicate to at-risk students and their parents or
9 guardians that there will be no charge for participation in intervention
10 activities/practices offered by the local school administrative units to at-risk students, or
11 for transportation necessary for participation in the intervention activities.

12 **SECTION 7.26.(b)** Effective July 1, 2007, local school administrative units
13 shall formally communicate to students and their parents or guardians that tuition and
14 fees will not be charged for summer school courses that are required for remediation or
15 courses that are necessary for the student to meet graduation requirements.
16

17 **LEARN AND EARN ONLINE**

18 **SECTION 7.27.(a)** Funds are appropriated in this act for the Learn and Earn
19 Online program. This program will allow high school students to enroll in college
20 courses to qualify for college credit. Online courses will be made available to students
21 through The University of North Carolina and the North Carolina Community College
22 System.

23 **SECTION 7.27.(b)** Funds shall be used for course tuition, and only those
24 technology and course fees, and textbooks required for course participation. Funds shall
25 also support a liaison position to be housed at the Department of Public Instruction to
26 coordinate with The University of North Carolina and the North Carolina Community
27 College System, and to communicate course availability and related information to high
28 school administrators, teachers, and counselors.

29 **SECTION 7.27.(c)** The State Board of Education shall determine the
30 allocation of Learn and Earn Online course offerings across the State.

31 **SECTION 7.27.(d)** The State Board of Education shall allot funds for
32 tuition, fees, and textbooks on the basis of and after verification of the credit hour
33 enrollment of high school students in Learn and Earn Online courses. Community
34 college student enrollments in Learn and Earn Online shall not be considered as a
35 regular budget full-time equivalent (FTE) in the curriculum enrollment formula, but
36 shall be accounted for separately and funds shall be allotted as a special allotment.

37 **SECTION 7.27.(e)** The University of North Carolina program shall report to
38 The University of North Carolina Board of Governors, and the North Carolina
39 Community College program shall report to the North Carolina Community College
40 Board of Trustees. The Department of Public Instruction shall report to the State Board
41 of Education.

42 **SECTION 7.27.(f)** Both The University of North Carolina and the North
43 Carolina Community College System shall provide oversight and coordination,
44 including coordination with the Department of Public Instruction, and with the North
45 Carolina Virtual Public School (NCVPS) to avoid course duplication.

46 **SECTION 7.27.(g)** Course quality and rigor standards shall be established,
47 and each program shall conduct course evaluations to ensure that the online courses
48 made available to students meet the established standards.

49 **SECTION 7.27.(h)** The State Board of Education, The University of North
50 Carolina, and the North Carolina Community College System shall report to the Joint
51 Legislative Education Oversight Committee, the Office of State Budget and

1 Management, and the Fiscal Research Division no later than April 15, 2008, on the
2 implementation of the program for the 2007-2008 school year and the proposed
3 operating plan for the 2008-2009 school year. The report shall include the number of
4 students enrolled in courses under the Learn and Earn Online program and the number
5 of students who completed courses during the fall semester of the 2007-2008 school
6 year.

7 8 **SCHOOL CONNECTIVITY INITIATIVE**

9 **SECTION 7.28.(a)** Funds in the amount of twelve million dollars
10 (\$12,000,000) are appropriated in this act to support the enhancement of the technology
11 infrastructure for public schools. These funds shall be used for broadband access,
12 equipment, and support services that create, improve, and sustain equity of access for
13 instructional opportunities for public school students and educators.

14 **SECTION 7.28.(b)** The State Board of Education shall contract with an
15 entity that has the capacity of serving as the administrator of the School Connectivity
16 Initiative. The funds appropriated in this act shall be used to implement a plan approved
17 by the State Board of Education to enhance the technology infrastructure for public
18 schools that supports teaching and learning in the classrooms. The plan shall include
19 the following components:

- 20 (1) A business plan with time lines, clearly defined outcomes, and an
21 operational model, including a governance structure, personnel, e-Rate
22 reimbursement, support services to local school administrative units
23 and schools, and budget.
- 24 (2) Assurances that local school administrative units will upgrade internal
25 networks in schools, provide technology tools, and support for teachers
26 and students to use technology to improve teaching and learning.
- 27 (3) Assurances of a fair and open bidding and contracting process.
- 28 (4) Technology assessment site survey template.
- 29 (5) Documentation of technology assessments.
- 30 (6) Documentation of how the technology will be used to enhance
31 teaching in learning.
- 32 (7) The number, location, and schedule of sites to be served in 2007-2008
33 and in 2008-2009.

34 **SECTION 7.28.(c)** The State Board of Education shall report by January 15,
35 2008, on its progress towards achieving the connectivity initiative and annually
36 thereafter to the Joint Legislative Information Technology Oversight Committee, the
37 Joint Legislative Education Oversight Committee, the Office of State Budget
38 Management, the State Information Technology Officer, and the Fiscal Research
39 Division.

40 41 **REORGANIZATION OF THE DEPARTMENT OF PUBLIC INSTRUCTION**

42 **SECTION 7.29.(a)** Notwithstanding G.S. 143C-6-4, the Department of
43 Public Instruction may reorganize in accordance with the plan adopted by the State
44 Board of Education. The Department shall report to the Joint Legislative Commission
45 on Governmental Operations on the reorganization.

46 **SECTION 7.29.(b)** This section expires June 30, 2008.

47 48 **LEGISLATIVE STUDY ON EARLY CHILDHOOD PROGRAMS**

49 **SECTION 7.30.(a)** There is created the Legislative Study Commission on
50 Early Childhood Programs ("Commission"). The Commission shall consist of 12
51 members appointed as follows:

- 1 (1) Six members appointed by the General Assembly, upon the
2 recommendation of the Speaker of the House of Representatives, to
3 include:
4 a. Four members of the House of Representatives.
5 b. Two members of the general public.
6 (2) Six members appointed by the General Assembly, upon the
7 recommendation of the President Pro Tempore of the Senate, to
8 include:
9 a. Four members of the Senate.
10 b. Two members of the general public.

11 **SECTION 7.30.(b)** The Commission shall:

- 12 (1) Assess the feasibility and desirability of consolidating the North
13 Carolina Partnership for Children, Inc., and the "More At Four"
14 program.
15 (2) Consider any needed adjustments and the necessary reprioritization of
16 funds to realize the maximum benefit to the State's children and
17 families.
18 (3) Review any other matters the Commission deems relevant to its
19 charge.

20 **SECTION 7.30.(c)** The Speaker of the House of Representatives and the
21 President Pro Tempore of the Senate shall each appoint a cochair for the Commission.
22 The Commission may contract for consultant services as provided by G.S. 120-32.02.
23 Upon approval of the Legislative Services Commission, the Legislative Services Officer
24 shall assign professional and clerical staff to assist in the work of the Commission.
25 Clerical staff shall be furnished to the Commission through the offices of the House of
26 Representatives and the Senate Directors of Legislative Assistants. The Commission
27 may meet in the Legislative Building or the Legislative Office Building upon the
28 approval of the Legislative Services Commission. Members of the Commission shall
29 receive per diem, subsistence, and travel allowances at the rate established in
30 G.S. 120-3.1. The appointing authority shall fill vacancies. The Commission, while in
31 the discharge of its official duties, may exercise all the powers provided under the
32 provisions of G.S. 120-19 through G.S. 120-19.4, including the power to request all
33 officers, agents, agencies, and departments of the State to provide any information, data,
34 or documents within their possession, ascertainable from their records, or otherwise
35 available to them and the power to subpoena witnesses.

36 **SECTION 7.30.(d)** The Commission shall report to the 2008 Regular
37 Session of the 2007 General Assembly. The report shall include findings,
38 recommendations, and legislative proposals. The Commission shall terminate upon
39 filing its final report.

40
41 **STUDY OF PUBLIC SCHOOL FUNDING FORMULAS**

42 **SECTION 7.31.(a)** There is created the Joint Legislative Study Committee
43 on Public School Funding Formulas. The Committee shall consist of six members of the
44 House of Representatives appointed by the Speaker of the House of Representatives
45 and six members of the Senate appointed by the President Pro Tempore of the Senate.
46 The Speaker of the House of Representatives shall appoint a cochair, and the President
47 Pro Tempore of the Senate shall appoint a cochair for the Committee.

48 The Committee, while in the discharge of its official duties, may exercise all
49 powers provided for under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4. The
50 Committee may contract for professional, clerical, or consultant services as provided by
51 G.S. 120-32.02.

1 Subject to the approval of the Legislative Services Commission, the
2 Committee may meet in the Legislative Building or the Legislative Office Building. The
3 Legislative Services Commission, through the Legislative Services Officer, shall assign
4 professional staff to assist the Committee in its work. The House of Representatives'
5 and the Senate's Supervisors of Clerks shall assign clerical support staff to the
6 Committee, and the expenses relating to the clerical employees shall be borne by the
7 Committee.

8 **SECTION 7.31.(b)** The Committee shall perform an extensive study of the
9 following public school funding formulas:

- 10 (1) Children with Disabilities;
- 11 (2) Limited English Proficiency;
- 12 (3) At-Risk Student Services/Alternative Schools;
- 13 (4) Improving Student Accountability;
- 14 (5) Disadvantaged Students Supplemental;
- 15 (6) Low-Wealth Counties Supplemental Funding;
- 16 (7) Small County Supplemental Funding; and
- 17 (8) Transportation of Pupils.

18 **SECTION 7.31.(c)** The Committee shall also study the State Board of
19 Education's model for projecting average daily membership and focus particularly on
20 how well the model projects average daily membership in rapidly growing local school
21 administrative units with a highly mobile population.

22 **SECTION 7.31.(d)** The Committee shall submit a report of its findings and
23 recommendations, including any legislative recommendations, to the 2008 Regular
24 Session of the 2007 General Assembly. The Committee shall terminate upon filing its
25 report.

26 27 **DROPOUT PREVENTION GRANTS**

28 **SECTION 7.32.(a)** The Commission on Dropout Prevention is established.
29 The Commission shall be located administratively in the Department of Public
30 Instruction but shall exercise its powers and duties independently of the Department of
31 Public Instruction. The Commission shall administer funds appropriated for the 2007-
32 2009 fiscal biennium for dropout prevention grants. In administering the funds, the
33 Commission shall consider the likelihood that a program will be effective in preventing
34 students from dropping out of school and the likelihood that a program will serve as an
35 effective model for other programs.

36 **SECTION 7.32.(b)** The Commission shall consist of five members
37 appointed by the Governor, five members appointed by the General Assembly upon the
38 recommendation of the Speaker of the House of Representatives, and five members
39 appointed by the General Assembly upon the recommendation of the President Pro
40 Tempore of the Senate. The appointments by the General Assembly shall be made in
41 accordance with G.S. 120-121, and vacancies in these appointments shall be filled in
42 accordance with G.S. 120-122.

43 **SECTION 7.32.(c)** The Joint Legislative Education Oversight Committee
44 shall make recommendations to the Commission on guidelines and procedures for
45 determining which local school administrative units, schools, or agencies shall receive
46 dropout prevention grants, the amount of each grant, eligible uses of the grant funding,
47 how funded projects will be evaluated, and other matters. The Commission shall
48 consider the recommendations of the Subcommittee in developing and adopting its
49 guidelines and procedures on dropout prevention grants.

1 Grants shall be distributed geographically throughout the State. The
2 Commission shall distribute grant funds in time for grantee programs to begin
3 implementation during the 2007-2008 school year.

4 **SECTION 7.32.(d)** Of funds appropriated for dropout prevention grants, the
5 Commission may use up to one hundred fifty thousand dollars (\$150,000) to establish
6 up to two positions to support administration of these grants.

7 **SECTION 7.32.(e)** The Commission shall report to the Joint Legislative
8 Education Oversight Committee by October 15, 2008, on grants distributed for the
9 2007-2008 school year.

10 SCHOOL SAFETY OFFICERS

11 **SECTION 7.33.** G.S. 115C-105.47(b) is amended by adding a new
12 subdivision to read:

13 "(b) Each plan shall include each of the following components:

14 ...

15
16 (14a) A statement of the number of school safety officers, if any, that will be
17 assigned to each middle school and high school. State funds allocated
18 in the At-Risk/Alternative Schools Allotment shall be used to provide
19 at least one school safety officer for each middle school and high
20 school, except for charter schools, unless the State Board of Education
21 waives this requirement. The Board shall waive the requirement only if
22 the local school administrative unit demonstrates that a school has an
23 alternative plan for providing a safety officer or for otherwise
24 addressing its safety needs."
25

26 HIGH PRIORITY SCHOOLS

27 **SECTION 7.34.(a)** The State Board of Education may develop a policy for a
28 two-year phaseout of the special supplementary funding currently provided to the two
29 remaining high priority elementary schools and may use funds in the ADM Contingency
30 Reserve to support any additional cost of the two-year phaseout.

31 **SECTION 7.34.(b)** The State Board of Education shall not use funds
32 appropriated for State Aid to Local Administrative Units to contract with an outside
33 organization to evaluate the high priority schools initiative begun in the 2001-2002
34 fiscal year. The Board may, however, use up to five hundred thousand dollars
35 (\$500,000) previously identified for this purpose to support the ongoing evaluation of
36 the Disadvantaged Student Supplemental Funding Initiative.

37 DISTANCE EDUCATION

38 **SECTION 7.35.** Notwithstanding G.S. 143C-6-4, the State Board of
39 Education may use monies from the State Public School Fund in the 2007-2008 fiscal
40 year only to pay for the additional costs associated with an increased number of
41 registration fees for students enrolling in Distance Education courses.
42

43 CHILD NUTRITION OPERATING FUNDS

44 **SECTION 7.36.** The State Board of Education shall establish a
45 reimbursement formula for lunches served in elementary schools to help offset the cost
46 of the lunches. This reimbursement shall be in addition to the amount of federal
47 reimbursement for free and reduced-price lunches served.
48

49 PART VIII. COMMUNITY COLLEGES

USE OF FUNDS FOR THE COLLEGE INFORMATION SYSTEM PROJECT

SECTION 8.1.(a) Funds appropriated to the Community Colleges System Office for the College Information System Project shall not revert at the end of the 2006-2007 fiscal year but shall remain available until expended.

SECTION 8.1.(b) Notwithstanding G.S. 143C-6-4, the Community Colleges System Office may, subject to the approval of the Office of State Budget and Management, in consultation with the Office of Information Technology Services, and after consultation with the Joint Legislative Commission on Governmental Operations, use funds appropriated in this act for the College Information System Project to create a maximum of 10 positions or incur expenditures necessary to transfer the maintenance and administration of the College Information System Project from the vendor to the System Office. Personnel positions created pursuant to this subsection shall be located in community colleges across the State.

SECTION 8.1.(c) The Community Colleges System Office shall report on a quarterly basis to the Joint Legislative Education Oversight Committee on the implementation of the College Information System Project.

SECTION 8.1.(d) Subsection (a) of this section becomes effective June 30, 2007.

CARRYFORWARD OF EQUIPMENT FUNDS FOR COMMUNITY COLLEGES

SECTION 8.2.(a) Subject to the approval of the Office of State Budget and Management and cash availability, the North Carolina Community Colleges System Office may carry forward an amount not to exceed ten million dollars (\$10,000,000) of the operating funds that were not reverted in fiscal year 2006-2007 to be reallocated to the State Board of Community Colleges' Equipment Reserve Fund. These funds shall be distributed to colleges consistent with G.S. 115D-31.

SECTION 8.2.(b) This section becomes effective June 30, 2007.

INSTRUCTIONAL RESOURCE ALLOCATION FORMULA

SECTION 8.3. The State Board of Community Colleges shall develop a new funding formula for library books and related instructional resources before distributing funds appropriated for this purpose for the 2007-2009 fiscal biennium. The revised instructional resource allocation formula shall reflect the availability of online subscription resources and electronic media and should include a base amount per college.

REPORT ON NCCCS DISTANCE LEARNING AND ONLINE CAPABILITIES

SECTION 8.4. The Community Colleges System Office shall report by March 1, 2008, to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management on its efforts regarding distance learning opportunities. This report shall complement the report authorized by the General Assembly in Part 6 of S.L. 2004-179 and shall address the following:

- (1) The expenditure of funds appropriated in this act for bandwidth at community colleges, including a description of each community college's current bandwidth capacity;
- (2) A five-year history of the number of courses offered and number of FTE students served through distance learning;
- (3) Results from student and instructor evaluations of distance learning courses;

- 1 (4) Current and anticipated future joint efforts between the North Carolina
- 2 Community College System and The University of North Carolina and
- 3 North Carolina private colleges, regarding distance learning; and
- 4 (5) Analysis of necessary changes or enhancements to improve the sharing
- 5 of distance learning and online opportunities with The University of
- 6 North Carolina and the Department of Public Instruction.

7
8 **COMMUNITY COLLEGE FACULTY SALARY PLAN**

9 **SECTION 8.5.(a)** It is the intent of the General Assembly to establish a
10 community college faculty salary plan that (i) provides accountability to the General
11 Assembly, (ii) maintains local flexibility and autonomy for the community colleges, and
12 (iii) ensures that community college faculty members have a uniform minimum salary
13 based on level of education, equivalent applicable experience, or both.

14 **SECTION 8.5.(b)** The minimum salaries for community college faculty
15 shall be based on the following education levels:

- 16 (1) Vocational Diploma/Certificate or Less. – This education level
- 17 includes faculty members who are high school graduates, have
- 18 vocational diplomas, or have completed one year of college.
- 19 (2) Associate Degree or Equivalent. – This education level includes
- 20 faculty members who have an associate degree or have completed two
- 21 or more years of college but have no degree.
- 22 (3) Bachelor's Degree.
- 23 (4) Master's Degree or Education Specialist.
- 24 (5) Doctoral Degree.

25 **SECTION 8.5.(c)** For the 2007-2008 school year, the minimum salaries for
26 nine-month, full-time, curriculum community college faculty shall be as follows:

27 Education Level	28 Minimum Salary
29 Vocational Diploma/Certificate or Less	\$33,314
30 Associate Degree or Equivalent	\$33,805
31 Bachelor's Degree	\$35,931
32 Master's Degree or Education Specialist	\$37,817
33 Doctoral Degree	\$40,537.

34 No full-time faculty member shall earn less than the minimum salary for his or her
35 education level.

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

38 **SECTION 8.5.(d)**

- 39 (1) It is the intent of the General Assembly to encourage community
- 40 colleges to make faculty salaries a priority and to reward colleges that
- 41 have taken steps to achieve the national average, therefore:
- 42 a. If the average faculty salary at a community college is one
- 43 hundred percent (100%) or more of the national average
- 44 community college faculty salary, the college may transfer up
- 45 to eight percent (8%) of the State funds allocated to it for
- 46 faculty salaries.
- 47 b. If the average faculty salary at a community college is at least
- 48 ninety-five percent (95%) but less than one hundred percent
- 49 (100%) of the national average community college faculty
- 50 salary, the college may transfer up to six percent (6%) of the
- State funds allocated to it for faculty salaries.

- 1 c. If the average faculty salary at a community college is at least
2 ninety percent (90%) but less than ninety-five percent (95%) of
3 the national average community college faculty salary, the
4 college may transfer up to five percent (5%) of the State funds
5 allocated to it for faculty salaries.
- 6 d. If the average faculty salary at a community college is at least
7 eighty-five percent (85%) but less than ninety percent (90%) of
8 the national average community college faculty salary, the
9 college may transfer up to three percent (3%) of the State funds
10 allocated to it for faculty salaries.
- 11 e. If the average faculty salary at a community college is
12 eighty-five percent (85%) or less of the national average
13 community college faculty salary, the college may transfer up
14 to two percent (2%) of the State funds allocated to it for faculty
15 salaries.

16 Except as provided by subdivision (2) of this subsection, a
17 community college shall not transfer a greater percentage of the State
18 funds allocated to it for faculty salaries than is authorized by this
19 subsection.

- 20 (2) With the approval of the State Board of Community Colleges, a
21 community college at which the average faculty salary is eighty-five
22 percent (85%) or less of the national average may transfer a greater
23 percentage of the State funds allocated to it for faculty salaries than is
24 authorized by sub-subdivision e. of subdivision (1) of this subsection.
25 The State Board shall approve the transfer only for purposes that
26 directly affect student services.

27 The State Board of Community Colleges shall adopt guidelines to
28 implement the provisions of this subdivision.

- 29 (3) A local community college may use all State funds allocated to it
30 except for Literacy Funds and Funds for New and Expanding
31 Industries to increase faculty salaries.

32 **SECTION 8.5.(e)** As used in this section:

- 33 (1) "Average faculty salary at a community college" means the total
34 nine-month salary from all sources of all nine-month, full-time,
35 curriculum faculty at the college, as determined by the North Carolina
36 Community College System on October 1 of each year.
- 37 (2) "National average community college faculty salary" means the
38 nine-month, full-time, curriculum salary average, as published by the
39 Integrated Postsecondary Education Data System (IPEDS), for the
40 most recent year for which data are available.

41 **SECTION 8.5.(f)** The State Board of Community Colleges shall adopt
42 guidelines to implement the provisions of this section.

43 **SECTION 8.5.(g)** The State Board of Community Colleges shall report to
44 the appropriations subcommittees on education, the Speaker of the House of
45 Representatives, the President Pro Tempore of the Senate, the Fiscal Research Division,
46 and the Office of State Budget and Management by December 1, 2007, and every year
47 thereafter through December 1, 2009, on the implementation of this section.

48
49 **SUSPEND APPROVAL OF NEW MULTICAMPUS CENTERS**

50 **SECTION 8.6.** The State Board of Community Colleges shall not approve
51 the establishment of any additional multicampus centers during the 2007-2008 fiscal

1 year. The Joint Legislative Education Oversight Committee shall conduct a study of the
2 proliferation of multicampus center locations. This study shall determine the
3 appropriateness of the current process and criteria outlined in State Board policy for
4 approving multicampus center designations. The Joint Legislative Education Oversight
5 Committee shall specifically consider whether the establishment of additional
6 multicampuses should be subject to General Assembly approval.

7 8 **COMMUNITY COLLEGE CONNECTIVITY FUNDS**

9 **SECTION 8.7.** In expending funds appropriated for increasing the
10 bandwidth capacity among the colleges of the North Carolina Community College
11 System, the Community Colleges System Office shall seek the best value among
12 information technology providers in order to maximize online instruction, provide
13 accurate data transmission, and utilize video services.

14 15 **STUDY OF BASIC SKILLS FORMULA**

16 **SECTION 8.8.** The General Assembly finds that the formula budget
17 computation of State funds for the Basic Skills Block Grant has not been reviewed or
18 modified for at least two decades and that there are potential changes in the allocation of
19 federal funds for literacy education through the Workforce Investment Act, Title II.
20 Therefore, the General Assembly directs the State Board of Community Colleges to
21 make findings and recommendations for a new formula budget computation for the
22 Basic Skills Block Grant. The Community Colleges System Office shall report these
23 findings and recommendations to the Joint Legislative Education Oversight Committee
24 and the Fiscal Research Division by March 31, 2008.

25 26 **REALIGNMENT OF STATE AID ALLOCATIONS**

27 **SECTION 8.9.** The State Board of Community Colleges shall examine new
28 State Aid allocation options that more closely align the allocation and expenditure of
29 State-appropriated resources. The State Board shall realign the 2007-2008 formula
30 budget computation to incorporate the Academic Support Supplement into the
31 Institutional Support Formula.

32 33 **COMMUNITY COLLEGES FACILITIES AND EQUIPMENT FUNDS**

34 **SECTION 8.10.(a)** Funds appropriated to the Community College Facilities
35 and Equipment Fund shall be used to award grants to community colleges for facility
36 and equipment needs. The Community Colleges System Office, in consultation with the
37 State Board of Community Colleges, shall develop a competitive grant application
38 process and guidelines for facility or equipment needs. The State Board of Community
39 Colleges shall award grants on the merit of the applications received. Priority shall be
40 given to projects in low-wealth counties, to projects that have a high potential for
41 promoting economic growth in economically depressed areas, and to projects at colleges
42 that did not receive a grant during the 2006-2007 fiscal year. Also, projects shall be
43 distributed geographically throughout the State. No individual grant may exceed the
44 sum of one million dollars (\$1,000,000).

45 These grants shall be awarded on a matching basis of one State dollar (\$1.00)
46 for every one non-State dollar (\$1.00).

47 **SECTION 8.10.(b)** Beginning September 1, 2007, the Community Colleges
48 System Office shall submit a report to the Office of State Budget and Management and
49 the Fiscal Research Division containing the following information about each grant that
50 was awarded: (i) the name of the community college; (ii) a description of the project;
51 (iii) the project location; (iv) the cost-benefit analysis conducted by the Community

1 Colleges System Office and the rationale for awarding the grant; and (v) the amount of
2 the grant.

3 4 **PART IX. UNIVERSITIES**

5 6 **NC SCHOOL OF SCIENCE AND MATHEMATICS ENROLLMENT GROWTH** 7 **FORMULA**

8 **SECTION 9.1.** The Office of State Budget and Management jointly with
9 The University of North Carolina and the Fiscal Research Division of the General
10 Assembly shall conduct a study to create a formula for enrollment growth at the North
11 Carolina School of Science and Mathematics. This formula shall be used to calculate the
12 amount of funds needed for enrollment growth for the North Carolina School of Science
13 and Mathematics. The formula shall also be used for calculating the enrollment growth
14 funding request to be submitted to the 2008 Session of the North Carolina General
15 Assembly.

16 17 **REPORTING ON UNC FACULTY WORKLOAD**

18 **SECTION 9.2.(a)** The Board of Governors of The University of North
19 Carolina shall conduct a study on faculty workload at The University of North Carolina.
20 The study shall be done using the Delaware Study Method of collecting data.
21 Information in the report shall include all of the following:

- 22 (1) The faculty workload data for each constituent institution of The
23 University of North Carolina compared to The University of North
24 Carolina enrollment model.
- 25 (2) The University of North Carolina faculty workload average as
26 compared to The University of North Carolina enrollment model
27 student credit hours per instructional position.
- 28 (3) The faculty workload of regional and peer institutions as compared to
29 each constituent institution faculty average and to The University of
30 North Carolina faculty workload average.

31 **SECTION 9.2.(b)** The Board of Governors of The University of North
32 Carolina shall submit the study report to the Joint Legislative Education Oversight
33 Committee, the Office of State Budget and Management, and the Fiscal Research
34 Division no later than March 1, 2008.

35 36 **USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS**

37 **SECTION 9.3.(a)** There is appropriated from the Escheat Fund income to
38 the Board of Governors of The University of North Carolina the sum of seventy-five
39 million six hundred thirty-eight thousand sixteen dollars (\$75,638,016) for the
40 2007-2008 fiscal year and the sum of seventy-five million six hundred thirty-eight
41 thousand sixteen dollars (\$75,638,016) for the 2008-2009 fiscal year. There is
42 appropriated from the Escheat Fund income to the State Board of Community Colleges
43 the sum of thirteen million nine hundred eighty-one thousand two hundred two dollars
44 (\$13,981,202) for the 2007-2008 fiscal year and the sum of thirteen million nine
45 hundred eighty-one thousand two hundred two dollars (\$13,981,202) for the 2008-2009
46 fiscal year. There is appropriated from the Escheat Fund income to the Department of
47 Administration, Division of Veterans Affairs, the sum of six million two hundred
48 twenty-eight thousand six hundred thirty-three dollars (\$6,228,633) for the 2007-2008
49 fiscal year and the sum of six million five hundred twenty thousand nine hundred
50 sixty-four dollars (\$6,520,964) for the 2008-2009 fiscal year. The funds appropriated by

1 this subsection shall be allocated by the State Educational Assistance Authority for
2 need-based student financial aid in accordance with G.S. 116B-7.

3 If the interest income generated from the Escheat Fund is less than the
4 amounts referenced in this subsection, the difference may be taken from the Escheat
5 Fund principal to reach the appropriations referenced in this subsection; however, under
6 no circumstances shall the Escheat Fund principal be reduced below the sum of four
7 hundred million dollars (\$400,000,000).

8 **SECTION 9.3.(b)** The North Carolina State Education Assistance Authority
9 (SEAA) shall perform all of the administrative functions necessary to implement this
10 program of financial aid. The SEAA shall conduct periodic evaluations of expenditures
11 of the Scholarship Programs to determine if allocations are utilized to ensure access to
12 institutions of higher learning and to meet the goals of the respective programs. SEAA
13 may make recommendations for redistribution of funds to The University of North
14 Carolina, Department of Administration, and the Community College System regarding
15 the respective scholarship programs, and then may authorize redistribution of unutilized
16 funds for a particular fiscal year.

17 **SECTION 9.3.(c)** There is appropriated from the Escheat Fund to the Board
18 of Governors of The University of North Carolina the sum of one million one hundred
19 fifty-seven thousand dollars (\$1,157,000) for the 2007-2008 fiscal year and the sum of
20 one million one hundred fifty-seven thousand dollars (\$1,157,000) for the 2008-2009
21 fiscal year to be allocated to the SEAA for need-based student financial aid to be used in
22 accordance with G.S. 116B-7 and this act. The SEAA shall use these funds only to
23 provide scholarship loans (known as the Millennium Teaching Scholarship Loan
24 Program) to North Carolina high school seniors interested in preparing to teach in the
25 State's public schools who also enroll at any of the Historically Black Colleges and
26 Universities that do not have Teaching Fellows. An allocation of 20 grants of six
27 thousand five hundred dollars (\$6,500) each shall be given to Elizabeth City State
28 University, Fayetteville State University, and Winston-Salem State University, the three
29 universities without any Teaching Fellows, for the purposes specified in this subsection.
30 The SEAA shall administer these funds and shall establish any additional criteria
31 needed to award these scholarship loans, the conditions for forgiving the loans, and the
32 collection of the loan repayments when necessary.

33 **SECTION 9.3.(d)** All obligations to students for uses of the funds set out in
34 this section that were made prior to the effective date of this section shall be fulfilled as
35 to students who remain eligible under the provisions of the respective programs.

36 37 **BOARD OF GOVERNORS' MEDICAL SCHOLARSHIPS**

38 **SECTION 9.4.(a)** Chapter 116 of the General Statutes is amended by adding
39 a new section to read:

40 **"§ 116-40.9. Board of Governors' Medical Scholarship Loan Program.**

41 (a) Administration of Medical Scholarship Loan Program. – The Board of
42 Governors' Medical Scholarship Loan Program was established by the Board of
43 Governors of The University of North Carolina. The Board of Governors' Medical
44 Scholarship Loan Program operates under the purview of the Board of Governors and is
45 administered by the Board of Governors.

46 (b) Medical Scholarship Loan Program. – Pursuant to this section, the Board of
47 Governors' Medical Scholarship Loan Program may provide a four-year scholarship
48 loan of relevant tuition and fees, mandatory medical insurance, required laptop
49 computers, and an annual stipend of five thousand dollars (\$5,000) per year to any
50 student who has been accepted for admission to the Duke University School of
51 Medicine, the Brody School of Medicine at East Carolina University, the University of

1 North Carolina at Chapel Hill School of Medicine, or the Wake Forest University
2 School of Medicine.

3 (c) Criteria for Awarding Scholarship Loans. – The Board of Governors may
4 adopt standards, including minimum grade point average and scholastic aptitude test
5 scores, for awarding these scholarship loans to ensure that only the most qualified
6 students receive them. The Board of Governors shall make an effort to identify and
7 encourage minority and economically disadvantaged youth to enter the program.

8 (d) Terms of Scholarship Loans. – All awards made under this section shall be
9 made as scholarship loans and shall be evidenced by notes made payable to the Board of
10 Governors that shall bear interest at the rate of ten percent (10%) per year beginning
11 September 1 after completion of the program, or immediately after termination of the
12 scholarship loan, whichever is earlier. The scholarship loan may be terminated by the
13 recipient withdrawing from school or by the recipient not meeting the standards set by
14 the Board of Governors. The Board of Governors shall forgive the loan if, within seven
15 years after graduation, the recipient practices medicine in North Carolina for four years.
16 The Board of Governors shall also forgive the loan if it finds that it is impossible for the
17 recipient to practice medicine in North Carolina for four years, within seven years after
18 graduation, because of the death or permanent disability of the recipient.

19 (e) Reversions. – All unused funds appropriated to or otherwise received by the
20 Board of Governors for scholarship loans, all funds received as repayment of
21 scholarship loans, and all interest earned on these funds shall revert to the General Fund
22 at the end of each fiscal year."

23 **SECTION 9.4.(b)** This section becomes effective July 1, 2007, and applies
24 to all awards from the Board of Governors' Medical Scholarship Program made to
25 students admitted into medical school on or after July 1, 2007.

26 **BOARD OF GOVERNORS' DENTAL SCHOLARSHIPS**

27 **SECTION 9.5.(a)** Chapter 116 of the General Statutes is amended by adding
28 a new section to read:

29 **"§ 116-40.10. Board of Governors' Dental Scholarship Loan Program.**

30 (a) Administration of Dental Scholarship Program. – The Board of Governors'
31 Dental Scholarship Loan Program was established by the Board of Governors of The
32 University of North Carolina. The Board of Governors' Dental Scholarship Loan
33 Program operates under the purview of the Board of Governors and is administered by
34 the Board of Governors.

35 (b) Dental Scholarship Loan Program. – Pursuant to this section, the Board of
36 Governors' Dental Scholarship Loan Program may provide a four-year scholarship loan
37 of relevant tuition and fees, mandatory medical insurance, required laptop computers to
38 any first-year students, required dental equipment, and an annual stipend of five
39 thousand dollars (\$5,000) per year to any student who has been accepted for admission
40 to the School of Dentistry at the University of North Carolina at Chapel Hill.

41 (c) Criteria for Awarding Scholarship Loans. – The Board of Governors may
42 adopt standards, including minimum grade point average and scholastic aptitude test
43 scores, for awarding these scholarship loans to ensure that only the most qualified
44 students receive them. The Board of Governors shall make an effort to identify and
45 encourage minority and economically disadvantaged youth to enter the program.

46 (d) Terms of Scholarship Loans. – All awards made under this section shall be
47 made as scholarship loans and shall be evidenced by notes made payable to the Board
48 that shall bear interest at the rate of ten percent (10%) per year beginning September 1
49 after completion of the program, or immediately after termination of the scholarship
50 loan, whichever is earlier. The scholarship loan may be terminated by the recipient
51

1 withdrawing from school or by the recipient not meeting the standards set by the Board
2 of Governors. The Board of Governors shall forgive the loan if, within seven years after
3 graduation, the recipient practices dentistry in North Carolina for four years. The Board
4 of Governors shall also forgive the loan if it finds that it is impossible for the recipient
5 to practice dentistry in North Carolina for four years, within seven years after
6 graduation, because of the death or permanent disability of the recipient.

7 (e) Reversions. – All unused funds appropriated to or otherwise received by the
8 Board for scholarship loans, all funds received as repayment of scholarship loans, and
9 all interest earned on these funds shall revert to the General Fund at the end of each
10 fiscal year.

11 **SECTION 9.5.(b)** This section becomes effective July 1, 2007, and applies
12 to all awards from the Board of Governors' Dental Scholarship Program made to
13 students admitted to the School of Dentistry at the University of North Carolina at
14 Chapel Hill on or after July 1, 2007.

15
16 **GRADUATE NURSE SCHOLARSHIP LOANS FOR FULL-TIME NURSING**
17 **FACULTY IN THE NC COMMUNITY COLLEGE SYSTEM**

18 **SECTION 9.6.(a)** G.S. 90-171.100 reads as rewritten:

19 **"§ 90-171.100. Graduate Nurse Scholarship Program for Faculty Production**
20 **established; administration.**

21 (a) There is established the Graduate Nurse Scholarship Program for Faculty
22 Production. The North Carolina Nursing Scholars Commission shall determine selection
23 criteria, methods of selection, and shall select recipients of scholarship loans made
24 under the Graduate Nurse Scholarship Program for Faculty Production.

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

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

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

37 (3) A scholarship loan for up to two years in the amount of fifteen
38 thousand dollars (\$15,000) per year, per recipient, to nursing faculty in
39 the North Carolina Community College System enrolled in a master's
40 degree program in nursing education.

41 (b1) The State Education Assistance Authority shall adopt specific rules to
42 regulate these scholarship loans.

43 (c) If a recipient is awarded a scholarship loan under this program and is
44 enrolled, or accepted for enrollment, in an eligible program, but is unable to pursue the
45 course of study in nursing for a semester due to limited faculty resources at the
46 institution for that semester, then the recipient shall continue to receive the scholarship
47 loan for that semester and shall not be required to forfeit or repay the scholarship loan
48 for that semester, provided that the recipient remains otherwise eligible for the program.
49 This waiver shall be valid for only one semester of study and may extend a recipient's
50 eligibility for funding under the program by no more than one semester.

1 (d) The Commission shall adopt stringent standards, which may include
2 minimum grade point average, scholastic aptitude test scores, and other standards
3 deemed appropriate by the Commission, to ensure that only the best potential students
4 receive loans under the Graduate Nurse Scholarship Program for Faculty Production.
5 Standards adopted by the Commission shall include provisions for ensuring that the
6 qualifications of applicants who are or would be nontraditional students are considered
7 fairly in providing them with opportunities to compete for the loans. Standards adopted
8 by the Commission shall also provide that community college nursing faculty receive
9 preference in awarding scholarship loans under this section. Loans under the Graduate
10 Nurse Scholarship Program for Faculty Production shall be awarded only to applicants
11 who meet the standards set by the Commission and who agree to teach in a North
12 Carolina public or private nursing program upon completion of the nursing education
13 program supported by the loan. If a recipient under this section is a nursing faculty
14 member at a community college, then as a condition of a scholarship loan received
15 under G.S. 90-171.100(b)(3), the recipient shall agree to continue to work for the
16 community college system in North Carolina as provided in G.S. 90-171.101(b).

17 (e) The Commission shall develop and administer the Graduate Nurse
18 Scholarship Program for Faculty Production in cooperation with nursing schools at
19 institutions approved by the Commission and the North Carolina Board of Nursing. The
20 Graduate Nurse Scholarship Program for Faculty Production shall provide for
21 participants to be exposed to a range of extracurricular activities while in school, which
22 activities shall be aimed at instilling in students a strong motivation to remain in the
23 practice of nursing education and to provide leadership for the nursing profession.

24 (f) The Commission shall make an effort to identify and encourage minority
25 students and students who may not otherwise consider a career in nursing to apply for
26 the Graduate Nurse Scholarship Program for Faculty Production.

27 (g) Upon the naming of recipients of loans from the Graduate Nurse Scholarship
28 Program for Faculty Production, the Commission shall inform the State Education
29 Assistance Authority (SEAA) of its decisions. The SEAA shall perform all of the
30 administrative functions necessary to implement this Article, which functions shall
31 include: rulemaking, dissemination of information to the public, distribution and receipt
32 of applications for scholarship loans, and the functions necessary for the execution,
33 payment, and enforcement of promissory notes required under this Article."

34 **SECTION 9.6.(b)** G.S. 90-171.101(b) reads as rewritten:

35 "(b) The State Education Assistance Authority shall forgive the loan if, within
36 seven years after graduation from a nursing education program, the recipient teaches in
37 a public or private nursing education program in a public or private educational
38 institution in North Carolina for one year for every year a scholarship loan was
39 ~~provided~~ provided; unless the recipient was a nursing faculty member of a community
40 college. In those circumstances, the State Education Assistance Authority shall forgive
41 the loan if, within seven years after graduation from a nursing education program, the
42 recipient teaches in a community college nursing education program in North Carolina
43 for one year for every year a scholarship loan was provided. If the recipient repays the
44 scholarship loan by cash payments, all indebtedness shall be repaid within 10 years. The
45 Authority may provide for accelerated repayment and for less than full-time
46 employment options to encourage the practice of nursing education in either geographic
47 or nursing specialty shortage areas. The Authority shall adopt specific rules to designate
48 these geographic areas and these nursing specialty shortage areas, upon
49 recommendations of the North Carolina Center for Nursing. The North Carolina Center
50 for Nursing shall base its recommendations on objective information provided by
51 interested groups or agencies and upon objective information collected by the Center.

1 The Authority may forgive the scholarship loan if it determines that it is impossible for
2 the recipient to teach in a public or private nursing ~~program-program~~, or in a community
3 college nursing program if that was a condition of the scholarship loan, in North
4 Carolina for a sufficient time to repay the loan because of the death or permanent
5 disability of the recipient within 10 years following graduation or termination of
6 enrollment in a nursing education program."
7

8 **ESTABLISH THE EDUCATION ACCESS REWARDS NORTH CAROLINA**
9 **SCHOLARS FUND (EARN)**

10 **SECTION 9.7.(a)** Article 23 of Chapter 116 of the General Statutes is
11 amended by adding the following new section to read:

12 **"§ 116-209.26. Education Access Rewards North Carolina Scholars Fund.**

13 (a) The following definitions apply to this section:

14 (1) Academic year. – A period of time in which a student in matriculated
15 status is expected to complete the equivalent of at least two semesters'
16 or three quarters' academic work.

17 (2) Eligible postsecondary institution. – A school that is:

18 a. A constituent institution of The University of North Carolina as
19 defined in G.S. 116-2(4); or

20 b. A community college as defined in G.S. 115D-2(2).

21 (3) Matriculated status. – Being recognized as a first-time candidate for a
22 degree or certificate, exclusive of any course credits earned while in
23 high school, in a defined program of study at an eligible postsecondary
24 institution.

25 (4) Title IV. – Title IV of the Higher Education Act of 1965, as amended.

26 (b) There is established the Education Access Rewards North Carolina Scholars
27 Fund. The purpose of the Fund is to provide grants to certain eligible students to enable
28 them to obtain an education beyond the high school level at certain postsecondary
29 institutions in North Carolina without incurring student loans to meet their financial
30 need during the first two years of their postsecondary education. The State Education
31 Assistance Authority (SEAA) shall administer the Fund.

32 (c) Criteria for awarding the grants shall be developed by the SEAA and include
33 all of the following:

34 (1) The student must qualify as a legal resident of North Carolina and as a
35 resident for tuition purposes in accordance with G.S. 116-143.1.

36 (2) Within seven months of the fiscal year in which the grant is to be
37 disbursed, the student must have:

38 a. Graduated from a North Carolina high school;

39 b. Received a General Education Development (GED) Certificate
40 from a North Carolina institution; or

41 c. Completed a high school education in a home school setting
42 meeting the qualifications and requirements under
43 G.S. 115C-564.

44 (3) The student must meet enrollment standards by being admitted,
45 enrolled, and classified as an undergraduate student in a matriculated
46 status on a full-time basis at an eligible postsecondary institution in
47 North Carolina.

48 (4) The student must be an eligible dependent student. For purposes of this
49 subsection, an "eligible dependent student" is a student who:

50 a. Either is classified as dependent for the Title IV programs or is
51 a ward or dependent of the court; and

- 1 b. Demonstrates total family income not exceeding two hundred
2 percent (200%) of the applicable federal poverty guideline,
3 according to standards set by the SEAA and measured using
4 data elements available to the SEAA from the Free Application
5 for Federal Student Aid (FAFSA) or such other source as the
6 SEAA may deem appropriate.
- 7 (5) The student must meet all other eligibility requirements for the federal
8 Pell Grant.
- 9 (6) In order to retain eligibility for a grant for the student's second
10 academic year, the student must meet achievement standards by
11 maintaining satisfactory academic progress in a course of study in
12 accordance with the standards and practices used for Title IV programs
13 by the eligible postsecondary institution in which the student is
14 enrolled.
- 15 (7) The student may not receive a grant in an amount that, when combined
16 with the federal Pell Grant, exceeds the student's cost of attendance as
17 defined under Title IV.
- 18 (8) The student may not receive a grant under this section for more than
19 the equivalent of two academic years.
- 20 (d) The maximum grant for which a student is eligible under this section shall be
21 four thousand dollars (\$4,000) per academic year. In the event there are not sufficient
22 funds to provide each eligible student with the maximum grant, it is the intent of the
23 General Assembly that eligible students who have matriculated into an eligible
24 postsecondary institution in North Carolina with at least one academic year of college
25 credit receive the maximum grant amount and all other eligible students shall receive a
26 reduced grant amount.
- 27 (e) The grants provided for in this section shall be administered by the State
28 Education Assistance Authority pursuant to rules adopted by the SEAA not inconsistent
29 with this section.
- 30 (f) The State Education Assistance Authority shall report to the Joint Legislative
31 Education Oversight Committee by December 1, 2009, and by each December 1
32 thereafter, regarding the Fund and grants awarded from the Fund.
- 33 (g) Grant funds unexpended shall remain available to the SEAA for future grants
34 to be awarded under this section."

35 **SECTION 9.7.(b)** There is appropriated from the Escheat Fund to the State
36 Education Assistance Authority the sum of twenty-five million dollars (\$25,000,000)
37 for the 2007-2008 fiscal year and the sum of fifty million dollars (\$50,000,000) for the
38 2008-2009 fiscal year to implement this section. Notwithstanding subsection (a) of this
39 section, no grant shall be disbursed to an eligible student under G.S. 116-209.26, as
40 enacted by this act, before July 1, 2008.

41
42 **MANAGEMENT FLEXIBILITY TO REORGANIZE BUDGET CODE 16012**
43 **UNC BOARD OF GOVERNORS RELATED EDUCATIONAL PROGRAMS**

44 **SECTION 9.8.(a)** Notwithstanding G.S. 143C-6-4, for the 2007-2008 fiscal
45 year, the General Administration of The University of North Carolina and the State
46 Educational Assistance Authority shall, with the approval of the Office of State Budget
47 and Management, reorganize budget code 16012, UNC Board of Governors Related
48 Educational Programs, so that the budget reflects and segregates each specific program
49 individually. The Office of State Budget and Management shall work with the
50 University of North Carolina General Administration and the State Educational

1 Assistance Authority to ensure that each program represented in code 16012 is
2 identified and budgeted separately.

3 **SECTION 9.8.(b)** The University of North Carolina General Administration
4 shall report the new budget structure for budget code 16012, as approved by the Office
5 of State Budget and Management, to the Fiscal Research Division of the General
6 Assembly no later than March 31, 2008.

7 8 **FUTURE TEACHERS OF NC SCHOLARSHIP LOAN PROGRAM**

9 **SECTION 9.9.** G.S. 116-209.38(a) reads as rewritten:

10 "(a) There is established the Future Teachers of North Carolina Scholarship Loan
11 Fund. The purpose of the Fund is to provide a two-year scholarship loan of six thousand
12 five hundred dollars (\$6,500) per year for any North Carolina student pursuing a college
13 degree to teach in the public schools of the State. The scholarship loan shall be paid
14 only for the student's junior and senior years. The scholarship loan is available if the
15 student is enrolled in a State institution of higher education or a private institution of
16 higher education located in this State that has an accredited teacher preparation program
17 for students planning to become certified teachers in North Carolina. The State
18 Education Assistance Authority shall administer the Fund and shall award ~~100-150~~
19 scholarship loans annually."
20

21 **PRINCIPALS' EXECUTIVE PROGRAM**

22 **SECTION 9.10.(a)** The operating budget of the Principals' Executive
23 Program (PEP) is appropriated on a nonrecurring basis for the 2007-2009 fiscal
24 biennium until the General Assembly receives data showing the program has a positive,
25 measurable impact on conditions for teaching and learning in schools.

26 **SECTION 9.10.(b)** The Principals' Executive Program shall develop a
27 formalized admissions policy that does all of the following:

- 28 (1) Gives priority to school administrators working in high-need schools
29 so that State resources are targeted to those who most need support.
- 30 (2) Takes into account geographic diversity to ensure that school
31 administrators statewide are served. If more school administrators seek
32 admission than slots are available, the Principals' Executive Program
33 shall retain those names and offer priority admission to those on the
34 waiting list for the next class. The Principals' Executive Program shall
35 also use these waiting lists to assess demand and determine how best
36 to allocate resources among the various executive training courses.

37 **SECTION 9.10.(c)** The State Board of Education and the Board of
38 Governors of The University of North Carolina shall recommend to the Joint Legislative
39 Education Oversight Committee a plan to provide input on the Principals' Executive
40 Program's priorities and feedback on its performance. This plan shall be presented no
41 later than April 1, 2008.
42

43 **REPEAL NORTH CAROLINA PROGRESS BOARD**

44 **SECTION 9.11.** Part 2A of Article 9 of Chapter 143B of the General
45 Statutes is repealed.
46

47 **REVERT MOTORSPORTS CAPITAL ACCOUNT**

48 **SECTION 9.12.** Effective June 30, 2007, the unencumbered balance of the
49 funds appropriated to the NC Motor Sports Testing and Research Complex in Section
50 32.1 of S.L. 2004-124, as amended by Section 3 of S.L. 2004-184, shall revert to the
51 General Fund.

LEGISLATIVE TUITION GRANT FOR PART-TIME STUDENTS**SECTION 9.13.(a)** G.S. 116-21.2 reads as rewritten:**"§ 116-21.2. Legislative tuition grants to aid students and licensure students attending private institutions of higher education.**

(a) In addition to any funds appropriated pursuant to G.S. 116-19 and in addition to all other financial assistance made available to institutions, or to persons attending these institutions, there is granted to each ~~full-time~~ North Carolina undergraduate student attending an approved institution as defined in G.S. 116-22, a sum, to be determined by the General Assembly for each academic year which shall be distributed to the ~~full-time~~ undergraduate student as provided by this subsection. A full-time North Carolina undergraduate student shall be awarded the full amount of the tuition grant provided by this section. A part-time North Carolina undergraduate student who is enrolled to take at least six hours of academic credit per semester shall be awarded a tuition grant in an amount that is calculated on a pro rata basis.

(a1) The legislative tuition grant provided by this section shall also be granted to each full-time licensure student who is enrolled in a program intended to result in a license in teaching or nursing at an approved institution. The legislative tuition grant provided by this section shall be awarded on a pro rata basis to any ~~part-time~~ licensure student who is enrolled ~~less than full-time~~ to take at least six hours of undergraduate academic credit per semester in a program intended to result in a license in teaching or nursing at an approved institution. The legislative tuition grant and prorated legislative tuition grant authorized under this subsection shall be paid for undergraduate courses only. If a course is required for licensure, but is designated as both an undergraduate and graduate course, for purposes of this subsection, the course shall be considered an undergraduate course.

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

(c) ~~Except as provided in subsection (a1) of this section, in~~ In the event a full-time student on whose behalf a grant has been paid in accordance with subsection (a) of this section or a full-time licensure student on whose behalf a grant has been paid in accordance with subsection (a1) of this section is not enrolled and carrying a minimum academic load as of the tenth classroom day following the beginning of the school term for which the grant was paid, the institution shall refund the full amount of the grant to the State Education Assistance Authority. If a part-time student on whose behalf a prorated grant has been paid in accordance with subsection (a) of this section or a part-time licensure student on whose behalf a prorated grant has been paid in accordance with subsection (a1) of this section is not enrolled and carrying a minimum academic load of six credit hours per semester in the undergraduate class as of the tenth classroom day following the beginning of the school term for which the grant was paid, the institution shall refund the full amount of the grant to the State Education Assistance Authority. If the matriculated status of a full-time student or a full-time licensure student changes to a matriculated status of part-time student or part-time licensure student by the tenth classroom day following the beginning of the school term for which the grant was paid, the institution shall refund only the difference between the amount

1 of the full-time grant awarded and the amount of the part-time grant that is awarded
2 pursuant to this section. Each approved institution shall be subject to examination by the
3 State Auditor for the purpose of determining whether the institution has properly
4 certified eligibility and enrollment of students and licensure students and credited grants
5 paid on behalf of them.

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

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

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

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

17 **SECTION 9.13.(b)** G.S. 116-43.5 reads as rewritten:

18 **"§ 116-43.5. State grants to aid eligible students attending certain private**
19 **institutions of higher education; administrative procedure.**

20 (a) Definitions. – The following definitions apply in this section:

21 (1) "Institution" means a nonprofit educational institution with a main
22 permanent campus located in this State that satisfies all of the
23 following:

24 a. Is not owned or operated by the State of North Carolina or by
25 an agency or political subdivision of the State or by any
26 combination thereof.

27 b. Is accredited by the Southern Association of Colleges and
28 Schools under the standards of the College Delegate Assembly
29 of the Association.

30 c. Awards a postsecondary degree as defined in G.S. 116-15.

31 d. Its students are not eligible for a similar State grant under
32 another State program.

33 (1a) "Licensure student" means a person who:

34 a. Has a bachelor's degree;

35 b. Is enrolled either full-time or less than full-time in a program
36 intended to result in licensure in teaching or nursing;

37 c. Attends an institution located in the State; and

38 d. Qualifies as a resident of North Carolina in accordance with
39 definitions of residency that may from time to time be adopted
40 by the Board of Governors of The University of North Carolina
41 and published in the residency manual of the Board.

42 (2) "Main permanent campus" means a campus that is owned by the
43 institution that provides permanent on-premises housing, food
44 services, and classrooms with full-time faculty members and
45 administration that engage in postsecondary degree activity as defined
46 in G.S. 116-15.

47 (3) "Student" means a person enrolled in and attending an institution
48 located in the State (i) who qualifies as a resident of North Carolina in
49 accordance with definitions of residency that may from time to time be
50 adopted by the Board of Governors of The University of North
51 Carolina and published in the residency manual of the Board, and (ii)

1 who has not received a bachelors degree, or qualified therefor, and
2 who is otherwise classified as an undergraduate under such regulations
3 as the Board of Governors of The University of North Carolina may
4 promulgate. Qualification for in-State tuition under G.S. 116-143.3
5 makes a person a "student" as defined in this subdivision.

6 (b) ~~Eligibility.~~ Eligibility of Full-Time and Part-Time Undergraduates. – A
7 student is eligible for a State grant under this section for an academic year if the student
8 is a ~~full-time~~ North Carolina undergraduate student attending an institution as defined
9 by this section and is not eligible for a similar State grant under another State program
10 for the same academic year. A full-time North Carolina undergraduate student shall be
11 eligible for the full amount of the State grant provided by this section. A part-time North
12 Carolina undergraduate student who is enrolled to take at least six hours of academic
13 credit per semester shall be eligible for a State grant under this section calculated on a
14 pro rata basis.

15 (b1) Eligibility of Licensure Students. – Each full-time licensure student who is
16 enrolled in a program intended to result in a license in teaching or nursing shall also be
17 eligible for the State grant provided by this section. The State grant provided by this
18 section shall be paid on a pro rata basis to any part-time licensure student who is
19 enrolled to take at least six hours of undergraduate academic credit per semester in a
20 program intended to result in a license in teaching or nursing at an approved institution.
21 The State grant and prorated State grant authorized under this subsection shall be paid
22 for undergraduate courses only. If a course is required for licensure, but is designated as
23 both an undergraduate and graduate course, for purposes of this subsection, the course
24 shall be considered an undergraduate course.

25 (c) Administration. – The State grants provided for in this section shall be
26 administered by the State Education Assistance Authority pursuant to rules adopted by
27 the State Education Assistance Authority not inconsistent with this section. The State
28 Education Assistance Authority shall pay the State grant to each student eligible under
29 this section. The amount of the grant shall be determined by the General Assembly. The
30 State grant shall be paid to a student only after the student completes the academic year.
31 The grant shall be paid directly to the student on or after July 1 following the
32 completion of the academic year. The State Education Assistance Authority shall not
33 remit any grant until it receives proper certification from an institution that the student
34 applying for the grant is an eligible student.

35 (d) Shortfall. – In the event there are not sufficient funds to provide each eligible
36 student with a ~~full grant;~~ grant or prorated grant:

37 (1) Each ~~eligible~~ full-time student or full-time licensure student eligible
38 for a full grant under this section shall receive a pro rata share of funds
39 for the full grant then available for the appropriate academic year
40 within the fiscal period covered by the current appropriation.

41 (2) Each part-time student or part-time licensure student eligible for a
42 prorated grant under this section shall receive a pro rata share of the
43 funds for the prorated grant then available for the appropriate
44 academic year within the fiscal period covered by the current
45 appropriation.

46 (e) Reversion. – Any remaining funds shall revert to the General Fund.

47 (f) A State grant authorized by this act shall be reduced by twenty-five percent
48 (25%) for any individual student who has completed 140 semester credit hours or the
49 equivalent of 140 semester credit hours.

50 (f1) The State Education Assistance Authority shall document the number of
51 full-time equivalent and part-time North Carolina undergraduate students and the

1 number of licensure students that are enrolled in private institutions and the State funds
2 collected by students at each institution under this section. The State Education
3 Assistance Authority shall report those findings to the Secretary of Administration, the
4 House and Senate Appropriations Subcommittees on Education, and the Joint
5 Legislative Education Oversight Committee.

6 (g) The State grant shall not be used for any student who:

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

12 **SECTION 9.13.(c)** Notwithstanding G.S. 116-21.2(d) and G.S. 116-43.5(d),
13 in the event there are not sufficient funds to provide each eligible student with a full
14 grant or prorated grant as provided by G.S. 116-21.2 and G.S. 116-43.5, then those
15 students who qualify to receive full grants shall be awarded the full amount of the full
16 grants, but those students who qualify to receive prorated grants shall be awarded
17 prorated shares of the pro rata grants.

18 **SECTION 9.13.(d)** This section applies to the 2007-2008 academic year and
19 each subsequent academic year.

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

21 **PHYSICIAN SERVICES**

22 **SECTION 10.1.** With the approval of the Office of State Budget and
23 Management, the Department of Health and Human Services may use funds
24 appropriated in this act for across-the-board salary increases and performance pay to
25 offset similar increases in the costs of contracting with private and independent
26 universities for the provision of physician services to clients in facilities operated by the
27 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.
28 This offsetting shall be done in the same manner as is currently done with the
29 constituent institutions of The University of North Carolina.
30
31
32

33 **LIABILITY INSURANCE**

34 **SECTION 10.2.(a)** The Secretary of the Department of Health and Human
35 Services, the Secretary of the Department of Environment and Natural Resources, and
36 the Secretary of the Department of Correction may provide medical liability coverage
37 not to exceed one million dollars (\$1,000,000) per incident on behalf of employees of
38 the Departments licensed to practice medicine or dentistry, on behalf of all licensed
39 physicians who are faculty members of The University of North Carolina who work on
40 contract for the Division of Mental Health, Developmental Disabilities, and Substance
41 Abuse Services for incidents that occur in Division programs, and on behalf of
42 physicians in all residency training programs from The University of North Carolina
43 who are in training at institutions operated by the Department of Health and Human
44 Services. This coverage may include commercial insurance or self-insurance and shall
45 cover these individuals for their acts or omissions only while they are engaged in
46 providing medical and dental services pursuant to their State employment or training.

47 **SECTION 10.2.(b)** The coverage provided under this section shall not cover
48 any individual for any act or omission that the individual knows or reasonably should
49 know constitutes a violation of the applicable criminal laws of any state or the United
50 States or that arises out of any sexual, fraudulent, criminal, or malicious act or out of
51 any act amounting to willful or wanton negligence.

1 **SECTION 10.2.(c)** The coverage provided pursuant to this section shall not
 2 require any additional appropriations and shall not apply to any individual providing
 3 contractual service to the Department of Health and Human Services, the Department of
 4 Environment and Natural Resources, or the Department of Correction, with the
 5 exception that coverage may include physicians in all residency training programs from
 6 The University of North Carolina who are in training at institutions operated by the
 7 Department of Health and Human Services and licensed physicians who are faculty
 8 members of The University of North Carolina who work for the Division of Mental
 9 Health, Developmental Disabilities, and Substance Abuse Services.

10
 11 **FUNDS FOR JIM "CATFISH" HUNTER CHAPTER OF THE ALS**
 12 **ASSOCIATION**

13 **SECTION 10.3.** Funds appropriated in this act for the Jim "Catfish" Hunter
 14 Chapter of the ALS Association shall be expended only for services provided within
 15 North Carolina.

16
 17 **DHHS PAYROLL DEDUCTION FOR CHILD CARE SERVICES**

18 **SECTION 10.4.** Subject to rules adopted by the State Controller, an
 19 employee of the Department of Health and Human Services may authorize, in writing,
 20 the periodic deduction from the employee's salary or wages for employment by the
 21 State, a designated lump sum to be paid to satisfy the cost of services received for child
 22 care provided by the Department.

23
 24 **NONMEDICAID REIMBURSEMENT CHANGES**

25 **SECTION 10.5.** Providers of medical services under the various State
 26 programs, other than Medicaid, offering medical care to citizens of the State shall be
 27 reimbursed at rates no more than those under the North Carolina Medical Assistance
 28 Program.

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

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

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

45	DSB Medical Eye Care	125% FPL
46	DSB Independent Living <55	125% FPL
47	DSB Independent Living 55>	200% FPL
48	DSB Vocational Rehabilitation	125%
49	DVR Independent Living <55	125% FPL
50	DVR Independent Living 55>	125% FPL
51	DVR Vocational Rehabilitation	125%

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

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

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

The Department of Health and Human Services shall contract at, or as close as possible to, Medicaid rates for medical services provided to residents of State facilities of the Department.

COMMUNITY HEALTH CENTER CHANGES

SECTION 10.6.(a) Of the funds appropriated in this act for Community Health Grants, the sum of seven million dollars (\$7,000,000) in recurring funds for the 2007-2008 fiscal year and the sum of two million dollars (\$2,000,000) for the 2008-2009 fiscal year shall be allocated to federally qualified health centers and those health centers that meet the criteria for federally qualified health centers, State-designated rural health centers, free clinics, public health departments, school-based health centers, and other nonprofit organizations that provide primary and preventative medical services to uninsured or medically indigent patients 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. In distributing funds, the Department of Health and Human Services shall

1 consider the availability of other funds for the agency, the incidence of poverty or
2 indigent clients served, arrangements for after-hours care, and collaboration with the
3 applicant's community hospital and other safety-net organizations.

4 **SECTION 10.6.(b)** The Office shall work with the North Carolina
5 Community Health Center Association (hereafter "NCCHCA") and the North Carolina
6 Public Health Association (hereafter "NCPHA") to establish an advisory committee to
7 develop an objective and equitable process for awarding grant funds. The Office shall
8 also develop auditing and accountability procedures. Not more than one percent (1%) of
9 the funds appropriated in this section may be used to reimburse the Office for
10 administering the grant program in collaboration with the NCCHCA and the NCPHA.

11 **SECTION 10.6.(c)** Recipients of grant funds shall provide to the Office
12 annually a written report detailing the number of additional uninsured and medically
13 indigent patients that are cared for, the types of services that were provided, and any
14 other information requested by the Office as necessary for evaluating the success of the
15 grant program.

16 **SECTION 10.6.(d)** The Office shall work with the NCCHCA and NCPHA
17 to study and present recommendations for continuing funds to support the expansion of
18 community health centers, State-designated rural health centers, and public health
19 departments to serve more of the State's uninsured and indigent population. The Office
20 shall submit the report to the 2008 Regular Session of the 2007 General Assembly upon
21 its convening.

22 23 **FUNDS TO ASSIST RURAL HOSPITALS**

24 **SECTION 10.7.** Of the funds appropriated in this act to the Department of
25 Health and Human Services, Office of Rural Health and Community Care, the sum of
26 two million dollars (\$2,000,000) for the 2007-2008 fiscal year and the sum of two
27 million dollars (\$2,000,000) for the 2008-2009 fiscal year shall be allocated to small
28 rural hospitals in need of assistance with the operations and infrastructure maintenance
29 of the hospital. These funds may be used for:

- 30 (1) Capital and operational needs of small rural hospitals. The Office of
31 Rural Health and Community Care shall convene an advisory group to
32 establish criteria for distribution of these funds. The criteria shall
33 include the number of indigent patients served, the number of
34 Medicaid recipients served, the per capita income of the area served by
35 the hospital, and the financial needs of the hospital; and
- 36 (2) Pilot demonstration programs that address issues critical to the
37 long-term survivability of rural hospitals such as: development of
38 regional care networks for mental health services; restructuring of
39 emergency department and outpatient services; and disease-focused
40 regional referral and care networks. The Office of Rural Health and
41 Community Care shall convene an advisory group to establish criteria
42 for the pilot demonstration projects, distribution of funds, and
43 monitoring and evaluation of the pilot projects.

44 The Office of Rural Health and Community Care shall report on the
45 allocation of funds appropriated under this section to the Senate Appropriations
46 Committee on Health and Human Services, the House of Representatives
47 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
48 Division not later than March 1, 2008.

49 50 **TRANSFER SHIP FUNDS TO DEPARTMENT OF INSURANCE**

1 **SECTION 10.8.** Of the funds appropriated in this act to the Department of
2 Health and Human Services, Office of Rural Health and Community Care, the sum of
3 five hundred thousand dollars (\$500,000) for the 2007-2008 fiscal year shall be
4 transferred to the Department of Insurance. These funds shall be allocated by the
5 Department of Insurance to the Seniors Health Insurance Information Program (SHIIP)
6 to provide additional resources for community-based outreach and enrollment efforts to
7 assist seniors in enrollment in the NCRx Program and Medicare Part D.
8

9 **COLLABORATION AMONG DEPARTMENTS OF ADMINISTRATION,**
10 **HEALTH AND HUMAN SERVICES, JUVENILE JUSTICE AND**
11 **DELINQUENCY PREVENTION, AND PUBLIC INSTRUCTION ON**
12 **SCHOOL-BASED CHILD AND FAMILY TEAM INITIATIVE**

13 **SECTION 10.9.(a)** School-Based Child and Family Team Initiative
14 established. –

- 15 (1) Purpose and duties. – There is established the School-Based Child and
16 Family Team Initiative. The purpose of the Initiative is to identify and
17 coordinate appropriate community services and supports for children
18 at risk of school failure or out-of-home placement in order to address
19 the physical, social, legal, emotional, and developmental factors that
20 affect academic performance. The Department of Health and Human
21 Services, the Department of Public Instruction, the State Board of
22 Education, the Department of Juvenile Justice and Delinquency
23 Prevention, the Administrative Office of the Courts, and other State
24 agencies that provide services for children shall share responsibility
25 and accountability to improve outcomes for these children and their
26 families. The Initiative shall be based on the following principles:
27 a. The development of a strong infrastructure of interagency
28 collaboration;
29 b. One child, one team, one plan;
30 c. Individualized strengths-based care;
31 d. Accountability;
32 e. Cultural competence;
33 f. Children at risk of school failure or out-of-home placement may
34 enter the system through any participating agency;
35 g. Services shall be specified, delivered, and monitored through a
36 unified Child and Family Plan that is outcome-oriented and
37 evaluation-based;
38 h. Services shall be the most efficient in terms of cost and
39 effectiveness and shall be delivered in the most natural settings
40 possible;
41 i. Out-of-home placements for children shall be a last resort and
42 shall include concrete plans to bring the children back to a
43 stable, permanent home, their schools, and their community;
44 and
45 j. Families and consumers shall be involved in decision making
46 throughout service planning, delivery, and monitoring.
47 (2) Program goals and services. – In order to ensure that children
48 receiving services are appropriately served, the affected State and local
49 agencies shall:
50 a. Increase capacity in the school setting to address the academic,
51 health, mental health, social, and legal needs of children.

- 1 b. Ensure that children receiving services are screened initially to
- 2 identify needs and assessed periodically to determine progress
- 3 and sustained improvement in educational, health, safety,
- 4 behavioral, and social outcomes.
- 5 c. Develop uniform screening mechanisms and a set of outcomes
- 6 that are shared across affected agencies to measure children's
- 7 progress in home, school, and community settings.
- 8 d. Promote practices that are known to be effective based upon
- 9 research or national best practice standards.
- 10 e. Review services provided across affected State agencies to
- 11 ensure that children's needs are met.
- 12 f. Eliminate cost shifting and facilitate cost-sharing among
- 13 governmental agencies with respect to service development,
- 14 service delivery, and monitoring for participating children and
- 15 their families.
- 16 g. Participate in a local memorandum of agreement signed
- 17 annually by the participating superintendent of the local LEA,
- 18 directors of the county departments of social services and
- 19 health, director of the local management entity, the chief district
- 20 court judge, and the chief district court counselor.
- 21 (3) Local level responsibilities. – In coordination with the North Carolina
- 22 Child and Family Leadership Council (Council), the local board of
- 23 education shall establish the School-Based Child and Family Team
- 24 Initiative (Initiative) at designated schools and shall appoint the Child
- 25 and Family Team Leaders who shall be a school nurse and a school
- 26 social worker. Each local management entity that has any selected
- 27 schools in its catchment area shall appoint a Care Coordinator, and any
- 28 department of social services that has a selected school in its
- 29 catchment area shall appoint a Child and Family Teams Facilitator.
- 30 The Care Coordinators and Child and Family Team Facilitators shall
- 31 have as their sole responsibility working with the selected schools in
- 32 their catchment areas and shall provide training to school-based
- 33 personnel, as required. The Child and Family Team Leaders shall
- 34 identify and screen children who are potentially at risk of academic
- 35 failure or out-of-home placement due to physical, social, legal,
- 36 emotional, or developmental factors. Based on the screening results,
- 37 responsibility for developing, convening, and implementing the Child
- 38 and Family Team Initiative is as follows:
- 39 a. School personnel shall take the lead role for those children and
- 40 their families whose primary unmet needs are related to
- 41 academic achievement.
- 42 b. The local management entity shall take the lead role for those
- 43 children and their families whose primary unmet needs are
- 44 related to mental health, substance abuse, or developmental
- 45 disabilities and who meet the criteria for the target population
- 46 established by the Division of Mental Health, Developmental
- 47 Disabilities, and Substance Abuse Services.
- 48 c. The local department of public health shall take the lead role for
- 49 those children and their families whose primary unmet needs
- 50 are health-related.

d. Local departments of social services shall take the lead for those children and their families whose primary unmet needs are related to child welfare, abuse, or neglect.

e. The chief district court counselor shall take the lead for those children and their families whose primary unmet needs are related to juvenile justice issues.

A representative from each named or otherwise identified publicly supported children's agency shall participate as a member of the Team as needed. Team members shall coordinate, monitor, and assure the successful implementation of a unified Child and Family Plan.

(4) Reporting requirements. – School-Based Child and Family Team Leaders shall provide data to the Council for inclusion in their report to the North Carolina General Assembly. The report shall include the following:

a. The number of and other demographic information on children screened and assigned to a team and a description of the services needed by and provided to these children;

b. The number of and information about children assigned to a team who are placed in programs or facilities outside the child's home or outside the child's county and the average length of stay in residential treatment;

c. The amount and source of funds expended to implement the Initiative;

d. Information on how families and consumers are involved in decision making throughout service planning, delivery, and monitoring;

e. Other information as required by the Council to evaluate success in local programs and ensure appropriate outcomes; and

f. Recommendations on needed improvements.

(5) Local advisory committee. – In each county with a participating school, the superintendent of the local LEA shall either identify an existing cross agency collaborative or council, or shall form a new group, to serve as a local advisory committee to work with the Initiative. Newly formed committees shall be chaired by the superintendent and one other member of the committee to be elected by the committee. The local advisory committee shall include the directors of the county departments of social services and health, the directors of the local management entity, the chief district court judge, the chief district court counselor, and representatives of other agencies providing services to children, as designated by the Committee. The members of the Committee shall meet as needed to monitor and support the successful implementation of the School-Based Child and Family Team Initiative.

The Local Child and Family Team Advisory Committee may designate existing cross agency collaboratives or councils as working groups or to provide assistance in accomplishing established goals.

SECTION 10.9.(b) North Carolina Child and Family Leadership Council. –

(1) Leadership Council established; location. – There is established the North Carolina Child and Family Leadership Council (Council). The Council shall be located within the Department of Administration for organizational and budgetary purposes.

- 1 (2) Purpose. – The purpose of the Council is to review and advise the
2 Governor in the development of the School-Based Child and Family
3 Team Initiative and to ensure the active participation and collaboration
4 in the Initiative by all State agencies and their local counterparts
5 providing services to children in participating counties in order to
6 increase the academic success and reduce out-of-home and
7 out-of-county placements of children at risk of academic failure.
- 8 (3) Membership. – The Superintendent of Public Instruction and the
9 Secretary of Health and Human Services shall serve as cochairs of the
10 Council. Council membership shall include the Secretary of the
11 Department of Juvenile Justice and Delinquency Prevention, the
12 Chairman of the State Board of Education, the Director of the
13 Administrative Office of the Courts, and other members as appointed
14 by the Governor.
- 15 (4) The Council shall:
- 16 a. Sign an annual memorandum of agreement (MOA) among the
17 named State agencies to define the purposes of the program and
18 to ensure that program goals are accomplished.
- 19 b. Resolve State policy issues, as identified at the local level,
20 which interfere with effective implementation of the
21 School-Based Child and Family Team Initiative.
- 22 c. Direct the integration of resources, as needed, to meet goals and
23 ensure that the Initiative promotes the most effective and
24 efficient use of resources and eliminates duplication of effort.
- 25 d. Establish criteria for defining success in local programs and
26 ensure appropriate outcomes.
- 27 e. Develop an evaluation process, based on expected outcomes, to
28 ensure the goals and objectives of this Initiative are achieved.
- 29 f. Review progress made on integrating policies and resources
30 across State agencies, reaching expected outcomes, and
31 accomplishing other goals.
- 32 g. Report semiannually, on January 1 and July 1, on progress
33 made and goals achieved to the Office of the Governor, the
34 Joint Appropriations Committees and Subcommittees on
35 Education, Justice and Public Safety, and Health and Human
36 Services, and the Fiscal Research Division of the Legislative
37 Services Office.

38 The Council may designate existing cross agency collaboratives or
39 councils as working groups or to provide assistance in accomplishing
40 established goals.

41 **SECTION 10.9.(c)** Department of Health and Human Services. – The
42 Secretary of the Department of Health and Human Services shall ensure that all
43 agencies within the Department collaborate in the development and implementation of
44 the School-Based Child and Family Team Initiative and provide all required support to
45 ensure that the Initiative is successful.

46 **SECTION 10.9.(d)** Department of Juvenile Justice and Delinquency
47 Prevention. – The Secretary of the Department of Juvenile Justice and Delinquency
48 Prevention shall ensure that all agencies within the Department collaborate in the
49 development and implementation of the School-Based Child and Family Team Initiative
50 and provide all required support to ensure that the Initiative is successful.

1 **SECTION 10.9.(e)** Administrative Office of the Courts. – The Director of
2 the Administrative Office of the Courts shall ensure that the Office collaborates in the
3 development and implementation of the School-Based Child and Family Team Initiative
4 and shall provide all required support to ensure that the Initiative is successful.

5 **SECTION 10.9.(f)** Department of Public Instruction. – The Superintendent
6 of Public Instruction shall ensure that the Department collaborates in the development
7 and implementation of the School-Based Child and Family Team Initiative and shall
8 provide all required support to ensure that the Initiative is successful.
9

10 **COMPREHENSIVE TREATMENT SERVICES PROGRAM/ESTABLISHMENT**
11 **OF TASK FORCE ON THE COORDINATION OF CHILDREN'S SERVICES**

12 **SECTION 10.10.(a)** The Department of Health and Human Services shall
13 continue the Comprehensive Treatment Services Program for children at risk for
14 institutionalization or other out-of-home placement. The Program shall be implemented
15 by the Department in consultation with the Department of Juvenile Justice and
16 Delinquency Prevention, the Department of Public Instruction, and other affected State
17 agencies. The purpose of the Program is to provide appropriate and medically necessary
18 nonresidential and residential treatment alternatives for children within the child mental
19 health deaf and hard of hearing target population who are at risk of institutionalization
20 or other out-of-home placement. Program funds shall be targeted for non-Medicaid
21 eligible children. Program funds may also be used to expand a system-of-care approach
22 for services to children and their families statewide. The program shall include the
23 following:

- 24 (1) Behavioral health screening for all children at risk of
25 institutionalization or other out-of-home placement.
- 26 (2) Appropriate and medically necessary nonresidential and residential
27 services for deaf children.
- 28 (3) Appropriate and medically necessary nonresidential and residential
29 treatment services, including placements for sexually aggressive youth.
- 30 (4) Appropriate and medically necessary nonresidential and residential
31 treatment services, including placements for youth needing substance
32 abuse treatment services and children with serious emotional
33 disturbances.
- 34 (5) Multidisciplinary case management services, as needed.
- 35 (6) A system of utilization review specific to the nature and design of the
36 Program.
- 37 (7) Mechanisms to ensure that children are not placed in department of
38 social services custody for the purpose of obtaining mental health
39 residential treatment services.
- 40 (8) Mechanisms to maximize current State and local funds and to expand
41 use of Medicaid funds to accomplish the intent of this Program.
- 42 (9) Other appropriate components to accomplish the Program's purpose.
- 43 (10) The Secretary of the Department of Health and Human Services may
44 enter into contracts with residential service providers.
- 45 (11) A system of identifying and tracking children placed outside of the
46 family unit in group homes, therapeutic foster care home settings, and
47 other out-of-home placements.
- 48 (12) The development of a strong infrastructure of interagency
49 collaboration.
- 50 (13) Individualized strengths-based care.

1 **SECTION 10.10.(b)** In order to ensure that children at risk for
2 institutionalization or other out-of-home placement are appropriately served by the
3 mental health, developmental disabilities, and substance abuse services system, the
4 Department of Health and Human Services, Division of Mental Health, Developmental
5 Disabilities, and Substance Abuse Services, shall do the following with respect to
6 services provided to these children:

- 7 (1) Provide only those treatment services that are medically necessary.
- 8 (2) Implement utilization review of services provided.
- 9 (3) Adopt the following guiding principles for the provision of services:
 - 10 a. Service delivery system must be outcome-oriented and
11 evaluation-based.
 - 12 b. Services should be delivered as close as possible to the child's
13 home.
 - 14 c. Services selected should be those that are most efficient in
15 terms of cost and effectiveness.
 - 16 d. Services should not be provided solely for the convenience of
17 the provider or the client.
 - 18 e. Families and consumers should be involved in decision making
19 throughout treatment planning and delivery.
 - 20 f. Services shall be specified, delivered, and monitored through a
21 unified Child and Family Plan incorporating the principles of
22 one-child-one-team-one-plan.
 - 23 g. Out-of-home placements for children shall be a last resort and
24 shall include concrete plans to bring the children back to a
25 stable, permanent home, their schools, and their community.
- 26 (4) Implement all of the following cost-reduction strategies:
 - 27 a. Preauthorization for all services except emergency services.
 - 28 b. Levels of care to assist in the development of treatment plans.
 - 29 c. Clinically appropriate services.

30 **SECTION 10.10.(c)** The Department shall collaborate with other affected
31 State agencies such as the Department of Juvenile Justice and Delinquency Prevention,
32 the Department of Public Instruction, the Administrative Office of the Courts, and with
33 local departments of social services, area mental health programs, and local education
34 agencies to eliminate cost shifting and facilitate cost-sharing among these governmental
35 agencies with respect to the treatment and placement services.

36 **SECTION 10.10.(d)** The Department shall not allocate funds appropriated
37 for Program services until a Memorandum of Agreement has been executed between the
38 Department of Health and Human Services, the Department of Public Instruction, and
39 other affected State agencies. The Memorandum of Agreement shall address
40 specifically the roles and responsibilities of the various departmental divisions and
41 affected State agencies involved in the administration, financing, care, and placement of
42 children at risk of institutionalization or other out-of-home placement. The Department
43 shall not allocate funds appropriated in this act for the Program until the Memoranda of
44 Agreement between local departments of social services, area mental health programs,
45 local education agencies, the Administrative Office of the Courts, and the Department
46 of Juvenile Justice and Delinquency Prevention, as appropriate, are executed to
47 effectuate the purpose of the Program. The Memoranda of Agreement shall address
48 issues pertinent to local implementation of the Program, including provision for the
49 immediate availability of student records to a local school administrative unit receiving
50 a child placed in a residential setting outside the child's home county.

1 **SECTION 10.10.(e)** Notwithstanding any other provision of law to the
2 contrary, services under the Comprehensive Treatment Services Program are not an
3 entitlement for non-Medicaid eligible children served by the Program.

4 **SECTION 10.10.(f)** Of the funds appropriated in this act for the
5 Comprehensive Treatment Services Program, the Department of Health and Human
6 Services shall establish a reserve of three percent (3%) to ensure availability of these
7 funds to address specialized needs for children with unique or highly complex
8 problems.

9 **SECTION 10.10.(g)** The Department of Health and Human Services, in
10 conjunction with the Department of Juvenile Justice and Delinquency Prevention, the
11 Department of Public Instruction, and other affected agencies, shall report on the
12 following Program information:

- 13 (1) The number and other demographic information of children served.
- 14 (2) The amount and source of funds expended to implement the Program.
- 15 (3) Information regarding the number of children screened, specific
16 placement of children, including the placement of children in programs
17 or facilities outside of the child's home county, and treatment needs of
18 children served.
- 19 (4) The average length of stay in residential treatment, transition, and
20 return to home.
- 21 (5) The number of children diverted from institutions or other out-of-home
22 placements such as training schools and State psychiatric hospitals and
23 a description of the services provided.
- 24 (6) Recommendations on other areas of the Program that need to be
25 improved.
- 26 (7) Other information relevant to successful implementation of the
27 Program.

28 **SECTION 10.10.(h)** The Department shall report on the following Program
29 funding information:

- 30 (1) The amount of Program funding allocated and expended by each LME.
- 31 (2) The amount of Program funds each LME transferred out of the
32 Program to serve purposes other than those outlined by this Program
33 and an explanation of why LMEs transferred the funding.
- 34 (3) Recommendations to improve the penetration rate of Program funds to
35 serve the intended populations across the State.

36 **SECTION 10.10.(i)** Article 24 of Chapter 120 of the General Statutes reads
37 as rewritten:

38 "Article 24.

39 "The Legislative Study Commission on Children and Youth.

40 **"§ 120-215. Commission created; purpose.**

41 There is created the Legislative Study Commission on Children and Youth. The
42 purpose of the Commission is to study and evaluate the system of delivery of services to
43 children and youth and to make recommendations to improve service delivery to meet
44 present and future needs of the children and youth of this State. This study shall be a
45 continuing one and the evaluation ongoing.

46 **"§ 120-216. Commission duties.**

47 The Commission shall have the following duties:

- 48 (1) Study the needs of children and youth. This study shall include, but is
49 not limited to:
 - 50 a. Determining the adequacy and appropriateness of services:
51 1. To children and youth receiving child welfare services;

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- 2. To children and youth in the juvenile court system; ~~and~~
 - 3. Provided by the Division of Social Services and the Department of Juvenile Justice and Delinquency ~~Prevention~~.Prevention;
 - 4. To children and youth served by the Mental Health, Developmental Disabilities, and Substance Abuse Services system.
 - b. Developing methods for identifying and providing services to children and youth not receiving but in need of child welfare services, children and youth at risk of entering the juvenile court system, and children and youth exposed to domestic violence situations.
 - c. Developing strategies for addressing the issues of school dropout, teen suicide, and adolescent pregnancy.
 - d. Identifying and evaluating the impact on children and youth of other economic and environmental issues.
 - e. Identifying obstacles to ensuring that children who are in secure or nonsecure custody are placed in safe and permanent homes within a reasonable period of time and recommending strategies for overcoming those obstacles. The Commission shall consider what, if anything, can be done to expedite the adjudication and appeal of abuse and neglect charges against parents so that decisions may be made about the safe and permanent placement of their children as quickly as possible.
 - (2) Evaluate problems associated with juveniles who are beyond the disciplinary control of their parents, including juveniles who are runaways, and develop solutions for addressing the problems of those juveniles.
 - (3) Identify strategies for the development and funding of a comprehensive statewide database relating to children and youth to facilitate State agency planning for delivery of services to children and youth.
 - (4) Conduct any other studies, evaluations, or assessments necessary for the Commission to carry out its purpose.
- "§ 120-217. Commission membership; terms; compensation.**
- (a) The Commission shall consist of ~~25-26~~ members, as follows:
 - (1) Eleven members appointed by the Speaker of the House of Representatives, among them:
 - a. ~~Four-Five~~ shall be members of the House of Representatives at the time of their appointment, of whom at least one shall also serve on the House of Representatives Appropriations Subcommittee on Health and Human Services, one of whom also serves on the Joint Legislative Education Oversight Committee, one of whom also serves on the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and one of whom also serves on the House of Representatives Appropriations Subcommittee on Justice and Public Safety,
 - b. One shall be the director of a local health department,
 - c. One shall be the director of a county department of social services,

- 1 d. ~~One shall be a representative of the general public who has~~
 2 ~~knowledge of issues relating to children and youth,~~the parent of
 3 a child who is at risk for behavioral, social, health, or safety
 4 problems or academic failure.
- 5 e. One shall be a licensed physician who is knowledgeable about
 6 the health needs of children and youth, ~~and~~
- 7 f. One shall be a chief district court judge recommended by the
 8 Council of Chief District ~~Judges.~~Judges, and
- 9 g. One shall be a representative from the Covenant with North
 10 Carolina Children.
- 11 (2) Eleven members appointed by the President Pro Tempore of the
 12 Senate, as follows:
 13 a. ~~Four~~ Five shall be members of the Senate at the time of their
 14 appointment, of whom at least one shall also serve on the
 15 Senate Appropriations Committee on Health and Human
 16 Services, at least one of whom shall also serve on the Joint
 17 Legislative Education Oversight Committee, at least one of
 18 whom shall also serve on the Joint Legislative Oversight
 19 Committee on Mental Health, Developmental Disabilities, and
 20 Substance Abuse Services, and at least one of whom also serves
 21 on the Senate Appropriations Committee on Justice and Public
 22 Safety.
- 23 b. One shall be the director of a mental health area authority,
- 24 c. One shall be a representative of the Association of County
 25 Commissioners,
- 26 d. One shall be a representative of ~~the general public who has~~
 27 ~~knowledge of issues relating to children and youth,~~a local board
 28 of education.
- 29 e. One shall be a licensed attorney whose practice includes the
 30 representation of parents accused of criminal or civil abuse or
 31 neglect, ~~and~~
- 32 f. One shall be a chief district court judge recommended by the
 33 Council of Chief District ~~Judges.~~Judges,
- 34 g. One shall be a representative from ~~the North Carolina Child~~
 35 ~~Advocacy Institute.~~Action for Children of North Carolina, and
- 36 h. One shall be a representative from the North Carolina Child
 37 Fatality Task Force.
- 38 (3) The following shall serve ex officio as nonvoting members of the
 39 Commission:
 40 a. The Secretary of Health and Human Services, or the Secretary's
 41 designee,
 42 b. The State Superintendent of Public Instruction, or the
 43 Superintendent's designee,
 44 c. The Secretary of Administration, or the Secretary's designee,
 45 and
 46 d. The Director of the Administrative Office of the Courts, or the
 47 Director's designee.
- 48 (b) Any vacancy shall be filled by the appointing authority who made the initial
 49 appointment and by a person having the same qualification. Members' terms shall last
 50 for two years. Members may be reappointed for two consecutive terms and may be
 51 appointed again after having been off the Commission for two years.

1 (c) Commission members shall receive no salary as a result of serving on the
2 Commission and the Task Force on the Coordination of Children's Services but shall
3 receive necessary subsistence and travel expenses in accordance with G.S. 120-3.1,
4 138-5, and 138-6, as applicable.

5 **"§ 120-218. Commission meetings; public hearings; staff.**

6 (a) The Commission shall hold its initial meeting at the call of the Speaker of the
7 House of Representatives and the President Pro Tempore of the Senate. Subsequent
8 meetings shall be held upon the call of the Commission cochairs. The Speaker of the
9 House of Representatives and the President Pro Tempore of the Senate shall appoint a
10 cochair each from the membership of the Commission.

11 (b) The Commission may hold public hearings across the State to solicit public
12 input with respect to issues relating to children and youth.

13 (c) The Commission may contract for clerical or professional staff or for any
14 other services it may require in the course of its ongoing study. At the request of the
15 Commission, the Legislative Services Commission may supply members of the staff of
16 the Legislative Services Office and clerical assistance to the Commission as the
17 Legislative Services Commission considers appropriate. The Commission and the Task
18 Force on the Coordination of Children's Services may, with the approval of the
19 Legislative Services Commission, meet in the State Legislative Building or the
20 Legislative Office Building.

21 **"§ 120-219. Commission reports.**

22 The Commission shall report to the General Assembly and to the Governor the
23 results of its study and recommendations. A written report shall be submitted to each
24 biennial session of the General Assembly at its convening.

25 **"§ 120-220. Commission authority.**

26 The Commission and the Task Force on the Coordination of Children's Services has
27 the authority to obtain information and data from all State officers, agents, agencies, and
28 departments, while in discharge of its duties, pursuant to G.S. 120-19, as if it were a
29 committee of the General Assembly.

30 **"§ 120-221. Task Force on the Coordination of Children's Services.**

31 (a) There is created the Task Force on the Coordination of Children's Services,
32 which shall be a Task Force of the Commission. The following members of the
33 Commission shall serve on the Task Force:

34 (1) Five of the Commission members appointed by the Speaker of the
35 House of Representatives, as follows:

36 a. The Commission member who serves on the House of
37 Representatives Appropriations Subcommittee on Health and
38 Human Services, and the Commission member who is a
39 member of the House of Representatives and who also serves
40 on the Legislative Oversight Committee on Mental Health,
41 Developmental Disabilities, and Substance Abuse Services,

42 b. The Commission member who is a local health director,

43 c. The Commission member who is the parent of a child at risk for
44 behavioral, social, health, or safety problems or academic
45 failure, and

46 d. The Commission member who is the director of a county
47 department of social services.

48 (2) Five of the Commission members appointed by the President Pro
49 Tempore of the Senate, as follows:

50 a. The Commission member who is a member of the Senate and
51 serves on the Joint Legislative Education Oversight Committee,

- 1 and the Commission member who serves on the Senate
2 Appropriations Committee on Justice and Public Safety,
3 b. The Commission member who represents a local board of
4 education,
5 c. The Commission member who is a representative of Action for
6 Children of North Carolina, and
7 d. The Commission member who is the director of an area
8 authority or county program.
9 (3) One designee of each of the following ex officio Commission
10 members:
11 a. The Secretary of Health and Human Services,
12 b. The Superintendent of Public Instruction, and
13 c. The Secretary of Administration.
14 (4) Each cochair of the Commission shall appoint one of the Task Force
15 members as cochair of the Task Force.
16 (b) The purpose of the Task Force is to study and recommend changes to the
17 Commission, the Governor, and the General Assembly to improve collaboration and
18 coordination among agencies that provide services to children, youth, and families with
19 multiple service needs. Task Force recommendations shall include mechanisms for
20 establishing clear State leadership, consistent policy direction, and increased
21 accountability at the State and local levels. As part of its work, the Task Force shall:
22 (1) Identify existing State, regional, and local collaborative bodies
23 (including their charges, scopes of authority, and accountability
24 requirements) that have been created by legislation, administrative
25 rule, or agency policy and that are charged with serving, protecting, or
26 improving the well-being of North Carolina's children, youth, and
27 families. Once it has identified the collaborative bodies, the Task
28 Force shall consider how they could be consolidated, reorganized, or
29 eliminated in order to improve their effectiveness and accountability,
30 increase the likelihood that key players will actively participate, and
31 reduce unnecessary duplication of effort. The Task Force shall also
32 consider the creation of a mechanism for coordination and
33 communication among the State and local collaborative bodies,
34 incentives for collaboration, clarification of roles among agencies, and
35 ways to monitor the extent to which groups are collaborating.
36 (2) Study the practices of agencies currently implementing a system of
37 care platform of practices and make recommendations regarding
38 whether to adopt those practices statewide and across child-serving
39 agencies as the preferred mechanism for providing services to
40 children, youth, and families. In examining this issue, the Task Force
41 shall identify those State and local agencies that are currently
42 implementing practices that are consistent with a system of care, those
43 states that have implemented a system of care as a statewide policy
44 initiative, and the extent to which a system of care is cost-effective.
45 (3) The Task Force shall also examine the following principles that are
46 associated with a system of care and determine whether to recommend
47 the adoption of a State policy that reflects these principles:
48 a. Services for children should promote success, safety, and
49 permanence.

- 1 b. Services should be child- and family-centered, giving priority to
2 keeping children with their families, in their home, school, and
3 community.
4 c. Services should actively promote early identification and
5 intervention.
6 d. Services should be designed to protect the rights of children.
7 e. Services shall be integrated and comprehensive, addressing the
8 child's physical, educational, social, and emotional needs
9 through a single child and family team.
10 f. Services shall be outcomes-accountable and tied to a unified
11 child and family plan.
12 g. Agency resources and services shall be shared and coordinated.
13 h. Services shall be provided as close to home as appropriate in
14 the least restrictive setting consistent with what is known to be
15 effective.
16 i. Services shall be culturally competent.
17 j. Services shall address the unique strengths, needs, and potential
18 of each child and family, and shall be sufficiently flexible to
19 meet highly individualized child and family needs.
20 k. Management of the child-serving system is a responsibility
21 shared among all public and private child-serving agencies that
22 should be held collectively accountable for outcomes.

23 (4) In reviewing principles relating to a system of care, the Task Force
24 shall determine whether they articulate goals that are measurable and if
25 not, determine whether they could be modified to reflect measurable
26 goals.

27 (5) Study any other issues the Task Force determines would improve
28 coordination and collaboration among child-serving agencies.

29 (c) The Task Force shall report at least annually to the Commission or more
30 frequently at the request of the cochairs of the Commission, and shall also report on
31 April 1 of each year to the House of Representatives Appropriations Subcommittee on
32 Health and Human Services, the Senate Appropriations Committee on Health and
33 Human Services, the Joint Legislative Oversight Committee on Mental Health,
34 Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research
35 Division."

36 **SECTION 10.10.(j)** Upon approval of the Legislative Services Commission,
37 the Legislative Services Officer shall assign professional and clerical staff to assist in
38 the work of the Task Force. Professional staff shall be those assigned to subject areas or
39 agencies involving child-serving programs administered by the Department of Health
40 and Human Services, the Department of Juvenile Justice and Delinquency Prevention,
41 the Administrative Office of the Courts, and the Department of Public Instruction.
42 Clerical staff shall be furnished to the Task Force through the offices of the House of
43 Representatives and Senate Supervisors of Clerks.

44 **SECTION 10.10.(k)** The Department shall report on April 1, 2008, and
45 April 1, 2009, on the implementation of subsections (a) through (h) of this section. The
46 reports required under this subsection shall be made to the House of Representatives
47 Appropriations Subcommittee on Health and Human Services, the Senate
48 Appropriations Committee on Health and Human Services, the Joint Legislative
49 Oversight Committee on Mental Health, Developmental Disabilities, and Substance
50 Abuse Services, and the Fiscal Research Division.

1 SENIOR CENTER OUTREACH

2 **SECTION 10.11.(a)** Funds appropriated to the Department of Health and
3 Human Services, Division of Aging and Adult Services, for the 2007-2009 fiscal
4 biennium, shall be used by the Division of Aging and Adult Services to enhance senior
5 center programs as follows:

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

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

10 **SECTION 10.11.(b)** Prior to funds being allocated pursuant to this section
11 for start-up funds for a new senior center, the county commissioners of the county in
12 which the new center will be located shall:

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

17 **SECTION 10.11.(c)** State funding shall not exceed seventy-five percent
18 (75%) of reimbursable costs.

**19 QUALITY IMPROVEMENT CONSULTATION PROGRAM FOR ADULT
20 CARE HOMES**

21 **SECTION 10.12.** The Department's Division of Aging and Adult Services
22 shall develop a Quality Improvement Consultation Program for Adult Care Homes. The
23 purpose of the Program is to promote better care and improve quality of life in a safe
24 environment for residents in adult care homes through consultation and assistance with
25 adult care home providers. The county departments of social services shall be
26 responsible for implementation of the Program with all adult care homes located in the
27 respective county, based on a timetable for statewide implementation.

28 The Division of Aging and Adult Services shall consult with adult care home
29 providers, county departments of social services, consumer advocates, and other
30 interested stakeholders and parties in the development of the Quality Improvement
31 Consultation Program for Adult Care Homes.

32 The Program will address the following topics:

- 33 (1) Principles and philosophies that are resident-centered and promote
34 independence, dignity, and choice for residents;
- 35 (2) Approaches to develop continuous quality improvement with a focus
36 on resident satisfaction and optimal outcomes;
- 37 (3) Dissemination of best practice models that have been used successfully
38 elsewhere;
- 39 (4) A determination of the availability of standardized instruments, and
40 their use to the extent possible, to assess and measure adult care home
41 performance according to quality of life indicators;
- 42 (5) Utilization of quality improvement plans for adult care homes that
43 identify and resolve issues that adversely affect quality of care and
44 services to residents. The plans include agreed upon time frames for
45 completion of improvements and identification of needed resources;
- 46 (6) Training required to equip county departments of social services' staff
47 to implement the Program;
- 48 (7) A distinction of roles between the regulatory role of the Department's
49 Division of Facility Services and the quality improvement consultation
50

- 1 and monitoring responsibilities of the county departments of social
2 services; and
3 (8) Identification of staffing and other resources needed to implement the
4 Program.

5 The Division of Aging and Adult Services shall conduct a pilot of the Quality
6 Improvement Consultation Program for Adult Care Homes. No more than four county
7 departments of social services shall participate in the pilot. The Division of Aging and
8 Adult Services shall consider geographic balance and size in carrying out the pilot. At
9 the conclusion of the pilot, the Division of Aging and Adult Services shall make
10 recommendations regarding the effectiveness of the Quality Improvement Consultation
11 Program for Adult Care Homes. If the Division recommends expansion of the pilot to
12 other counties or statewide implementation of the Program, its report shall include the
13 cost and a proposed timetable for implementing these recommendations, including the
14 identification of any necessary statutory and administrative rule changes. The
15 recommendations shall be made to the Secretary of the Department of Health and
16 Human Services, the North Carolina Study Commission on Aging, the Senate
17 Appropriations Committee on Health and Human Services, and the House of
18 Representatives Subcommittee on Health and Human Services.
19

20 STATE-COUNTY SPECIAL ASSISTANCE

21 **SECTION 10.13.(a)** The eligibility of Special Assistance recipients residing
22 in adult care homes on August 1, 1995, shall not be affected by an income reduction in
23 the Special Assistance eligibility criteria resulting from adoption of the Rate Setting
24 Methodology Report and Related Services, providing these recipients are otherwise
25 eligible. The maximum monthly rate for these residents in adult care home facilities
26 shall be one thousand two hundred thirty-one dollars (\$1,231) per month per resident.

27 **SECTION 10.13.(b)** Effective January 1, 2007, the maximum monthly rate
28 for residents in adult care home facilities shall be one thousand one hundred forty-eight
29 dollars (\$1,148) per month per resident unless adjusted by the Department in
30 accordance with subsection (e) of this section.

31 **SECTION 10.13.(c)** Effective October 1, 2007, the maximum monthly rate
32 for residents in adult care home facilities shall be one thousand one hundred seventy-
33 eight dollars (\$1,178) per month per resident unless adjusted by the Department in
34 accordance with subsection (e) of this section.

35 **SECTION 10.13.(d)** The maximum monthly rate for residents in
36 Alzheimer/Dementia special care units shall be one thousand five hundred fifteen
37 dollars (\$1,515) per month per resident unless adjusted by the Department in
38 accordance with subsection (e) of this section.

39 **SECTION 10.13.(e)** Notwithstanding any other provision of this section, the
40 Department of Health and Human Services shall review activities and costs related to
41 the provision of care in adult care homes and shall determine what costs may be
42 considered to properly maximize allowable reimbursement available through Medicaid
43 personal care services for adult care homes (ACH-PCS) under federal law. As
44 determined, and with any necessary approval from the Centers for Medicare and
45 Medicaid Services (CMS), and the approval of the Office of State Budget and
46 Management, the Department may transfer necessary funds from the State-County
47 Special Assistance program within the Division of Social Services to the Division of
48 Medical Assistance and may use those funds as State match to draw down federal
49 matching funds to pay for such activities and costs under Medicaid's personal care
50 services for adult care homes (ACH-PCS), thus maximizing available federal funds. The
51 established rate for State-County Special Assistance set forth in subsections (b) and (c)

1 of this section shall be adjusted by the Department to reflect any transfer of funds from
2 the Division of Social Services to the Division of Medical Assistance and related
3 transfer costs and responsibilities from State-County Special Assistance to the Medicaid
4 personal care services for adult care homes (ACH-PCS). Subject to approval by the
5 Centers for Medicare and Medicaid Service (CMS) and prior to implementing this
6 section, the Department may disregard a limited amount of income for individuals
7 whose countable income exceeds the adjusted State-County Special Assistance rate. The
8 amount of the disregard shall not exceed the difference between the Special Assistance
9 rate prior to the adjustment and the Special Assistance rate after the adjustment and
10 shall be used to pay a portion of the cost of the ACH-PCS and reduce the Medicaid
11 payment for the individual's personal care services provided in an adult care home. In
12 no event shall the reimbursement for services through the ACH-PCS exceed the average
13 cost of the services as determined by the Department from review of cost reports as
14 required and submitted by adult care homes. The Department shall report any transfers
15 of funds and modifications of rates to the House of Representatives Appropriations
16 Subcommittee on Health and Human Services, the Senate Appropriations Committee on
17 Health and Human Services, and the Fiscal Research Division.

18 **SECTION 10.13.(f)** Effective July 1, 2007, the Department of Health and
19 Human Services shall recommend rates for State-County Special Assistance and for
20 Adult Care Home Personal Care Services. The Department may recommend rates
21 appropriate cost methodology and cost reports submitted by adult care homes that
22 receive State-County Special Assistance funds and shall ensure that cost reporting is
23 done for State-County Special Assistance and Adult Care Home Personal Care Services
24 to the same standards as apply to other residential service providers.
25

26 SPECIAL ASSISTANCE IN-HOME

27 **SECTION 10.14.(a)** Part 3 of Article 2 of Chapter 108A of the General
28 Statutes is amended by adding the following new section to read:

29 "**§ 108A-47.1. Special Assistance in-home payments.**

30 The Department of Health and Human Services may use funds from the existing
31 State-County Special Assistance for Adults budget to provide Special Assistance
32 payments to eligible individuals in in-home living arrangements. These payments may
33 be made for up to fifteen percent (15%) of the caseload for all State-County Special
34 Assistance for Adults. The standard monthly payment to individuals enrolled in the
35 Special Assistance in-home program shall be seventy-five percent (75%) of the monthly
36 payment the individual would receive if the individual resided in an adult care home and
37 qualified for Special Assistance, except if a lesser payment amount is appropriate for the
38 individual as determined by the local case manager. The Department shall implement
39 Special Assistance in-home eligibility policies and procedures to assure that in-home
40 program participants are those individuals who need and, but for the in-home program,
41 would seek placement in an adult care home facility. The Department's policies and
42 procedures shall include the use of a functional assessment. The Department shall make
43 this in-home option available to all counties on a voluntary basis. To the maximum
44 extent possible, the Department shall consider geographic balance in the dispersion of
45 payments to individuals across the State."

46 **SECTION 10.14.(b)** For State fiscal year 2007-2008, qualified individuals
47 shall not receive payments at rates less than they would have been eligible to receive in
48 State fiscal year 2006-2007.
49

50 CHILD CARE SUBSIDY RATES

1 **SECTION 10.15.(a)** The maximum gross annual income for initial
2 eligibility, adjusted biennially, for subsidized child care services shall be seventy-five
3 percent (75%) of the State median income, adjusted for family size.

4 **SECTION 10.15.(b)** Fees for families who are required to share in the cost
5 of care shall be established based on a percent of gross family income and adjusted for
6 family size. Fees shall be determined as follows:

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

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11 **SECTION 10.15.(c)** Payments for the purchase of child care services for
12 low-income children shall be in accordance with the following requirements:

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

30 **SECTION 10.15.(d)** Provisions of payment rates for child care providers in
31 counties that do not have at least 50 children in each age group for center-based and
32 home-based care are as follows:

- 33 (1) Except as applicable in subdivision (2) of this subsection, payment
34 rates shall be set at the statewide or regional market rate for licensed
35 child care centers and homes.
- 36 (2) If it can be demonstrated that the application of the statewide or
37 regional market rate to a county with fewer than 50 children in each
38 age group is lower than the county market rate and would inhibit the
39 ability of the county to purchase child care for low-income children,
40 then the county market rate may be applied.

41 **SECTION 10.15.(e)** A market rate shall be calculated for child care centers
42 and homes at each rated license level for each county and for each age group or age
43 category of enrollees and shall be representative of fees charged to parents for each age
44 group of enrollees within the county. The Division of Child Development shall also
45 calculate a statewide rate and regional market rates for each rated license level for each
46 age category.

47 **SECTION 10.15.(f)** Facilities licensed pursuant to Article 7 of Chapter 110
48 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate
49 in the program that provides for the purchase of care in child care facilities for minor
50 children of needy families. No separate licensing requirements shall be used to select
51 facilities to participate. In addition, child care facilities shall be required to meet any

1 additional applicable requirements of federal law or regulations. Child care
2 arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the
3 General Statutes shall meet the requirements established by other State law and by the
4 Social Services Commission.

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

9 **SECTION 10.15.(g)** Payment for subsidized child care services provided
10 with Work First Block Grant funds shall comply with all regulations and policies issued
11 by the Division of Child Development for the subsidized child care program.

12 **SECTION 10.15.(h)** Noncitizen families who reside in this State legally
13 shall be eligible for child care subsidies if all other conditions of eligibility are met. If
14 all other conditions of eligibility are met, noncitizen families who reside in this State
15 illegally shall be eligible for child care subsidies only if at least one of the following
16 conditions is met:

- 17 (1) The child for whom a child care subsidy is sought is receiving child
18 protective services or foster care services.
- 19 (2) The child for whom a child care subsidy is sought is developmentally
20 delayed or at risk of being developmentally delayed.
- 21 (3) The child for whom a child care subsidy is sought is a citizen of the
22 United States.

23 24 **CHILD CARE ALLOCATION FORMULA**

25 **SECTION 10.16.(a)** The Department of Health and Human Services shall
26 allocate child care subsidy voucher funds to pay the costs of necessary child care for
27 minor children of needy families. The mandatory thirty percent (30%) Smart Start
28 subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each
29 county's child care subsidy allocation. The Department of Health and Human Services
30 shall use the following method when allocating federal and State child care funds, not
31 including the aggregate mandatory thirty percent (30%) Smart Start subsidy allocation:

- 32 (1) Funds shall be allocated based upon the projected cost of serving
33 children in a county under age 11 in families with all parents working
34 who earn less than seventy-five percent (75%) of the State median
35 income.
- 36 (2) No county's allocation shall be less than ninety percent (90%) of its
37 State fiscal year 2001-2002 initial child care subsidy allocation.

38 **SECTION 10.16.(b)** The Department of Health and Human Services may
39 reallocate unused child care subsidy voucher funds in order to meet the child care needs
40 of low-income families. Any reallocation of funds shall be based upon the expenditures
41 of all child care subsidy voucher funding, including Smart Start funds, within a county.

42 **SECTION 10.16.(c)** Notwithstanding subsection (a) of this section, the
43 Department of Health and Human Services shall allocate up to twelve million dollars
44 (\$12,000,000) in federal block grant funds and State funds appropriated for fiscal years
45 2007-2008 and 2008-2009 for child care services. These funds shall be allocated to
46 prevent termination of child care services. Funds appropriated for specific purposes,
47 including market rate adjustments, may also be allocated by the Department separately
48 from the allocation formula described in subsection (a) of this section.

49 50 **CHILD CARE FUNDS MATCHING REQUIREMENT**

1 **SECTION 10.17.(a)** No local matching funds may be required by the
2 Department of Health and Human Services as a condition of any locality's receiving its
3 initial allocation of child care funds appropriated by this act unless federal law requires
4 a match. If the Department reallocates additional funds above twenty-five thousand
5 dollars (\$25,000) to local purchasing agencies beyond their initial allocation, local
6 purchasing agencies must provide a fifteen percent (15%) local match to receive the
7 reallocated funds. Matching requirements shall not apply when funds are allocated
8 because of a disaster as defined in G.S. 166A-4(1).

9 **SECTION 10.17.(b)** If funds are reallocated to local purchasing agencies in
10 accordance with subsection (a) of this section, the Department of Health and Human
11 Services shall evaluate the fifteen percent (15%) local matching requirement to
12 determine its effect on local purchasing agencies and whether the matching requirement
13 should be adjusted. The Department shall report its findings and recommendations to
14 the House of Representatives Appropriations Subcommittee on Health and Human
15 Services, the Senate Appropriations Committee on Health and Human Services, and the
16 Fiscal Research Division no later than April 1, 2008.

17 **CHILD CARE REVOLVING LOAN**

18 **SECTION 10.18.** Notwithstanding any law to the contrary, funds budgeted
19 for the Child Care Revolving Loan Fund may be transferred to and invested by the
20 financial institution contracted to operate the Fund. The principal and any income to the
21 Fund may be used to make loans, reduce loan interest to borrowers, serve as collateral
22 for borrowers, pay the contractor's cost of operating the Fund, or pay the Department's
23 cost of administering the program.
24
25

26 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES** 27 **ENHANCEMENTS**

28 **SECTION 10.19.(a)** Administrative costs shall be equivalent to, on an
29 average statewide basis for all local partnerships, not more than eight percent (8%) of
30 the total statewide allocation to all local partnerships. For purposes of this subsection,
31 administrative costs shall include costs associated with partnership oversight, business
32 and financial management, general accounting, human resources, budgeting,
33 purchasing, contracting, and information systems management.

34 **SECTION 10.19.(b)** The North Carolina Partnership for Children, Inc., and
35 all local partnerships shall use competitive bidding practices in contracting for goods
36 and services on contract amounts as follows:

- 37 (1) For amounts of five thousand dollars (\$5,000) or less, the procedures
38 specified by a written policy to be developed by the Board of Directors
39 of the North Carolina Partnership for Children, Inc.
- 40 (2) For amounts greater than five thousand dollars (\$5,000), but less than
41 fifteen thousand dollars (\$15,000), three written quotes.
- 42 (3) For amounts of fifteen thousand dollars (\$15,000) or more, but less
43 than forty thousand dollars (\$40,000), a request for proposal process.
- 44 (4) For amounts of forty thousand dollars (\$40,000) or more, a request for
45 proposal process and advertising in a major newspaper.

46 **SECTION 10.19.(c)** The North Carolina Partnership for Children, Inc., and
47 all local partnerships shall, in the aggregate, be required to match no less than fifty
48 percent (50%) of the total amount budgeted for the program in each fiscal year of the
49 biennium as follows: contributions of cash equal to at least fifteen percent (15%) and
50 in-kind donated resources equal to no more than five percent (5%) for a total match
51 requirement of twenty percent (20%) for each fiscal year. The North Carolina

1 Partnership for Children, Inc., may carry forward any amount in excess of the required
2 match for a fiscal year in order to meet the match requirement of the succeeding fiscal
3 year. Only in-kind contributions that are quantifiable shall be applied to the in-kind
4 match requirement. Volunteer services may be treated as an in-kind contribution for the
5 purpose of the match requirement of this subsection. Volunteer services that qualify as
6 professional services shall be valued at the fair market value of those services. All other
7 volunteer service hours shall be valued at the statewide average wage rate as calculated
8 from data compiled by the Employment Security Commission in the Employment and
9 Wages in North Carolina Annual Report for the most recent period for which data are
10 available. Expenses, including both those paid by cash and in-kind contributions,
11 incurred by other participating non-State entities contracting with the North Carolina
12 Partnership for Children, Inc., or the local partnerships, also may be considered
13 resources available to meet the required private match. In order to qualify to meet the
14 required private match, the expenses shall:

- 15 (1) Be verifiable from the contractor's records.
- 16 (2) If in-kind, other than volunteer services, be quantifiable in accordance
17 with generally accepted accounting principles for nonprofit
18 organizations.
- 19 (3) Not include expenses funded by State funds.
- 20 (4) Be supplemental to and not supplant preexisting resources for related
21 program activities.
- 22 (5) Be incurred as a direct result of the Early Childhood Initiatives
23 Program and be necessary and reasonable for the proper and efficient
24 accomplishment of the Program's objectives.
- 25 (6) Be otherwise allowable under federal or State law.
- 26 (7) Be required and described in the contractual agreements approved by
27 the North Carolina Partnership for Children, Inc., or the local
28 partnership.
- 29 (8) Be reported to the North Carolina Partnership for Children, Inc., or the
30 local partnership by the contractor in the same manner as reimbursable
31 expenses.

32 Failure to obtain a twenty percent (20%) match by June 30 of each fiscal year
33 shall result in a dollar-for-dollar reduction in the appropriation for the Program for a
34 subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be
35 responsible for compiling information on the private cash and in-kind contributions into
36 a report that is submitted to the Joint Legislative Commission on Governmental
37 Operations in a format that allows verification by the Department of Revenue. The same
38 match requirements shall apply to any expansion funds appropriated by the General
39 Assembly.

40 **SECTION 10.19.(d)** The Department of Health and Human Services shall
41 continue to implement the performance-based evaluation system.

42 **SECTION 10.19.(e)** The Department of Health and Human Services and the
43 North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds
44 for Early Childhood Education and Development Initiatives for State fiscal years
45 2007-2008 and 2008-2009 shall be administered and distributed in the following
46 manner:

- 47 (1) Capital expenditures are prohibited for fiscal years 2007-2008 and
48 2008-2009. For the purposes of this section, "capital expenditures"
49 means expenditures for capital improvements as defined in
50 G.S. 143-34.40.

- 1 (2) Expenditures of State funds for advertising and promotional activities
2 are prohibited for fiscal years 2007-2008 and 2008-2009.

3 **SECTION 10.19.(f)** A county may use the county's allocation of State and
4 federal child care funds to subsidize child care according to the county's Early
5 Childhood Education and Development Initiatives Plan as approved by the North
6 Carolina Partnership for Children, Inc. The use of federal funds shall be consistent with
7 the appropriate federal regulations. Child care providers shall, at a minimum, comply
8 with the applicable requirements for State licensure pursuant to Article 7 of Chapter 110
9 of the General Statutes.

10 **SECTION 10.19.(g)** For fiscal years 2007-2008 and 2008-2009, the local
11 partnerships shall spend an amount for child care subsidies that provides at least
12 fifty-two million dollars (\$52,000,000) for the TANF maintenance of effort requirement
13 and the Child Care Development Fund and Block Grant match requirement.

14 15 **EVALUATION OF EDUCATIONAL SERVICES TO STUDENTS WITH** 16 **HEARING AND VISUAL IMPAIRMENTS**

17 **SECTION 10.20.(a)** To ensure students with hearing and visual impairments
18 are appropriately educated in this State, the Department of Health and Human Services
19 and the Department of Public Instruction shall:

- 20 (1) Collaborate in an evaluation of the State's entire service delivery
21 model for deaf and blind students, including special needs of the
22 students resulting from additional disabilities other than hearing and
23 visual impairments, the training needs of professional staff, access to
24 assistive technology, and curriculum content.
- 25 (2) Determine whether the State's schools for the deaf and blind should
26 remain under the purview of the Department of Health and Human
27 Services or if management of the schools should be transferred to the
28 Department of Public Instruction.
- 29 (3) Develop a plan to reduce institutional capacity to an appropriate level
30 for meeting the needs of hearing and visually impaired students in
31 North Carolina.

32 **SECTION 10.20.(b)** The Department of Health and Human Services and the
33 Department of Public Instruction shall report their findings and recommendations to the
34 General Assembly by April 1, 2008.

35 36 **EARLY INTERVENTION SERVICES REPORT**

37 **SECTION 10.21.** The Department of Health and Human Services, Division
38 of Public Health, shall report on Early Intervention services. The report shall include
39 the following information for all children, ages birth to three years, entering the Early
40 Intervention system as of July 1, 2007, through December 31, 2007:

- 41 (1) Children served: the number of children referred and the source of
42 referral, the number of children receiving initial evaluations, the
43 number of children determined eligible, the number of children
44 enrolled, and the number of IFS Plans developed.
- 45 (2) Services provided: the number and types of evaluation services,
46 treatment services, and other services provided and whether the service
47 was provided by an employee of a children's developmental services
48 agency or a private provider.
- 49 (3) Sliding scale participation: the percentage of enrolled children whose
50 family income falls into each of the following categories: at or below
51 two hundred percent (200%) of the federal poverty level, between two

1 hundred fifty percent (250%) and three hundred percent (300%) of the
2 federal poverty level, between three hundred fifty percent (350%) and
3 four hundred percent (400%) of the federal poverty level, and over
4 four hundred percent (400%) of the federal poverty level. These
5 percentages shall be reported based on gross income and net income
6 after allowable deductions.

7 The Division of Public Health shall report its findings and recommendations
8 to the Senate Appropriations Committee on Health and Human Services, the House of
9 Representatives Appropriations Subcommittee on Health and Human Services, and the
10 Fiscal Research Division not later than February 1, 2008.

11
12 **COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES**
13 **INITIATIVE**

14 **SECTION 10.22.(a)** Of funds appropriated in this act from the General Fund
15 to the Department of Health and Human Services, the sum of two million seven hundred
16 fifty thousand dollars (\$2,750,000) for the 2007-2008 fiscal year and the sum of two
17 million seven hundred fifty thousand dollars (\$2,750,000) for the 2008-2009 fiscal year
18 shall be allocated for the Community-Focused Eliminating Health Disparities Initiative
19 (CFEHDI) to provide grants-in-aid to local public health departments, American Indian
20 tribes, and faith-based and community-based organizations to close the gap in the health
21 status of African-Americans, Hispanics/Latinos, and American Indians as compared to
22 the health status of white persons. These grants shall focus on the use of preventive
23 measures to support healthy lifestyles. The areas of focus on health status shall be infant
24 mortality, HIV-AIDS and sexually transmitted infections, cancer, diabetes, and
25 homicides and motor vehicle deaths.

26 Of the seven hundred fifty thousand dollars (\$750,000) in recurring funds
27 appropriated in this act to the Department of Health and Human Services, Division of
28 Public Health, for the Health Disparities Initiative in the 2007-2008 and 2008-2009
29 fiscal years, the Department of Health and Human Services, Division of Public Health,
30 shall allocate the sum of five hundred thousand dollars (\$500,000) in each fiscal year
31 into a special fund to be established by the Department as the Lucas, Holloman, Martin,
32 Allen, Hunter, and Hall Minority Health Initiative Fund to honor the memory of and in
33 recognition of the recent deaths of Senators Holloman, Lucas, and Bill Martin, and
34 Representatives Bernard Allen, Howard Hunter, and John Hall. These funds shall be
35 used for concerted efforts to address large gaps in health status among North
36 Carolinians who are African-American, as well as disparities among other minority
37 populations in North Carolina. These efforts shall include:

- 38 (1) Providing enhanced education and outreach to minority populations on
39 the prevention, diagnosis, and treatment of heart disease, breast cancer,
40 diabetes, obesity, hypertension, sickle cell anemia, and HIV infection.
41 (2) Addressing cultural and communication barriers to quality care by
42 improving interpersonal processes between clinicians and patients.

43 **SECTION 10.22.(b)** The Department of Health and Human Services shall
44 report on the following with respect to funds appropriated to the CFEHDI program in
45 fiscal years 2005-2006, 2006-2007, and 2007-2008. The report shall address for each
46 fiscal year:

- 47 (1) Which community programs and local health departments received
48 CFEHDI grants.
49 (2) What amount of funding did each program or local health department
50 receive.

- 1 (3) Which of the minority populations were served by the programs or
2 local health departments.
3 (4) Which counties were served by the programs or local health
4 departments.
5 (5) What activities were planned and implemented by the programs or
6 local health departments to fulfill the community focus of the CFEHDI
7 program.

8 The report shall also contain a comprehensive evaluation of all grantees with
9 regard to fulfilling the goals of the program, assessing the difference the funded
10 activities have made in the community, and addressing and mitigating the health
11 disparities identified in the Racial and Ethnic Health Disparities in North Carolina,
12 Report Card 2006. In addition, the Department shall solicit from the grantees their
13 observations and recommendations on ways the CFEHDI program can best accomplish
14 its goals. The report shall also include specific activities undertaken pursuant to
15 subsection (a) of this section to address large gaps in health status among North
16 Carolinians who are African-American and other minority populations in this State. The
17 Department shall submit the report not later than March 1, 2008, to the House of
18 Representatives Appropriations Subcommittee on Health and Human Services, the
19 Senate Appropriations Committee on Health and Human Services, and the Fiscal
20 Research Division.

21 FUNDS FOR SCHOOL NURSES

22 **SECTION 10.23.(a)** Of the funds appropriated in this act to the Department
23 of Health and Human Services, the sum of four million dollars (\$4,000,000) for the
24 2007-2008 fiscal year and the sum of four million dollars (\$4,000,000) for the
25 2008-2009 fiscal year shall be used for the school nurse initiative. All funds
26 appropriated or allocated for school nurses shall be used to supplement and not supplant
27 other State, local, or federal funds appropriated or allocated for this purpose.
28 Communities shall maintain their current level of effort and funding for school nurses.
29 These funds shall not be used for funding nurses for State agencies. All funds shall be
30 used for direct services.

31 **SECTION 10.23.(b)** All school nurses funded with State funds shall
32 participate, as needed, in child and family teams.
33

34 PUBLIC HEALTH FUNDS TO AID COUNTIES

35 **SECTION 10.24.** Of the funds appropriated in this act to the Department of
36 Health and Human Services, Division of Public Health, the sum of four million dollars
37 (\$4,000,000) for the 2007-2008 fiscal year and the sum of four million dollars
38 (\$4,000,000) for the 2008-2009 fiscal year shall be allocated as noncategorical General
39 Aid to County funds to improve the delivery of the 10 essential public health services,
40 including prevention activities that focus on the prevention of suicide among
41 adolescents and young adults, in all counties. These funds shall not be used to supplant
42 existing State, federal, county, or other funds allocated for this purpose.
43

44 HEALTH PROMOTION AND DISEASE PREVENTION INVENTORY AND 45 PLAN

46 **SECTION 10.25.(a)** In order to reduce costs and eliminate duplication of
47 effort, the Department of Health and Human Services shall create an inventory of all of
48 the health promotion and disease prevention activities, including funding, staffing, and
49 other resources for these activities and also including funding and resources for related
50 task forces and committees. The inventory shall include at a minimum State and local
51

1 health department activities that address tobacco-use prevention and cessation, obesity,
2 improved nutrition and diet, physical exercise, public awareness and education
3 concerning asthma, cancer, diabetes, heart disease, stroke, and accomplishment of the
4 goals of the federal government's Healthy People 2010 Report.

5 **SECTION 10.25.(b)** The Department shall adopt a plan to combine the
6 resources for the activities listed in subsection (a) of this section into a single funding
7 stream allocation to be distributed to local health departments to utilize in
8 accomplishing the 10 essential services of public health, which shall encompass all of
9 the activities listed in subsection (a) of this section. The Department shall develop a
10 formula that will distribute these funds on an equitable basis and that takes into
11 consideration the following factors for areas served by each local health department:

- 12 (1) Rate of infant mortality.
- 13 (2) Rate of adolescent pregnancy.
- 14 (3) Rates of cancer, heart disease, and diabetes.
- 15 (4) Number of persons without health insurance.
- 16 (5) Median income.
- 17 (6) Percent of county population enrolled in Medicaid.
- 18 (7) Percent of the population that is minority.

19 **SECTION 10.25.(c)** The Department shall report on the inventory and the
20 plan not later than February 1, 2008, to the House of Representatives Appropriations
21 Subcommittee on Health and Human Services, the Senate Appropriations Committee on
22 Health and Human Services, and the Fiscal Research Division.

23 24 **AIDS DRUG ASSISTANCE PROGRAM**

25 **SECTION 10.26.** For the 2007-2008 fiscal year and the 2008-2009 fiscal
26 year, the Department may adjust the financial eligibility criterion of the ADAP up to an
27 amount not exceeding two hundred fifty percent (250%) of the federal poverty level in
28 order to serve as many eligible North Carolinians living with HIV disease as possible
29 within existing resources plus any new federal resources. If the Department raises the
30 eligibility limit above one hundred twenty-five percent (125%) of the federal poverty
31 level and a waiting list develops as a result, the Department shall give priority on the
32 waiting list to those individuals at or below one hundred twenty-five percent (125%) of
33 the federal poverty level.

34 35 **HIV AND HEPATITIS-C PREVENTION PROGRAM**

36 **SECTION 10.27.** Funds appropriated in this act to the Department of Health
37 and Human Services, Division of Public Health, for HIV prevention may also be used
38 by the State Health Director and local health departments to implement three
39 community-based harm reduction programs as part of a comprehensive Hepatitis C and
40 HIV disease prevention program. These funds shall be used to support these programs
41 in providing access to sterile syringes, case management services, outreach,
42 transportation, referrals for housing and medical care, and other services that will
43 further the purpose of HIV and Hepatitis-C prevention. This section is contingent upon
44 the enactment of House Bill 400, 2007 General Assembly.

45 46 **CHILD SUPPORT PROGRAM/ENHANCED STANDARDS**

47 **SECTION 10.28.(a)** The Department of Health and Human Services shall
48 implement and maintain performance standards for each of the State and county child
49 support enforcement offices across the State. These performance standards shall include
50 the following:

- 51 (1) Cost per collections.

- 1 (2) Consumer satisfaction.
- 2 (3) Paternity establishments.
- 3 (4) Administrative costs.
- 4 (5) Orders established.
- 5 (6) Collections on arrearages.
- 6 (7) Location of absent parents.
- 7 (8) Other related performance measures.

8 The Department of Health and Human Services shall monitor the
9 performance of each office and shall implement a system of reporting that allows each
10 local office to review its performance as well as the performance of other local offices.
11 The Department of Health and Human Services shall publish an annual performance
12 report that shall include the statewide and local office performance of each child support
13 office.

14 **SECTION 10.28.(b)** The Department of Health and Human Services shall
15 report on its progress, in compliance with this section, to the Senate Appropriations
16 Committee on Health and Human Services, the House of Representatives
17 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
18 Division by May 1 of each even-numbered year beginning in 2008.

19 **FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS**

20 **SECTION 10.29.(a)** The maximum rates for State participation in the foster
21 care assistance program are established on a graduated scale as follows:

- 22 (1) \$390.00 per child per month for children aged birth through 5;
- 23 (2) \$440.00 per child per month for children aged 6 through 12; and
- 24 (3) \$490.00 per child per month for children aged 13 through 18.

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

27 **SECTION 10.29.(b)** The maximum rates for State participation in the
28 adoption assistance program are established on a graduated scale as follows:

- 29 (1) \$390.00 per child per month for children aged birth through 5;
- 30 (2) \$440.00 per child per month for children aged 6 through 12; and
- 31 (3) \$490.00 per child per month for children aged 13 through 18.

32 **SECTION 10.29.(c)** In addition to providing board payments to foster and
33 adoptive families of HIV-infected children, as prescribed in Section 23.28 of Chapter
34 324 of the 1995 Session Laws, any additional funds remaining that were appropriated
35 for this purpose shall be used to provide medical training in avoiding HIV transmission
36 in the home.

37 **SECTION 10.29.(d)** The maximum rates for the State participation in HIV
38 foster care and adoption assistance are established on a graduated scale as follows:

- 39 (1) \$800.00 per child per month with indeterminate HIV status;
- 40 (2) \$1,000 per child per month confirmed HIV-infected, asymptomatic;
- 41 (3) \$1,200 per child per month confirmed HIV-infected, symptomatic; and
- 42 (4) \$1,600 per child per month terminally ill with complex care needs.

43 **CHILD CARING INSTITUTIONS**

44 **SECTION 10.30.** Until the Social Services Commission adopts rules setting
45 standardized rates for child caring institutions as authorized under G.S. 143B-153(8),
46 the maximum reimbursement for child caring institutions shall not exceed the rate
47 established for the specific child caring institution by the Department of Health and
48 Human Services, Office of the Controller. In determining the maximum reimbursement,
49 the State shall include county and IV-E reimbursements.
50
51

SPECIAL CHILDREN ADOPTION FUND

SECTION 10.31.(a) Of the funds appropriated to the Department of Health and Human Services in this act, the sum of one hundred thousand dollars (\$100,000) shall be used to support the Special Children Adoption Fund for the 2007-2008 and 2008-2009 fiscal years. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services. No local match shall be required as a condition for receipt of these funds. In accordance with State rules for allowable costs, the Special Children Adoption Fund may be used for post-adoption services for families whose income exceeds two hundred percent (200%) of the federal poverty level.

SECTION 10.31.(b) Of the total funds appropriated for the Special Children Adoption Fund each year, twenty percent (20%) of the total funds available shall be reserved for payment to participating private adoption agencies. If the funds reserved in this subsection for payments to private agencies have not been spent on or before March 31, 2008, the Division of Social Services may reallocate those funds, in accordance with this section, to other participating adoption agencies.

SECTION 10.31.(c) The Division of Social Services shall monitor the total expenditures in the Special Children Adoption Fund and redistribute unspent funds to ensure that the funds are used according to the guidelines established in subsection (a) of this section. The Division shall implement strategies to ensure that funds that have historically reverted for this program are used for the intended purpose.

LIMITATION ON STATE ABORTION FUND

SECTION 10.32. The limitations on funding of the performance of abortion established in Section 23.27 of Chapter 324 of the 1995 Session Laws, as amended by Section 23.8A of Chapter 507 of the 1995 Session Laws, apply to the 2007-2008 and 2008-2009 fiscal years.

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

SECTION 10.33.(a) Notwithstanding the provisions of G.S. 143B-150.6, the Intensive Family Preservation Services (IFPS) Program shall provide intensive services to children and families in cases of abuse, neglect, and dependency where a child is at imminent risk of removal from the home and to children and families in cases of abuse where a child is not at imminent risk of removal. The Program shall be developed and implemented statewide on a regional basis. The IFPS shall ensure the application of standardized assessment criteria for determining imminent risk and clear criteria for determining out-of-home placement.

SECTION 10.33.(b) The Department of Health and Human Services shall require that any program or entity that receives State, federal, or other funding for the purpose of Intensive Family Preservation Services shall provide information and data that allows for:

- (1) An established follow-up system with a minimum of six months of follow-up services.
- (2) Detailed information on the specific interventions applied including utilization indicators and performance measurement.

- 1 (3) Cost-benefit data.
2 (4) Data on long-term benefits associated with Intensive Family
3 Preservation Services. This data shall be obtained by tracking families
4 through the intervention process.
5 (5) The number of families remaining intact and the associated
6 interventions while in IFPS and 12 months thereafter.
7 (6) The number and percentage by race of children who received Intensive
8 Family Preservation Services compared to the ratio of their distribution
9 in the general population involved with Child Protective Services.

10 **SECTION 10.33.(c)** The Department shall establish performance-based
11 funding protocol and shall only provide funding to those programs and entities
12 providing the required information specified in subsection (b) of this section. The
13 amount of funding shall be based on the individual performance of each program.

14 **SECTION 10.33.(d)** The Department shall report on the Intensive Family
15 Preservation Services Program, including the information and data under subdivisions
16 (b)(2) through (b)(6) of this section, each even-numbered year beginning in 2008, to the
17 House of Representatives Appropriations Subcommittee on Health and Human
18 Services, the Senate Appropriations Committee on Health and Human Services, and the
19 Fiscal Research Division.

20
21 **CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM/USE OF**
22 **ESCHEAT FUND**

23 **SECTION 10.34.(a)** There is appropriated from the Escheat Fund income to
24 the Department of Health and Human Services the sum of three million one hundred
25 seven thousand two hundred dollars (\$3,107,200) for the 2007-2008 fiscal year and the
26 sum of six million three hundred thirty-six thousand five hundred dollars (\$6,336,500)
27 for the 2008-2009 fiscal year. These funds shall be used to implement a child welfare
28 postsecondary support program for the educational needs of foster youth aging out of
29 the foster care system and special needs children adopted from foster care after age 12
30 by providing assistance with tuition, fees, room and board, books, and course-required
31 instructional materials.

32 If the interest income generated from the Escheat Fund is less than the
33 amounts referenced in this subsection, the difference may be taken from the Escheat
34 Fund principal to reach the appropriations referenced in this subsection; however, under
35 no circumstances shall the Escheat Fund principal be reduced below the sum of four
36 hundred million dollars (\$400,000,000).

37 Funds appropriated by this subsection shall be allocated by the State
38 Education Assistance Authority.

39 The purpose for which funds are appropriated under this subsection is in
40 addition to other purposes for which Escheat Fund income is distributed under
41 G.S. 116B-7 and shall not be construed to otherwise affect the distribution of funds
42 under G.S. 116B-7.

43 **SECTION 10.34.(b)** There is appropriated from the General Fund to the
44 Department of Health and Human Services the sum of fifty thousand dollars (\$50,000)
45 for the 2007-2008 fiscal year and the sum of fifty thousand dollars (\$50,000) for the
46 2008-2009 fiscal year to be allocated to the North Carolina State Education Assistance
47 Authority (SEAA). The SEAA shall use these funds only to perform administrative
48 functions necessary to manage and distribute scholarship funds under the child welfare
49 postsecondary support program.

50 **SECTION 10.34.(c)** There is appropriated from the General Fund to the
51 Department of Health and Human Services the sum of six hundred fifty thousand

1 dollars (\$650,000) for the 2007-2008 fiscal year and the sum of six hundred fifty
2 thousand dollars (\$650,000) for the 2008-2009 fiscal year to contract with an entity to
3 develop and administer the child welfare postsecondary support program described
4 under subsection (a) of this section.

5 **SECTION 10.34.(d)** Funds appropriated to the Department of Health and
6 Human Services for the child welfare postsecondary support program shall be used only
7 for students attending public institutions of higher education in this State.
8

9 **TANF BENEFIT IMPLEMENTATION**

10 **SECTION 10.35.(a)** The General Assembly approves the plan titled "North
11 Carolina Temporary Assistance for Needy Families State Plan FY 2007-2009", prepared
12 by the Department of Health and Human Services and presented to the General
13 Assembly. The North Carolina Temporary Assistance for Needy Families State Plan
14 covers the period October 1, 2007, through September 30, 2009. The Department shall
15 submit the State Plan, as revised in accordance with subsection (b) of this section, to the
16 United States Department of Health and Human Services, as amended by this act or any
17 other act of the 2007 General Assembly.

18 **SECTION 10.35.(b)** The counties approved as Electing Counties in North
19 Carolina's Temporary Assistance for Needy Families State Plan FY 2007-2009 as
20 approved by this section are: Beaufort, Caldwell, Catawba, Iredell, Lenoir, Lincoln,
21 Macon, and Wilson.

22 **SECTION 10.35.(c)** Counties that submitted the letter of intent to remain as
23 an Electing County or to be redesignated as an Electing County and the accompanying
24 county plan for fiscal years 2007 through 2009, pursuant to G.S. 108A-27(e), shall
25 operate under the Electing County budget requirements effective July 1, 2007. For
26 programmatic purposes, all counties referred to in this subsection shall remain under
27 their current county designation through September 30, 2007.
28

29 **MEDICAID**

30 **SECTION 10.36.(a)** Use of Funds, Allocation of Costs, Other
31 Authorizations.

- 32 (1) Use of Funds. – Funds appropriated in this act for services provided in
33 accordance with Title XIX of the Social Security Act (Medicaid) are
34 for both the categorically needy and the medically needy.
- 35 (2) Allocation of Nonfederal Cost of Medicaid. – Except as otherwise
36 provided in this act, the State shall pay eighty-five percent (85%); the
37 county shall pay fifteen percent (15%) of the nonfederal costs of all
38 applicable services listed in this section. In addition, the State shall pay
39 eighty-five percent (85%); the county shall pay fifteen percent (15%)
40 of the federal Medicare Part D clawback payments under the Medicare
41 Modernization Act of 2004.
- 42 (3) Use of Funds for Development and Acquisition of Equipment and
43 Software. – If first approved by the Office of State Budget and
44 Management, the Division of Medical Assistance, Department of
45 Health and Human Services, may use funds that are identified to
46 support the cost of development and acquisition of equipment and
47 software and related operational costs through contractual means to
48 improve and enhance information systems that provide management
49 information and claims processing. The Department of Health and
50 Human Services shall identify adequate funds to support the
51 implementation and first year's operational costs that exceed funds

1 allocated for the 2007-2008 and 2008-2009 fiscal years for the new
2 contract for the fiscal agent for the Medicaid Management Information
3 System.

- 4 (4) Reports. – Unless otherwise provided, whenever the Department of
5 Health and Human Services is required by this section to report to the
6 General Assembly, the report shall be submitted to the House of
7 Representatives Appropriations Subcommittee for Health and Human
8 Services, the Senate Appropriations Committee on Health and Human
9 Services, and the Fiscal Research Division of the Legislative Services
10 Office. Reports shall be submitted on the date provided in the
11 reporting requirement.

12 **SECTION 10.36.(b) Policy.** –

- 13 (1) Volume purchase plans and single source procurement. – The
14 Department of Health and Human Services, Division of Medical
15 Assistance, may, subject to the approval of a change in the State
16 Medicaid Plan, contract for services, medical equipment, supplies, and
17 appliances by implementation of volume purchase plans, single source
18 procurement, or other contracting processes in order to improve cost
19 containment.
- 20 (2) Cost-containment programs. – The Department of Health and Human
21 Services, Division of Medical Assistance, may undertake
22 cost-containment programs, including contracting for services,
23 preadmissions to hospitals, and prior approval for certain outpatient
24 surgeries before they may be performed in an inpatient setting.
- 25 (3) Fraud and abuse. – The Division of Medical Assistance, Department of
26 Health and Human Services, shall provide incentives to counties that
27 successfully recover fraudulently spent Medicaid funds by sharing
28 State savings with counties responsible for the recovery of the
29 fraudulently spent funds.
- 30 (4) Medical policy. – Unless required for compliance with federal law, the
31 Department shall not change medical policy affecting the amount,
32 sufficiency, duration, and scope of health care services and who may
33 provide services until the Division of Medical Assistance has prepared
34 a five-year fiscal analysis documenting the increased cost of the
35 proposed change in medical policy and submitted it for Departmental
36 review. If the fiscal impact indicated by the fiscal analysis for any
37 proposed medical policy change exceeds three million dollars
38 (\$3,000,000) in total requirements for a given fiscal year, then the
39 Department shall submit the proposed policy change with the fiscal
40 analysis to the Office of State Budget and Management and the Fiscal
41 Research Division. The Department shall not implement any proposed
42 medical policy change exceeding three million dollars (\$3,000,000) in
43 total requirements for a given fiscal year unless the source of State
44 funding is identified and approved by the Office of State Budget and
45 Management. The Department shall provide the Office of State Budget
46 and Management and the Fiscal Research Division a quarterly report
47 itemizing all medical policy changes with total requirements of less
48 than three million dollars (\$3,000,000).

49 **SECTION 10.36.(c) Eligibility.** – Eligibility for Medicaid shall be
50 determined in accordance with the following:

- 51 (1) Medicaid and Work First Family Assistance.

- 1 a. Income Eligibility Standards. – The maximum net family
 2 annual income eligibility standards for Medicaid and Work
 3 First Family Assistance and the Standard of Need for Work
 4 First Family Assistance shall be as follows:
 5

	CATEGORICALLY NEEDY – WFFA*	MEDICALLY NEEDY
	Standard of Need & Families and Children Income Level	Families and Children & AA, AB, AD* Income Level
Family Size	WFFA* Payment Level	
1	\$4,344	\$2,900
2	5,664	3,800
3	6,528	4,400
4	7,128	4,800
5	7,776	5,200
6	8,376	5,600
8	9,256	6,300

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

- 24 b. The payment level for Work First Family Assistance shall be
 25 fifty percent (50%) of the standard of need. These standards
 26 may be changed with the approval of the Director of the Budget
 27 with the advice of the Advisory Budget Commission.
 28 c. The Department of Health and Human Services shall provide
 29 Medicaid coverage to 19- and 20-year-olds in accordance with
 30 federal rules and regulations.
 31 d. Medicaid enrollment of categorically needy families with
 32 children shall be continuous for one year without regard to
 33 changes in income or assets.
 34 (2) For the following Medicaid eligibility classifications for which the
 35 federal poverty guidelines are used as income limits for eligibility
 36 determinations, the income limits will be updated each April 1
 37 immediately following publication of federal poverty guidelines. The
 38 Department of Health and Human Services, Division of Medical
 39 Assistance, shall provide Medicaid coverage to the following:
 40 a. All elderly, blind, and disabled people who have incomes equal
 41 to or less than one hundred percent (100%) of the federal
 42 poverty guidelines.
 43 b. Pregnant women with incomes equal to or less than one
 44 hundred eighty-five percent (185%) of the federal poverty
 45 guidelines and without regard to resources. Services to pregnant
 46 women eligible under this subsection continue throughout the
 47 pregnancy but include only those related to pregnancy and to
 48 those other conditions determined by the Department as
 49 conditions that may complicate pregnancy.

- 1 c. Infants under the age of one with family incomes equal to or
- 2 less than two hundred percent (200%) of the federal poverty
- 3 guidelines and without regard to resources.
- 4 d. Children aged one through five with family incomes equal to or
- 5 less than two hundred percent (200%) of the federal poverty
- 6 guidelines and without regard to resources.
- 7 e. Children aged six through 18 with family incomes equal to or
- 8 less than the federal poverty guidelines and without regard to
- 9 resources.
- 10 f. Family planning services to men and women of childbearing
- 11 age with family incomes equal to or less than one hundred
- 12 eighty-five percent (185%) of the federal poverty guidelines
- 13 and without regard to resources.

14 (3) The Department of Health and Human Services, Division of Medical
 15 Assistance, shall provide Medicaid coverage to adoptive children with
 16 special or rehabilitative needs regardless of the adoptive family's
 17 income.

18 (4) The Department of Health and Human Services, Division of Medical
 19 Assistance, shall provide Medicaid coverage to "independent foster
 20 care adolescents", ages 18, 19, and 20, as defined in Section
 21 1904(w)(1) of the Social Security Act [42 U.S.C. 1396d(w)(1)],
 22 without regard to the adolescent's assets, resources, or income levels.

23 (5) ICF and ICF/MR Work Incentive Allowances. – The Department of
 24 Health and Human Services may provide an incentive allowance to
 25 Medicaid-eligible recipients of ICF and ICF/MR services, who are
 26 regularly engaged in work activities as part of their developmental
 27 plan, and for whom retention of additional income contributes to their
 28 achievement of independence. The State funds required to match the
 29 federal funds that are required by these allowances shall be provided
 30 from savings within the Medicaid budget or from other unbudgeted
 31 funds available to the Department. The incentive allowances may be as
 32 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

38 (6) The Department of Health and Human Services, Division of Medical
 39 Assistance, shall provide Medicaid coverage to women who need
 40 treatment for breast or cervical cancer and who are defined in 42
 41 U.S.C. § 1396(a)(10)(A)(ii)(XVIII).

42 **SECTION 10.36.(d)** Services and Payment Bases. – The Department shall
 43 spend funds appropriated for Medicaid services in accordance with the following
 44 schedule of services and payment bases. All services and payments are subject to the
 45 language at the end of this subsection. Unless otherwise provided, services and payment
 46 bases will be as prescribed in the State Plan as established by the Department of Health
 47 and Human Services and may be changed with the approval of the Director of the
 48 Budget.

- 49 (1) Hospital inpatient.

- 1 (2) Hospital outpatient. – Eighty percent (80%) of allowable costs or a
2 prospective reimbursement plan as established by the Department of
3 Health and Human Services.
- 4 (3) Nursing facilities. – Nursing facilities providing services to Medicaid
5 recipients who also qualify for Medicare must be enrolled in the
6 Medicare program as a condition of participation in the Medicaid
7 program. State facilities are not subject to the requirement to enroll in
8 the Medicare program. Residents of nursing facilities who are eligible
9 for Medicare coverage of nursing facility services must be placed in a
10 Medicare-certified bed. Medicaid shall cover facility services only
11 after the appropriate services have been billed to Medicare.
- 12 (4) Physicians, certified nurse midwife services, certified registered nurse
13 anesthetists, nurse practitioners. – Fee schedules as developed by the
14 Department of Health and Human Services.
- 15 (5) Community Alternative Program, EPSDT Screens. – Payments in
16 accordance with rate schedule developed by the Department of Health
17 and Human Services.
- 18 (6) Home health and related services, durable medical equipment. –
19 Payments according to reimbursement plans developed by the
20 Department of Health and Human Services.
- 21 (7) Hearing aids. – Wholesale cost plus dispensing fee to provider.
- 22 (8) Rural health clinical services. – Provider-based, reasonable cost;
23 non-provider-based, single-cost reimbursement rate per clinic visit.
- 24 (9) Family planning. – Negotiated rate for local health departments. For
25 other providers see specific services, e.g., hospitals, physicians.
- 26 (10) Independent laboratory and X-ray services. – Uniform fee schedules as
27 developed by the Department of Health and Human Services.
- 28 (11) Ambulatory surgical centers.
- 29 (12) Private duty nursing, clinic services, prepaid health plans.
- 30 (13) Intermediate care facilities for the mentally retarded.
- 31 (14) Chiropractors, podiatrists, optometrists, dentists.
- 32 (15) Limitations on Dental Coverage. – Dental services shall be provided
33 on a restricted basis in accordance with criteria adopted by the
34 Department to implement this subsection.
- 35 (16) Medicare Buy-In. – Social Security Administration premium.
- 36 (17) Ambulance services. – Uniform fee schedules as developed by the
37 Department of Health and Human Services. Public ambulance
38 providers will be reimbursed at cost.
- 39 (18) Optical supplies. – Payment for materials is made to a contractor in
40 accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing
41 providers are negotiated fees established by the State agency based on
42 industry charges.
- 43 (19) Medicare crossover claims. – The Department shall apply Medicaid
44 medical policy to Medicare claims for dually eligible recipients. The
45 Department shall pay an amount up to the actual coinsurance or
46 deductible or both, in accordance with the State Plan, as approved by
47 the Department of Health and Human Services.
- 48 (20) Physical therapy, occupational therapy, and speech therapy. – Services
49 limited to EPSDT-eligible children. Payments are to be made only to
50 qualified providers at rates negotiated by the Department of Health and

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

1 prescription order for a drug designated by a trade or brand name shall
2 be considered to be an order for the drug by its established or generic
3 name, except when the prescriber has determined, at the time the drug
4 is prescribed, that the brand-name drug is medically necessary and has
5 written on the prescription order the phrase "medically necessary". An
6 initial prescription order for an atypical antipsychotic drug or a drug
7 listed in the narrow therapeutic drug index that does not contain the
8 phrase "medically necessary" shall be considered an order for the drug
9 by its established or generic name, except that a pharmacy shall not
10 substitute a generic or established name prescription drug for
11 subsequent brand or trade name prescription orders of the same
12 prescription drug without explicit oral or written approval of the
13 prescriber given at the time the order is filled. Generic drugs shall be
14 dispensed at a lower cost to the Medical Assistance Program rather
15 than trade or brand-name drugs. As used in this subsection, "brand
16 name" means the proprietary name the manufacturer places upon a
17 drug product or on its container, label, or wrapping at the time of
18 packaging; and "established name" has the same meaning as in section
19 502(e)(3) of the Federal Food, Drug, and Cosmetic Act as amended,
20 21 U.S.C. § 352(e)(3).

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

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

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

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

41 1. Licensed or certified psychologists, licensed clinical
42 social workers, certified clinical nurse specialists in
43 psychiatric mental health advanced practice, nurse
44 practitioners certified as clinical nurse specialists in
45 psychiatric mental health advanced practice, licensed
46 psychological associates, licensed professional
47 counselors, licensed marriage and family therapists,
48 certified clinical addictions specialists, and certified
49 clinical supervisors, when Medicaid-eligible children are
50 referred by the Community Care of North Carolina
51 primary care physician, a Medicaid-enrolled psychiatrist,

- 1 or the area mental health program or local management
- 2 entity, and
- 3 2. Institutional providers of residential services as defined
- 4 by the Division of Mental Health, Developmental
- 5 Disabilities, and Substance Abuse Services and approved
- 6 by the Centers for Medicare and Medicaid Services
- 7 (CMS) for children and Psychiatric Residential
- 8 Treatment Facility services that meet federal and State
- 9 requirements as defined by the Department.
- 10 c. For Medicaid-eligible adults, services provided by licensed or
- 11 certified psychologists, licensed clinical social workers,
- 12 certified clinical nurse specialists in psychiatric mental health
- 13 advanced practice, and nurse practitioners certified as clinical
- 14 nurse specialists in psychiatric mental health advanced practice,
- 15 licensed psychological associates, licensed professional
- 16 counselors, licensed marriage and family therapists, licensed
- 17 clinical addictions specialists, and licensed clinical supervisors,
- 18 Medicaid-eligible adults may be self-referred.
- 19 d. Payments made for services rendered in accordance with this
- 20 subdivision shall be to qualified providers in accordance with
- 21 approved policies and the State Plan. Nothing in
- 22 sub-subdivision b. or c. of this subdivision shall be interpreted
- 23 to modify the scope of practice of any service provider,
- 24 practitioner, or licensee, nor to modify or attenuate any
- 25 collaboration or supervision requirement related to the
- 26 professional activities of any service provider, practitioner, or
- 27 licensee. Nothing in sub-subdivision b. or c. of this subdivision
- 28 shall be interpreted to require any private health insurer or
- 29 health plan to make direct third-party reimbursements or
- 30 payments to any service provider, practitioner, or licensee.
- 31 Notwithstanding G.S. 150B-21.1(a), the Department of Health and
- 32 Human Services may adopt temporary rules in accordance with
- 33 Chapter 150B of the General Statutes further defining the
- 34 qualifications of providers and referral procedures in order to
- 35 implement this subdivision. Coverage policy for services defined by
- 36 the Division of Mental Health, Developmental Disabilities, and
- 37 Substance Abuse Services under sub-subdivisions a. and b.2 of this
- 38 subdivision shall be established by the Division of Medical Assistance.

SECTION 10.36.(e) Provider payments and visits.–

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

1 into consideration the potential fiscal impact of the waiver or
2 limitation on the State Medicaid Program. The Department may adopt
3 temporary rules in accordance with G.S. 150B-21.1 as necessary to
4 implement this provision.

- 5 (2) Reimbursement is available for visits per recipient per fiscal year to
6 any one or combination of the following: physicians, nurse
7 practitioners, nurse midwives, clinics, hospital outpatient, health
8 departments, optometrists, chiropractors, and podiatrists. A threshold
9 of 24 visits shall be established. Primary care providers or the
10 appropriate CCNC network shall be notified when a patient is nearing
11 the established threshold to facilitate care coordination and
12 intervention as needed. The Department shall ensure that all visits
13 beyond 50 are reviewed for medical necessity and approval on a
14 case-by-case basis. Mandatory services include those provided by
15 physicians, nurse practitioners, nurse midwives, and hospital
16 outpatient services. Optional services including those provided by
17 chiropractors, optometrists, and podiatrists shall require prior
18 authorization for each visit over eight within a fiscal year. The
19 Division of Medical Assistance shall study and evaluate changes in
20 utilization services. Prenatal services, all EPSDT children, emergency
21 rooms, and mental health services subject to independent utilization
22 review are exempt from the visit limitations contained in this
23 paragraph. Exceptions may be authorized by the Department of Health
24 and Human Services where the life of the patient would be threatened
25 without such additional care.

26 **SECTION 10.36.(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.
38 (2) Co-Payment for Medicaid Services. – The Department of Health and
39 Human Services may establish co-payments up to the maximum
40 permitted by federal law and regulation.

41 **SECTION 10.36.(g)** Rules, Reports, and Other Matters. –

- 42 (1) Rules. – The Department of Health and Human Services may adopt
43 temporary or emergency rules according to the procedures established
44 in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that these rules
45 are necessary to maximize receipt of federal funds within existing
46 State appropriations, to reduce Medicaid expenditures, and to reduce
47 fraud and abuse. Prior to the filing of these temporary or emergency
48 rules with the Rules Review Commission and the Office of
49 Administrative Hearings, the Department shall consult with the Office
50 of State Budget and Management on the possible fiscal impact of the

1 temporary or emergency rule and its effect on State appropriations and
2 local governments.

- 3 (2) Changes to Medicaid program; reports. – The Department shall report
4 on any change it anticipates making in the Medicaid program that
5 impacts the type or level of service, reimbursement methods, or
6 waivers, any of which require a change in the State Plan or other
7 approval by the Centers for Medicare and Medicaid Services (CMS).
8 The reports shall be provided at the same time they are submitted to
9 CMS for approval. In addition to the entities listed in subsection (a)(4)
10 of this section, the report shall be submitted to the Joint Legislative
11 Health Care Oversight Committee.
12

13 **MEDICAID COST-CONTAINMENT ACTIVITIES**

14 **SECTION 10.37.** The Department of Health and Human Services may use
15 up to five million dollars (\$5,000,000) in the 2007-2008 fiscal year and up to five
16 million dollars (\$5,000,000) in the 2008-2009 fiscal year in Medicaid funds budgeted
17 for program services to support the cost of administrative activities when
18 cost-effectiveness and savings are demonstrated. The funds shall be used to support
19 activities that will contain the cost of the Medicaid Program, including contracting for
20 services, hiring additional staff, or providing grants through the Office of Rural Health
21 and Community Care to plan, develop, and implement cost-containment programs.

22 Medicaid cost-containment activities may include prospective reimbursement
23 methods, incentive-based reimbursement methods, service limits, prior authorization of
24 services, periodic medical necessity reviews, revised medical necessity criteria, service
25 provision in the least costly settings, plastic magnetic striped Medicaid identification
26 cards for issuance to Medicaid enrollees, fraud detection software or other fraud
27 detection activities, technology that improves clinical decision making, credit balance
28 recovery and data mining services, and other cost-containment activities. Funds may be
29 expended under this section only after the Office of State Budget and Management has
30 approved a proposal for the expenditure submitted by the Department. Proposals for
31 expenditure of funds under this section shall include the cost of implementing the
32 cost-containment activity and documentation of the amount of savings expected to be
33 realized from the cost-containment activity. The Department shall provide a copy of
34 proposals for expenditures under this section to the House of Representatives
35 Appropriations Subcommittee on Health and Human Services, the Senate
36 Appropriations Committee on Health and Human Services, and the Fiscal Research
37 Division. On or before October 1, 2007, the Department shall also report the amounts
38 paid for cost-containment activities in fiscal years 2003-2004 through 2006-2007, and
39 the amount of savings realized from cost-containment activities in fiscal years
40 2003-2004 through 2006-2007.
41

42 **COUNTY MEDICAID COST-SHARE**

43 **SECTION 10.38.(a)** Effective July 1, 2000, the county share of the cost of
44 Medicaid services currently and previously provided by Local Management Entities
45 shall be increased incrementally each fiscal year until the county share reaches fifteen
46 percent (15%) of the nonfederal share by State fiscal year 2009-2010.

47 **SECTION 10.38.(b)** Effective July 1, 2000, the county share of the cost of
48 Medicaid Personal Care Services paid to adult care homes shall be decreased
49 incrementally each fiscal year until the county share reaches fifteen percent (15%) of
50 the nonfederal share by State fiscal year 2009-2010.
51

DISPOSITION OF DISPROPORTIONATE SHARE RECEIPTS

SECTION 10.39.(a) Disproportionate share receipts reserved at the end of the 2007-2008 and 2008-2009 fiscal years shall be deposited with the Department of State Treasurer as nontax revenue for each of those fiscal years.

SECTION 10.39.(b) For each year of the 2007-2009 fiscal biennium, as it receives funds associated with Disproportionate Share Payments from State hospitals, the Department of Health and Human Services, Division of Medical Assistance, shall deposit up to one hundred million dollars (\$100,000,000) of these Disproportionate Share Payments to the Department of State Treasurer for deposit as nontax revenue. Any Disproportionate Share Payments collected in excess of one hundred million dollars (\$100,000,000) shall be reserved by the State Treasurer for future appropriations.

MEDICAID SPECIAL FUND TRANSFER

SECTION 10.40. Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143C-9-1, there is appropriated from the Medicaid Special Fund the sum of fifty-three million dollars (\$53,000,000) for the 2007-2008 fiscal year and the sum of fifty-three million dollars (\$53,000,000) for the 2008-2009 fiscal year. These funds shall be allocated as prescribed by G.S. 143C-9-1(b) for Medicaid programs. Notwithstanding the prescription in G.S. 143C-9-1(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act. The Department may also use funds in the Medicaid Special Fund to fund the settlement of the Disproportionate Share Hospital payment audit issues between the Department of Health and Human Services and the federal government related to fiscal years 1997-2002, and funds are appropriated from the fund for the 2007-2009 fiscal biennium for this purpose.

IMPLEMENT ELECTRONIC QUALITY PRESCRIPTION MANAGEMENT PROGRAM

SECTION 10.41. The Department of Health and Human Services, Division of Medical Assistance, in consultation with the Community Care of NC (CCNC) program, shall implement an Electronic Quality Prescription Management program for prescription drugs through the use of personal data assistance (PDA) technology. The Division may designate CCNC through the Office of Rural Health and Community Care as the lead program to implement this section and shall assist CCNC by providing cost containment funds to purchase PDAs, connectivity, and software, and for other related costs.

DELAY EFFECTIVE DATE OF CHANGES TO MEDICAID ESTATE RECOVERY PLAN

SECTION 10.42. Section 10.21C(c) of S.L. 2005-276, as amended by Section 16 of S.L. 2005-345, and as further amended by Section 10.9B of S.L. 2006-66, reads as rewritten:

"**SECTION 10.21C.(c)** This section becomes effective July 1, ~~2007~~,2009, and applies to recipients of medical assistance on or after that date."

TICKET TO WORK EFFECTIVE DATE CHANGE

SECTION 10.43. Section 10.18(c) of S.L. 2005-276, as amended by Section 10.9(a) of S.L. 2006-66, reads as rewritten:

1 "SECTION 10.18.(c) Subsection (b) of this section becomes effective July 1, 2006.
2 Subsection (a) of this section becomes effective July 1, ~~2007-2008~~."

3
4 **EXTEND IMPLEMENTATION OF COMMUNITY ALTERNATIVES**
5 **PROGRAMS REIMBURSEMENT SYSTEM**

6 **SECTION 10.44.** Full implementation for the Community Alternatives
7 Programs reimbursement system shall be not later than twelve months after the date on
8 which the replacement Medicaid Management Information System becomes operational
9 and stabilized.

10
11 **DEPARTMENTAL STUDY OF COST-SHARING UNDER THE CAP MR/DD**
12 **PROGRAM AND THE CAP-CHILDREN'S PROGRAM**

13 **SECTION 10.45.(a)** The Department of Health and Human Services,
14 Division of Medical Assistance, shall study the feasibility and cost-savings of imposing
15 an income-based cost-sharing requirement under the CAP-MR/DD (Community
16 Alternatives Program for Mental Retardation and Developmentally Disabled) Program
17 and the CAP-C (Community Alternatives Program for Children). In conducting the
18 study, the Department shall:

- 19 (1) Take into account the impact on families with more than one child in
20 the CAP programs.
- 21 (2) Examine how other states have implemented cost-sharing in their CAP
22 programs, the components of cost-sharing, and the resulting savings to
23 the state's Medicaid program.
- 24 (3) Whether other states that have implemented cost-sharing in CAP
25 programs have provided for public input prior to implementation of the
26 cost-sharing requirements.
- 27 (4) Other matters the Department deems relevant to the determination of
28 whether cost-sharing in CAP programs should be implemented in this
29 State.

30 **SECTION 10.45.(b)** The Department shall report its findings and
31 recommendations to the House of Representatives Appropriations Subcommittee on
32 Health and Human Services, the Senate Appropriations Committee on Health and
33 Human Services, and the Fiscal Research Division on or before March 1, 2008. If the
34 Department recommends the implementation of cost-sharing, the report shall indicate
35 cost-sharing amounts or percentages, family income levels that would trigger
36 cost-sharing, and the administrative costs and savings to the State. If the Department
37 recommends that cost-sharing not be implemented, it shall state the reasons therefor.

38
39 **CONTINUE EFFORTS TO EXPAND COMMUNITY CARE AND IMPROVE**
40 **QUALITY OF CARE FOR AGED, BLIND, AND DISABLED MEDICAID**
41 **RECIPIENTS**

42 **SECTION 10.46.(a)** The Department of Health and Human Services shall
43 continue its efforts to expand the scope of Community Care of NC care management
44 model to recipients of Medicaid and dually eligible individuals with a chronic condition
45 and long-term care needs. In expanding the scope, the Department shall focus on the
46 Aged, Blind, and Disabled, and CAP-DA populations for improvement in management,
47 cost-effectiveness, and local coordination of services through Community Care of NC
48 and in collaboration with local providers of care. The Department shall target personal
49 care services, private duty nursing, home health, durable medical equipment, ancillary
50 professional services, specialty care, residential services, including skilled nursing
51 facilities, home infusion therapy, pharmacy, and other services determined

1 target-worthy by the Department. The Department shall pilot communitywide
2 initiatives and shall expand statewide successful models. The initiatives may include
3 one or more pilot projects to control costs and improve quality of care for the Aged,
4 Blind, and Disabled recipients of Medicaid.

5 **SECTION 10.46.(b)** The Department of Health and Human Services shall
6 report not later than March 1, 2008, on the status of the implementation and findings of
7 this pilot project with regard to improving the quality of care and controlling the cost of
8 care for the Aged, Blind, and Disabled recipients of Medicaid. The report shall also
9 address the Department's plans for expanding the pilot project and implementing the
10 practices for all Aged, Blind, and Disabled Medicaid recipients in the State. The
11 Department shall submit the report to the House of Representatives Appropriations
12 Subcommittee on Health and Human Services, the Senate Appropriations Committee on
13 Health and Human Services, and the Fiscal Research Division.

14 15 **NC HEALTH CHOICE ENROLLMENT**

16 **SECTION 10.47.** The Department of Health and Human Services may allow
17 up to three percent (3%) enrollment growth in the NC Health Choice Program every six
18 months.

19 20 **NC KIDS' CARE**

21 **SECTION 10.48.(a)** The Department of Health and Human Services,
22 Division of Medical Assistance, shall develop and implement a limited benefit medical
23 assistance program, NC Kids' Care, to expand health care coverage to children in
24 families with incomes between two hundred percent (200%) and three hundred percent
25 (300%) of the federal poverty guidelines, as revised April 1 of every year. The
26 Department shall apply for any federal Medicaid waivers required to implement this
27 section. Eligibility for and benefits under this program are not entitlement and are
28 subject to availability of funds and other changes to State and federal law.

29 **SECTION 10.48.(b)** Eligibility. – The Department may enroll eligible
30 children based on the availability of funds. Following are the eligibility and other
31 requirements for participation in NC Kids' Care children must:

- 32 (1) Be between the ages of birth and 19 years of age;
- 33 (2) Be ineligible for Medicaid, Medicare, or other government sponsored
34 health insurance;
- 35 (3) Have been uninsured for three months;
- 36 (4) Be in a family whose family income is above two hundred percent
37 (200%) through three hundred percent (300%) of the federal poverty
38 level;
- 39 (5) Be a resident of this State and eligible under federal law; and
- 40 (6) Have paid the monthly premiums required by NC Kids' Care.

41 **SECTION 10.48.(c)** Benefits and Limitations. – Except as otherwise
42 provided, health benefits, including limitations, provided to children shall be as follows:

- 43 (1) Excluded benefits:
 - 44 a. Dental.
 - 45 b. Maternity.
 - 46 c. Skilled nursing facility.
 - 47 d. Personal care services.
- 48 (2) Capped benefits:
 - 49 a. Inpatient physical health benefits are limited to two hundred
50 fifty thousand dollars (\$250,000) per eligible child.

- 1 b. Inpatient behavioral health benefits are limited to two hundred
2 fifty thousand dollars (\$250,000) per eligible child.
3 c. Outpatient behavioral health benefits are limited to 26 visits
4 annually.
5 d. Primary care and special care physician visits are limited to five
6 annually, except that:
7 1. Additional specialty physician visits are allowed if
8 approved by a primary care physician enrolled in
9 Community Care of North Carolina; and
10 2. Additional wellness visits are allowed according to a
11 predetermined schedule.
12 e. Prescriptions are limited to six per month, but this limit is
13 waived if the child is participating in a Community Care of
14 North Carolina case or disease management program.
15 f. Durable medical equipment and supplies are limited to five
16 hundred dollars (\$500.00) with prior approval by CCNC, except
17 there is no limit on diabetic supplies.

18 **SECTION 10.48.(d)** Community Care of North Carolina. – The Department
19 of Health and Human Services shall provide services to children enrolled in the NC
20 Kids' Care program through Community Care of North Carolina and shall pay
21 Community Care of North Carolina providers for these services as allowed under
22 Medicaid.

23 **SECTION 10.48.(e)** Cost Sharing. – NC Kids' Care shall require enrollees to
24 contribute to the cost of their care through the use of deductibles, co-payments,
25 coinsurance, and premiums as follows:

- 26 (1) A monthly premium is to be charged for each child enrolled in NC
27 Kids' Care.
28 (2) The premium amount charged for each child shall vary depending on
29 family income between two hundred percent (200%) FPL and three
30 hundred percent (300%) FPL, except that:
31 a. The average premium charged for a child between two hundred
32 percent (200%) and three hundred percent (300%) FPL shall not
33 be more than sixty-five dollars (\$65.00) PM/PM; and
34 b. The total premium cost shall not exceed two percent (2%) of an
35 individual's annual income and four percent (4%) of a family's
36 annual income.
37 (3) Coinsurance of not more than twenty percent (20%) may apply to the
38 following benefits:
39 a. Inpatient physical health;
40 b. Outpatient physical health;
41 c. Surgery;
42 d. Physical therapy, occupational therapy, and speech therapy;
43 e. Emergency room;
44 f. Inpatient behavioral health;
45 g. Laboratory and radiology;
46 h. Durable medical supplies; and
47 i. Ambulance services.
48 (4) The maximum out-of-pocket coinsurance is two thousand five hundred
49 dollars (\$2,500) per child annually.

- 1 (5) Co-Payments. – NC Kids' Care may require enrollees to pay a co-
2 payment for the following services offered. The co-payment for each
3 service shall not exceed:
4 a. Twenty dollars (\$20.00) for a primary care physician visit;
5 b. Forty dollars (\$40.00) for a specialty care physician visit;
6 c. One hundred dollars (\$100.00) for an emergency room visit,
7 except the co-payment is waived if the enrollee is admitted to
8 the hospital;
9 d. One hundred fifty dollars (\$150.00) for ambulance service,
10 except the co-payment is waived if the enrollee is admitted to
11 the hospital;
12 e. Prescription drugs, as follows:
13 1. Five dollars (\$5.00) for each generic drug prescription;
14 2. Thirty dollars (\$30.00) for each brand-name drug
15 prescription; and
16 3. Sixty dollars (\$60.00) for each brand-name drug
17 prescription, not on the list of preferred drugs.

18 **SECTION 10.48.(f)** Enrollment in NC Kids' Care shall not exceed funds
19 appropriated for the program.

20 **SECTION 10.48.(g)** The nonfederal costs of NC Kids' Care shall be paid
21 with State funds and enrollee premiums. Counties shall not be required to share in the
22 nonfederal costs of NC Kids' Care.

23 **SECTION 10.48.(h)** Providers of services under NC Kids' Care shall be paid
24 at Medicare rates except that pharmacy providers shall be paid at Medicaid rates.

25 **SECTION 10.48.(i)** Until such time as the Department of Health and Human
26 Services has an electronic data system that has the ability to collect and accept
27 premiums and provide the other management activities inherent in administering NC
28 Kids' Care, the Department may contract with a third party to administer this program.

29 **SECTION 10.48.(j)** This section becomes effective January 1, 2008, or upon
30 approval of all required federal waivers and State Medical Assistance Plan amendments,
31 whichever is later.

32
33 **BUILD COMMUNITY INFRASTRUCTURE FOR MENTAL HEALTH,
34 DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES**

35
36 **INCREASE AVAILABILITY OF SUBSTANCE ABUSE TREATMENT.**

37 **SECTION 10.49.(a)** Funds appropriated in this act to the Department of
38 Health and Human Services, Division of Mental Health, Developmental Disabilities,
39 and Substance Abuse Services for regionally funded, locally hosted substance abuse
40 services shall be allocated for the purpose of developing and enhancing the American
41 Society of Addiction Medicine (ASAM) continuum of care at the community level. The
42 Division shall develop and direct purchasing mechanisms to improve the availability of
43 substance abuse services offered on a local, regional, and statewide basis in
44 coordination with one or more local management entities. In the event a local
45 management entity is unable or unwilling to contract with a substance abuse provider
46 for substance abuse services envisioned in this section, the Division may enter into a
47 contract with substance abuse service providers, and, in such cases, the requirements of
48 G.S. 122C-124.1 shall not apply.

49 **SECTION 10.49.(b)** G.S. 122C-147.1 is amended by adding the following
50 new subsection to read:

1 "(d1) Notwithstanding subsections (b) and (d) of this section, each area program
2 shall determine whether to earn the funds for crisis services and funds for services to
3 substance abuse clients in a purchase-for-service basis, under a grant, or some
4 combination of the two. Area programs shall account for funds expended on a grant
5 basis according to procedures required by the Secretary and in a manner that is similar
6 to funds expended in a purchase-for-service basis."

7 **SECTION 10.49.(c)** Consistent with G.S. 122C-2, the General Assembly
8 strongly encourages LMEs to use a portion of the funds appropriated for substance
9 abuse treatment services to support prevention and education activities.

10 **SECTION 10.49.(d)** An LME may use up to one percent (1%) of funds
11 allocated to it for substance abuse treatment services to provide nominal incentives for
12 consumers who achieve specified treatment benchmarks.

13 **SECTION 10.49.(e1)** Of the funds appropriated in this act to the Department
14 of Health and Human Services, Division of Mental Health, Developmental Disabilities,
15 and Substance Abuse Services, the sum of four million dollars (\$4,000,000) for the
16 2007-2008 fiscal year and the sum of four million dollars (\$4,000,000) for the
17 2008-2009 fiscal year shall be allocated as follows:

- 18 (1) \$2,000,000 in each fiscal year shall be used to provide substance abuse
19 services for adult offenders and shall include increasing the number of
20 TASC case managers; and
- 21 (2) \$2,000,000 in each fiscal year to provide treatment for existing pre-
22 and post-plea Adult Treatment Courts within the targeted populations
23 for mental health, developmental disabilities, and substance abuse
24 services as defined in G.S. 122C-3(38).

25 In addition to these funds, the Department shall allocate up to three hundred
26 thousand dollars (\$300,000) to Treatment Accountability for Safer Communities
27 (TASC). These funds shall be allocated to TASC before funds are allocated to local
28 management entities for mental health services, substance abuse services, and crisis
29 services.

30 **SECTION 10.49.(e2)** In providing treatment and services under subsection
31 (e1) of this section, the local management entity shall consult with:

- 32 (1) TASC to improve offender access to substance abuse treatment and
33 match evidence-based interventions to individual needs at each stage
34 of substance abuse treatment. Special emphasis should be placed on
35 intermediate punishment offenders, community punishment offenders
36 at risk for revocation, and DOC releasees who have completed
37 substance abuse treatment while in custody.
- 38 (2) The local drug treatment court team and shall select a treatment
39 provider that meets all provider qualification requirements and the
40 drug treatment court's needs. A single treatment provider may be
41 chosen for non-Medicaid-eligible participants only. A single provider
42 may be chosen who can work with all of the non-Medicaid-eligible
43 drug treatment court participants in a single group. During the 52-week
44 Drug Treatment Court program, participants shall receive an array of
45 treatment and after-care services that meets the participant's level of
46 need, including step-down services that support continued recovery.

47 **SECTION 10.49.(f)** Local management entities shall work with county
48 public health departments and county sheriffs to provide medical assessments and
49 medication, if appropriate, for inmates housed in county jails who are suicidal,
50 hallucinating, or delusional. LMEs shall also examine ways to provide additional
51 treatment to persons who are determined to be psychotic, severely depressed, suicidal,

1 or who have substance abuse disorders. LMEs, county public health departments, and
2 county sheriffs shall work together to develop all of the following:

- 3 (1) A statewide standardized evidence-based screening instrument to be
4 used when offenders are booked.
- 5 (2) A designated LME employee who is responsible for screening the
6 daily jail booking log for known mental health consumers.
- 7 (3) Protocols for effective communication between the LME and the jail
8 staff including collaborative development of medication management
9 protocols between the jail staff and the mental health providers.
- 10 (4) Training to help detention officers recognize signals of mental illness.

11 12 **ADDITIONAL HOUSING ASSISTANCE.**

13 **SECTION 10.49.(g)** The independent and supportive living apartments for
14 persons with disabilities constructed from funds appropriated in this act to the
15 Department of Health and Human Services, Division of Mental Health, Developmental
16 Disabilities, and Substance Abuse Services, and the North Carolina Housing Finance
17 Agency for that purpose shall be affordable to persons with incomes at the
18 Supplemental Security Income (SSI) level. The Department shall maximize the number
19 of subsidies that can be paid for with these funds by giving first priority to North
20 Carolina Housing Agency-financed apartments, giving second priority to other publicly
21 subsidized apartments, and third priority to market-rate apartments.

22 **SECTION 10.49.(h)** The Department of Health and Human Services and the
23 North Carolina Housing Finance Agency shall work together to develop a plan for the
24 most efficient and effective use of State resources in the financing and construction of
25 additional independent- and supportive-living apartments for individuals with mental
26 health, developmental, or substance abuse disabilities. This plan shall address gaps in
27 the housing continuum identified by the study that DHHS will conduct during fiscal
28 year 2006-2007 and fiscal year 2007-2008. DHHS and NCHFA shall report this plan
29 and also the progress of the Housing 400 Initiative to the Joint Legislative Oversight
30 Committee on Mental Health, Developmental Disabilities, and Substance Abuse
31 Services by March 1, 2008. The report shall include a count of the population with
32 mental health, developmental disabilities, and substance abuse disabilities residing in
33 apartments financed with State resources and shall also include the number of
34 apartments projected for completion in the 2007-2008 fiscal year.

35 **SECTION 10.49.(i)** The Department of Health and Human Services shall
36 develop a "Transitional Residential Treatment Program" service definition to provide
37 24-hour residential treatment and rehabilitation for adults who have a pattern of difficult
38 behaviors related to mental illness, which exceeds the capabilities of traditional
39 community residential settings. DHHS shall submit the new service definition to the
40 Centers for Medicare and Medicaid for approval no later than 90 days after the
41 enactment of the Current Operations and Capital Appropriations Act for the 2007-2009
42 biennium.

43 **SECTION 10.49.(j)** The joint ad hoc subcommittee regarding the mentally
44 ill in adult care homes convened by the Joint Legislative Oversight Committee on
45 Mental Health, Developmental Disabilities, and Substance Abuse Services and the
46 North Carolina Commission on Aging may continue to study and identify rules and
47 laws that are necessary to regulate facilities that provide housing for adults with mental
48 illness in the same location with adults without mental illness.

49 **SECTION 10.49.(k)** The Department of Health and Human Services shall
50 complete the development of a Uniform Screening Tool (UST) to be used by LMEs to
51 determine the mental health of any individual admitted to any long-term care facility

1 within an LME's catchment area. The UST shall be available for use no later than 90
2 days after the enactment of the Current Operations and Capital Appropriations Act for
3 the 2007-2009 fiscal biennium.

4 **SECTION 10.49.(l)** LMEs shall be responsible for the delivery of case
5 management for recipients of State-County Special Assistance In-Home services who
6 have a mental illness, developmental disability, or substance abuse disorder and are
7 within the target populations for those disabilities.
8

9 **CRISIS AND ACUTE CARE SERVICES.**

10 **SECTION 10.49.(m)** Of the funds appropriated in this act to the Department
11 of Health and Human Services, Division of Mental Health, Developmental Disabilities,
12 and Substance Abuse Services, the sum of four million dollars (\$4,000,000) for the
13 2007-2008 fiscal year and the sum of four million dollars (\$4,000,000) for the
14 2008-2009 fiscal year shall be allocated to LMEs to continue to implement the crisis
15 plans developed under S.L. 2006-66, Section 10.26. DHHS may use up to two hundred
16 fifty thousand dollars (\$250,000) of the funds appropriated under this section to extend
17 its contract with the crisis services consultant authorized under Section 10.26(b) of S.L.
18 2006-66.

19 **SECTION 10.49.(n)** S.L. 2006-66, Section 10.26(d), as amended by Section
20 11 of S.L. 2006-221, reads as rewritten:

21 "**SECTION 10.26.(d)** With the assistance of the consultant, the LMEs within a
22 crisis region shall work together to identify gaps in their ability to provide a continuum
23 of crisis services for all consumers and use the funds allocated to them to develop and
24 implement a plan to address those needs. At a minimum, the plan must address the
25 development over time of the following components: 24-hour crisis telephone lines,
26 walk-in crisis services, mobile crisis outreach, crisis respite/residential services, crisis
27 stabilization units, 23-hour beds, facility-based crisis, in-patient crisis, detox, and
28 transportation. Options for voluntary admissions to a secured facility must include at
29 least one service appropriate to address the mental health, developmental disability, and
30 substance abuse needs of adults, and the mental health, developmental disability, and
31 substance abuse needs of children. Options for involuntary commitment to a secured
32 facility must include at least one option in addition to admission to a State facility.

33 If all LMEs in a crisis region determine that a facility-based crisis center is needed
34 and sustainable on a long-term basis, the crisis region shall first attempt to secure those
35 services through a community hospital or other community facility. If all LMEs in the
36 crisis region determine the region's crisis needs are being met, the LMEs may use the
37 funds to meet local crisis service needs."

38 **SECTION 10.49.(o)** LMEs shall report monthly to the Department and to
39 the consultant regarding the use of the funds, whether there has been a reduction in the
40 use of State psychiatric hospitals for acute admissions, and any remaining gaps in local
41 and regional crisis services. The consultant and the Department shall report quarterly to
42 the Senate Appropriations Committee on Health and Human Services, the House of
43 Representatives Appropriations Subcommittee on Health and Human Services, the
44 Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental
45 Health, Developmental Disabilities, and Substance Abuse Services regarding each
46 LME's proposed and actual use of the funds appropriated under this section. The
47 reporting requirements under this subsection shall expire July 1, 2008.

48 **SECTION 10.49.(p)** LMEs shall work with sheriffs and county public
49 health agencies to serve individuals who are incarcerated or being held in county jails
50 and who are in need of crisis services.

1 **SECTION 10.49.(q)** G.S. 122C-147.1 is amended by adding the following
2 new subsection to read:

3 "(b1) Notwithstanding subsection (b) of this section, funds appropriated by the
4 General Assembly for crisis services shall not be allocated in broad disability or
5 age/disability categories. Subsection (c) of this section shall apply to funds appropriated
6 by the General Assembly for crisis services."

7 **SECTION 10.49.(r)** The Department of Health and Human Services shall
8 develop a system for reporting to LMEs information regarding all visits to community
9 hospital emergency departments by individuals who are in crisis due to a mental illness,
10 a developmental disability, or a substance abuse disorder. The system shall be
11 implemented no later than 90 days after the enactment of the Current Operations and
12 Capital Appropriations Act for the 2007-2009 fiscal biennium.

13 **SECTION 10.49.(s1)** Of the funds appropriated in this act to the Department
14 of Health and Human Services, Division of Mental Health, Developmental Disabilities,
15 and Substance Abuse Services (Division), the sum of one million dollars (\$1,000,000)
16 for the 2007-2008 fiscal year and the sum of one million dollars (\$1,000,000) for the
17 2008-2009 fiscal year shall be used to develop a pilot program to reduce State
18 psychiatric hospital use and to increase local services for persons with mental illness.
19 Of these funds, the sum of seven hundred fifty thousand dollars (\$750,000) shall be
20 allocated to LMEs to be used in accordance with subdivision (c)(6) of this section. The
21 Division and a selected LME shall implement a six-month pilot for the 2007-2008 fiscal
22 year, as provided in subsections (b) and (c) of this section. It is the intent of the General
23 Assembly to provide funds to expand the pilot program in the 2008-2009 fiscal year.
24 To this end, the Division shall develop a plan for expanded pilots as provided in
25 subsection (d) of this section.

26 **SECTION 10.49.(s2)** The purpose of the six-month pilot program developed
27 under subsection (s1) of this section and to be implemented during the 2007-2008 fiscal
28 year is to test a mechanism to reduce psychiatric hospital use by holding an LME
29 financially and clinically responsible for the cost of that use and by providing additional
30 resources to build community capacity. LMEs that are interested in participating in this
31 pilot shall submit a proposal to the Division no later than October 15, 2007. The
32 proposal shall include a plan by the LME to reduce hospital use by a specified amount
33 and an explanation of how the LME expects to accomplish this goal. To facilitate pilot
34 implementation, the Division shall do all of the following:

- 35 (1) Calculate the cost of each LME's 2006-2007 use of State psychiatric
36 hospital services based roughly on that hospital's total budget and the
37 percentage of patients at the hospital admitted from the LME's
38 catchment area.
- 39 (2) Calculate a daily rate for hospital usage based on 2006-2007 statewide
40 usage. The daily rate shall be higher for subsequent admissions by the
41 same patient and higher for patients admitted with a primary diagnosis
42 of substance abuse.
- 43 (3) Provide the results from subdivisions (1) and (2) of this subsection to
44 all LMEs not later than September 1, 2007.
- 45 (4) Award pilot participation not later than November 1, 2007, based upon
46 the proposal that projects the largest decrease in use and that the
47 Division believes has the greatest likelihood of succeeding.
- 48 (5) Commence pilot implementation not later than January 1, 2008.

49 **SECTION 10.49.(s3)** Parameters of the pilot developed under subsection
50 (s1) of this section are as follows:

- 1 (1) The pilot LME will have a virtual budget account for January 1, 2008,
2 through June 30, 2008, based on one-half of the LME's cost of State
3 psychiatric hospital use during the 2006-2007 fiscal year minus the
4 LME's proposed reduction in hospital use.
- 5 (2) Every bed day used by patients from that LME's catchment area will
6 be debited against that LME's virtual account.
- 7 (3) The cost of bed days will increase by the agreed upon amount for
8 patients who are repeatedly admitted to the hospital.
- 9 (4) The cost of bed days will increase by the agreed upon amount for
10 patients who are admitted with a primary diagnosis of substance abuse.
- 11 (5) The LME shall have one or more representatives on site at the State
12 psychiatric hospital. The LME representatives shall be involved with
13 patient admissions, development of treatment plans, supervision and
14 delivery of treatment, and development and implementation of
15 discharge plans.
- 16 (6) The pilot LME shall have up to seven hundred fifty thousand dollars
17 (\$750,000) to: (i) build community capacity through start-up
18 operations or payment for local services; (ii) pay for the on-site
19 representative at State psychiatric hospitals; and (iii) pay for patient
20 bed days that are in excess of RFP's projected use.
- 21 (7) As of June 30, 2008, any savings to the State realized from the LME's
22 reduced hospital usage, plus any funds remaining in the LME's virtual
23 hospital budget account, will be transferred to the LME to be used to
24 purchase hospital use in the 2008-2009 fiscal year. Any funds
25 remaining from the seven hundred fifty thousand dollar (\$750,000)
26 allocation shall carry over to be used by the LME to pay for services to
27 the mentally ill.

28 **SECTION 10.49.(s4)** Based on the experiences of the pilot programs
29 authorized under subsections (s2) and (s3) of this section, the Division of Mental
30 Health, Developmental Disabilities, and Substance Abuse Services (Division) shall
31 work with the existing hospital use study group to develop a proposal for subsequent
32 pilots to reduce hospital use and build community services. The Division may use up to
33 two hundred fifty thousand dollars (\$250,000) during the 2007-2008 fiscal year to
34 develop the proposal. The Division shall submit an interim report on its progress to the
35 Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities,
36 and Substance Abuse Services (Oversight Committee) by October 15, 2007, and shall
37 submit its final report to the Oversight Committee by February 1, 2008.

38 **SECTION 10.49.(s5)** The budgets for the State psychiatric hospitals shall
39 not be reduced during the 2007-2008 fiscal year as a result of the pilot developed under
40 subsection (s1) of this section. However, those budgets shall be adjusted in following
41 years to reflect the previous year's use by the LMEs participating in the pilot program.

42 **SECTION 10.49.(t)** Section 4.1 of S.L. 2003-314 is amended by adding a
43 new subsection to read:

44 **"SECTION 4.1.** Interpretation of Act. (a) Additional Method. – This act provides
45 an additional and alternative method for the doing of the things authorized by this act
46 and shall be regarded as supplemental and additional to powers conferred by other laws.
47 Except where expressly provided, this act shall not be regarded as in derogation of any
48 powers now existing. The authority granted in this act is in addition to other laws now
49 or hereinafter enacted authorizing the State to issue or incur indebtedness.

1 (a1) Secretary's Responsibility/Hospital Closure. – Nothing in this act shall be
2 construed to limit the Secretary's responsibilities under G.S. 122C-112.1(a)(30) or
3 G.S. 122C-181(b). The effective date of any closure shall be subject to G.S. 122C-181."

4 **SECTION 10.49.(t1)** G.S. 122C-112.1(a)(30) reads as rewritten:

5 **"§ 122C-112.1. Powers and duties of the Secretary.**

6 (a) The Secretary shall do all of the following:

7 ...
8 (30) Prior to requesting approval to close a State facility under
9 G.S. 122C-181(b):

10 a. Notify the Joint Legislative Commission on Governmental
11 Operations, the Joint Legislative Committee on Mental Health,
12 Developmental Disabilities, and Substance Abuse Services, and
13 members of the General Assembly who represent catchment
14 areas affected by the closure; and

15 b. Present a plan for the closure to the members of the Joint
16 Legislative Committee on Mental Health, Developmental
17 Disabilities, and Substance Abuse Services, the House of
18 Representatives Appropriations Subcommittee on Health and
19 Human Services, and the Senate Appropriations Committee on
20 Health and Human ~~Services~~–Services. The Committees and
21 Subcommittee shall hold a joint meeting to hear the plan and to
22 provide for their review, advice, and recommendations.
23 Members of the General Assembly who represent catchment
24 areas affected by the proposed closure shall be allowed an
25 opportunity at the joint meeting to review and comment on the
26 plan.

27 The plan shall specifically address specifically how patients
28 will be cared for after closure, how support services to
29 community based agencies and outreach services will be
30 continued, all of the following: (i) the capacity of any
31 replacement facility and the catchment area to meet the needs of
32 those consumers who require long-term secure services as well
33 as acute care; (ii) an inventory of existing capacity in the
34 communities within the catchment area for patients to access
35 crisis services, appropriate housing, and other necessary
36 supports; (iii) how the State and the LMEs in the catchment
37 area will attract and retain qualified private providers that will
38 provide services to State-paid non-Medicaid eligible
39 consumers; and (iv) the impact of the closure on remaining
40 State facilities. In implementing the plan, the Secretary shall
41 take into consideration the comments and recommendations of
42 the committees and other members of the General Assembly to
43 which the plan is presented under this subdivision.

44 Notwithstanding any other provision of law, the Secretary
45 shall not close a State facility if there are not adequate
46 replacement services available prior to the date of closure."

47 **SECTION 10.49.(u)** In keeping with the United States Supreme Court
48 decision in Olmstead v. L.C. & E.W. and State policy to provide appropriate services to
49 clients in the least restrictive and most appropriate environment, the Department of
50 Health and Human Services shall continue to implement a plan for the transition of
51 patients from State psychiatric hospitals to the community or to other long-term care

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

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

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

20 In accordance with the plan established in subsections (a) and (b) of this section, any
21 nonrecurring savings in State appropriations that result from reductions in beds or
22 services shall be placed in the Trust Fund for Mental Health, Developmental
23 Disabilities, and Substance Abuse Services and Bridge Funding Needs. These funds
24 shall be used to facilitate the transition of clients into appropriate community-based
25 services and supports in accordance with G.S. 143C-9-2. Recurring savings realized
26 through implementation of this section shall be retained by the Department of Health
27 and Human Services, Division of Mental Health, Developmental Disabilities, and
28 Substance Abuse Services, (i) for implementation of subsections (a) and (b) of this
29 section and (ii) to support the recurring costs of additional community-based placements
30 from Division facilities in accordance with Olmstead v. L.C. & E.W.

31 The Department of Health and Human Services shall submit reports on the status of
32 implementation of this section to the Joint Legislative Commission on Governmental
33 Operations, the Senate Appropriations Committee on Health and Human Services, the
34 House of Representatives Appropriations Subcommittee on Health and Human
35 Services, the Joint Legislative Oversight Committee on Mental Health, Developmental
36 Disabilities, and Substance Abuse Services, and the Fiscal Research Division. These
37 reports shall be submitted on December 1, 2007, and May 1, 2008.

38 39 **USE OF MENTAL HEALTH TRUST FUNDS.**

40 **SECTION 10.49.(v)** Funds allocated to area programs to be spent on
41 community-based programs that are remaining in the Trust Fund for Mental Health,
42 Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs
43 (Trust Fund) as of June 30, 2007, shall be dispersed to the area programs to be spent
44 according to the purposes for which the funds were allocated. The Department shall
45 limit the LME fund balance to ensure that LMEs fully utilize funds dispersed to the
46 LME for the stated purposes.

47 **SECTION 10.49.(w)** G.S. 143C-9-2 reads as rewritten:

48 **"§ 143C-9-2. Trust Fund for Mental Health, Developmental Disabilities, and** 49 **Substance Abuse Services and Bridge Funding Needs.**

50 (a) The Trust Fund for Mental Health, Developmental Disabilities, and
51 Substance Abuse Services and Bridge Funding Needs is established as an

1 interest-bearing, nonreverting special trust fund in the Office of State Budget and
2 Management. Moneys in the Trust Fund shall be held in trust and used solely to increase
3 community-based services that meet the mental health, developmental disabilities, and
4 substance abuse services needs of the State. The Trust Fund shall be used to supplement
5 and not to supplant or replace existing State and local funding available to meet the
6 mental health, developmental disabilities, and substance abuse services needs of the
7 State.

8 The State Treasurer shall hold the Trust Fund separate and apart from all other
9 moneys, funds, and accounts. The State Treasurer shall be the custodian of the Trust
10 Fund and shall invest its assets in accordance with G.S. 147-69.2 and G.S. 147-69.3.
11 Investment earnings credited to the assets of the Trust Fund shall become part of the
12 Trust Fund. Any balance remaining in the Trust Fund at the end of any fiscal year shall
13 be carried forward in the Trust Fund for the next succeeding fiscal year.

14 Moneys in the Trust Fund shall be expended only in accordance with subsection (b)
15 of this section and in accordance with limitations and directions enacted by the General
16 Assembly.

17 (b) Moneys in the Trust Fund for Mental Health, Developmental Disabilities, and
18 Substance Abuse Services and Bridge Funding Needs shall be allocated to area
19 programs to be used only to:

- 20 (1) Provide start-up funds and operating support for programs and services
21 that provide more appropriate and cost-effective community treatment
22 alternatives for individuals currently residing in the State's mental
23 health, developmental disabilities, and substance abuse services
24 institutions.
- 25 (2) ~~Facilitate the State's compliance with the United States Supreme Court~~
26 ~~decision in *Olmstead v. L.C. and E.W.*~~
- 27 (3) Facilitate reform of the mental health, developmental disabilities, and
28 substance abuse services system and expand and enhance treatment
29 and prevention services in these program areas to remove waiting lists
30 and provide appropriate and safe services for clients.
- 31 (4) Provide bridge funding to maintain appropriate client services during
32 transitional periods as a result of facility closings, including
33 departmental restructuring of services.
- 34 (5) ~~Construct, repair, and renovate State mental health, developmental~~
35 ~~disabilities, and substance abuse services facilities.~~

36 (c) Notwithstanding G.S. 143C-1-2, any nonrecurring savings in State
37 appropriations realized from the closure of any State psychiatric hospitals that are in
38 excess of the cost of operating and maintaining a new State psychiatric hospital shall not
39 revert to the General Fund but shall be placed in the Trust Fund and shall be used for the
40 purposes authorized in this section. Notwithstanding G.S. 143C-1-2, recurring savings
41 realized from the closure of any State psychiatric hospitals shall not revert to the
42 General Fund but shall be credited to the Department of Health and Human Services to
43 be used only for the purposes of subsections (b)(1) ~~(b)(2)~~ and (b)(3) of this section.

44 (d) Beginning July 1, 2007, the Secretary of the Department of Health and
45 Human Services shall report annually to the Fiscal Research Division on the
46 expenditures made during the preceding fiscal year from the Trust Fund. The report
47 shall identify each expenditure by recipient and purpose and shall indicate the authority
48 under subsection (b) of this section for the expenditure."

49 **SECTION 10.49.(x)** Notwithstanding G.S. 143C-9-2, as amended by this
50 act, the Secretary of Health and Human Services may use funds for the 2007-2008 fiscal
51 year from the Trust Fund for Mental Health, Developmental Disabilities, and Substance

1 Abuse Services and Bridge Funding Needs to support up to 66 new positions in the
2 Julian F. Keith Alcohol and Drug Abuse Treatment Center, provided that these funds
3 may be used only if the Julian F. Keith Alcohol and Drug Abuse Treatment Center
4 opens before July 1, 2008.
5

6 **STRENGTHEN THE SERVICES NETWORK.**

7 **SECTION 10.49.(y)** The Department of Health and Human Services shall
8 designate four additional local management entities to receive all State allocations
9 through single stream funding. If DHHS has not made the designations by July 1, 2007,
10 the designations shall be enacted by the 2007 General Assembly. In addition to the four
11 LMEs designated by the Department, the Piedmont, New River, Smoky Mountain,
12 Guilford, and Mecklenburg LMEs shall continue to receive State allocations through
13 single stream funding.

14 **SECTION 10.49.(z)** The Joint Legislative Oversight Committee for Mental
15 Health, Developmental Disabilities, and Substance Abuse Services shall study the
16 effectiveness of the 1915(b) Medicaid waiver and of those LMEs operating under a
17 waiver.

18 **SECTION 10.49.(aa)** No later than July 1, 2008, the Department of Health
19 and Human Services shall commence the process for three additional local management
20 entities to apply for a 1915(b) Medicaid waiver.
21

22 **FILLING SERVICE GAPS.**

23 **SECTION 10.49.(bb)** Funds appropriated in this act for mental health
24 services and supported employment shall be allocated to local management entities such
25 that each local management entity receives a percentage of the total allocation that is
26 equal to that local management entity's percentage of the State's total population that is
27 below the federal poverty level. Funds appropriated to the Department of Health and
28 Human Services in S.L. 2006-66 for mental health services, substance abuse services,
29 and crisis services as part of the continuation budget shall continue to be allocated by
30 the Department to local management entities such that each local management entity
31 receives a percentage of the total allocation that is equal to that local management
32 entity's percentage of the State's total population that is below the federal poverty level.

33 **SECTION 10.49.(cc)** G.S. 122C-147.1(c) shall apply to the State-funded
34 service of developmental therapies.

35 **SECTION 10.49.(dd)** The Department of Health and Human Services shall
36 develop and apply to the Centers for Medicare and Medicaid Services for additional
37 home and community-based waivers for persons with developmental disabilities. In
38 conjunction with the existing CAP MR/DD waiver, the new waivers will create a tiered
39 system of services. Not later than March 1, 2008, the Department shall report to the
40 Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities,
41 and Substance Abuse Services on the status of the waivers required under this section.

42 **SECTION 10.49.(ee)** The Department of Health and Human Services shall
43 study the option of tiering the rates for the Community Supports service according to
44 the level of qualifications of the individuals delivering the services and the types of
45 services being delivered by these individuals. The Department shall report to the Joint
46 Legislative Oversight Committee on Mental Health, Developmental Disabilities, and
47 Substance Abuse Services and the Fiscal Research Division by January 1, 2008, on the
48 advantages and disadvantages of a tiered rate system versus the current rate system.
49 The report shall also include a summary of other cost savings and quality control
50 measures considered or implemented by the Department for this service.
51

LME ADMINISTRATIVE FUNDING

SECTION 10.49.(ff) The General Assembly finds that counties have budgeted almost one hundred twenty-one million dollars (\$121,000,000) to LMEs to pay for mental health, developmental disabilities, and substance abuse services. However, the General Assembly lacks information regarding the specific services that are purchased with those county funds. The General Assembly also lacks data regarding the incomes of persons receiving mental health, developmental disabilities, and substance abuse services that are paid for by either State or county funds. This lack of data severely limits the General Assembly's ability to determine the distribution of services that are being paid for with public funds, whether persons who are eligible for Medicaid are being enrolled in that program, and whether expanding the State's Medicaid eligibility criteria would impact a significant number of mental health, developmental disabilities, and substance abuse services consumers. Therefore, LMEs shall report annually to the Division all expenditures from county funds by the LME for services, start-up expenses, and capital and operational expenditures, regardless of the source of the funds and regardless of whether the funds were earned on a payment for service or grant basis. This reporting shall include specific information regarding the expenditure of all funds provided to the LME by the county or counties contained in the LME's catchment area and the amount of expenditures for services provided by the multicounty LME to residents of each county in the multicounty LME's catchment area. To the extent possible, the information shall be submitted through the Integrated Payment and Reimbursement System. LMEs shall also gather income data for all individuals receiving services. Notwithstanding G.S. 143C-6-4, Budget Adjustments Authorized, the Department of Health and Human Services shall use funds available to the Department to fully fund the State's contribution for LME system administration.

DEVELOPMENTAL CENTER DOWNSIZING

SECTION 10.50.(a) In accordance with the Department of Health and Human Services' plan for mental health, developmental disabilities, and substance abuse services system reform, the Department shall ensure that the downsizing of the State's Developmental Centers is based upon individual needs and the availability of community-based services with a targeted goal of four percent (4%) each year. The Department shall implement cost-containment and reduction strategies to ensure the corresponding financial and staff downsizing of each facility. The Department shall manage the client population of the Developmental Centers in order to ensure that placements for ICF-MR level of care shall be made to appropriate community-based settings. Admissions to a State-operated ICF-MR facility is permitted only as a last resort and only upon approval of the Department. The corresponding budgets for each of the Developmental Centers shall be reduced, and positions shall be eliminated as the census of each facility decreases in accordance with the Department's budget reduction formula. At no time shall mental retardation center positions be transferred to other units within a facility or assigned nondirect care activities such as outreach.

SECTION 10.50.(b) The Department of Health and Human Services shall apply any savings in State appropriations in each year of the 2007-2009 biennium that result from reductions in beds or services as follows:

- (1) The Department shall place nonrecurring savings in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs and use the savings to facilitate the transition of clients into appropriate community-based services and support in accordance with G.S. 143C-9-2;

- 1 (2) The Department of Health and Human Services, Division of Mental
2 Health, Developmental Disabilities, and Substance Abuse Services,
3 shall retain recurring savings realized through implementation of this
4 section to support the recurring costs of additional community-based
5 placements from Division facilities in accordance with Olmstead v.
6 L.C. & E.W. In determining the savings in this section, savings shall
7 include all savings realized from the downsizing of the Developmental
8 Centers, including the savings in direct State appropriations in the
9 budgets of the Developmental Centers; and
- 10 (3) The Department of Health and Human Services, Division of Medical
11 Assistance, shall transfer any recurring Medicaid savings resulting
12 from the downsizing of State-operated Developmental Centers from
13 the ICF-MR line in Medicaid to support Medicaid services to assist in
14 continued community service opportunities for people with
15 developmental disabilities.

16 **SECTION 10.50.(c)** Consistent with the requirements of this section, the
17 Secretary of Health and Human Services shall update the existing plan to ensure that
18 there are sufficient developmental disability/mental retardation regional centers to
19 correspond with service catchment areas. The plan shall address:

- 20 (1) Methods of funding for community services necessitated by
21 downsizing;
- 22 (2) How many State-operated beds and non-State-operated beds are
23 needed to serve the population; and
- 24 (3) Alternative uses for facilities.

25 Not later than April 1, 2008, the Department shall provide an updated report
26 on the development of the plan, and not later than April 1, 2009, shall report the final
27 plan, including recommendations for legislative action, to the House of Representatives
28 Appropriations Subcommittee on Health and Human Services, the Senate
29 Appropriations Committee on Health and Human Services, and the Fiscal Research
30 Division.

31 **SECTION 10.50.(d)** The Department of Health and Human Services shall
32 provide an updated report on its progress in complying with this section to the Senate
33 Appropriations Committee on Health and Human Services, the House of
34 Representatives Appropriations Subcommittee on Health and Human Services, and the
35 Fiscal Research Division. The Department shall submit the progress report no later than
36 January 15, 2008, and submit a final report no later than May 1, 2009.

37
38 **DHHS POLICIES AND PROCEDURES IN DELIVERING COMMUNITY**
39 **MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND**
40 **SUBSTANCE ABUSE SERVICES**

41 **SECTION 10.51.(a)** The Department of Health and Human Services,
42 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services,
43 shall in cooperation with area mental health authorities and county programs, identify
44 and eliminate administrative and fiscal barriers created by existing State and local
45 policies and procedures in the delivery of community-based mental health,
46 developmental disabilities, and substance abuse services provided through the area
47 programs and county programs, including services provided through the Comprehensive
48 Treatment Services Program for Children and services delivered to multiply diagnosed
49 adults. The Department shall implement changes in policies and procedures in order to
50 facilitate all of the following:

- 1 (1) The provision of services to adults and children as defined in the
2 Mental Health System Reform State Plan as priority or targeted
3 populations.
- 4 (2) The provision of services to children not deemed eligible for the
5 Comprehensive Treatment Services Program for Children, but who
6 would otherwise be in need of medically necessary treatment services
7 to prevent out-of-home placement.
- 8 (3) The provision of services in the community to adults remaining in and
9 being placed in State institutions addressed in Olmstead v. L.C.

10 **SECTION 10.51.(b)** The Department shall rework the revised system of
11 allocating State and federal funds to area mental health authorities and county programs
12 to better reflect projected needs, including the impact of system reform efforts rather
13 than historical allocation practices and spending patterns. The reworked allocation shall
14 include the following:

- 15 (1) For each LME, the current allocation by source and age/disability
16 category, and the newly proposed allocation by source and
17 age/disability category;
- 18 (2) A clear formula for how the new allocations are derived with a
19 detailed methodology for how the formula was created; and
- 20 (3) A plan for moving to the new formula.

21 The Department shall submit the reworked language to the House of
22 Representatives Appropriations Subcommittee on Health and Human Services, the
23 Senate Appropriations Committee on Health and Human Services, and the Fiscal
24 Research Division not later than October 1, 2007, for review. The Department shall
25 implement the system only after review and approval by the 2007 General Assembly,
26 Regular Session 2008.

27 **SECTION 10.51.(c)** Area mental health, developmental disabilities, and
28 substance abuse services authorities and county programs shall use all funds
29 appropriated for and necessary to provide mental health, developmental disabilities, and
30 substance abuse services to meet the need for these services. If excess funds are
31 available after expending appropriated funds to fully meet service needs, one-half of
32 these excess funds shall not revert to the General Fund but shall be transferred to the
33 Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse
34 Services and Bridge Funding Needs, except that one-half of the funds appropriated for
35 the Comprehensive Treatment Services Program for Children that are unexpended and
36 unencumbered shall not revert to the General Fund but shall be carried forward and used
37 only for services for children and adolescents.

38 The Department, in consultation with the area mental health authorities and
39 county programs, shall report to the House of Representatives Appropriations
40 Subcommittee on Health and Human Services, the Senate Appropriations Committee on
41 Health and Human Services, and the Joint Legislative Oversight Committee on Mental
42 Health, Developmental Disabilities, and Substance Abuse Services on the progress in
43 implementing these changes. The report shall be submitted on October 1, 2007, and
44 February 1, 2008.

45 **SERVICES TO MULTIPLY DIAGNOSED ADULTS**

46 **SECTION 10.52.(a)** In order to ensure that multiply diagnosed adults are
47 appropriately served by the mental health, developmental disabilities, and substance
48 abuse services system, the Department of Health and Human Services, Division of
49 Mental Health, Developmental Disabilities, and Substance Abuse Services, shall do the
50 following with respect to services provided to these adults:
51

- 1 (1) Implement the following guiding principles for the provision of
2 services:
3 a. Service delivery system must be outcome-oriented and
4 evaluation-based.
5 b. Services should be delivered as close as possible to the
6 consumer's home.
7 c. Services selected should be those that are most efficient in
8 terms of cost and effectiveness.
9 d. Services should not be provided solely for the convenience of
10 the provider or the client.
11 e. Families and consumers should be involved in decision making
12 throughout treatment planning and delivery.
13 (2) Provide those treatment services that are medically necessary.

- 14 (3) Implement utilization review of services provided.

15 **SECTION 10.52.(b)** The Department of Health and Human Services shall
16 implement all of the following cost-reduction strategies:

- 17 (1) Preauthorization for all services except emergency services.
18 (2) Criteria for determining medical necessity.
19 (3) Clinically appropriate services.

20 **SECTION 10.52.(c)** No State funds shall be used for the purchase of
21 single-family or other residential dwellings to house multiply diagnosed adults.

22 **SECTION 10.52.(d)** The Department shall report on implementation of this
23 section on May 1, 2008, and again on May 1, 2009, to the Senate Appropriations
24 Committee on Health and Human Services, the House of Representatives
25 Appropriations Subcommittee on Health and Human Services, the Joint Legislative
26 Oversight Committee on Mental Health, Developmental Disabilities, and Substance
27 Abuse Services, and the Fiscal Research Division.

28
29 **DEPARTMENTAL FLEXIBILITY IN SCHEDULING THE TRANSFER OF**
30 **POSITIONS PERTAINING TO THE CLOSURE OF DOROTHEA DIX AND**
31 **JOHN UMSTEAD HOSPITALS AND THE OPENING OF CENTRAL**
32 **REGIONAL HOSPITAL**

33 **SECTION 10.53.** The Department of Health and Human Services may
34 schedule the transfer of positions relating to the closure of Dorothea Dix Hospital and
35 John Umstead Hospital and the opening of Central Regional Hospital in accordance
36 with appropriations and reductions in funding enacted in this act in a manner that is
37 timely and with minimal disruption in services. The Department may not transfer more
38 positions than are authorized in the House of Representatives Appropriations
39 Committee Report on Health and Human Services, referenced in this act, for the closure
40 of Dorothea Dix Hospital and John Umstead Hospital, the opening of Central Regional
41 Hospital, the transfer of Whitaker School and R. J. Blackley ADATC to Central
42 Regional Hospital, and the transfer of Dorothea Dix Hospital Forensic Unit beds to
43 Broughton Hospital.

44
45 **FUNDS FOR HEALTH CARE PERSONNEL REGISTRY POSITIONS**
46 **CONTINGENCY**

47 **SECTION 10.54.** Funds appropriated in this act to the Department of Health
48 and Human Services, Division of Facility Services, for the 2007-2008 fiscal year and
49 the 2008-2009 fiscal year for positions and related costs to expand the Health Care
50 Personnel Registry are contingent upon enactment of House Bill 95, 2007 Regular
51 Session, by the 2007 General Assembly.

1
2 **FUNDS FOR PUBLIC AVAILABILITY TO INSPECTION REPORTS**

3 **SECTION 10.54A.** Funds appropriated in this act to the Department of
4 Health and Human Services, Division of Facility Services, for the 2007-2008 fiscal year
5 and for the 2008-2009 fiscal year to establish and maintain public availability to
6 inspection reports for adult care homes, nursing homes, home care agencies, adult day
7 care programs, and adult day health care programs are contingent upon enactment of
8 House Bill 248, 2007 Regular Session, by the 2007 General Assembly.
9

10 **DHHS BLOCK GRANTS**

11 **SECTION 10.55.(a)** Appropriations from federal block grant funds are
12 made for the fiscal year ending June 30, 2008, according to the following schedule:
13

14 **TEMPORARY ASSISTANCE TO NEEDY FAMILIES**
15 **(TANF) BLOCK GRANT**

16 **Local Program Expenditures**

17 **Division of Social Services**

18		
19		
20		
21	01. Work First Family Assistance (Cash Assistance)	\$95,807,234
22		
23	02. Work First County Block Grants	94,653,315
24		
25	03. Child Protective Services – Child Welfare	
26	Workers for Local DSS	14,452,391
27		
28	04. Work First – Boys and Girls Clubs	1,500,000
29		
30	05. Work First – After-School Services for	
31	At-Risk Children	2,249,642
32		
33	06. Work First – After-School Programs for	
34	At-Risk Youth in Middle Schools	500,000
35		
36	07. Work First – Connect, Inc.	550,000
37		
38	08. Adoption Services – Special Children's	
39	Adoption Fund	3,000,000
40		
41	09. Family Violence Prevention	2,200,000
42		

43 **Division of Child Development**

44		
45	10. Subsidized Child Care Program	48,563,266
46		

47 **DHHS Administration**

48		
49	11. Division of Social Services	762,626
50		
51	12. Office of the Secretary	65,836

1		
2	13.	Office of the Secretary/DIRM – TANF
3		Automation Projects
4		592,500
5	14.	Office of the Secretary/DIRM – NC FAST
6		Implementation
7		1,800,000
8		Transfers to Other Block Grants
9		
10		Division of Child Development
11		
12	15.	Transfer to the Child Care and
13		Development Fund
14		81,292,880
15		Division of Social Services
16		
17	16.	Transfer to Social Services Block Grant for
18		Department of Juvenile Justice and Delinquency
19		Prevention – Support Our Students
20		2,749,642
21	17.	Transfer to Social Services Block Grant for Child
22		Protective Services – Child Welfare Training in
23		Counties
24		2,550,000
25	18.	Transfer to Social Services Block Grant for
26		Maternity Homes
27		838,000
28	19.	Transfer to Social Services Block Grant for Teen
29		Pregnancy Prevention Initiatives
30		2,500,000
31	20.	Transfer to Social Services Block Grant for County
32		Departments of Social Services for Children's Services
33		4,500,000
34	21.	Transfer to Social Services Block Grant for
35		Foster Care Services
36		1,181,907
37		TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES
38		(TANF) BLOCK GRANT
39		\$362,309,239
40		SOCIAL SERVICES BLOCK GRANT
41		
42		Local Program Expenditures
43		
44		Divisions of Social Services and Aging and Adult Services
45		
46	01.	County Departments of Social Services
47		(Transfer from TANF – \$4,500,000)
48		\$ 28,868,189
49	02.	State In-Home Services Fund
50		2,101,113
51	03.	State Adult Day Care Fund
		2,155,301

1			
2	04.	Child Protective Services/CPS Investigative	
3		Services-Child Medical Evaluation Program	238,321
4			
5	05.	Foster Care Services	2,649,662
6		(Transfer from TANF – \$1,181,907)	
7			
8	06.	Foster Care Maintenance Payments	2,636,587
9			
10	07.	Child Protective Services-Child Welfare Training	
11		for Counties	2,550,000
12		(Transfer from TANF)	
13			
14	08.	Maternity Homes	838,000
15		(Transfer from TANF)	
16			
17		Division of Aging and Adult Services	
18			
19	09.	Home and Community Care Block Grant (HCCBG)	1,834,077
20			
21		Division of Mental Health, Developmental Disabilities, and Substance	
22		Abuse Services	
23			
24	10.	Mental Health Services Program	422,003
25			
26	11.	Developmental Disabilities Services Program	5,000,000
27			
28	12.	Mental Health Services-Adult and	
29		Child/Developmental Disabilities Program/	
30		Substance Abuse Services-Adult	3,234,601
31			
32		Division of Child Development	
33			
34	13.	Subsidized Child Care Program	3,195,000
35			
36		Division of Vocational Rehabilitation	
37			
38	14.	Vocational Rehabilitation Services – Easter Seal	
39		Society/UCP	188,263
40			
41		Office of the Secretary – Office of Economic Opportunity	
42			
43	15.	Elderly Supplemental Grant Program	41,302
44			
45		Division of Public Health	
46			
47	16.	Teen Pregnancy Prevention Initiatives	2,500,000
48		(Transfer from TANF)	
49			
50		DHHS Program Expenditures	
51			

1	Division of Aging and Adult Services	
2		
3	17. UNC-CARES Training Contract	247,920
4		
5	Division of Services for the Blind	
6		
7	18. Independent Living Program	3,480,133
8		
9	Division of Facility Services	
10		
11	19. Adult Care Licensure Program	411,897
12		
13	20. Mental Health Licensure and Certification Program	205,668
14		
15	DHHS Administration	
16		
17	21. Division of Aging and Adult Services	658,036
18		
19	22. Division of Social Services	869,058
20		
21	23. Office of the Secretary/Controller's Office	126,155
22		
23	24. Office of the Secretary/DIRM	82,009
24		
25	25. Division of Child Development	15,000
26		
27	26. Division of Mental Health, Developmental	
28	Disabilities, and Substance Abuse Services	28,860
29		
30	27. Division of Facility Services	159,218
31		
32	28. Office of the Secretary-NC Inter-Agency Council	
33	For Coordinating Homeless Programs	250,000
34		
35	29. Office of the Secretary-Housing Coalition	100,000
36		
37	30. Office of the Secretary	46,819
38		
39	Transfers to Other State Agencies	
40		
41	Department of Administration	
42		
43	31. NC Commission of Indian Affairs In-Home	
44	Services for the Elderly	203,198
45		
46	Department of Juvenile Justice and Delinquency Prevention	
47		
48	32. Support Our Students	2,749,642
49	(Transfer from TANF)	
50		
51	Transfers to Other Block Grants	

1		
2	Division of Public Health	
3		
4	33. Transfer to Preventive Health Services Block Grant for	
5	HIV/STD Prevention and Community Planning	145,819
6		
7	TOTAL SOCIAL SERVICES BLOCK GRANT	\$ 68,232,489
8		
9	LOW-INCOME ENERGY BLOCK GRANT	
10		
11	Local Program Expenditures	
12		
13	Division of Social Services	
14		
15	01. Low-Income Energy Assistance Program (LIHEAP)	\$ 17,315,919
16		
17	02. Crisis Intervention Program (CIP)	12,904,706
18		
19	Office of the Secretary – Office of Economic Opportunity	
20		
21	03. Weatherization Program	5,578,702
22		
23	04. Heating Air Repair & Replacement Program (HARRP)	2,602,008
24		
25	Local Administration	
26		
27	Division of Social Services	
28		
29	05. County DSS Administration	2,215,016
30		
31	Office of the Secretary – Office of Economic Opportunity	
32		
33	06. Local Residential Energy Efficiency Service	
34	Providers – Weatherization	262,837
35		
36	07. Local Residential Energy Efficiency Service	
37	Providers – HARRP	122,591
38		
39	DHHS Administration	
40		
41	08. Division of Social Services	215,000
42		
43	09. Division of Mental Health, Developmental	
44	Disabilities, and Substance Abuse Services	7,389
45		
46	10. Office of the Secretary/DIRM	245,395
47		
48	11. Office of the Secretary/Controller's Office	11,211
49		
50	12. Office of the Secretary/Office of Economic	
51	Opportunity – Weatherization	262,837

1		
2	13.	Office of the Secretary/Office of Economic
3		Opportunity – HARRP
4		122,591
5		Transfers to Other State Agencies
6		
7	14.	Department of Administration –
8		N.C. State Commission of Indian Affairs
9		59,740
10		TOTAL LOW-INCOME ENERGY BLOCK GRANT
11		\$ 41,925,942
12		CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT
13		
14		Local Program Expenditures
15		
16		Division of Child Development
17		
18	01.	Subsidized Child Care Services
19		\$163,231,913
20	02.	Subsidized Child Care Services
21		(TANF to CCDF)
22		81,292,880
23		DHHS Program Expenditures
24		
25		Division of Child Development
26		
27	03.	Quality and Availability Initiatives
28		31,463,419
29		Local Administrations
30		
31		Division of Child Development
32		
33	04.	Administrative Expenses (Nondirect Subsidy
34		Services Support)
35		1,849,000
36		DHHS Administration
37		
38	05.	DCD Administrative Expenses
39		6,028,354
40		TOTAL CHILD CARE AND DEVELOPMENT FUND
41		BLOCK GRANT
42		\$283,916,162
43		MENTAL HEALTH SERVICES BLOCK GRANT
44		
45		Local Program Expenditures
46		
47	01.	Mental Health Services – Adult
48		\$ 5,654,932
49	02.	Mental Health Services – Child
50		3,921,991
51	03.	Comprehensive Treatment Service

1	Program	1,500,000
2		
3	Local Administration	
4		
5	04. Division of Mental Health	100,000
6		
7	TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	\$ 11,176,923
8		
9	SUBSTANCE ABUSE PREVENTION	
10	AND TREATMENT BLOCK GRANT	
11		
12	Local Program Expenditures	
13		
14	01. Substance Abuse Services – Adult	\$ 20,287,390
15		
16	02. Substance Abuse Treatment Alternative for	
17	Women	8,069,524
18		
19	03. Substance Abuse – HIV and IV Drug	4,816,378
20		
21	04. Substance Abuse Prevention – Child	5,835,701
22		
23	05. Substance Abuse Services – Child	4,940,500
24		
25	06. Substance Abuse Strengthening Families –	
26	Prevention	851,156
27		
28	Division of Public Health	
29		
30	07. Risk Reduction Projects	633,980
31		
32	08. Aid-to-Counties	209,576
33		
34	09. Maternal Health	37,779
35		
36	DHHS Administration	
37		
38	10. Division of Mental Health	500,000
39		
40	TOTAL SUBSTANCE ABUSE PREVENTION	
41	AND TREATMENT BLOCK GRANT	\$ 46,181,984
42		
43	MATERNAL AND CHILD HEALTH BLOCK GRANT	
44		
45	Local Program Expenditures	
46		
47	Division of Public Health	
48		
49	01. Children's Health Services	6,657,275
50		
51	02. Family Planning	4,078,338

1		
2	03. Maternal Health	3,441,129
3		
4	04. Teen Pregnancy Prevention Initiatives	85,710
5		
6	05. Oral Health	35,951
7		
8	DHHS Program Expenditures	
9		
10	Division of Public Health	
11		
12	06. Children's Health Services	2,444,445
13		
14	07. Maternal Health	106,927
15		
16	08. State Center for Health Statistics	33,134
17		
18	09. Local Technical Assistance & Training	17,318
19		
20	10. Injury and Violence Prevention	142,850
21		
22	11. Office of Minority Health	37,068
23		
24	12. Immunization Program – Vaccine Distribution	310,667
25		
26	DHHS Administration	
27		
28	13. Division of Public Health Administration	600,586
29		
30	TOTAL MATERNAL AND CHILD	
31	HEALTH BLOCK GRANT	\$ 17,991,398
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	718,451
47		
48	05. Oral Health	70,000
49		
50	DHHS Administration	
51		

1	06. Division of Public Health	163,806
2		
3	TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	\$3,070,841
4		
5	COMMUNITY SERVICES BLOCK GRANT	
6		
7	Local Program Expenditures	
8		
9	Office of Economic Opportunity – Community Services Block Grant	
10		
11	01. Community Action Agencies	\$ 15,071,666
12		
13	02. Limited Purpose Agencies	823,136
14		
15	DHHS Administration	
16		
17	03. Office of Economic Opportunity	823,136
18		
19	TOTAL COMMUNITY SERVICES BLOCK GRANT	\$ 16,717,938
20		

21 GENERAL PROVISIONS

22 **SECTION 10.55.(b)** Information to Be Included in Block Grant Plans. –
23 The Department of Health and Human Services shall submit a separate plan for each
24 Block Grant received and administered by the Department, and each plan shall include
25 the following:

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

39 **SECTION 10.55.(c)** Changes in Federal Fund Availability. – If the Congress
40 of the United States increases the federal fund availability for any of the Block Grants
41 administered by the Department of Health and Human Services from the amounts
42 appropriated in this section, the Department shall allocate the increase proportionally
43 across the program and activity appropriations identified for that Block Grant in this
44 section. In allocating an increase in federal fund availability, the Department shall not
45 propose funding for new programs or activities not appropriated in this section or
46 increase State administrative expenditures.

47 If the Congress of the United States decreases the federal fund availability for
48 any of the Block Grants administered by the Department of Health and Human Services
49 from the amounts appropriated in this section, the Department shall reduce State
50 administration by at least the percentage of the reduction in federal funds. After
51 determining the State administration, the remaining reductions shall be allocated

1 proportionately across the program and activity appropriations identified for that Block
2 Grant in this section. In allocating a decrease in federal fund availability, the
3 Department shall not eliminate the funding for a program or activity appropriated in this
4 section unless it is related to the State administration.

5 Prior to allocating the change in federal fund availability, the proposed
6 allocation must be approved by the Office of State Budget and Management. If the
7 Department adjusts the allocation of any Block Grant due to changes in federal fund
8 availability, then a report shall be made to the Joint Legislative Commission on
9 Governmental Operations, the House of Representatives Appropriations Subcommittee
10 on Health and Human Services, the Senate Appropriations Committee on Health and
11 Human Services, and the Fiscal Research Division.

12 **SECTION 10.55.(d)** All changes to the budgeted allocations to the Block
13 Grants administered by the Department of Health and Human Services that are not
14 specifically addressed in this section shall be approved by the Office of State Budget
15 and Management, and a report shall be submitted to the Joint Legislative Commission
16 on Governmental Operations for review prior to implementing the changes. All changes
17 to the budgeted allocations to the Block Grant shall be reported immediately to the
18 House of Representatives Appropriations Subcommittee on Health and Human
19 Services, the Senate Appropriations Committee on Health and Human Services, and the
20 Fiscal Research Division. This subsection does not apply to Block Grant changes
21 caused by legislative salary increases and benefit adjustments.

22 23 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT** 24 **(TANF)**

25 **SECTION 10.55.(e)** The sum of seven hundred sixty-two thousand six
26 hundred twenty-six dollars (\$762,626) appropriated in this section in the TANF Block
27 Grant to the Department of Health and Human Services, Division of Social Services, for
28 the 2007-2008 fiscal year shall be used to support administration of TANF-funded
29 programs.

30 **SECTION 10.55.(f)** The sum of two million two hundred thousand dollars
31 (\$2,200,000) appropriated under this section in the TANF Block Grant to the
32 Department of Health and Human Services, Division of Social Services, for the
33 2007-2008 fiscal year shall be used to provide domestic violence services to Work First
34 recipients. These funds shall be used to provide domestic violence counseling, support,
35 and other direct services to clients. These funds shall not be used to establish new
36 domestic violence shelters or to facilitate lobbying efforts. The Division of Social
37 Services may use up to seventy-five thousand dollars (\$75,000) in TANF funds to
38 support one administrative position within the Division of Social Services to implement
39 this subsection.

40 Each county department of social services and the local domestic violence
41 shelter program serving the county shall jointly develop a plan for utilizing these funds.
42 The plan shall include the services to be provided and the manner in which the services
43 shall be delivered. The county plan shall be signed by the county social services director
44 or the director's designee and the domestic violence program director or the director's
45 designee and submitted to the Division of Social Services by December 1, 2007. The
46 Division of Social Services, in consultation with the Council for Women, shall review
47 the county plans and shall provide consultation and technical assistance to the
48 departments of social services and local domestic violence shelter programs, if needed.

49 The Division of Social Services shall allocate these funds to county
50 departments of social services according to the following formula: (i) each county shall
51 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, 2007, 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, 2007. The Division of Social
5 Services may reallocate unspent funds to counties that submit a written request for
6 additional funds.

7 **SECTION 10.55.(g)** The sum of two million two hundred forty-nine
8 thousand six hundred forty-two dollars (\$2,249,642) appropriated in this section in the
9 TANF Block Grant to the Department of Health and Human Services, Division of
10 Social Services, for the 2007-2008 fiscal year shall be used to expand after-school
11 programs and services for at-risk children. The Department shall develop and
12 implement a grant program to award grants to community-based programs that
13 demonstrate the ability to reach children at risk of teen pregnancy, school dropout, and
14 gang participation. The Department shall award grants to community-based
15 organizations that demonstrate the ability to develop and implement linkages with local
16 departments of social services, area mental health programs, schools, and other human
17 services programs in order to provide support services and assistance to the child and
18 family. These funds may be used to fund one position within the Division of Social
19 Services to coordinate at-risk after-school programs and shall not be used for other State
20 administration.

21 **SECTION 10.55.(h)** The sum of fourteen million four hundred fifty-two
22 thousand three hundred ninety-one dollars (\$14,452,391) appropriated in this section to
23 the Department of Health and Human Services, Division of Social Services, in the
24 TANF Block Grant for the 2007-2008 fiscal year for child welfare improvements, shall
25 be allocated to the county departments of social services for hiring or contracting staff
26 to investigate and provide services in Child Protective Services cases; to provide foster
27 care and support services; to recruit, train, license, and support prospective foster and
28 adoptive families; and to provide interstate and postadoption services for eligible
29 families.

30 **SECTION 10.55.(i)** The sum of three million dollars (\$3,000,000)
31 appropriated in this section in the TANF Block Grant to the Department of Health and
32 Human Services, Special Children Adoption Fund, for the 2007-2008 fiscal year shall
33 be used in accordance with Section 10.31 of this act. The Division of Social Services,
34 in consultation with the North Carolina Association of County Directors of Social
35 Services and representatives of licensed private adoption agencies, shall develop
36 guidelines for the awarding of funds to licensed public and private adoption agencies
37 upon the adoption of children described in G.S. 108A-50 and in foster care. Payments
38 received from the Special Children Adoption Fund by participating agencies shall be
39 used exclusively to enhance the adoption services program. No local match shall be
40 required as a condition for receipt of these funds.

41 **SECTION 10.55.(j)** The sum of one million eight hundred thousand dollars
42 (\$1,800,000) in this section appropriated to the Department of Health and Human
43 Services in the TANF Block Grant for the 2007-2008 fiscal year shall be used to
44 implement N.C. FAST (North Carolina Families Accessing Services through
45 Technology). The N.C. FAST Program involves the entire automation initiative through
46 which families access services and local departments of social services deliver benefits,
47 supervised by the Department of Health and Human Services, Divisions of Social
48 Services, Aging and Adult Services, Medical Assistance, and Child Development. The
49 statewide automated initiative shall be implemented in compliance with federal
50 regulations in order to ensure federal financial participation in the project. The
51 Department of Health and Human Services shall report on its compliance with this

1 subsection to the House of Representatives Appropriations Subcommittee on Health and
2 Human Services, the Senate Appropriations Committee on Health and Human Services,
3 and the Fiscal Research Division no later than January 1, 2008.

4 **SECTION 10.55.(k)** The sum of five hundred thousand dollars (\$500,000)
5 appropriated in this section to the Department of Health and Human Services, Division
6 of Social Services, in the TANF Block Grant for the 2007-2008 fiscal year shall be used
7 to expand after-school programs for at-risk children attending middle school. The
8 Department shall develop and implement a grant program to award funds to
9 community-based programs demonstrating the capacity to reach children at risk of teen
10 pregnancy, school dropout, and gang participation. These funds shall not be used for
11 training or administration at the State level. All funds shall be distributed to
12 community-based programs, focusing on those communities where similar programs do
13 not exist in middle schools.

14 **SECTION 10.55.(l)** In implementing the TANF Block Grant, the
15 Department of Health and Human Services shall review policies, programs, and
16 initiatives to ensure that they support men in their role as fathers and strengthen fathers'
17 involvement in their children's lives. The Department shall encourage county
18 departments of social services to ensure their Work First programs emphasize
19 responsible fatherhood and increased participation by noncustodial fathers.

20 **SECTION 10.55.(m)** The sum of five hundred fifty thousand dollars
21 (\$550,000) appropriated in this section to the Department of Health and Human
22 Services in the TANF Block Grant for the 2007-2008 fiscal year shall be transferred to
23 Connect, Inc. Connect, Inc., shall report on the number of people served and the
24 services received as a result of the receipt of funds. The report shall contain expenditure
25 data, including the amount of funds used for administration and direct training. The
26 report shall also include the number of people who have been employed as a direct
27 result of services provided by Connect, Inc., including the length of employment in the
28 new position. The Department of Health and Human Services shall evaluate the
29 program and ensure that services provided are not duplicative of local employment
30 security commissions in the nine counties served by Connect, Inc. The evaluation report
31 shall be submitted to the House of Representatives Appropriations Subcommittee on
32 Health and Human Services, the Senate Appropriations Committee on Health and
33 Human Services, and the Fiscal Research Division no later than May 1, 2008.

34 **SECTION 10.55.(n)** The sum of one million five hundred thousand dollars
35 (\$1,500,000) appropriated in this section to the Department of Health and Human
36 Services in the TANF Block Grant for Boys and Girls Clubs for the 2007-2008 fiscal
37 year shall be used to make grants for approved programs. The Department of Health and
38 Human Services, in accordance with federal regulations for the use of TANF Block
39 Grant funds, shall administer a grant program to award funds to the Boys and Girls
40 Clubs across the State in order to implement programs that improve the motivation,
41 performance, and self-esteem of youths and to implement other initiatives that would be
42 expected to reduce gang participation, school dropout, and teen pregnancy rates. The
43 Department shall encourage and facilitate collaboration between the Boys and Girls
44 Clubs and Support Our Students, Communities in Schools, and similar programs to
45 submit joint applications for the funds if appropriate.

46 **SECTION 10.55.(o)** The Department of Health and Human Services,
47 Division of Social Services, shall continue implementing county demonstration grants
48 that began in the 2006-2007 fiscal year. The county demonstration grants may be
49 awarded for up to three years with all projects ending no later than the end of fiscal year
50 2009-2010. The purpose of the county demonstration grants is to identify best practices
51 that can be used by counties to improve the work participation rates. The Division of

1 Social Services is authorized to establish two time-limited positions to manage the grant
2 award process and monitor the demonstration projects through fiscal year 2009-2010.

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

6 The Department of Health and Human Services, Division of Social Services,
7 shall report on the status of county demonstration grants implemented pursuant to this
8 subsection to the House of Representatives Appropriations Subcommittee on Health and
9 Human Services, the Senate Appropriations Committee on Health and Human Services,
10 and the Fiscal Research Division no later than February 1, 2008.

11 12 **SOCIAL SERVICES BLOCK GRANT**

13 **SECTION 10.55.(p)** Social Services Block Grant funds appropriated to the
14 North Carolina Inter-Agency Council for Coordinating Homeless Programs and the
15 North Carolina Housing Coalition are exempt from the provisions of 10A NCAC 71R
16 .0201(3).

17 **SECTION 10.55.(q)** The sum of two million seven hundred forty-nine
18 thousand six hundred forty-two dollars (\$2,749,642) appropriated in this section in the
19 Social Services Block Grant to the Department of Health and Human Services and
20 transferred to the Department of Juvenile Justice and Delinquency Prevention for the
21 2007-2008 fiscal year shall be used to support the existing Support Our Students
22 Program, including gang prevention, and to expand the Program statewide, focusing on
23 low-income communities in unserved areas. These funds shall not be used for
24 administration of the Program.

25 **SECTION 10.55.(r)** The sum of two million five hundred fifty thousand
26 dollars (\$2,550,000) appropriated in this section in the Social Services Block Grant to
27 the Department of Health and Human Services, Division of Social Services, for the
28 2007-2008 fiscal year shall be used to support various child welfare training projects as
29 follows:

- 30 (1) Provide a regional training center in southeastern North Carolina.
- 31 (2) Support the Master's Degree in Social Work/Baccalaureate Degree in
32 Social Work Collaborative.
- 33 (3) Provide training for residential child caring facilities.
- 34 (4) Provide for various other child welfare training initiatives.

35 **SECTION 10.55.(s)** The sum of eight hundred thirty-eight thousand dollars
36 (\$838,000) appropriated in this section in the Social Services Block Grant to the
37 Department of Health and Human Services for the 2007-2008 fiscal year shall be used
38 to purchase services at maternity homes throughout the State.

39 **SECTION 10.55.(t)** The sum of two million six hundred forty-nine thousand
40 six hundred sixty-two dollars (\$2,649,662) appropriated in this section in the Social
41 Services Block Grant for child caring agencies for the 2007-2008 fiscal year shall be
42 allocated to the State Private Child Caring Agencies Fund.

43 **SECTION 10.55.(u)** The Department of Health and Human Services is
44 authorized, subject to the approval of the Office of State Budget and Management, to
45 transfer Social Services Block Grant funding allocated for departmental administration
46 between divisions that have received administrative allocations from the Social Services
47 Block Grant.

48 49 **LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM**

50 **SECTION 10.55.(v)** Additional emergency contingency funds received may
51 be allocated for Energy Assistance Payments or Crisis Intervention Payments without

1 prior consultation with the Joint Legislative Commission on Governmental Operations.
2 Additional funds received shall be reported to the Joint Legislative Commission on
3 Governmental Operations and the Fiscal Research Division upon notification of the
4 award. The Department of Health and Human Services shall not allocate funds for any
5 activities, including increasing administration, other than assistance payments, without
6 prior consultation with the Joint Legislative Commission on Governmental Operations.
7

8 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

9 **SECTION 10.55.(w)** The sum of no more than four hundred thousand
10 dollars (\$400,000) appropriated in this section to the Department of Health and Human
11 Services in the Child Care and Development Fund Block Grant for the 2007-2008 fiscal
12 year may be used for the operations of the Medical Child Care Pilot.

13 **SECTION 10.55.(x)** Payment for subsidized child care services provided
14 with federal TANF funds shall comply with all regulations and policies issued by the
15 Division of Child Development for the subsidized child care program.

16 **SECTION 10.55.(y)** If funds appropriated through the Child Care and
17 Development Fund Block Grant for any program cannot be obligated or spent in that
18 program within the obligation or liquidation periods allowed by the federal grants, the
19 Department may move funds to child care subsidies, unless otherwise prohibited by
20 federal requirements of the grant, in order to use the federal funds fully.
21

22 **MENTAL HEALTH BLOCK GRANT**

23 **SECTION 10.55.(z)** The sum of one million five hundred thousand dollars
24 (\$1,500,000) appropriated in this section in the Mental Health Block Grant to the
25 Department of Health and Human Services, Division of Mental Health, Developmental
26 Disabilities, and Substance Abuse Services, for the 2007-2008 fiscal year and the sum
27 of four hundred twenty-two thousand three dollars (\$422,003) appropriated in this
28 section in the Social Services Block Grant to the Department of Health and Human
29 Services, Division of Social Services, for the 2007-2008 fiscal year shall be used to
30 continue a Comprehensive Treatment Services Program for Children in accordance with
31 Section 10.10 of this act.

32 **SECTION 10.55.(aa)** The Department of Health and Human Services shall
33 contract with the University of North Carolina at Chapel Hill for the purpose of
34 providing psychology student stipends in the amount of fifty thousand dollars (\$50,000)
35 for the 2007-2008 fiscal year. Twenty-five thousand dollars (\$25,000) of this contract
36 shall be paid from the Mental Health Block Grant.
37

38 **SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT**

39 **SECTION 10.55.(bb)** Of the funds appropriated for risk reduction projects,
40 the sum of two hundred fifty thousand dollars (\$250,000) shall be used to fund a pilot to
41 do basic education resource and referral for individuals with HIV/AIDS and substance
42 abuse disorder. If substance abuse prevention and treatment carry-forward funds are
43 available, the Department of Health and Human Services shall budget the first two
44 hundred fifty thousand dollars (\$250,000) of these funds to adult substance abusers.
45

46 **MATERNAL AND CHILD HEALTH BLOCK GRANT**

47 **SECTION 10.55.(cc)** If federal funds are received under the Maternal and
48 Child Health Block Grant for abstinence education, pursuant to section 912 of Public
49 Law 104-193 (42 U.S.C. § 710), for the 2007-2008 fiscal year, then those funds shall be
50 transferred to the State Board of Education to be administered by the Department of
51 Public Instruction. The Department of Public Instruction shall use the funds to establish

1 an Abstinence Until Marriage Education Program and shall delegate to one or more
2 persons the responsibility of implementing the program and G.S. 115C-81(e1)(4). The
3 Department of Public Instruction shall carefully and strictly follow federal guidelines in
4 implementing and administering the abstinence education grant funds.

5 **SECTION 10.55.(dd)** The Department of Health and Human Services shall
6 ensure that there will be follow-up testing in the Newborn Screening Program.

7 8 **PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES**

9 10 **SALE OF TIMBER**

11 **SECTION 11.1.** G.S. 143-64.05(a) reads as rewritten:

12 "(a) The State agency for surplus property may assess and collect a service charge
13 for the acquisition, receipt, warehousing, distribution, or transfer of any State surplus
14 property and for the transfer or sale of recyclable material. The service charge
15 authorized by this subsection does not apply to the transfer or sale of timber on land
16 owned by the Wildlife Resources ~~Commission.~~ Commission or the Department of
17 Agriculture and Consumer Services."

18 19 **STUDY EQUINE INDUSTRY IN NORTH CAROLINA**

20 **SECTION 11.2.(a)** The Department of Agriculture and Consumer Services
21 shall conduct a study of the equine industry in North Carolina. In conducting this study,
22 the Department shall assess the numbers, composition, and value of the equine industry
23 in North Carolina, analyze the direct and indirect impact of the industry on the State's
24 economy, and develop a comprehensive plan to maximize the economic opportunities
25 presented by the industry.

26 **SECTION 11.2.(b)** The assessment of the equine industry under subsection
27 (a) of this section shall provide data on both a statewide and countywide basis. The
28 assessment shall include all of the following:

- 29 (1) A census of equines in the State, including numbers, breeds, and
30 disciplines.
- 31 (2) The value of equines in the State.
- 32 (3) The number of equine owners.
- 33 (4) The number of equine operations.
- 34 (5) The size of equine operations.
- 35 (6) The total acreage devoted to equine operations.
- 36 (7) The value of equine-related assets.
- 37 (8) The number of equines and owners participating in various activities
38 within the State.
- 39 (9) An analysis of the economic impact of the existing exhibition
40 facilities, including the Hunt Horse Complex, the Senator Bob Martin
41 Horse Complex, the WNC Agricultural Center, and the Carolina Horse
42 Park.
- 43 (10) An analysis of the programs, contributions, and industry support
44 provided by the North Carolina State University College of Veterinary
45 Medicine and other equine programs, at both private and public
46 education institutions, including the College of Agriculture and Life
47 Sciences at North Carolina State University, Martin Community
48 College, and St. Andrews College.
- 49 (11) An analysis of the economic impact of breeding, training, and other
50 horse operations.

- 1 (12) An analysis of the economic impact of services provided to the equine
2 industry, including farrier, veterinary, design and planning, farm
3 management and consulting, show management, and other services
4 related to equines and equine operations.
- 5 (13) An analysis of the economic impact, including manufacturing,
6 agricultural production and employment, and wholesale and retail
7 sales, of the purchase of equines, feed and grain, hay, tack and other
8 horse equipment, riding clothes, insurance, vehicles and trailers, farm
9 and pasture inputs, capital improvements such as barns, sheds, and
10 fencing, and real estate, including planned equestrian communities.
- 11 (14) An analysis of the economic impact of other recreational uses of
12 equines, including trail riding, camping with horses, therapeutic riding
13 programs, other recreational activities, and equine-related agritourism.
- 14 (15) An analysis of the impact of the equine industry on State and local
15 governments, including the generation of tax revenues.

16 **SECTION 11.2.(c)** The Department of Agriculture and Consumer Services,
17 in developing a plan to maximize the economic impact of the equine industry under
18 subsection (a) of this section, shall do all of the following:

- 19 (1) Evaluate existing equine-related facilities, programs, and services in
20 the State and make recommendations for enhancing those facilities,
21 programs, and services so as to maximize their economic impact on
22 the State.
- 23 (2) Identify opportunities for the growth of the equine industry, including
24 the production of feed crops, improved pasture, and high-quality horse
25 hays, attracting industry engaged in the production of horse-related
26 products, equipment, and pharmaceuticals, the addition of exhibition
27 and show facilities, including the development of a world-class
28 equestrian park, and other horse-related programs, activities, and
29 facilities, and evaluate the potential economic contribution to the
30 State's economy of each of these potential undertakings.
- 31 (3) Evaluate the need to create an equine industry board tasked with the
32 market development, education, publicity, research, and promotion of
33 the North Carolina equine industry and other such measures it deems
34 appropriate to promote the objectives, findings, and recommendations
35 of the equine industry survey and analysis.
- 36 (4) Evaluate the laws, rules, and policies that impact equine owners and
37 persons engaged in equine activities, including land-use policies,
38 preservation of trails, use of State recreational facilities, and tax credits
39 and make recommendations directed toward making North Carolina
40 more attractive to equine operations and activities.

41 **SECTION 11.2.(d)** The Department of Agriculture and Consumer Services
42 may conduct the assessment or develop the plan under subsection (a) of this section or
43 may contract with another agency of State government, any of the constituent
44 institutions of The University of North Carolina, or a private consultant as it deems
45 necessary and advisable. Prior to developing the plan under subsection (a) of this
46 section, the Department of Agriculture and Consumer Services shall consult with equine
47 industry stakeholders, including the Rural Economic Development Center, Inc. No later
48 than January 15, 2009, the Department of Agriculture and Consumer Services shall
49 complete its work and shall file a report containing the results of the assessment of the
50 equine industry and its plan under subsection (a) of this section with the Chairs of the

1 Joint Legislative Commission on Governmental Operations and the Chairs of the Senate
2 and House Appropriations Committees.

3
4 **TOBACCO TRUST ACCOUNT INTERCEPT TO SUPPORT CERTAIN**
5 **GENERAL FUND APPROPRIATIONS**

6 **SECTION 11.3.** Notwithstanding G.S. 143C-9-3, of the funds credited to the
7 Tobacco Trust Account from the Master Settlement Agreement pursuant to Section 6(2)
8 of S.L. 1999-2 during the 2007-2009 fiscal biennium, the sum of ten million dollars
9 (\$10,000,000) for the 2007-2008 fiscal year shall be transferred from the Department of
10 Agriculture and Consumer Services, Budget Code 23703 (Tobacco Trust Account) to
11 the State Controller to be deposited in Non-tax Budget Code 19978 (Intra State
12 Transfers) to support General Fund appropriations by the 2007 General Assembly to
13 provide funding as follows:

- 14 (1) Eight million five hundred thousand dollars (\$8,500,000) to the North
15 Carolina Agricultural Development and Farmland Preservation Trust
16 Fund established in G.S. 106-744;
- 17 (2) One million dollars (\$1,000,000) to the One North Carolina Fund
18 established in G.S. 143B-437.71; and
- 19 (3) Five hundred thousand dollars (\$500,000) to the Bernard Allen
20 Memorial Emergency Drinking Water Fund established in G.S. 87-98.

21
22 **PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL**
23 **RESOURCES**

24
25 **COMMERCIAL AND NONCOMMERCIAL LEAKING PETROLEUM**
26 **UNDERGROUND STORAGE TANK PROGRAM ADMINISTRATIVE**
27 **COSTS**

28 **SECTION 12.1.(a)** G.S. 143-215.94B is amended by adding a new
29 subsection to read:

30 "(g) The Commercial Fund may be used to support the administrative functions of
31 the program for underground storage tanks under this Part and Part 2B of this Article up
32 to the amounts allowed by law, which amounts may be changed from time to time. In
33 the case of a legislated increase or decrease in salaries and benefits, the administrative
34 allowance existing at the time of the increase or decrease shall be correspondingly
35 increased or decreased an amount equal to the legislated increase or decrease in salaries
36 and benefits."

37 **SECTION 12.1.(b)** G.S. 143-215.94D is amended by adding a new
38 subsection to read:

39 "(g) The Noncommercial Fund may be used to support the administrative
40 functions of the program for underground storage tanks under this Part and Part 2B of
41 this Article up to the amounts allowed by law, which amounts may be changed from
42 time to time. In the case of a legislated increase or decrease in salaries and benefits, the
43 administrative allowance existing at the time of the increase or decrease shall be
44 correspondingly increased or decreased an amount equal to the legislated increase or
45 decrease in salaries and benefits."

46
47 **BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND**

48 **SECTION 12.2.(a)** G.S. 87-98 reads as rewritten:

49 "**§ 87-98. Bernard Allen Memorial Emergency Drinking Water Fund.**

50 (a) The Bernard Allen Memorial Emergency Drinking Water Fund is established
51 within under the control and direction of the Department. The Fund shall be a

1 nonreverting, interest-bearing fund consisting of monies appropriated by the General
2 Assembly or made available to the Fund from any other source and investment interest
3 credited to the Fund.

4 (b) The Fund may be used to pay for notification, to the extent practicable, of
5 persons aged 18 and older who reside in any dwelling unit, and the senior official in
6 charge of any business, at which drinking water is supplied from a private drinking
7 water well or improved spring that is located within 1,500 feet of, and at risk from,
8 known groundwater contamination. The senior official in charge of the business shall
9 take reasonable measures to notify all employees of the business of the groundwater
10 contamination, including posting a notice of the contamination in a form and at a
11 location that is readily accessible to the employees of the business. ~~The funds-Fund~~ may
12 also be used to ~~cover-pay~~ the costs of testing by the Department of private drinking
13 water wells and improved springs for suspected contamination up to once every three
14 years upon request by a person who uses the well ~~for contamination~~ and for the
15 temporary or permanent provision of alternative drinking water supplies to persons
16 whose drinking water well or improved spring is contaminated.

17 (c) The Department shall disburse monies from the Fund based on financial need
18 and on the risk to public health posed by groundwater contamination and shall give
19 priority to the provision of services under this section to instances when an alternative
20 source of funds is not available. ~~The funds-Fund~~ shall not be used for remediation of
21 groundwater contamination. Nothing in this section expands, contracts, or modifies the
22 obligation of responsible parties under Article 9 or 10 of Chapter 130A of the General
23 Statutes, this Article, or Article 21A of this Chapter to assess contamination, identify
24 receptors, or remediate groundwater or soil contamination. The Fund shall not be used
25 to provide alternative water supply to households with incomes greater than two
26 hundred percent (200%) of the current poverty level. The Fund shall not be used to
27 provide alternative drinking water supplies unless the concentration of one or more
28 contaminants in the private drinking water well or improved spring exceeds the
29 Maximum Contaminant Level, or the federal drinking water action level as defined in
30 40 Code of Federal Regulations § 141.1 through § 141.571 (1 July 2006) and 40 Code
31 of Federal Regulations § 143.3 (1 July 2006). The Fund shall not be used to provide
32 temporary water supplies in any calendar quarter until all needs for permanent
33 replacement water supplies that have been identified in that calendar quarter have been
34 met through hookups to public water supplies, repair, or replacement of contaminated
35 wells. In disbursing monies from the Fund, preference shall be given to providing
36 permanent replacement water supplies by connection to public water supplies and repair
37 or replacement of contaminated wells over the provision of temporary water supplies.

38 (d) The Department shall establish criteria by which the Department is to
39 evaluate applications and disburse ~~funds-monies~~ from this Fund and may adopt any
40 rules necessary to implement this section.

41 (e) The Department, in consultation with the Commission for Health Services
42 and local health departments, shall report no later than 1 October of each year to the
43 Environmental Review Commission, the House of Representatives and Senate
44 Appropriations Subcommittees on Natural and Economic Resources, and the Fiscal
45 Research Division of the General Assembly on the implementation of this section. The
46 report shall include the purpose and amount of all expenditures from the Fund during
47 the prior fiscal year, a discussion of the benefits and deficiencies realized as a result of
48 the section, and may also include recommendations for any legislative action."

49 **SECTION 12.2.(b)** The first report required by G.S. 87-98(e), as enacted by
50 subsection (a) of this section, shall be submitted on or before 1 October 2008.
51

RECEIPTS CREDITED TO NORTH CAROLINA AQUARIUMS FUND

SECTION 12.3. G.S. 143B-289.44 reads as rewritten:

"§ 143B-289.44. North Carolina Aquariums; fees; fund.

(a) Fees. – The Secretary of Environment and Natural Resources may adopt a schedule of uniform entrance fees for the North Carolina Aquariums.

(b) Fund. – The North Carolina Aquariums Fund is hereby created as a special and nonreverting fund. The North Carolina Aquariums Fund shall be used for repair, renovation, expansion, maintenance, educational exhibit construction, and operational expenses at existing aquariums, to pay the debt service and lease payments related to the financing of expansions of aquariums, including other relevant satellite areas, and to match private funds that are raised for these purposes.

(c) Disposition of ~~Fees~~Fees and Other Receipts. – All entrance fee receipts and all receipts received by any aquarium for a special event or activity held at the aquarium shall be credited to the North Carolina Aquariums Fund.

(d) Report. – The Division of North Carolina Aquariums shall submit to the Joint Legislative Commission on Governmental Operations, the House and Senate Appropriations Subcommittees on Natural and Economic Resources, and the Fiscal Research Division by September 30 of each year a report on the North Carolina Aquariums Fund that shall include the source and amounts of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

NEW LEASE PURCHASE/INSTALLMENT CONTRACTS FOR FORESTRY EQUIPMENT

SECTION 12.4. Prior to the Division of Forest Resources of the Department of Environment and Natural Resources entering into either a new lease purchase contract for the purchase of forestry equipment or a new installment contract for the purchase of forestry equipment, the Division of Forest Resources shall submit a detailed list of the forestry equipment to be purchased under the contract to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. Prior to the Department of Administration entering into either a new lease purchase contract for the purchase of forestry equipment or a new installment contract for the purchase of forestry equipment on behalf of the Division of Forest Resources, the Department of Administration shall submit a detailed list of the forestry equipment to be purchased under the contract to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. If a list is modified after it is submitted under this section, the modified list shall be submitted to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division prior to entering into the contract.

GRASSROOTS SCIENCE PROGRAM

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-three dollars (\$3,197,763) for the 2007-2008 fiscal year is allocated as grants-in-aid for each fiscal year as follows:

	2007-2008
Aurora Fossil Museum	\$55,865
Cape Fear Museum	\$137,493
Carolina Raptor Center	\$98,472

1	Catawba Science Center	\$157,908
2	Children's Museum of Iredell County	\$60,695
3	Colburn Gem and Mineral Museum, Inc.	\$72,992
4	Discovery Place	\$705,437
5	Eastern NC Regional Science Center	\$50,000
6	Fascinate-U	\$79,202
7	Granville County Museum Commission,	
8	Inc.–Harris Gallery	\$55,008
9	Greensboro Children's Museum	\$121,824
10	The Health Adventure Museum of Pack	
11	Place Education, Arts and	
12	Science Center, Inc.	\$132,950
13	Highlands Nature Center	\$67,843
14	Imagination Station	\$84,561
15	Kidsenses	\$82,000
16	Museum of Coastal Carolina	\$72,063
17	Natural Science Center of Greensboro	\$163,921
18	North Carolina Museum of Life	
19	and Science	\$326,615
20	Port Discover	\$50,000
21	Rocky Mount Children's Museum	\$97,694
22	Schiele Museum of Natural History	\$201,274
23	Sci Works Science Center and	
24	Environmental Park of Forsyth County	\$133,161
25	Western North Carolina Nature Center	\$97,351
26	Wilmington Children's Museum	\$93,434
27		
28	Total	\$3,197,763

29 **SECTION 12.5.(a1)** Of the funds appropriated in this act to the Grassroots
30 Science Program, the additional sum of one hundred twenty-five thousand dollars
31 (\$125,000) in the 2007-2008 fiscal year shall be allocated to the Natural Science Center
32 of Greensboro.

33 **SECTION 12.5.(b)** No later than March 1, 2008, the Department of
34 Environment and Natural Resources shall report to the Fiscal Research Division all of
35 the following information for each museum that receives funds under this section:

- 36 (1) The operating budget for the 2006-2007 fiscal year.
- 37 (2) The operating budget for the 2007-2008 fiscal year.
- 38 (3) The total attendance at the museum during the 2007 calendar year.

39 **SECTION 12.5.(c)** As a condition for qualifying to receive funding under
40 this section, all of the following documentation shall be submitted for each museum
41 under this section to the Department of Environment and Natural Resources for fiscal
42 years ending between July 1, 2005, and June 30, 2006, and only those costs that are
43 properly documented under this subsection are allowed by the Department in
44 calculating the distribution of funds under this section:

- 45 (1) Each museum under this section shall submit its IRS (Internal Revenue
46 Service) Form 990 to show its annual operating expenses, its annual
47 report, and a reconciliation that explains any differences between
48 expenses as shown on the IRS Form 990 and the annual report.
- 49 (2) Each friends association of a museum under this section shall submit
50 its IRS Form 990 to show its reported expenses for the museum, its
51 annual report, and a reconciliation that explains any differences

1 between expenses as shown on the IRS Form 990 and the annual
2 report, unless the association does not have both an IRS Form 990 and
3 an annual report available, in which case, it shall submit either an IRS
4 Form 990 or an annual report.

5 (3) The chief financial Officer of each county or municipal government
6 that provides funds for the benefit of the museum shall submit a
7 detailed signed statement of documented costs spent for the benefit of
8 the museum that includes documentation of the name, address, title,
9 and telephone number of the person making the assertion that the
10 museum receives funds from the county or municipality for the benefit
11 of the museum.

12 (4) The chief financial Officer of each county or municipal government or
13 each friends association that provides indirect or allocable costs that
14 are not directly charged to a museum under this section but that benefit
15 the museum shall submit in the form of a detailed statement
16 enumerating each cost by type and amount that is verified by the
17 financial officer responsible for the completion of the documentation
18 and that includes the name, address, title, and telephone number of the
19 person making the assertion that the county, municipality, or
20 association provides indirect or allocable costs to the museum.

21 **SECTION 12.5.(d)** As used in subsection (c) of this section, "friends
22 association" means a nonprofit corporation established for the purpose of supporting
23 and assisting a museum that receives funding under this section.
24

25 **BEAVER DAMAGE CONTROL PROGRAM FUNDS**

26 **SECTION 12.6.** Of the funds available to the Wildlife Resources
27 Commission, the sum of five hundred thousand dollars (\$500,000) for the 2007-2008
28 fiscal year and the sum of five hundred thousand dollars (\$500,000) for the 2008-2009
29 fiscal year shall be used to provide the State share necessary to support the beaver
30 damage control program established in G.S. 113-291.10, provided the sum of at least
31 twenty-five thousand dollars (\$25,000) in federal funds is available each fiscal year of
32 the biennium to provide the federal share.
33

34 **CAP WILDLIFE RESOURCES FUND ANNUAL SALES TAX RECEIPTS**

35 **SECTION 12.7.** G.S. 105-164.44B reads as rewritten:

36 **"§ 105-164.44B. Transfer to Wildlife Resources Fund of taxes on hunting and
37 fishing supplies and equipment.**

38 Each fiscal year, the Secretary of Revenue shall transfer at the end of each quarter
39 from the State sales and use tax net collections received by the Department of Revenue
40 under Article 5 of Chapter 105 of the General Statutes to the State Treasurer for the
41 Wildlife Resources Fund, one fourth of the amount transferred the preceding fiscal year
42 plus or minus the percentage of that amount by which the total collection of State sales
43 and use taxes increased or decreased during the preceding fiscal ~~year-year~~, not to exceed
44 twenty-two million dollars (\$22,000,000)."
45

46 **RETAIN EARNINGS OF PARKS AND RECREATION TRUST FUND**

47 **SECTION 12.8.** G.S. 113-44.15(a) reads as rewritten:

48 "(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the
49 State Treasurer's Office. The Trust Fund shall be a nonreverting special revenue fund
50 consisting of gifts and grants to the Trust Fund, monies credited to the Trust Fund
51 pursuant to G.S. 105-228.30(b), and other monies appropriated to the Trust Fund by the

1 General Assembly. Investment earnings credited to the assets of the Fund shall become
2 part of the Fund."

3 4 **PART XIII. DEPARTMENT OF COMMERCE**

5 6 **ONE NORTH CAROLINA FUND**

7 **SECTION 13.1.** Of the funds appropriated in this act to the One North
8 Carolina Fund, the Department of Commerce may use up to three hundred thousand
9 dollars (\$300,000) to cover its expenses in administering the One North Carolina Fund
10 and other economic development incentive grant programs in the 2007-2008 fiscal year.

11 12 **NC GREEN BUSINESS FUND**

13 **SECTION 13.2.(a)** Article 10 of Chapter 143B of the General Statutes is
14 amended by adding a new Part to read:

15 "Part 2B. NC Green Business Fund.

16 **"§ 143B-437.4. NC Green Business Fund established as a revolving loan fund.**

17 (a) Establishment. – The NC Green Business Fund is established as a revolving
18 loan fund in the Department of Commerce, and the Department shall be responsible for
19 administering the Fund.

20 (b) Purposes. – Moneys in the NC Green Business Fund shall be allocated
21 pursuant to this subsection. The Department of Commerce shall make no-interest loans
22 from the Fund to private business with less than 100 employees, nonprofit
23 organizations, local governments, and State agencies to encourage the expansion of
24 small- to medium-size businesses with less than 100 employees to help grow a green
25 economy in the State. Moneys in the NC Green Business Fund shall be used for projects
26 that will focus on the following three priority areas:

- 27 (1) To encourage the development of the biofuels industry in the State.
28 The Department of Commerce shall make no-interest loans available
29 to maximize development, production, distribution, retail
30 infrastructure, and consumer purchase of biofuels in North Carolina,
31 including workforce development.
- 32 (2) To encourage the development of the green building industry in the
33 State. The Department of Commerce shall make no-interest loans
34 available to grow a market for installation, certification, building
35 material distribution, energy audits, and marketing and sales of green
36 building in North Carolina, including workforce development.
- 37 (3) To attract and leverage private-sector investments and entrepreneurial
38 growth in additional clean technology and renewable energy products
39 and businesses, including workforce development.

40 **"§ 143B-437.5. Green Business Fund Advisory Committee.**

41 The Department of Commerce may establish an advisory committee to assist in the
42 development of the specific selection criteria and the loan-making process of the NC
43 Green Business Fund.

44 **"§ 143B-437.6. Agreements required.**

45 Funds may be disbursed from the NC Green Business Fund only in accordance with
46 agreements entered into between the Department of Commerce and an eligible loan
47 recipient. Each agreement must contain the following provisions:

- 48 (1) A description of the acceptable uses of loan proceeds. The agreement
49 may limit the use of funds to specific purposes or may allow the funds
50 to be used for any lawful purposes.

- 1 (2) A provision allowing the Department of Commerce to inspect all
2 reasonable records of the business that may be used to confirm
3 compliance with the agreement or with the requirements of this Part.
4 (3) A provision establishing the method for determining compliance with
5 the agreement.
6 (4) A provision establishing a schedule for disbursement of loan funds
7 under the agreement.
8 (5) A provision establishing a schedule for the repayment of the loan
9 under the agreement.
10 (6) A provision requiring repayment of loan funds if a business
11 subsequently fails to comply with the terms of the agreement.
12 (7) Any other provision the State finds necessary to ensure the proper use
13 of State funds.

14 **"§ 143B-437.7. Program guidelines.**

15 The Department of Commerce shall develop guidelines related to the administration
16 of the NC Green Business Fund and to the selection of projects to receive no-interest
17 loans from the Fund, including project evaluation measures. At least 20 days before the
18 effective date of any guidelines or nontechnical amendments to guidelines, the
19 Department of Commerce must publish the proposed guidelines on the Department's
20 Web site and provide notice to persons who have requested notice of proposed
21 guidelines. In addition, the Department must accept oral and written comments on the
22 proposed guidelines during the 15 business days beginning on the first day that the
23 Department has completed these notifications. For the purpose of this section, a
24 technical amendment is either of the following:

- 25 (1) An amendment that corrects a spelling or grammatical error.
26 (2) An amendment that makes a clarification based on public comment
27 and could have been anticipated by the public notice that immediately
28 preceded the public comment.

29 **"§ 143B-437.8. Reports.**

30 The Department of Commerce shall conduct an annual audit review of each NC
31 Green Business Fund loan recipient to assess project quality assurance. The Department
32 of Commerce shall publish a report on the use of funds in the NC Green Business Fund
33 at the end of each fiscal year. The report shall contain information on the commitment,
34 disbursement, and use of funds allocated under the NC Green Business Fund. The report
35 shall also include the Department of Commerce's audit review of the NC Green
36 Business Fund loan recipients. The report is due no later than September 1 and must be
37 submitted to the following:

- 38 (1) The Joint Legislative Commission on Governmental Operations.
39 (2) The chairs of the House of Representatives and Senate Finance
40 Committees.
41 (3) The chairs of the House of Representatives and Senate Appropriations
42 Committees.
43 (4) The Fiscal Research Division of the General Assembly.

44 **"§§ 143B-437.9 through 143B-437.11: Reserved for future codification purposes."**

45 **SECTION 13.2.(b) G.S. 147-68(d1) reads as rewritten:**

46 "(d1) The Treasurer shall report to the Joint Legislative Commission on
47 Governmental Operations, to the Chairman, Appropriations Base Budget Committee
48 and the Chairman, Appropriations Expansion Budget Committee of the House of
49 Representatives, and to the Chairman, Committee on Appropriations and the Chairman,
50 Committee on Base Budget of the Senate the chairs of the House of Representatives and
51 Senate Appropriations Committees, the chairs of the House of Representatives and

1 Senate Finance Committees, and the Fiscal Research Division of the General Assembly,
2 on a quarterly basis, concerning all investments and deposits made by and through his
3 office. The report shall include a listing of all investments with or on behalf of the State
4 or any of its agencies or institutions and shall include the particular agency or
5 institution, fund, rate of return, duration of the investment, and the amount of deposit on
6 all noninterest bearing accounts. The first report is due 90 days after July 1, 1982, and
7 shall include all investments and deposits made during the 1981-82 fiscal year and all
8 investments made during the first quarter of the 1982-83 fiscal year; thereafter, reports
9 shall be made on a quarterly basis including all investments and deposits made during
10 that reporting period. The report shall include a specific listing of all investments made
11 with certified green managers and companies and funds that support sustainable
12 practices, including the names of the companies, managers, and funds, the amount
13 invested, and the State's return on investment."

14 15 **EXECUTIVE AIRCRAFT/USES**

16 **SECTION 13.3.** Part 2 of Article 10 of Chapter 143B is amended by adding
17 a new section to read:

18 **"§ 143B-437.011. Executive aircraft used for economic development; other uses.**

19 The use of executive aircraft by the Department of Commerce for economic
20 development purposes shall take precedence over all other uses. The Department of
21 Commerce shall annually review the rates charged for the use of executive aircraft and
22 shall adjust the rates, as necessary, to account for upgraded aircraft and inflationary
23 increases in operating costs, including jet fuel prices. If executive aircraft is not being
24 used for economic development purposes, priority of use shall be given first to the
25 Governor, second to the Council of State, and third to other State officials traveling on
26 State business. If executive aircraft is used to attend athletic events or for any other
27 purpose related to collegiate athletics, the rate charged shall be equal to the direct cost
28 of operating the aircraft as established by the aircraft's manufacturer, adjusted for
29 inflation."

30 31 **EMPLOYMENT SECURITY COMMISSION FUNDS**

32 **SECTION 13.4.(a)** Funds from the Employment Security Commission
33 Reserve Fund shall be available to the Employment Security Commission of North
34 Carolina to use as collateral to secure federal funds and to pay the administrative costs
35 associated with the collection of the Employment Security Commission Reserve Fund
36 surcharge. The total administrative costs paid with funds from the Reserve in the
37 2007-2008 fiscal year shall not exceed two million five hundred thousand dollars
38 (\$2,500,000).

39 **SECTION 13.4.(b)** There is appropriated from the Employment Security
40 Commission Reserve Fund to the Employment Security Commission of North Carolina
41 the sum of seven million three hundred thousand dollars (\$7,300,000) for the 2007-2008
42 fiscal year to be used for the following purposes:

- 43 (1) Seven million dollars (\$7,000,000) for the operation and support of
44 local offices.
- 45 (2) Two hundred thousand dollars (\$200,000) for the State Occupational
46 Information Coordinating Committee to develop and operate an
47 interagency system to track former participants in State education and
48 training programs.
- 49 (3) One hundred thousand dollars (\$100,000) to maintain compliance with
50 Chapter 96 of the General Statutes, which directs the Commission to
51 employ the Common Follow-Up Management Information System to

1 evaluate the effectiveness of the State's job training, education, and
2 placement programs.

3 **SECTION 13.4.(c)** There is appropriated from the Employment Security
4 Commission Reserve Fund to the Employment Security Commission of North Carolina
5 an amount not to exceed two million five hundred thousand dollars (\$2,500,000) for the
6 2007-2008 fiscal year to fund State initiatives not currently funded through federal
7 grants.

8 **SECTION 13.4.(d)** There is appropriated from the Employment Security
9 Commission Reserve Fund to the Employment Security Commission of North Carolina
10 an amount not to exceed three hundred fifty thousand dollars (\$350,000) for the
11 2007-2008 fiscal year to allow the Commission to continue to work with Connect, Inc.,
12 to provide dislocated workers with assistance in obtaining health care benefits, receiving
13 vocational training, and securing employment.

14 **SECTION 13.4.(e)** This section becomes effective July 1, 2007.

15
16 **NORTH CAROLINA CENTER FOR AUTOMOTIVE RESEARCH/FUNDS**
17 **SHALL NOT REVERT**

18 **SECTION 13.5.(a)** Funds appropriated to the North Carolina Center for
19 Automotive Research, Inc., (Center) for the 2005-2006 fiscal year and for the
20 2006-2007 fiscal year that are unexpended and unencumbered as of June 30, 2007, shall
21 not revert to the General Fund on June 30, 2007, but shall remain available at the
22 Department of Commerce.

23 **SECTION 13.5.(b)** Of the funds appropriated to the North Carolina Center
24 for Automotive Research for the 2005-2006 fiscal year and for the 2006-2007 fiscal
25 year, the Department of Commerce, with approval from the Office of State Budget and
26 Management, may, subject to the provisions of subsection (c) of this section, allocate
27 the remaining appropriated funds to the Center when the Office of State Budget and
28 Management, in consultation with the Department of Commerce, determines the Center
29 has completed goals and projects consistent with the Center's business plan. The goals
30 and projects shall include the following:

- 31 (1) The Center has obtained legal title to the property on which the Center
32 will be built.
- 33 (2) The Center has determined and provided for the critical infrastructure
34 needed to support the Center.
- 35 (3) The Center has entered into a contract for the use and operation of a
36 testing facility that will create new private sector jobs in Tier 1 or Tier
37 2 counties.

38 **SECTION 13.5.(c)** No funds shall be released by the Office of State Budget
39 and Management under subsection (b) of this section until a board of directors for the
40 Center consisting of no fewer than five members representing five different
41 organizations is appointed and operating.

42 **SECTION 13.5.(d)** The Center shall file with the Department of Commerce
43 a copy of the Center's policy addressing conflicts of interest that may arise involving the
44 Center's management employees and members of the Center's board of directors or
45 other governing body before funds may be allocated to the Center. The policy shall
46 address situations in which any of the Center's management employees and members of
47 the board of directors or other governing body may directly or indirectly benefit, except
48 as Center employees or members of the board or other governing body, from the
49 Center's disbursing of State funds and shall include actions to be taken by the Center or
50 the employee or member, or both, to avoid conflicts of interest and the appearance of
51 impropriety.

1 **SECTION 13.5.(e)** By December 31, 2007, and April 30, 2008, the Center
2 shall report to the Governor, the Joint Legislative Commission on Governmental
3 Operations, and the Fiscal Research Division the following information: (i) fiscal year
4 2007-2008 projects, objectives, and accomplishments; and (ii) fiscal year 2007-2008
5 itemized expenditures and fund sources. The April 30, 2008, report shall also contain
6 the following information: (i) fiscal year 2008-2009 planned projects, objectives, and
7 accomplishments; and (ii) fiscal year 2008-2009 estimated expenditures and fund
8 sources.

9 **SECTION 13.5.(f)** The Center shall also provide to the Governor, the Joint
10 Legislative Commission on Governmental Operations, and the Fiscal Research Division
11 a copy of the Center's annual audited financial statement within 30 days of issuance of
12 the statement and a copy of the Center's IRS Form 990.

13 **SECTION 13.5.(g)** The Center shall provide a report containing detailed
14 budget information to the Office of State Budget and Management in the same manner
15 as State departments and agencies in preparation for biennium budget requests. The
16 Center shall provide specific salary information upon the written request of the chairs of
17 the Joint Legislative Commission on Governmental Operations and the chairs of the
18 House Appropriations Committee on Natural and Economic Resources and the Senate
19 Appropriations Committee on Natural and Economic Resources.
20

21 COUNCIL OF GOVERNMENT FUNDS

22 **SECTION 13.6.(a)** Of the funds appropriated in this act to the Department
23 of Commerce, eight hundred thirty-two thousand one hundred fifty dollars (\$832,150)
24 for the 2007-2008 fiscal year and eight hundred thirty-two thousand one hundred fifty
25 dollars (\$832,150) for the 2008-2009 fiscal year shall only be used as provided by this
26 section. Each regional council of government or lead regional organization is allocated
27 up to forty-eight thousand nine hundred fifty dollars (\$48,950) for the 2007-2008 and
28 the 2008-2009 fiscal years.

29 **SECTION 13.6.(b)** A regional council of government may use funds
30 appropriated by this section only to assist local governments in grant applications,
31 economic development, community development, support of local industrial
32 development activities, and other activities as deemed appropriate by the member
33 governments.

34 **SECTION 13.6.(c)** Funds appropriated by this section shall be paid by
35 electronic transfer in two equal installments, the first no later than September 1, 2007,
36 and the second subsequent to acceptable submission of the annual report due to the Joint
37 Legislative Commission on Governmental Operations and the Fiscal Research Division
38 by January 15, 2008, as specified in subdivision (e)(1) of this section.

39 **SECTION 13.6.(d)** Funds appropriated by this section shall not be used for
40 payment of dues or assessments by the member governments and shall not supplant
41 funds appropriated by the member governments.

42 **SECTION 13.6.(e)** Each council of government or lead regional
43 organization shall do the following:

- 44 (1) By January 15, 2008, and more frequently as requested, report to the
45 Joint Legislative Commission on Governmental Operations and the
46 Fiscal Research Division the following information:
 - 47 a. State fiscal year 2006-2007 program activities, objectives, and
48 accomplishments;
 - 49 b. State fiscal year 2006-2007 itemized expenditures and fund
50 sources;

- 1 c. State fiscal year 2007-2008 planned activities, objectives, and
2 accomplishments, including actual results through December
3 31, 2007; and
4 d. State fiscal year 2007-2008 estimated itemized expenditures
5 and fund sources, including actual expenditures and fund
6 sources, through December 31, 2007.
- 7 (2) By January 15, 2009, and more frequently as requested, report to the
8 Joint Legislative Commission on Governmental Operations and the
9 Fiscal Research Division the following information:
10 a. State fiscal year 2007-2008 program activities, objectives, and
11 accomplishments;
12 b. State fiscal year 2007-2008 itemized expenditures and fund
13 sources;
14 c. State fiscal year 2008-2009 planned activities, objectives, and
15 accomplishments, including actual results through December
16 31, 2008; and
17 d. State fiscal year 2008-2009 estimated itemized expenditures
18 and fund sources, including actual expenditures and fund
19 sources, through December 31, 2008.
- 20 (3) Provide to the Fiscal Research Division a copy of the organization's
21 annual audited financial statement within 30 days of issuance of the
22 statement.
23

24 REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS

25 **SECTION 13.7.(a)** Funds appropriated in this act to the Department of
26 Commerce for regional economic development commissions shall be allocated to the
27 following commissions in accordance with subsection (b) of this section: Western North
28 Carolina Regional Economic Development Commission, Research Triangle Regional
29 Commission, Southeastern North Carolina Regional Economic Development
30 Commission, Piedmont Triad Partnership, Northeastern North Carolina Regional
31 Economic Development Commission, North Carolina's Eastern Region Economic
32 Development Partnership, and Carolinas Partnership, Inc.

33 **SECTION 13.7.(b)** Funds appropriated pursuant to subsection (a) of this
34 section shall be allocated to each regional economic development commission as
35 follows:

- 36 (1) First, the Department shall establish each Commission's allocation by
37 determining the sum of allocations to each county that is a member of
38 that Commission. Each county's allocation shall be determined by
39 dividing the county's enterprise factor by the sum of the enterprise
40 factors for eligible counties and multiplying the resulting percentage
41 by the amount of the appropriation. As used in this subdivision, the
42 term "enterprise factor" means a county's enterprise factor as
43 calculated under G.S. 143B-437.08; and
- 44 (2) Next, the Department shall subtract from funds allocated to the North
45 Carolina's Eastern Region Economic Development Partnership the
46 sum of three hundred thirty thousand seven hundred fifty dollars
47 (\$330,750) in the 2007-2008 fiscal year and three hundred thirty
48 thousand seven hundred fifty dollars (\$330,750) in the 2008-2009
49 fiscal year, which sum represents: (i) the total interest earnings in the
50 prior fiscal year on the estimated balance of seven million five hundred
51 thousand dollars (\$7,500,000) appropriated to the Global TransPark

- 1 Development Zone in Section 6 of Chapter 561 of the 1993 Session
 2 Laws; and (ii) the total interest earnings in the prior fiscal year on
 3 loans made from the seven million five hundred thousand dollars
 4 (\$7,500,000) appropriated to the Global TransPark Development Zone
 5 in Section 6 of Chapter 561 of the 1993 Session Laws; and
 6 (3) Next, the Department shall redistribute the sum of three hundred thirty
 7 thousand seven hundred fifty dollars (\$330,750) in the 2007-2008
 8 fiscal year and three hundred thirty thousand seven hundred fifty
 9 dollars (\$330,750) in the 2008-2009 fiscal year to the seven regional
 10 economic development commissions named in subsection (a) of this
 11 section. Each commission's share of this redistribution shall be
 12 determined according to the enterprise factor formula set out in
 13 subdivision (1) of this subsection. This redistribution shall be in
 14 addition to each commission's allocation determined under subdivision
 15 (1) of this subsection.
 16

17 **REGIONAL ECONOMIC DEVELOPMENT COMMISSION REPORTS**

18 **SECTION 13.8.(a)** By February 15 of each fiscal year, the seven regional
 19 economic development commissions shall report to the Joint Legislative Commission
 20 on Governmental Operations and the Fiscal Research Division the following
 21 information:

- 22 (1) The preceding fiscal year's program activities, objectives, and
 23 accomplishments.
 24 (2) The preceding fiscal year's itemized expenditures and fund sources.
 25 (3) Demonstration of how the commission's regional economic
 26 development and marketing strategy aligns with the State's overall
 27 economic development and marketing strategies.
 28 (4) To the extent they are involved in promotion activities such as trade
 29 shows, visits to prospects and consultants, advertising and media
 30 placement, the commissions shall demonstrate how they have
 31 generated qualified leads.

32 **SECTION 13.8.(b)** Each of the commissions shall provide to the Fiscal
 33 Research Division a copy of their annual audited financial statement within 30 days of
 34 issuance of the statement.

35 **SECTION 13.8.(c)** The reporting requirements for regional economic
 36 development commissions, as provided in subsection (a) of this section, shall be
 37 reviewed annually by the North Carolina Partnership for Economic Development, and
 38 recommendations for changes to the reporting requirements shall be made to the Fiscal
 39 Research Division, the President Pro Tempore of the Senate, and the Speaker of the
 40 House of Representatives.

41 **SECTION 13.8.(d)** Regional economic development commissions shall
 42 receive quarterly allocations of the funds appropriated in this act to the Department of
 43 Commerce for regional economic development commissions.

44 **SECTION 13.8.(e)** Regional economic development commissions shall
 45 remain in the Department of Commerce's Budget Code 14601 with other State-aided
 46 nonprofit entities.
 47

48 **KERR-TAR REGIONAL ECONOMIC DEVELOPMENT**
 49 **CORPORATION/REPORTING REQUIREMENTS**

50 **SECTION 13.9.** The Kerr-Tar Regional Economic Development
 51 Corporation shall do the following:

- 1 (1) By January 15, 2008, and more frequently as requested, report to the
- 2 Joint Legislative Commission on Governmental Operations and the
- 3 Fiscal Research Division the following information:
- 4 a. State fiscal year 2006-2007 program activities, objectives, and
- 5 accomplishments;
- 6 b. State fiscal year 2006-2007 itemized expenditures and fund
- 7 sources;
- 8 c. State fiscal year 2007-2008 planned activities, objectives, and
- 9 accomplishments including actual results through December 31,
- 10 2007; and
- 11 d. State fiscal year 2007-2008 estimated itemized expenditures
- 12 and fund sources including actual expenditures and fund
- 13 sources through December 31, 2007.
- 14 (2) By January 15, 2009, and more frequently as requested, report to the
- 15 Joint Legislative Commission on Governmental Operations and the
- 16 Fiscal Research Division the following information:
- 17 a. State fiscal year 2007-2008 program activities, objectives, and
- 18 accomplishments;
- 19 b. State fiscal year 2007-2008 itemized expenditures and fund
- 20 sources;
- 21 c. State fiscal year 2008-2009 planned activities, objectives, and
- 22 accomplishments including actual results through December 31,
- 23 2008; and
- 24 d. State fiscal year 2008-2009 estimated itemized expenditures
- 25 and fund sources including actual expenditures and fund
- 26 sources through December 31, 2008.
- 27 (3) Provide to the Fiscal Research Division a copy of the corporation's
- 28 annual audited financial statement within 30 days of issuance of the
- 29 statement.
- 30

BIOTECHNOLOGY CENTER

31 **SECTION 13.10.(a)** The North Carolina Biotechnology Center shall

32 recapture funds spent in support of successful research and development efforts in the

33 for-profit private sector.

34 **SECTION 13.10.(b)** The North Carolina Biotechnology Center shall

35 provide funding for biotechnology, biomedical, and related bioscience applications

36 under its Business and Science Technology Programs.

37 **SECTION 13.10.(c)** The North Carolina Biotechnology Center shall:

- 38 (1) By January 15, 2008, and more frequently as requested, report to the
- 39 Joint Legislative Commission on Governmental Operations and the
- 40 Fiscal Research Division the following information:
- 41 a. State fiscal year 2006-2007 program activities, objectives, and
- 42 accomplishments;
- 43 b. State fiscal year 2006-2007 itemized expenditures and fund
- 44 sources;
- 45 c. State fiscal year 2007-2008 planned activities, objectives, and
- 46 accomplishments, including actual results through December
- 47 31, 2007; and
- 48 d. State fiscal year 2007-2008 estimated itemized expenditures
- 49 and fund sources, including actual expenditures and fund
- 50 sources through December 31, 2007.
- 51

- 1 (2) By January 15, 2009, and more frequently as requested, report to the
2 Joint Legislative Commission on Governmental Operations and the
3 Fiscal Research Division the following information:
4 a. State fiscal year 2007-2008 program activities, objectives, and
5 accomplishments;
6 b. State fiscal year 2007-2008 itemized expenditures and fund
7 sources;
8 c. State fiscal year 2008-2009 planned activities, objectives, and
9 accomplishments, including actual results through December
10 31, 2008; and
11 d. State fiscal year 2008-2009 estimated itemized expenditures
12 and fund sources, including actual expenditures and fund
13 sources through December 31, 2008.
14 (3) Provide to the Fiscal Research Division a copy of the organization's
15 annual audited financial statement within 30 days of issuance of the
16 statement.

17 **SECTION 13.10.(d)** The North Carolina Biotechnology Center shall
18 provide a report containing detailed budget, personnel, and salary information to the
19 Office of State Budget and Management and to the Fiscal Research Division in the same
20 manner as State departments and agencies in preparation for biennium budget requests.
21

22 **NONPROFIT REPORTING REQUIREMENTS**

23 **SECTION 13.11.(a)** The N.C. Institute for Minority Economic
24 Development, Inc., Land Loss Prevention Project, North Carolina Minority Support
25 Center, North Carolina Community Development Initiative, Inc., North Carolina
26 Association of Community Development Corporations, Inc., Coalition of Farm and
27 Rural Families, and Partnership for the Sounds, Inc., shall do the following:

- 28 (1) By January 15, 2008, and more frequently as requested, report to the
29 Joint Legislative Commission on Governmental Operations and the
30 Fiscal Research Division the following information:
31 a. State fiscal year 2006-2007 program activities, objectives, and
32 accomplishments;
33 b. State fiscal year 2006-2007 itemized expenditures and fund
34 sources;
35 c. State fiscal year 2007-2008 planned activities, objectives, and
36 accomplishments including actual results through December 31,
37 2007; and
38 d. State fiscal year 2007-2008 estimated itemized expenditures
39 and fund sources including actual expenditures and fund
40 sources through December 31, 2007.
41 (2) By January 15, 2009, and more frequently as requested, report to the
42 Joint Legislative Commission on Governmental Operations and the
43 Fiscal Research Division the following information:
44 a. State fiscal year 2007-2008 program activities, objectives, and
45 accomplishments;
46 b. State fiscal year 2007-2008 itemized expenditures and fund
47 sources;
48 c. State fiscal year 2008-2009 planned activities, objectives, and
49 accomplishments including actual results through December 31,
50 2008; and

d. State fiscal year 2008-2009 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2008.

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

SECTION 13.11.(b) No funds appropriated under this act shall be released to a nonprofit organization listed in subsection (a) of this section until the organization has satisfied the reporting requirement for January 15, 2007. Fourth quarter allotments shall not be released to any nonprofit organization that does not satisfy the reporting requirements by January 15, 2008, or January 15, 2009.

SECTION 13.11.(c) No funds shall be released to the Triangle Urban League if it is not in compliance with all State funding requirements governing State-Aid to non-State entities as of July 1, 2007.

RURAL ECONOMIC DEVELOPMENT CENTER

SECTION 13.12.(a) Of the funds appropriated in this act to the Rural Economic Development Center, Inc., the sum of one million nine hundred thirteen thousand one hundred twelve dollars (\$1,913,112) for the 2007-2008 fiscal year and the sum of one million nine hundred thirteen thousand one hundred twelve dollars (\$1,913,112) for the 2008-2009 fiscal year shall be allocated as follows:

	2007-2008	2008-2009
Research and Demonstration Grants	\$370,000	\$370,000
Technical Assistance and Center Administration of Research and Demonstration Grants	444,399	444,399
Center Administration, Oversight, and Other Programs	604,298	604,298
Administration of Clean Water/ Natural Gas Critical Needs Bond Act of 1998	87,137	87,137
Additional Administration of Supplemental Funding Program	138,278	138,278
Administration of Capacity Building Assistance Program (1998 Bond Act)	125,000	125,000
Institute for Rural Entrepreneurship	144,000	144,000.

SECTION 13.12.(b) The Rural Economic Development Center, Inc., shall provide a report containing detailed budget, personnel, and salary information to the Office of State Budget and Management in the same manner as State departments and agencies in preparation for biennium budget requests.

SECTION 13.12.(c) For purposes of this section, the term "community development corporation" means a nonprofit corporation:

- (1) Chartered pursuant to Chapter 55A of the General Statutes;
- (2) Tax-exempt pursuant to section 501(c)(3) of the Internal Revenue Code of 1986;
- (3) Whose primary mission is to develop and improve low-income communities and neighborhoods through economic and related development;
- (4) Whose activities and decisions are initiated, managed, and controlled by the constituents of those local communities; and

- 1 (5) Whose primary function is to act as deal maker and packager of
2 projects and activities that will increase their constituencies'
3 opportunities to become owners, managers, and producers of small
4 businesses, affordable housing, and jobs designed to produce positive
5 cash flow and curb blight in the targeted community.

6 **SECTION 13.12.(d)** Of the funds appropriated in this act to the Rural
7 Economic Development Center, Inc., the sum of two million four hundred fifteen
8 thousand nine hundred ten dollars (\$2,415,910) for the 2007-2008 fiscal year and the
9 sum of two million four hundred fifteen thousand nine hundred ten dollars (\$2,415,910)
10 for the 2008-2009 fiscal year shall be allocated as follows:

- 11 (1) \$1,047,410 in each fiscal year for community development grants to
12 support development projects and activities within the State's minority
13 communities. Any new or previously funded community development
14 corporation as defined in this section is eligible to apply for funds. The
15 Rural Economic Development Center, Inc., shall establish
16 performance-based criteria for determining which community
17 development corporation will receive a grant and the grant amount.
18 The Rural Economic Development Center, Inc., shall allocate these
19 funds as follows:

- 20 a. \$1,047,410 for direct grants to local community development
21 corporations to support operations and project activities.
22 b. \$50,000 in each fiscal year to the Rural Economic Development
23 Center, Inc., to be used to cover expenses in administering this
24 section.

- 25 (2) \$195,000 in each fiscal year to the Microenterprise Loan Program to
26 support the loan fund and operations of the Program; and

- 27 (3) \$983,000 in each fiscal year shall be used for a program to provide
28 supplemental funding for matching requirements for projects and
29 activities authorized under this subsection. The Center shall allocate
30 these funds as follows:

- 31 a. \$675,000 in each fiscal year to make grants to local
32 governments and nonprofit corporations to provide funds
33 necessary to match federal grants or other grants for:

- 34 1. Necessary economic development projects and activities
35 in economically distressed areas;
36 2. Necessary water and sewer projects and activities in
37 economically distressed communities to address health
38 or environmental quality problems except that funds
39 shall not be expended for the repair or replacement of
40 low-pressure-pipe wastewater systems. If a grant is
41 awarded under this sub-subdivision, then the grant shall
42 be matched on a dollar-for-dollar basis in the amount of
43 the grant awarded; or
44 3. Projects that demonstrate alternative water and waste
45 management processes for local governments. Special
46 consideration should be given to cost-effectiveness,
47 efficacy, management efficiency, and the ability of the
48 demonstration project to be replicated.

- 49 b. \$208,000 in each fiscal year to make grants to local
50 governments and nonprofit corporations to provide funds

1 necessary to match federal grants or other grants related to
2 water, sewer, or business development projects.

3 c. \$100,000 in each fiscal year to support the update of the
4 statewide water and sewer database and to support the
5 development of a statewide water management plan.

6 (4) \$190,500 in each fiscal year for the Agricultural Advancement
7 Consortium. These funds shall be placed in a reserve and allocated as
8 follows:

9 a. \$75,000 in each fiscal year for operating expenses associated
10 with the Consortium; and

11 b. \$115,500 in each fiscal year for research initiatives funded by
12 the Consortium.

13 The Consortium shall facilitate discussions among interested parties
14 and shall develop recommendations to improve the State's economic
15 development through farming and agricultural interests.

16 The grant recipients in this subsection shall be selected on the basis of need.

17 **SECTION 13.12.(e)** Of the funds allocated to Research and Demonstration
18 Grants for fiscal year 2007-2008 in subsection (a) of this section, the sum of twenty-five
19 thousand dollars (\$25,000) shall be allocated to The Cooper Help Center for the
20 planning and development of a neighborhood grocery and laundry center in an
21 economically distressed inner-city community, and the sum of one hundred fifty
22 thousand dollars (\$150,000) shall be allocated to EBC-ATOM (A Total Outreach
23 Ministry) Project for the development and implementation of a stabilization plan for
24 targeted deteriorating neighborhoods in Nash and Halifax Counties.

25 **SECTION 13.12.(f)** The Rural Economic Development Center, Inc., shall:

26 (1) By January 15, 2008, and more frequently as requested, report to the
27 Joint Legislative Commission on Governmental Operations and the
28 Fiscal Research Division the following information:

29 a. State fiscal year 2006-2007 program activities, objectives, and
30 accomplishments;

31 b. State fiscal year 2006-2007 itemized expenditures and fund
32 sources;

33 c. State fiscal year 2007-2008 planned activities, objectives, and
34 accomplishments, including actual results through December
35 31, 2007; and

36 d. State fiscal year 2007-2008 estimated itemized expenditures
37 and fund sources, including actual expenditures and fund
38 sources through December 31, 2007.

39 (2) By January 15, 2009, and more frequently as requested, report to the
40 Joint Legislative Commission on Governmental Operations and the
41 Fiscal Research Division the following information:

42 a. State fiscal year 2007-2008 program activities, objectives, and
43 accomplishments;

44 b. State fiscal year 2007-2008 itemized expenditures and fund
45 sources;

46 c. State fiscal year 2008-2009 planned activities, objectives, and
47 accomplishments, including actual results through December
48 31, 2008; and

49 d. State fiscal year 2008-2009 estimated itemized expenditures
50 and fund sources, including actual expenditures and fund
51 sources through December 31, 2008.

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

4 **SECTION 13.12.(g)** No funds appropriated under this act shall be released
5 to a community development corporation, as defined in this section, unless the
6 corporation can demonstrate that there are no outstanding or proposed assessments or
7 other collection actions against the corporation for any State or federal taxes, including
8 related penalties, interest, and fees.
9

10 **RURAL ECONOMIC DEVELOPMENT CENTER/INFRASTRUCTURE** 11 **PROGRAM**

12 **SECTION 13.13.(a)** Of the funds appropriated in this act to the Rural
13 Economic Development Center, Inc., the sum of nineteen million five hundred thousand
14 dollars (\$19,500,000) for the 2007-2008 fiscal year and the sum of nineteen million five
15 hundred thousand dollars (\$19,500,000) for the 2008-2009 fiscal year shall be allocated
16 as follows:

- 17 (1) To continue the North Carolina Infrastructure Program. The purpose of
18 the Program is to provide grants to local governments to construct
19 critical water and wastewater facilities and to provide other
20 infrastructure needs, including technology needs, to sites where these
21 facilities will generate private job-creating investment. At least fifteen
22 million dollars (\$15,000,000) of the funds appropriated in this act for
23 each year of the biennium must be used to provide grants under this
24 Program.
- 25 (2) To provide matching grants to local governments in distressed areas
26 and equity investments in public-private ventures that will
27 productively reuse vacant buildings and properties, with priority given
28 to towns or communities with populations of less than 5,000.
- 29 (3) To provide economic development research and demonstration grants.

30 **SECTION 13.13.(b)** The funds appropriated in this act to the Rural
31 Economic Development Center, Inc., shall be recurring funds.

32 **SECTION 13.13.(c)** The Rural Economic Development Center, Inc., may
33 contract with other State agencies, constituent institutions of The University of North
34 Carolina, and colleges within the North Carolina Community College System for certain
35 aspects of the North Carolina Infrastructure Program, including design of Program
36 guidelines and evaluation of Program results.

37 **SECTION 13.13.(d)** During each year of the 2007-2009 biennium, the Rural
38 Economic Development Center, Inc., may use up to two percent (2%) of the funds
39 appropriated in this act to cover its expenses in administering the North Carolina
40 Economic Infrastructure Program.

41 **SECTION 13.13.(e)** No later than January 15 of each year, the Rural
42 Economic Development Center, Inc., shall submit an annual report to the Joint
43 Legislative Commission on Governmental Operations concerning the progress of the
44 North Carolina Economic Infrastructure Program.
45

46 **RURAL ECONOMIC DEVELOPMENT CENTER FUNDS**

47 **SECTION 13.14.(a)** Of the funds appropriated in this act to the North
48 Carolina Rural Economic Development Center, Inc. (Rural Center), the sum of nineteen
49 million dollars (\$19,000,000) for the 2007-2008 fiscal year shall be used to expand the
50 North Carolina Rural Economic Infrastructure Fund with targeted priority to severely
51 distressed rural areas.

1 **SECTION 13.14.(b)** The Rural Center shall use the funds appropriated in
2 this act to establish and implement the Rural Economic Transition Program. This
3 program shall provide grants and equity investments to carry out transformative
4 economic development and agricultural enhancement projects that will generate jobs
5 and expand business activity.

6 **SECTION 13.14.(c)** Units of local government and nonprofit organizations
7 in rural areas are eligible for grants, with priority to applicants in development tier one
8 areas as defined in G.S. 143B-437.08.

9 **SECTION 13.14.(d)** Priority for grant funds shall be given to economic
10 development projects that satisfy one or more of the following criteria:

- 11 (1) It is located in a county or census area with a persistently high poverty
12 rate of at least one hundred fifty percent (150%) of the State's poverty
13 rate according to the most recent decennial census.
- 14 (2) It is located in a community that has experienced a sudden and severe
15 economic downturn as reflected in numbers of business closings,
16 layoffs, and unemployment rate during the previous 12 months.
- 17 (3) It is located in a small town with a population under 10,000, an
18 agrarian growth zone as defined in G.S. 143B-437.10, or an urban
19 progress zone as defined in G.S. 143B-437.09.
- 20 (4) It is identified in community-based strategic planning efforts and
21 coordinated with other economic development and
22 community-building initiatives, such as the North Carolina Rural
23 Economic Development Center Small Town Economic Prosperity
24 Program, the North Carolina Department of Commerce 21st Century
25 Communities Program, the North Carolina Department of Commerce
26 Main Street Program, and federally funded Comprehensive Economic
27 Development Strategies.
- 28 (5) It is supportive of strategies to expand entrepreneurial small business
29 activity based on the natural, cultural, or historical assets of the
30 community.
- 31 (6) It has the ability to demonstrate benefits to small farm business
32 diversifying into value-added production and marketing, and it
33 increases opportunities in food and beverage manufacturing and
34 distribution for small farm entrepreneurs.

35 **SECTION 13.14.(e)** Eligible units of local government and nonprofit
36 organizations are not required to match grants received under this section, but shall
37 demonstrate the commitment of other funds to the project.

38 **SECTION 13.14.(f)** Up to twenty percent (20%) of the funds appropriated in
39 this section may be used for equity investments and loans through the Rural Venture
40 Fund to private business ventures that will substantially transform and improve the
41 economic status of rural areas, with priority to businesses locating or expanding in
42 development tier one areas as defined in G.S. 143B-437.08.

43 **SECTION 13.14.(g)** The Rural Center may use a portion of the funds
44 appropriated under this section, not to exceed four percent (4%), for administration of
45 the programs created by this section.

46 **SECTION 13.14.(h)** The Rural Center may contract with other State
47 agencies and branches of The University of North Carolina for certain aspects of the
48 programs created under this section, including the design of program guidelines and
49 evaluation of program results.

50 **SECTION 13.14.(i)** The Rural Center shall report to the Joint Legislative
51 Commission on Governmental Operations on a quarterly basis concerning the progress

1 of the programs created under this section. The first report is due no later than February
2 15, 2008.

3 **SECTION 13.14.(j)** This section becomes effective July 1, 2007.

4
5 **OPPORTUNITIES INDUSTRIALIZATION CENTER FUNDS**

6 **SECTION 13.15.(a)** Of the funds appropriated in this act to the Rural
7 Economic Development Center, Inc., the sum of three hundred sixty-one thousand
8 dollars (\$361,000) for the 2007-2008 fiscal year and the sum of three hundred sixty-one
9 thousand dollars (\$361,000) for the 2008-2009 fiscal year shall be equally distributed
10 among the certified Opportunities Industrialization Centers for ongoing job training
11 programs.

12 **SECTION 13.15.(b)** For each of the Opportunities Industrialization Centers
13 receiving funds pursuant to subsection (a) of this section, the Rural Economic
14 Development Center, Inc., shall:

- 15 (1) By January 15, 2008, and more frequently as requested, report to the
16 Joint Legislative Commission on Governmental Operations and the
17 Fiscal Research Division the following information:
18 a. State fiscal year 2006-2007 program activities, objectives, and
19 accomplishments;
20 b. State fiscal year 2006-2007 itemized expenditures and fund
21 sources;
22 c. State fiscal year 2007-2008 planned activities, objectives, and
23 accomplishments, including actual results through December
24 31, 2007; and
25 d. State fiscal year 2007-2008 estimated itemized expenditures
26 and fund sources, including actual expenditures and fund
27 sources through December 31, 2007.
- 28 (2) By January 15, 2009, and more frequently as requested, report to the
29 Joint Legislative Commission on Governmental Operations and the
30 Fiscal Research Division the following information:
31 a. State fiscal year 2007-2008 program activities, objectives, and
32 accomplishments;
33 b. State fiscal year 2007-2008 itemized expenditures and fund
34 sources;
35 c. State fiscal year 2008-2009 planned activities, objectives, and
36 accomplishments, including actual results through December
37 31, 2008; and
38 d. State fiscal year 2008-2009 estimated itemized expenditures
39 and fund sources, including actual expenditures and fund
40 sources through December 31, 2008.
- 41 (3) Notwithstanding G.S. 143-6.1(d), file annually with the State Auditor
42 a financial statement in the form and on the schedule prescribed by the
43 State Auditor. The financial statements must be audited in accordance
44 with standards prescribed by the State Auditor to assure that State
45 funds are used for the purposes provided by law.
- 46 (4) Provide to the Fiscal Research Division a copy of the annual audited
47 financial statement required in subdivision (3) of this subsection within
48 30 days of issuance of the statement.

49 **SECTION 13.15.(c)** No funds appropriated under this act shall be released
50 to an Opportunities Industrialization Center (hereinafter Center) listed in subsection (a)

1 of this section if the Center has any overdue tax debts, as that term is defined in
2 G.S. 105-243.1, at the federal or State level.

3 4 **E-NC AUTHORITY CONTRACTS/ REPORTING REQUIREMENTS**

5 **SECTION 13.16.(a)** The e-NC Authority may contract with other State
6 agencies, The University of North Carolina, the North Carolina Community College
7 System, and nonprofit organizations to assist with program development and the
8 evaluation of program activities.

9 **SECTION 13.16.(b)** The e-NC Authority shall report to the 2008 General
10 Assembly on the following:

- 11 (1) The activities necessary to be undertaken in distressed urban areas of
12 the State to enhance the capability of citizens and businesses residing
13 in these areas to access high-speed Internet.
- 14 (2) An implementation plan for the training of citizens and businesses in
15 distressed urban areas.
- 16 (3) The technology and digital literacy training necessary to assist citizens
17 and existing businesses to create new technology-based enterprises in
18 these communities and to use the Internet to enhance the productivity
19 of their businesses.

20 The e-NC Authority shall, by September 30, 2007, and quarterly thereafter,
21 report to the Joint Legislative Commission on Governmental Operations on program
22 development and the evaluation of program activities.

23 24 **WOW E-COMMUNITY DEVELOPMENT CORPORATION PILOT** 25 **PROGRAM FUNDS**

26 **SECTION 13.17.(a)** Of the funds appropriated to the e-NC Authority for the
27 2007-2008 fiscal year, the sum of two hundred ninety thousand dollars (\$290,000) shall
28 be transferred to WOW e-Community Development Corporation (WOW e-CDC) for the
29 Windows on the World Technology Center to establish and implement a two-year pilot
30 program that will enable the Windows on the World Technology Center to become the
31 northeastern North Carolina regional technology resource center for indigent rural
32 low-wealth communities through direct engagement. These funds shall be used as
33 follows:

- 34 (1) \$150,000 for operating expenses of the Windows on the World
35 Technology Center.
- 36 (2) \$100,000 for the following:
 - 37 a. Developing, maintaining, and hosting municipal Web sites and
38 a northeastern North Carolina portal.
 - 39 b. Expanding public access points and digital literacy classes in
40 the northeastern North Carolina Tier I counties.
 - 41 c. Establishing initiatives in indigent communities to create a
42 sense of urgency concerning digital literacy and information
43 technology.
- 44 (3) \$40,000 for operations of the Internet service provider.

45 These funds shall not revert at the end of each fiscal year but shall remain
46 available until expended for the purposes provided in this subsection.

47 **SECTION 13.17.(b)** No funds shall be released by the Office of State
48 Budget and Management to WOW e-CDC until the Office of the State Auditor finds
49 that the WOW e-CDC is in compliance with all recommendations made by the State
50 Auditor regarding fiscal management and internal controls.

1 **SECTION 13.17.(c)** WOW e-CDC shall file with the Department of
 2 Commerce a copy of WOW e-CDC's policy addressing conflicts of interest that may
 3 arise involving WOW e-CDC's management employees and members of WOW
 4 e-CDC's board of directors or other governing body before funds may be allocated to
 5 WOW e-CDC. The policy shall address situations in which any of WOW e-CDC's
 6 management employees and members of the board of directors or other governing body
 7 may directly or indirectly benefit, except as WOW e-CDC employees or members of the
 8 board or other governing body, from WOW e-CDC's disbursing of State funds, and the
 9 policy shall include actions to be taken by WOW e-CDC or the employee or member, or
 10 both, to avoid conflicts of interest and the appearance of impropriety.

11 **SECTION 13.17.(e)** By April 30, 2008, WOW e-CDC shall report to the
 12 Governor, the Joint Legislative Commission on Governmental Operations, and the
 13 Fiscal Research Division the following information: (i) fiscal year 2007-2008 planned
 14 projects, objectives, and accomplishments; and (ii) fiscal year 2007-2008 estimated
 15 expenditures and fund sources.

16 **SECTION 13.17.(f)** WOW e-CDC shall also provide to the Governor, the
 17 Joint Legislative Commission on Governmental Operations, and the Fiscal Research
 18 Division a copy of WOW e-CDC's annual audited financial statement within 30 days of
 19 issuance of the statement and a copy of WOW e-CDC's IRS Form 990.

20 **SECTION 13.17.(g)** WOW e-CDC shall provide a report containing detailed
 21 budget information to the Office of State Budget and Management in the same manner
 22 as State departments and agencies in preparation for biennium budget requests. WOW
 23 e-CDC shall provide specific salary information upon the written request of the chairs
 24 of the Joint Legislative Commission on Governmental Operations and the chairs of the
 25 House Appropriations Committee on Natural and Economic Resources and the Senate
 26 Appropriations Committee on Natural and Economic Resources.

27
 28 **NER BLOCK GRANTS**

29 **SECTION 13.18.(a)** Appropriations from federal block grant funds are
 30 made for fiscal year ending June 30, 2008, according to the following schedule:

31
 32 **COMMUNITY DEVELOPMENT BLOCK GRANT**

34	01. State Administration	\$ 1,000,000
35		
36	02. Urgent Needs and Contingency	1,000,000
37		
38	03. Scattered Site Housing	13,200,000
39		
40	04. Economic Development	7,710,000
41		
42	05. Small Business/Entrepreneurship	1,000,000
43		
44	06. Community Revitalization	13,500,000
45		
46	07. State Technical Assistance	450,000
47		
48	08. Housing Development	2,000,000
49		
50	09. Infrastructure	5,140,000
51		

1 TOTAL COMMUNITY DEVELOPMENT
2 BLOCK GRANT – 2008 Program Year \$ 45,000,000
3

4 **SECTION 13.18.(b)** Decreases in Federal Fund Availability. – If federal
5 funds are reduced below the amounts specified above after the effective date of this act,
6 then every program in each of these federal block grants shall be reduced by the same
7 percentage as the reduction in federal funds.

8 **SECTION 13.18.(c)** Increases in Federal Fund Availability for Community
9 Development Block Grant. – Any block grant funds appropriated by the Congress of the
10 United States in addition to the funds specified in this section shall be expended as
11 follows: each program category under the Community Development Block Grant shall
12 be increased by the same percentage as the increase in federal funds.

13 **SECTION 13.18.(d)** Limitations on Community Development Block Grant
14 Funds. – Of the funds appropriated in this section for the Community Development
15 Block Grant, the following shall be allocated in each category for each program year: up
16 to one million dollars (\$1,000,000) may be used for State Administration; not less than
17 one million dollars (\$1,000,000) may be used for Urgent Needs and Contingency; up to
18 thirteen million two hundred thousand dollars (\$13,200,000) may be used for Scattered
19 Site Housing; seven million seven hundred ten thousand dollars (\$7,710,000) may be
20 used for Economic Development; up to one million dollars (\$1,000,000) may be used
21 for Small Business/Entrepreneurship; not less than thirteen million five hundred
22 thousand dollars (\$13,500,000) shall be used for Community Revitalization; up to four
23 hundred fifty thousand dollars (\$450,000) may be used for State Technical Assistance;
24 up to two million dollars (\$2,000,000) may be used for Housing Development; up to
25 five million one hundred forty thousand dollars (\$5,140,000) may be used for
26 Infrastructure. If federal block grant funds are reduced or increased by the Congress of
27 the United States after the effective date of this act, then these reductions or increases
28 shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

29 **SECTION 13.18.(e)** Increase Capacity for Nonprofit Organizations. –
30 Assistance to nonprofit organizations to increase their capacity to carry out
31 CDBG-eligible activities in partnership with units of local government is an eligible
32 activity under any program category in accordance with federal regulations. Capacity
33 building grants may be made from funds available within program categories, program
34 income, or unobligated funds.

35 **SECTION 13.18.(f)** The Department of Commerce will operate a small
36 business/entrepreneurship program in coordination with micro-lending programs and
37 other small business assistance groups in the State. The Department of Commerce shall
38 award up to one million dollars (\$1,000,000) in grants to local governments to provide
39 assistance to low-to-moderate income individuals for small business and
40 entrepreneurship development as a means of achieving economic independence during
41 these times of structural change in North Carolina's economy.

42 **SECTION 13.18.(g)** The Department of Commerce shall consult with the
43 Joint Legislative Commission on Governmental Operations prior to reallocating
44 Community Development Block Grant Funds. Notwithstanding the provisions of this
45 subsection, whenever the Director of the Budget finds that:

- 46 (1) A reallocation is required because of an emergency that poses an
47 imminent threat to public health or public safety, the Director of the
48 Budget may authorize the reallocation without consulting the
49 Commission. The Department of Commerce shall report to the
50 Commission on the reallocation no later than 30 days after it was

- 1 authorized and shall identify in the report the emergency, the type of
2 action taken, and how it was related to the emergency.
- 3 (2) The State will lose federal block grant funds or receive less federal
4 block grant funds in the next fiscal year unless a reallocation is made.
5 The Department of Commerce shall provide a written report to the
6 Commission on the proposed reallocation and shall identify the reason
7 that failure to take action will result in the loss of federal funds. If the
8 Commission does not hear the issue within 30 days of receipt of the
9 report, the Department may take the action without consulting the
10 Commission.

11 **PART XIV. JUDICIAL DEPARTMENT**

12 **TRANSFER OF EQUIPMENT AND SUPPLY FUNDS**

13
14 **SECTION 14.1.** Funds appropriated to the Judicial Department in the
15 2007-2009 biennium for equipment and supplies shall be certified in a reserve account.
16 The Administrative Office of the Courts may transfer these funds to the appropriate
17 programs and between programs as the equipment priorities and supply consumptions
18 occur during the operating year. These funds shall not be expended for any other
19 purpose.
20

21 **GRANT FUNDS**

22
23 **SECTION 14.2.** Notwithstanding G.S. 143C-6-9, the Judicial Department
24 may use up to the sum of one million five hundred thousand dollars (\$1,500,000) from
25 funds available to the Department to provide the State match needed in order to receive
26 grant funds. Prior to using funds for this purpose, the Department shall report to the
27 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
28 Justice and Public Safety and to the Joint Legislative Commission on Governmental
29 Operations on the grants to be matched using these funds.
30

31 **NORTH CAROLINA STATE BAR FUNDS**

32
33 **SECTION 14.3.** Of the funds appropriated in the continuation budget as a
34 grant-in-aid to the North Carolina State Bar for the 2007-2009 biennium, the North
35 Carolina State Bar may in its discretion use up to the sum of five hundred one thousand
36 five hundred dollars (\$501,500) for the 2007-2008 fiscal year and up to the sum of five
37 hundred one thousand five hundred dollars (\$501,500) for the 2008-2009 fiscal year to
38 contract with the Center for Death Penalty Litigation to provide training, consultation,
39 brief banking, and other assistance to attorneys representing indigent capital defendants.
40 The Office of Indigent Defense Services shall report by February 1, 2008, to the Chairs
41 of the House of Representatives and Senate Appropriations Subcommittees on Justice
42 and Public Safety on the activities funded by the grant-in-aid authorized by this section.

43 **OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS**

44
45 **SECTION 14.4.** The Judicial Department, Office of Indigent Defense
46 Services, may use up to the sum of two million one hundred ninety-two thousand three
47 hundred fifty dollars (\$2,192,350) in appropriated funds during the 2007-2008 fiscal
48 year and up to the sum of two million eighty-two thousand five hundred ten dollars
49 (\$2,082,510) in appropriated funds during the 2008-2009 fiscal year for the expansion
50 of existing or new public defender offices currently providing legal services to the
51 indigent population under the oversight of the Office of Indigent Defense Services by
creating up to 20 new attorney positions and 10 new support staff positions. These funds

1 may be used for salaries, benefits, equipment, and related expenses. Prior to using funds
2 for this purpose, the Office of Indigent Defense Services shall report to the Chairs of the
3 House of Representatives and the Senate Appropriations Subcommittees on Justice and
4 Public Safety on the proposed expansion.

5 6 **OFFICE OF INDIGENT DEFENSE SERVICES REPORT**

7 **SECTION 14.5.** The Office of Indigent Defense Services shall report to the
8 Chairs of the House of Representatives and Senate Appropriations Committees and the
9 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
10 Justice and Public Safety by March 1 of each year on:

- 11 (1) The volume and cost of cases handled in each district by assigned
12 counsel or public defenders;
- 13 (2) Actions taken by the Office to improve the cost-effectiveness and
14 quality of indigent defense, including the capital case program;
- 15 (3) Plans for changes in rules, standards, or regulations in the upcoming
16 year; and
- 17 (4) Any recommended changes in law or funding procedures that would
18 assist the Office in improving the management of funds expended for
19 indigent defense services.
- 20 (5) The changes in operations implemented in response to the following
21 findings and recommendations contained in the March 2007 State
22 Audit Report:
 - 23 a. Attorney fee payment process lacks adequate controls.
 - 24 b. Attorney fee payment process is inefficient and labor-intensive.
 - 25 c. The Office should automate the attorney fee payment process
26 and require attorneys to register for electronic fund transfer.

27 28 **INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS**

29 **SECTION 14.6.** Notwithstanding G.S. 143C-6-9, the Office of Indigent
30 Defense Services may use the sum of up to fifty thousand dollars (\$50,000) from funds
31 available to provide the State matching funds needed to receive grant funds. Prior to
32 using funds for this purpose, the Office shall report to the Chairs of the House of
33 Representatives and Senate Appropriations Subcommittees on Justice and Public Safety
34 and the Joint Legislative Commission on Governmental Operations on the grants to be
35 matched using these funds.

36 37 **REPORT ON BUSINESS COURTS**

38 **SECTION 14.7.** The Administrative Office of the Courts shall report to the
39 Chairs of the House of Representatives and Senate Appropriations Committees and the
40 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
41 Justice and Public Safety by March 1 of each year on the activities of each North
42 Carolina Business Court site, including the number of new, closed, and pending cases;
43 average age of pending cases, and annual expenditures for the prior fiscal year.

44 45 **COLLECTION OF WORTHLESS CHECK FUNDS**

46 **SECTION 14.8.** Notwithstanding the provisions of G.S. 7A-308(c), the
47 Judicial Department may use any balance remaining in the Collection of Worthless
48 Checks Fund on June 30, 2007, for the purchase or repair of office or information
49 technology equipment during the 2007-2008 fiscal year. Prior to using any funds under
50 this section, the Judicial Department shall report to the Joint Legislative Commission on
51 Governmental Operations and the Chairs of the House of Representatives and Senate

1 Appropriations Subcommittees on Justice and Public Safety on the equipment to be
 2 purchased or repaired and the reasons for the purchases.

3
 4 **DISPUTE RESOLUTION FEES**

5 **SECTION 14.9.** Notwithstanding the provisions of G.S. 143C-1-2(b),
 6 certification and renewal fees collected by the Dispute Resolution Commission are
 7 non-reverting and are only to be used at the direction of the Commission.
 8

9 **REIMBURSEMENT FOR USE OF PERSONAL VEHICLES**

10 **SECTION 14.10.** Notwithstanding the provisions of G.S. 138-6(a)(1), the
 11 Judicial Department, during the 2007-2009 fiscal biennium, may elect to establish a
 12 per-mile reimbursement rate for transportation by privately owned vehicles at a rate less
 13 than the business standard mileage rate set by the Internal Revenue Service.
 14

15 **DRUG TREATMENT COURT FUNDS**

16 **SECTION 14.11.** Except as otherwise provided in this act, funds
 17 appropriated to the Judicial Department in this act for the Drug Treatment Court
 18 program shall be used only to provide treatment and case coordination to offenders
 19 sentenced to intermediate punishment and to offenders sentenced to community
 20 punishment who are at risk of revocation.
 21

22 **DRUG TREATMENT FUNDS NEED NOT BE GRANTED**

23 **SECTION 14.12.** Notwithstanding the provisions of G.S. 7A-794 and
 24 G.S. 7A-798, funds appropriated to the Judicial Department for the 2007-2009 fiscal
 25 biennium for drug treatment courts need not be granted but may be budgeted to support
 26 existing and new drug treatment courts in a manner similar to other specialty courts
 27 operating within the Judicial Department.
 28

29 **ADDITIONAL DISTRICT COURT JUDGES**

30 **SECTION 14.13.(a)** G.S. 7A-133(a) reads as rewritten:
 31 "(a) Each district court district shall have the numbers of judges as set forth in the
 32 following table:
 33

District	Judges	County
1	5	Camden Chowan Currituck Dare Gates Pasquotank Perquimans
2	4	Martin Beaufort Tyrrell Hyde Washington
3A	5	Pitt
3B	6	Craven Pamlico Carteret
4	8	Sampson

1			Duplin
2			Jones
3			Onslow
4	5	8	New Hanover
5			Pender
6	6A	3	Halifax
7	6B	3	Northampton
8			Bertie
9			Hertford
10	7	7	Nash
11			Edgecombe
12			Wilson
13	8	6	Wayne
14			Greene
15			Lenoir
16	9	4	Granville
17			(part of Vance
18			see subsection (b))
19			Franklin
20	9A	2	Person
21			Caswell
22	9B	2	Warren
23			(part of Vance
24			see subsection (b))
25	10	16 <u>17</u>	Wake
26	11	9 <u>10</u>	Harnett
27			Johnston
28			Lee
29	12	9	Cumberland
30	13	6	Bladen
31			Brunswick
32			Columbus
33	14	7	Durham
34	15A	4	Alamance
35	15B	5	Orange
36			Chatham
37	16A	3	Scotland
38			Hoke
39	16B	5	Robeson
40	17A	3	Rockingham
41	17B	4	Stokes
42			Surry
43	18	13	Guilford
44	19A	4	Cabarrus
45	19B	7	Montgomery
46			Moore
47			Randolph
48	19C	5	Rowan
49	20A	4	Stanly
50			Anson
51			Richmond

1	20B	1	(part of Union
2			see subsection (b))
3	20C	2	(part of Union
4			see subsection (b))
5	21	9	Forsyth
6	22	9	Alexander
7			Davidson
8			Davie
9			Iredell
10	23	4	Alleghany
11			Ashe
12			Wilkes
13			Yadkin
14	24	4	Avery
15			Madison
16			Mitchell
17			Watauga
18			Yancey
19	25	9	Burke
20			Caldwell
21			Catawba
22	26	18 19	Mecklenburg
23	27A	7	Gaston
24	27B	5	Cleveland
25			Lincoln
26	28	7	Buncombe
27	29A	3	McDowell
28			Rutherford
29	29B	4	Henderson
30			Polk
31			Transylvania
32	30	6	Cherokee
33			Clay
34			Graham
35			Haywood
36			Jackson
37			Macon
38			Swain."

39 **SECTION 14.13.(b)** The Governor shall appoint the additional district court
40 judges authorized by subsection (a) of this section. Those judges' successors shall be
41 elected in the 2008 general election for four-year terms commencing January 1, 2009.
42

43 **ADDITIONAL ASSISTANT DISTRICT ATTORNEYS**

44 **SECTION 14.14.** G.S. 7A-60 is amended by adding a new subsection to
45 read:

46 "(a2) In addition to the full-time district attorneys set forth in subsection (a1) of this
47 section, the Administrative Office of the Courts may allocate up to 30 assistant district
48 attorneys to the various prosecutorial districts based upon caseloads and other criteria to
49 be determined by the Administrative Office of the Courts."
50

1 **STUDY AVAILABILITY OF PROSECUTORIAL RESOURCES TO DISTRICT**
2 **ATTORNEYS AND THE MANAGEMENT AND USE OF THOSE**
3 **RESOURCES BY DISTRICT ATTORNEYS**

4 **SECTION 14.15.(a)** The Legislative Research Commission shall contract
5 for an independent study that assesses the availability of prosecutorial resources to the
6 State's district attorneys and that assesses the use and management of those
7 prosecutorial resources by the district attorneys, their staffs, and the Conference of
8 District Attorneys. The study shall address all of the following:

- 9 (1) Current prosecutorial resources. – Resources to be considered include
10 those available to district attorneys and their legal, administrative,
11 support, and investigative staff, and the Conference of District
12 Attorneys. The study shall also consider supplemental assistance and
13 resources provided to district attorneys and their staffs through the
14 State or other funding sources.
- 15 (2) Services provided by the State's district attorneys and Conference of
16 District Attorneys and the recipients of those services.
- 17 (3) Funding of prosecutorial services, adequacy of supplies, equipment,
18 and working space, and allocation of prosecutorial resources. – Issues
19 to be considered shall include the following:
- 20 a. Funding, supplies, equipment, and space required to support
21 prosecutorial services at an appropriate level.
- 22 b. Distribution of prosecutorial resources and how that distribution
23 is determined.
- 24 c. Equitable allocation of prosecutorial resources among the
25 geographical areas of the State and between urban and rural
26 areas.
- 27 d. The proportion of prosecution personnel and budget that is
28 devoted to criminal prosecution, as opposed to other functions
29 or mandates.
- 30 e. Whether monies from the General Fund should be used to
31 support positions for the Conference of District Attorneys, or
32 positions for any other conferences that provide prosecutorial
33 resources.
- 34 (4) The current role of the Conference of District Attorneys and district
35 attorneys in assessing the needs of the public with regard to
36 prosecutorial services and providing assistance in meeting those needs.
37 The study shall also assess the current role, responsibilities, and
38 interaction of the Conference of District Attorneys with regard to the
39 General Assembly and the executive branch and whether those roles
40 and responsibilities should be modified.
- 41 (5) Automation. – The study shall document which prosecutorial services
42 are currently automated and the ability of those systems to interact
43 with each other. The study shall also address areas in which
44 automation could improve or increase the efficiency of prosecutorial
45 services.
- 46 (6) Cost management practices of district attorneys and their staffs. –
47 Practices to be reviewed and considered shall include how well district
48 attorneys' offices manage costs associated with a prosecution such as
49 forensics costs, expert witnesses, and witness travel expenses.
- 50 (7) Caseload management. – In the assessment of caseload management,
51 the study shall focus particularly on whether current management

1 techniques used by district attorneys recognize the critical need to
 2 prosecute serious crimes in a timely manner and to keep jail
 3 populations at a low level; the techniques, if any that have been
 4 adopted to achieve those objectives; and the effectiveness of those
 5 management techniques. Other issues that shall also be considered
 6 include the following:

- 7 a. Mechanisms used by the district attorney to manage the
- 8 incoming caseloads generally.
- 9 b. The screening process, if any, for assessing cases prior to
- 10 assignment.
- 11 c. Initiatives implemented by a district attorney, if any, to expedite
- 12 the resolution of certain categories of cases.
- 13 d. The type of statistics, if any, the district attorney's office keeps
- 14 and for what purposes.
- 15 e. Performance indicators, if any, used by district attorneys. If
- 16 performance indicators are not being used, then the study shall
- 17 assess whether implementation of performance indicators
- 18 would be helpful in achieving management goals and the types
- 19 of indicators that may assist with caseload management. If there
- 20 are performance indicators, then the study shall identify the
- 21 indicators, how they are developed, the effectiveness of the
- 22 indicators, and whether additional performance indicators or
- 23 modification of existing performance indicators would be
- 24 helpful in achieving management objectives.

25 (8) How the current management and use of prosecutorial resources affect
 26 the following:

- 27 a. Access to justice.
- 28 b. Day-to-day functioning of the prosecution service.
- 29 c. Case management, including the development of case screening
- 30 mechanisms and protocols for diversion.
- 31 d. Timely resolution of caseloads.
- 32 e. Reduction of any backlogs that exist and the impact that current
- 33 management and use of prosecutorial resources has on the jail
- 34 population.
- 35 f. The capacity to handle specialized or complex crimes.
- 36 g. The effectiveness of district attorneys and their staffs in
- 37 responding to domestic violence and other crimes of violence.
- 38 h. Services and support provided to victims.
- 39 i. Accountability to the public.

40 (9) Any other issue deemed relevant by the Legislative Research
 41 Commission.

42 **SECTION 14.15.(b)** The findings and recommendations of the study shall
 43 be reported to the Chairs of the House of Representatives and Senate Appropriations
 44 Committee, Chairs of the House of Representatives and Senate Appropriations
 45 Subcommittees on Justice and Public Safety, and the Fiscal Research Division by
 46 March 15, 2008.

47
 48 **PART XV. DEPARTMENT OF JUSTICE**

49
 50 **STATEWIDE AUTOMATED FINGERPRINT SYSTEM REPLACEMENT**
 51 **(SAFIS) REPORTS**

1 **SECTION 15.1.** The Department of Justice shall provide two status reports
2 on the implementation of Phase II of SAFIS to the Chairs of the House of
3 Representatives and Senate Appropriations Subcommittees on Justice and Public Safety
4 and the Joint Legislative Commission on Governmental Operations. The first report
5 shall be provided no later than February 1, 2008, and the second report shall be
6 provided no later than May 1, 2008. Each report shall include all of the following:

- 7 (1) A description of the system.
- 8 (2) A summary of work done with prior year appropriations.
- 9 (3) A list of all sites that are scheduled to receive new equipment.
- 10 (4) A list of sites that have already received new equipment.
- 11 (5) A time line for completion of the project.
- 12 (6) Expenditures for the year to date.

13
14 **PRIVATE PROTECTIVE SERVICES AND ALARM SYSTEMS LICENSING**
15 **BOARDS PAY FOR USE OF STATE FACILITIES AND SERVICES**

16 **SECTION 15.2.** The Private Protective Services and Alarm Systems
17 Licensing Boards shall pay the appropriate State agency for the use of physical facilities
18 and services provided to those Boards by the State.

19
20 **USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE**
21 **LAW ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT**

22 **SECTION 15.3.(a)** Assets transferred to the Departments of Justice,
23 Correction, and Crime Control and Public Safety during the 2007-2009 fiscal biennium
24 pursuant to applicable federal law shall be credited to the budgets of the respective
25 departments and shall result in an increase of law enforcement resources for those
26 departments. The Departments of Justice, Correction, and Crime Control and Public
27 Safety shall report to the Joint Legislative Commission on Governmental Operations
28 upon receipt of the assets and, before using the assets, shall report on the intended use of
29 the assets and the departmental priorities on which the assets may be expended.

30 **SECTION 15.3.(b)** The General Assembly finds that the use of assets
31 transferred pursuant to federal law for new personnel positions, new projects,
32 acquisition of real property, repair of buildings where the repair includes structural
33 change, and construction of or additions to buildings may result in additional expenses
34 for the State in future fiscal periods. Therefore, the Department of Justice, the
35 Department of Correction, and the Department of Crime Control and Public Safety are
36 prohibited from using these assets for such purposes without the prior approval of the
37 General Assembly.

38 **SECTION 15.3.(c)** Nothing in this section prohibits North Carolina law
39 enforcement agencies from receiving funds from the United States Department of
40 Justice, the United States Department of the Treasury, and the United States Department
41 of Health and Human Services.

42
43 **CERTAIN LITIGATION EXPENSES TO BE PAID BY CLIENTS**

44 **SECTION 15.4.** Client departments, agencies, and boards shall reimburse
45 the Department of Justice for reasonable court fees, attorney travel and subsistence
46 costs, and other costs directly related to litigation in which the Department of Justice is
47 representing the department, agency, or board.

48
49 **REIMBURSEMENT FOR UNC BOARD OF GOVERNORS LEGAL**
50 **REPRESENTATION**

1 **SECTION 15.5.** The Department of Justice shall be reimbursed by the
2 Board of Governors of The University of North Carolina for two Attorney III positions
3 to provide legal representation to The University of North Carolina System.

4
5 **NC LEGAL EDUCATION ASSISTANCE FOUNDATION REPORT ON FUNDS**
6 **DISBURSED**

7 **SECTION 15.6.** The North Carolina Legal Education Assistance Foundation
8 shall report by March 1 of each year to the Joint Legislative Commission on
9 Governmental Operations and the Chairs of the House of Representatives and Senate
10 Appropriations Subcommittees on Justice and Public Safety on the expenditure of State
11 funds, the purpose of the expenditures, the number of attorneys receiving funds, the
12 average award amount, the average student loan amount, the number of attorneys on the
13 waiting list, and the average number of years for which attorneys receive loan
14 assistance.

15
16 **PART XVI. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY**

17
18 **ANNUAL EVALUATION OF TARHEEL CHALLENGE PROGRAM**

19 **SECTION 16.1.** The Department of Crime Control and Public Safety shall
20 report to the Chairs of the House of Representatives and Senate Appropriations
21 Committees and the Chairs of the House of Representatives and Senate Appropriations
22 Subcommittees on Justice and Public Safety by March 1 of each year of the biennium
23 on the operations and effectiveness of the National Guard Tarheel Challenge Program.
24 In particular, the Department shall evaluate and report on the Program's effectiveness as
25 an intervention method for preventing juveniles from becoming undisciplined or
26 delinquent and on the Program's role in improving individual skills and employment
27 potential for participants. The report shall also include all of the following:

- 28 (1) The source of referrals for individuals participating in the Program.
- 29 (2) The summary of types of actions or offenses committed by the
30 participants of the Program.
- 31 (3) An analysis outlining the cost of providing services for each
32 participant, including a breakdown of all expenditures related to the
33 administration and operation of the Program and the education and
34 treatment of the Program participants.
- 35 (4) The number of individuals who successfully complete the Program.
- 36 (5) The number of participants who commit offenses after completing the
37 Program.

38
39 **NEW ALE NON-SWORN JOB CLASSIFICATION**

40 **SECTION 16.2.(a)** As recommended by the Fiscal Research Division of the
41 General Assembly in the February 2007 Justification Review, the State Personnel
42 Commission shall develop for review a new non-sworn position classification for the
43 Alcohol Law Enforcement Division of the Department of Crime Control and Public
44 Safety that would supplement the agents that are employed by the Division.

45 **SECTION 16.2.(b)** Prior to the action taken pursuant to subsection (a) of
46 this section, the Office of State Personnel shall review all of the following:

- 47 (1) The Justification Review report.
- 48 (2) Current position descriptions and job classifications.
- 49 (3) Tasks currently performed by ALE field agents in order to determine
50 tasks that could be performed by non-sworn or noncertified personnel.

- 1 (4) Information on other states that use non-sworn staff for inspection,
2 compliance, and education efforts currently performed by North
3 Carolina ALE agents.

4 **SECTION 16.2.(c)** The Office of State Personnel shall report the results of
5 its review in writing to the Joint Legislative Corrections, Crime Control, and Juvenile
6 Justice Oversight Committee and to the State Personnel Commission by February 1,
7 2008. The Office of State Personnel report shall include (i) a detailed description of the
8 new ALE civilian position, including the job classification, a description of all of the
9 duties assigned to the position, and the salary grade for the position, (ii) the estimated
10 number of positions that should be established, and (iii) a time line for further review of
11 the job classification by the State Personnel Commission.

12
13 **ALTERNATIVE FUNDING SOURCE STUDY FOR LAW ENFORCEMENT**
14 **SUPPORT SERVICES AND THE GEOSPATIAL AND TECHNOLOGY**
15 **MANAGEMENT PROGRAM**

16 **SECTION 16.3.(a)** The Department of Crime Control and Public Safety
17 shall study alternative funding sources for the operating costs of the Law Enforcement
18 Support Services Program. By March 1, 2008, the Department shall report the results of
19 this study to the Joint Legislative Corrections, Crime Control, and Juvenile Justice
20 Oversight Committee and the Chairs of the House of Representatives and Senate
21 Appropriations Subcommittees on Justice and Public Safety. This report shall include
22 information about possible federal grant sources and options for receipt-based funding
23 from State and local agencies.

24 **SECTION 16.3.(b)** The Department of Crime Control and Public Safety
25 shall study alternative funding sources for the Geospatial and Technology Management
26 Program. By March 1, 2008, the Department shall report the results of this study to the
27 Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee
28 and the Chairs of the House of Representatives and Senate Appropriations
29 Subcommittees on Justice and Public Safety. This report shall include information about
30 possible federal grant sources and receipt-based funding options from federal, State, and
31 local agencies as well as private industry.

32
33 **NC NATIONAL GUARD KIDS ON GUARD REPORT**

34 **SECTION 16.4.** The National Guard Kids on Guard program shall report to
35 the Joint Legislative Commission on Governmental Operations and the Chairs of the
36 Joint Appropriations Subcommittee on Justice and Public Safety no later than March 1,
37 2008. The report shall include information on (i) the program's funding, (ii) the
38 program's expenditures, (iii) the number of events completed and planned for the
39 2008-2009 fiscal year, and (iv) the number of children served.

40
41 **USE OF GANG PREVENTION FUNDS**

42 **SECTION 16.5.(a)** Of the funds appropriated in this act to the Department
43 of Crime Control and Public Safety, Governor's Crime Commission, the sum of four
44 million seven hundred sixty thousand one hundred ninety-five dollars (\$4,760,195) for
45 the 2007-2008 fiscal year shall be used to provide grants for street gang violence
46 prevention and intervention programs.

47 **SECTION 16.5.(b)** The Governor's Crime Commission shall develop the
48 criteria for eligibility for these funds. The criteria shall include a matching requirement
49 of twenty-five percent (25%), one-half of which may be in in-kind contributions, and
50 presentation of a written plan for the services to be provided by the funds. Funds shall

1 be available to public and private entities or agencies for juvenile or adult programs that
2 meet the criteria established by the Governor's Crime Commission.

3 **SECTION 16.5.(c)** The Governor's Crime Commission shall report on the
4 uses of these funds no later than April 1, 2008, to the House of Representatives
5 Appropriations Subcommittee on Justice and Public Safety, the Senate Appropriations
6 Subcommittee on Justice and Public Safety, and the Fiscal Research Division.

7 8 **PART XVII. DEPARTMENT OF CORRECTION**

9 10 **MUTUAL AGREEMENT PAROLE PROGRAM**

11 **SECTION 17.1.** The Department of Correction and the Post-Release
12 Supervision and Parole Commission shall report by March 1 of each year to the Chairs
13 of the House of Representatives and Senate Appropriations Subcommittees on Justice
14 and Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile
15 Justice Oversight Committee on the number of inmates enrolled in the program, the
16 number completing the program and being paroled, and the number who enrolled but
17 were terminated from the program. The information should be based on the previous
18 calendar year.

19 20 **INMATE ROAD SQUADS AND LITTER CREWS**

21 **SECTION 17.2.** Of the funds appropriated to the Department of
22 Transportation in this act, the sum of eleven million three hundred thousand dollars
23 (\$11,300,000) per year shall be transferred by the Department to the Department of
24 Correction during the 2007-2008 and 2008-2009 fiscal years for the cost of operating
25 medium custody inmate road squads, as authorized by G.S. 148-26.5, and minimum
26 custody inmate litter crews. This transfer shall be made quarterly in the amount of two
27 million eight hundred twenty-five thousand dollars (\$2,825,000). The Department of
28 Transportation may use funds appropriated in this act to pay an additional amount
29 exceeding the eleven million three hundred thousand dollars (\$11,300,000), but those
30 payments shall be subject to negotiations among the Department of Transportation, the
31 Department of Correction, and the Office of State Budget and Management prior to
32 payment by the Department of Transportation.

33 The Office of State Budget and Management shall conduct a study, in
34 consultation with the Department of Correction and the Department of Transportation,
35 to determine the actual cost and cost/benefit of operating medium custody road squads
36 and minimum custody litter crews. The Office of State Budget and Management shall
37 report the results of this study to the Joint Legislative Corrections, Crime Control, and
38 Juvenile Justice Oversight Committee and to the Joint Legislative Transportation
39 Oversight Committee by March 1, 2008. The study shall include a recommendation on
40 whether or not the amount transferred from the Department of Transportation to the
41 Department of Correction for this work is adequate.

42 43 **ALCOHOL AND CHEMICAL DEPENDENCY PROGRAM REPORT**

44 **SECTION 17.3.(a)** G.S. 143B-262.3. reads as rewritten:

45 **"§ 143B-262.3. Reports to the General Assembly.**

46 (a) The Department of Correction shall report by March 1 of each year to the
47 Chairs of the Senate and House Appropriations Committees and the Chairs of the
48 Senate and House Appropriations Subcommittees in Justice and Public Safety on their
49 efforts to provide effective treatment to offenders with substance abuse problems. The
50 report shall include:

- 1 (1) Details of any new initiatives and expansions or reduction of
2 programs;
- 3 (2) Details on any treatment efforts conducted in conjunction with other
4 departments;
- 5 (3) Utilization of and completion rates for the DART/DWI program,
6 including its a report of the status of the aftercare program;
- 7 (4) ~~Progress in the development on an offender and inmate tracking and~~
8 ~~program evaluation system; and~~
- 9 (5) ~~A report on the number of current inmates with substance abuse~~
10 ~~problems, the numbers currently receiving treatment, and the numbers~~
11 ~~who have completed treatment. As an offender and inmate tracking~~
12 ~~system becomes operational, this report shall also include information~~
13 ~~on the recidivism of inmates who have previously completed substance~~
14 ~~abuse treatment and been released from prison.~~
- 15 (6) Statistical information on the number of current inmates with
16 substance abuse problems that require treatment, the number receiving
17 treatment, the numbers who have completed treatment and a
18 comparison of available treatment slots to actual utilization rates. The
19 report shall include this information for each DOC funded program;
20 and
- 21 (7) Evaluation of each substance abuse treatment program funded by the
22 Department of Correction. Evaluation measures shall include reduction
23 in alcohol and drug dependency, recidivism, and other measures of the
24 programs' success.

25 ~~(b) The Department shall also report to the Chairs of the Senate and House of~~
26 ~~Representatives Appropriations Subcommittees on Justice and Public Safety by May 1,~~
27 ~~2004, and by February 1 annually beginning in 2005, on the average caseloads of~~
28 ~~Community Service Work Program coordinators, by district, division, and statewide.~~
29 ~~The report shall also include the money collected, the type and value of the work~~
30 ~~performed, and the number of offenders in the Community Service Work Program, by~~
31 ~~type of referral (i.e. parole, supervised probation, unsupervised probation or community~~
32 ~~punishment, DWI, or any other agency referrals)."~~

33 **SECTION 17.3.(b)** During the 2007-2009 fiscal biennium, the Department
34 of Correction evaluation effort shall focus mainly on evaluation of the long-term
35 residential therapeutic communities operated by the Department of Correction through
36 private contract and those operated directly by the Department of Correction. The
37 evaluation component of the March 1, 2008, annual report shall be a status report and
38 provide preliminary information. The final evaluation report shall be included in the
39 March 1, 2009, annual report.

40 41 **INMATE CONSTRUCTION PROGRAM**

42 **SECTION 17.4.** Funding authorized in this act is intended to increase
43 participation in the Inmate Construction Program in order to improve inmate job skills
44 and reduce recidivism. By April 1, 2008, the Department of Correction shall report to
45 the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
46 Committee and the House and Senate Appropriations Subcommittees on Justice and
47 Public Safety on the Inmate Construction Program. The report shall summarize the
48 2007-2008 Inmate Construction Program projects, including a description of each
49 project, the number of inmate workers, and the estimated total cost of the project
50 compared to the cost if the project was conducted without inmate workers. The report

1 shall also estimate the number of inmate workers that will be used in the program
2 during the 2008-2009 fiscal year.

3 4 **FEDERAL GRANT REPORTING**

5 **SECTION 17.5.** The Department of Correction, the Department of Justice,
6 the Department of Crime Control and Public Safety, the Judicial Department, and the
7 Department of Juvenile Justice and Delinquency Prevention shall report by May 1 of
8 each year to the Joint Legislative Commission on Governmental Operations, the Chairs
9 of the House of Representatives and Senate Appropriations Committees, and the Chairs
10 of the House of Representatives and Senate Appropriations Subcommittees on Justice
11 and Public Safety on federal grant funds received or preapproved for receipt by those
12 departments. The report shall include information on the amount of grant funds received
13 or preapproved for receipt by each department, the use of the funds, the State match
14 expended to receive the funds, and the period to be covered by each grant. If the
15 department intends to continue the program beyond the end of the grant period, the
16 department shall report on the proposed method for continuing the funding of the
17 program at the end of the grant period. Each department shall also report on any
18 information it may have indicating that the State will be requested to provide future
19 funding for a program presently supported by a local grant.

20 21 **REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY** 22 **MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE** 23 **SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM**

24 **SECTION 17.6.** Notwithstanding G.S. 143C-6-9, the Department of
25 Correction may use funds available to the Department for the 2007-2009 biennium to
26 pay the sum of forty dollars (\$40.00) per day as reimbursement to counties for the cost
27 of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to
28 the State prison system, as provided in G.S. 148-29. The Department shall report
29 quarterly to the Joint Legislative Commission on Governmental Operations, the Joint
30 Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, the
31 Chairs of the House of Representatives and Senate Appropriations Committees, and the
32 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
33 Justice and Public Safety on the expenditure of funds to reimburse counties for
34 prisoners awaiting transfer and on its progress in reducing the jail backlog.

35 36 **USE OF CLOSED PRISON FACILITIES**

37 **SECTION 17.7.** In conjunction with the closing of prison facilities,
38 including small expensive prison units recommended for consolidation by the
39 Government Performance Audit Committee, the Department of Correction shall consult
40 with the county or municipality in which the unit is located, with the elected State and
41 local officials, and with State agencies about the possibility of converting that unit to
42 other use. The Department may also consult with any private for-profit or nonprofit firm
43 about the possibility of converting the unit to other use. In developing a proposal for
44 future use of each unit, the Department shall give priority to converting the unit to other
45 criminal justice use. Consistent with existing law and the future needs of the
46 Department of Correction, the State may provide for the transfer or the lease of any of
47 these units to counties, municipalities, State agencies, or private firms wishing to
48 convert them to other use. The Department of Correction may also consider converting
49 some of the units recommended for closing from one security custody level to another,
50 where that conversion would be cost-effective. A prison unit under lease to a county
51 pursuant to the provisions of this section for use as a jail is exempt for the period of the

1 lease from any of the minimum standards adopted by the Secretary of Health and
2 Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that
3 would subject the unit to greater standards than those required of a unit of the State
4 prison system.

5 Prior to any transfer or lease of these units, the Department of Correction
6 shall report on the terms of the proposed transfer or lease to the Joint Legislative
7 Commission on Governmental Operations and the Joint Legislative Corrections, Crime
8 Control, and Juvenile Justice Oversight Committee. The Department of Correction shall
9 also provide annual summary reports to the Joint Legislative Commission on
10 Governmental Operations and the Joint Legislative Corrections, Crime Control, and
11 Juvenile Justice Oversight Committee on the conversion of these units to other use and
12 on all leases or transfers entered into pursuant to this section.

13 14 **LIMIT USE OF OPERATIONAL FUNDS**

15 **SECTION 17.8.** Funds appropriated in this act to the Department of
16 Correction for operational costs for additional facilities shall be used for personnel and
17 operating expenses set forth in the budget approved by the General Assembly in this act.
18 These funds shall not be expended for any other purpose, except as provided for in this
19 act, and shall not be expended for additional prison personnel positions until the new
20 facilities are within 120 days of projected completion, except that the Department may
21 establish critical positions prior to 120 days of completion representing no more than
22 twenty percent (20%) of the total estimated number of positions.

23 24 **ENERGY COMMITTED TO OFFENDERS/CONTRACT AND REPORT**

25 **SECTION 17.9.** The Department of Correction may continue to contract
26 with Energy Committed To Offenders, Inc., for the purchase of prison beds for
27 minimum security female inmates during the 2007-2009 biennium. Energy Committed
28 To Offenders, Inc., shall report by February 1 of each year to the Joint Legislative
29 Commission on Governmental Operations on the annual cost per inmate and the average
30 daily inmate population compared to bed capacity using the same methodology as that
31 used by the Department of Correction.

32 33 **INMATE MEDICAL COSTS**

34 **SECTION 17.10.** Notwithstanding the provisions of G.S. 143C-6-9, the
35 Department of Correction may use funds available during the 2007-2009 biennium for
36 the purchase of inmate medical services if expenditures are projected to exceed the
37 Department's inmate medical continuation budget. The Department shall consult with
38 the Joint Legislative Commission on Governmental Operations prior to exceeding the
39 continuation budget amount.

40 41 **PAROLE ELIGIBILITY REPORT**

42 **SECTION 17.11.(a)** The Post-Release Supervision and Parole Commission
43 shall, with the assistance of the North Carolina Sentencing and Policy Advisory
44 Commission and the Department of Correction, analyze the amount of time each inmate
45 who is eligible for parole on or before July 1, 2008, has served compared to the time
46 served by offenders under Structured Sentencing for comparable crimes. The
47 Commission shall determine if the person has served more time in custody than the
48 person would have served if sentenced to the maximum sentence under the provisions
49 of Article 81B of Chapter 15A of the General Statutes. The "maximum sentence", for
50 the purposes of this section, shall be calculated as set forth in subsection (b) of this
51 section.

1 **SECTION 17.11.(b)** For the purposes of this section, the following rules
2 apply for the calculation of the maximum sentence:

- 3 (1) The offense upon which the person was convicted shall be classified as
4 the same felony class as the offense would have been classified if
5 committed after the effective date of Article 81B of Chapter 15A of
6 the General Statutes.
- 7 (2) The minimum sentence shall be the maximum number of months in
8 the presumptive range of minimum durations in Prior Record Level VI
9 of G.S. 15A-1340.17(c) for the felony class determined under
10 subdivision (1) of this subsection. The maximum sentence shall be
11 calculated using G.S. 15A-1340.17(d), (e), or (e1).
- 12 (3) If a person is serving sentences for two or more offenses that are
13 concurrent in any respect, then the offense with the greater
14 classification shall be used to determine a single maximum sentence
15 for the concurrent offenses. The fact that the person has been
16 convicted of multiple offenses may be considered by the Commission
17 in making its determinations under subsection (a) of this section.

18 **SECTION 17.11.(c)** The Commission shall report to the Joint Legislative
19 Corrections, Crime Control, and Juvenile Justice Oversight Committee and to the
20 Chairs of the House of Representatives and Senate Appropriations Committees, and the
21 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
22 Justice and Public Safety by April 1, 2008. The report shall include the following: the
23 class of the offense for which each parole-eligible inmate was convicted and whether an
24 inmate had multiple criminal convictions. The Commission shall reinstate the parole
25 review process for each offender who has served more time than that person would have
26 under Structured Sentencing as provided by subsections (a) and (b) of this section.

27 The Commission shall also report on the number of parole-eligible inmates
28 reconsidered in compliance with this section and the number who were actually paroled.

30 **FEDERAL GRANT MATCHING FUNDS**

31 **SECTION 17.12.** Notwithstanding the provisions of G.S. 143C-6-9, the
32 Department of Correction may use up to the sum of one million two hundred thousand
33 dollars (\$1,200,000) during the 2007-2008 fiscal year from funds available to the
34 Department to provide the State match needed in order to receive federal grant funds.
35 Prior to using funds for this purpose, the Department shall report to the Chairs of the
36 House of Representatives and Senate Appropriations Subcommittees on Justice and
37 Public Safety and the Joint Legislative Commission on Governmental Operations on the
38 grants to be matched using these funds.

40 **REPORTS ON NONPROFIT PROGRAMS**

41 **SECTION 17.13.(a)** Funds appropriated in this act to the Department of
42 Correction to support the programs of Harriet's House may be used for program
43 operating costs, the purchase of equipment, and the rental of real property to serve
44 women released from prison with children in their custody. Harriet's House shall report
45 by February 1 of each year to the Joint Legislative Corrections, Crime Control, and
46 Juvenile Justice Oversight Committee and the Chairs of the House of Representatives
47 and Senate Appropriations Subcommittees on Justice and Public Safety on the
48 expenditure of State appropriations and on the effectiveness of the program, including
49 information on the number of clients served, the number of clients who successfully
50 complete the Harriet's House program, and the number of clients who have been
51 rearrested within three years of successfully completing the program. The report shall

1 provide financial and program data for the complete fiscal year prior to the year in
2 which the report is submitted. The financial report shall identify all funding sources and
3 amounts.

4 **SECTION 17.13.(b)** Summit House shall report by February 1 of each year
5 to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
6 Committee and the Chairs of the House of Representatives and Senate Appropriations
7 Subcommittees on Justice and Public Safety on the expenditure of State appropriations
8 and on the effectiveness of the program, including information on the number of clients
9 served, the number of clients who have had their probation revoked, the number of
10 clients who successfully complete the program while housed at Summit House, Inc.,
11 and the number of clients who have been rearrested within three years of successfully
12 completing the program. The report shall provide financial and program data for the
13 complete fiscal year prior to the year in which the report is submitted. The financial
14 report shall identify all funding sources and amounts.

15 **SECTION 17.13.(c)** Women at Risk shall report by February 1 of each year
16 to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
17 Committee and the Chairs of the House of Representatives and Senate Appropriations
18 Subcommittees on Justice and Public Safety on the expenditure of State funds and on
19 the effectiveness of the program, including information on the number of clients served,
20 the number of clients who have had their probation revoked, the number of clients who
21 have successfully completed the program, and the number of clients who have been
22 rearrested within three years of successfully completing the program. The report shall
23 provide financial and program data for the complete fiscal year prior to the year in
24 which the report is submitted. The financial report shall identify all funding sources and
25 amounts.

26 **SECTION 17.13.(d)** Our Children's Place shall report by February 1, 2008,
27 to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
28 Committee and the Chairs of the House of Representatives and Senate Appropriations
29 Subcommittees on Justice and Public Safety on the status of the planning, design, and
30 construction of Our Children's Place, the proposed program components and evaluation
31 measures, and on the projected number of inmates and their children to be served. The
32 report shall also provide financial data, including the expenditure of State funds and all
33 funding sources and amounts.

34 35 **REPORT ON ELECTRONIC MONITORING PROGRAM/USE OF GLOBAL** 36 **POSITIONING SYSTEMS FOR SEX OFFENDERS**

37 **SECTION 17.14.** The Department of Correction shall report by March 1 of
38 each year to the Chairs of the House and Senate Appropriations Committees, the Chairs
39 of the House of Representatives and Senate Appropriations Subcommittees on Justice
40 and Public Safety, and the Joint Legislative Corrections, Crime Control, and Juvenile
41 Justice Oversight Committee on the following:

- 42 (1) The number of sex offenders enrolled on active and passive GPS
43 monitoring.
 - 44 (2) The caseloads of probation officers assigned to GPS-monitored sex
45 offenders.
 - 46 (3) The number of violations.
 - 47 (4) The number of absconders.
 - 48 (5) The projected number of offenders to be enrolled by the end of the
49 2007-2008 fiscal year and the end of the 2008-2009 fiscal year.
 - 50 (6) The total cost of the program, including a per-offender cost.
- 51

CRIMINAL JUSTICE PARTNERSHIP

SECTION 17.15.(a) Notwithstanding the provisions of G.S. 143B-273.15 specifying that grants to participating counties are for the full fiscal year and that unobligated funds are returned to the State-County Criminal Justice Partnership Account at the end of the grant period, the Department of Correction may reallocate unspent or unclaimed funds distributed to counties participating in the State-County Criminal Justice Partnership Program in an effort to maintain the level of services realized in previous fiscal years.

SECTION 17.15.(b) The Department of Correction may not deny funds to a county to support both a residential program and a day reporting center if the Department of Correction determines that the county has a demonstrated need and a fully developed plan for each type of sanction.

SECTION 17.15.(c) The Department of Correction shall report by March 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Committees, the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety, and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the status of the State-County Criminal Justice Partnership Program. The report shall include the following information:

- (1) The amount of funds carried over from the prior fiscal year;
- (2) The dollar amount and purpose of grants awarded to counties as discretionary grants for the current fiscal year;
- (3) Any counties the Department anticipates will submit requests for new implementation grants;
- (4) An update on efforts to ensure that all counties make use of the electronic reporting system, including the number of counties submitting offender participation data via the system;
- (5) An analysis of offender participation data received, including data on each program's utilization and capacity;
- (6) An analysis of comparable programs prepared by the Division of Research and Planning, Department of Correction, including a comparison of programs in each program type on selected outcome measures developed by the Division of Community Corrections in consultation with the Fiscal Research Division and the Division of Research and Planning, and a summary of the reports prepared by county Criminal Justice Partnerships Advisory Boards;
- (7) An evaluation of whether each sentenced offender program meets program standards developed by the Division of Community Corrections in consultation with the Division of Research and Planning;
- (8) The number of community offenders and intermediate offenders served by each county program;
- (9) The amount of Criminal Justice Partnership funds spent on community offenders and intermediate offenders; and
- (10) A short description of the services and programs provided by each partnership, including who the service providers are and the amount of funds each service provider receives.

SECTION 17.15.(d) The Research and Planning Division of the Department of Correction shall review national best practice programs for community corrections and recommend whether the type of programs currently being funded should continue to be funded, and whether alternative programs should be funded if a county wants to expand sanction options. The Division shall report on its review by March 1 of each

1 year to the Chairs of the House of Representatives and Senate Appropriations
2 Committees, the House of Representatives and Senate Appropriations Subcommittees
3 on Justice and Public Safety, and the Joint Legislative Corrections, Crime Control, and
4 Juvenile Justice Oversight Committee.

5 6 **REPORT ON PROBATION AND PAROLE CASELOADS**

7 **SECTION 17.16.(a)** The Department of Correction shall report by March 1
8 of each year to the Chairs of the House of Representatives and Senate Appropriations
9 Subcommittees on Justice and Public Safety and the Joint Legislative Corrections,
10 Crime Control, and Juvenile Justice Oversight Committee on caseload averages for
11 probation and parole officers. The report shall include:

- 12 (1) Data on current caseload averages for Probation Parole Officer I,
13 Probation Parole Officer II, and Probation Parole Officer III positions;
- 14 (2) An analysis of the optimal caseloads for these officer classifications;
- 15 (3) An assessment of the role of surveillance officers;
- 16 (4) The number and role of paraprofessionals in supervising low-risk
17 caseloads;
- 18 (5) An update on the Department's implementation of the
19 recommendations contained in the National Institute of Correction
20 study conducted on the Division of Community Corrections in 2004;
- 21 (6) The selection of a risk assessment and the resulting distribution of
22 offenders among risk levels; and
- 23 (7) Any position reallocations in the previous 12 months, and the reasons
24 for and fiscal impact of those reallocations.

25 **SECTION 17.16.(b)** The Department of Correction shall conduct a study of
26 probation/parole officer workload at least biannually. The study shall include analysis of
27 the type of offenders supervised, the distribution of the probation/parole officers' time
28 by type of activity, the caseload carried by the officers, and comparisons to practices in
29 other states. The study shall be used to determine whether the caseload goals established
30 by the Structured Sentencing Act are still appropriate, based on the nature of the
31 offenders supervised and the time required to supervise those offenders.

32 **SECTION 17.16.(c)** The Department of Correction shall report the results of
33 the study and recommendations for any adjustments to caseload goals to the House of
34 Representatives and Senate Appropriations Subcommittees on Justice and Public Safety
35 by January 1, 2009.

36 37 **COMMUNITY SERVICE WORK PROGRAM**

38 **SECTION 17.17.** The Department of Correction shall report to the Chairs of
39 the House of Representatives and Senate Appropriations Subcommittees on Justice and
40 Public Safety by February 1 of each year on the integration of the Community Service
41 Work Program into the Division of Community Corrections, including the Department's
42 ability to monitor the collection of offender payments from unsupervised offenders
43 sentenced to community service. The Department shall also report to the Chairs of the
44 House of Representatives and Senate Appropriations Subcommittees on Justice and
45 Public Safety by February 1 of each year on the average caseloads of Community
46 Service Work Program coordinators, by district, division, and statewide. The report
47 shall also include the money collected, the type and value of the work performed, and
48 the number of offenders in the Community Service Work Program, by type of referral
49 (i.e. parole, supervised probation, unsupervised probation or community punishment,
50 DWI, or any other agency referrals).

1 **PART XVIII. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY**
2 **PREVENTION**

3
4 **SUPPORT OUR STUDENTS ADMINISTRATIVE COST LIMITS**

5 **SECTION 18.1.** Of the funds appropriated to the Department of Juvenile
6 Justice and Delinquency Prevention in this act, not more than five hundred thousand
7 dollars (\$500,000) for the 2007-2008 fiscal year and not more than five hundred
8 thousand dollars (\$500,000) for the 2008-2009 fiscal year may be used to administer the
9 Support Our Students (S.O.S.) Program, to provide technical assistance to applicants
10 and to local S.O.S. programs, and to evaluate the local S.O.S. programs. The
11 Department may contract with appropriate public or nonprofit agencies to provide the
12 technical assistance, including training and related services.
13

14 **JCPC GRANT REPORTING AND CERTIFICATION**

15 **SECTION 18.2.(a)** On or before April 1 each year, the Department of
16 Juvenile Justice and Delinquency Prevention shall submit to the Joint Legislative
17 Commission on Governmental Operations and the Appropriations Committees of the
18 Senate and House of Representatives a list of the recipients of the grants awarded, or
19 preapproved for award, from funds appropriated to the Department for local Juvenile
20 Crime Prevention Council grants. The list shall include for each recipient the amount of
21 the grant awarded, the membership of the local committee or council administering the
22 award funds on the local level, and a short description of the local services, programs, or
23 projects that will receive funds. The list shall also identify any programs that received
24 grant funds at one time but for which funding has been eliminated by the Department of
25 Juvenile Justice and Delinquency Prevention. A written copy of the list and other
26 information regarding the projects shall also be sent to the Fiscal Research Division of
27 the General Assembly.

28 **SECTION 18.2.(b)** Each county in which local programs receive Juvenile
29 Crime Prevention Council grant funds from the Department of Juvenile Justice and
30 Delinquency Prevention shall certify annually through its local council to the
31 Department that funds received are not used to duplicate or supplant other programs
32 within the county.
33

34 **REPORTS ON CERTAIN PROGRAMS**

35 **SECTION 18.3.(a)** Project Challenge North Carolina, Inc., shall report to
36 the Department of Juvenile Justice and Delinquency Prevention and the Chairs of the
37 House of Representatives and Senate Appropriations Subcommittees on Justice and
38 Public Safety by April 1 each year on the operation and the effectiveness of its program
39 in providing alternative dispositions and services to juveniles who have been
40 adjudicated delinquent or undisciplined. The report shall include information on:

- 41 (1) The source of referrals for juveniles.
- 42 (2) The types of offenses committed by juveniles participating in the
43 program.
- 44 (3) The amount of time those juveniles spend in the program.
- 45 (4) The number of juveniles who successfully complete the program.
- 46 (5) The number of juveniles who commit additional offenses after
47 completing the program.
- 48 (6) The program's budget and expenditures, including all funding sources.

49 **SECTION 18.3.(b)** The Juvenile Assessment Center shall report to the
50 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
51 Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and

1 Juvenile Justice Oversight Committee on the effectiveness of the Center by April 1 each
2 year. The report shall include information on the number of juveniles served and an
3 evaluation of the effectiveness of juvenile assessment plans and services provided as a
4 result of these plans. In addition, the report shall include information on the Center's
5 budget and expenditures, including all funding sources.

6 **SECTION 18.3.(c)** Communities in Schools shall report to the Department
7 of Juvenile Justice and Delinquency Prevention, the Chairs of the House of
8 Representatives and Senate Appropriations Subcommittees on Justice and Public Safety,
9 the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
10 Committee, and the Joint Legislative Education Oversight Committee by April 1 each
11 year on the operation and effectiveness of its program. The report shall include
12 information on:

- 13 (1) The number of children served.
- 14 (2) The number of volunteers used.
- 15 (3) The impact on children who have received services from Communities
16 in Schools, including graduation rates, dropout rates, suspension and
17 expulsion rates, and involvement with the juvenile justice system.
- 18 (4) The program's budget and expenditures, including all funding sources.

19 **ANNUAL EVALUATION OF COMMUNITY PROGRAMS**

20 **SECTION 18.4.** The Department of Juvenile Justice and Delinquency
21 Prevention shall conduct an evaluation of the Eckerd and Camp Woodson wilderness
22 camp programs, the teen court programs, the program that grants funds to the local
23 organizations of the Boys and Girls Clubs established pursuant to Section 21.10 of S.L.
24 1999-237, the Support Our Students Program, the Governor's One-on-One Programs,
25 and multipurpose group homes. The teen court report shall include statistical
26 information on the number of juveniles served, the number and type of offenses
27 considered by teen courts, referral sources for teen courts, and the number of juveniles
28 that become court-involved after participation in teen courts. The report on the Boys
29 and Girls Clubs program shall include information on:

- 30 (1) The expenditure of State appropriations on the program;
- 31 (2) The operations and the effectiveness of the program; and
- 32 (3) The number of juveniles served under the program.

33 In conducting the evaluation of each of these programs, the Department shall
34 consider whether participation in each program results in a reduction of court
35 involvement among juveniles. The Department shall also identify whether the programs
36 are achieving the goals and objectives of the Juvenile Justice Reform Act, S.L.
37 1998-202. The Department shall report the results of the evaluation to the Joint
38 Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, the
39 Chairs of the House of Representatives and Senate Appropriations Committees and the
40 Chairs of the Subcommittees on Justice and Public Safety of the House of
41 Representatives and Senate Appropriations Committees by March 1 of each year.

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

43 **SECTION 18.5.** Funds appropriated in this act to the Department of Juvenile
44 Justice and Delinquency Prevention for the 2007-2008 fiscal year may be used as
45 matching funds for the Juvenile Accountability Incentive Block Grants. If North
46 Carolina receives Juvenile Accountability Incentive Block Grants, or a notice of funds
47 to be awarded, the Office of State Budget and Management and the Governor's Crime
48 Commission shall consult with the Department of Juvenile Justice and Delinquency
49 Prevention regarding the criteria for awarding federal funds. The Office of State Budget
50
51

1 and Management, the Governor's Crime Commission, and the Department of Juvenile
2 Justice and Delinquency Prevention shall report to the Appropriations Committees of
3 the House of Representatives and Senate and the Joint Legislative Commission on
4 Governmental Operations prior to allocation of the federal funds. The report shall
5 identify the amount of funds to be received for the 2007-2008 fiscal year, the amount of
6 funds anticipated for the 2008-2009 fiscal year, and the allocation of funds by program
7 and purpose.
8

9 **REPORTING ON TREATMENT STAFFING MODEL AT YOUTH**
10 **DEVELOPMENT CENTERS**

11 **SECTION 18.6.** The Department of Juvenile Justice and Delinquency
12 Prevention shall continue quarterly reporting during the 2007-2008 fiscal year to the
13 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
14 Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and
15 Juvenile Justice Oversight Committee on the implementation of the treatment staffing
16 model at Samarkand and Stonewall Jackson Youth Development Centers, including the
17 latest results of the evaluation of the pilot treatment staffing models at the Centers and
18 the progress in implementing the model at other youth development centers. In the April
19 1, 2008 report, the Department shall include a recommendation on whether the staffing
20 and budget for youth development centers should be maintained at the recommended
21 2007-2008 levels or be modified to reflect the results of the pilot treatment programs.
22

23 **PROGRESS REPORTS ON YOUTH DEVELOPMENT CENTER CAPITAL**
24 **PROJECTS**

25 **SECTION 18.7.(a)** The Department of Juvenile Justice and Delinquency
26 Prevention shall report quarterly during the 2007-2009 fiscal biennium, beginning
27 October 1, 2007, to the Chairs of the House of Representatives and Senate
28 Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative
29 Corrections, Crime Control, and Juvenile Justice Oversight Committee on the
30 Department's progress in the planning, design, and construction of new youth
31 development centers. The report shall include:

- 32 (1) An overall project schedule for each new youth development center
33 showing the original estimated date for construction completion and
34 the original estimated date for occupancy by juvenile offenders,
35 compared to the latest projected dates.
- 36 (2) An explanation of significant delays in the schedule or any potential
37 cost increase.

38 The Office of State Construction and the Capital Improvement Section of the
39 Office of State Budget and Management shall assist the Department of Juvenile Justice
40 and Delinquency Prevention in the preparation of the report required by this section.

41 **SECTION 18.7.(b)** The Department of Juvenile Justice and Delinquency
42 Prevention and Eckerd Family Youth Alternatives, Inc., shall report to the Chairs of the
43 House of Representatives and Senate Appropriations Subcommittees on Justice and
44 Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile
45 Justice Oversight Committee by November 1, 2007, on the nature, scope, and cost of the
46 Eckerd Family Focus on Rehabilitative Treatment (EFFORT) project, which would be
47 located at the Samarkand Youth Development Center and would supplement the
48 traditional youth development centers. The report shall state whether funds from the
49 Repairs and Renovations Reserve Account established in G.S. 143C-4-3 have been
50 approved by the Office of State Budget and Management for this project.
51

STUDY OF STATE DETENTION CENTERS

SECTION 18.8. The Department of Juvenile Justice and Delinquency Prevention shall study the nine juvenile detention centers that are operated by the State. For each of the facilities, the review shall include:

- (1) Recent admission trends and projections of future population.
- (2) The offense history and assessed needs of the population.
- (3) Whether staffing levels are appropriate for the number and types of offenders housed in the facility.
- (4) Whether the center has adequate housing capacity.
- (5) Determine the repair and renovation needs and estimate the cost of any repairs or renovations.
- (6) The estimated cost to plan, design, and construct new detention centers, if appropriate.
- (7) Information on security and control of the facility, including assaults, escapes, and infractions.

The Department shall report its findings to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and to the Chairs of the House of Representatives and the Senate Appropriations Subcommittees on Justice and Public Safety no later than March 1, 2008.

YOUTH DEVELOPMENT CENTER SCHOLARSHIPS

SECTION 18.9. Funds appropriated to the North Carolina Community College Foundation during the 2003-2004 fiscal year in S.L. 2003-284 for community college scholarships for students who have completed their commitment to a Youth Development Center and who have obtained a high school diploma or its equivalent are hereby transferred to the Department of Juvenile Justice and Delinquency Prevention. The Department of Juvenile Justice and Delinquency Prevention shall administer the community college scholarship program described in this section.

PART XIX. DEPARTMENT OF ADMINISTRATION**REDESIGNATION OF THE GOVERNOR'S ADVOCACY COUNCIL FOR PERSONS WITH DISABILITIES**

SECTION 19.1.(a) Part 14A of Article 9 of Chapter 143B of the General Statutes is repealed.

SECTION 19.1.(b) Not later than May 1, 2008, the Department of Administration and the Office of State Personnel shall report to the House Appropriations Subcommittee on General Government and the Senate Appropriations Subcommittee on General Government on the placement or compensation of all State employees affected by the redesignation of the Governor's Advocacy Council for Persons with Disabilities.

SEXUAL ASSAULT/RAPE CRISIS CENTER FUNDING

SECTION 19.2.(a) The Department of Administration, the Council for Women, and the Domestic Violence Commission shall distribute funds to the North Carolina Coalition Against Sexual Assault and to rape crisis centers. To receive funds, rape crisis centers shall meet the following criteria:

- (1) Operate as a private, nonprofit organization or a local unit of government applying for a rape crisis center that has provided basic services, as defined by the Council for Women and the Domestic

1 Violence Commission, for a one-year period before the date of
2 application;

3 (2) Have a mission statement that clearly specifies rape crisis services are
4 provided;

5 (3) Act in support of victims of rape or sexual assault by providing
6 assistance to ensure victims' interests are represented in law
7 enforcement and legal proceedings and support and referral services
8 are provided in medical and community settings; and

9 (4) Provide a 24-hour crisis hotline.

10 **SECTION 19.2.(b)** Grant funds allocated from the General Fund to the
11 Department of Administration, the Council for Women and the Domestic Violence
12 Commission for rape crisis shall be distributed in two equal shares. The North Carolina
13 Coalition Against Sexual Assault and rape crisis centers whose services are confined to
14 rape crisis and sexual assault services shall be allocated the sum of fifty thousand
15 dollars (\$50,000) in each year of the 2007-2009 biennium. Organizations that contain
16 rape crisis services in addition to domestic violence services or other support services
17 shall receive an equal share of remaining funds in each year of the 2007-2009 biennium.
18

19 **PART XX. OFFICE OF THE STATE CONTROLLER**

20 **OVERPAYMENTS AUDIT**

21 **SECTION 20.1.(a)** During the 2007-2009 biennium, receipts generated by
22 the collection of inadvertent overpayments by State agencies to vendors as a result of
23 pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed
24 refunds, erroneously paid excise taxes, and related errors as required by
25 G.S. 147-86.22(c) are to be deposited in the Special Reserve Account 24172.
26

27 **SECTION 20.1.(b)** For the 2007-2009 biennium, five hundred thousand
28 dollars (\$500,000) of the funds transferred from the Special Reserve Account 24172
29 shall be used by the Office of the State Controller for data processing, debt collection,
30 or e-commerce costs.

31 **SECTION 20.1.(c)** All funds available in the Special Reserve Account
32 24172 on July 1 of each year of the 2007-2009 biennium are transferred to the General
33 Fund on that date.

34 **SECTION 20.1.(d)** Any unobligated funds in the Special Reserve Account
35 24172 that are realized above the allowance in subsection (b) of this section are subject
36 to appropriation by the General Assembly in the 2008 Regular Session of the 2007
37 General Assembly.

38 **SECTION 20.1.(e)** The State Controller shall report quarterly to the Joint
39 Legislative Commission on Governmental Operations and the Fiscal Research Division
40 on the revenue deposited into the Special Reserve Account 24172 and the disbursement
41 of that revenue.
42

43 **PART XXI. DEPARTMENT OF CULTURAL RESOURCES**

44 **GRASSROOTS ARTS PROGRAM FUNDING**

45 **SECTION 21.1.(a)** G.S. 143B-122 reads as rewritten:

46 "**§ 143B-122. Distribution of funds.**

47 ~~Funds~~ Of the funds available under the Grassroots Arts Program-Program, twenty
48 percent (20%) of the total shall be distributed among the counties equally, and the
49 remaining eighty percent (80%) shall be distributed among the counties on a per capita
50 basis."
51

1 **SECTION 21.1.(b)** Any funds distributed by the Department of Cultural
2 Resources under the Grassroots Arts Program for the 2000-2001 through 2006-2007
3 fiscal years are hereby ratified, validated, and confirmed.
4

5 **PART XXII. OFFICE OF THE GOVERNOR**

6
7 **HOUSING FINANCE AGENCY SHALL CONTINUE AND EXPAND THE**
8 **NORTH CAROLINA HOME PROTECTION PILOT PROGRAM AND**
9 **LOAN FUND**

10 **SECTION 22.1.(a)** The North Carolina Housing Finance Agency shall
11 continue, develop, implement, and administer a pilot program to assist North Carolina
12 workers who have lost jobs as a result of changing economic conditions in North
13 Carolina when the workers are in need of assistance to avoid losing their homes to
14 foreclosure. The Agency shall do all of the following:

- 15 (1) Develop and administer the North Carolina Home Protection Pilot
16 Program and Loan Fund to ensure that workers in the counties selected
17 for the Pilot have assistance to avoid losing their homes to foreclosure.
18 The Program shall include all counties that had greater than seven
19 percent (7%) average unemployment in the 2006-2007 fiscal year.
- 20 (2) Make loans secured by liens on residential real property located in
21 North Carolina to property owners who are eligible for those loans.
- 22 (3) Develop and administer procedures by which property owners at risk
23 of being foreclosed upon may qualify for assistance.
- 24 (4) Designate, approve, and fund nonprofit counseling agencies in
25 counties participating in the Program to be available to assist the
26 Agency in implementing the provisions of this section, and to provide
27 services such as direct mortgagee negotiations on behalf of
28 unemployed workers, and to process loan applications for the Agency.
- 29 (5) Develop and fund enhanced methods by which workers may be
30 notified of foreclosure mitigation services, may easily contact local
31 nonprofit counseling agencies, and may apply for loans from the
32 Agency.
- 33 (6) No later than April 1, 2008, report to the Chairs of the Appropriations
34 Committees of the Senate and the House of Representatives on the
35 effectiveness of the Program in accomplishing its purposes, and
36 provide any other information the Agency determines is pertinent or
37 that the General Assembly requests.

38 **SECTION 22.1.(b)** As used in this section, the following definitions apply:

- 39 (1) Agency. – The North Carolina Housing Finance Agency.
- 40 (2) Counseling agency. – A nonprofit counseling agency located in North
41 Carolina that is approved by the North Carolina Housing Finance
42 Agency.
- 43 (3) Mortgage. – An obligation evidenced by a security document and
44 secured by a lien upon real property located within North Carolina,
45 including a deed of trust and land sale agreement. Mortgage also
46 means an obligation evidenced by a security lien on real property upon
47 which an owner-occupied mobile home is located.
- 48 (4) Mortgagee. – The owner of a beneficial interest in a mortgage loan, the
49 servicer for the owner of a beneficial interest in a mortgage loan, or the
50 trustee for a securitized trust that holds title to a beneficial interest in a
51 mortgage loan.

1 **SECTION 22.1.(c)** Notwithstanding Chapters 23, 24, and 45 of the General
2 Statutes or any other provision of law, upon the proper filing of an application for loan
3 assistance by a mortgagor under this section, a mortgagee shall not do the following:

- 4 (1) Accelerate the maturity of any mortgage obligation covered under this
5 section.
- 6 (2) Commence or continue any legal action, including mortgage
7 foreclosure pursuant to Chapter 45 of the General Statutes, to recover
8 the mortgage obligation.
- 9 (3) Take possession of any security of the mortgagor for the mortgage
10 obligation.
- 11 (4) Procure or receive a deed in lieu of foreclosure.
- 12 (5) Enter judgment by confession pursuant to a note accompanying a
13 mortgage.
- 14 (6) Proceed to enforce the mortgage obligation pursuant to applicable
15 rules of civil procedure for a period of 120 days following the date of
16 the mortgagor's properly filed application.

17 The provisions of this section shall not apply if the mortgagee receives notice
18 from the Agency that the mortgagor's application has been denied.

19 If a mortgagee acts as proscribed in subdivisions (1) through (6) of this
20 subsection, a mortgagor shall be entitled to injunctive relief without the necessity of
21 providing a bond. This relief shall be in addition to any defenses available under
22 G.S. 45-21.16(d) and any other remedies at law or equity.

23 Upon the Agency's receipt of a properly filed mortgagor's application for loan
24 assistance, the Agency shall mail notice of the application to the mortgagor's mortgagee
25 within five business days of the Agency's receipt of the application. The Agency shall
26 also mail notice of the acceptance or denial of the mortgagor's application to the
27 mortgagee within five days of the Agency's determination. Notice shall be deemed
28 sufficient if sent to the last known address of the mortgagee.

29 **SECTION 22.1.(d)** Rule Making. – Solely with respect to the adoption of
30 procedures for the pilot program by which property owners at risk of being foreclosed
31 upon may qualify for assistance, the Agency is exempt from the requirements of Article
32 2A of Chapter 150B of the General Statutes. Prior to adoption or amendment of
33 procedures, the Agency shall:

- 34 (1) Publish the proposed procedures in the North Carolina Register at least
35 30 days prior to the adoption of the final procedures.
- 36 (2) Accept oral and written comments on the proposed procedures.
- 37 (3) Hold at least one public hearing on the proposed procedures.

38 **SECTION 22.1.(e)** Any funds appropriated under Section 20A.1 of S.L.
39 2004-124 that have not been encumbered shall be used for the expansion of the program
40 to additional counties as provided by this section.

41 **SECTION 22.1.(f)** This section applies only to the 2007-2008 fiscal year.

42 43 **PART XXIII. OFFICE OF STATE BUDGET AND MANAGEMENT**

44 45 **MILITARY MORALE, RECREATION, AND WELFARE FUNDS**

46 **SECTION 23.1.(a)** There is appropriated from the General Fund to a
47 Reserve for the Military Morale, Recreation, and Welfare Fund in the Office of State
48 Budget and Management the sum of one million dollars (\$1,000,000) in the 2007-2008
49 fiscal year.

50 **SECTION 23.1.(b)** The Office of State Budget and Management shall
51 distribute for the purposes described in this section the amount appropriated by

1 subsection (a) of this section. That amount shall be distributed to each military
2 installation on a per capita basis.

3 **SECTION 23.1.(c)** Funds distributed to a military installation exchange
4 under this section must be deposited in the Military Morale, Recreation, and Welfare
5 Fund for that installation and used only for community services and other expenditures
6 to improve quality of life programs for military members and their families in North
7 Carolina.

8 9 **LICENSING BOARD REPORTING REQUIREMENT**

10 **SECTION 23.2.** G.S. 93B-2(b) reads as rewritten:

11 "(b) Each occupational licensing board shall file with the Secretary of State, the
12 Attorney General, the Office of State Budget and Management, and the Joint Legislative
13 Administrative Procedure Oversight Committee a financial report that includes the
14 source and amount of all funds credited to the occupational licensing board and the
15 purpose and amount of all funds disbursed by the occupational licensing board during
16 the previous 12-month period."

17 18 **STUDY OF THE WORKERS' COMPENSATION PROGRAM IN STATE** 19 **AGENCIES**

20 **SECTION 23.3.** The Office of State Budget and Management, in
21 consultation with the Office of State Personnel and the Office of State Controller, shall
22 conduct a study of the Workers' Compensation Program in State agencies and
23 institutions to determine if the third-party administration of the program continues to be
24 the most effective mode of administration; to determine if the current method of funding
25 is still the most effective method; to determine whether excess coverage policies are
26 needed; and to identify any other operational inefficiencies in program operations that
27 might exist. The Office of State Budget and Management shall submit a final report
28 outlining the related findings and recommendations for improvements to the Joint
29 Legislative Commission on Governmental Operations and the Fiscal Research Division
30 by March 1, 2008.

31 32 **PART XXIV. DEPARTMENT OF REVENUE**

33 34 **WHITE GOODS DISPOSAL TAX PROGRAM**

35 **SECTION 24.1.** G.S. 105-187.24 reads as rewritten:

36 **"§ 105-187.24 Use of tax proceeds.**

37 The Secretary shall distribute the taxes collected under this Article, less the
38 Department of Revenue's allowance for administrative expenses, in accordance with this
39 section. The Secretary may retain the Department's cost of collection, not to exceed ~~two~~
40 ~~hundred twenty five thousand dollars (\$225,000)~~ four hundred twenty-five thousand
41 dollars (\$425,000) a year, as reimbursement to the Department.

42 Each quarter, the Secretary shall credit eight percent (8%) of the net tax proceeds to
43 the Solid Waste Management Trust Fund and shall credit twenty percent (20%) of the
44 net tax proceeds to the White Goods Management Account. The Secretary shall
45 distribute the remaining seventy-two percent (72%) of the net tax proceeds among the
46 counties on a per capita basis according to the most recent annual population estimates
47 certified to the Secretary by the State Budget Officer. The Department shall not
48 distribute the tax proceeds to a county when notified not to do so by the Department of
49 Environment and Natural Resources under G.S. 130A-309.87. If a county is not entitled
50 to a distribution, the proceeds allocated for that county will be credited to the White
51 Goods Management Account.

1 A county may use funds distributed to it under this section only as provided in
2 G.S. 130A-309.82. A county that receives funds under this section and that has an
3 interlocal agreement with another unit of local government under which the other unit
4 provides for the disposal of solid waste for the county must transfer the amount received
5 under this section to that other unit. A unit to which funds are transferred is subject to
6 the same restrictions on use of the funds as the county."
7

8 **SCRAP TIRE DISPOSAL TAX PROGRAM**

9 **SECTION 24.2.** G.S. 105-187.19(a) reads as rewritten:

10 "(a) The Secretary shall distribute the taxes collected under this Article, less the
11 allowance to the Department of Revenue for administrative expenses, in accordance
12 with this section. The Secretary may retain the cost of collection by the Department, not
13 to exceed ~~two hundred twenty five thousand dollars (\$225,000)~~ four hundred
14 twenty-five thousand dollars (\$425,000) a year, as reimbursement to the Department."
15

16 **PART XXV. STATE BOARD OF ELECTIONS**

17 **STATE BOARD OF ELECTIONS MOE AND HAVA FUND USE**

18 **SECTION 25.1.(a)** The State Board of Elections shall use funds in the
19 Maintenance of Effort Reserve as follows:

- 20 (1) \$1,440,000 nonrecurring in fiscal year 2007-2008 for ballot printing
21 for the 2008 first primary.
- 22 (2) \$840,000 nonrecurring in fiscal year 2007-2008 for ballot printing for
23 the 2008 second primary if a federal election is on the ballot.
- 24 (3) \$1,260,000 nonrecurring in fiscal year 2008-2009 for ballot printing
25 for the 2008 general election.
- 26 (4) \$1,500,000 nonrecurring in fiscal year 2007-2008 and \$500,000
27 nonrecurring in fiscal year 2008-2009 to rebuild the State Elections
28 Information Management System (SEIMS). (See 2007 House Bill
29 1267.)
- 30 (5) \$100,000 recurring in fiscal year 2007-2008 for the required training
31 for all county boards of elections staff on voting equipment operating
32 procedures.
- 33 (6) \$427,500 recurring in fiscal year 2007-2008 to centralize ballot coding
34 in North Carolina to provide oversight, ensure accuracy of election
35 preparation, and reduce errors with ballot styles.
- 36 (7) \$150,000 recurring in fiscal year 2007-2008 to hire 20 additional
37 election technicians across the State to deal with technical problems
38 that arise on a 2008 Election Day in which a federal election is on the
39 ballot.
40

41 **SECTION 25.1.(b)** The State Board of Elections shall use funds in the
42 Election Fund under G.S. 163-82.28 (HAVA funds) as follows:

- 43 (1) \$2,525,000 nonrecurring in fiscal year 2007-2008 and \$2,525,000
44 nonrecurring in fiscal year 2008-2009 for maintenance performed on
45 voting equipment.
- 46 (2) \$750,000 nonrecurring in fiscal year 2007-2008 and \$1,750,000
47 nonrecurring in fiscal year 2008-2009 provided for additional one-stop
48 absentee voting (early voting) sites for the 2008 first primary and
49 general election if a federal election is on the ballot.
50

51 **PART XXVI. DEPARTMENT OF THE STATE TREASURER**

1
2 **FUNDS FOR AUDITING STATE EMPLOYEE SERVICE RECORDS; NO**
3 **CONTRACTING FOR CERTAIN FUNCTIONS; PROHIBITION ON USE OF**
4 **LAPSED SALARIES**

5 **SECTION 26.1.(a)** The funds appropriated in this act to the Department of
6 State Treasurer, Retirement Systems Division, for the sum of one million two hundred
7 thousand dollars (\$1,200,000) for the 2007-2008 fiscal year shall be used to contract for
8 the auditing of State employee service records. The Retirement Systems Division shall
9 submit an interim report on the number of State employee service records verified to the
10 Joint Legislative Commission on Governmental Operations and the Fiscal Research
11 Division no later than April 30, 2008.

12 **SECTION 26.1.(b)** The Department of State Treasurer, Retirement Systems
13 Division, shall report quarterly beginning October 31, 2007, on all contracts by funding
14 sources and on the use of lapsed salary savings to the Joint Legislative Commission on
15 Governmental Operations, the Chairs of the House Appropriations Subcommittee on
16 General Government and Senate Appropriations on General Government and
17 Information Technology and to the Fiscal Research Division.

18 **SECTION 26.1.(c)** Notwithstanding the provisions of G.S. 143C-6-9, the
19 Department of State Treasurer, Retirement Systems Division, shall not use lapsed salary
20 savings for any purpose.

21
22 **PART XXVII. DEPARTMENT OF TRANSPORTATION**

23
24 **ONE-STOP SHOPS FOR DRIVERS LICENSES AND REGISTRATION**
25 **PLATES**

26 **SECTION 27.1.** The Department of Transportation, Division of Motor
27 Vehicles, is prohibited from opening drivers license issuance and vehicle registration
28 issuance and renewal One-Stop Shops until the General Assembly has considered and
29 appropriated funds for the purpose of One-Stop Shops.

30 The Department of Transportation shall develop a business plan that
31 thoroughly outlines the operational plans of a combined function center, a detailed
32 budget for each proposed location, and any identified savings gleaned from the
33 combined services. In addition, the Division of Motor Vehicles shall conduct an
34 analysis on the anticipated number of transactions and the impact to independent tag
35 agents in those areas. The report is due to the Joint Legislative Transportation Oversight
36 Committee, the Joint Appropriations Subcommittee for Transportation, and the Fiscal
37 Research Division by March 15, 2008.

38
39 **CASH FLOW HIGHWAY FUNDS AND HIGHWAY TRUST FUND**
40 **APPROPRIATIONS**

41 **SECTION 27.2.(a)** The General Assembly authorizes and certifies
42 anticipated revenues of the Highway Fund as follows:

43	For Fiscal Year 2009-2010	\$1,846.0 million
44	For Fiscal Year 2010-2011	\$1,857.9 million
45	For Fiscal Year 2011-2012	\$1,869.0 million
46	For Fiscal Year 2012-2013	\$1,873.9 million

47 **SECTION 27.2.(b)** The General Assembly authorizes and certifies
48 anticipated revenues of the Highway Trust Fund as follows:

49	For Fiscal Year 2009-2010	\$1,174.4 million
50	For Fiscal Year 2010-2011	\$1,204.9 million
51	For Fiscal Year 2011-2012	\$1,236.4 million

For Fiscal Year 2012-2013

\$1,276.1 million

**FUNDS FOR ECONOMIC DEVELOPMENT, SPOT SAFETY, AND
TRANSPORTATION IMPROVEMENT PROGRAM PROJECTS**

SECTION 27.3. Of the funds appropriated by this act to the Department of Transportation in fiscal year 2007-2008, fourteen million dollars (\$14,000,000) shall be allocated equally among the 14 Highway Divisions for economic development transportation projects recommended by the member of the Board of Transportation representing the Division in which the project is to be constructed in consultation with the Division Engineer and approved by the Board of Transportation. Funds in each Division not needed for economic development projects shall be used on spot safety needs to enhance safety, reduce congestion, improve traffic flow, reduce accidents, and for system preservation. Funds not identified for economic development and spot safety projects prior to December 31, 2007, shall be used on Transportation Improvement Program projects. The Secretary of Transportation shall not prevent or delay the implementation of any projects approved by the Board of Transportation pursuant to this section.

**CONSOLIDATION OF RURAL FUNDING PROGRAMS BY THE
DEPARTMENT OF TRANSPORTATION'S PUBLIC TRANSPORTATION
DIVISION**

SECTION 27.4. The Department of Transportation, Public Transportation Division, may consolidate its rural funding programs for vehicles, technology, and facilities into one large capital program. The Division shall have the flexibility to transfer funding from the consolidated capital program to the operating programs, based on the ability to leverage additional federal funds to meet the capital needs of rural transportation systems. The Department shall report on the use of funds and effectiveness of the provisions of this section to the Joint Appropriations Subcommittee on Transportation and the Fiscal Research Division by March 15, 2008.

SMALL CONSTRUCTION AND CONTINGENCY FUNDS

SECTION 27.5. Of the funds appropriated in this act to the Department of Transportation:

- (1) Twenty-one million dollars (\$21,000,000) shall be allocated in each fiscal year for small construction projects recommended by the member of the Board of Transportation representing the Division in which the project is to be constructed in consultation with the Division Engineer and approved by the Board of Transportation. These funds shall be allocated equally in each fiscal year of the biennium among the 14 Highway Divisions for small construction projects.
- (2) Fifteen million dollars (\$15,000,000) in fiscal year 2007-2008 and fifteen million dollars (\$15,000,000) in fiscal year 2008-2009 shall be used statewide for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, and spot safety projects, including pedestrian walkways that enhance highway safety. Projects funded pursuant to this subdivision shall be approved by the Secretary of Transportation.

None of these funds used for rural secondary road construction are subject to the county allocation formulas in G.S. 136-44.5(b) and (c).

These funds are not subject to G.S. 136-44.7.

1 The Department of Transportation shall report to the members of the General
2 Assembly on projects funded pursuant to this section in each member's district prior to
3 the Board of Transportation's action. The Department shall make a quarterly
4 comprehensive report on the use of these funds to the Joint Legislative Transportation
5 Oversight Committee and the Fiscal Research Division.
6

7 **FUNDS FOR UNSAFE OR OBSOLETE FIELD FACILITIES**

8 **SECTION 27.6.** Of the funds appropriated in this act to the Department of
9 Transportation, the Department may use funds not to exceed seventy-five hundredths of
10 one percent (.75%) for maintenance and construction programs for major repair,
11 renovation, or replacement of its field facilities that fail to meet safety standards or that
12 are obsolete for current or future use. Prior to expending these funds, the Department
13 shall submit its proposed budget for these expenditures to the Senate Appropriations
14 Subcommittee on Transportation, the House of Representatives Appropriations
15 Subcommittee on Transportation, and the Joint Legislative Transportation Oversight
16 Committee each year.
17

18 **MODIFY GLOBAL TRANSPARK DEBT**

19 **SECTION 27.7.** G.S. 147-69.2(b)(11), as amended by Section 7 of S.L.
20 2005-144, Section 2 of S.L. 2005-201, and Section 28.17 of S.L. 2005-276 reads as
21 rewritten:

22 "(b) It shall be the duty of the State Treasurer to invest the cash of the funds
23 enumerated in subsection (a) of this section in excess of the amount required to meet the
24 current needs and demands on such funds, selecting from among the following:

- 25 ...
26 (11) With respect to assets of the Escheat Fund, obligations of the North
27 Carolina Global TransPark Authority authorized by G.S. 63A-4(a)(22),
28 not to exceed twenty-five million dollars (\$25,000,000), that have a
29 final maturity not later than October 1, ~~2007~~2009. The obligations
30 shall bear interest at the rate set by the State Treasurer. No
31 commitment to purchase obligations may be made pursuant to this
32 subdivision after September 1, 1993, and no obligations may be
33 purchased after September 1, 1994. In the event of a loss to the
34 Escheat Fund by reason of an investment made pursuant to this
35 subdivision, it is the intention of the General Assembly to hold the
36 Escheat Fund harmless from the loss by appropriating to the Escheat
37 Fund funds equivalent to the loss.

38 If any part of the property owned by the North Carolina Global
39 TransPark Authority now or in the future is divested, proceeds of the
40 divestment shall be used to fulfill any unmet obligations on an
41 investment made pursuant to this subdivision.

42"
43

44 **DIVISION OF MOTOR VEHICLES REPORT ON REAL ID ACT** 45 **COMPLIANCE**

46 **SECTION 27.8.** The Department of Transportation shall report on the
47 expenditure plan for the use of the reserved funds appropriated for the Secure ID and
48 Card Production System. The plan shall include the projected costs associated with the
49 federal government's requirements for complying with P.L. 109-13, the REAL ID Act
50 of 2005. The Department shall report to the Joint Legislative Transportation Oversight

1 Committee and the Joint Appropriations Subcommittee for Transportation by May 1,
2 2008.

3
4 **DEPARTMENT OF TRANSPORTATION PRODUCTIVITY PILOT**
5 **PROGRAMS**

6 **SECTION 27.9.(a)** The Department of Transportation may continue the
7 productivity pilot programs in the road oil and bridge inspection units implemented
8 under Section 29.3 of S.L. 2003-284. The Department of Transportation may expend up
9 to one-half of one percent (.50%) of the budget allocation for these programs for
10 employee incentive payments to maintain the increased efficiency and productivity
11 under these programs.

12 **SECTION 27.9.(b)** The Department of Transportation may continue any
13 additional pilot programs authorized by Section 28.9(b) of S.L. 2005-276 to test
14 incentive pay for employees as a means of increasing and maintaining efficiency and
15 productivity.

16 Up to one-half of one percent (.50%) of the budget allocation for these
17 programs may be used to provide employee incentive payments.

18 Incentive payments shall be based on quantifiable measures and production
19 schedules determined prior to the implementation of the pilot programs.

20
21 **STUDY DEPARTMENT OF TRANSPORTATION'S BUDGET PROCESS**

22 **SECTION 27.10.(a)** The Joint Legislative Transportation Oversight
23 Committee may study the Department of Transportation's budgeting process. If the
24 Committee undertakes the study of issues related to the Department of Transportation's
25 budgeting process, the Committee shall study all issues related to how the Department
26 prepares its budget, how the Department differentiates between its issued and unused
27 budget authority and its used and unused cash availability for programs administered by
28 the Department, the role of encumbered accounts in the budget process, the cash
29 management system currently in place, and any other issues the Committee deems
30 proper related to the administration of appropriations to the Department.

31 **SECTION 27.10.(b)** The Joint Legislative Transportation Oversight
32 Committee shall report its findings and recommendations, including all legislative
33 proposals, to the 2008 Regular Session of the 2007 General Assembly by April 1, 2008.

34
35 **DIVISION OF MOTOR VEHICLES LICENSE PLATE RECALL PROGRAM**

36 **SECTION 27.11.(a)** Of the funds appropriated from the Highway Fund to
37 the Department of Transportation under this act, the Division of Motor Vehicles may
38 expend the sum of one hundred eighty-three thousand one hundred ninety-nine dollars
39 (\$183,199) for fiscal year 2007-2008 and the sum of ninety-nine thousand dollars
40 (\$99,000) for fiscal year 2008-2009 to recall vehicle license plates. The Division shall
41 develop a schedule by which approximately 94,000 of the oldest license plates are
42 recalled annually for the next five years. Each fiscal year after 2008-2009, the General
43 Assembly intends to appropriate from the Highway Fund to the Department of
44 Transportation the sum of ninety-nine thousand dollars (\$99,000) in recurring funds for
45 the Division to implement a continuous license plate recall program.

46 **SECTION 27.11.(b)** The Division shall report to the Joint Appropriations
47 Subcommittee on Transportation and the Fiscal Research Division no later than May 1,
48 2008, on the progress of the vehicle license plate recall schedule and the implementation
49 of the continuous license plate recall program.

1 **PHASE OUT TRANSFERS FROM THE HIGHWAY FUND AND THE**
 2 **HIGHWAY TRUST FUND TO THE GENERAL FUND AND OTHER STATE**
 3 **AGENCIES**

4 **SECTION 27.12.** It is the intent of the General Assembly to phase out funds
 5 transfers from the Highway Fund and the Highway Trust Fund to the General Fund and
 6 to other State agencies over a five-year period of time. The funds transfers from the
 7 Highway Fund and the Highway Trust Fund to the General Fund and to other State
 8 agencies would be reduced to fifty percent (50%) of the current funds transfers,
 9 effective July 1, 2009. The funds transfers from the Highway Fund and the Highway
 10 Trust Fund to the General Fund and other State agencies would be reduced an additional
 11 fifty percent (50%) of the amount being transferred on June 30, 2011, effective July 1,
 12 2011. The funds transfers from the Highway Fund and the Highway Trust Fund to the
 13 General Fund and other State agencies would be eliminated completely, effective July 1,
 14 2013.

15
 16 **PART XXIII SALARIES AND BENEFITS**

17
 18 **GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES**

19 **SECTION 28.1.(a)** Effective July 1, 2007, G.S. 147-11(a) reads as
 20 rewritten:

21 "(a) The salary of the Governor shall be ~~one hundred thirty thousand six hundred~~
 22 ~~twenty nine dollars (\$130,629)~~ one hundred thirty-six thousand one hundred eight-one
 23 dollars (\$136,181) annually, payable monthly."

24 **SECTION 28.1.(b)** Effective July 1, 2007, the annual salaries for the
 25 members of the Council of State, payable monthly, for the 2007-2008 and 2008-2009
 26 fiscal years are:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$120,189
Attorney General	120,189
Secretary of State	120,189
State Treasurer	120,189
State Auditor	120,189
Superintendent of Public Instruction	120,189
Agriculture Commissioner	120,189
Insurance Commissioner	120,189
Labor Commissioner	120,189

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 39 **NONELECTED DEPARTMENT HEAD/SALARY INCREASES**

40 **SECTION 28.2.** In accordance with G.S. 143B-9, the maximum annual
 41 salaries, payable monthly, for the nonelected heads of the principal State departments
 42 for the 2007-2008 and 2008-2009 fiscal years are:

<u>Nonelected Department Heads</u>	<u>Annual Salary</u>
Secretary of Administration	\$117,424
Secretary of Correction	117,424
Secretary of Crime Control and Public Safety	117,424
Secretary of Cultural Resources	117,424
Secretary of Commerce	117,424
Secretary of Environment, Health, and Natural Resources	117,424
Secretary of Health and Human Services	117,424

1	Secretary of Juvenile Justice and Delinquency Prevention	117,424
2	Secretary of Revenue	117,424
3	Secretary of Transportation	117,424

4
5 **CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES**

6 **SECTION 28.3.** The annual salaries, payable monthly, for the 2007-2008
7 and 2008-2009 fiscal years for the following executive branch officials are:
8

9	<u>Executive Branch Officials</u>	<u>Annual Salary</u>
10	Chairman, Alcoholic Beverage Control Commission	\$ 106,877
11	State Controller	149,575
12	Commissioner of Motor Vehicles	106,877
13	Commissioner of Banks	120,189
14	Chairman, Employment Security Commission	133,161
15	State Personnel Director	117,424
16	Chairman, Parole Commission	97,592
17	Members of the Parole Commission	45,050
18	Chairman, Utilities Commission	133,852
19	Members of the Utilities Commission	120,189
20	Executive Director, Agency for Public Telecommunications	90,100
21	Director, Museum of Art	109,515
22	Executive Director, North Carolina Agricultural Finance Authority	104,030
23	State Chief Information Officer	149,484
24	Director, Office of Administrative Hearings	105,684

25
26 **JUDICIAL BRANCH OFFICIALS/SALARY INCREASES**

27 **SECTION 28.4.(a)** The annual salaries, payable monthly, for specified
28 judicial branch officials for the 2007-2008 and 2008-2009 fiscal years are:
29

30	<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
31	Chief Justice, Supreme Court	\$ 137,160
32	Associate Justice, Supreme Court	133,576
33	Chief Judge, Court of Appeals	130,236
34	Judge, Court of Appeals	128,011
35	Judge, Senior Regular Resident Superior Court	124,532
36	Judge, Superior Court	121,053
37	Chief Judge, District Court	109,923
38	Judge, District Court	106,445
39	Administrative Officer of the Courts	123,643
40	Assistant Administrative Officer of the Courts	112,936

41
42 **SECTION 28.4.(b)** The district attorney or public defender of a judicial
43 district, with the approval of the Administrative Officer of the Courts or the
44 Commission on Indigent Defense Services, respectively, shall set the salaries of
45 assistant district attorneys or assistant public defenders, respectively, in that district such
46 that the average salaries of assistant district attorneys or assistant public defenders in
47 that district do not exceed sixty-nine thousand two hundred thirteen dollars (\$69,213)
48 and the minimum salary of any assistant district attorney or assistant public defender is
49 at least thirty-six thousand one hundred sixty-eight dollars (\$36,168) effective July 1,
50 2007.

1 **SECTION 28.4.(c)** Effective July 1, 2007, the annual salaries of permanent,
 2 full-time employees of the Judicial Department whose salaries are not itemized in this
 3 act shall be increased by four and one-quarter percent (4.25%).

4 **SECTION 28.4.(d)** Effective July 1, 2007, the annual salaries of permanent,
 5 part-time employees of the Judicial Department whose salaries are not itemized in this
 6 act shall be increased by four and one-quarter percent (4.25%).

7
 8 **CLERK OF SUPERIOR COURT/SALARY INCREASES**

9 **SECTION 28.5.** Effective July 1, 2007, G.S. 7A-101(a) reads as rewritten:

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

Population	Annual Salary
Less than 100,000	\$77,112 <u>\$80,389</u>
100,000 to 149,999	86,532 <u>90,210</u>
150,000 to 249,999	95,954 <u>100,032</u>
250,000 and above	105,378 <u>109,857.</u>

19 ~~The salary schedule in this subsection is intended to represent the following~~
 20 ~~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%.

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

31
 32 **ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES**

33 **SECTION 28.6.** Effective July 1, 2007, G.S. 7A-102(c1) reads as rewritten:

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

Assistant Clerks and	Annual Salary
Head Bookkeeper	
Minimum	\$29,925 <u>\$31,197</u>
Maximum	51,251 <u>53,429</u>
Deputy Clerks	Annual Salary
Minimum	\$25,758 <u>\$26,853</u>
Maximum	39,862. <u>41,556."</u>

46
 47 **MAGISTRATES' SALARY INCREASES**

48 **SECTION 28.7.(a)** Effective July 1, 2007, G.S. 7A-171.1(a) reads as
 49 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	\$30,320 <u>\$31,609</u>
Step 1	33,101 <u>34,508</u>
Step 2	36,126 <u>37,661</u>
Step 3	39,429 <u>41,105</u>
Step 4	43,046 <u>44,875</u>
Step 5	47,122 <u>49,125</u>
Step 6	51,692 <u>53,889</u>

- (2) A part-time magistrate is a magistrate who is assigned to work an average of less than 40 hours of work a week during the term, except that no magistrate shall be assigned an average of less than 10 hours of work a week during the term. A part-time magistrate is included, in accordance with G.S. 7A-170, under the provisions of G.S. 135-1(10) and G.S. 135-40.2(a). The Administrative Officer of the Courts designates whether a magistrate is a part-time magistrate. A part-time magistrate shall receive an annual salary based on the following formula: The average number of hours a week that a part-time magistrate is assigned work during the term shall be multiplied by the annual salary payable to a full-time magistrate who has the same number of years of service prior to the beginning of that term as does the part-time magistrate and the product of that multiplication shall be divided by the number 40. The quotient shall be the annual salary payable to that part-time magistrate.
- (3) Notwithstanding any other provision of this subsection, 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 28.7.(b) Effective July 1, 2007, G.S. 7A-171.1(a1)(1) 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	\$24,450 <u>\$25,489</u>
1 or more but less than 3 years of service	25,572 <u>26,659</u>

1 3 or more but less than 5 years of service ~~27,831.~~ 29,014.

2 Upon completion of five years of service, those magistrates shall
3 receive the salary set as the Entry Rate in the table in subsection (a)."
4

5 **GENERAL ASSEMBLY PRINCIPAL CLERKS/ SALARY INCREASES**

6 **SECTION 28.8.** Effective July 1, 2007, G.S. 120-37(c) reads as rewritten:

7 "(c) The principal clerks shall be full-time officers. Each principal clerk shall be
8 entitled to other benefits available to permanent legislative employees and shall be paid
9 an annual salary of ~~ninety seven thousand four hundred two dollars (\$97,402)~~ one
10 hundred one thousand five hundred forty-two dollars (\$101,542) payable monthly. Each
11 principal clerk shall also receive such additional compensation as approved by the
12 Speaker of the House of Representatives or the President Pro Tempore of the Senate,
13 respectively, for additional employment duties beyond those provided by the rules of
14 their House. The Legislative Services Commission shall review the salary of the
15 principal clerks prior to submission of the proposed operating budget of the General
16 Assembly to the Governor and shall make appropriate recommendations for changes in
17 those salaries. Any changes enacted by the General Assembly shall be by amendment to
18 this paragraph."
19

20 **SERGEANT-AT-ARMS AND READING CLERKS/ SALARY INCREASES**

21 **SECTION 28.9.** Effective July 1, 2007, G.S. 120-37(b) reads as rewritten:

22 "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a
23 salary of ~~three hundred forty five dollars (\$345.00)~~ three hundred sixty dollars
24 (\$360.00) per week plus subsistence at the same daily rate provided for members of the
25 General Assembly, plus mileage at the rate provided for members of the General
26 Assembly for one round trip only from their homes to Raleigh and return. The
27 sergeants-at-arms shall serve during sessions of the General Assembly and at such time
28 prior to the convening of, and subsequent to adjournment or recess of, sessions as may
29 be authorized by the Legislative Services Commission. The reading clerks shall serve
30 during sessions only."
31

32 **LEGISLATIVE EMPLOYEES/ SALARY INCREASES**

33 **SECTION 28.10.** Effective July 1, 2007, the Legislative Services Officer
34 shall increase the salaries of nonelected employees of the General Assembly in effect
35 for fiscal year 2006-2007 by four and one-quarter percent (4.25%). Nothing in this act
36 limits any of the provisions of G.S. 120-32.
37

38 **COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES**

39 **SECTION 28.11.(a)** The Director of the Budget shall transfer from the
40 Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and
41 2008-2009, funds to the North Carolina Community Colleges System Office necessary
42 to provide an annual salary increase of four and one-quarter percent (4.25%) including
43 funds for the employer's retirement and social security contributions, commencing July
44 1, 2007, for all community college employees supported by State funds.

45 **SECTION 28.11.(b)** The Director of the Budget shall transfer from the
46 Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and
47 2008-2009, funds to the North Carolina Community Colleges System Office necessary
48 to provide an additional annual salary increase of three quarters of one percent (0.75%),
49 for Community College faculty and professional staff, including funds for the
50 employer's retirement and social security contributions, supported by State funds.
51

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES

SECTION 28.12.(a) The Director of the Budget shall transfer to the Board of Governors of The University of North Carolina sufficient funds from the Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009, to provide an annual salary increase of four and one-quarter percent (4.25%), including funds for the employer's retirement and social security contributions, commencing July 1, 2007, for all employees of The University of North Carolina, as well as employees other than teachers of the North Carolina School of Science and Mathematics, supported by State funds and whose salaries are exempt from the State Personnel Act (EPA).

SECTION 28.12.(b) The Director of the Budget shall transfer to the Board of Governors of The University of North Carolina sufficient funds from the Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009, to provide an average annual salary increase of five percent (5%) but at least an annual increase of one thousand two hundred forty dollars (\$1,240), including funds for the employer's retirement and social security contributions, commencing July 1, 2007, for all teaching employees of the North Carolina School of Science and Mathematics, supported by State funds and whose salaries are exempt from the State Personnel Act (EPA). These funds shall be allocated to individuals according to the rules adopted by the Board of Trustees of the North Carolina School of Science and Mathematics and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section.

STATE AGENCY TEACHERS' COMPENSATION

SECTION 28.13. Funds in the Reserve for Compensation Increases shall be used for experience step increases for employees of schools operated by the Department of Health and Human Services, the Department of Correction, or the Department of Juvenile Justice and Delinquency Prevention, who are paid on the Teacher Salary Schedule or the School Based Administrator Salary Schedule.

MOST STATE EMPLOYEES/SALARY INCREASES

SECTION 28.14.(a) The salaries in effect June 30, 2007, of all permanent full-time State employees whose salaries are set in accordance with the State Personnel Act, and who are paid from the General Fund or the Highway Fund, shall be increased, on or after July 1, 2007, unless otherwise provided by this act, by four and one-quarter percent (4.25%).

SECTION 28.14.(b) Except as otherwise provided in this act, the fiscal year 2007-2008 salaries for permanent full-time State officials and persons in exempt positions that are recommended by the Governor or the Governor and the Advisory Budget Commission and set by the General Assembly shall be increased by four and one-quarter percent (4.25%), commencing July 1, 2007.

SECTION 28.14.(c) The salaries in effect for fiscal year 2007-2008 for all permanent part-time State employees shall be increased on and after July 1, 2007, by the four and one-quarter percent (4.25%) salary increase provided for permanent full-time employees covered under this part.

SECTION 28.14.(d) The Director of the Budget may allocate out of special operating funds or from other sources of the employing agency, except tax revenues, sufficient funds to allow a salary increase, on and after July 1, 2007, in accordance with subsection (a), (b), or (c) of this section including funds for the employer's retirement and social security contributions, for the permanent full-time and part-time employees of the agency, provided the employing agency elects to make available the necessary funds.

1 **SECTION 28.14.(e)** Within regular State Budget Act procedures as limited
2 by this act, all State agencies and departments may increase on an equitable basis the
3 rate of pay of temporary and permanent hourly State employees, subject to availability
4 of funds in the particular agency or department, by pro rata amounts of the four and
5 one-quarter percent (4.25%) salary increase provided for permanent full-time employees
6 covered by the provisions of subsection (a) of this section, commencing July 1, 2007.

7
8 **ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES**

9 **SECTION 28.15.(a)** Salaries and related benefits for positions that are
10 funded partially from the General Fund or Highway Fund and partially from sources
11 other than the General Fund or Highway Fund shall be increased from the General Fund
12 or Highway Fund appropriation only to the extent of the proportionate part of the
13 salaries paid from the General Fund or Highway Fund.

14 **SECTION 28.15.(b)** The granting of the salary increases under this act does
15 not affect the status of eligibility for salary increments for which employees may be
16 eligible unless otherwise required by this act.

17 **SECTION 28.15.(c)** The salary increases provided in this act are to be
18 effective July 1, 2007, and do not apply to persons separated from State service due to
19 resignation, dismissal, reduction in force, death, or retirement, or whose last workday is
20 prior to July 1, 2007.

21 Payroll checks issued to employees after July 1, 2007, which represent
22 payment of services provided prior to July 1, 2007, shall not be eligible for salary
23 increases provided for in this act. This subsection shall apply to all employees, subject
24 to or exempt from the State Personnel Act, paid from State funds, including public
25 schools, community colleges, and The University of North Carolina.

26 **SECTION 28.15.(d)** The Director of the Budget shall transfer from the
27 Reserve for Compensation Increases in this act for fiscal year 2007-2008 all funds
28 necessary for the salary increases provided by this act, including funds for the
29 employer's retirement and social security contributions.

30 **SECTION 28.15.(e)** Nothing in this act authorizes the transfer of funds
31 between the General Fund and the Highway Fund for salary increases.

32 **SECTION 28.15.(f)** Permanent full-time employees who work a nine-, ten-,
33 or eleven-month work year schedule shall receive the four and one-quarter percent
34 (4.25%) annual increase provided by this act.

35
36 **SALARY ADJUSTMENT FUND**

37 **SECTION 28.18.(a)** Any remaining appropriations in the General Fund
38 Reserve for Compensation Increases authorized for employee salary increases not
39 required for that purpose may be used to supplement the General Fund Salary
40 Adjustment Fund to support salary adjustments for positions supported by the General
41 Fund. Any remaining appropriations in the Highway Fund Reserves and Transfers
42 authorized for employee salary increases not required for that purpose may be used to
43 supplement the Highway Fund Salary Adjustment Fund to support salary adjustments
44 for positions supported by the Highway Fund.

45 **SECTION 28.18.(b)** Funds appropriated or otherwise transferred to the
46 General Fund Salary Adjustment Fund or to the Highway Fund Salary Adjustment Fund
47 by this act or any other provision of law shall be used to fund agency requests for the
48 following purposes:

- 49 (1) Salary range revisions, special minimum rates, grade to band transfers
50 and geographic site differential adjustments to provide competitive
51 salary rates for affected job classifications/groups in response to

1 changes in labor market rates as documented through data collection
2 and analysis according to accepted human resource professional
3 practices and standards.

- 4 (2) Reallocation of positions to higher level job classifications to
5 compensate employees for more difficult duties at competitive salary
6 rates as documented through data collection and analysis according to
7 accepted human resource professional practices and standards.

8 The terms 'salary range revision' and 'reallocation' as used in this section shall conform
9 to the definitions of those terms as previously contained in the State Personnel Manual
10 and adopted by the State Personnel Commission effective immediately prior to
11 November 1, 2005. Funds shall only be used for salary adjustments that are in
12 compliance with State Personnel Commission policies. Funding shall first be provided
13 to the earliest actions approved on or before July 1, 2007, by the State Personnel
14 Commission or the Office of State Personnel and shall not be used for other purposes
15 including, but not limited to, in-range adjustments, career progression adjustments, or
16 other adjustments as these terms may be defined by State personnel policy.

17 **SECTION 28.18.(c)** The Director of the Budget shall consult with the Joint
18 Legislative Commission on Governmental Operations prior to transferring any salary
19 adjustment funds for any State agency.

20 **SECTION 28.18.(d)** The Director of the Budget may:

- 21 (1) Transfer to General Fund budget codes from the General Fund Salary
22 Adjustment Fund amounts required to support salary adjustments
23 authorized by this section with the oldest of the pending adjustments to
24 be funded first.
25 (2) Transfer to Highway Fund budget codes from the Highway Fund
26 Salary Adjustment Fund amounts required to support salary
27 adjustments authorized by this section.

28 **SECTION 28.18.(e)** The Judicial Department is eligible for the funding
29 authorized in subsection (a) of this section.

30 **SECTION 28.18.(f)** Employees subject to the State Personnel Act in The
31 University of North Carolina System are eligible for funding authorized in subsection
32 (a) of this section and for the purposes outlined in subsection (b) of this section.
33

34 **SALARY-RELATED CONTRIBUTIONS/EMPLOYER**

35 **SECTION 28.19.(a)** Required employer salary-related contributions for
36 employees whose salaries are paid from department, office, institution, or agency
37 receipts shall be paid from the same source as the source of the employees' salary. If an
38 employee's salary is paid in part from the General Fund or Highway Fund and in part
39 from department, office, institution, or agency receipts, required employer salary-related
40 contributions may be paid from the General Fund or Highway Fund only to the extent of
41 the proportionate part paid from the General Fund or Highway Fund in support of the
42 salary of the employee, and the remainder of the employer's requirements shall be paid
43 from the source that supplies the remainder of the employee's salary. The requirements
44 of this section as to source of payment are also applicable to payments on behalf of the
45 employee for hospital-medical benefits, longevity pay, unemployment compensation,
46 accumulated leave, workers' compensation, severance pay, separation allowances, and
47 applicable disability income benefits.

48 Notwithstanding any other provision of law, an employer who hires or has
49 hired a retiree as an employee shall enroll the retiree in the active group and pay the cost
50 for the hospital-medical benefits if that retiree is employed in a position that would

1 require the employer to pay hospital-medical benefits if the individual had not been
2 retired.

3 **SECTION 28.19.(b)** Effective July 1, 2007, the State's employer
4 contribution rates budgeted for retirement and related benefits as percentage of covered
5 salaries for the 2007-2008 fiscal year are: (i) seven and ninety-six hundredths percent
6 (7.96%) – Teachers and State Employees; (ii) twelve and ninety-six hundredths percent
7 (12.96%) – State Law Enforcement Officers; (iii) eleven and sixty-six hundredths
8 percent (11.66%) – University Employees' Optional Retirement System; (iv) eleven and
9 sixty-six hundredths percent (11.66%) – Community College Optional Retirement
10 Program; (v) sixteen and eighty-nine hundredths percent (16.89%) – Consolidated
11 Judicial Retirement System; and (vi) four and thirty hundredths percent (4.30%) –
12 Legislative Retirement System. Each of the foregoing contribution rates includes four
13 and thirty hundredths percent (4.30%) for hospital and medical benefits. The rate for
14 Teachers and State Employees, State Law Enforcement Officers, Community College
15 Optional Retirement Program, and for the University Employees' Optional Retirement
16 Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan.
17 The rates for Teachers and State Employees and State Law Enforcement Officers
18 include sixteen-hundredths percent (0.16%) for the Death Benefits Plan. The rate for
19 State Law Enforcement Officers includes five percent (5%) for Supplemental
20 Retirement Income.

21 **SECTION 28.19.(c)** Effective July 1, 2008, the State's employer
22 contribution rates budgeted for retirement and related benefits as percentage of covered
23 salaries for the 2007-2008 fiscal year are: (i) seven and ninety-six hundredths percent
24 (7.96%) – Teachers and State Employees; (ii) twelve and ninety-six hundredths percent
25 (12.96%) – State Law Enforcement Officers; (iii) eleven and sixty-six hundredths
26 percent (11.66%) – University Employees' Optional Retirement System; (iv) eleven and
27 sixty-six hundredths percent (11.66%) – Community College Optional Retirement
28 Program; (v) sixteen and eighty-nine hundredths percent (16.89%) – Consolidated
29 Judicial Retirement System; and (vi) four and thirty hundredths percent (4.30%) –
30 Legislative Retirement System. Each of the foregoing contribution rates includes four
31 and thirty hundredths percent (4.30%) for hospital and medical benefits. The rate for
32 Teachers and State Employees, State Law Enforcement Officers, Community College
33 Optional Retirement Program, and for the University Employees' Optional Retirement
34 Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan.
35 The rates for Teachers and State Employees and State Law Enforcement Officers
36 include sixteen-hundredths percent (0.16%) for the Death Benefits Plan. The rate for
37 State Law Enforcement Officers includes five percent (5%) for Supplemental
38 Retirement Income.

39 **SECTION 28.19.(d)** The maximum annual employer contributions, payable
40 monthly, by the State for each covered employee or retiree for the 2007-2008 fiscal year
41 to the Teachers' and State Employees' Comprehensive Major Medical Plan's Indemnity
42 Plan are: (i) Medicare-eligible employees and retirees – three thousand two hundred
43 sixty-two dollars (\$3,262) and (ii) non-Medicare-eligible employees and retirees – four
44 thousand two hundred eighty-four dollars (\$4,284).

45 **SECTION 28.19.(e)** The maximum annual employer contributions, payable
46 monthly, by the State for each covered employee or retiree for the 2008-2009 fiscal year
47 to the Teachers' and State Employees' Comprehensive Major Medical Plan's Indemnity
48 Plan are: (i) Medicare-eligible employees and retirees – three thousand three hundred
49 seventy-one dollars (\$3,371) and (ii) non-Medicare-eligible employees and retirees –
50 four thousand four hundred twenty-eight dollars (\$4,428).

1 **SECTION 28.19.(f)** The maximum annual employer contributions, payable
2 monthly, by the State for each covered employee or retiree for the 2007-2008 fiscal year
3 to the Teachers' and State Employees' Comprehensive Major Medical Plan's Preferred
4 Provider Options Program are: (i) Medicare-eligible employees and retirees – three
5 thousand one hundred nineteen dollars (\$3,119) and (ii) non-Medicare-eligible
6 employees and retirees – four thousand ninety-seven dollars (\$4,097).

7 **SECTION 28.19.(g)** The maximum annual employer contributions, payable
8 monthly, by the State for each covered employee or retiree for the 2008-2009 fiscal year
9 to the Teachers' and State Employees' Comprehensive Major Medical Plan's Preferred
10 Provider Options Program are: (i) Medicare-eligible employees and retirees – three
11 thousand two hundred ten dollars (\$3,210) and (ii) non-Medicare-eligible employees
12 and retirees – four thousand two hundred seventeen dollars (\$4,217).

13
14 **PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE**
15 **TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE**
16 **JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT**
17 **SYSTEM, AND THE LOCAL GOVERNMENTAL EMPLOYEES'**
18 **RETIREMENT SYSTEM**

19 **SECTION 28.20.(a)** G.S. 135-5 is amended by adding a new subsection to
20 read:

21 "(qqq) From and after July 1, 2007, the retirement allowance to or on account of
22 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased
23 by two percent (2%) of the allowance payable on June 1, 2007, in accordance with
24 G.S. 135-5(o). Furthermore, from and after July 1, 2007, the retirement allowance to or
25 on account of beneficiaries whose retirement commenced after July 1, 2006, but before
26 June 30, 2007, shall be increased by a prorated amount of two percent (2%) of the
27 allowance payable as determined by the Board of Trustees based upon the number of
28 months that a retirement allowance was paid between July 1, 2006, and June 30, 2007."

29 **SECTION 28.20.(b)** G.S. 135-65 is amended by adding a new subsection to
30 read:

31 "(bb) From and after July 1, 2007, the retirement allowance to or on account of
32 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased
33 by two percent (2%) of the allowance payable on June 1, 2007. Furthermore, from and
34 after July 1, 2007, the retirement allowance to or on account of beneficiaries whose
35 retirement commenced after July 1, 2006, but before June 30, 2007, shall be increased
36 by a prorated amount of two percent (2%) of the allowance payable as determined by
37 the Board of Trustees based upon the number of months that a retirement allowance was
38 paid between July 1, 2006, and June 30, 2007."

39 **SECTION 28.20.(c)** G.S. 120-4.22A is amended by adding a new subsection
40 to read:

41 "(v) In accordance with subsection (a) of this section, from and after July 1, 2007,
42 the retirement allowance to or on account of beneficiaries whose retirement commenced
43 on or before January 1, 2007, shall be increased by two percent (2%) of the allowance
44 payable on June 1, 2007. Furthermore, from and after July 1, 2007, the retirement
45 allowance to or on account of beneficiaries whose retirement commenced after January
46 1, 2007, but before June 30, 2007, shall be increased by a prorated amount of two
47 percent (2%) of the allowance payable as determined by the Board of Trustees based
48 upon the number of months that a retirement allowance was paid between January 1,
49 2007, and June 30, 2007."

50 **SECTION 28.20.(d)** G.S. 128-27 is amended by adding a new subsection to
51 read:

1 "(hhh) From and after July 1, 2007, the retirement allowance to or on account of
2 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased
3 by two and two-tenths percent (2.2%) of the allowance payable on June 1, 2007, in
4 accordance with subsection (k) of this section. Furthermore, from and after July 1, 2007,
5 the retirement allowance to or on account of beneficiaries whose retirement commenced
6 after July 1, 2006, but before June 30, 2007, shall be increased by a prorated amount of
7 two and two-tenths percent (2.2%) of the allowance payable as determined by the Board
8 of Trustees based upon the number of months that a retirement allowance was paid
9 between July 1, 2006, and June 30, 2007."

10
11 **INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S**
12 **AND RESCUE SQUAD WORKERS' PENSION FUND**

13 **SECTION 28.21.** G.S. 58-86-55 reads as rewritten:

14 **"§ 58-86-55. Monthly pensions upon retirement.**

15 Any member who has served 20 years as an "eligible fireman" or "eligible rescue
16 squad worker" in the State of North Carolina, as provided in G.S. 58-86-25 and
17 G.S. 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly
18 pension from this fund. The monthly pension shall be in the amount of ~~one hundred~~
19 ~~sixty five dollars (\$165.00)~~ one hundred sixty-seven dollars (\$167.00) per month. Any
20 retired fireman receiving a pension shall, effective ~~July 1, 2006,~~ July 1, 2007, receive a
21 pension of ~~one hundred sixty five dollars (\$165.00)~~ one hundred sixty-seven dollars
22 (\$167.00) per month.

23 Members shall pay ten dollars (\$10.00) per month as required by G.S. 58-86-35 and
24 G.S. 58-86-40 for a period of no longer than 20 years. No "eligible rescue squad
25 member" shall receive a pension prior to July 1, 1983. No member shall be entitled to a
26 pension hereunder until the member's official duties as a fireman or rescue squad
27 worker for which the member is paid compensation shall have been terminated and the
28 member shall have retired as such according to standards or rules fixed by the board of
29 trustees.

30 A member who is totally and permanently disabled while in the discharge of the
31 member's official duties as a result of bodily injuries sustained or as a result of extreme
32 exercise or extreme activity experienced in the course and scope of those official duties
33 and who leaves the fire or rescue squad service because of this disability shall be
34 entitled to be paid from the fund a monthly benefit in an amount of ~~one hundred~~
35 ~~sixty five dollars (\$165.00)~~ one hundred sixty-seven dollars (\$167.00) per month
36 beginning the first month after the member's fifty-fifth birthday. All applications for
37 disability are subject to the approval of the board who may appoint physicians to
38 examine and evaluate the disabled member prior to approval of the application, and
39 annually thereafter. Any disabled member shall not be required to make the monthly
40 payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

41 A member who is totally and permanently disabled for any cause, other than line of
42 duty, who leaves the fire or rescue squad service because of this disability and who has
43 at least 10 years of service with the pension fund, may be permitted to continue making
44 a monthly contribution of ten dollars (\$10.00) to the fund until the member has made
45 contributions for a total of 240 months. The member shall upon attaining the age of 55
46 years be entitled to receive a pension as provided by this section. All applications for
47 disability are subject to the approval of the board who may appoint physicians to
48 examine and evaluate the disabled member prior to approval of the application and
49 annually thereafter.

50 A member who, because his residence is annexed by a city under Part 2 or Part 3 of
51 ~~Article 4~~ Article 4A of Chapter 160A of the General Statutes, or whose department is

1 closed because of an annexation by a city under Part 2 or Part 3 of ~~Article 4~~ Article 4A
2 of Chapter 160A of the General Statutes, or whose volunteer department is taken over
3 by a city or county, and because of such annexation or takeover is unable to perform as
4 a fireman or rescue squad worker of any status, and if the member has at least 10 years
5 of service with the pension fund, may be permitted to continue making a monthly
6 contribution of ten dollars (\$10.00) to the fund until the member has made contributions
7 for a total of 240 months. The member upon attaining the age of 55 years and
8 completion of such contributions shall be entitled to receive a pension as provided by
9 this section. Any application to make monthly contributions under this section shall be
10 subject to a finding of eligibility by the Board of Trustees upon application of the
11 member.

12 The pensions provided shall be in addition to all other pensions or benefits under any
13 other statutes of the State of North Carolina or the United States, notwithstanding any
14 exclusionary provisions of other pensions or retirement systems provided by law."

15 16 **ENHANCE BENEFITS PAYABLE THROUGH THE NATIONAL GUARD** 17 **PENSION FUND**

18 **SECTION 28.21A.** G.S. 127A-40(a) reads as rewritten:

19 "(a) Every member and former member of the North Carolina national guard who
20 meets the requirements hereinafter set forth shall receive, commencing at age 60, a
21 pension of ~~eighty dollars (\$80.00)~~ ninety-five dollars (\$95.00) per month for 20 years'
22 creditable military service with an additional ~~eight dollars (\$8.00)~~ nine dollars fifty
23 cents (\$9.50) per month for each additional year of such service; provided, however,
24 that the total pension shall not exceed ~~one hundred sixty dollars (\$160.00)~~ one hundred
25 ninety dollars (\$190.00) per month. The requirements for such pension are that each
26 member shall:

- 27 (1) Have served and qualified for at least 20 years' creditable military
28 service, including national guard, reserve and active duty, under the
29 same requirement specified for entitlement to retired pay for
30 nonregular service under Chapter 67, Title 10, United States Code.
- 31 (2) Have at least 15 years of the aforementioned service as a member of
32 the North Carolina national guard.
- 33 (3) Have received an honorable discharge from the North Carolina
34 national guard."
35

36 **STATE HEALTH PLAN CHANGES**

37 **SECTION 28.22.(a)** The Teachers' and State Employees' Comprehensive
38 Major Medical Plan (Plan) shall provide for an annual open enrollment period in the
39 Indemnity Plan and Optional PPO program for the July 1, 2007, to June 30, 2008, Plan
40 year. Plan member changes to coverage type or selection of benefit coverage under the
41 Indemnity Plan or Optional PPO program during open enrollment shall become
42 effective October 1, 2007. At least 45 days prior to October 1, 2007, the Plan shall
43 provide to all plan members sufficient information on premiums, cost-sharing, and
44 benefits to enable the plan member or other eligible participant to make an enrollment
45 election effective October 1, 2007. As used in this subsection, the term "plan member"
46 includes active employees, retired employees, and other eligible participants with
47 respect to the Indemnity Plan and the optional PPO program.

48 **SECTION 28.22.(b)** G.S. 135-40.1(2) reads as rewritten:

- 49 "(2) Deductible. – Deductible shall mean an amount of covered expenses
50 during a fiscal year which must be incurred after which benefits
51 (subject to the deductible) becomes payable. The deductible for an

1 employee, retired employee and/or his or her dependents shall be ~~three~~
2 ~~hundred fifty dollars (\$350.00)~~ four hundred fifty dollars (\$450.00) for
3 each fiscal year.

4 The deductible applies separately to each covered individual in
5 each fiscal year, subject to an aggregate maximum of ~~one thousand~~
6 ~~fifty dollars (\$1,050)~~ one thousand three hundred fifty dollars (\$1,350)
7 per employee and child(ren) or employee and family coverage contract
8 in any fiscal year.

9 If two or more family members are injured in the same accident
10 only one deductible is required for charges related to that accident
11 during the benefit period."

12 **SECTION 28.22.(c)** G.S. 135-40.4 reads as rewritten:

13 **"§ 135-40.4. Benefits in general.**

14 (a) In the event a covered person, as a result of accidental bodily injury, disease
15 or pregnancy, incurs covered expenses, the Plan will pay benefits up to the amounts
16 described in G.S. 135-40.5 through G.S. 135-40.9.

17 The Plan is divided into two parts. The first part includes certain benefits which are
18 not subject to a deductible or coinsurance. The second part is a comprehensive plan and
19 includes those benefits which are subject to both a ~~three hundred fifty dollar (\$350.00)~~
20 ~~four hundred fifty dollar (\$450.00)~~ deductible for each covered individual to an
21 aggregate maximum of ~~one thousand fifty dollars (\$1,050)~~ one thousand three hundred
22 fifty dollars (\$1,350) per employee and child(ren) or employee and family coverage
23 contract and coinsurance of 80%/20%. There is a limit on out-of-pocket expenses under
24 the second part.

25 Notwithstanding the provisions of this Article, the Executive Administrator and
26 Board of Trustees of the Teachers' and State Employees' Comprehensive Major Medical
27 Plan may contract with providers of institutional and professional medical care and
28 services to established preferred provider networks. The terms pertaining to
29 reimbursement rates or other terms of consideration of any contract between hospitals,
30 hospital authorities, doctors or other medical providers, an optional program contract
31 authorized under G.S. 135-39.5B(b), or a pharmacy benefit manager and the Plan shall
32 not be a public record under Chapter 132 of the General Statutes for a period of thirty
33 months after the date of the expiration of the contract. Provided, however, nothing in
34 this subsection shall be deemed to prevent or restrict the release of any information
35 made not a public record under this subsection to the State Auditor, the Attorney
36 General, the Director of the State Budget, the Plan's Executive Administrator, and the
37 Committee on Employee Hospital and Medical Benefits solely and exclusively for their
38 use in the furtherance of their duties and responsibilities. The design, adoption, and
39 implementation of the preferred provider contracts and networks are not subject to the
40 requirements of Chapter 143 of the General Statutes, provided that for any hospital
41 preferred provider network all hospitals will have an opportunity to contract with the
42 Plan if they meet the contract requirements. The Executive Administrator and Board of
43 Trustees shall, under the provisions of G.S. 135-39.5(12), pursue such preferred
44 provider contracts on a timely basis and shall make reports as requested to the President
45 of the Senate, the President Pro Tempore of the Senate, the Speaker of the House of
46 Representatives, and the Committee on Employee Hospital and Medical Benefits on its
47 progress in negotiating the preferred provider contracts. The Executive Administrator
48 and Board of Trustees shall implement a refined diagnostic-related grouping or
49 diagnostic-related grouping-based reimbursement system for hospitals as soon as
50 practicable, but no later than January 1, 1995.

1 (b) As used in this section the term "preferred provider contracts or networks"
2 includes, but is not limited to, a refined diagnostic-related grouping or
3 diagnostic-related grouping-based system of reimbursement for hospitals."

4 **SECTION 28.22.(d)** G.S. 135-40.5(g) reads as rewritten:

5 "(g) Prescription Drugs. – The Plan's allowable charges for prescription legend
6 drugs to be used outside of a hospital or skilled nursing facility are to be determined by
7 the Plan's Executive Administrator and Board of Trustees. The Plan will pay allowable
8 charges for each outpatient prescription drug less a copayment to be paid by each
9 covered individual equal to the following amounts: pharmacy charges up to ten dollars
10 (\$10.00) for each generic prescription, ~~twenty five dollars (\$25.00)~~ thirty dollars
11 (\$30.00) for each preferred branded prescription, and forty dollars (\$40.00) for each
12 preferred branded prescription with a generic equivalent drug, and fifty dollars (\$50.00)
13 for each nonpreferred branded or generic prescription.

14 Allowable charges shall not be greater than a pharmacy's usual and customary
15 charge to the general public for a particular prescription. Prescriptions shall be for no
16 more than a 34-day supply for the purposes of the copayments paid by each covered
17 individual. By accepting the copayments and any remaining allowable charges provided
18 by this subsection, pharmacies shall not balance bill an individual covered by the Plan.
19 A prescription legend drug is defined as an article the label of which, under the Federal
20 Food, Drug, and Cosmetic Act, is required to bear the legend: "Caution: Federal Law
21 Prohibits Dispensing Without Prescription." Such articles may not be sold to or
22 purchased by the public without a prescription order. Benefits are provided for insulin
23 even though a prescription is not required. The Plan may use a pharmacy benefit
24 manager to help manage the Plan's outpatient prescription drug coverage. In managing
25 the Plan's outpatient prescription drug benefits, the Plan and its pharmacy benefit
26 manager shall not provide coverage for erectile dysfunction, growth hormone,
27 antiwrinkle, weight loss, and hair growth drugs unless such coverage is medically
28 necessary to the health of the member. The Plan and its pharmacy benefit manager shall
29 not provide coverage for growth hormone and weight loss drugs and antifungal drugs
30 for the treatment of nail fungus and botulinum toxin without approval in advance by the
31 pharmacy benefit manager. Any formulary used by the Plan's Executive Administrator
32 and pharmacy benefit manager shall be an open formulary. Plan members shall not be
33 assessed more than two thousand five hundred dollars (\$2,500) per person per fiscal
34 year in copayments required by this subsection."

35 **SECTION 28.22.(e)** The first paragraph of G.S. 135-40.6 reads as rewritten:

36 "The benefits provided in this section are subject to a deductible of ~~three hundred~~
37 ~~fifty dollars (\$350.00)~~ four hundred fifty dollars (\$450.00) per covered individual to an
38 aggregate maximum of ~~one thousand fifty dollars (\$1,050)~~ one thousand three hundred
39 fifty dollars (\$1,350) per employee and child(ren) or employee and family coverage
40 contract per fiscal year and are payable on the basis of eighty percent (80%) by the Plan
41 and twenty percent (20%) by the covered individual up to a maximum of two thousand
42 dollars (\$2,000) out-of-pocket per fiscal year. The aggregate maximum out-of-pocket
43 required of individuals covered by this section shall not be more than six thousand
44 dollars (\$6,000) per employee and child(ren) or employee and family coverage contract
45 per fiscal year."

46 **SECTION 28.22.(f)** G.S. 135-40.8(c3) reads as rewritten:

47 "(c3) Notwithstanding any other provision of this Article, the Plan does not pay for
48 the first ~~fifteen dollars (\$15.00)~~ twenty-five dollars (\$25.00) of allowable charges for
49 each home, office, or skilled nursing facility visit under the provisions of
50 G.S. 135-40.6(7)a. and b., G.S. 135-40.6(4), G.S. 135-40.6(8)i., j., k., n., r., and s., and
51 G.S. 135-40.5(e). The co-payment assessed by this subsection shall be assessed only

1 once per person per provider per day and shall not apply to laboratory, pathology, and
 2 radiology services, or to charges for injected medications. The exclusion made under
 3 this subsection shall not count toward the deductible nor toward the maximum amount
 4 of coinsurance out-of-pocket costs."
 5

6 **RETIREE HEALTH BENEFIT FUND**

7 **SECTION 28.23.** G.S. 135-7(f) reads as rewritten:

8 "(f) Retiree Health Benefit Fund. – The Retiree Health Benefit Fund is established
 9 as a fund in which accumulated contributions from employers and any earnings on those
 10 contributions shall be used to provide health benefits to retired and disabled employees
 11 and their applicable beneficiaries as provided by this Chapter. The Retiree Health
 12 Benefit Fund shall be administered in accordance with the provisions of subsection (a)
 13 of this section. Employer contributions to the Fund are irrevocable. The assets of the
 14 Fund are dedicated to providing health benefits to retired and disabled employees and
 15 their applicable beneficiaries as provided by this Chapter and are not subject to the
 16 claims of creditors of the employers making contributions to the Fund. However, Fund
 17 assets may be used for reasonable expenses to administer the Fund, including costs to
 18 conduct required actuarial valuations of State-supported retired employees' health
 19 benefits under other post-employment benefit accounting standards set forth by the
 20 Governmental Accounting Standards Board of the Financial Accounting Foundation."
 21

22 **PART XXIX. CAPITAL APPROPRIATIONS.**

23
 24 **GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION**

25 **SECTION 29.1.** The appropriations made by the 2007 General Assembly
 26 for capital improvements are for constructing, repairing, or renovating State buildings,
 27 utilities, and other capital facilities, for acquiring sites for them where necessary, and
 28 acquiring buildings and land for State government purposes.
 29

30 **CAPITAL APPROPRIATIONS/GENERAL FUND**

31 **SECTION 29.2.(a)** There is appropriated from the General Fund for the
 32 2007-2008 fiscal year the following amount for capital improvements:
 33

Capital Improvements – General Fund	2007-2008
Department of Administration	
NC Court of Appeals Building Renovation	\$10,498,000
Deerfield Cottage Renovation	3,556,000
State Highway Patrol Training Facility Planning Funds	1,721,000
State Capital Visitors Center / Public Plaza / Underground Parking Facility Planning Funds	627,281
Department of Agriculture and Consumer Services	
Veterinary Laboratory System Study and Planning Funds	1,250,000
Western Agricultural Center Facilities – Phase I	5,000,000
Eastern Agricultural Center Facilities	3,000,000
Oxford Research Complex	5,000,000
Department of Commerce	
NC Ports Improvements	7,500,000

1	Department of Correction	
2	Scotland Correctional Institution Minimum Security	
3	Addition Planning Funds	1,033,088
4	Bertie Correctional Institution Medium Security Addition	
5	Planning Funds	1,551,950
6	Lanesboro Correctional Institution Medium Security	
7	Addition Planning Funds	547,839
8	Tabor Correctional Institution Minimum Security Addition	
9	Planning Funds	364,680
10		
11	Department of Crime Control and Public Safety	
12	Gastonia National Guard Armory Rehabilitation	527,100
13	Statewide Department Master Plan – Phase I	280,294
14	Camp Butner Land Buffers – Phase I	117,800
15		
16	Department of Cultural Resources	
17	Charlotte Hawkins Brown Museum Renovations	3,921,100
18	NC Museum of History Chronology Exhibit – Phase I	6,322,900
19	Horne Creek Farm Visitors Center	442,100
20		
21	Department of Natural and Environmental Resources	
22	Division of Water Quality Modular Office	252,200
23	NC Zoo Horticulture Storage Facility	450,000
24	NC Zoo Plains Barns and Paddocks	3,006,000
25	Division of Forestry Resources Ashe County Headquarters	708,000
26	Division of Forestry Resources Buncombe County Headquarters	462,300
27	Water Resources Development Projects	18,563,000
28		
29	Department of Justice	
30	State Bureau of Investigation Garner Road Facilities Addition	1,792,006
31	Western Justice Academy Firing Range	1,974,103
32	State Bureau of Investigation Operations Wing Planning Funds	1,300,000
33		
34	Department of Juvenile Justice and Delinquency Prevention	
35	Dillon Youth Development Center Maintenance Building	375,000
36	Dillon Youth Development Center Mobile Office	200,000
37		
38	Information Technology Services	
39	Secondary Data Center Equipment	7,000,000
40		
41	University of North Carolina System	
42	University of North Carolina at Asheville – Rhoades Hall and	
43	Rhoades Tower Renovation	8,687,000
44		
45	Appalachian State University College of Education Building	9,000,000
46		
47	East Carolina University – School of Dentistry Planning Funds	2,500,000
48		
49	Elizabeth City State University – Education Building Planning	
50	Funds	994,000
51		

1	North Carolina Agricultural and Technical University	
2	and University of North Carolina Greensboro – Nanoscience	
3	and Nano-engineering Building Planning Funds	2,485,000
4		
5	North Carolina Central University – School of Nursing	
6	Planning Funds	1,136,000
7		
8	North Carolina School of Science and Math – Discovery	
9	Center Planning Funds	3,337,000
10		
11	University of North Carolina at Chapel Hill – School of Dentistry	
12	Planning Funds	2,500,000
13		
14	University of North Carolina at Charlotte – Research Facilities	
15	Phase II Planning Funds	3,340,000
16		
17	Western Carolina University – School of Health and	
18	Gerontology Planning Funds	2,200,000
19		
20	Winston-Salem State University – Science and General Office	
21	Building Planning Funds	1,351,000
22		
23	TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$132,518,041

24
25 **SECTION 29.2.(b)** There is appropriated from the General Fund to the
26 Board of Governors of The University of North Carolina the sum of forty-four million
27 dollars (\$44,000,000) for the 2007-2008 fiscal year and the sum of seventy-five million
28 six hundred eight thousand two hundred twenty-five dollars (\$75,608,225) for the
29 2008-2009 fiscal year for the design and construction of the Genomics Science Building
30 at the University of North Carolina at Chapel Hill.

31 **WATER RESOURCES DEVELOPMENT PROJECT FUNDS**

32 **SECTION 29.3.(a)** The Department of Environment and Natural Resources
33 shall allocate the funds appropriated in this act for water resources development projects
34 to the following projects whose costs are as indicated:
35

36	37 Name of Project	38 2007-2008
39	(1) Wilmington Harbor Deepening	\$ 4,333,000
40	(2) Manteo (Shallowbag) Bay	350,000
41	(3) Wilmington Harbor Maintenance	2,000,000
42	(4) Bogue Banks Shore Protection Study	125,000
43	(5) B. Everett Jordan Lake Water Supply Storage	100,000
44	(6) Princeville Flood Control	98,000
45	(7) Aquatic Plant Control, Statewide and Lake Gaston	200,000
46	(8) Belhaven Harbor Feasibility	120,000
47	(9) John H. Kerr Dam & Reservoir	520,000
48	(10) Currituck Sound Environmental Restoration Study	350,000
49	(11) Neuse River Basin Study	554,000
50	(12) Surf City/North Topsail Beach Study	50,000
51	(13) West Onslow Beach (Topsail Beach) Study	43,000

1	(14)	Dare County Beaches (Bodie Island)	500,000
2	(15)	North Carolina Beach and Inlet Management Plan	250,000
3	(16)	Dredging Contingency Fund	2,500,000
4	(17)	State – Local Projects	2,400,000
5	(18)	Black River Restoration – Pender County	100,000
6	(19)	Western N.C. Hurricane Damage Stream Restoration	1,200,000
7	(20)	Planning Assistance to Communities	75,000
8	(21)	Concord Stream Restoration – Cabarrus County	170,000
9	(22)	Southern Shores Canal Dredging Phase 2	800,000
10	(23)	Ararat River Restoration	550,000
11	(24)	Town of Williamston Drainage Improvement	600,000
12	(25)	Little Sugar Creek Stream Restoration Phase 7	575,000
13			
14	TOTALS		\$18,563,000

15
 16 **SECTION 29.3.(b)** Where the actual costs are different from the estimated
 17 costs under subsection (a) of this section, the Department may adjust the allocations
 18 among projects as needed. If any projects funded under subsection (a) of this section are
 19 delayed and the budgeted State funds cannot be used during the 2007-2008 fiscal year,
 20 or if the projects funded under subsection (a) of this section are accomplished at a lower
 21 cost, the Department may use the resulting fund availability to fund any of the
 22 following:

- 23 (1) U.S. Army Corps of Engineers project feasibility studies.
- 24 (2) U.S. Army Corps of Engineers projects whose schedules have
 25 advanced and require State-matching funds in fiscal year 2007-2008.
- 26 (3) State-local water resources development projects.

27 Funds not expended or encumbered for these purposes shall revert to the General Fund
 28 at the end of the 2008-2009 fiscal year.

29 **SECTION 29.3.(c)** The Department shall make semiannual reports on the
 30 use of these funds to the Joint Legislative Commission on Governmental Operations,
 31 the Fiscal Research Division, and the Office of State Budget and Management. Each
 32 report shall include all of the following:

- 33 (1) All projects listed in this section.
- 34 (2) The estimated cost of each project.
- 35 (3) The date that work on each project began or is expected to begin.
- 36 (4) The date that work on each project was completed or is expected to be
 37 completed.
- 38 (5) The actual cost of each project.

39 The semiannual reports shall also show those projects advanced in schedule,
 40 those projects delayed in schedule, and an estimate of the amount of funds expected to
 41 revert to the General Fund.

42
 43 **PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS**

44 **SECTION 29.4.** The appropriations made by the 2007 General Assembly
 45 for capital improvements shall be disbursed for the purposes provided by this act.
 46 Expenditure of funds shall not be made by any State department, institution, or agency
 47 until an allotment has been approved by the Governor as Director of the Budget. The
 48 allotment shall be approved only after full compliance with the State Budget Act,
 49 Chapter 143C of the General Statutes. Prior to the award of construction contracts for
 50 projects to be financed in whole or in part with self-liquidating appropriations, the
 51 Director of the Budget shall approve the elements of the method of financing of those

1 projects including the source of funds, interest rate, and liquidation period. Provided,
2 however, that if the Director of the Budget approves the method of financing a project,
3 the Director shall report that action to the Joint Legislative Commission on
4 Governmental Operations at its next meeting.

5 Where direct capital improvement appropriations include the purpose of
6 furnishing fixed and movable equipment for any project, those funds for equipment
7 shall not be subject to transfer into construction accounts except as authorized by the
8 Director of the Budget. The expenditure of funds for fixed and movable equipment and
9 furnishings shall be reviewed and approved by the Director of the Budget prior to
10 commitment of funds.

11 Capital improvement projects authorized by the 2007 General Assembly shall
12 be completed, including fixed and movable equipment and furnishings, within the limits
13 of the amounts of the direct or self-liquidating appropriations provided, except as
14 otherwise provided in this act. Capital improvement projects authorized by the 2007
15 General Assembly for the design phase only shall be designed within the scope of the
16 project as defined by the approved cost estimate filed with the Director of the Budget,
17 including costs associated with site preparation, demolition, and movable and fixed
18 equipment.

19 **REPAIRS AND RENOVATIONS RESERVE ALLOCATION**

20 **SECTION 29.5.(a)** Of the funds in the Reserve for Repairs and Renovations
21 for the 2007-2008 fiscal year, forty-six percent (46%) shall be allocated to the Board of
22 Governors of The University of North Carolina for repairs and renovations pursuant to
23 G.S. 143C-4-3, in accordance with guidelines developed in The University of North
24 Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as
25 approved by the Board of Governors of The University of North Carolina, and fifty-four
26 percent (54%) shall be allocated to the Office of State Budget and Management for
27 repairs and renovations pursuant to G.S. 143C-4-3.

28 Notwithstanding G.S. 143C-4-3, the Board of Governors may allocate funds
29 for the repair and renovation of facilities not supported from the General Fund if the
30 Board determines that sufficient funds are not available from other sources and that
31 conditions warrant General Fund assistance. Any such finding shall be included in the
32 Board's submission to the Joint Legislative Commission on Governmental Operations
33 on the proposed allocation of funds.

34 The Board of Governors and the Office of State Budget and Management
35 shall consult with the Joint Legislative Commission on Governmental Operations prior
36 to the allocation or reallocation of these funds.

37 **SECTION 29.5.(b)** The Office of State Budget and Management and the
38 University of North Carolina General Administration shall jointly study the allocation
39 of funds in the Reserve for Repairs and Renovations set forth in subsection (a) of this
40 section and shall recommend to the General Assembly changes to the current allocation
41 if any are deemed necessary. The study shall include the following:

- 42 (1) A review of the Department of Administration's Facilities Condition
43 and Assessment Program.
- 44 (2) A review and identification of State-owned buildings supported by the
45 General Fund.
- 46 (3) A review of the actual expenditures for repairs and renovations from
47 allocated reserve funds.

48 The Office of State Budget and Management and the University of North Carolina
49 General Administration shall submit a joint report to the Senate Appropriations and
50 Base Budget Committee, the House Appropriations Committee, the House
51

1 Appropriations Subcommittee on Capital, the Senate Finance Subcommittee on Capital
2 and Infrastructure Financing, the Joint Legislative Oversight Committee on Capital
3 Improvements, and the Fiscal Research Division. The report shall include the study
4 findings and recommendations and shall be submitted no later than April 1, 2008.

5 **SECTION 29.5.(c)** Of the funds appropriated in this act for the 2007-2008
6 fiscal year to the Reserve for Repairs and Renovations, the sum of one million six
7 hundred fifty thousand dollars (\$1,650,000) shall be used for roof repair at the North
8 Carolina Transportation Museum.

9 10 **PLANT CONSERVATION PROGRAM FUNDS**

11 **SECTION 29.6.** From funds deposited with the State Treasurer in a capital
12 improvement account to the credit of the Department of Agriculture and Consumer
13 Services pursuant to G.S. 146-30, the sum of thirty thousand dollars (\$30,000) for the
14 2007-2008 fiscal year shall be transferred to the Department of Agriculture and
15 Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its
16 plant conservation program under Article 19B of Chapter 106 of the General Statutes
17 for costs incidental to the acquisition of land, such as land appraisals, land surveys, title
18 searches, environmental studies, and for the management of the plant conservation
19 program preserves owned by the Department.

20 21 **STATE FAIRGROUNDS IMPROVEMENT FUNDS**

22 **SECTION 29.7.** From funds received from the sale of utility easements on
23 property allocated to the Department of Agriculture and Consumer Services in the
24 vicinity of the State Fairgrounds in Raleigh that are deposited with the State Treasurer
25 in a capital improvement account to the credit of the Department of Agriculture and
26 Consumer Services pursuant to G.S. 146-30, the sum of nine hundred seventy-five
27 thousand dollars (\$975,000) for the 2007-2008 fiscal year shall be transferred to the
28 Department to be used for planning and capital improvements to property at the State
29 Fairgrounds.

30 31 **EASTERN NORTH CAROLINA AGRICULTURAL CENTER FUNDS**

32 **SECTION 29.8.(a)** Timber sales receipts received for the sale of timber
33 harvested on the property on which the Eastern North Carolina Agricultural Center at
34 Williamston is located shall be transferred from the Department of Agriculture and
35 Consumer Services' timber sales capital improvement account in the Department of
36 Agriculture and Consumer Services as such funds become available and shall be used
37 for the 2007-2008 fiscal year by the Department for capital improvements to the
38 grounds and facilities at the Eastern North Carolina Agricultural Center.

39 **SECTION 29.8.(b)** Funds transferred pursuant to subsection (a) of this
40 section are hereby appropriated.

41 42 **TIME WARNER CABLE LEASE PROCEEDS**

43 **SECTION 29.9.** The net proceeds received from Time Warner, Inc., by the
44 Department of Environment and Natural Resources, Division of Forest Resources, for
45 the lease of property located at 2600 Howard Road in Raleigh shall be transferred to the
46 Department for deposit into a capital improvement account. Funds in this account for
47 the 2007-2008 fiscal year may be used to construct an equipment storage building and
48 related improvements.

49 50 **SPECIAL INDEBTEDNESS PROJECTS**

1 **SECTION 29.10.(a)** In accordance with G.S. 142-83, this subsection
2 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
3 principal amount of forty-five million one hundred sixty-seven thousand dollars
4 (\$45,167,000) to finance the capital facility costs of completing a new educational
5 building at the University of North Carolina at Greensboro. The State, with the prior
6 approval of the State Treasurer and the Council of State, as provided in Article 9 of
7 Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness
8 in order to provide funds to the State to be used, together with other available funds, to
9 pay the capital facility costs of the project described in this subsection.

10 **SECTION 29.10.(b)** In accordance with G.S. 142-83, this subsection
11 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
12 principal amount of twenty-two million five hundred eighty-seven thousand dollars
13 (\$22,587,000) to finance the capital facility costs of completing a new Science and
14 Technology Complex at Fayetteville State University. The State, with the prior approval
15 of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142
16 of the General Statutes, is authorized to issue or incur special indebtedness in order to
17 provide funds to the State to be used, together with other available funds, to pay the
18 capital facility costs of the project described in this subsection.

19 **SECTION 29.10.(c)** 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 twenty-five million seven hundred eighty-seven thousand dollars
22 (\$25,787,000) to finance the capital facility costs of completing a new general
23 classroom building at North Carolina Agricultural and Technical State University. The
24 State, with the prior approval of the State Treasurer and the Council of State, as
25 provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or
26 incur special indebtedness in order to provide funds to the State to be used, together
27 with other available funds, to pay the capital facility costs of the project described in
28 this subsection.

29 **SECTION 29.10.(d)** In accordance with G.S. 142-83, this subsection
30 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
31 principal amount of twenty-four million nine hundred twenty thousand dollars
32 (\$24,920,000) to finance the capital facility costs of completing a new library at the
33 North Carolina School of the Arts. The State, with the prior approval of the State
34 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
35 General Statutes, is authorized to issue or incur special indebtedness in order to provide
36 funds to the State to be used, together with other available funds, to pay the capital
37 facility costs of the project described in this subsection.

38 **SECTION 29.10.(e)** In accordance with G.S. 142-83, this subsection
39 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
40 principal amount of thirty-eight million dollars (\$38,000,000) to finance the capital
41 facility costs of completing the Randall B. Terry Companion Animal Hospital at North
42 Carolina State University. The State, with the prior approval of the State Treasurer and
43 the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is
44 authorized to issue or incur special indebtedness in order to provide funds to the State to
45 be used, together with other available funds, to pay the capital facility costs of the
46 project described in this subsection.

47 **SECTION 29.10.(f)** In accordance with G.S. 142-83, this subsection
48 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
49 principal amount of nineteen million dollars (\$19,000,000) to finance the capital facility
50 costs of completing a new residence hall at the University of North Carolina at
51 Pembroke. The State, with the prior approval of the State Treasurer and the Council of

1 State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to
2 issue or incur special indebtedness in order to provide funds to the State to be used,
3 together with other available funds, to pay the capital facility costs of the project
4 described in this subsection.

5 **SECTION 29.10.(g)** In accordance with G.S. 142-83, this subsection
6 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
7 principal amount of thirty-four million five hundred twenty-five thousand dollars
8 (\$34,525,000) to finance the capital facility costs of completing a new teaching lab at
9 the University of North Carolina at Wilmington. The State, with the prior approval of
10 the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of
11 the General Statutes, is authorized to issue or incur special indebtedness in order to
12 provide funds to the State to be used, together with other available funds, to pay the
13 capital facility costs of the project described in this subsection.

14 **SECTION 29.10.(h)** In accordance with G.S. 142-83, this subsection
15 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
16 principal amount of eighteen million seven hundred eight thousand dollars
17 (\$18,708,000) to finance the capital facility costs of completing a new student activities
18 center at Winston-Salem State University. The State, with the prior approval of the State
19 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
20 General Statutes, is authorized to issue or incur special indebtedness in order to provide
21 funds to the State to be used, together with other available funds, to pay the capital
22 facility costs of the project described in this subsection.

23 **SECTION 29.10.(i)** In accordance with G.S. 142-83, this subsection
24 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
25 principal amount of thirty-nine million seven hundred sixty-three thousand one hundred
26 dollars (\$39,763,100) to finance the capital facility costs of completing a new healthcare
27 facility to be located at the North Carolina Correctional Institution for Women. The
28 State, with the prior approval of the State Treasurer and the Council of State, as
29 provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or
30 incur special indebtedness in order to provide funds to the State to be used, together
31 with other available funds, to pay the capital facility costs of the project described in
32 this subsection.

33 **SECTION 29.10.(j)** In accordance with G.S. 142-83, this subsection
34 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
35 principal amount of thirteen million one hundred ninety-one thousand three hundred
36 dollars (\$13,191,300) to finance the capital facility costs of a minimum security facility
37 at the Alexander Correctional Institution. The State, with the prior approval of the State
38 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
39 General Statutes, is authorized to issue or incur special indebtedness in order to provide
40 funds to the State to be used, together with other available funds, to pay the capital
41 facility costs of the project described in this subsection.

42 **SECTION 29.10.(k)** In accordance with G.S. 142-83, this subsection
43 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
44 principal amount of nineteen million eight hundred sixteen thousand five hundred
45 dollars (\$19,816,500) to finance the capital facility costs of a medium security facility at
46 the Scotland Correctional Institution. The State, with the prior approval of the State
47 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
48 General Statutes, is authorized to issue or incur special indebtedness in order to provide
49 funds to the State to be used, together with other available funds, to pay the capital
50 facility costs of the project described in this subsection.

1 **SECTION 29.10.(l)** In accordance with G.S. 142-83, this subsection
2 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
3 principal amount of thirty-five million dollars (\$35,000,000) to finance the capital
4 facility costs of a new education and visitors center at Tryon Palace Historic Sites and
5 Gardens. The State, with the prior approval of the State Treasurer and the Council of
6 State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to
7 issue or incur special indebtedness in order to provide funds to the State to be used,
8 together with other available funds, to pay the capital facility costs of the project
9 described in this subsection.

10 **SECTION 29.10.(m)** In accordance with G.S. 142-83, this subsection
11 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
12 principal amount of forty-six million six hundred fifty thousand dollars (\$46,650,000) to
13 finance the capital facility costs of a new office building for the Department of
14 Environment and Natural Resources located in downtown Raleigh on the city block
15 bordered by Jones Street to the north, Salisbury Street to the east, Edenton Street to the
16 south, and McDowell Street to the west. The State, with the prior approval of the State
17 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
18 General Statutes, is authorized to issue or incur special indebtedness in order to provide
19 funds to the State to be used, together with other available funds, to pay the capital
20 facility costs of the project described in this subsection.

21 **SECTION 29.10.(n)** In accordance with G.S. 142-83, this subsection
22 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
23 principal amount of thirty-seven million five hundred thousand dollars (\$37,500,000) to
24 finance the capital facility costs of completing an expansion to the North Carolina
25 Museum of Natural Sciences called the Nature Research Center. The facility shall be
26 located in downtown Raleigh on the city block bordered by Jones Street to the north,
27 Salisbury Street to the east, Edenton Street to the south, and McDowell Street to the
28 west. The State, with the prior approval of the State Treasurer and the Council of State,
29 as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or
30 incur special indebtedness in order to provide funds to the State to be used, together
31 with other available funds, to pay the capital facility costs of the project described in
32 this subsection.

33 **SECTION 29.10.(o)** In accordance with G.S. 142-83, this subsection
34 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
35 principal amount of eighteen million six hundred thousand dollars (\$18,600,000) to
36 finance the capital facility costs of new parking facilities to be constructed in downtown
37 Raleigh on the city block bordered by Jones Street to the north, Salisbury Street to the
38 east, Edenton Street to the south, and McDowell Street to the west. The State, with the
39 prior approval of the State Treasurer and the Council of State, as provided in Article 9
40 of Chapter 142 of the General Statutes, is authorized to issue or incur special
41 indebtedness in order to provide funds to the State to be used, together with other
42 available funds, to pay the capital facility costs of the project described in this
43 subsection.

44 **SECTION 29.10.(p)** In accordance with G.S. 142-83, this subsection
45 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
46 principal amount of ten million dollars (\$10,000,000) to finance the capital facility costs
47 of a warehouse expansion for the Alcoholic Beverage Control Commission. The State,
48 with the prior approval of the State Treasurer and the Council of State, as provided in
49 Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special
50 indebtedness in order to provide funds to the State to be used, together with other

1 available funds, to pay the capital facility costs of the project described in this
 2 subsection.

3 **SECTION 29.10.(q)** G.S 18B-208(b) reads as rewritten:

4 "(b) Special Fund. – A special fund in the office of the State Treasurer, the ABC
 5 Commission Fund, is created. On and after November 1, 1982, all moneys derived from
 6 the collection of bailment charges and bailment surcharges shall be deposited in the
 7 ABC Commission Fund for the purpose of carrying out the provisions of this Chapter.
 8 The ABC Commission Fund shall be subject to the provisions of the Executive Budget
 9 Act except that no unexpended surplus of this fund shall revert to the General Fund. The
 10 Commission shall fix the level of the bailment surcharges at an amount calculated to
 11 cover operating expenses of the Commission and the retirement of ~~bonds~~ any bonded
 12 indebtedness issued for construction of a Commission warehouse and offices. Upon
 13 payment of the bonds issued pursuant to this section, any bonded indebtedness issued
 14 for construction of a Commission warehouse and offices, the Commission shall reduce
 15 the bailment surcharge to an amount no greater than necessary to pay operating
 16 expenses of the Commission as authorized by the General Assembly.

17 All moneys credited to the ABC Commission Fund shall be used to carry out the
 18 intent and purposes of the ABC law in accordance with plans approved by the North
 19 Carolina ABC Commission and the Director of the Budget, and all these funds are
 20 appropriated, reserved, set aside, and made available until expended for the
 21 administration of the ABC law."

22 **SECTION 29.10.(r)** This section is effective when it becomes law.

23
 24 **PART XXX. FEES**

25
 26 **EROSION AND SEDIMENTATION CONTROL PLAN FEE INCREASE**

27 **SECTION 30.1.(a)** G.S. 113A-54.2(a) reads as rewritten:

28 "(a) ~~The Commission may establish a fee schedule for the review and approval of~~
 29 ~~erosion and sedimentation control plans under this Article. In establishing the fee~~
 30 ~~schedule, the Commission shall consider the administrative and personnel costs incurred~~
 31 ~~by the Department for reviewing the plans and for related compliance activities. An~~
 32 ~~application fee may not exceed fifty dollars (\$50.00) of sixty-five dollars (\$65.00) per~~
 33 ~~acre of disturbed land shown on an erosion and sedimentation control plan or of land~~
 34 ~~actually disturbed during the life of the project.~~ project shall be charged for the review of
 35 an erosion and sedimentation control plan under this Article."

36 **SECTION 30.1.(b)** This section becomes effective July 1, 2007, and applies
 37 to applications submitted on or after that date.

38
 39 **MINING PERMIT APPLICATION FEES**

40 **SECTION 30.2.(a)** G.S. 74-54.1 reads as rewritten:

41 **"§ 74-54.1. Permit fees.**

42 (a) ~~The Commission may establish a~~ The fee schedule for the processing of
 43 permit applications and permit renewals and ~~modifications.~~ modifications is as follows:

	<u>0-25 acres</u>	<u>26+ acres</u>
<u>New Permit Applications</u>	<u>\$3,750.00</u>	<u>\$5,000.00</u>
<u>Permit Modifications</u>	<u>\$750.00</u>	<u>\$1,000.00</u>
<u>Permit Renewals</u>	<u>\$750.00</u>	<u>\$1,000.00</u>
<u>Transfers</u>	<u>\$100.00</u>	<u>\$100.00</u>

1 ~~The fees may vary on the basis of the acreage, size, and nature of the proposed or~~
2 ~~permitted operations or modifications. In establishing the fee schedule, the Commission~~
3 ~~shall consider the administrative and personnel costs incurred by the Department for~~
4 ~~processing applications for permits and permit renewals and modifications and for~~
5 ~~related compliance activities and safeguards to prevent unusual fee assessments that~~
6 ~~would impose a serious economic burden on an individual applicant or a class of~~
7 ~~applicants.~~

8 (b) ~~The total amount of permit fees collected for any fiscal year may not exceed~~
9 ~~one third of the total personnel and administrative costs incurred by the Department for~~
10 ~~processing applications for permits and permit renewals and modifications and for~~
11 ~~related compliance costs in the prior fiscal year. A fee for an application for a new~~
12 ~~permit may not exceed two thousand five hundred dollars (\$2,500), and a fee for an~~
13 ~~application to renew or modify a permit may not exceed five hundred dollars (\$500.00).~~
14 The Mining Account is established as a nonreverting account within the Department.
15 Fees collected under this section shall be credited to the Mining Account and shall be
16 applied to the costs of administering this Article.

17 (c) The Department shall annually report on or before 1 September to the
18 Environmental Review Commission on the cost of implementing this Article. The report
19 shall include the fees established, collected, and disbursed under this section and any
20 other information requested by the General Assembly or the Commission."

21 **SECTION 30.2.(b)** This section becomes effective July 1, 2007, and applies
22 to applications submitted on or after that date.
23

24 WATER QUALITY PERMIT FEES

25 **SECTION 30.3.(a)** G.S. 143-215.3D reads as rewritten:

26 "§ 143-215.3D. Fee schedule for water quality permits.

- 27 (a) Annual fees for discharge and nondischarge permits under G.S. 143-215.1. –
- 28 (1) Major Individual NPDES Permits. – The annual fee for an individual
29 permit for a point source discharge of 1,000,000 or more gallons per
30 day, a publicly owned treatment works (POTW) that administers a
31 POTW pretreatment program, as defined in 40 Code of Federal
32 Regulations § 403.3 (1 July 1996 Edition), or an industrial waste
33 treatment works that has a high toxic pollutant potential ~~shall be two~~
34 ~~thousand eight hundred sixty five dollars (\$2,865).~~is three thousand
35 four hundred forty dollars (\$3,440).
 - 36 (2) Minor Individual NPDES Permits. – The annual fee for an individual
37 permit for a point source discharge other than a point source discharge
38 to which subdivision (1) of this subsection applies ~~shall be seven~~
39 ~~hundred fifteen dollars (\$715.00).~~is eight hundred sixty dollars
40 (\$860.00).
 - 41 (3) Single-Family Residence. – The annual fee for a certificate of
42 coverage under a general permit for a point source discharge or an
43 individual nondischarge permit from a single-family residence ~~shall be~~
44 ~~fifty dollars (\$50.00).~~is sixty dollars (\$60.00).
 - 45 (4) Stormwater and Wastewater Discharge General Permits. – The annual
46 fee for a certificate of coverage under a general permit for a point
47 source discharge of stormwater or wastewater ~~shall be eighty dollars~~
48 ~~(\$80.00).~~is one hundred dollars (\$100.00).
 - 49 (5) Recycle Systems. – The annual fee for an individual permit for a
50 recycle system nondischarge permit ~~shall be three hundred dollars~~
51 ~~(\$300.00).~~is three hundred sixty dollars (\$360.00).

- 1 (6) Major Nondischarge Permits. – The annual fee for an individual permit
2 for a nondischarge of 10,000 or more gallons per day or requiring 300
3 or more acres of land ~~shall be one thousand ninety dollars (\$1,090)~~ is
4 one thousand three hundred ten dollars (\$1,310).
- 5 (7) Minor Nondischarge Permits. – The annual fee for an individual
6 permit for a nondischarge of less than 10,000 gallons per day or
7 requiring less than 300 acres of land ~~shall be six hundred seventy five~~
8 ~~dollars (\$675.00)~~ is eight hundred ten dollars (\$810.00).
- 9 (8) Animal Waste Management Systems. – The annual fee for animal
10 waste management systems ~~shall be~~ is as set out in G.S. 143-215.10G.
- 11 (b) Application fee for new discharge and nondischarge permits. – An
12 application for a new permit of the type set out in subsection (a) of this section shall be
13 accompanied by an initial application fee equal to the annual fee for that permit. If a
14 permit is issued, the application fee ~~will~~ shall be applied as the annual fee for the first
15 year that the permit is in effect. If the application is denied, the application fee shall not
16 be refunded.
- 17 (c) Application and annual fees for consent special orders. –
- 18 (1) Major Consent Special Orders. – If the Commission enters into a
19 consent special order, assurance of voluntary compliance, or similar
20 document pursuant to G.S. 143-215.2 for an activity subject to an
21 annual fee under subdivision (1) or (6) of subsection (a) of this section,
22 the initial project fee ~~shall be~~ is four hundred dollars (\$400.00) and the
23 annual fee ~~shall be~~ is five hundred dollars (\$500.00). These fees ~~shall~~
24 ~~be~~ is in addition to the annual fee due under subsection (a) of this
25 section.
- 26 (2) Minor Consent Special Orders. – If the Commission enters into a
27 consent special order, assurance of voluntary compliance, or similar
28 document pursuant to G.S. 143-215.2 for an activity subject to an
29 annual fee under subdivision (2) or (7) of subsection (a) of this section,
30 the initial project fee ~~shall be~~ is four hundred dollars (\$400.00) and the
31 annual fee ~~shall be~~ is two hundred fifty dollars (\$250.00). These fees
32 ~~shall be~~ is in addition to the annual fee due under subsection (a) of this
33 section.
- 34 (d) Fee for major permit modifications. – An application for a major modification
35 of a permit of the type set out in subsection (a) of this section shall be accompanied by
36 an application fee equal to thirty percent (30%) of the annual fee applicable to that
37 permit. A major modification of a permit is any modification that would allow an
38 increase in the volume or pollutant load of the discharge or nondischarge or that would
39 result in a significant relocation of the point of discharge, as determined by the
40 Commission. This fee ~~shall be~~ is in addition to the fees due under subsections (a) and (c)
41 of this section. If the application is denied, the application fee shall not be refunded.
- 42 (e) Other fees under this Article. –
- 43 (1) Sewer System Extension Permits. – The application fee for a permit
44 for the construction of a new sewer system or for the extension of an
45 existing sewer system ~~shall be four hundred dollars (\$400.00)~~ is four
46 hundred eighty dollars (\$480.00).
- 47 (2) State Stormwater Permits. – The application fee for a permit regulating
48 stormwater runoff under G.S. 143-214.7 and G.S. 143-215.1 ~~shall be~~
49 ~~four hundred twenty dollars (\$420.00)~~ is five hundred five dollars
50 (\$505.00).

- 1 (3) Major Water Quality Certifications. – The fee for a water quality
2 certification involving one acre or more of wetland fill or 150 feet or
3 more of stream impact ~~shall be four hundred seventy five dollars~~
4 ~~(\$475.00);is five hundred seventy dollars (\$570.00).~~
- 5 (4) Minor Water Quality Certifications. – The fee for a water quality
6 certification involving less than one acre of wetland fill or less than
7 150 feet of stream impact ~~shall be two hundred dollars (\$200.00);is~~
8 ~~two hundred forty dollars (\$240.00).~~
- 9 (5) Permit for Land Application of Petroleum Contaminated Soils. – The
10 fee for a permit to apply petroleum contaminated soil to land ~~shall be~~
11 ~~four hundred dollars (\$400.00);is four hundred eighty dollars~~
12 ~~(\$480.00).~~
- 13 (6) Fee Nonrefundable. – If an application for a permit or a certification
14 described in this subsection is denied, the application or certification
15 fee shall not be refunded.
- 16 (7) Limit Water Quality Certification Fee Required for CAMA Permit. –
17 An applicant for a permit under Article 7 of Chapter 113A of the
18 General Statutes for which a water quality certification is required
19 shall pay a fee established by the Secretary. The Secretary shall not
20 establish a fee that exceeds the greater of the fee for a permit under
21 Article 7 of Chapter 113A of the General Statutes or the fee for a water
22 quality certification under subdivision (3) or (4) of this subsection.
- 23 (f) Local Government Fee Authority Not Impaired. – This section shall not be
24 construed to limit any authority that a unit of local government may have pursuant to
25 any other provision of law to assess or collect a fee for the review of an application for a
26 permit, the review of a mitigation plan, or the inspection of a site or a facility under any
27 local program that is approved by the Commission under this Article."

28 **SECTION 30.3.(b)** G.S. 143-215.10G reads as rewritten:

29 **"§ 143-215.10G. Fees for animal waste management systems.**

30 (a) The Department shall charge an annual permit fee to an animal operation that
31 is subject to a permit under G.S. 143-215.10C for an animal waste management system
32 according to the following schedule:

- 33 (1) For a system with a design capacity of 38,500 or more and less than
34 100,000 pounds steady state live weight, ~~fifty dollars (\$50.00);sixty~~
35 ~~dollars (\$60.00).~~
- 36 (2) For a system with a design capacity of 100,000 or more and less than
37 800,000 pounds steady state live weight, ~~one hundred fifty dollars~~
38 ~~(\$150.00);one hundred eighty dollars (\$180.00).~~
- 39 (3) For a system with a design capacity of 800,000 pounds or more steady
40 state live weight, ~~three hundred dollars (\$300.00);three hundred sixty~~
41 ~~dollars (\$360.00).~~

42 (a1) The Department shall charge an annual permit fee to a dry litter poultry
43 facility that is subject to a permit under G.S. 143-215.10C for an animal waste
44 management system according to the following schedule:

- 45 (1) For a system with a permitted capacity of less than 25,000 laying
46 chickens, less than 37,500 nonlaying chickens, or less than 16,500
47 turkeys, ~~fifty dollars (\$50.00);sixty dollars (\$60.00).~~
- 48 (2) For a system with a permitted capacity of 25,000 or more but less than
49 200,000 laying chickens, 37,500 or more but less than 290,000
50 nonlaying chickens, 16,500 or more but less than 133,000 turkeys, ~~one~~
51 ~~hundred fifty dollars (\$150.00);one hundred eighty dollars (\$180.00).~~

1 (3) For a system with a permitted capacity of more than 200,000 laying
2 chickens, more than 290,000 nonlaying chickens, or more than
3 133,000 turkeys, ~~three hundred dollars (\$300.00)~~ three hundred sixty
4 dollars (\$360.00).

5 (b) An application for a new permit under this section shall be accompanied by
6 an initial application fee equal to the annual fee for that permit. If a permit is issued, the
7 application fee ~~will~~ shall be applied as the annual fee for the first year that the permit is
8 in effect. If the application is denied, the application fee shall not be refunded.

9 (c) Fees collected under this section shall be credited to the Water and Air
10 Quality Account. The Department shall use fees collected pursuant to this section to
11 cover the costs of administering this Part."

12 **SECTION 30.3.(c)** G.S. 90A-42 reads as rewritten:

13 "**§ 90A-42. Fees.**

14 (a) The Commission, in establishing procedures for implementing the
15 requirements of this Article, shall impose the following schedule of fees:

16 (1) Examination including Certificate, \$85.00;

17 (2) Temporary Certificate, \$200.00;

18 (3) Temporary Certification Renewal, \$300.00;

19 (4) Conditional Certificate, \$75.00;

20 (5) Repealed by Session Laws 1987, c. 582, s. 3.

21 (6) Reciprocity Certificate, \$100.00;

22 (6a) Voluntary Conversion Certificate, \$50.00;

23 (7) Annual Renewal, ~~\$35.00~~ \$50.00;

24 (8) Replacement of Certificate, \$20.00;

25 (9) Late Payment of Annual Renewal, \$50.00 penalty in addition to all
26 current and past due annual renewal fees plus one hundred dollars
27 (\$100.00) penalty per year for each year for which annual renewal fees
28 were not paid prior to the current year; and

29 (10) Mailing List Charges – The Commission may provide mailing lists of
30 certified water pollution control system operators and of water
31 pollution control system operators to persons who request such lists.
32 The charge for such lists shall be twenty-five dollars (\$25.00) for each
33 such list provided.

34 (b) The Water Pollution Control System Account is established as a nonreverting
35 account within the Department. Fees collected under this section shall be credited to the
36 Account and applied to the costs of administering this Article."

37 **SECTION 30.3.(d)** This section becomes effective July 1, 2007.

38
39 **CERTIFICATE OF NEED FEE INCREASES TO MEET STATUTORY**
40 **OBLIGATIONS**

41 **SECTION 30.4.(a)** G.S. 131E-177(9) reads as rewritten:

42 "~~(9) Establish and collect~~ Collect fees for submitting applications for
43 certificates of need. ~~The fee schedule established should generate~~
44 ~~sufficient revenue to offset the entire cost of the certificate of need~~
45 ~~program. This fee may not exceed seventeen thousand five hundred~~
46 ~~dollars (\$17,500) and may not be less than two thousand dollars~~
47 ~~(\$2,000). Fees collected under this subdivision shall be credited to the~~
48 ~~General Fund as nontax revenue."~~

49 **SECTION 30.4.(b)** G.S. 131E-182(c) reads as rewritten:

50 "(c) An application fee is imposed on an applicant for a certificate of need. An
51 applicant must submit the fee with the application. All fees established by the

Department for submitting an application for a certificate of need are due when the application is submitted. These fees are The fee is not refundable, regardless of whether a certificate of need is issued. Fees collected under this section shall be credited to the General Fund as nontax revenue. The application fee is five thousand dollars (\$5,000) plus an amount equal to three-tenths of one percent (.3%) of the amount of the capital expenditure proposed in the application that exceeds one million dollars (\$1,000,000). In no event may the fee exceed fifty thousand dollars (\$50,000)."

SECTION 30.4.(c) This section becomes effective July 1, 2007, and applies to applications submitted on or after that date.

HEALTH CARE FACILITY CONSTRUCTION PROJECT FEE INCREASES TO MEET STATUTORY OBLIGATIONS

SECTION 30.5.(a) G.S. 131E-267 reads as rewritten:

"§ 131E-267. Fees for departmental review of licensed health care facility or Medical Care Commission bond-financed construction projects.

(a) 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 basis as provided in this section. In no event may a fee imposed under this section shall not exceed twenty five thousand dollars (\$25,000) two hundred thousand dollars (\$200,000) for any single project:project. The first seven hundred twelve thousand six hundred twenty-six dollars (\$712,626) in fees collected under this section shall remain in the Division of Facility Services. Additional fees collected shall be credited to the General Fund as nontax revenue and are intended to offset rather than replace appropriations made for this purpose.~~

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

(b) The fee imposed for the review of a hospital construction project varies depending upon the square footage of the project:

<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
<u>-0-</u>	<u>5,000</u>	<u>\$750.00 plus \$0.25 per square foot</u>
<u>5,000</u>	<u>10,000</u>	<u>\$1,500 plus \$0.40 per square foot</u>
<u>10,000</u>	<u>20,000</u>	<u>\$2,000 plus \$0.50 per square foot</u>
<u>20,000</u>	<u>NA</u>	<u>\$3,000 plus \$0.75 per square foot</u>

(c) The fee imposed for the review of a nursing home construction project varies depending upon the square footage of the project:

<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
<u>-0-</u>	<u>2,000</u>	<u>\$250.00 plus \$0.15 per square foot</u>
<u>2,000</u>	<u>NA</u>	<u>\$250.00 plus \$0.16 per square foot</u>

(d) The fee imposed for the review of an ambulatory surgical facility construction project varies depending upon the square footage of the project:

<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
<u>-0-</u>	<u>2,000</u>	<u>\$200.00 plus \$0.15 per square foot</u>
<u>2,000</u>	<u>NA</u>	<u>\$250.00 plus \$0.20 per square foot</u>

(e) The fee imposed for the review of a psychiatric hospital construction project varies depending upon the square footage of the project:

<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
<u>-0-</u>	<u>5,000</u>	<u>\$200.00 plus \$0.16 per square foot</u>
<u>5,000</u>	<u>10,000</u>	<u>\$200.00 plus \$0.25 per square foot</u>
<u>10,000</u>	<u>20,000</u>	<u>\$300.00 plus \$0.45 per square foot</u>
<u>20,000</u>	<u>NA</u>	<u>\$400.00 plus \$0.45 per square foot</u>

(f) The fee imposed for the review of an adult care home construction project varies depending upon the square footage of the project:

<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
<u>-0-</u>	<u>2,000</u>	<u>\$175.00 plus \$0.10 per square foot</u>
<u>2,000</u>	<u>NA</u>	<u>\$175.00 plus \$0.20 per square foot</u>

(g) The fee imposed for the review of the following residential construction projects is:

<u>Residential Project</u>	<u>Project Fee</u>
Family Care Homes	\$175.00 <u>\$200.00</u> flat fee
ICF/MR Group Homes	\$275.00 <u>\$300.00</u> flat fee
Group Homes: 1-3 beds	\$100.00 flat fee
Group Homes: 4-6 beds	\$175.00 <u>\$200.00</u> flat fee
Group Homes: 7-9 beds	\$225.00 <u>\$250.00</u> flat fee
Other residential:	
<u>More than 9 beds</u>	<u>\$225.00 plus \$0.075/square foot of project space.</u>
<u>More than 9 beds</u>	<u>\$250.00 plus \$0.75 per square foot of project space."</u>

SECTION 30.5.(b) This section becomes effective July 1, 2007, and applies to applications for review submitted on or after that date.

CHANGE CORPORATE ANNUAL REPORT FEES

SECTION 30.6.(a) G.S. 55-1-22(a) reads as rewritten:

"(a) The Secretary of State shall collect the following fees when the documents described in this subsection are delivered to the Secretary for filing:

<u>Document</u>	<u>Fee</u>
(1) Articles of incorporation	\$125.00
(2) Application for reserved name	30.00
(3) Notice of transfer of reserved name	10.00
(4) Application for registered name	10.00
(5) Application for renewal of registered name	10.00
(6) Corporation's statement of change of registered agent or registered office or both	5.00
(7) Agent's statement of change of registered office for each affected corporation	5.00
(8) Agent's statement of resignation	No fee
(9) Designation of registered agent or registered office or both	5.00
(10) Amendment of articles of incorporation	50.00
(11) Restated articles of incorporation	10.00
with amendment of articles	50.00
(12) Articles of merger or share exchange	50.00
(12a) Articles of conversion (other than articles of conversion included as part of another document)	50.00
(13) Articles of dissolution	30.00
(14) Articles of revocation of dissolution	10.00
(15) Certificate of administrative dissolution	No fee

1	(16)	Application for reinstatement following administrative dissolution	100.00
2	(17)	Certificate of reinstatement	No fee
3	(18)	Certificate of judicial dissolution	No fee
4	(19)	Application for certificate of authority	250.00
5	(20)	Application for amended certificate of authority	75.00
6	(21)	Application for certificate of withdrawal	25.00
7	(22)	Certificate of revocation of authority to transact business	No fee
8	(23)	Annual report <u>(paper)</u>	20.00 25.00
9	(23a)	Annual report <u>(electronic)</u>	18.00
10	(24)	Articles of correction	10.00
11	(25)	Application for certificate of existence or authorization (paper)	15.00
12	(25a)	Application for certificate of existence or authorization (electronic)	10.00
13	(26)	Any other document required or permitted to be filed by this Chapter	10.00
14	(27)	Repealed by Session Laws 2001-358, s. 6(b), effective January 1, 2002."	

15 **SECTION 30.6.(b)** G.S. 105-122.1 reads as rewritten:

16 "**§ 105-122.1. Credit for additional annual report fees paid by limited liability**
 17 **companies subject to franchise tax.**

18 A limited liability company subject to tax under this Article is allowed a credit
 19 against the tax imposed by this Article equal to the difference between the annual report
 20 fee for corporations under ~~G.S. 55-1-22~~ G.S. 55-1-22(a)(23) and the annual report fee
 21 for limited liability companies under G.S. 57C-1-22(a). The credit allowed by this
 22 section may not exceed the amount of tax imposed by this Article for the taxable year
 23 reduced by the sum of all credits allowed, except payments of tax made by or on behalf
 24 of the taxpayer."

25 **SECTION 30.6.(c)** Subsection (a) of this section becomes effective July 1,
 26 2007, and applies to annual reports filed on or after that date. Subsection (b) of this
 27 section is effective for taxable years beginning on or after January 1, 2007. The
 28 remainder of this section is effective when it becomes law.

30 PART XXXI. TAX LAW CHANGES

31 IRC UPDATE

32 **SECTION 31.1.(a)** G.S. 105-228.90(b)(1b) reads as rewritten:

33 "(b) Definitions. – The following definitions apply in this Article:

34 ...

35 (1b) Code. – The Internal Revenue Code as enacted as of ~~January 1, 2006,~~
 36 January 1, 2007, including any provisions enacted as of that date
 37 which become effective either before or after that date."

38 **SECTION 31.1.(b)** Notwithstanding subsection (a) of this section, any
 39 amendments to the Internal Revenue Code enacted after January 1, 2006, that increase
 40 North Carolina taxable income for the 2006 taxable year become effective for taxable
 41 years beginning on or after January 1, 2007.

42 **SECTION 31.1.(c)** This section is effective when it becomes law.

43 EXTEND STATE SALES TAX RATE FOR TWO YEARS

44 **SECTION 31.2.(a)** Section 24.1(j) of S.L. 2006-66 reads as rewritten:

45 "**SECTION 24.1.(j)** Subsection (b) of this section becomes effective December 1,
 46 2006, and applies to sales made on or after that date. Subsections (d), (f), and (h) of this
 47 section become effective January 1, 2007, and apply to taxes collected on or after that
 48 date. Subsection (c) of this section becomes effective ~~July 1, 2007,~~ July 1, 2009, and
 49 applies to sales made on or after that date. Subsections (e), (g), and (i) of this section
 50 applies to sales made on or after that date. Subsections (e), (g), and (i) of this section
 51 applies to sales made on or after that date. Subsections (e), (g), and (i) of this section

1 become effective ~~July 1, 2007,~~ July 1, 2009, and apply to taxes collected on or after that
2 date. The remainder of this section is effective when it becomes law."

3 **SECTION 31.2.(b)** This section is effective when it becomes law.
4

5 **EXTEND UPPER INCOME TAX RATE THROUGH 2009**

6 **SECTION 31.3.(a)** Section 24.2(d) of S.L. 2006-66 reads as rewritten:

7 "SECTION 24.2.(d) Subsection (b) of this section is effective for taxable years
8 beginning on or after January 1, 2007. Subsection (c) of this section is effective for
9 taxable years beginning on or after ~~January 1, 2008.~~ January 1, 2010. The remainder of
10 this section is effective when it becomes law."

11 **SECTION 31.3.(b)** This section is effective when it becomes law.
12

13 **EARNED INCOME TAX CREDIT**

14 **SECTION 31.4.(a)** Part 2 of Article 4 of Chapter 105 of the General Statutes
15 is amended by adding a new section to read:

16 **"§ 105-151.31. Earned income tax credit.**

17 (a) Credit. – An individual who claims for the taxable year an earned income tax
18 credit under section 32 of the Code is allowed a credit against the tax imposed by this
19 Part equal to five percent (5%) of the amount of credit the individual qualified for under
20 section 32 of the Code. A nonresident or part-year resident who claims the credit
21 allowed by this section must reduce the amount of the credit by multiplying it by the
22 fraction calculated under G.S. 105-134.5(b) or (c), as appropriate.

23 (b) Credit Refundable. – If the credit allowed by this section exceeds the amount
24 of tax imposed by this Part for the taxable year reduced by the sum of all credits
25 allowable, the Secretary must refund the excess to the taxpayer. The refundable excess
26 is governed by the provisions governing a refund of an overpayment by the taxpayer of
27 the tax imposed in this Part. Section 3507 of the Code, Advance Payment of Earned
28 Income Credit, does not apply to the credit allowed by this section. In computing the
29 amount of tax against which multiple credits are allowed, nonrefundable credits are
30 subtracted before refundable credits.

31 (c) Sunset. – This section is repealed effective for taxable years beginning on or
32 after January 1, 2013."

33 **SECTION 31.4.(b)** G.S. 105-160.3(b) reads as rewritten:

34 "(b) The following credits are not allowed to an estate or trust:

- 35 (1) G.S. 105-151. Tax credits for income taxes paid to other states by
36 individuals.
- 37 (2) G.S. 105-151.11. Credit for child care and certain employment-related
38 expenses.
- 39 (3) G.S. 105-151.18. Credit for the disabled.
- 40 (4) G.S. 105-151.24. Credit for children.
- 41 (5) G.S. 105-151.26. Credit for charitable contributions by nonitemizers.
- 42 (6) Repealed by Session Laws 2004-170, s. 17, effective August 2, 2004.
- 43 (7) G.S. 105-151.28. Credit for long-term care insurance.
- 44 (8) G.S. 105-151.30. Credit for recycling oyster shells.
- 45 (9) G.S. 105-151.31. Earned income tax credit."

46 **SECTION 31.4.(c)** This section is effective for taxable years beginning on
47 or after January 1, 2008.
48

49 **REENACT LONG-TERM CARE CREDIT**

50 **SECTION 31.5.(a)** G.S. 105-151.28 is reenacted and reads as rewritten:

51 **"§ 105-151.28. Credit for premiums paid on long-term care insurance.**

1 (a) Credit. — ~~An individual is~~ A taxpayer whose adjusted gross income (AGI), as
 2 calculated under the Code, is less than the amount listed in this section is allowed, as a
 3 credit against the tax imposed by this Part, an amount equal to fifteen percent (15%) of
 4 the premium costs the ~~individual taxpayer~~ paid during the taxable year on a qualified
 5 long-term care insurance contract that offers coverage to either the ~~individual taxpayer,~~
 6 the ~~individual taxpayer's~~ spouse, or a dependent for whom the ~~individual taxpayer~~ was
 7 allowed to deduct a personal exemption under section 151(c)(1)(A) of the Code for the
 8 taxable year. The credit allowed by this section may not exceed three hundred fifty
 9 dollars (\$350.00) for each qualified long-term care insurance contract for which a credit
 10 is claimed. The credit allowed under this section may not exceed the amount of tax
 11 imposed by this Part for the taxable year reduced by the sum of all credits allowed,
 12 except payments of tax made by or on behalf of the taxpayer. A nonresident or part-year
 13 resident who claims the credit allowed by this subsection shall reduce the amount of the
 14 credit by multiplying it by the fraction calculated under G.S. 105-134.5(b) or (c), as
 15 appropriate.

<u>Filing Status</u>	<u>AGI</u>
<u>Married, filing jointly</u>	<u>\$100,000</u>
<u>Head of Household</u>	<u>80,000</u>
<u>Single</u>	<u>60,000</u>
<u>Married, filing separately</u>	<u>50,000</u>

21 (b) No Double Benefit. – No credit is allowed for payments that are deducted
 22 from, or not included in, the taxpayer's gross income for the taxable year. If the taxpayer
 23 claimed a deduction for health insurance costs of self-employed individuals under
 24 section 162(l) of the Code for the taxable year, the amount of credit otherwise allowed
 25 the taxpayer under this section is reduced by the applicable percentage provided in
 26 section 162(l) of the Code. If the taxpayer claimed a deduction for medical care
 27 expenses under section 213 of the Code for the taxable year, the taxpayer is not allowed
 28 a credit under this section. A taxpayer who claims the credit allowed by this section
 29 must provide any information required by the Secretary to demonstrate that the amount
 30 paid for premiums for which the credit is claimed was not excluded from the taxpayer's
 31 gross income for the taxable year.

32 (c) Definition. – For purposes of this section, the term "qualified long-term care
 33 insurance contract" has the same meaning as defined in section 7702B of the Code."

34 **SECTION 31.5.(b)** G.S. 105-160.3(b)(7) is reenacted.

35 **SECTION 31.5.(c)** This section is effective for taxable years beginning on
 36 or after January 1, 2007.

37
 38 **ADOPTION TAX CREDIT**

39 **SECTION 31.6.(a)** Part 2 of Article 4 of Chapter 105 of the General Statutes
 40 is amended by adding a new section to read as follows:

41 "**§ 105-151.32. Credit for adoption expenses.**

42 (a) Credit. – An individual who is allowed a federal adoption tax credit under
 43 section 23 of the Code for the taxable year is allowed a credit against the tax imposed
 44 by this Part. The credit is equal to fifty percent (50%) of the amount of credit allowed
 45 under section 23 of the Code.

46 (b) Limitations. – A nonresident or part-year resident who claims the credit
 47 allowed by this section shall reduce the amount of the credit by multiplying it by the
 48 fraction calculated under G.S. 105-134.5(b) or (c), as appropriate. The credit allowed
 49 under this section may not exceed the amount of tax imposed by this Part for the taxable
 50 year reduced by the sum of all credits allowed, except payments of tax made by or on

1 behalf of the taxpayer. Any unused portion of this credit may be carried forward for the
 2 next succeeding five years.

3 (c) Sunset. – This section is repealed effective for taxable years beginning on or
 4 after January 1, 2013.

5 **SECTION 31.6.(b)** G.S. 105-160.3(b) reads as rewritten:

6 "(b) The following credits are not allowed to an estate or trust:

- 7 (1) G.S. 105-151. Tax credits for income taxes paid to other states by
 8 individuals.
 9 (2) G.S. 105-151.11. Credit for child care and certain employment-related
 10 expenses.
 11 (3) G.S. 105-151.18. Credit for the disabled.
 12 (4) G.S. 105-151.24. Credit for children.
 13 (5) G.S. 105-151.26. Credit for charitable contributions by nonitemizers.
 14 (6) Repealed by Session Laws 2004-170, s. 17, effective August 2, 2004.
 15 (7) G.S. 105-151.28. Credit for long-term care insurance.
 16 (8) G.S. 105-151.30. Credit for recycling oyster shells.
 17 (10) G.S. 105-151.32. Credit for adoption expenses."

18 **SECTION 31.6.(c)** This section is effective for taxable years beginning on
 19 or after January 1, 2007."

20
 21 **PRIVILEGE TAX ON SOFTWARE PUBLISHERS' MACHINERY AND**
 22 **EQUIPMENT**

23 **SECTION 31.7.(a)** G.S. 105-187.51B reads as rewritten:

24 "**§ 105-187.51B. Tax imposed on certain recyclers and research and development**
 25 **companies.**

26 (a) Tax. – A privilege tax is imposed on the following:

27 ...

- 28 (3) A software publishing company that is included in the industry group
 29 5112 of NAICS and that purchases equipment or an attachment or
 30 repair part for equipment that meets all of the following requirements:
 31 a. Is capitalized by the company for tax purposes under the Code.
 32 b. Is used by the company in the research and development of
 33 tangible personal property.
 34 c. Would be considered mill machinery under G.S. 105-187.51 if
 35 it were purchased by a manufacturing industry or plant and used
 36 in the research and development of tangible personal property
 37 manufactured by the industry or plant.

38 (b) Rate. – The tax is one percent (1%) of the sales price of the equipment or
 39 other tangible personal property. The maximum tax is eighty dollars (\$80.00) per
 40 article."

41 **SECTION 31.7.(b)** This section becomes effective July 1, 2007.

42
 43 **ENHANCE TAX CREDIT FOR RESEARCH AND DEVELOPMENT**
 44 **EXPENDITURES**

45 **SECTION 31.8.(a)** G.S. 105-129.55 reads as rewritten:

46 "**§ 105-129.55. Credit for North Carolina research and development.**

47 (a) Qualified North Carolina Research Expenses. – A taxpayer that has qualified
 48 North Carolina research expenses for the taxable year is allowed a credit equal to a
 49 percentage of the expenses, determined as provided in this subsection. Only one credit
 50 is allowed under this subsection with respect to the same expenses. If more than one
 51 subdivision of this subsection applies to the same expenses, then the credit is equal to

1 the higher percentage, not both percentages combined. If part of the taxpayer's qualified
 2 North Carolina research expenses qualifies under subdivision (2) of this subsection and
 3 the remainder qualifies under subdivision (3) of this subsection, the applicable
 4 percentages apply separately to each part of the expenses.

- 5 (1) Small business. – If the taxpayer was a small business as of the last
 6 day of the taxable year, the applicable percentage is three and
 7 one-quarter percent ~~(3%)~~.(3.25%).
- 8 (2) Low-tier research. – For expenses with respect to research performed
 9 in a development tier one area, the applicable percentage is three and
 10 one-quarter percent ~~(3%)~~.(3.25%).
- 11 (3) Other research. – For expenses not covered under subdivision (1) or
 12 (2) of this subsection, the percentages provided in the table below
 13 apply to the taxpayer's qualified North Carolina research expenses
 14 during the taxable year at the following levels:

15 Expenses Over	Up To	Rate
16 -0-	\$50 million	1% 1.25%
17 \$50 million	\$200 million	2% 2.25%
18 \$200 million	–	3% 3.25%

19 (b) North Carolina University Research Expenses. – A taxpayer that has North
 20 Carolina university research expenses for the taxable year is allowed a credit equal to
 21 fifteen percent (15%)~~twenty percent (20%)~~ of the expenses."

22 **SECTION 31.8.(b)** This section is effective for taxable years beginning on
 23 or after January 1, 2007.

24
 25 **MODIFY TAX CREDIT FOR CONSTRUCTING RENEWABLE FUEL**
 26 **FACILITIES**

27 **SECTION 31.9.(a)** G.S. 105-129.16D(b1) reads as rewritten:

28 "(b1) Alternative Production Credit. – In lieu of the credit allowed under subsection
 29 (b) of this section, a taxpayer that constructs and places in service in this State three or
 30 more commercial facilities for processing renewable fuel and that invests a total amount
 31 of at least four hundred million dollars (\$400,000,000) in the facilities is allowed a
 32 credit equal to thirty-five percent (35%) of the cost to the taxpayer of constructing and
 33 equipping the facilities. In order to claim the credit, the taxpayer must obtain a written
 34 determination from the Secretary of Commerce that the taxpayer is expected to invest
 35 within a five-year period a total amount of at least four hundred million dollars
 36 (\$400,000,000) in three or more facilities. The credit must be taken in seven equal
 37 annual installments beginning with the taxable year in which the first facility is placed
 38 in service. If, in one of the years in which the installment of credit accrues, a facility
 39 with respect to which the credit was claimed is disposed of or taken out of service and
 40 the investment requirements of this subsection are no longer satisfied, the credit expires
 41 and the taxpayer may not take any remaining installment of the credit. The taxpayer
 42 may, however, take the portion of an installment that accrued in a previous year and was
 43 carried forward to the extent permitted under G.S. 105-129.17. ~~If a credit allowed under~~
 44 ~~this subsection expires, a taxpayer is not eligible for a credit under subsection (b) of this~~
 45 ~~section with respect to the same property.~~ Notwithstanding the provisions of
 46 G.S. 105-129.17, ~~a taxpayer may claim the credit allowed under this subsection against~~
 47 ~~the income tax imposed under Article 4 of this Chapter only~~ the credit allowed under
 48 this subsection may not exceed one hundred percent (100%) of the tax against which it
 49 is claimed, and the taxpayer may carry forward unused portions of the credit allowed
 50 under this subsection for the succeeding 10 years."

1 **SECTION 31.9.(b)** This section is effective for taxable years beginning on
2 or after January 1, 2007.

3
4 **EXPAND SALES AND USE TAX REFUND FOR CERTAIN AIRCRAFT**
5 **MANUFACTURERS**

6 **SECTION 31.10.(a)** G.S. 105-164.14(j)(3)b. reads as rewritten:

7 "(3) Industries. – This subsection applies to the following industries:

8 …

9 b. Aircraft manufacturing. Aircraft manufacturing means the
10 manufacturing or assembling of complete aircraft, aircraft or of
11 aircraft engines, blisks, fuselage sections, flight decks, flight
12 deck systems or components, wings, fuselage fairings, fins,
13 moving leading and trailing wing edges, wing boxes, nose
14 sections, tailplanes, passenger doors, nacelles, thrust reversers,
15 landing gear, braking systems, or any combination thereof."

16 **SECTION 31.10.(b)** This section becomes effective July 1, 2007, and
17 applies to purchases made on or after that date.

18
19 **ADJUST TAX RATE ON PROPERTY COVERAGE INSURANCE**
20 **CONTRACTS AND INCREASE THE DISTRIBUTION OF TAX PROCEEDS**
21 **TO THE VOLUNTEER FIRE DEPARTMENT FUND**

22 **SECTION 31.11.(a)** G.S. 105-228.5(d)(3), as amended by Section 3 of S.L.
23 2006-196, reads as rewritten:

24 "(3) Additional Rate on Property Coverage Contracts. – An additional tax
25 at the rate of ~~eighty five hundredths percent (.85%)~~ seventy-four
26 hundredths percent (0.74%) applies to gross premiums on insurance
27 contracts for property coverage. The tax is imposed on ten percent
28 (10%) of the gross premiums from insurance contracts for automobile
29 physical damage coverage and on one hundred percent (100%) of the
30 gross premiums from all other contracts for property coverage. ~~Twenty~~
31 ~~percent (20%)~~ Thirty percent (30%) of the net proceeds of this
32 additional tax must be credited to the Volunteer Fire Department Fund
33 established in Article 87 of Chapter 58 of the General Statutes.
34 Twenty-five percent (25%) of the net proceeds must be credited to the
35 Department of Insurance for disbursement pursuant to G.S. 58-84-25.
36 The remaining net proceeds must be credited to the General Fund.

37 The following definitions apply in this subdivision:

38 a. Automobile physical damage. – The following lines of business
39 identified by the NAIC: private passenger automobile physical
40 damage and commercial automobile physical damage.

41 b. Property coverage. – The following lines of business identified
42 by the NAIC: fire, farm owners multiple peril, homeowners
43 multiple peril, nonliability portion of commercial multiple peril,
44 ocean marine, inland marine, earthquake, private passenger
45 automobile physical damage, commercial automobile physical
46 damage, aircraft, and boiler and machinery. The term also
47 includes insurance contracts for wind damage.

48 c. NAIC. – National Association of Insurance Commissioners."

49 **SECTION 31.11.(b)** G.S. 58-84-25, as amended by Section 7 of S.L.
50 2006-196, reads as rewritten:

51 **"§ 58-84-25. Disbursement of funds by Insurance Commissioner.**

1 (a) Distribution. – The Insurance Commissioner shall deduct the sum of three
2 percent (3%) from the tax proceeds credited to the Department pursuant to
3 G.S. 105-228.5(d)(3) and pay the same over to the treasurer of the State Firemen's
4 Association for general purposes. The Insurance Commissioner shall deduct the sum of
5 two percent (2%) from the tax proceeds and retain the same in the budget of the
6 Department of Insurance for the purpose of administering the disbursement of funds by
7 the board of trustees in accordance with the provisions of G.S. 58-84-35. The Insurance
8 Commissioner shall, pursuant to G.S. 58-84-50, credit the amount forfeited by
9 nonmember fire districts to the North Carolina State Firemen's Association. The
10 Insurance Commissioner shall ~~pay~~ distribute the remaining tax proceeds to the treasurer
11 of each fire district as provided in subsections (b) and (c) of this section.

12 (b) Allocation to Counties. – ~~on a per capita basis, using the most recent annual~~
13 ~~population estimates certified by the State Budget Officer.~~ The Insurance Commissioner
14 shall allocate to each county an amount of tax proceeds based upon the amount
15 allocated to it in the previous year. If the amount allocable in the current year is less
16 than the amount allocated in the previous year, then the Commissioner shall reduce the
17 amount allocated to each county. The amount of the reduction is equal to the difference
18 in the amount allocated in the previous year and the amount allocable in the current year
19 multiplied by a fraction, the numerator of which is the population of the county and the
20 denominator of which is the population of the State. If the amount allocable in the
21 current year is greater than the amount allocated in the previous year, then the
22 Commissioner shall increase the amount allocated to each county. The amount of the
23 increase is equal to the excess proceeds multiplied by a fraction, the numerator of which
24 is the population of the county and the denominator of which is the population of the
25 State.

26 (c) Distribution to Fire Districts. – Once the Insurance Commissioner has
27 allocated the tax proceeds to a county under subsection (b) of this section, the
28 Commissioner shall distribute those allocations to the fire districts in that county. The
29 amount distributed to each fire district is equal to the total amount allocated to the
30 county multiplied by a fraction, the numerator of which is the tax value of the property
31 located in the fire district and the denominator of which is the tax value of all property
32 located in any fire district in that county. A county shall provide the Commissioner with
33 the tax value of property located in each fire district in that county by January 1 of each
34 year. If a county does not submit information that the Commissioner needs to make a
35 distribution by the date the information is due, the Commissioner shall distribute the
36 allocation based on the most recent information the Commissioner has.

37 (d) Administration. – These funds shall be held by the treasurer of a fire district
38 as a separate and distinct fund. The fire district shall immediately pay the funds to the
39 treasurer of the local board of trustees upon the treasurer's election and qualification, for
40 the use of the board of trustees of the firemen's local relief fund in each fire district,
41 which board shall be composed of five members, residents of the fire district as
42 hereinafter provided for, to be used by it for the purposes provided in G.S. 58-84-35."

43 **SECTION 31.11.(c)** G.S. 58-87-1, as amended by Section 8 of S.L.
44 2006-196, reads as rewritten:

45 "**§ 58-87-1. Volunteer Fire Department Fund.**

46 (a) Fund. – The Volunteer Fire Department Fund is created as an
47 interest-bearing, nonreverting fund in the Department to provide matching grants to
48 volunteer fire departments to purchase equipment and make capital improvements. The
49 Commissioner shall administer the Fund. Up to two percent (2%) of the Fund may be
50 used for additional staff and resources to administer the Fund in each fiscal year.

1 (a1) Grant Program. – An eligible fire department may apply to the Commissioner
2 for a grant under this section. In awarding grants under this section, the Commissioner
3 must, to the extent possible, select applicants from all parts of the State based upon
4 need. The Commissioner must award the grants on May 15 of each year subject to the
5 following limitations:

6 (1) The size of a grant may not exceed ~~twenty thousand dollars~~
7 ~~(\$20,000);~~ thirty thousand dollars (\$30,000).

8 (2) The applicant shall match the grant on a dollar-for-dollar ~~basis;~~ basis.

9 (3) The grant may be used only for equipment purchases, payment of
10 highway use taxes on those purchases, or capital expenditures
11 necessary to provide fire protection ~~services;~~ and services.

12 (4) An applicant may receive no more than one grant per fiscal year.

13 (b) Eligible Fire Department. – A fire department is eligible for a grant under this
14 section if it meets all of the conditions of this subsection. No fire department may be
15 declared ineligible for a grant solely because it is classified as a municipal fire
16 department.

17 (1) It serves a response area of ~~6,000~~ 12,000 or less in population. In
18 making the population determination, the Department must use the
19 most recent annual population estimates certified by the State Budget
20 Officer.

21 (2) It consists entirely of volunteer members, with the exception that the
22 unit may have paid members to fill the equivalent of ~~three~~ six full-time
23 paid positions.

24 (3) It has been certified by the Department of Insurance.

25 (c) Report. – The Commissioner must submit a written report to the General
26 Assembly within 60 days after the grants have been made. This report must contain the
27 amount of the grant and the name of the recipient."

28 **SECTION 31.11.(d)** Notwithstanding G.S. 58-84-25, as amended by this
29 section, for the initial allocation of tax proceeds after January 1, 2008, the Insurance
30 Commissioner shall calculate the allocation by setting the previous year's allocation as
31 the amount of tax proceeds distributed in the previous year to the fire districts located in
32 each county. If a fire district is located in more than one county, the Commissioner must
33 allocate the distribution between those counties in proportion to the tax value of the
34 property in the district located in each county.

35 **SECTION 31.11.(e)** Subsection (a) of this section is effective for taxable
36 years beginning on or after January 1, 2008. The remainder of this section becomes
37 effective January 1, 2008.

38 39 SET INSURANCE REGULATORY FEE

40 **SECTION 31.12.(a)** The percentage rate to be used in calculating the
41 insurance regulatory charge under G.S. 58-6-25 is five and one-half percent (5.5%) for
42 the 2007 calendar year.

43 **SECTION 31.12.(b)** This section is effective when it becomes law.

44 45 SET REGULATORY FEE FOR UTILITIES COMMISSION

46 **SECTION 31.13.(a)** The percentage rate to be used in calculating the public
47 utility regulatory fee under G.S. 62-302(b)(2) is twelve one-hundredths of one percent
48 (0.12%) for each public utility's North Carolina jurisdictional revenues earned during
49 each quarter that begins on or after July 1, 2007.

1 **SECTION 31.13.(b)** The electric membership corporation regulatory fee
2 imposed under G.S. 62-302(b1) for the 2007-2008 fiscal year is two hundred thousand
3 dollars (\$200,000).

4 **SECTION 31.13.(c)** This section becomes effective July 1, 2007.

5
6 **AMEND SALES TAX HOLIDAY**

7 **SECTION 31.14.(a)** G.S. 105-164.3 reads as rewritten:

8 **"§ 105-164.3. Definitions.**

9 The following definitions apply in this Article:

10 ...
11 (37b) School instructional material. – Defined in the Streamlined
12 Agreement.

13 (37d) School supply. – An item that is commonly used by a student in the
14 course of study and is considered a 'school supply', a 'school art
15 supply', or 'school instructional material supply' or 'school art supply'
16 under the Streamlined Agreement.

17 "

18 **SECTION 31.14.(b)** G.S. 105-164.13C(a) reads as rewritten:

19 "(a) The taxes imposed by this Article do not apply to the following items of
20 tangible personal property if sold between 12:01 A.M. on the first Friday of August and
21 11:59 P.M. the following Sunday:

22 (1) Clothing with a sales price of one hundred dollars (\$100.00) or less per
23 item.

24 (2) School supplies with a sales price of one hundred dollars (\$100.00) or
25 less per item.

26 (2a) School instructional materials with a sales price of three hundred
27 dollars (\$300.00) or less per item.

28 (3) Computers with a sales price of three thousand five hundred dollars
29 (\$3,500) or less per item.

30 (3a) Computer supplies with a sales price of two hundred fifty dollars
31 (\$250.00) or less per item.

32 (4) Sport or recreational equipment with a sales price of fifty dollars
33 (\$50.00) or less per item."

34 **SECTION 31.14.(c)** This section becomes effective July 1, 2007, and
35 applies to sales made on or after that date.

36
37 **PART XXXII. MISCELLANEOUS PROVISIONS**

38
39 **STATE BUDGET ACT APPLIES**

40 **SECTION 32.1.** The provisions of the State Budget Act, Chapter 143C of
41 the General Statutes, are reenacted and shall remain in full force and effect and are
42 incorporated in this act by reference.

43
44 **COMMITTEE REPORT**

45 **SECTION 32.2.(a)** The N.C. House of Representatives Appropriations
46 Committee Report on the Continuation, Expansion and Capital Budgets, dated May 9,
47 2007, which was distributed in the House of Representatives and used to explain this
48 act, shall indicate action by the General Assembly on this act and shall therefore be used
49 to construe this act, as provided in the State Budget Act, Chapter 143C of the General
50 Statutes, or the Executive Budget Act, Chapter 143 of the General Statutes, as

1 appropriate, and for these purposes shall be considered a part of this act and as such
2 shall be printed as a part of the Session Laws.

3 **SECTION 32.2.(b)** The budget enacted by the General Assembly for the
4 maintenance of the various departments, institutions, and other spending agencies of the
5 State for the 2007-2009 fiscal biennium is a line-item budget, in accordance with the
6 Budget Code Structure and the State Accounting System Uniform Chart of Accounts set
7 out in the Administrative Policies and Procedures Manual of the Office of the State
8 Controller. This budget includes the appropriations made from all sources, including
9 the General Fund, Highway Fund, special funds, cash balances, federal receipts, and
10 departmental receipts.

11 The Director of the Budget submitted the itemized budget requests to the
12 General Assembly in February 2007, in the documents "The North Carolina State
13 Budget Summary of Recommendations 2007-2009" and "The North Carolina State
14 Budget 2007-2009 Recommended Operating Budget With Results-Based Information"
15 volumes one through six. The beginning appropriation for the 2007-2008 fiscal year and
16 the 2008-2009 fiscal year for the various departments, institutions, and other spending
17 agencies of the State is referenced in Tables 3 and 4 of the Summary of
18 Recommendations document as the recommended continuation budget.

19 **SECTION 32.2.(c)** The budget enacted by the General Assembly shall also
20 be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and
21 other appropriate legislation.

22 In the event that there is a conflict between the line-item budget certified by
23 the Director of the Budget and the budget enacted by the General Assembly, the budget
24 enacted by the General Assembly shall prevail.
25

26 **MOST TEXT APPLIES ONLY TO THE 2007-2009 FISCAL BIENNIUM**

27 **SECTION 32.3.** Except for statutory changes or other provisions that clearly
28 indicate an intention to have effects beyond the 2007-2009 fiscal biennium, the textual
29 provisions of this act apply only to funds appropriated for, and activities occurring
30 during, the 2007-2009 fiscal biennium.
31

32 **EFFECT OF HEADINGS**

33 **SECTION 32.4.** The headings to the parts and sections of this act are a
34 convenience to the reader and are for reference only. The headings do not expand,
35 limit, or define the text of this act, except for effective dates referring to a part.
36

37 **SEVERABILITY CLAUSE**

38 **SECTION 32.5.** If any section or provision of this act is declared
39 unconstitutional or invalid by the courts, it does not affect the validity of this act as a
40 whole or any part other than the part so declared to be unconstitutional or invalid.
41

42 **EFFECTIVE DATE**

43 **SECTION 32.6.** Except as otherwise provided, this act becomes effective
44 July 1, 2007.