GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2007

H **7**

HOUSE BILL 1473
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Short Title: 2007 Appropriations Act.	(Public)
Sponsors:	
Referred to:	

April 16, 2007

A BILL TO BE ENTITLED

AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES.

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

INTRODUCTION

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

TITLE OF ACT

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

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

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

Current Operations – General Fund	2007-2008	2008-2009
EDUCATION		
Community Colleges System Office	$ 919,581,160	$ 898,393,003
Department of Public Instruction	7,620,122,436	7,666,686,081
University of North Carolina – Board of Governors		
Appalachian State University	121,866,775	123,484,299
East Carolina University		
Academic Affairs	200,929,741	207,798,168
Health Affairs	48,700,539	48,649,036
Elizabeth City State University	31,770,080	32,587,386
Fayetteville State University	53,131,616	54,059,698
North Carolina Agricultural and Technical State University	91,017,204	91,671,185
North Carolina Central University	76,599,430	78,129,122
North Carolina School of the Arts	24,650,862	24,042,061
North Carolina State University		
Academic Affairs	349,253,626	358,675,869
Agricultural Extension	42,241,968	42,126,187
Agricultural Research	53,406,637	52,144,009
University of North Carolina at Asheville	33,648,196	34,151,586
University of North Carolina at Chapel Hill		
Academic Affairs	269,229,699	275,856,577
Health Affairs	188,883,060	194,407,363
Area Health Education Centers	47,818,875	47,818,875
University of North Carolina at Charlotte	161,588,211	167,100,852
University of North Carolina at Greensboro	145,859,443	149,948,462
University of North Carolina at Pembroke	53,241,514	54,967,129
University of North Carolina at Wilmington	94,683,871	97,233,616
Western Carolina University	84,117,070	85,393,621
Winston-Salem State University	66,379,070	69,552,386
General Administration	42,489,469	42,647,024
University Institutional Programs	134,338,874	110,449,559
Related Educational Programs	149,629,645	149,933,562
North Carolina School of Science and Mathematics	16,859,174	17,065,422
UNC Hospitals at Chapel Hill	45,673,970	45,673,970
Total University of North Carolina – Board of Governors	$ 2,628,008,619	$ 2,655,567,024
HEALTH AND HUMAN SERVICES		
Department of Health and Human Services		
Office of the Secretary	62,993,587	64,366,411
Division of Aging	35,643,589	35,006,179
Division of Blind Services/Deaf/HH	10,552,646	10,521,452
Division of Child Development	306,644,018	312,004,939
Division of Education Services	38,537,264	38,310,972

Division of Facility Services	19,108,545	19,061,591
Division of Medical Assistance	2,793,185,861	3,067,189,551
Division of Mental Health	713,716,560	719,875,784
NC Health Choice	59,391,155	59,391,155
Division of Public Health	191,420,132	183,966,681
Division of Social Services	212,788,902	216,008,788
Division of Vocation Rehabilitation	43,374,525	44,712,409
Total Health and Human Services	$ 4,487,356,784	$ 4,770,415,912
NATURAL AND ECONOMIC RESOURCES		
Department of Agriculture and Consumer Services	51,749,141	51,424,944
Department of Commerce		
Commerce	62,466,647	40,086,833
Commerce State-Aid	22,976,478	0
NC Biotechnology Center	15,583,395	15,583,395
Rural Economic Development Center	43,802,607	24,302,607
Department of Environment and Natural Resources	203,599,459	193,550,404
Clean Water Management Trust Fund	100,000,000	100,000,000
Department of Labor	16,594,758	16,594,951
JUSTICE AND PUBLIC SAFETY		
Department of Correction	$ 1,213,715,078	$ 1,219,540,012
Department of Crime Control and Public Safety	47,830,429	36,404,601
Judicial Department	448,592,907	450,527,517
Judicial Department – Indigent Defense	106,540,251	113,414,917
Department of Justice	94,861,199	91,671,670
Department of Juvenile Justice and Delinquency Prevention	156,864,584	129,694,269
GENERAL GOVERNMENT		
Department of Administration	66,347,940	68,969,534
Office of Administrative Hearings	3,858,741	3,689,018
Department of State Auditor	12,672,540	12,685,993
Office of State Controller	20,710,191	20,727,698
Department of Cultural Resources		
Cultural Resources	73,422,441	72,361,683

Roanoke Island Commission	2,020,023	2,020,023
State Board of Elections	6,188,472	6,046,868
General Assembly	54,538,665	55,740,786
Office of the Governor		
Office of the Governor	6,262,319	6,300,587
Office of State Budget and Management	5,930,060	5,936,765
OSBM – Reserve for Special Appropriations	6,438,446	4,938,446
Housing Finance Agency	17,108,417	9,608,417
Department of Insurance		
Insurance	30,922,133	30,936,704
Insurance – Volunteer Safety Workers' Compensation	4,500,000	4,500,000
Office of Lieutenant Governor	914,122	915,109
Department of Revenue	83,949,579	84,041,959
Department of Secretary of State	11,412,917	10,686,083
Department of State Treasurer		
State Treasurer	9,329,130	9,326,190
State Treasurer – Retirement for Fire and Rescue Squad Workers	9,458,957	9,458,957
TRANSPORTATION		
Department of Transportation	0	0
RESERVES, ADJUSTMENTS AND DEBT SERVICE		
Reserve for Compensation Increases	496,685,523	488,655,673
Salary Adjustment Fund: 2007-09 Biennium	23,688,000	23,688,000
Reserve for Teachers' and State Employees' Retirement Contribution	29,600,000	29,600,000
Reserve for Retirement System Payback	10,000,000	10,000,000
Reserve for State Health Plan	120,118,352	127,270,489
Public Defenders Retirement	573,000	573,000
Judicial Longevity	717,577	717,577
Contingency and Emergency Fund	5,000,000	5,000,000
Information Technology Fund	29,140,000	7,840,000

Reserve for Job Development Investment Grants (JDIG)	12,400,000	12,400,000
Reserve for Eliminated Positions	(34,403,179)	(34,403,179)
Internal Auditing	1,000,000	1,000,000
Debt Service		
General Debt Service	619,793,004	678,387,871
Federal Reimbursement	1,616,380	1,616,380
TOTAL CURRENT OPERATIONS – GENERAL FUND	**$ 19,982,159,682**	**$ 20,245,094,771**

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**
Unappropriated Balance Remaining from Previous Year	$ 0	$ 279,711,230
Projected Reversions FY 2006-07	125,000,000	0
Projected Overcollections FY 2006-07	1,135,200,000	0
Less Earmarkings of Year End Fund Balance		
Savings Reserve Account	(150,000,000)	0
Repairs and Renovations Reserve Account	(145,000,000)	0
Beginning Unreserved Fund Balance	**$ 965,200,000**	**$ 279,711,230**
Revenues Based on Existing Tax Structure	**$ 18,532,400,000**	**$ 19,551,000,000**
Nontax Revenues		
Investment Income	201,600,000	211,100,000
Judicial Fees	173,000,000	177,100,000
Disproportionate Share	100,000,000	100,000,000
Insurance	55,500,000	57,900,000
Other Nontax Revenues	140,400,000	154,300,000
Tobacco Trust Fund Transfer	2,000,000	0
Highway Trust Fund/Use Tax Reimbursement Transfer	172,500,000	172,500,000
Highway Fund Transfer	18,190,000	17,610,000
Subtotal Nontax Revenues	**$ 863,190,000**	**$ 890,510,000**
Total General Fund Availability	**$ 20,360,790,000**	**$ 20,721,221,230**
Adjustments to Availability: 2007 Session		
IRC Conformity	(56,900,000)	(49,100,000)
Reserve for Tax Adjustments	(30,000,000)	(30,000,000)
Health & Human Services/Facility Services Fees	1,705,501	1,642,407
Secretary of State Corporate Annual Report Fees	563,016	563,016
Net Increase Judicial Fees	36,821,220	36,821,220

Transfer from Closed Capital Account	3,506,143	0
Adjust Transfer from Treasurer's Office	110,758	98,758
Adjust Transfer from Insurance Regulatory Fund	80,274	56,274
Subtotal Adjustments to Availability: 2007 Session	**$ (44,113,088)**	**$ (39,918,325)**
Revised General Fund Availability	**$ 20,316,676,912**	**$ 20,681,302,905**
Less: General Fund Appropriations	**(20,036,965,682)**	**(20,245,094,771)**
Unappropriated Balance Remaining	**$ 279,711,230**	**$ 436,208,134**

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

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

SECTION 2.2.(c1) Notwithstanding G.S. 143-15.2, G.S. 143-15.3, and G.S. 143C-4-2, the State Controller shall transfer only one hundred fifty million dollars ($150,000,000) from the unreserved credit balance to the Savings Reserve Account on June 30, 2007. This is not an "appropriation made by law", as that phrase is used in Article V, Section 7(1) of the North Carolina Constitution. This subsection becomes effective June 30, 2003.

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

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

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

SECTION 2.2.(g) Notwithstanding G.S. 143C-9-3, of the funds credited to the Tobacco Trust Fund from the Master Settlement Agreement pursuant to Section 6.(2) of S.L. 1999-2 during the 2007-2009 fiscal biennium, the sum of two million dollars ($2,000,000) for the 2007-2008 fiscal year shall be transferred from the Department of Agriculture and Consumer Services, Budget Code 23703 (Tobacco Trust Fund) to the State Controller to be deposited in Non-tax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2007-2008 fiscal year.

PART III. CURRENT OPERATIONS/HIGHWAY FUND

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

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

Current Operations – Highway Fund	**2007-2008**	**2008-2009**
Department of Transportation		
Administration	$ 84,037,661	$ 83,204,187
Division of Highways		
Administration	32,651,442	32,703,136
Construction	161,233,869	150,173,949
Maintenance	908,123,260	909,934,281
Planning and Research	4,700,000	4,700,000
OSHA Program	425,000	425,000
Ferry Operations	31,313,921	31,313,921
State Aid		
Municipalities	93,046,035	93,073,949
Public Transportation	73,466,447	73,466,447
Airports	21,860,122	19,730,033
Railroads	21,951,153	20,951,153
Governor's Highway Safety	334,314	335,449
Division of Motor Vehicles	103,676,924	119,130,944
Transfers, Other State Agencies, And Reserves	269,319,852	255,937,551
TOTAL	**$1,806,140,000**	**$1,795,080,000**

HIGHWAY FUND AVAILABILITY STATEMENT

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

Highway Fund Availability Statement	**2007-2008**	**2008-2009**
Unappropriated Balance From Previous Year	$ 0	$ 0
Beginning Credit Balance	30,000,000	-
Estimated Revenue	1,776,140,000	1,795,080,000
Total Highway Fund Availability	**$ 1,806,140,000**	**$ 1,795,080,000**
Unappropriated Balance	**$ 0**	**$ 0**

SECTION 3.3. The appropriations from the Highway Fund and the availability statement for the Highway Fund shall be adjusted to reflect the revenue estimated to be allocated to it from the motor fuel excise tax.

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

HIGHWAY TRUST FUND APPROPRIATIONS

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

Current Operations – Highway Trust Fund	**2007-2008**	**2008-2009**
Intrastate System	$ 540,326,825	$ 550,107,613
Urban Loops	218,485,665	222,440,608
Aid to Municipalities	56,692,887	57,719,120
Secondary Roads	94,808,677	96,786,225
Program Administration	42,722,640	43,386,880
Transfer to General Fund	172,543,306	172,619,554
Negative Reserve	(8,100,000)	(12,100,000)
GRAND TOTAL CURRENT OPERATIONS AND EXPANSION	**$ 1,117,480,000**	**$ 1,130,960,000**

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

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

Total Highway Trust Fund Availability	**$ 1,117,480,000**	**$ 1,130,960,000**

SECTION 4.3. The appropriations from the Highway Trust Fund and the availability statement for the Highway Trust Fund shall be adjusted to reflect the revenue estimated to be allocated to it from the motor fuel excise tax.

PART V. OTHER AVAILABILITY AND APPROPRIATIONS

CIVIL PENALTIES AND FORFEITURE FUND AVAILABILITY AND APPROPRIATION

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

	FY 2007-2008	FY 2008-2009
Department of Revenue	$63,000,000	$63,000,000
Department of Transportation	$15,000,000	$15,000,000
Employment Security Commission	$3,000,000	$3,000,000
Department of Insurance	$1,000,000	$1,000,000
University of North Carolina	$3,500,000	$3,500,000
Other Agencies	$10,000,000	$10,000,000
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	$ 90,364,291
Prekindergarten Program	84,635,709
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
BEACON/Data Integration Funds	$5,000,000	$5,000,000
Interest Income	$100,000	$100,000
IT Fund Balance June 30	$600,000	$690,000
Appropriation from General Fund	$4,140,000	$2,840,000
Total Funds Available	**$19,640,000**	**$18,430,000**

SECTION 5.3.(b) Appropriations are made from the Information Technology Fund for the 2007-2009 fiscal biennium as follows:

Office of Information Technology Services	**FY 2007-2008**	**FY 2008-2009**
Information Technology Operations	$9,452,835	$8,152,835
Information Technology Projects	$4,497,165	$4,497,165
BEACON/Data Integration Funds	$5,000,000	$5,000,000
Total	**$18,950,000**	**$17,650,000**

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-6-4, 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.

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

EXPENDITURES OF FUNDS IN RESERVES LIMITED

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

REVISE FREQUENCY OF FEE REPORT

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

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

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

BUDGET REALIGNMENT

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

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

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

STAFFING ANALYSIS OF STATE AGENCY BUSINESS FUNCTIONS AND REDEPLOYMENT OF RESOURCES FROM HR/PAYROLL MANAGEMENT

SECTION 6.7.(a) The Office of State Budget and Management, in consultation with the Office of State Controller and the Office of State Personnel, shall conduct annual follow-up analyses of the Human Resources/Payroll Function Mapping Analysis that was completed in fiscal year 2007 by the BEACON staff and the Office of

State Budget and Management. This initial analysis was conducted to provide not only a pre-implementation assessment of State agency Human Resources/Payroll staffing prior to BEACON HR/Payroll implementation but also to provide a basis on which new HR/Payroll roles required by BEACON implementation can be mapped. These follow-up analyses of State agency HR/Payroll staffing shall be completed by January 1 of each year to assure the staffing levels remain appropriate. The annual staffing analyses shall be conducted throughout the implementation of the BEACON HR/Payroll System and shall continue for a reasonable time after the implementation to assure that the staffing levels are adjusted based on the increased efficiency provided by the implementation.

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

SECTION 6.7.(c) By April 30, 2008, the Office of State Budget and Management, in consultation with the Office of State Controller, and then by January 1, 2009, and annually thereafter, the Office of State Budget and Management, in consultation with the Office of State Controller and the Office of State Personnel, shall report to the Chairs of the House of Representatives Appropriations Committee, to the Chairs of the Senate Committee on Appropriations/Base Budget, to the Joint Legislative Oversight Committee on Information Technology, and to the Fiscal Research Division on the results of the annual staffing analyses of State government business functions conducted pursuant to subsection (a) of this section and on the implementation of the BEACON HR/Payroll System.

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

SECTION 6.7.(e) Notwithstanding any other provision of law, the Office of State Budget and Management may evaluate the impact of the BEACON Program on affected agencies and develop a plan for addressing resources affected by the Program. The State Redeployment Plan shall be implemented to the extent possible. When compliance with federal or State law requires, a new position may be created if a current or contracted position is eliminated. The Office of State Budget and Management, in consultation with the Office of the State Controller, shall report to the Joint Legislative Commission on Governmental Operations within 30 days for each employee change made under the State Redeployment Plan and shall include a five-year fiscal impact incurred by the State when converting any contracted position to a permanent position. This subsection expires June 30, 2008.

BEACON DATA INTEGRATION

SECTION 6.8.(a) The Office of the State Controller, in cooperation with the State Chief Information Officer, shall develop a Strategic Implementation Plan for the integration of databases and the sharing of information among State agencies and programs. This plan shall be developed and implemented under the governance of the BEACON Project Steering Committee and in conjunction with leadership in State agencies and with the support and cooperation of the Office of State Budget and Management. This plan shall include the following:

(1) Definition of requirements for achieving statewide data integration.

(2) An implementation schedule to be reviewed and adjusted by the General Assembly annually based on funding availability.

(3) Priorities for database integration, commencing with the integration of databases that the BEACON Project Steering Committee identifies as most beneficial in terms of maximizing fund availability and realizing early benefits.

(4) Identification of current statewide and agency data integration efforts and a long-term strategy for integrating those projects into this effort.

(5) Detailed cost information for development and implementation, as well as five years of operations and maintenance costs.

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

SECTION 6.8.(b) Of the funds appropriated from the General Fund to the North Carolina Information Technology Fund, the sum of five million dollars ($5,000,000) for the 2007-2008 fiscal year shall be used for BEACON data integration as provided by subsection (a) of this section. The Office of the State Controller, in coordination with State agencies and with the support of the Office of State Budget and Management, shall identify and make all efforts to secure any federal matching funds or other resources to assist in funding this initiative.

Funds authorized in this section may be used for the following purposes:

(1) To support the cost of a project manager to conduct the activities outlined herein reportable to the Office of the State Controller.

(2) To support two business analysts to provide support to the program manager and agencies in identifying requirements under this program.

(3) To engage a vendor to develop the Strategic Implementation Plan as required herein.

(4) To conduct integration activities as approved by the Governor and the North Carolina General Assembly.

SECTION 6.8.(c) The Office of the State Controller, with the assistance of the State Chief Information Officer, shall present the Strategic Implementation Plan directed herein to the 2008 Session of the General Assembly for action as deemed appropriate. Prior to the convening of the 2008 General Assembly, the Office of the State Controller shall provide status reports of this activity to the Joint Legislative Commission on Governmental Operations or the Fiscal Research Division of the General Assembly as requested.

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

USE OF COLLECTION ASSISTANCE FEE

SECTION 6.9.(a) G.S. 105-243.1(e)(4) reads as rewritten:

"(4) To pay for postage or other delivery charges for correspondence directly and primarily relating to collecting overdue tax debts, not to exceed ~~three hundred fifty-three thousand dollars ($353,000)~~ five hundred thousand dollars ($500,000) a year."

SECTION 6.9.(b) The General Assembly finds that a computer system that records tax payments and determines when the payments are overdue directly and primarily relates to the collection of overdue tax debts and that the cost of the computer system is subject to the collection assistance fee set forth in G.S. 105-243.1. The Department of Revenue is authorized to use funds in the 20% Collection Assistance Fee Account, Budget Code 24704-2474, during the 2007-2009 fiscal biennium to replace the Department's current computer system, and these funds are appropriated to the Department for that purpose. The Department shall not use more than forty million dollars ($40,000,000) from the Account to replace the Department's current computer system. Funds appropriated to the Department in this subsection remain in the Account until withdrawn for expenditures for a replacement computer system and shall remain in the Account if not expended during the 2007-2009 fiscal biennium for the purposes set forth in this subsection.

OFFICE OF INFORMATION TECHNOLOGY SERVICES BUDGET REVIEW

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

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

OFFICE OF INFORMATION TECHNOLOGY SERVICES REVIEW OF STATE IT BUDGET SUBMISSIONS

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

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

(2) Identify whether the project or system would result in any duplication of effort across governmental agencies, including State, local, and federal agencies.

(3) Determine the completeness, timeliness, and accessibility of the data developed and used by the system.

(4) Estimate the cost and actual staffing for the project or system.

(5) Ascertain the organizational location of the system as well as the hardware and software inventories associated with the system or project.

(6) Assess the current and potential benefits that the technology investment would provide to the State.

(7) Identify any opportunities for the State to leverage federal and local support of the information technology system or project.

(8) Consider any other information pertinent to the utility, functionality, and cost-effectiveness of the project or system.

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

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

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

GEOGRAPHIC INFORMATION SYSTEM (GIS) STUDY

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

SECTION 6.13.(b) OSBM shall make recommendations on the governance, organization, and staffing of GIS in and across State agencies and on a coherent and cost-effective State investment strategy for GIS that appropriately leverages local and federal support and eliminates duplication of capabilities. The report shall include a recommended strategy for consolidating State GIS initiatives. The OSBM shall make a written report of these findings and recommendations to the General Assembly by April 30, 2008.

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

E-COMMERCE LONG-RANGE STRATEGY REPORT

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

(1) Input from the entire State government user base, including State agencies, universities, community colleges, local education agencies, and other units of government that may be disbursing or collecting State funds. Input is also to be obtained from the various central agencies involved in the financial affairs of State government and from the Office of Information Technology.

(2) Specific proposals that would, if implemented, expand electronic commerce activity in the State government fiscal environment, and which shall include the establishment of an ongoing function within State government to execute the expansion. The recommendations should address activities that are suitable for statewide contractual arrangements, as well as those suitable for governmental entities to pursue individually. The recommendations should include expected costs and benefits of these implementations; recommendations for funding recurring and nonrecurring costs of the specific proposals; and a business case to support the recommendations.

(3) Proposed legislation that may be considered by the 2008 Regular Session of the 2007 General Assembly to ensure compliance with merchant card industry policies and standards for operations and security.

(4) Proposed legislation that may be considered by the 2008 Regular Session of the 2007 General Assembly that addresses any inconsistencies or conflicts in existing statutes relating to electronic commerce activities.

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

UNC DISTINGUISHED PROFESSOR CHALLENGE-GRANT INITIATIVE/REDUCE BACKLOG FOR DISTINGUISHED PROFESSOR ENDOWMENT TRUST FUND PROFESSORSHIPS

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

SECTION 6.15.(b) Funds are allocated in the North Carolina Senate Committee Report on the Continuation, Expansion and Capital Budget for the purpose of addressing the existing backlog of professorships under the Distinguished Professors Endowment Trust Fund.

MEDICAID COUNTY SHARE RELIEF

SECTION 6.16. In recognition of the increasing cost of Medicaid services and the burden this places on county finances, it is the intent of the General Assembly to develop a method for relieving counties of the county share of the nonfederal share of

Medicaid expenditures. It is the further intent of the General Assembly that this relief will be in place by July 1, 2008. Methods being considered will allow counties to use those funds the counties would otherwise spend on Medicaid to support improvements in education at the local level without limiting the State's ability to provide critical State-funded services, including education.

ELIMINATION OF VACANT POSITIONS

SECTION 6.17. The Office of State Budget and Management shall eliminate all positions across State government that are funded through the General Fund and vacant for more than six months on June 30, 2007, by transferring from the various State departments, agencies, and institutions the salary and benefits-related funding appropriated for State government positions vacant on that date. There is established in the Office of State Budget and Management a Reserve for Eliminated Positions. Notwithstanding G.S. 143C-6-9, the sum of thirty-four million four hundred three thousand one hundred seventy-nine dollars ($34,403,179) shall be credited to the Reserve for Eliminated Positions from the savings associated with the elimination of vacant positions required by this section, effective July 1, 2007. The provisions of this section do not apply to The University of North Carolina, the community colleges, and the public schools.

SALARY RESERVE BALANCES

SECTION 6.19. Notwithstanding G.S. 143C-6-4(b)(2), during the 2007-2009 fiscal biennium, a State agency may, with approval of the Director of the Budget, spend more than was authorized in the certified budget for a purpose or program if the overexpenditure is required to accommodate the redistribution of salary reserve balances within a State department.

CLARIFY THE TERMS AND CONDITIONS OF EMPLOYMENT OF THE DIRECTOR OF A LOCAL MANAGEMENT ENTITY

SECTION 6.20.(a) G.S. 122C-121 reads as rewritten:

"**§ 122C-121. Area director.**

(a) The area director is an employee of the area ~~board~~ board, shall serve at the pleasure of the board, and shall be appointed in accordance with G.S. 122C-117(7). ~~The area director is the administrative head of the area program.~~ As used in this subsection, "employee" means an individual and does not include a corporation, a partnership, a limited liability corporation, or any other business association.

(a1) The area board shall establish the area director's salary under Article 3 of Chapter 126 of the General Statutes. An area board may request an adjustment to the salary ranges under G.S. 126-9(b). The request shall include specific information supporting the need for the adjustment, including comparative salary and patient caseload data for other LMEs, and shall also include the specific amount the area board proposes to pay the director. The area board shall not request a salary adjustment that is more than ten percent (10%) above the normal allowable salary range as determined by the State Personnel Commission.

(a2) The area board shall not provide the director with any benefits that are not also provided by the area board to all permanent employees of the area program. The director shall be reimbursed only for allowable employment-related expenses at the same rate and in the same manner as other employees of the area program.

(b) The area board shall evaluate annually the area director for performance based on criteria established by the Secretary and the area board. In conducting the evaluation, the area board shall consider comments from the board of county commissioners.

(c) The area director is the administrative head of the area program. In addition to the duties under G.S. 122C-111, the area director shall:

(1) ~~Appoint and supervise~~ Appoint, supervise, and terminate area program staff.
(2) Administer area authority services.
(3) Develop the budget of the area authority for review by the area board.
(4) Provide information and advice to the board of county commissioners through the county manager.
(5) Act as liaison between the area authority and the Department.

(d) Except when specifically waived by the Secretary, the area director shall meet all the following minimum qualifications:

(1) Masters degree.
(2) Related experience.
(3) Management experience.
(4) Any other qualifications required under G.S. 122C-120.1."

SECTION 6.20.(b) G.S. 122C-121(a1), as enacted in subsection (a) of this section, applies to salary plans submitted and contracts entered into, extended, modified, or renewed on or after July 1, 2007.

CONTINUATION REVIEW OF CERTAIN FUNDS, PROGRAMS, AND DIVISIONS

SECTION 6.21.(a) No later than February 1, 2008, the Administrative Office of the Courts shall provide a written report to the Appropriations Committees of the Senate and House of Representatives on the following funds, programs, or divisions:

(1) Dispute Resolution and Community Mediation Programs.
(2) Association of Clerks of Superior Court.
(3) The Conference of District Attorneys.

The report shall include all of the information listed in subsection (j) of this section.

SECTION 6.21.(b) No later than February 1, 2008, the Office of Indigent Defense Services shall provide a written report to the Appropriations Committees of the Senate and House of Representatives on the Division of Sentencing Services. The report shall include all of the information listed in subsection (j) of this section.

SECTION 6.21.(c) No later than February 1, 2008, the Department of Correction shall provide a written report to the Appropriations Committees of the Senate and House of Representatives on the following funds, programs, or divisions:

(1) Criminal Justice Partnership Program.
(2) Harriet's House.
(3) Women at Risk.
(4) Summit House.
(5) Contracts for long-term residential treatment beds: Evergreen; Mary Frances Center.

The report shall include all of the information listed in subsection (j) of this section.

SECTION 6.21.(d) No later than February 1, 2008, the Department of Juvenile Justice and Delinquency Prevention shall provide a written report to the Appropriations Committees of the Senate and House of Representatives on the following funds, programs, or divisions:

(1) The Boys and Girls Clubs.

(2) Juvenile Assessment Center.
(3) Project Challenge.
(4) Juvenile Crime Prevention Council.
(5) The Governor's One-on-One Program.
(6) Support Our Students (SOS).

The report shall include all of the information listed in subsection (j) of this section.

SECTION 6.21.(e) No later than February 1, 2008, the Department of Justice shall provide a written report to the Appropriations Committees of the Senate and House of Representatives on the North Carolina Legal Education Assistance Fund. The report shall include all of the information listed in subsection (j) of this section.

SECTION 6.21.(f) No later than February 1, 2008, the Department of Crime Control and Public Safety shall provide a written report to the Appropriations Committees of the Senate and House of Representatives on the following funds, programs, or divisions:

(1) North Carolina Victims Assistance Network.
(2) National Guard Tarheel Challenge Program.
(3) Butner Public Safety Division.

The report shall include all of the information listed in subsection (j) of this section.

SECTION 6.21.(g) No later than February 1, 2008, the Department of Environment and Natural Resources shall provide a written report to the Appropriations Committees of the Senate and House of Representatives on the Environmental Stewardship Initiative. The report shall include all of the information listed in subsection (j) of this section.

SECTION 6.21.(h) No later than February 1, 2008, the Department of Commerce shall provide a written report to the Appropriations Committees of the Senate and House of Representatives on the following funds, programs, or divisions:

(1) Regional Partnerships.
(2) Council of Government funds.
(3) State Aid to Nonprofits.

The report shall include all of the information listed in subsection (j) of this section.

SECTION 6.21.(h1) No later than February 1, 2008, the Board of Governors of The University of North Carolina shall provide a written report to the Appropriations Committees of the Senate and House of Representatives on the Center for Nursing. The report shall include all of the information listed in subsection (j) of this section.

SECTION 6.21.(i) No later than February 1, 2008, the Department of Health and Human Services shall provide a written report to the Appropriations Committees of the Senate and House of Representatives on the following funds, programs, or divisions:

(1) Office of Policy and Planning.
(2) Senior Games.
(3) Dental Supplies/Division of Public Health.

The report shall include all of the information listed in subsection (j) of this section.

SECTION 6.21.(j) The reports required in subsections (a) through (i) of this section shall include the following information for each program:

(1) A description of the program, including information on services provided, the recipients of the services, and the resource requirements.
(2) Meaningful measures of program performance and whether the program is meeting these measures.

(3) The rationale for continuing, reducing, or eliminating funding.
(4) The consequences of discontinuing program funding.
(5) Recommendations for improving services.
(6) Recommendations for reducing costs.
(7) The identification of policy issues that should be brought to the attention of the General Assembly.

SECTION 6.21.(k) The Appropriations Committees of the Senate and House of Representatives may review the funds, programs, and divisions listed in this section and shall determine whether to continue, reduce, or eliminate funding for the funds, programs, and divisions, subject to the continuation review program. The Fiscal Research Division may issue instructions to the State departments and agencies referenced in subsections (a) through (i) of this section regarding the expected content and format of the reports required by this section.

AT LEAST 20% OF PARKING LOT MUST BE PERVIOUS

SECTION 6.22.(a) G.S. 143-214.7 is amended by adding a new subsection to read:

"(d2) At least twenty percent (20%) of any area designed to be used for vehicular parking, except for a covered area or a multilevel area, shall be a pervious surface."

SECTION 6.22.(b) G.S. 143-215.6A(a)(11) reads as rewritten:

"(a) A civil penalty of not more than twenty-five thousand dollars ($25,000) may be assessed by the Secretary against any person who:

…

(11) Violates or fails to act in accordance with ~~G.S. 143-214.7(d1).~~G.S. 143-214.7(d1) or (d2)."

SECTION 6.22.(c) This section becomes effective July 1, 2008, and applies to any area designed to be used for vehicular parking for which an application for a building permit, a zoning application, or a subdivision plat, is submitted on or after that date.

UNIVERSITY CANCER RESEARCH FUND

SECTION 6.23.(a) Effective July 1, 2007, Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-29.1. University Cancer Research Fund.**

(a) The University Cancer Research Fund is established as a special revenue fund in the Office of the President of The University of North Carolina. Allocations from the fund shall be made to UNC Hospitals at the discretion of the President of The University of North Carolina only for the purpose of cancer research.

(b) The General Assembly finds that it is imperative that the State provide a minimum of sixteen million dollars ($16,000,000) each calendar year to the University Cancer Research Fund; therefore, effective July 1 of each calendar year:

(1) Notwithstanding G.S. 143C-9-3, the unobligated balance of the funds credited to the Tobacco Trust Account in an amount not to exceed sixteen million dollars ($16,000,000) is hereby transferred from the Tobacco Trust Account to the University Cancer Research Fund and appropriated for this purpose.

(2) There is appropriated from the General Fund to the University Cancer Research Fund an amount equal to the difference between the amount transferred pursuant to subdivision (1) of this subsection and sixteen million dollars ($16,000,000).

(c) The University Cancer Research Fund may also receive revenue from other sources.

(d) Fund Earnings, Assets, and Balances. – The State Treasurer shall hold the Fund separate and apart from all other moneys, funds, and accounts. Investment earnings credited to the assets of the Fund shall become part of the Fund. Any balance remaining in the Fund at the end of any fiscal year shall be carried forward in the Fund for the next succeeding fiscal year."

SECTION 6.23.(b) Effective July 1, 2008, G.S. 116-29.1(b), as enacted in subsection (a) of this section, is amended by deleting "sixteen million dollars ($16,000,000)" each place it appears and substituting "thirty-two million dollars ($32,000,000)".

SECTION 6.23.(c) Effective July 1, 2009, G.S. 116-29.1(b), as amended in subsection (b) of this section, is amended by deleting "thirty-two million dollars ($32,000,000)" each place it appears and substituting "fifty million dollars ($50,000,000)".

STATE SUPPORT OF OUR MILITARY PERSONNEL

SECTION 6.24. The General Assembly finds that North Carolina has a rich military heritage and is the site of some of the nation's major military installations, including Camp Lejeune, Fort Bragg, Pope Air Force Base, Seymour Johnson Air Force Base, New River Marine Corps Air Station, United States Coast Guard Air Station, Elizabeth City, and Cherry Point Marine Corps Air Station. The General Assembly further finds that North Carolina is the home to more than 770,000 veterans of our nation's armed forces and about 120,000 active-duty military personnel, one of the largest active-duty military populations in our entire country. In appreciation of and gratitude to those North Carolinians, both living and deceased, who have served in our armed forces in service to our country, the General Assembly provides funding for and support of the following initiatives:

(1) Defense and Security Technology Accelerator.
(2) Mental Health Services for Returning Veterans.
(3) The Soldier Institute for Regenerative Medicine.
(4) Military Morale, Welfare, and Recreation Fund.
(5) National Guard Family Assistance Centers.
(6) National Guard Pension Fund.

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 Compensation Increases 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 31 steps with each step corresponding to one year of teaching experience.

2007-2008 Monthly Salary Schedule
"A" Teachers

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
19	$4,356	$4,879
20	$4,414	$4,944
21	$4,476	$5,013
22	$4,537	$5,081
23	$4,603	$5,155
24	$4,667	$5,227
25	$4,732	$5,300
26	$4,798	$5,374
27	$4,866	$5,450
28	$4,937	$5,529
29	$5,008	$5,609
30+	$5,106	$5,719

2007-2008 Monthly Salary Schedule
"M" Teachers

Years of Experience	"M" Teachers	NBPTS Certification
0	$3,273	N/A
1	$3,319	N/A
2	$3,367	N/A
3	$3,539	$3,964
4	$3,693	$4,136
5	$3,840	$4,301
6	$3,982	$4,460
7	$4,096	$4,588
8	$4,149	$4,647
9	$4,203	$4,707
10	$4,258	$4,769
11	$4,312	$4,829
12	$4,368	$4,892

13	$4,424	$4,955
14	$4,483	$5,021
15	$4,542	$5,087
16	$4,602	$5,154
17	$4,663	$5,223
18	$4,728	$5,295
19	$4,792	$5,367
20	$4,855	$5,438
21	$4,924	$5,515
22	$4,991	$5,590
23	$5,063	$5,671
24	$5,134	$5,750
25	$5,205	$5,830
26	$5,278	$5,911
27	$5,353	$5,995
28	$5,431	$6,083
29	$5,509	$6,170
30+	$5,617	$6,291

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

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

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

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

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

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

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

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

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+)
0-14	$4,775	-	-	-
15	$4,840	-	-	-
16	$4,904	$4,973	-	-
17	$4,973	$5,041	$5,185	-
18	$5,041	$5,114	$5,257	$5,331
19	$5,114	$5,185	$5,331	$5,407
20	$5,185	$5,257	$5,407	$5,485
21	$5,257	$5,331	$5,485	$5,564
22	$5,331	$5,407	$5,564	$5,675
23	$5,407	$5,485	$5,675	$5,789
24	$5,485	$5,564	$5,789	$5,905
25	$5,564	$5,675	$5,905	$6,023
26	$5,675	$5,789	$6,023	$6,143
27	$5,789	$5,905	$6,143	$6,266
28	$5,905	$6,023	$6,266	$6,391
29	$6,023	$6,143	$6,391	$6,519
30	$6,143	$6,266	$6,519	$6,649
31	$6,266	$6,391	$6,649	$6,782
32	$6,391	$6,519	$6,782	$6,918
33	$6,519	$6,649	$6,918	$7,056
34	$6,649	$6,782	$7,056	$7,197
35	$6,782	$6,918	$7,197	$7,341
36	$6,918	$7,056	$7,341	$7,488
37	$7,056	$7,197	$7,488	$7,638
38	$7,197	$7,341	$7,638	$7,791
39	-	$7,488	$7,791	$7,947
40	-	$7,638	$7,947	$8,106
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 in alternative schools who supervise 33 or more teachers shall be classified according to the number of teachers supervised.

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

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

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

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

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

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

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

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

CENTRAL OFFICE SALARIES

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

School Administrator I	$3,217	$6,041
School Administrator II	$3,414	$6,407
School Administrator III	$3,624	$6,797
School Administrator IV	$3,770	$7,068
School Administrator V	$3,922	$7,354
School Administrator VI	$4,161	$7,799
School Administrator VII	$4,328	$8,113

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

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

Superintendent I	$4,594	$8,606
Superintendent II	$4,877	$9,126
Superintendent III	$5,174	$9,682
Superintendent IV	$5,491	$10,270
Superintendent V	$5,828	$10,896

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

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

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

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

SECTION 7.3.(f) The annual salary increase for all permanent full-time personnel paid from the Central Office Allotment shall be four percent (4%), commencing July 1, 2007. The State Board of Education shall allocate these funds to local school administrative units. The local boards of education shall establish guidelines for providing salary increases to these personnel.

NONCERTIFIED PERSONNEL SALARIES

SECTION 7.4.(a) The annual salary increase for permanent, full-time noncertified public school employees whose salaries are supported from the State's General Fund shall be four percent (4%) commencing July 1, 2007.

SECTION 7.4.(b) Local boards of education shall increase the rates of pay for such employees who were employed for all or part of fiscal year 2006-2007 and who continue their employment for fiscal year 2007-2008 by providing an annual salary increase for employees of four percent (4%).

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

SECTION 7.4.(c) The State Board of Education may adopt salary ranges for noncertified personnel to support increases of four percent (4%) for the 2007-2008 fiscal year.

BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY SCHEDULES

SECTION 7.5. Effective July 1, 2007, any permanent certified personnel employed during the 2006-2007 school year and paid on the teacher salary schedule with 30+ years of experience during the 2006-2007 school year shall receive a one-time bonus equivalent to one and sixty-six hundredths of one percent (1.66%), the average increase of the 27 to 30 year steps on the 2006-2007 teacher salary schedule. Effective July 1, 2007, any permanent personnel employed during the 2006-2007 school year and paid at the top of the principal and assistant principal salary schedule during the 2006-2007 school year shall receive a one-time bonus equivalent to two percent (2%).

For permanent part-time personnel, the one-time bonus shall be adjusted pro rata. Personnel defined under G.S. 115C-325(a)(5a) are not eligible to receive the bonus.

USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

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

SECTION 7.6.(b) Use of Funds for Supplemental Funding. – All funds received pursuant to this section shall be used only: (i) to provide instructional positions, instructional support positions, teacher assistant positions, clerical positions, school computer technicians, instructional supplies and equipment, staff development, and textbooks; (ii) for salary supplements for instructional personnel and instructional support personnel; and (iii) to pay an amount not to exceed ten thousand dollars

($10,000) of the plant operation contract cost charged by the Department of Public Instruction for services.

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

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

(1) "Anticipated county property tax revenue availability" means the county-adjusted property tax base multiplied by the effective State average tax rate.

(2) "Anticipated total county revenue availability" means the sum of the:

a. Anticipated county property tax revenue availability,

b. Local sales and use taxes received by the county that are levied under Chapter 1096 of the 1967 Session Laws or under Subchapter VIII of Chapter 105 of the General Statutes,

c. Sales tax hold harmless reimbursement received by the county under G.S. 105-521, and

d. Fines and forfeitures deposited in the county school fund for the most recent year for which data are available.

(3) "Anticipated total county revenue availability per student" means the anticipated total county revenue availability for the county divided by the average daily membership of the county.

(4) "Anticipated State average revenue availability per student" means the sum of all anticipated total county revenue availability divided by the average daily membership for the State.

(5) "Average daily membership" means average daily membership as defined in the North Carolina Public Schools Allotment Policy Manual, adopted by the State Board of Education. If a county contains only part of a local school administrative unit, the average daily membership of that county includes all students who reside within the county and attend that local school administrative unit.

(6) "County-adjusted property tax base" shall be computed as follows:

a. Subtract the present-use value of agricultural land, horticultural land, and forestland in the county, as defined in G.S. 105-277.2, from the total assessed real property valuation of the county,

b. Adjust the resulting amount by multiplying by a weighted average of the three most recent annual sales assessment ratio studies,

c. Add to the resulting amount the:

1. Present-use value of agricultural land, horticultural land, and forestland, as defined in G.S. 105-277.2,

2. Value of property of public service companies, determined in accordance with Article 23 of Chapter 105 of the General Statutes, and
3. Personal property value for the county.

(7) "County-adjusted property tax base per square mile" means the county-adjusted property tax base divided by the number of square miles of land area in the county.
(8) "County wealth as a percentage of State average wealth" shall be computed as follows:
a. Compute the percentage that the county per capita income is of the State per capita income and weight the resulting percentage by a factor of five-tenths,
b. Compute the percentage that the anticipated total county revenue availability per student is of the anticipated State average revenue availability per student and weight the resulting percentage by a factor of four-tenths,
c. Compute the percentage that the county-adjusted property tax base per square mile is of the State-adjusted property tax base per square mile and weight the resulting percentage by a factor of one-tenth,
d. Add the three weighted percentages to derive the county wealth as a percentage of the State average wealth.

(9) "Effective county tax rate" means the actual county tax rate multiplied by a weighted average of the three most recent annual sales assessment ratio studies.
(10) "Effective State average tax rate" means the average of effective county tax rates for all counties.
(10a) "Local current expense funds" means the most recent county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.
(11) "Per capita income" means the average for the most recent three years for which data are available of the per capita income according to the most recent report of the United States Department of Commerce, Bureau of Economic Analysis, including any reported modifications for prior years as outlined in the most recent report.
(12) "Sales assessment ratio studies" means sales assessment ratio studies performed by the Department of Revenue under G.S. 105-289(h).
(13) "State average current expense appropriations per student" means the most recent State total of county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.
(14) "State average adjusted property tax base per square mile" means the sum of the county-adjusted property tax bases for all counties divided by the number of square miles of land area in the State.
(14a) "Supplant" means to decrease local per student current expense appropriations from one fiscal year to the next fiscal year.
(15) "Weighted average of the three most recent annual sales assessment ratio studies" means the weighted average of the three most recent annual sales assessment ratio studies in the most recent years for which

county current expense appropriations and adjusted property tax valuations are available. If real property in a county has been revalued one year prior to the most recent sales assessment ratio study, a weighted average of the two most recent sales assessment ratios shall be used. If property has been revalued the year of the most recent sales assessment ratio study, the sales assessment ratio for the year of revaluation shall be used.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

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

(1) Round all fractions of positions to the next whole position.

(2) Provide five and one-half additional regular classroom teachers in counties in which the average daily membership per square mile is greater than four and seven additional regular classroom teachers in counties in which the average daily membership per square mile is four or fewer.

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

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

(5) Provide a base for the consolidated funds allotment of at least seven hundred eighty-eight thousand seven hundred eighty-nine dollars ($788,789), excluding textbooks for the 2007-2008 fiscal year and a base of at least seven hundred eighty-eight thousand seven hundred eighty-nine dollars ($788,789) for the 2008-2009 fiscal year.

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

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

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

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

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

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

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

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

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

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

(2a) "Local current expense funds" means the most recent county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.

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

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

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

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

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

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

SECTION 7.7.(g) Of the expansion funds appropriated for small school system supplemental funding in this act, the sum of seven hundred eighty-four thousand seven hundred three dollars ($784,703) shall be distributed to county school administrative units that have less than 1,300 students and have experienced a decline in average daily membership since the 2001-2002 school year. These funds shall be used to reduce the ratio of students to teachers in grades K-5 by one, in grades 6-8 by two, and in grades 9-12 by three.

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING

SECTION 7.8.(a) Funds are appropriated in this act to address the capacity needs of local school administrative units to meet the needs of disadvantaged students. Each local school administrative unit shall use funds allocated to it for disadvantaged student supplemental funding to implement a plan jointly developed by the unit and the LEA Assistance Program team. The plan shall be based upon the needs of students in the unit not achieving grade-level proficiency. The plan shall detail how these funds shall be used in conjunction with all other supplemental funding allotments such as Low-Wealth, Small County, At-Risk Student Services/Alternative Schools, and

Improving Student Accountability, to provide instructional and other services that meet the educational needs of these students. Prior to the allotment of disadvantaged student supplemental funds, the plan shall be approved by the State Board of Education.

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

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

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

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

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

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

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

(1) For counties with wealth greater than ninety percent (90%) of the statewide average, a ratio of 1:20.2;
(2) For counties with wealth not less than eighty percent (80%) and not greater than ninety percent (90%) of the statewide average, a ratio of 1:19.7;
(3) For counties with wealth less than eighty percent (80%) of the statewide average, a ratio of 1:19.4; and
(4) For LEAs receiving DSSF funds in 2005-2006, a ratio of 1:16. These LEAs shall receive no less than the DSSF amount allotted in 2006-2007.

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

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

STUDENTS WITH LIMITED ENGLISH PROFICIENCY

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

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

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

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

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

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

CHILDREN WITH DISABILITIES

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

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

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

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

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

EXPENDITURE OF FUNDS TO IMPROVE STUDENT ACCOUNTABILITY

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

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

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

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

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

LITIGATION RESERVE FUNDS

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

REPLACEMENT SCHOOL BUSES FUNDS

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

(1) The local board of education shall use the funds only to make the first, second, or third year's payment on a financing contract entered into pursuant to G.S. 115C-528.

(2) The term of a financing contract entered into under this section shall not exceed three years.

(3) The local board of education shall purchase the buses only from vendors selected by the State Board of Education and on terms approved by the State Board of Education.

(4) The Department of Administration, Division of Purchase and Contract, in cooperation with the State Board of Education, shall solicit bids for the direct purchase of school buses and activity buses and shall establish a statewide term contract for use by the State Board of Education. Local boards of education and other agencies shall be eligible to purchase from the statewide term contract. The State Board of Education shall also solicit bids for the financing of school buses.

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

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

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

DISCREPANCIES BETWEEN ANTICIPATED AND ACTUAL ADM

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

SECTION 7.15.(b) If the higher of the first or second month average daily membership in a local school administrative unit is at least two percent (2%) or 100 students lower than the anticipated average daily membership used for allotments for the unit, the State Board of Education shall reduce allotments for the unit. The reduced allotments shall be based on the higher of the first or second month average daily membership plus one-half of the number of students overestimated in the anticipated average daily membership.

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

MENTOR TEACHER FUNDS MAY BE USED FOR FULL-TIME MENTORS

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

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

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

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

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

FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION

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

(1) Incentive awards in schools that achieve higher than expected improvements may be:
  a. Up to one thousand five hundred dollars ($1,500) for each teacher and for certified personnel; and
  b. Up to five hundred dollars ($500.00) for each teacher assistant.

(2) Incentive awards in schools that meet the expected improvements may be:
  a. Up to seven hundred fifty dollars ($750.00) for each teacher and for certified personnel; and
  b. Up to three hundred seventy-five dollars ($375.00) for each teacher assistant.

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

LEARN AND EARN HIGH SCHOOLS

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

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

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

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

SECTION 7.19.(d) The State Board of Education, in consultation with the State Board of Community Colleges and The University of North Carolina Board of Governors, shall conduct an annual evaluation of this 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; (ii) recommended statutory and policy changes; and (iii) recommendations for improvement of the program. The State Board of Education shall report the results of this evaluation to the Office of State Budget and Management, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division by January 15 of each fiscal year.

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

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

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

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

SECTION 7.19.(i) Of the funds appropriated to the State Public School Fund for the 2007-2008 fiscal year, the State Board of Education may use up to eight hundred fifty thousand dollars ($850,000) to establish additional Learn and Earn high schools that become certified as operational.

NORTH CAROLINA VIRTUAL PUBLIC SCHOOL

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

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

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

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

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

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 new literacy coaches for middle schools or other public schools with an eighth grade class. No more than one literacy coach shall be placed in each such school. 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.

(3) A curriculum or several curricula that are research-based and/or built on sound instructional theory. These curricula shall: (i) focus primarily on oral language and emergent literacy; (ii) engage children through key experiences and provide background knowledge requisite for formal learning and successful reading in the early elementary years; (iii) involve active learning; (iv) promote measurable kindergarten language-readiness skills that focus on emergent literacy and mathematical skills; and (v) develop skills that will prepare children emotionally and socially for kindergarten.

(4) An emphasis on ongoing family involvement with the prekindergarten program.

(5) Evaluation of child progress through a statewide evaluation, as well as ongoing assessment of the children by teachers.

(6) Guidelines for a system to reimburse local school boards and systems, private child care providers, and other entities willing to establish and provide prekindergarten programs to serve at-risk children.

(7) A system built upon existing local school boards and systems, private child care providers, and other entities that demonstrate the ability to establish or expand prekindergarten capacity.

(8) A quality-control system. Participating providers shall comply with standards and guidelines as established by the Department of Health and Human Services and the Department of Public Instruction. The Department may use the child care rating system to assist in determining program participation.

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

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

(11) A system of accountability.

(12) Consideration of the reallocation of existing funds. In order to maximize current funding and resources, the Department of Health and Human Services and the Department of Public Instruction shall consider the reallocation of existing funds from State and local programs that provide prekindergarten-related care and services.

SECTION 7.24.(b) The Department of Public Instruction shall implement a plan to expand "More at Four" program standards within existing resources to include four- and five-star-rated centers and schools serving four-year-olds and develop guidelines for these programs. The "NC Prekindergarten Program Standards" initiative shall recognize four- and five-star-rated centers that choose to apply and meet equivalent "More at Four" program standards as high quality pre-k classrooms. Classrooms meeting these standards shall have access to training and workshops for

"More at Four" programs. Whenever expansion slots are available, these classrooms shall have first priority to receive them.

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

SECTION 7.24.(c) The Department of Public Instruction shall submit a report by February 1, 2008, to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education, the House of Representatives Appropriations Subcommittee on Education, and the Fiscal Research Division. This final report shall include the following:

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

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

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

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

(5) A comprehensive cost analysis of the program, including the cost per child served by the program.

(6) The status of the NC Prekindergarten initiatives as outlined in this section.

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

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

ADMINISTRATIVE FUNDING FOR TEACHING FELLOWS PROGRAM

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

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

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

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

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

(1) Actual expenditures for the 2006-2007 fiscal year and budgeted expenditures for the 2007-2008 fiscal year for administration of the Program and

(2) Initiatives to recruit minorities to the Program.

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

NO COST SUMMER SCHOOL OR OTHER REMEDIATION ACTIVITIES

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

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

LEARN AND EARN ONLINE

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

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

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

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

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

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

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

SECTION 7.27.(h) The State Board of Education, The University of North Carolina, and the North Carolina Community College System shall report to the Joint Legislative Education Oversight Committee, the Office of State Budget and Management, and the Fiscal Research Division no later than April 15, 2008, on the implementation of the program for the 2007-2008 school year and the proposed operating plan for the 2008-2009 school year. The report shall include the number of students enrolled in courses under the Learn and Earn Online program and the number of students who completed courses during the fall semester of the 2007-2008 school year.

SCHOOL CONNECTIVITY INITIATIVE

SECTION 7.28.(a) Funds are appropriated in this act to support the enhancement of the technology infrastructure for public schools. These funds shall be used for broadband access, equipment, and support services that create, improve, and sustain equity of access for instructional opportunities for public school students and educators.

SECTION 7.28.(b) As recommended in the Joint Report on Information Technology February 2007, the State Board of Education shall contract with an entity that has existing core network capability and demonstrated success in providing network services to education institutions within the State to serve as the administrator of the School Connectivity Initiative. The funds appropriated in this act shall be used to implement a plan approved by the State Board of Education to enhance the technology infrastructure for public schools that supports teaching and learning in the classrooms. The plan shall include the following components:

(1) A business plan with time lines, clearly defined outcomes, and an operational model including a governance structure, personnel, e-Rate reimbursement, support services to local school administrative units and schools, and a budget;
(2) Assurances for a fair and open bidding and contracting process;
(3) Technology assessment site survey template;
(4) Documentation of technology assessments;
(5) Documentation of how the technology will be used to enhance teaching and learning;
(6) Documentation of how existing State-invested funds for technology are maximized to implement the School Connectivity Initiative; and
(7) The number, location, and schedule of sites to be served in 2007-2008 and in 2008-2009.

SECTION 7.28.(c) Funds currently used for the services covered by these new funds shall not be supplanted by this additional funding and shall be used to support instructional technologies and local infrastructure in schools in support of acquisition and delivery of instructional technology resources to the classroom. Any refunds received for services paid with these technology funds shall return to the originating technology fund.

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

SECTION 7.28.(e) As recommended in the E-Learning Report, February 2006, the Education Cabinet shall develop a plan to:

(1) Coordinate E-learning activities across the public and private universities and colleges, the community colleges, and the public schools;
(2) Establish a clear purpose and goals for the NCVirtual based on stakeholder needs and requirements;
(3) Develop a strategic plan with measurable goals with reports provided to the Education Cabinet;
(4) Develop, track, and report regularly to the Education Cabinet on appropriate accountability measures for those goals;
(5) Develop and manage an E-learning portal for the NCVirtual; and
(6) Use State-invested funds for E-Learning to eliminate duplication of service.

SECTION 7.28.(f) Up to three hundred thousand dollars ($300,000) may be transferred to the Office of the Governor to establish NCVirtual (NCV) within the Education Cabinet. These funds may be used for services to coordinate E-learning activities across all State educational agencies.

SECTION 7.28.(g) The Education Cabinet shall report on its progress towards developing the plan on January 1, 2008, and annually thereafter to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Education Oversight Committee, the Office of State Budget and Management, the State Information Technology Officer, and the Fiscal Research Division.

REORGANIZATION OF THE DEPARTMENT OF PUBLIC INSTRUCTION

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

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

HIGH PRIORITY SCHOOLS

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

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

DISTANCE EDUCATION

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

CHILD NUTRITION OPERATING FUNDS

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

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;

(4) Current and anticipated future joint efforts between the North Carolina Community College System and The University of North Carolina and North Carolina private colleges, regarding distance learning; and

(5) Analysis of necessary changes or enhancements to improve the sharing of distance learning and online opportunities with The University of North Carolina and the Department of Public Instruction.

COMMUNITY COLLEGE FACULTY SALARY PLAN

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

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

(1) Vocational Diploma/Certificate or Less. – This education level includes faculty members who are high school graduates, have vocational diplomas, or have completed one year of college.

(2) Associate Degree or Equivalent. – This education level includes faculty members who have an associate degree or have completed two or more years of college but have no degree.

(3) Bachelor's Degree.

(4) Master's Degree or Education Specialist.

(5) Doctoral Degree.

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

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

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

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

SECTION 8.5.(d)

(1) It is the intent of the General Assembly to encourage community colleges to make faculty salaries a priority and to reward colleges that have taken steps to achieve the national average, therefore:

a. If the average faculty salary at a community college is one hundred percent (100%) or more of the national average community college faculty salary, the college may transfer up to eight percent (8%) of the State funds allocated to it for faculty salaries.

b. If the average faculty salary at a community college is at least ninety-five percent (95%) but less than one hundred percent (100%) of the national average community college faculty salary, the college may transfer up to six percent (6%) of the State funds allocated to it for faculty salaries.

c. If the average faculty salary at a community college is at least ninety percent (90%) but less than ninety-five percent (95%) of the national average community college faculty salary, the college may transfer up to five percent (5%) of the State funds allocated to it for faculty salaries.

d. If the average faculty salary at a community college is at least eighty-five percent (85%) but less than ninety percent (90%) of the national average community college faculty salary, the college may transfer up to three percent (3%) of the State funds allocated to it for faculty salaries.

e. If the average faculty salary at a community college is eighty-five percent (85%) or less of the national average community college faculty salary, the college may transfer up to two percent (2%) of the State funds allocated to it for faculty salaries.

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

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

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

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

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

(1) "Average faculty salary at a community college" means the total nine-month salary from all sources of all nine-month, full-time, curriculum faculty at the college, as determined by the North Carolina Community College System on October 1 of each year.

(2) "National average community college faculty salary" means the nine-month, full-time, curriculum salary average, as published by the

Integrated Postsecondary Education Data System (IPEDS), for the most recent year for which data are available.

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

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

STUDY COMMUNITY COLLEGE ACCESS

SECTION 8.6. The Joint Legislative Education Oversight Committee shall conduct a study to determine whether the North Carolina Community College System is appropriately organized to provide adequate geographic access, while minimizing overhead costs. Specifically, the Committee shall review the organization and structure of the Community College System, the number of colleges and satellite campuses within the System, and the location and size of the colleges. The Committee shall also study the State Board of Community Colleges' policy and procedure for approving new programs and whether the State could realize any savings from consolidating high-cost programs at regional locations.

COMMUNITY COLLEGE CONNECTIVITY FUNDS

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

STUDY OF FTE FUNDING FORMULA

SECTION 8.8. The Fiscal Research Division, in consultation with the North Carolina Community College System, shall consider modifications to community college funding formulas to ensure that colleges have sufficient funds to adequately serve students when enrollment increases. In the course of the study, the Fiscal Research Division shall:

(1) Make findings and recommendations for a new formula budget computation for the Basic Skills Block Grant, which has not been reviewed for at least two decades and may be impacted by potential changes in the allocation of federal funds for literacy education through the Workforce Investment Act, Title II;

(2) Consider whether funding for equipment and instructional resources should be incorporated into the FTE funding formula;

(3) Make findings and recommendations regarding the appropriateness of adjusting the "Other Costs" factors in the Instructional and Institutional Support formulas; and

(4) Review the Institutional Support formula to determine whether funding is appropriately allocated between the Base Allotment and Enrollment Allotment.

The Fiscal Research Division shall report the results of its study to the Joint Legislative Education Oversight Committee and to the chairs of the Senate Committee on Appropriations/Base Budget and the House of Representatives Appropriations Committee by April 15, 2008.

REALIGNMENT OF STATE AID ALLOCATIONS

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

EDUCATION INSIGHT PROJECT EXEMPT FROM CERTAIN INFORMATION TECHNOLOGY LAWS

SECTION 8.12.(a) Except as provided by subsection (b) of this section, and notwithstanding any other provision of law, the North Carolina Community College System and the Department of Public Instruction are exempt from the provisions of Article 3D of Chapter 147 of the General Statutes with regard to their participation in the Birth-20 Education Insight Project, which is a collaborative effort between The University of North Carolina, the North Carolina Community College System, the Department of Public Instruction, and private information technology providers.

SECTION 8.12.(b) The exemption provided by this act does not relieve the North Carolina Community College System and the Department of Public Instruction from information technology security responsibilities under G.S. 147-33.111.

PART IX. UNIVERSITIES

NC SCHOOL OF SCIENCE AND MATHEMATICS ENROLLMENT GROWTH FORMULA

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

REPORTING ON UNC FACULTY WORKLOAD

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

(1) The faculty workload data for each constituent institution of The University of North Carolina compared to The University of North Carolina enrollment model.
(2) The University of North Carolina faculty workload average as compared to The University of North Carolina enrollment model student credit hours per instructional position.
(3) The faculty workload of regional and peer institutions as compared to each constituent institution faculty average and to The University of North Carolina faculty workload average.

SECTION 9.2.(b) The Board of Governors of The University of North Carolina shall submit the study report to the Joint Legislative Education Oversight

Committee, the Office of State Budget and Management, and the Fiscal Research Division no later than March 1, 2008.

USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS

SECTION 9.3.(a) There is appropriated from the Escheat Fund income to the Board of Governors of The University of North Carolina the sum of seventy-five million six hundred thirty-eight thousand sixteen dollars ($75,638,016) for the 2007-2008 fiscal year and the sum of seventy-five million six hundred thirty-eight thousand sixteen dollars ($75,638,016) for the 2008-2009 fiscal year. There is appropriated from the Escheat Fund income to the State Board of Community Colleges the sum of thirteen million nine hundred eighty-one thousand two hundred two dollars ($13,981,202) for the 2007-2008 fiscal year and the sum of thirteen million nine hundred eighty-one thousand two hundred two dollars ($13,981,202) for the 2008-2009 fiscal year. There is appropriated from the Escheat Fund income to the Department of Administration, Division of Veterans Affairs, the sum of six million two hundred twenty-eight thousand six hundred thirty-three dollars ($6,228,633) for the 2007-2008 fiscal year and the sum of six million five hundred twenty thousand nine hundred sixty-four dollars ($6,520,964) for the 2008-2009 fiscal year. The funds appropriated by this subsection shall be allocated by the State Educational Assistance Authority for need-based student financial aid in accordance with G.S. 116B-7.

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

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

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

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

BOARD OF GOVERNORS' MEDICAL SCHOLARSHIPS

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

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

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

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

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

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

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

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

BOARD OF GOVERNORS' DENTAL SCHOLARSHIPS

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

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

(a) Administration of Dental Scholarship Program. – The Board of Governors' Dental Scholarship Loan Program was established by the Board of Governors of The

University of North Carolina. The Board of Governors' Dental Scholarship Loan Program operates under the purview of the Board of Governors and is administered by the Board of Governors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"(b) The State Education Assistance Authority shall forgive the loan if, within seven years after graduation from a nursing education program, the recipient teaches in a public or private nursing education program in a public or private educational institution in North Carolina for one year for every year a scholarship loan was ~~provided.~~ provided; unless the recipient was a nursing faculty member of a community college. In those circumstances, the State Education Assistance Authority shall forgive the loan if, within seven years after graduation from a nursing education program, the recipient teaches in a community college nursing education program in North Carolina for one year for every year a scholarship loan was provided. If the recipient repays the scholarship loan by cash payments, all indebtedness shall be repaid within 10 years. The Authority may provide for accelerated repayment and for less than full-time employment options to encourage the practice of nursing education in either geographic or nursing specialty shortage areas. The Authority shall adopt specific rules to designate these geographic areas and these nursing specialty shortage areas, upon recommendations of the North Carolina Center for Nursing. The North Carolina Center for Nursing shall base its recommendations on objective information provided by interested groups or agencies and upon objective information collected by the Center. The Authority may forgive the scholarship loan if it determines that it is impossible for the recipient to teach in a public or private nursing ~~program~~ program, or in a community college nursing program if that was a condition of the scholarship loan, in North Carolina for a sufficient time to repay the loan because of the death or permanent disability of the recipient within 10 years following graduation or termination of enrollment in a nursing education program."

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

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

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

(a) The following definitions apply to this section:

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

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

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

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

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

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

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

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

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

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

a. Graduated from a North Carolina high school;

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

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

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

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

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

b. Demonstrates total family income not exceeding two hundred percent (200%) of the applicable federal poverty guideline, according to standards set by the SEAA and measured using data elements available to the SEAA from the Free Application for Federal Student Aid (FAFSA) or such other source as the SEAA may deem appropriate.

(5) The student must meet all other eligibility requirements for the federal Pell Grant.

(6) In order to retain eligibility for a grant for the student's second academic year, the student must meet achievement standards by maintaining satisfactory academic progress in a course of study in accordance with the standards and practices used for Title IV programs by the eligible postsecondary institution in which the student is enrolled.

(7) The student may not receive a grant in an amount that, when combined with the federal Pell Grant, exceeds the student's cost of attendance as defined under Title IV.

(8) The student may not receive a grant under this section for more than the equivalent of two academic years.

(d) The maximum grant for which a student is eligible under this section shall be four thousand dollars ($4,000) per academic year. In the event there are not sufficient funds to provide each eligible student with the maximum grant, it is the intent of the General Assembly that eligible students who have matriculated into an eligible postsecondary institution in North Carolina with at least one academic year of college credit receive the maximum grant amount and all other eligible students shall receive a reduced grant amount.

(e) The grants provided for in this section shall be administered by the State Education Assistance Authority pursuant to rules adopted by the SEAA not inconsistent with this section.

(f) The State Education Assistance Authority shall report to the Joint Legislative Education Oversight Committee by December 1, 2009, and by each December 1 thereafter, regarding the Fund and grants awarded from the Fund.

(g) Grant funds unexpended shall remain available to the SEAA for future grants to be awarded under this section."

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

MANAGEMENT FLEXIBILITY TO REORGANIZE BUDGET CODE 16012 UNC BOARD OF GOVERNORS RELATED EDUCATIONAL PROGRAMS

SECTION 9.8.(a) Notwithstanding G.S. 143C-6-4, for the 2007-2008 fiscal year, the General Administration of The University of North Carolina and the State Educational Assistance Authority shall, with the approval of the Office of State Budget and Management, reorganize budget code 16012, UNC Board of Governors Related Educational Programs, so that the budget reflects and segregates each specific program individually. The Office of State Budget and Management shall work with the University of North Carolina General Administration and the State Educational Assistance Authority to ensure that each program represented in code 16012 is identified and budgeted separately.

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

FUTURE TEACHERS OF NC SCHOLARSHIP LOAN PROGRAM

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

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

PRINCIPALS' EXECUTIVE PROGRAM

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

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

(1) Gives priority to school administrators working in high-need schools so that State resources are targeted to those who most need support.

(2) Takes into account geographic diversity to ensure that school administrators statewide are served. If more school administrators seek admission than slots are available, the Principals' Executive Program shall retain those names and offer priority admission to those on the waiting list for the next class. The Principals' Executive Program shall also use these waiting lists to assess demand and determine how best to allocate resources among the various executive training courses.

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

REPEAL NORTH CAROLINA PROGRESS BOARD

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

REVERT MOTORSPORTS CAPITAL ACCOUNT

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

TRANSFER AGRICULTURAL RESEARCH STATIONS AND RESEARCH FARMS FROM THE DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES TO UNC BOARD OF GOVERNORS FOR NC STATE UNIVERSITY

SECTION 9.15.(a) The Division of Research Stations is transferred from the Department of Agriculture and Consumer Services to the Board of Governors of The University of North Carolina to be allocated to North Carolina State University. This transfer shall have all of the elements of a Type I transfer, as defined in G.S. 143A-6. The agricultural research stations and research farms transferred by this section shall be under the direction and control of North Carolina State University, in consultation with North Carolina Agricultural and Technical State University.

SECTION 9.15.(b) North Carolina State University is designated as the lead agency for all of the State's agricultural research stations and research farms, including those already under the direction and control of North Carolina State University on June 30, 2007, and those that are transferred to North Carolina State University by subsection (a) of this section. As lead agency for the management of all of the State's agricultural research stations and research farms, North Carolina State University shall do all of the following:

(1) Manage the agricultural research stations and research farms pursuant to G.S. 116-40.9.

(2) Consolidate and downsize the agricultural research stations and research farms to make them operate more efficiently and to reduce administrative costs beginning with the 2008-2009 fiscal year.

(3) Evaluate each agricultural research station and research farm to determine which of the stations or farms should be retained by the State and which are noncritical and should be divested by the State.

SECTION 9.15.(c) North Carolina State University shall consult with North Carolina Agricultural and Technical State University, the Department of Agriculture and Consumer Services, the Farm Bureau, and other interested parties as appropriate in implementing subdivisions (2) and (3) of subsection (b) of this section. The Board of Governors of The University of North Carolina shall consult with North Carolina Agricultural and Technical State University prior to consolidating, downsizing, or closing any agricultural research station or research farm at which North Carolina Agricultural and Technical State University has ongoing research.

SECTION 9.15.(d) By March 15, 2008, North Carolina State University shall report its findings and recommendations regarding the implementation of this section to the Board of Governors of The University of North Carolina.

SECTION 9.15.(e) Notwithstanding G.S. 146-30, the proceeds from the sale of any agricultural research station or research farm sold pursuant to this section shall be reinvested in the State's agricultural research efforts, as determined by the Board of Governors of The University of North Carolina.

SECTION 9.15.(f) Part 3 of Article 1 of the General Statutes is amended by adding a new section to read:

"**§ 116-40.9. State farms.**

State-owned farmland, including timberland, allocated to North Carolina State University, shall be managed by North Carolina State University, in consultation with North Carolina Agricultural and Technical State University, for research, teaching, and demonstration in agriculture, forestry, and aquaculture. Research projects on the State farms shall be approved by North Carolina State University. North Carolina State University may sell surplus commodities produced on the farms."

SECTION 9.15.(g) G.S. 106-22.1 is repealed.

SECTION 9.15.(h) G.S. 66-58(c)(1b) reads as rewritten:

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

…

(1b) The sale by North Carolina State University at University-owned facilities of dairy products, including ice cream, cheeses, milk-based beverages, and the by-products of heavy cream, produced by the Dairy and Process Applications Laboratory, so long as any profits are used to support the Department of Food Science and College of Agriculture and Life Sciences at North Carolina State University. The sale by North Carolina State University of surplus commodities on State farms, as allowed by G.S. 116-40.9.

…."

UNC ITEMIZED BUDGET REQUEST FOR 2009-2011 FISCAL BIENNIUM

SECTION 9.16. Notwithstanding any other provisions of law, for the 2009-2010 fiscal year and for the 2010-2011 fiscal year, the Board of Governors of The University of North Carolina shall submit an itemized budget request to the Director of the Budget for each of the constituent institutions, affiliated entities, and General Administration. The request shall contain the following information:

(1) A description of State-funded activities and a justification for the existence of each activity as aligned with the mission of The University of North Carolina.

(2) An itemized account of expenditures by personnel and non-personnel costs required to maintain the activity at the current level of service.

(3) An itemized account of progress made toward implementation of recommendations of the President's Advisory Committee on Efficiency and Effectiveness (PACE) and additional recommendations

proposed and implemented by the chancellors of the constituent institutions.

(4) An itemized account of actual PACE cost savings and cost avoidance and the uses of the repurposed funds.

(5) A request for total required expenditures for the 2009-2010 fiscal year and for the 2010-2011 fiscal year showing increases and decreases that are properly and correctly aligned to reflect how the funds are to be expended for each activity.

STATE SUPPORT FOR HIGHER EDUCATION COSTS

SECTION 9.17.(a) Article 1 of Chapter 116 of the General Statutes is amended by adding a new Part to read:

"Part 2C. State Support Received By Students for Higher Education Costs.

"**§ 116-30.25. Information regarding State support received by students for higher education costs at constituent institutions.**

(a) The University of North Carolina General Administration shall develop methodology for reporting the approximate amount of total State support provided to students attending constituent institutions of The University of North Carolina.

(b) Each constituent institution shall provide to students, upon graduation, a letter detailing the approximate amount that the State of North Carolina contributed to the support of their education. The amount of State support shall be based on the methodology developed by the University of North Carolina General Administration pursuant to subsection (a) of this section.

(c) Each letter shall also provide an opportunity for students to donate to need-based scholarships. The President of The University of North Carolina shall establish a Need-Based Scholarship Trust Fund for receiving donations, and the proceeds shall be administered by the State Education Assistance Authority."

SECTION 9.17.(b) This section applies to the fall term of the 2007-2008 academic year and each subsequent academic term.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

PHYSICIAN SERVICES

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

LIABILITY INSURANCE

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

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

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

FUNDS FOR JIM "CATFISH" HUNTER CHAPTER OF THE ALS ASSOCIATION

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

DHHS PAYROLL DEDUCTION FOR CHILD CARE SERVICES

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

NON-MEDICAID REIMBURSEMENT CHANGES

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

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

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

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

Family Size	Rehabilitation Except DSB Over 55 Grant	Other
1	$8,364	$4,200
2	10,944	5,300
3	13,500	6,400
4	16,092	7,500
5	18,648	7,900
6	21,228	8,300
7	21,708	8,800
8	22,220	9,300

The eligibility level for children in the Medical Eye Care Program in the Division of Services for the Blind shall be one hundred percent (100%) of the federal poverty guidelines, as revised annually by the United States Department of Health and Human Services and in effect on July 1 of each fiscal year. The eligibility level for adults in the Medical Eye Care Program in the Division of Services for the Blind shall be up to one hundred twenty-five percent (125%) of the federal poverty guidelines, as revised annually by the United States Department of Health and Human Services and in effect on July 1 of each fiscal year. The eligibility level for adults 55 years of age or older who qualify for services through the Division of Services for the Blind, Independent Living Rehabilitation Program, shall be two hundred percent (200%) of the federal poverty guidelines, as revised annually by the United States Department of Health and Human Services and in effect on July 1 of each fiscal year. The eligibility level for adults in the Atypical Antipsychotic Medication Program in the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall be one hundred fifty percent (150%) of the federal poverty guidelines, as revised annually by the United States Department of Health and Human Services and in effect on July 1 of each fiscal year. Additionally, those adults enrolled in the Atypical Antipsychotic Medication Program who become gainfully employed may continue to be eligible to receive State support, in decreasing amounts, for the purchase of atypical antipsychotic medication and related services up to three hundred percent (300%) of the poverty level.

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

Income (% of poverty)	State Participation	Client Participation
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 consider the availability of other funds for the agency, the incidence of poverty or indigent clients served, arrangements for after-hours care, and collaboration with the applicant's community hospital and other safety-net organizations.

SECTION 10.6.(a1) Notwithstanding subsection (a) of this section, of the funds allocated in this section for the 2007-2008 fiscal year, the sum of three hundred seventy-five thousand dollars ($375,000) shall be used to provide a cost of operations increase to eligible school-based and school-linked adolescent health centers.

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

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

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

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

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

(1) Purpose and duties. – There is established the School-Based Child and Family Team Initiative. The purpose of the Initiative is to identify and coordinate appropriate community services and supports for children at risk of school failure or out-of-home placement in order to address the physical, social, legal, emotional, and developmental factors that affect academic performance. The Department of Health and Human Services, the Department of Public Instruction, the State Board of Education, the Department of Juvenile Justice and Delinquency Prevention, the Administrative Office of the Courts, and other State agencies that provide services for children shall share responsibility and accountability to improve outcomes for these children and their families. The Initiative shall be based on the following principles:

a. The development of a strong infrastructure of interagency collaboration;

b. One child, one team, one plan;

c. Individualized strengths-based care;

d. Accountability;

e. Cultural competence;

f. Children at risk of school failure or out-of-home placement may enter the system through any participating agency;

g. Services shall be specified, delivered, and monitored through a unified Child and Family Plan that is outcome-oriented and evaluation-based;

h. Services shall be the most efficient in terms of cost and effectiveness and shall be delivered in the most natural settings possible;

i. Out-of-home placements for children shall be a last resort and shall include concrete plans to bring the children back to a stable, permanent home, their schools, and their community; and

j. Families and consumers shall be involved in decision making throughout service planning, delivery, and monitoring.

(2) Program goals and services. – In order to ensure that children receiving services are appropriately served, the affected State and local agencies shall:

a. Increase capacity in the school setting to address the academic, health, mental health, social, and legal needs of children.

b. Ensure that children receiving services are screened initially to identify needs and assessed periodically to determine progress and sustained improvement in educational, health, safety, behavioral, and social outcomes.

c. Develop uniform screening mechanisms and a set of outcomes that are shared across affected agencies to measure children's progress in home, school, and community settings.

d. Promote practices that are known to be effective based upon research or national best practice standards.

e. Review services provided across affected State agencies to ensure that children's needs are met.

f. Eliminate cost shifting and facilitate cost-sharing among governmental agencies with respect to service development, service delivery, and monitoring for participating children and their families.

g. Participate in a local memorandum of agreement signed annually by the participating superintendent of the local LEA, directors of the county departments of social services and health, director of the local management entity, the chief district court judge, and the chief district court counselor.

(3) Local level responsibilities. – In coordination with the North Carolina Child and Family Leadership Council (Council), the local board of education shall establish the School-Based Child and Family Team Initiative (Initiative) at designated schools and shall appoint the Child and Family Team Leaders who shall be a school nurse and a school social worker. Each local management entity that has any selected schools in its catchment area shall appoint a Care Coordinator, and any department of social services that has a selected school in its catchment area shall appoint a Child and Family Teams Facilitator. The Care Coordinators and Child and Family Team Facilitators shall have as their sole responsibility working with the selected schools in their catchment areas and shall provide training to school-based personnel, as required. The Child and Family Team Leaders shall identify and screen children who are potentially at risk of academic failure or out-of-home placement due to physical, social, legal, emotional, or developmental factors. Based on the screening results, responsibility for developing, convening, and implementing the Child and Family Team Initiative is as follows:

a. School personnel shall take the lead role for those children and their families whose primary unmet needs are related to academic achievement.

b. The local management entity shall take the lead role for those children and their families whose primary unmet needs are related to mental health, substance abuse, or developmental disabilities and who meet the criteria for the target population established by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

c. The local department of public health shall take the lead role for those children and their families whose primary unmet needs 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, the director of a school-based or school-linked health center if a center is located within the catchment area of the School-Based Child and Family Team Initiative, 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.

(2) Purpose. – The purpose of the Council is to review and advise the Governor in the development of the School-Based Child and Family Team Initiative and to ensure the active participation and collaboration in the Initiative by all State agencies and their local counterparts providing services to children in participating counties in order to increase the academic success and reduce out-of-home and out-of-county placements of children at risk of academic failure.

(3) Membership. – The Superintendent of Public Instruction and the Secretary of Health and Human Services shall serve as cochairs of the Council. Council membership shall include the Secretary of the

Department of Juvenile Justice and Delinquency Prevention, the Chairman of the State Board of Education, the Director of the Administrative Office of the Courts, and other members as appointed by the Governor.

(4) The Council shall:

a. Sign an annual memorandum of agreement (MOA) among the named State agencies to define the purposes of the program and to ensure that program goals are accomplished.

b. Resolve State policy issues, as identified at the local level, which interfere with effective implementation of the School-Based Child and Family Team Initiative.

c. Direct the integration of resources, as needed, to meet goals and ensure that the Initiative promotes the most effective and efficient use of resources and eliminates duplication of effort.

d. Establish criteria for defining success in local programs and ensure appropriate outcomes.

e. Develop an evaluation process, based on expected outcomes, to ensure the goals and objectives of this Initiative are achieved.

f. Review progress made on integrating policies and resources across State agencies, reaching expected outcomes, and accomplishing other goals.

g. Report semiannually, on January 1 and July 1, on progress made and goals achieved to the Office of the Governor, the Joint Appropriations Committees and Subcommittees on Education, Justice and Public Safety, and Health and Human Services, and the Fiscal Research Division of the Legislative Services Office.

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

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

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

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

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

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

SECTION 10.10.(a) The Department of Health and Human Services shall continue the Comprehensive Treatment Services Program for children at risk for institutionalization or other out-of-home placement. The Program shall be implemented by the Department in consultation with the Department of Juvenile Justice and Delinquency Prevention, the Department of Public Instruction, and other affected State agencies. The purpose of the Program is to provide appropriate and medically necessary nonresidential and residential treatment alternatives for children at risk of institutionalization or other out-of-home placement. Program funds shall be targeted for non-Medicaid eligible children. Program funds may also be used to expand a system-of-care approach for services to children and their families statewide. The program shall include the following:

(1) Behavioral health screening for all children at risk of institutionalization or other out-of-home placement.
(2) Appropriate and medically necessary nonresidential and residential services for children within the child mental health deaf and hard of hearing target population.
(3) Appropriate and medically necessary nonresidential and residential treatment services, including placements for sexually aggressive youth.
(4) Appropriate and medically necessary nonresidential and residential treatment services, including placements for youth needing substance abuse treatment services and children with serious emotional disturbances.
(5) Multidisciplinary case management services, as needed.
(6) A system of utilization review specific to the nature and design of the Program.
(7) Mechanisms to ensure that children are not placed in department of social services custody for the purpose of obtaining mental health residential treatment services.
(8) Mechanisms to maximize current State and local funds and to expand use of Medicaid funds to accomplish the intent of this Program.
(9) Other appropriate components to accomplish the Program's purpose.
(10) The Secretary of the Department of Health and Human Services may enter into contracts with residential service providers.
(11) A system of identifying and tracking children placed outside of the family unit in group homes, therapeutic foster care home settings, and other out-of-home placements.
(12) The development of a strong infrastructure of interagency collaboration.
(13) Individualized strengths-based care.

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

(1) Provide only those treatment services that are medically necessary.
(2) Implement utilization review of services provided.
(3) Adopt the following guiding principles for the provision of services:
   a. Service delivery system must be outcome-oriented and evaluation-based.

b. Services should be delivered as close as possible to the child's home.

c. Services selected should be those that are most efficient in terms of cost and effectiveness.

d. Services should not be provided solely for the convenience of the provider or the client.

e. Families and consumers should be involved in decision making throughout treatment planning and delivery.

f. Services shall be specified, delivered, and monitored through a unified Child and Family Plan incorporating the principles of one-child-one-team-one-plan.

g. Out-of-home placements for children shall be a last resort and shall include concrete plans to bring the children back to a stable, permanent home, their schools, and their community.

(4) Implement all of the following cost-reduction strategies:

a. Preauthorization for all services except emergency services.

b. Levels of care to assist in the development of treatment plans.

c. Clinically appropriate services.

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

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

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

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

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

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

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

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

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

"Article 24.

"The Legislative Study Commission on Children and Youth.

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

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

"**§ 120-216. Commission duties.**

The Commission shall have the following duties:

(1) Study the needs of children and youth. This study shall include, but is not limited to:
 a. Determining the adequacy and appropriateness of services:
  1. To children and youth receiving child welfare services;
  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.~~<u>Prevention;</u>
  <u>4.</u> <u>To children and youth served by the Mental Health, Developmental Disabilities, and Substance Abuse Services system.</u>
 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,

d. One shall be ~~a representative of the general public who has knowledge of issues relating to children and youth,~~the parent of a child who is at risk for behavioral, social, health, or safety problems or academic failure,

e. One shall be a licensed physician who is knowledgeable about the health needs of children and youth, ~~and~~

f. One shall be a chief district court judge recommended by the Council of Chief District ~~Judges.~~Judges, and

g. One shall be a representative from the Covenant with North Carolina Children.

(2) Eleven members appointed by the President Pro Tempore of the Senate, as follows:

a. ~~Four~~ Five shall be members of the Senate at the time of their appointment, of whom at least one shall also serve on the Senate Appropriations Committee on Health and Human Services, at least one of whom shall also serve on the Joint Legislative Education Oversight Committee, at least one of whom shall also serve on the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and at least one of whom also serves on the Senate Appropriations Committee on Justice and Public Safety,

b. One shall be the director of a mental health area authority,

c. One shall be a representative of the Association of County Commissioners,

d. One shall be a representative of ~~the general public who has knowledge of issues relating to children and youth,~~a local board of education,

e. One shall be a licensed attorney whose practice includes the representation of parents accused of criminal or civil abuse or neglect, ~~and~~

f. One shall be a chief district court judge recommended by the Council of Chief District ~~Judges.~~Judges,

g. One shall be a representative from ~~the North Carolina Child Advocacy Institute.~~Action for Children of North Carolina, and

h. One shall be a representative from the North Carolina Child Fatality Task Force.

(3) The following shall serve ex officio as nonvoting members of the Commission:

a. The Secretary of Health and Human Services, or the Secretary's designee,

b. The State Superintendent of Public Instruction, or the Superintendent's designee,

c. The Secretary of Administration, or the Secretary's designee, and

d. The Director of the Administrative Office of the Courts, or the Director's designee.

(b) Any vacancy shall be filled by the appointing authority who made the initial appointment and by a person having the same qualification. Members' terms shall last for two years. Members may be reappointed for two consecutive terms and may be appointed again after having been off the Commission for two years.

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

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

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

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

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

"§ 120-219. Commission reports.

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

"§ 120-220. Commission authority.

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

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

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

(1) Five of the Commission members appointed by the Speaker of the House of Representatives, as follows:
   a. The Commission member who serves on the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Commission member who is a member of the House of Representatives and who also serves on the Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services,
   b. The Commission member who is a local health director,
   c. The Commission member who is the parent of a child at risk for behavioral, social, health, or safety problems or academic failure, and
   d. The Commission member who is the director of a county department of social services.

(2) Five of the Commission members appointed by the President Pro Tempore of the Senate, as follows:
   a. The Commission member who is a member of the Senate and serves on the Joint Legislative Education Oversight Committee, and the Commission member who serves on the Senate Appropriations Committee on Justice and Public Safety,
   b. The Commission member who represents a local board of education,
   c. The Commission member who is a representative of Action for Children of North Carolina, and
   d. The Commission member who is the director of an area authority or county program.

(3) One designee of each of the following ex officio Commission members:
   a. The Secretary of Health and Human Services,
   b. The Superintendent of Public Instruction, and

c. The Secretary of Administration.

(4) Each cochair of the Commission shall appoint one of the Task Force members as cochair of the Task Force.

(b) The purpose of the Task Force is to study and recommend changes to the Commission, the Governor, and the General Assembly to improve collaboration and coordination among agencies that provide services to children, youth, and families with multiple service needs. Task Force recommendations shall include mechanisms for establishing clear State leadership, consistent policy direction, and increased accountability at the State and local levels. As part of its work, the Task Force shall:

(1) Identify existing State, regional, and local collaborative bodies (including their charges, scopes of authority, and accountability requirements) that have been created by legislation, administrative rule, or agency policy and that are charged with serving, protecting, or improving the well-being of North Carolina's children, youth, and families. Once it has identified the collaborative bodies, the Task Force shall consider how they could be consolidated, reorganized, or eliminated in order to improve their effectiveness and accountability, increase the likelihood that key players will actively participate, and reduce unnecessary duplication of effort. The Task Force shall also consider the creation of a mechanism for coordination and communication among the State and local collaborative bodies, incentives for collaboration, clarification of roles among agencies, and ways to monitor the extent to which groups are collaborating.

(2) Study the practices of agencies currently implementing a system of care platform of practices and make recommendations regarding whether to adopt those practices statewide and across child-serving agencies as the preferred mechanism for providing services to children, youth, and families. In examining this issue, the Task Force shall identify those State and local agencies that are currently implementing practices that are consistent with a system of care, those states that have implemented a system of care as a statewide policy initiative, and the extent to which a system of care is cost-effective.

(3) The Task Force shall also examine the following principles that are associated with a system of care and determine whether to recommend the adoption of a State policy that reflects these principles:

a. Services for children should promote success, safety, and permanence.

b. Services should be child- and family-centered, giving priority to keeping children with their families, in their home, school, and community.

c. Services should actively promote early identification and intervention.

d. Services should be designed to protect the rights of children.

e. Services shall be integrated and comprehensive, addressing the child's physical, educational, social, and emotional needs through a single child and family team.

f. Services shall be outcomes-accountable and tied to a unified child and family plan.

g. Agency resources and services shall be shared and coordinated.

h. Services shall be provided as close to home as appropriate in the least restrictive setting consistent with what is known to be effective.

i. Services shall be culturally competent.

j. Services shall address the unique strengths, needs, and potential of each child and family, and shall be sufficiently flexible to meet highly individualized child and family needs.

k. Management of the child-serving system is a responsibility shared among all public and private child-serving agencies that should be held collectively accountable for outcomes.

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

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

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

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

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

SENIOR CENTER OUTREACH

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

(1) To expand the outreach capacity of senior centers to reach unserved or underserved areas; or

(2) To provide start-up funds for new senior centers.

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

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

(1) Formally endorse the need for such a center;

(2) Formally agree on the sponsoring agency for the center; and

(3) Make a formal commitment to use local funds to support the ongoing operation of the center.

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

QUALITY IMPROVEMENT CONSULTATION PROGRAM FOR ADULT CARE HOMES

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

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

The Program will address the following topics:

(1) Principles and philosophies that are resident-centered and promote independence, dignity, and choice for residents;

(2) Approaches to develop continuous quality improvement with a focus on resident satisfaction and optimal outcomes;

(3) Dissemination of best practice models that have been used successfully elsewhere;

(4) A determination of the availability of standardized instruments, and their use to the extent possible, to assess and measure adult care home performance according to quality of life indicators;

(5) Utilization of quality improvement plans for adult care homes that identify and resolve issues that adversely affect quality of care and services to residents. The plans include agreed upon time frames for completion of improvements and identification of needed resources;

(6) Training required to equip county departments of social services' staff to implement the Program;

(7) A distinction of roles between the regulatory role of the Department's Division of Facility Services and the quality improvement consultation and monitoring responsibilities of the county departments of social services; and

(8) Identification of staffing and other resources needed to implement the Program.

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

STATE-COUNTY SPECIAL ASSISTANCE

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

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

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

SECTION 10.13.(d) Notwithstanding any other provision of this section, the Department of Health and Human Services shall review activities and costs related to the provision of care in adult care homes and shall determine what costs may be considered to properly maximize allowable reimbursement available through Medicaid personal care services for adult care homes (ACH-PCS) under federal law. As determined, and with any necessary approval from the Centers for Medicare and Medicaid Services (CMS), and the approval of the Office of State Budget and Management, the Department may transfer necessary funds from the State-County Special Assistance program within the Division of Social Services to the Division of Medical Assistance and may use those funds as State match to draw down federal matching funds to pay for such activities and costs under Medicaid's personal care services for adult care homes (ACH-PCS), thus maximizing available federal funds. The established rate for State-County Special Assistance set forth in subsections (b) and (c) of this section shall be adjusted by the Department to reflect any transfer of funds from the Division of Social Services to the Division of Medical Assistance and related transfer costs and responsibilities from State-County Special Assistance to the Medicaid personal care services for adult care homes (ACH-PCS). Subject to approval by the Centers for Medicare and Medicaid Service (CMS) and prior to implementing this section, the Department may disregard a limited amount of income for individuals whose countable income exceeds the adjusted State-County Special Assistance rate. The amount of the disregard shall not exceed the difference between the Special Assistance rate prior to the adjustment and the Special Assistance rate after the adjustment and shall be used to pay a portion of the cost of the ACH-PCS and reduce the Medicaid payment for the individual's personal care services provided in an adult care home. In no event shall the reimbursement for services through the ACH-PCS exceed the average cost of the services as determined by the Department from review of cost reports as required and submitted by adult care homes. The Department shall report any transfers of funds and modifications of rates to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

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

SPECIAL ASSISTANCE IN-HOME

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

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

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

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

CHILD CARE SUBSIDY RATES

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

SECTION 10.15.(b) Fees for families who are required to share in the cost of care shall be established based on a percent of gross family income and adjusted for 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%.

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

(1) Religious-sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the minimum licensing standards that are participating in the subsidized child care program shall be paid the one-star county market rate or the rate they charge privately paying parents, whichever is lower.

(2) Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group or the rate they charge privately paying parents, whichever is lower.

(3) Nonlicensed homes shall receive fifty percent (50%) of the county market rate or the rate they charge privately paying parents, whichever is lower.

(4) Maximum payment rates shall also be calculated periodically by the Division of Child Development for transportation to and from child care provided by the child care provider, individual transporter, or transportation agency, and for fees charged by providers to parents. These payment rates shall be based upon information collected by market rate surveys.

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

(1) Except as applicable in subdivision (2) of this subsection, payment rates shall be set at the statewide or regional market rate for licensed child care centers and homes.

(2) If it can be demonstrated that the application of the statewide or regional market rate to a county with fewer than 50 children in each age group is lower than the county market rate and would inhibit the ability of the county to purchase child care for low-income children, then the county market rate may be applied.

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

SECTION 10.15.(f) Facilities licensed pursuant to Article 7 of Chapter 110 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the program that provides for the purchase of care in child care facilities for minor children of needy families. No separate licensing requirements shall be used to select facilities to participate. In addition, child care facilities shall be required to meet any additional applicable requirements of federal law or regulations. Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the General Statutes shall meet the requirements established by other State law and by the Social Services Commission.

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

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

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

(1) The child for whom a child care subsidy is sought is receiving child protective services or foster care services.

(2) The child for whom a child care subsidy is sought is developmentally delayed or at risk of being developmentally delayed.

(3) The child for whom a child care subsidy is sought is a citizen of the United States.

CHILD CARE ALLOCATION FORMULA

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

(1) Funds shall be allocated based upon the projected cost of serving children in a county under age 11 in families with all parents working who earn less than seventy-five percent (75%) of the State median income.

(2) No county's allocation shall be less than ninety percent (90%) of its State fiscal year 2001-2002 initial child care subsidy allocation.

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

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

CHILD CARE FUNDS MATCHING REQUIREMENT

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

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

CHILD CARE REVOLVING LOAN

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

CHILD CARE MARKET RATE ADJUSTMENTS

SECTION 10.18A. Not later than October 1, 2007, the Department shall implement an adjustment to child care market rates, by region, based upon the 2007 Child Care Market Rate Study. Rate adjustments shall be implemented as follows:

(1) For three- to five-star child care center-based rates, counties in Region 1 shall receive twenty percent (20%) of the recommended rate adjustment as defined in the 2007 Child Care Market Rate Study.

(2) For three- to five-star child care center-based rates, counties in Regions 2-5 shall receive thirty percent (30%) of the recommended rate adjustment as defined in the 2007 Child Care Market Rate Study.

(3) For three- to five-star child care home-based rates, all counties shall receive ten percent (10%) of the recommended rate adjustment as defined in the 2007 Child Care Market Rate Study.

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

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

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

(1) For amounts of five thousand dollars ($5,000) or less, the procedures specified by a written policy to be developed by the Board of Directors of the North Carolina Partnership for Children, Inc.

(2) For amounts greater than five thousand dollars ($5,000), but less than fifteen thousand dollars ($15,000), three written quotes.

(3) For amounts of fifteen thousand dollars ($15,000) or more, but less than forty thousand dollars ($40,000), a request for proposal process.

(4) For amounts of forty thousand dollars ($40,000) or more, a request for proposal process and advertising in a major newspaper.

SECTION 10.19.(c) The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match no less than fifty percent (50%) of the total amount budgeted for the program in each fiscal year of the biennium as follows: contributions of cash equal to at least fifteen percent (15%) and in-kind donated resources equal to no more than five percent (5%) for a total match requirement of twenty percent (20%) for each fiscal year. The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the match requirement of this subsection. Volunteer services that qualify as professional services shall be valued at the fair market value of those services. All other volunteer service hours shall be valued at the statewide average wage rate as calculated from data compiled by the Employment Security Commission in the Employment and Wages in North Carolina Annual Report for the most recent period for which data are available. Expenses, including both those paid by cash and in-kind contributions, incurred by other participating non-State entities contracting with the North Carolina Partnership for Children, Inc., or the local partnerships, also may be considered resources available to meet the required private match. In order to qualify to meet the required private match, the expenses shall:

(1) Be verifiable from the contractor's records.

(2) If in-kind, other than volunteer services, be quantifiable in accordance with generally accepted accounting principles for nonprofit organizations.

(3) Not include expenses funded by State funds.

(4) Be supplemental to and not supplant preexisting resources for related program activities.

(5) Be incurred as a direct result of the Early Childhood Initiatives Program and be necessary and reasonable for the proper and efficient accomplishment of the Program's objectives.

(6) Be otherwise allowable under federal or State law.

(7) Be required and described in the contractual agreements approved by the North Carolina Partnership for Children, Inc., or the local partnership.

(8) Be reported to the North Carolina Partnership for Children, Inc., or the local partnership by the contractor in the same manner as reimbursable expenses.

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

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

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

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

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

SECTION 10.19.(f) A county may use the county's allocation of State and federal child care funds to subsidize child care according to the county's Early

Childhood Education and Development Initiatives Plan as approved by the North Carolina Partnership for Children, Inc. The use of federal funds shall be consistent with the appropriate federal regulations. Child care providers shall, at a minimum, comply with the applicable requirements for State licensure pursuant to Article 7 of Chapter 110 of the General Statutes.

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

EQUAL ALLOCATIONS FOR EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES

SECTION 10.19A. The one million two hundred eighty-five thousand eight hundred seventy dollars ($1,285,870) appropriated in this act for the 2007-2008 fiscal year and the six million six hundred thirty-one thousand four hundred seventy-one dollars ($6,631,471) appropriated in this act for the 2008-2009 fiscal year to the Department of Health and Human Services, Division of Child Development, for the North Carolina Partnership for Children, Inc., shall be allocated equally in each fiscal year among the counties whose percent of need funded is below fifty percent (50%).

NCPC PERSONNEL RECORD PROTECTION

SECTION 10.19B.(a) G.S. 143B-168.12(a)(2) reads as rewritten:

"(a) In order to receive State funds, the following conditions shall be met:

…

(2) The North Carolina Partnership and the local partnerships shall agree to adopt procedures for its operations that are comparable to those of Article 33C of Chapter 143 of the General Statutes, the Open Meetings Law, and Chapter 132 of the General Statutes, the Public Records Law, and provide for enforcement by the Department. <u>The procedures may provide for the confidentiality of personnel files comparable to Article 7 of Chapter 126 of the General Statutes.</u>

…."

SECTION 10.19B.(b) G.S. 143B-168.14(a)(2) reads as rewritten:

"(a) In order to receive State funds, the following conditions shall be met:

…

(2) Each local partnership shall agree to adopt procedures for its operations that are comparable to those of Article 33C of Chapter 143 of the General Statutes, the Open Meetings Law, and Chapter 132 of the General Statutes, the Public Records Law, and provide for enforcement by the Department. <u>The procedures may provide for the confidentiality of personnel files comparable to Article 7 of Chapter 126 of the General Statutes.</u>

…."

EVALUATION OF EDUCATIONAL SERVICES TO STUDENTS WITH HEARING AND VISUAL IMPAIRMENTS

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

(1) Collaborate in an evaluation of the State's entire service delivery model for deaf and blind students, including special needs of the

students resulting from additional disabilities other than hearing and visual impairments, the training needs of professional staff, access to assistive technology, and curriculum content.

(2) Determine whether the State's schools for the deaf and blind should remain under the purview of the Department of Health and Human Services or if management of the schools should be transferred to the Department of Public Instruction.

(3) Develop a plan to reduce institutional capacity to an appropriate level for meeting the needs of hearing and visually impaired students in North Carolina.

SECTION 10.20.(b) The Department of Health and Human Services and the Department of Public Instruction shall report their findings and recommendations to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Education/Public Instruction, the House of Representatives Appropriations Subcommittee on Education, and the Fiscal Research Division by April 1, 2008.

EARLY INTERVENTION SERVICES REPORT

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

(1) Children served: the number of children referred and the source of referral, the number of children receiving initial evaluations, the number of children determined eligible, the number of children enrolled, and the number of IFS Plans developed.

(2) Services provided: the number and types of evaluation services, treatment services, and other services provided and whether the service was provided by an employee of a children's developmental services agency or a private provider.

(3) Sliding scale participation: the percentage of enrolled children whose family income falls into each of the following categories: at or below two hundred percent (200%) of the federal poverty level, between two hundred fifty percent (250%) and three hundred percent (300%) of the federal poverty level, between three hundred fifty percent (350%) and four hundred percent (400%) of the federal poverty level, and over four hundred percent (400%) of the federal poverty level. These percentages shall be reported based on gross income and net income after allowable deductions.

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

SECTION 10.21.(b) In order to reduce the amount of State funds appropriated for the Child Development Service Agency program and to increase the amount of receipts collected for the services provided by this program, a portion of the funding for the Child Development Service Agency is designated as a nonrecurring appropriation for the 2007-2008 and the 2008-2009 fiscal years. To achieve the purposes of this action by the General Assembly, the Department of Health and Human Services, Division of Public Health, shall engage in vigorous efforts to collect additional

Medicaid and other third-party reimbursements from clients and their families. These efforts are necessary to offset any potential shortfall and may yield additional revenue that could be used to provide increased services to additional children. The Department of Health and Human Services, Division of Public Health, shall report on these efforts and the results to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than March 1, 2008.

COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.22.(a) Of funds appropriated in this act from the General Fund to the Department of Health and Human Services, the sum of two million three hundred fifty-two thousand four hundred sixty-eight dollars ($2,352,468) 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 for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) to provide grants-in-aid to local public health departments, American Indian tribes, and faith-based and community-based organizations to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians as compared to the health status of white persons. These grants shall focus on the use of preventive measures to support healthy lifestyles. The areas of focus on health status shall be infant mortality, HIV-AIDS and sexually transmitted infections, cancer, diabetes, and homicides and motor vehicle deaths.

The three hundred fifty-two thousand four hundred sixty-eight dollars ($352,468) in nonrecurring funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for the Health Disparities Initiative in the 2007-2008 fiscal year, shall be deposited into a special fund to be established by the Department as the Bernard Allen, John Hall, Robert Holloman, Howard Hunter, Jeanne Lucas, and William Martin Minority Health Initiative Fund to honor the memory of and in recognition of the recent deaths of Senators Robert Holloman, Jeanne Lucas, and William Martin and Representatives Bernard Allen, John Hall, and Howard Hunter. These funds shall be used for concerted efforts to address large gaps in health status among North Carolinians who are African-American, as well as disparities among other minority populations in North Carolina. These efforts shall include:

(1) Providing enhanced education and outreach to minority populations on the prevention, diagnosis, and treatment of heart disease, breast cancer, diabetes, obesity, hypertension, sickle cell anemia, and HIV infection.

(2) Addressing cultural and communication barriers to quality care by improving interpersonal processes between clinicians and patients.

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

(1) Which community programs and local health departments received CFEHDI grants.

(2) What amount of funding did each program or local health department receive.

(3) Which of the minority populations were served by the programs or local health departments.

(4) Which counties were served by the programs or local health departments.

(5) What activities were planned and implemented by the programs or local health departments to fulfill the community focus of the CFEHDI program.

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

FUNDS FOR SCHOOL NURSES

SECTION 10.23.(a) Of the funds appropriated in this act to the Department of Health and Human Services, the sum of two million one hundred thousand dollars ($2,100,000) for the 2007-2008 fiscal year and the sum of three million one hundred thousand dollars ($3,100,000) for the 2008-2009 fiscal year shall be used for the school nurse initiative. All funds appropriated or allocated for school nurses shall be used to supplement and not supplant other State, local, or federal funds appropriated or allocated for this purpose. Communities shall maintain their current level of effort and funding for school nurses. These funds shall not be used for funding nurses for State agencies. All funds shall be used for direct services.

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

HEALTH PROMOTION AND DISEASE PREVENTION INVENTORY AND PLAN

SECTION 10.25.(a) In order to reduce costs and eliminate duplication of effort, the Department of Health and Human Services shall create an inventory of all of the health promotion and disease prevention activities, including funding, staffing, and other resources for these activities and also including funding and resources for related task forces and committees. The inventory shall include at a minimum State and local health department activities that address tobacco-use prevention and cessation, obesity, improved nutrition and diet, physical exercise, public awareness and education concerning asthma, cancer, diabetes, heart disease, stroke, and accomplishment of the goals of the federal government's Healthy People 2010 Report.

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

(1) Rate of infant mortality.
(2) Rate of adolescent pregnancy.
(3) Rates of cancer, heart disease, and diabetes.

(4) Number of persons without health insurance.
(5) Median income.
(6) Percent of county population enrolled in Medicaid.
(7) Percent of the population that is minority.

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

FUNDS FOR HEALTH CARE IN HONOR OF THE MEMORY OF SENATOR JEANNE H. LUCAS

SECTION 10.25A. Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for the Eliminating Health Disparities Initiative, the Breast and Cervical Cancer Control Program, and the Purchase of Medical Care for Cancer Treatment shall be allocated to a special fund established for each of those purposes and allocated as provided in this act and are appropriated to honor the memory of Senator Jeanne H. Lucas.

AIDS DRUG ASSISTANCE PROGRAM

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

DISEASE PREVENTION PROGRAMS

SECTION 10.27.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for HIV prevention may also be used by the State Health Director and local health departments to implement subsection (b) of this section and other services that will further the purpose of communicable disease prevention. Funds may also be used to support peer-to-peer counseling.

SECTION 10.27.(b) Article 6 of Chapter 130A of the General Statutes is amended by adding the following new section to read:

"**§ 130A-150. Community-based safe-syringe program.**

(a) The State Health Director may designate up to three local health department applicants to develop and implement community-based programs ("safe-syringe programs") for safe-syringe services as part of a comprehensive disease prevention program. The State Health Director shall designate a local health department as one of the three programs only if the local board of health submits to the State Health Director letters of support for such a program from all of the following:

(1) The county board of commissioners.
(2) The local board of health.
(3) The local health director.
(4) The local director of the Mental Health, Developmental Disabilities, and Substance Abuse Services area or county program.

Selected programs shall include case management, outreach, and transportation services, and referrals for housing and medical care. A local board of health may adopt rules establishing additional criteria that shall be included in the safe-syringe program in that county or district. The State Health Director shall establish a mechanism for evaluating the implementation and effectiveness of selected safe-syringe programs.

(b) G.S. 90-113.22 and G.S. 90-113.23 do not apply to persons who are employees, volunteers, or participants in a community-based clean-syringe-safe-syringe program approved by the local board of health as authorized under this section. This immunity from prosecution under G.S. 90-113.22 and G.S. 90-113.23 applies only to acts committed while carrying out the person's duties as an employee or volunteer of a clean-syringe-safe-syringe program or during the course of a client's participation in the clean-syringe-safe-syringe exchange program."

CHILD SUPPORT PROGRAM/ENHANCED STANDARDS

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

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

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

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

FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS

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

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

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

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

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

SECTION 10.29.(c) In addition to providing board payments to foster and adoptive families of HIV-infected children, as prescribed in Section 23.28 of Chapter

324 of the 1995 Session Laws, any additional funds remaining that were appropriated for this purpose shall be used to provide medical training in avoiding HIV transmission in the home.

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

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

CHILD CARING INSTITUTIONS

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

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.

(3) Cost-benefit data.

(4) Data on long-term benefits associated with Intensive Family Preservation Services. This data shall be obtained by tracking families through the intervention process.

(5) The number of families remaining intact and the associated interventions while in IFPS and 12 months thereafter.

(6) The number and percentage by race of children who received Intensive Family Preservation Services compared to the ratio of their distribution in the general population involved with Child Protective Services.

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

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

TANF BENEFIT IMPLEMENTATION

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

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

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

CLARIFY REVIEW AND SUBMISSION PROCESS FOR TANF STATE PLAN

SECTION 10.35A.(a) G.S. 108A-27.9(a) reads as rewritten:

"(a) The Department shall prepare and submit to the Director of the Budget a biennial State Plan that proposes the goals and requirements for the State and the terms of the Work First Program for each fiscal year. Prior to submitting a State Plan to the General Assembly, the Department ~~shall submit the State Plan to the Senate Appropriations Committee on Health and Human Services and the House of Representatives Appropriations Subcommittee on Health and Human Services for its review and then consult with local governments and private sector organizations regarding the design of the State Plan and allow 45 days to receive comments from them.~~shall:

(1) Consult with local government and private sector organizations regarding the design of the State Plan and allow 45 days to receive comments from those organizations; and

(2) Upon complying with subdivision (1) of this subsection, submit the State Plan to the Senate Appropriations Committee on Health and Human Services and the House of Representatives Appropriations Subcommittee on Health and Human Services for review."

SECTION 10.35A.(b) G.S. 108A-27.10(a) reads as rewritten:

"(a) The Director of the Budget shall, by May 15 of each ~~even-numbered calendar~~odd-numbered year, approve and recommend adoption by the General Assembly of the State Plan."

MEDICAID

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

(1) Use of Funds. – Funds appropriated in this act for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy.

(2) Allocation of Nonfederal Cost of Medicaid. – Except as otherwise provided in this act, the State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the nonfederal costs of all applicable services listed in this section. In addition, the State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004.

(3) Use of Funds for Development and Acquisition of Equipment and Software. – If first approved by the Office of State Budget and Management, the Division of Medical Assistance, Department of Health and Human Services, may use funds that are identified to support the cost of development and acquisition of equipment and software and related operational costs through contractual means to improve and enhance information systems that provide management information and claims processing. The Department of Health and

Human Services shall identify adequate funds to support the implementation and first year's operational costs that exceed funds allocated for the 2007-2008 and 2008-2009 fiscal years for the new contract for the fiscal agent for the Medicaid Management Information System.

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

SECTION 10.36.(b) Policy. –

(1) Volume purchase plans and single source procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

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

(3) Fraud and abuse. – The Division of Medical Assistance, Department of Health and Human Services, shall provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.

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

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

(1) Medicaid and Work First Family Assistance.

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

	CATEGORICALLY NEEDY – WFFA*		**MEDICALLY NEEDY**
Family Size	Standard of Need & Families and Children Income Level	WFFA* Payment Level	Families and Children & AA, AB, AD* Income Level
1	$4,344	$2,172	$2,900
2	5,664	2,832	3,800
3	6,528	3,264	4,400
4	7,128	3,564	4,800
5	7,776	3,888	5,200
6	8,376	4,188	5,600
8	9,256	4,680	6,300

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

b. The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need. These standards may be changed with the approval of the Director of the Budget with the advice of the Advisory Budget Commission.

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

d. Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

(2) For the following Medicaid eligibility classifications for which the federal poverty guidelines are used as income limits for eligibility determinations, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines. The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to the following:

a. All elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines.

b. Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines and without regard to resources. Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy.

c. Infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.

d. Children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.

e. Children aged six through 18 with family incomes equal to or less than the federal poverty guidelines and without regard to resources.

f. Family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines and without regard to resources.

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

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

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

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

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

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

(1) Hospital inpatient.

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

(3) Nursing facilities. – Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program. Residents of nursing facilities who are eligible for Medicare coverage of nursing facility services must be placed in a Medicare-certified bed. Medicaid shall cover facility services only after the appropriate services have been billed to Medicare.

(4) Physicians, certified nurse midwife services, certified registered nurse anesthetists, nurse practitioners. – Fee schedules as developed by the Department of Health and Human Services.

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

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

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

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

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

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

(11) Ambulatory surgical centers.

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

(13) Intermediate care facilities for the mentally retarded.

(14) Chiropractors, podiatrists, optometrists, dentists.

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

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

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

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

(19) Medicare crossover claims. – The Department shall apply Medicaid medical policy to Medicare claims for dually eligible recipients. The Department shall pay an amount up to the actual coinsurance or deductible or both, in accordance with the State Plan, as approved by the Department of Health and Human Services. The Department may disregard application of this policy in cases where application of the policy would adversely affect patient care.

(20) Physical therapy, occupational therapy, and speech therapy. – Services limited to EPSDT-eligible children. Payments are to be made only to

qualified providers at rates negotiated by the Department of Health and Human Services. Physical therapy, occupational therapy, and speech therapy services are subject to prior approval and utilization review.

(21) Personal care services. – The Department of Health and Human Services shall impose prior authorization on personal care services for all recipients. Criteria for prior authorization shall be developed in consultation with the Physician Advisory Group of the North Carolina Medical Society. The Department shall provide periodic data on recipients of personal care services to Community Care of North Carolina. Community Care of North Carolina shall assist the Department in assessing personal care services for medical necessity.

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

(23) Hospice.

(24) Medically necessary prosthetics or orthotics. – In order to be eligible for reimbursement, providers must be licensed or certified by the occupational licensing board or the certification authority having authority over the provider's license or certification. Medically necessary prosthetics and orthotics are subject to prior approval and utilization review.

(25) Health insurance premiums.

(26) Medical care/other remedial care. – Services not covered elsewhere in this section include related services in schools; health professional services provided outside the clinic setting to meet maternal and infant health goals; and services to meet federal EPSDT mandates.

(27) Pregnancy-related services. – Covered services for pregnant women shall include nutritional counseling, psychosocial counseling, and predelivery and postpartum home visits by maternity care coordinators and public health nurses.

(28) Drugs. – Reimbursements. Reimbursements shall be available for prescription drugs as allowed by federal regulations plus a professional services fee per month, excluding refills for the same drug or generic equivalent during the same month. Payments for drugs are subject to the provisions of this subdivision or in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. Payment of the professional services fee shall be made in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. The professional services fee shall be five dollars and sixty cents ($5.60) per prescription for generic drugs and four dollars ($4.00) per prescription for brand-name drugs. Adjustments to the professional services fee shall be established by the General Assembly. In addition to the professional services fee, the Department may pay an enhanced fee for pharmacy services.

Limitations on quantity. – The Department of Health and Human Services may establish authorizations, limitations, and reviews for specific drugs, drug classes, brands, or quantities in order to manage effectively the Medicaid pharmacy program, except that the Department shall not impose limitations on brand-name medications for which there is a generic equivalent in cases where the prescriber has determined, at the time the drug is prescribed, that the brand-name drug is medically necessary and has written on the prescription order the phrase "medically necessary".

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

Prior authorization. – The Department of Health and Human Services may impose prior authorization requirements or other restrictions under the state Medical Assistance Program on medications prescribed for Medicaid recipients for the treatment of (i) mental illness, including but not limited to, medications for schizophrenia, bipolar disorder, or (ii) HIV/AIDS only when all of the following conditions are met:

a. Evidence-based criteria must be available regarding efficacy or safety of the covered treatments and must be used as the basis for any policy restrictions.
b. Restrictions or authorization requirements must not be implemented without approval by majority vote of the Physician Advisory Group of the North Carolina Medical Society.
c. Access to critically needed prescription drugs must be maintained as determined by the Physician Advisory Group of the North Carolina Medical Society.
d. Community Care of North Carolina will provide targeted outreach and assistance to any individual encountering changes due to prior authorization of treatment for (i) mental illness, or (ii) HIV/AIDS.

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

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

b. For children eligible for EPSDT services provided by:

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

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

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

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

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

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

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

(2) Reimbursement is available for up to 30 visits per recipient per fiscal year for the following services: hospital outpatient providers, physicians, nurse practitioners, nurse midwives, clinics, health departments, optometrists, chiropractors, and podiatrists. The Department of Health and Human Services shall adopt medical policies in accordance with G.S. 108A-54.2 to distribute the allowable number of visits for each service or each group of services consistent with federal law. In addition, the Department shall establish a threshold of some number of visits for these services. The Department shall ensure that primary care providers or the appropriate CCNC network are notified when a patient is nearing the established threshold to facilitate care coordination and intervention as needed.

Prenatal services, all EPSDT children, emergency room services, and mental health services subject to independent utilization review are exempt from the visit limitations contained in this subdivision. The Department may authorize exceptions where the life of the patient would be threatened without such additional care.

SECTION 10.36.(f) Exceptions and limitations on services; authorization of co-payments and other services.

(1) Exceptions to Service Limitations, Eligibility Requirements, and Payments. – Service limitations, eligibility requirements, and payment bases in this section may be waived by the Department of Health and Human Services, with the approval of the Director of the Budget, to allow the Department to carry out pilot programs for prepaid health

plans, contracting for services, managed care plans, or community-based services programs in accordance with plans approved by the United States Department of Health and Human Services or when the Department determines that such a waiver will result in a reduction in the total Medicaid costs for the recipient.

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

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

(1) Rules. – The Department of Health and Human Services may adopt temporary or emergency rules according to the procedures established in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that:

a. These rules are necessary to maximize receipt of federal funds within existing State appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse, or

b. These rules are necessary to address the requirements and procedures for enrollment and disenrollment of Medicaid providers and to enhance the quality of care of services.

Prior to the filing of these temporary or emergency rules with the Rules Review Commission and the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary or emergency rule and its effect on State appropriations and local governments.

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

MEDICAID COST-CONTAINMENT ACTIVITIES

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

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

COUNTY MEDICAID COST-SHARE

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

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

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 to the Department of Health and Human Services the sum of forty-three million dollars ($43,000,000) for the 2007-2008 fiscal year and the sum of forty-three million dollars ($43,000,000) 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.

REQUIRED DATA SHARING BY PRIVATE INSURERS

SECTION 10.40A. G.S. 108A-55.4 reads as rewritten:

"**§ 108A-55.4. Insurers to provide certain information to Department of Health and Human Services.**

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

(1) "Department" means the Department of Health and Human ~~Services.~~Services and any contracted parties working on behalf of the Department of Health and Human Services.

(2) "Division" means the Division of Medical Assistance of the Department of Health and Human ~~Services.~~Services and any contracted parties working on behalf of the Department of Health and Human Services.

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

(4) "Medical assistance" means medical assistance benefits provided under the State Medical Assistance Plan.

(5) 'Subscriber' means the policyholder of the insurance.

(6) 'Applicant/recipient' means an applicant or former applicant, or a present or former recipient of medical assistance benefits.

(7) 'Request' means any inquiry by the Department or Division for the purpose of determining the existence of insurance where the Department or Division may have expended public assistance benefits or to enforce or establish child or medical support enforcement orders.

(b) Health insurers, and pharmacy benefit managers regulated as third-party administrators under Article 56 of Chapter 58 of the General Statutes, shall provide, with respect to ~~individuals who are eligible for, or are provided, medical assistance,~~an applicant/recipient, upon request of the Division, information to determine during what period the individual or the individual's spouse or dependents may be ~~(or~~or may have ~~been)~~been covered by a health insurer and the nature of the coverage that is or was provided by the health insurer (including the subscriber's name, subscriber's address, subscriber's identification number, ~~and~~ identifying number of the ~~plan~~plan, applicant/recipient's social security number, applicant/recipient's name, and applicant/recipient's date of birth) in a manner prescribed by the Division. Notwithstanding any other provision of law, and in addition to the requirements set forth in subdivision (6) of this subsection, every health insurer ~~issuing a health benefit plan~~ shall provide, not more frequently than twelve times in a year and at no cost, to the Department of Health and Human Services, Division of Medical Assistance, upon its request, ~~information, including automated data matches conducted under the direction of the Department of Health and Human Services, Division of Medical Assistance,~~ information as necessary ~~to~~ so that the Division may (i) identify individuals who may also be applicants/recipients covered under the ~~insurer's health~~ benefit plans of the health insurer; ~~who are also recipients of medical assistance;~~ (ii) determine the period during which the ~~individual or the individual's spouses~~ individual, the individual's spouse, or the individual's dependents may be or may have been covered by the health benefit plan; and (iii) determine the nature of the coverage. To facilitate the Division in obtaining this and other related information, every health insurer shall:

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

(2) Respond to the request for ~~information~~ payment within 90 ~~working~~ days after receipt of written proof of loss or claim for payment for health care services provided to a recipient of medical assistance who is covered by the ~~insurer's health benefit plan.~~benefit plan of the health insurer.

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

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

(5) Agree not to deny a claim submitted by the Division solely on the basis of the date of submission of the claim, the type of format of the claim form, or a failure to present proper documentation at the point-of-sale that is the basis of the claim, if:

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

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

(6) Cooperate with the Division's requests to determine a named individual's eligibility or payment information under the benefit plan of the health insurer.

(c) ~~An~~ A health insurer that complies with this section shall not be liable on that account in any civil or criminal actions or proceedings."

LIMITATION ON PROVIDER INCREASES

SECTION 10.40B. Notwithstanding any other provision of this act to the contrary, if in this act funds are appropriated to the Department of Health and Human Services for a rate increase for providers and funds are also appropriated in this act to the Department of Health and Human Services for an inflationary increase for providers, the Department shall ensure that providers receive either a rate increase or an inflationary increase, whichever is less.

TRANSFER OF ASSETS PERMANENT RULE EFFECTIVE DATE

SECTION 10.40C. In order to maximize potential savings to the State Medicaid program as soon as possible, notwithstanding G.S. 150B-21.3(b1), 10A NCAC 21B .0314, adopted by the Department of Health and Human Services on January 19, 2007, and approved by the Rules Review Commission on March 15, 2007, becomes effective on the day this act becomes law.

MMIS CAPABILITIES

SECTION 10.40D.(a) The Department of Health and Human Services, when contracting for a new or redesigned MMIS, shall ensure that the new or redesigned system is capable of the following:

(1) Receiving and tracking premium or other payments required by law.
(2) Compatibility with the administration of NC Health Choice, NC KIDS Care, the State Employees' Health Plan, and Medicaid waivers and the Medicare 646 waiver.

SECTION 10.40D.(b) The Department of Health and Human Services shall report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division, on the date and implementation of the new MMIS system in accordance with the requirements of this section. The Department of Health and Human Services shall submit its report not later than May 1, 2008.

CRITICAL ACCESS PHARMACY SUPPLEMENTAL PAYMENTS

SECTION 10.40E. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Medical Assistance, the sum of two million two hundred sixty thousand dollars ($2,260,000) for the 2007-2008 fiscal year and the sum of two million six hundred eighty thousand dollars ($2,680,000) for the 2008-2009 fiscal year shall be used to provide supplemental payments to critical access pharmacies as defined by the Division of Medical Assistance. The Division of Medical Assistance shall develop a methodology for identifying critical access pharmacies and providing supplemental payments that are equal to eighty percent (80%) of the difference between prescription drug payments at Average Wholesale Price minus ten percent (10%) and prescription drug payments at Average Wholesale Price minus fifteen percent (15%).

PILOT PROGRAM/MEDICAID DUAL ELIGIBLE SPECIAL NEEDS PLAN

SECTION 10.40F.(a) The Department of Health and Human Services, Division of Medical Assistance, shall evaluate and establish a pilot program in at least two but not more than four regions of the State to offer nursing facility certifiable (NFC) dual eligible Medicaid recipients services through a Special Needs Plan (SNP). The SNP will work with the Department's Community Care Networks. The SNP must be currently licensed in the State, have expertise in managing NFC dually eligible Medicaid recipients, have expertise or a relationship with experts in geriatrics and be capable and willing to work directly with Community Care North Carolina (CCNC). The SNP must also have no citations or ongoing investigations from the State, the Centers for Medicaid and Medicare Services, or other regulatory agency.

SECTION 10.40F.(b) In establishing the pilot program, the Department shall select up to four regions (county clusters) based on the number of NFC dual eligible Medicaid recipients, number of skilled nursing facilities, and other factors. These regions and their respective CCNC will work with the SNP to promote enhanced care, greater efficiency, and cost savings.

SECTION 10.40F.(c) The Department shall report on the evaluation, selection, and implementation of the pilot program to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than May 1, 2008. The Department shall include in its report information on increased primary care visits, hospital admission and readmission rates, mortality rates, results of pharmacy management, measurable quality outcomes, and associated cost savings for NFC managed through this pilot. The Department shall also include in its report the feasibility of expansion of the pilot to other regions of the State or expansion into the assisted living and home-based populations.

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.

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:

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

EXTEND IMPLEMENTATION OF COMMUNITY ALTERNATIVES PROGRAMS REIMBURSEMENT SYSTEM

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

FAMILIES PAY PART OF THE COST OF SERVICES UNDER THE CAP-MR/DD PROGRAM AND THE CAP-CHILDREN'S PROGRAM BASED ON FAMILY INCOME

SECTION 10.45.(a) Subject to approval from the Centers for Medicare and Medicaid Services (CMS), the Department of Health and Human Services, Division of Medical Assistance, shall develop a schedule of cost-sharing requirements for families of children with incomes above the Medicaid allowable limit to share in the costs of their child's Medicaid expenses under the CAP-MR/DD (Community Alternatives Program for Mental Retardation and Developmentally Disabled) Program and the CAP-C (Community Alternatives Program for Children). The cost-sharing amounts shall be based on a sliding scale of family income and shall take into account the impact on families with more than one child in the CAP programs. In developing the schedule, the Department shall also take into consideration how other states have implemented cost-sharing in their CAP programs. The Division of Medical Assistance may establish monthly deductibles as a means of implementing this cost-sharing. The Department shall provide for at least one public hearing and other opportunities for individuals to comment on the imposition of cost-sharing under the CAP program.

SECTION 10.45.(b) This section becomes effective July 1, 2008, for children enrolled in CAP-MR/DD or CAP-C on and after that date. For currently enrolled CAP-MR/DD and CAP-C recipients, this section becomes effective at the recipient's first certification period following July 1, 2008.

SECTION 10.45.(c) The Division of Medical Assistance shall report on savings realized due to the cost-sharing implemented pursuant to this section. The Department shall submit the report to the House of Representatives Appropriations

Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division on or before March 1, 2009.

CONTINUE EFFORTS TO EXPAND COMMUNITY CARE AND IMPROVE QUALITY OF CARE FOR AGED, BLIND, AND DISABLED MEDICAID RECIPIENTS

SECTION 10.46.(a) The Department of Health and Human Services shall continue its efforts to expand the scope of Community Care of NC care management model to recipients of Medicaid and dually eligible individuals with a chronic condition and long-term care needs. In expanding the scope, the Department shall focus on the Aged, Blind, and Disabled, and CAP-DA populations for improvement in management, cost-effectiveness, and local coordination of services through Community Care of NC and in collaboration with local providers of care. The Department shall target personal care services, private duty nursing, home health, durable medical equipment, ancillary professional services, specialty care, residential services, including skilled nursing facilities, home infusion therapy, pharmacy, and other services determined target-worthy by the Department. The Department shall pilot communitywide initiatives and shall expand statewide successful models. The initiatives may include one or more pilot projects to control costs and improve quality of care for the Aged, Blind, and Disabled recipients of Medicaid.

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

NC HEALTH CHOICE ENROLLMENT

SECTION 10.47. The Department of Health and Human Services may allow up to six percent (6%) enrollment growth annually over the prior fiscal year's enrollment in the NC Health Choice Program. The cap in enrollment growth shall be based on the month of highest Program enrollment in the prior fiscal year.

NC KIDS' CARE STUDY

SECTION 10.48. The Department of Health and Human Services, Division of Medical Assistance, shall determine the most cost-efficient and cost-effective method for implementing a limited benefit medical assistance program, NC Kids' Care. In developing the Program, the Department shall include the following:

(1) Eligibility for benefits under NC Kids' Care is not an entitlement, is for legal residents of North Carolina, and is subject to availability of funds and State and federal requirements.

(2) NC Kids' Care shall provide health coverage to children whose income is not less than two hundred percent (200%) and not more than two hundred twenty-five percent (225%) of the federal poverty level.

(3) Children enrolled in NC Kids' Care must be ineligible for Medicaid, Medicare, or other government-sponsored health insurance.

(4) The premium for enrollment in NC Kids' Care shall be not more than twenty-five dollars ($25.00) per member per month except that the premium for a family shall not exceed seventy-five dollars ($75.00) per family per month.

(5) Providers of services to children enrolled in NC Kids' Care shall be paid at Medicaid rates.

The Department of Health and Human Services shall report its findings and recommendations on the scope and benefits of NC Kids' Care to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than April 1, 2008.

BUILD COMMUNITY INFRASTRUCTURE FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

INCREASE AVAILABILITY OF SUBSTANCE ABUSE TREATMENT.

SECTION 10.49.(a) Except as otherwise provided in this subsection, funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for regionally funded, locally hosted substance abuse services shall be allocated for the purpose of developing and enhancing the American Society of Addiction Medicine (ASAM) continuum of care at the community level. In coordination with local management entities, the Division shall develop and direct purchasing mechanisms to improve the availability of substance abuse services offered on a local, regional, and statewide basis in coordination with one or more local management entities. In the event a local management entity is unable or unwilling to contract with a substance abuse provider for substance abuse services envisioned in this section, the Division may enter into a contract with substance abuse service providers, and, in such cases, the requirements of G.S. 122C-124.1 shall not apply. Of the funds allocated in this subsection for regionally funded, locally hosted substance abuse services, the sum of five hundred seventy-one thousand sixty-one dollars ($571,061) for the 2007-2008 fiscal year and the sum of seven hundred thirty-six thousand sixty-one dollars ($736,061) for the 2008-2009 fiscal year shall be allocated for residential substance abuse programs with a vocational component.

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

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

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

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

SECTION 10.49.(e1) In providing treatment and services for adult offenders and increasing the number of TASC case managers, for which funds are allocated in this act to local management entities, each local management entity shall consult with TASC to improve offender access to substance abuse treatment and match evidence-based interventions to individual needs at each stage of substance abuse treatment. Special emphasis should be placed on intermediate punishment offenders, community punishment offenders at risk for revocation, and DOC releasees who have completed substance abuse treatment while in custody.

In addition to the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to provide substance abuse services for adult offenders and to increase the number of TASC case managers, the Department shall allocate up to three hundred thousand dollars ($300,000) to Treatment Accountability for Safer Communities (TASC). These funds shall be allocated to TASC before funds are allocated to local management entities for mental health services, substance abuse services, and crisis services.

SECTION 10.49.(e2) In providing Drug Treatment Court services for which funds are allocated in this act to local management entities, the local management entity shall consult with the local drug treatment court team and shall select a treatment provider that meets all provider qualification requirements and the drug treatment court's needs. A single treatment provider may be chosen for non-Medicaid-eligible participants only. A single provider may be chosen who can work with all of the non-Medicaid-eligible drug treatment court participants in a single group. During the 52-week Drug Treatment Court program, participants shall receive an array of treatment and after-care services that meets the participant's level of need, including step-down services that support continued recovery.

SECTION 10.49.(f) Within available State and county resources, local management entities shall work with county public health departments and county sheriffs to provide medical assessments and medication, if appropriate, for inmates housed in county jails who are suicidal, hallucinating, or delusional. LMEs shall also examine ways to provide additional treatment to persons who are determined to be psychotic, severely depressed, suicidal, or who have substance abuse disorders. LMEs, county public health departments, and county sheriffs shall work together to develop all of the following:

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

ADDITIONAL HOUSING ASSISTANCE.

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

SECTION 10.49.(h1) The Department of Health and Human Services and the North Carolina Housing Finance Agency shall work together to develop a plan for the most efficient and effective use of State resources in the financing and construction of additional independent- and supportive-living apartments for individuals with mental health, developmental, or substance abuse disabilities. This plan shall address gaps in the housing continuum identified by the study that DHHS will conduct during fiscal year 2006-2007 and fiscal year 2007-2008. DHHS and NCHFA shall report this plan and also the progress of the Housing 400 Initiative to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services by March 1, 2008.

SECTION 10.49.(h2) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, may transfer funds appropriated for operating cost subsidies for independent- and supportive-living apartments for individuals with disabilities to the North Carolina Housing Finance Agency (NCHFA) to be used for these purposes. If funds appropriated in this act for operating assistance for the independent supportive living apartments for people with disabilities exceed the amount necessary to finance those apartments for which funds were appropriated, then the excess funds may be used in each fiscal year to subsidize other apartments for individuals with disabilities that are affordable for individuals with income at the SSI level.

For the purposes of ensuring that State supported assisted housing is available to all disability groups, the NCHFA and the Department of Health and Human Services shall do the following:

(1) The NCHFA shall provide to the Division of Medical Assistance the name, address, and date of birth of each resident that receives housing assistance in NCHFA properties because of the recipient's disability.

(2) The Department of Health and Human Services shall review the Medicaid database to determine which of these residents receives Medicaid and, of those, the type of disability of each Medicaid recipient for whom information was provided under subdivision (1) of this subsection.

(3) The Department of Health and Human Services shall report to the General Assembly the aggregate statewide total by type of disability. The types of disability for which aggregate data is reported shall be mental illness, developmental disability, physical disability, and the multiple combination of these types. The report shall ensure that individuals with multiple diagnoses are counted only one time for each aggregate report. The Department of Health and Human Services shall ensure that information reported does not include information that would identify or lead to the identity of a Medicaid recipient. The Department of Health and Human Services shall submit the report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division not later than May 1, 2008, and again not later than May 1, 2009.

Of the funds appropriated in this act to the Department of Health and Human Services for operating cost subsidies for independent- and supportive-living apartments for individuals with disabilities, not more than one hundred fifty thousand dollars

($150,000) may be used for administration of the subsidies and for evaluation and reporting requirements under this subsection.

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

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

SECTION 10.49.(k) The Department of Health and Human Services shall complete the development of a Uniform Screening Tool (UST) to be used by LMEs to determine the mental health of any individual admitted to any long-term care facility within an LME's catchment area. The UST shall be available for use no later than 90 days after the enactment of the Current Operations and Capital Appropriations Act for the 2007-2009 fiscal biennium.

SECTION 10.49.(l) Notwithstanding any other provision of law to the contrary, local management entities may directly provide case management and may bill for the services provided.

CRISIS AND ACUTE CARE SERVICES.

SECTION 10.49.(m) The fourteen million one hundred thirty-seven thousand eight hundred fifty-seven dollars ($14,137,857) appropriated in this act for crisis services in each fiscal year to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, shall be allocated to local management entities to continue to implement the crisis plans developed under S.L. 2006-66, Section 10.26. In allocating these funds, the Department shall consider the impact of the closure of any State institution on each local management entity. The Department of Health and Human Services may use up to two hundred fifty thousand dollars ($250,000) in each fiscal year of the funds allocated under this subsection to extend its contract with the crisis services consultant authorized under Section 10.26(b) of S.L. 2006-66.

SECTION 10.49.(n) S.L. 2006-66, Section 10.26(d), as amended by Section 11 of S.L. 2006-221, reads as rewritten:

"**SECTION 10.26.(d)** With the assistance of the consultant, the LMEs within a crisis region shall work together to identify gaps in their ability to provide a continuum of crisis services for all consumers and use the funds allocated to them to develop and implement a plan to address those needs. At a minimum, the plan must address the development over time of the following components: 24-hour crisis telephone lines, walk-in crisis services, mobile crisis outreach, crisis respite/residential services, crisis stabilization units, 23-hour beds, facility-based crisis, in-patient crisis, <u>detox,</u> and transportation. Options for voluntary admissions to a secured facility must include at least one service appropriate to address the mental health, developmental disability, and substance abuse needs of adults, and the mental health, developmental disability, and substance abuse needs of children. Options for involuntary commitment to a secured facility must include at least one option in addition to admission to a State facility.

If all LMEs in a crisis region determine that a facility-based crisis center is needed and sustainable on a long-term basis, the crisis region shall first attempt to secure those services through a community hospital or other community facility. If all LMEs in the crisis region determine the region's crisis needs are being met, the LMEs may use the funds to meet local crisis service needs."

SECTION 10.49.(o) LMEs shall report monthly to the Department and to the consultant regarding the use of the funds, whether there has been a reduction in the use of State psychiatric hospitals for acute admissions, and any remaining gaps in local and regional crisis services. The consultant and the Department shall report quarterly to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services regarding each LME's proposed and actual use of the funds appropriated under this section. The reporting requirements under this subsection shall expire July 1, 2008.

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

"<u>(b1) Notwithstanding subsection (b) of this section, funds appropriated by the General Assembly for crisis services shall not be allocated in broad disability or age/disability categories. Subsection (c) of this section shall apply to funds appropriated by the General Assembly for crisis services.</u>"

SECTION 10.49.(r) The Department of Health and Human Services shall develop a system for reporting to LMEs information regarding all visits to community hospital emergency departments by individuals who are in crisis due to a mental illness, a developmental disability, or a substance abuse disorder. The system shall be implemented no later than 90 days after the enactment of the Current Operations and Capital Appropriations Act for the 2007-2009 fiscal biennium.

SECTION 10.49.(s1) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (Division), the sum of two million five hundred thousand dollars ($2,500,000) for the 2007-2008 fiscal year and the sum of five million dollars ($5,000,000) for the 2008-2009 fiscal year shall be used to develop a pilot program to reduce State psychiatric hospital use and to increase local services for persons with mental illness. Of these funds, the sum of two hundred fifty thousand dollars ($250,000) in each fiscal year shall be retained by the Department. The remainder in each fiscal year shall be allocated to LMEs to be used in accordance with subdivision (c)(6) of this section. The Division and each selected LME shall implement an 18-month pilot beginning in the 2007-2008 fiscal year, as provided in subsections (s2) and (s3) of this section. It is the intent of the General Assembly to provide funds to expand the pilot program in the 2008-2009 fiscal year. To this end, the Division shall develop a plan for expanded pilots as provided in subsection (d) of this section.

SECTION 10.49.(s2) The purpose of the 18-month pilot program developed under subsection (s1) of this section and to be implemented during the 2007-2008 fiscal year is to test a mechanism to reduce psychiatric hospital use by holding an LME financially and clinically responsible for the cost of that use and by providing additional resources to build community capacity. The Department shall select at least three LMEs that submit a proposal to participate in the pilot to the Division no later than October 15, 2007. The proposal shall include a plan by the LME to reduce hospital use by a specified amount and an explanation of how the LME expects to accomplish this goal. To facilitate pilot implementation, the Division shall do all of the following:

(1) Calculate the cost of each LME's 2006-2007 use of State psychiatric hospital services based roughly on that hospital's total budget and the percentage of patients at the hospital admitted from the LME's catchment area.
(2) Calculate a daily rate for hospital usage based on 2006-2007 statewide usage. The daily rate shall be higher for subsequent admissions by the same patient and higher for patients admitted with a primary diagnosis of substance abuse.
(3) Provide the results from subdivisions (1) and (2) of this subsection to all LMEs not later than September 1, 2007.
(4) Award pilot participation not later than November 1, 2007, based upon the proposals that project the largest decrease in use and that the Division believes has the greatest likelihood of succeeding.
(5) Commence pilot implementation not later than January 1, 2008.

SECTION 10.49.(s3) Parameters of the pilot developed under subsection (s1) of this section are as follows:

(1) The pilot LMEs will have a virtual budget account for January 1, 2008, through June 30, 2008, based on one-half of the LME's cost of State psychiatric hospital use during the 2006-2007 fiscal year minus the LME's proposed reduction in hospital use. The virtual budget account will be for the full amount less an agreed upon reduction in the second year of the pilot.
(2) Every bed day used by patients from that LME's catchment area will be debited against that LME's virtual account.
(3) The cost of bed days will increase by the agreed upon amount for patients who are repeatedly admitted to the hospital.
(4) The cost of bed days will increase by the agreed upon amount for patients who are admitted with a primary diagnosis of substance abuse.
(5) The LME shall have one or more representatives on site at the State psychiatric hospital. The LME representatives shall be involved with patient admissions, development of treatment plans, supervision and delivery of treatment, and development and implementation of discharge plans.
(6) The pilot LMEs shall use their allocated funds to: (i) build community capacity through start-up operations or payment for local services; (ii) pay for the on-site representative at State psychiatric hospitals; and (iii) pay for patient bed days that are in excess of RFP's projected use.
(7) As of June 30, 2008, any savings to the State realized from the LMEs' reduced hospital usage, plus any funds remaining in the LMEs' virtual hospital budget account, will be transferred to the LMEs to be used to purchase hospital use in the 2008-2009 fiscal year. Any funds remaining from the two million two hundred twenty-five thousand dollar ($2,225,000) allocation shall carry over to be used by the LMEs to pay for services to the mentally ill.

SECTION 10.49.(s4) Based on the experiences of the pilot programs authorized under subsections (s2) and (s3) of this section, the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (Division) shall work with the existing hospital use study group to develop a proposal for subsequent pilots to reduce hospital use and build community services. The Division may use up to two hundred fifty thousand dollars ($250,000) in each fiscal year to develop the proposal. The Division shall submit an interim report on its progress to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services (Oversight Committee) by October 15, 2007, and a second interim report by February 1, 2008. The Division shall submit its final report to the Oversight Committee by February 1, 2009.

SECTION 10.49.(s5) The budgets for the State psychiatric hospitals shall not be reduced during the 2007-2008 fiscal year as a result of the pilot developed under subsection (s1) of this section. However, those budgets shall be adjusted in following years to reflect the previous year's use by the LMEs participating in the pilot program.

SECTION 10.49.(t) Notwithstanding G.S. 122C-112.1(a)(30) and G.S. 122C-181, the Secretary of Health and Human Services may close Dorothea Dix Hospital, and the Secretary of Health and Human Services may close John Umstead Hospital or any unit or section of that hospital, provided that all of the following conditions have been met prior to closure of each hospital or unit thereof:

(1) The Secretary has notified the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and members of the General Assembly who represent catchment areas affected by the closure.

(2) The Secretary has presented a plan for the closure of each hospital or unit thereof to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services (Oversight Committee) for its review, advice, and recommendations. The Secretary shall also provide a copy of the plan to each member of the General Assembly in a timely manner to permit each member of the General Assembly to comment at the presentation of the plan to the Oversight Committee. The plan shall address specifically all of the following: (i) the capacity of any replacement facility and the catchment area to meet the needs of those consumers who require long-term secure services as well as acute care; (ii) an inventory of existing capacity in the communities within the catchment area for patients to access crisis services, appropriate housing, and other necessary supports; (iii) how the State and the LMEs in the catchment area will attract and retain qualified private providers that will provide services to State-paid non-Medicaid-eligible consumers; and (iv) the impact of the closure on remaining State facilities. In implementing the plan, the Secretary shall take into consideration the comments and recommendations of the Oversight Committee and other members of the General Assembly.

(3) The Central Regional Hospital is operational and patient transfers from Dorothea Dix Hospital and John Umstead Hospital have been completed.

(4) Notwithstanding any other provision of law, the Secretary shall not close a State facility if there are not adequate replacement services available prior to the date of closure.

SECTION 10.49.(u) In keeping with the United States Supreme Court decision in Olmstead v. L.C. & E.W. and State policy to provide appropriate services to clients in the least restrictive and most appropriate environment, the Department of Health and Human Services shall continue to implement a plan for the transition of patients from State psychiatric hospitals to the community or to other long-term care facilities, as appropriate. The goal is to develop mechanisms and identify resources needed to enable patients and their families to receive the necessary services and supports based on the following guiding principles:

(1) Individuals shall be provided acute psychiatric care in non-State facilities when appropriate.

(2) Individuals shall be provided acute psychiatric care in State facilities only when non-State facilities are unavailable.

(3) Individuals shall receive evidence-based psychiatric services and care that are cost-efficient.

(4) The State shall minimize cost shifting to other State and local facilities or institutions.

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

The Department of Health and Human Services shall submit reports on the status of implementation of this section to the Joint Legislative Commission on Governmental Operations, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division. These reports shall be submitted on December 1, 2007, and May 1, 2008.

USE OF MENTAL HEALTH TRUST FUNDS.

SECTION 10.49.(v) Funds allocated to area programs to be spent on community-based programs that are remaining in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs (Trust Fund) as of June 30, 2007, shall be dispersed to the area programs to be spent according to the purposes for which the funds were allocated. The Department shall limit the LME fund balance to ensure that LMEs fully utilize funds dispersed to the LME for the stated purposes.

SECTION 10.49.(w1) G.S. 143C-9-2 reads as rewritten:

"**§ 143C-9-2. Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs.**

(a) The Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs is established as an interest-bearing, nonreverting special trust fund in the Office of State Budget and Management. Moneys in the Trust Fund shall be held in trust and used solely to increase community-based services that meet the mental health, developmental disabilities, and substance abuse services needs of the State. The Trust Fund shall be used to supplement and not to supplant or replace existing State and local funding available to meet the mental health, developmental disabilities, and substance abuse services needs of the State.

The State Treasurer shall hold the Trust Fund separate and apart from all other moneys, funds, and accounts. The State Treasurer shall be the custodian of the Trust Fund and shall invest its assets in accordance with G.S. 147-69.2 and G.S. 147-69.3. Investment earnings credited to the assets of the Trust Fund shall become part of the

Trust Fund. Any balance remaining in the Trust Fund at the end of any fiscal year shall be carried forward in the Trust Fund for the next succeeding fiscal year.

Moneys in the Trust Fund shall be expended only in accordance with subsection (b) of this section and in accordance with limitations and directions enacted by the General Assembly.

(b) Moneys in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs shall be allocated to area programs to be used only to:

(1) Provide start-up funds and operating support for programs and services that provide more appropriate and cost-effective community treatment alternatives for individuals currently residing in the State's mental health, developmental disabilities, and substance abuse services institutions.

~~(2) Facilitate the State's compliance with the United States Supreme Court decision in Olmstead v. L.C. and E.W.~~

(3) Facilitate reform of the mental health, developmental disabilities, and substance abuse services system and expand and enhance treatment and prevention services in these program areas to remove waiting lists and provide appropriate and safe services for clients.

(4) Provide bridge funding to maintain appropriate client services during transitional periods as a result of facility closings, including departmental restructuring of services.

~~(5) Construct, repair, and renovate State mental health, developmental disabilities, and substance abuse services facilities.~~

(c) Notwithstanding G.S. 143C-1-2, any nonrecurring savings in State appropriations realized from the closure of any State psychiatric hospitals that are in excess of the cost of operating and maintaining a new State psychiatric hospital shall not revert to the General Fund but shall be placed in the Trust Fund and shall be used for the purposes authorized in this section. Notwithstanding G.S. 143C-1-2, recurring savings realized from the closure of any State psychiatric hospitals shall not revert to the General Fund but shall be credited to the Department of Health and Human Services to be used only for the purposes of subsections (b)(1) ~~(b)(2)~~ and (b)(3) of this section.

(d) Beginning July 1, 2007, the Secretary of the Department of Health and Human Services shall report annually to the Fiscal Research Division on the expenditures made during the preceding fiscal year from the Trust Fund. The report shall identify each expenditure by recipient and purpose and shall indicate the authority under subsection (b) of this section for the expenditure."

SECTION 10.49.(w2) Notwithstanding G.S. 143C-9-2(c), additional savings in the 2007-2008 and 2008-2009 fiscal years shall be used to fund the State's contribution for local management entity system administration.

SECTION 10.49.(x) Notwithstanding G.S. 143C-9-2, as amended by this act, the Secretary of Health and Human Services may use funds for the 2007-2008 fiscal year from the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs (Trust Fund) or, if funds in the Trust Fund are insufficient, from other available sources in the Department of Health and Human Services, to support up to 66 new positions in the Julian F. Keith Alcohol and Drug Abuse Treatment Center, provided that these funds may be used only if the Julian F. Keith Alcohol and Drug Abuse Treatment Center opens before July 1, 2008.

STRENGTHEN THE SERVICES NETWORK.

SECTION 10.49.(y) The Department of Health and Human Services shall designate two additional local management entities to receive all State allocations through single stream funding. If DHHS has not made the designations by July 1, 2007, the designations shall be as enacted by the 2007 General Assembly. The Department shall develop clear standards for how an LME qualifies for single stream funding and shall award single stream funding to any other LME that meets those standards within the 2007-2008 and 2008-2009 fiscal years. In addition to the LMEs designated by the Department, the Piedmont, New River, Smoky Mountain, Guilford, and Mecklenburg LMEs shall continue to receive State allocations through single stream funding.

SECTION 10.49.(z) The Joint Legislative Oversight Committee for Mental Health, Developmental Disabilities, and Substance Abuse Services shall study the effectiveness of the 1915(b) Medicaid waiver and of those LMEs operating under a waiver.

SECTION 10.49.(aa) No later than July 1, 2008, the Department of Health and Human Services shall commence the process for three additional local management entities to apply for Medicaid waivers.

FILLING SERVICE GAPS.

SECTION 10.49.(bb) Funds appropriated in this act for mental health services and supported employment shall be allocated to local management entities such that each local management entity receives a percentage of the total allocation that is equal to that local management entity's percentage of the State's total population that is below the federal poverty level. Funds appropriated to the Department of Health and Human Services for the 2006-2007 fiscal year for mental health services, substance abuse services, and crisis services and allocated based on the poverty level shall continue to be allocated by the Department to local management entities such that each local management entity receives a percentage of the total allocation that is equal to that local management entity's percentage of the State's total population that is below the federal poverty level.

SECTION 10.49.(cc) G.S. 122C-147.1(c) shall apply to the State-funded service of developmental therapies.

SECTION 10.49.(dd) The Department of Health and Human Services shall develop and apply to the Centers for Medicare and Medicaid Services for additional home and community-based waivers for persons with developmental disabilities. In conjunction with the existing CAP MR/DD waiver, the new waivers will create a tiered system of services. Not later than March 1, 2008, the Department shall report to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services on the status of the waivers required under this section.

SECTION 10.49.(ee) For the purpose of avoiding overutilization of community support services and overexpenditure of funds for these services, the Department of Health and Human Services shall immediately conduct an in-depth evaluation of the use and cost of community support services to identify existing and potential areas of overutilization and overexpenditure. The Department shall also adopt or revise as necessary management policies and practices that will ensure that at a minimum:

(1) There is in place a list of community support services that are appropriate to meet the critical needs of the client and are cost effective;

(2) Community support services are appropriately utilized based on the critical needs of the client, and utilization is monitored routinely to ensure against overutilization;

(3) That expenditures for services are controlled to the maximum extent possible without unnecessarily impairing service quality and efficiency;

(4) Service providers are fully competent to provide each service, to provide the service in the most efficient manner, and that services and providers meet standards of protocol adopted by the Department. To this end, endorsement shall be based on compliance with: a Medicaid service-specific checklist, rules for Mental Health, Developmental Disabilities, and Substance Abuse Services, client rights rules in community Mental Health, Developmental Disabilities, and Substance Abuse Services, the Medicaid service records manual, and other Medicaid requirements as stipulated in the participation agreement with the Division of Medical Assistance. In accordance with G.S. 122C-115.4, an LME may remove a provider's endorsement;

(5) All community support services are subject to prior approval after the initial assessment and development of a person-centered plan has been completed;

(6) The initial assessment and development of person-centered plan provides for up to three service hours for adults and up to six service hours for community support for children/adolescents. If a provider determines that more time is needed for adults or child/adolescent services to complete the person-centered plan, additional hours may be provided as authorized by the contract entity. If additional hours are authorized, the LME may participate in the development of the person-centered plan, as part of its care coordination and quality management function as defined in G.S. 122C-115.4;

(7) Based on standards of care and practice, a stringent clinical review process for authorization of services is implemented uniformly and in accordance with State guidelines;

(8) Additional record audits of providers are conducted on a routine basis to continually ensure compliance with Medicaid requirements;

(9) Post-payment clinical reviews are conducted at the local level to ensure that consumers receive the appropriate level and intensity of care;

(10) Monitoring and reporting are conducted at least monthly to ensure appropriate utilization of all enhanced services. The reports shall include authorization by service, paid claims data by service, post-payment reviews, provider enrollment and termination, outlier utilization by provider and individual recipient;

(11) The Department shall tier the rates for the service of community supports. The rates shall be based on the level of qualifications of the individuals delivering the services and the types of services being delivered by these individuals; and

(12) The Department of Health and Human Services and the Department of Public Instruction shall amend their Memorandum of Agreement to ensure that each LEA develops its own list of approved providers and individual service providers authorized to provide services on campus as provided under the Federal Safe Schools Act.

The Department shall report not later than November 1, 2007, on the list of community support services determined to be appropriate. Not later than March 1, 2008, the Department shall provide a detailed report on the implementation and status of each of the activities required by this subsection to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. The report shall also include clear standards for determining local management entity capability to perform utilization review and utilization management and clear statewide standards for utilization review and utilization management.

In order to assure full compliance with the laws of this State on the implementation of mental health reform, the Department shall not extend or enter into a new contract with an outside vendor to provide utilization review for behavioral health services until after the Department has (i) adopted statewide standards for transitioning Medicaid utilization review responsibilities to local management entities, (ii) has reported on the implementation of this subsection to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and (iii) has otherwise met all requirements imposed by law for the implementation of mental health reform.

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.

SECTION 10.49.(gg) It is the intent of the General Assembly that the deficit in State funding for local management entity system administration will be eliminated in future years through savings from hospital downsizing. The General Assembly anticipates that full funding for this purpose will be available in the 2009-2011 fiscal biennium.

SECTION 10.49.(hh) G.S. 122C-115.4(d) reads as rewritten:

"(d) Except as provided in G.S. 122C-142.1 and G.S. 122C-125, the Secretary may ~~not~~ neither remove from an LME nor designate another entity as eligible to implement any function enumerated under subsection (b) of this section unless all of the following applies:

(1) The LME fails during the previous three months to achieve a satisfactory outcome on any of the critical performance measures developed by the Secretary under G.S. 122C-112.1(33).

(2) The Secretary provides focused technical assistance to the LME in the implementation of the function. The assistance shall continue for at least six months or until the LME achieves a satisfactory outcome on the performance measure, whichever occurs first.

(3) If, after six months of receiving technical assistance from the Secretary, the LME still fails to achieve or maintain a satisfactory outcome on the critical performance measure, the Secretary shall enter into a contract with another LME or agency to implement the function on behalf of the LME from which the function has been removed."

SECTION 10.49.(ii) The State Auditor shall use available resources to conduct performance audits on local management entity billing and STR (screening, triage, and referral) functions. The State Auditor shall specifically focus on those local management entities identified as not meeting the primary functions required under G.S. 122C-115.4 and as set forth in guidelines adopted by the Department pursuant to Section 10.28 of S.L. 2006-66. The State Auditor shall begin the audit process once the guidelines adopted by the Department pursuant to Section 10.28 of S.L. 2006-66 are in place. The State Auditor shall report his findings and recommendations to the 2009 General Assembly upon its convening.

SECTION 10.49.(jj) The Department of Health and Human Services shall use available funds not to exceed two hundred fifty thousand dollars ($250,000) in each fiscal year to contract with the University of North Carolina at Chapel Hill, Kenan Flagler Business School, to provide administrative training to local management entities. The Department of Health and Human Services shall advise the Kenan Flagler Business School on prioritizing those local management entities that would most benefit from the training. The Department of Health and Human Services shall use funds available for the contract.

SECTION 10.49.(kk) In allocating funds from existing resources to local management entities for administrative costs, the Department shall ensure that each local management entity receives not less in service dollars than that local management entity expended for services in the 2006-2007 fiscal year.

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;

(2) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall retain recurring savings realized through implementation of this section to support the recurring costs of additional community-based placements from Division facilities in accordance with Olmstead v. L.C. & E.W. In determining the savings in this section, savings shall include all savings realized from the downsizing of the Developmental Centers, including the savings in direct State appropriations in the budgets of the Developmental Centers; and

(3) The Department of Health and Human Services, Division of Medical Assistance, shall transfer any recurring Medicaid savings resulting from the downsizing of State-operated Developmental Centers from the ICF-MR line in Medicaid to support Medicaid services to assist in continued community service opportunities for people with developmental disabilities.

SECTION 10.50.(c) Consistent with the requirements of this section, the Secretary of Health and Human Services shall update the existing plan to ensure that there are sufficient developmental disability/mental retardation regional centers to correspond with service catchment areas. The plan shall address:

(1) Methods of funding for community services necessitated by downsizing;

(2) How many State-operated beds and non-State-operated beds are needed to serve the population; and

(3) Alternative uses for facilities.

Not later than April 1, 2008, the Department shall provide an updated report on the development of the plan, and not later than April 1, 2009, shall report the final plan, including recommendations for legislative action, to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 10.50.(d) The Department of Health and Human Services shall provide an updated report on its progress in complying with this section to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. The Department shall submit the progress report no later than January 15, 2008, and submit a final report no later than May 1, 2009.

DHHS POLICIES AND PROCEDURES IN DELIVERING COMMUNITY MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

SECTION 10.51.(a) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall in cooperation with area mental health authorities and county programs, identify and eliminate administrative and fiscal barriers created by existing State and local policies and procedures in the delivery of community-based mental health, developmental disabilities, and substance abuse services provided through the area programs and county programs, including services provided through the Comprehensive Treatment Services Program for Children and services delivered to multiply diagnosed adults. The Department shall implement changes in policies and procedures in order to facilitate all of the following:

(1) The provision of services to adults and children as defined in the Mental Health System Reform State Plan as priority or targeted populations.

(2) The provision of services to children not deemed eligible for the Comprehensive Treatment Services Program for Children, but who would otherwise be in need of medically necessary treatment services to prevent out-of-home placement.

(3) The provision of services in the community to adults remaining in and being placed in State institutions addressed in Olmstead v. L.C.

SECTION 10.51.(b) The Department shall rework the revised system of allocating State and federal funds to area mental health authorities and county programs to better reflect projected needs, including the impact of system reform efforts rather than historical allocation practices and spending patterns. The reworked allocation shall include the following:

(1) For each LME, the current allocation by source and age/disability category, and the newly proposed allocation by source and age/disability category;

(2) A clear formula for how the new allocations are derived with a detailed methodology for how the formula was created; and

(3) A plan for moving to the new formula.

The Department shall submit the reworked language to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division not later than October 1, 2007, for review. The Department shall implement the system only after review and approval by the 2007 General Assembly, Regular Session 2008.

SECTION 10.51.(c) Area mental health, developmental disabilities, and substance abuse services authorities and county programs shall use all funds appropriated for and necessary to provide mental health, developmental disabilities, and substance abuse services to meet the need for these services. If excess funds are available after expending appropriated funds to fully meet service needs, one-half of these excess funds shall not revert to the General Fund but shall be transferred to the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs, except that one-half of the funds appropriated for the Comprehensive Treatment Services Program for Children that are unexpended and unencumbered shall not revert to the General Fund but shall be carried forward and used only for services for children and adolescents.

The Department, in consultation with the area mental health authorities and county programs, shall report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Joint Legislative Oversight Committee on Mental

Health, Developmental Disabilities, and Substance Abuse Services on the progress in implementing these changes. The report shall be submitted on October 1, 2007, and February 1, 2008.

SERVICES TO MULTIPLY DIAGNOSED ADULTS

SECTION 10.52.(a) In order to ensure that multiply diagnosed adults are appropriately served by the mental health, developmental disabilities, and substance abuse services system, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall do the following with respect to services provided to these adults:

(1) Implement the following guiding principles for the provision of services:
  a. Service delivery system must be outcome-oriented and evaluation-based.
  b. Services should be delivered as close as possible to the consumer's home.
  c. Services selected should be those that are most efficient in terms of cost and effectiveness.
  d. Services should not be provided solely for the convenience of the provider or the client.
  e. Families and consumers should be involved in decision making throughout treatment planning and delivery.

(2) Provide those treatment services that are medically necessary.

(3) Implement utilization review of services provided.

SECTION 10.52.(b) The Department of Health and Human Services shall implement all of the following cost-reduction strategies:

(1) Preauthorization for all services except emergency services.

(2) Criteria for determining medical necessity.

(3) Clinically appropriate services.

SECTION 10.52.(c) No State funds shall be used for the purchase of single-family or other residential dwellings to house multiply diagnosed adults.

SECTION 10.52.(d) The Department shall report on implementation of this section on May 1, 2008, and again on May 1, 2009, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division.

DEPARTMENTAL FLEXIBILITY IN SCHEDULING THE TRANSFER OF POSITIONS PERTAINING TO THE CLOSURE OF DOROTHEA DIX AND JOHN UMSTEAD HOSPITALS AND THE OPENING OF CENTRAL REGIONAL HOSPITAL

SECTION 10.53.(a) The Department of Health and Human Services may schedule the transfer of positions relating to the closure of Dorothea Dix Hospital and John Umstead Hospital and the opening of Central Regional Hospital in accordance with appropriations and reductions in funding enacted in this act in a manner that is timely and with minimal disruption in services. The Department may not transfer more positions than are authorized in the House of Representatives Appropriations Committee Report on Health and Human Services, referenced in this act, for the closure of Dorothea Dix Hospital and John Umstead Hospital, the opening of Central Regional Hospital, the transfer of Whitaker School and R. J. Blackley ADATC to Central

Regional Hospital, and the transfer of Dorothea Dix Hospital Forensic Unit beds to Broughton Hospital.

SECTION 10.53.(b) Of the funds appropriated in this act to the Department of Health and Human Services for Broughton Hospital, the sum of up to two hundred fifty thousand dollars ($250,000) may be used by Broughton Hospital to purchase a CT Scanner.

INSTITUTE OF MEDICINE TASK FORCE/STUDY OF SUBSTANCE ABUSE SERVICES IN NORTH CAROLINA

SECTION 10.53A.(a) The three hundred thousand dollars ($300,000) appropriated in this act to the Department of Health and Human Services for allocation to the North Carolina Institute of Medicine (NC IOM) shall be used by the IOM to hire new staff, to undertake additional studies annually at the request of the General Assembly, and to support a rapid-response capacity to analyze secondary data sources on health or health-related data to the General Assembly and to State and local government agencies.

SECTION 10.53A.(b) The North Carolina Institute of Medicine shall use a portion of the funds allocated to it in subsection (a) of this section to convene a task force to study substance abuse services in North Carolina. The NC IOM shall provide staff and arrange for meeting facilities for the Task Force.

SECTION 10.53A.(c) The Task Force shall include the following:

(1) Members of the North Carolina Senate and the North Carolina House of Representatives. Senate members shall be appointed by the President Pro Tempore of the Senate. Members of the House of Representatives shall be appointed by the Speaker of the House of Representatives.

(2) Representatives of the North Carolina Department of Health and Human Services, local management entities, the North Carolina Department of Justice, the NC Office of the Attorney General, the North Carolina Community College System, and the North Carolina Department of Public Instruction.

(3) Providers of substance abuse services, academics and researchers with substance abuse expertise, local governmental agencies, business and industry, domestic violence organizations, consumer and family members, and other interested members of the public.

The IOM shall appoint as cochairs of the Task Force one member of the North Carolina House of Representatives, one member of the North Carolina Senate, and one member who provides substance abuse services selected from the Task Force.

SECTION 10.53A.(d) The Task Force shall:

(1) Identify the continuum of services needed for treatment of substance abuse services, including, but not limited to, prevention, outpatient services, residential treatment, and recovery supports. The Task Force shall examine what public and private organizations currently provide services, where services are offered, and gaps in the current service delivery system. The Task Force shall examine services that are available through public and private systems, but shall focus on the availability of substance abuse services through the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and local management entities. The Task Force shall identify which services should be available locally throughout the State, and which services should be offered regionally or statewide.

(2) Identify evidence-based models of care or promising practices in coordination with the NC Practice Improvement Collaborative for the prevention and treatment of substance abuse and develop recommendations to incorporate these models into the current substance abuse service system of care.

(3) Examine different financing options to pay for substance abuse services at the local, regional, and State levels. The Task Force shall also consider different reimbursement methodology, including, but not limited to, fee-for-service, grant funding, case rates, and capitation.

(4) Examine the adequacy of the current and future substance abuse workforce, including, but not limited to, credentialed substance abuse counselors, availability of substance abuse workers throughout the State, and reimbursement levels. The Task Force shall develop a workforce education plan, if needed, to address current or future workforce shortages.

(5) Develop strategies to identify people in need of substance abuse services, including people who are dually diagnosed as having mental health and substance abuse problems. In addition, the Task Force shall examine strategies for providing substance abuse services to people with substance abuse problems identified through the State hospitals, and the judicial and social services systems.

(6) Examine barriers that people with substance abuse problems have in accessing publicly funded substance abuse services and explore possible strategies for improving access.

(7) Examine current outcome measures and identify other appropriate outcome measures to assess the effectiveness of substance abuse services, if necessary.

(8) Examine the economic impact of substance abuse in North Carolina. If data are available, the Task Force shall estimate the impact of substance abuse on the court system, health care system (e.g., through preventable hospitalizations), social services, and worker productivity.

(9) Make recommendations on the implementation of a cost-effective plan for prevention, early screening, diagnosis, and treatment of North Carolinians with substance abuse problems. In so doing, the Task Force shall identify any policy changes needed to implement the plan and develop cost estimates associated with different recommendations. The Task Force shall also examine existing public and private financing options and explore how existing funding could be used more effectively to pay for the recommended services.

SECTION 10.53A.(e) The North Carolina Institute of Medicine's Substance Abuse Services Task Force shall submit its interim report and recommendations to the 2008 General Assembly upon its convening and to the chairs of the Senate Health Committee, the House of Representatives Health Committee, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Governor. The final report shall be submitted no later than the convening of the 2009 General Assembly. Upon submission of this report, the Task Force shall terminate.

DHHS BLOCK GRANTS

SECTION 10.55.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2008, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance (Cash Assistance)	$94,857,234
02.	Work First County Block Grants	94,653,315
03.	Child Protective Services – Child Welfare Workers for Local DSS	14,452,391
04.	Work First – Boys and Girls Clubs	2,000,000
05.	Work First – After-School Services for At-Risk Children	2,249,642
06.	Work First – After-School Programs for At-Risk Youth in Middle Schools	500,000
07.	Work First – Connect, Inc.	550,000
08.	Adoption Services – Special Children's Adoption Fund	3,000,000
09.	Family Violence Prevention	2,200,000

Division of Child Development

10.	Subsidized Child Care Program	48,563,266

DHHS Administration

11.	Division of Social Services	762,626
12.	Office of the Secretary	65,836
13.	Office of the Secretary/DIRM – TANF Automation Projects	592,500
14.	Office of the Secretary/DIRM – NC FAST Implementation	1,800,000

Division of Public Health

15.	Teen Pregnancy Prevention Initiatives	450,000

Transfers to Other Block Grants

Division of Child Development

16.	Transfer to the Child Care and Development Fund	81,292,880

Division of Social Services

17.	Transfer to Social Services Block Grant for Department of Juvenile Justice and Delinquency Prevention – Support Our Students	2,749,642
18.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	2,550,000
19.	Transfer to Social Services Block Grant for Maternity Homes	838,000
20.	Transfer to Social Services Block Grant for Teen Pregnancy Prevention Initiatives	2,500,000
21.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000
22.	Transfer to Social Services Block Grant for Foster Care Services	1,181,907

TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT $362,309,239

SOCIAL SERVICES BLOCK GRANT

Local Program Expenditures

Divisions of Social Services and Aging and Adult Services

01.	County Departments of Social Services (Transfer from TANF – $4,500,000)	$ 28,868,189
02.	State In-Home Services Fund	2,101,113
03.	State Adult Day Care Fund	2,155,301
04.	Child Protective Services/CPS Investigative Services-Child Medical Evaluation Program	238,321
05.	Foster Care Services (Transfer from TANF – $1,181,907)	2,649,662
06.	Foster Care Maintenance Payments	2,636,587

07.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	2,550,000
08.	Maternity Homes (Transfer from TANF)	838,000
Division of Aging and Adult Services		
09.	Home and Community Care Block Grant (HCCBG)	1,834,077
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
10.	Mental Health Services Program	422,003
11.	Developmental Disabilities Services Program	5,000,000
12.	Mental Health Services-Adult and Child/Developmental Disabilities Program/ Substance Abuse Services-Adult	3,234,601
Division of Child Development		
13.	Subsidized Child Care Program	3,195,000
Division of Vocational Rehabilitation		
14.	Vocational Rehabilitation Services – Easter Seal Society/UCP	188,263
Office of the Secretary – Office of Economic Opportunity		
15.	Elderly Supplemental Grant Program	41,302
Division of Public Health		
16.	Teen Pregnancy Prevention Initiatives (Transfer from TANF)	2,500,000

DHHS Program Expenditures

Division of Aging and Adult Services		
17.	UNC-CARES Training Contract	247,920
Division of Services for the Blind		
18.	Independent Living Program	3,480,133

Division of Facility Services		
19.	Adult Care Licensure Program	411,897
20.	Mental Health Licensure and Certification Program	205,668
DHHS Administration		
21.	Division of Aging and Adult Services	658,674
22.	Division of Social Services	869,058
23.	Office of the Secretary/Controller's Office	126,155
24.	Office of the Secretary/DIRM	82,009
25.	Division of Child Development	15,000
26.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	28,860
27.	Division of Facility Services	159,218
28.	Office of the Secretary-NC Inter-Agency Council For Coordinating Homeless Programs	250,000
29.	Office of the Secretary-Housing Coalition	100,000
30.	Office of the Secretary	46,819
Transfers to Other State Agencies		
Department of Administration		
31.	NC Commission of Indian Affairs In-Home Services for the Elderly	203,198
Department of Juvenile Justice and Delinquency Prevention		
32.	Support Our Students (Transfer from TANF)	2,749,642
Transfers to Other Block Grants		
Division of Public Health		
33.	Transfer to Preventive Health Services Block Grant for HIV/STD Prevention and Community Planning	145,819
TOTAL SOCIAL SERVICES BLOCK GRANT		$ 68,232,489

LOW-INCOME ENERGY BLOCK GRANT

Local Program Expenditures

Division of Social Services

01.	Low-Income Energy Assistance Program (LIHEAP)	$ 17,315,919
02.	Crisis Intervention Program (CIP)	12,904,706

Office of the Secretary – Office of Economic Opportunity

03.	Weatherization Program	5,578,702
04.	Heating Air Repair & Replacement Program (HARRP)	2,602,008

Local Administration

Division of Social Services

05.	County DSS Administration	2,215,016

Office of the Secretary – Office of Economic Opportunity

06.	Local Residential Energy Efficiency Service Providers – Weatherization	262,837
07.	Local Residential Energy Efficiency Service Providers – HARRP	122,591

DHHS Administration

08.	Division of Social Services	215,000
09.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	7,389
10.	Office of the Secretary/DIRM	245,395
11.	Office of the Secretary/Controller's Office	11,211
12.	Office of the Secretary/Office of Economic Opportunity – Weatherization	262,837
13.	Office of the Secretary/Office of Economic Opportunity – HARRP	122,591

Transfers to Other State Agencies

14.	Department of Administration – N.C. State Commission of Indian Affairs	59,740

TOTAL LOW-INCOME ENERGY BLOCK GRANT	$ 41,925,942

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

Local Program Expenditures		
Division of Child Development		
01.	Subsidized Child Care Services	$163,231,913
02.	Subsidized Child Care Services (TANF to CCDF)	81,292,880
DHHS Program Expenditures		
Division of Child Development		
03.	Quality and Availability Initiatives	31,463,419
Local Administrations		
Division of Child Development		
04.	Administrative Expenses (Nondirect Subsidy Services Support)	1,849,000
DHHS Administration		
05.	DCD Administrative Expenses	6,028,354
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		$283,865,566

MENTAL HEALTH SERVICES BLOCK GRANT

Local Program Expenditures		
01.	Mental Health Services – Adult	$ 5,654,932
02.	Mental Health Services – Child	3,921,991
03.	Comprehensive Treatment Service Program	1,500,000
Local Administration		
04.	Division of Mental Health	100,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		$ 11,176,923

SUBSTANCE ABUSE PREVENTION
AND TREATMENT BLOCK GRANT

Local Program Expenditures

01.	Substance Abuse Services – Adult	$ 20,287,390
02.	Substance Abuse Treatment Alternative for Women	8,069,524
03.	Substance Abuse – HIV and IV Drug	4,816,378
04.	Substance Abuse Prevention – Child	5,835,701
05.	Substance Abuse Services – Child	4,940,500
06.	Substance Abuse Strengthening Families – Prevention	851,156
Division of Public Health		
07.	Risk Reduction Projects	633,980
08.	Aid-to-Counties	209,576
09.	Maternal Health	37,779
DHHS Administration		
10.	Division of Mental Health	500,000

TOTAL SUBSTANCE ABUSE PREVENTION
AND TREATMENT BLOCK GRANT $ 46,181,984

MATERNAL AND CHILD HEALTH BLOCK GRANT

Local Program Expenditures

Division of Public Health		
01.	Children's Health Services	6,657,275
02.	Family Planning	4,078,338
03.	Maternal Health	3,441,129
04.	Teen Pregnancy Prevention Initiatives	85,710
05.	Oral Health	35,951

DHHS Program Expenditures

Division of Public Health

06.	Children's Health Services	2,444,445
07.	Maternal Health	106,927
08.	State Center for Health Statistics	33,134
09.	Local Technical Assistance & Training	17,318
10.	Injury and Violence Prevention	142,850
11.	Office of Minority Health	37,068
12.	Immunization Program – Vaccine Distribution	310,667

DHHS Administration

13.	Division of Public Health Administration	600,586

TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT $ 17,991,398

PREVENTIVE HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

01.	NC Statewide Health Promotion	$1,755,653
02.	Services to Rape Victims	197,112
03.	HIV/STD Prevention and Community Planning (Transfer from Social Services Block Grant)	145,819

DHHS Program Expenditures

04.	NC Statewide Health Promotion	718,451
05.	Oral Health	70,000

DHHS Administration

06.	Division of Public Health	163,806

TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT $3,070,841

COMMUNITY SERVICES BLOCK GRANT

Local Program Expenditures

Office of Economic Opportunity – Community Services Block Grant	
01. Community Action Agencies	$ 15,071,666
02. Limited Purpose Agencies	823,136
DHHS Administration	
03. Office of Economic Opportunity	823,136
TOTAL COMMUNITY SERVICES BLOCK GRANT	$ 16,717,938

GENERAL PROVISIONS

SECTION 10.55.(b) Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

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

SECTION 10.55.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Department shall not propose funding for new programs or activities not appropriated in this section or increase State administrative expenditures.

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

Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the Department adjusts the allocation of any Block Grant due to changes in federal fund availability, then a report shall be made to the Joint Legislative Commission on

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

SECTION 10.55.(d) All changes to the budgeted allocations to the Block Grants administered by the Department of Health and Human Services that are not specifically addressed in this section shall be approved by the Office of State Budget and Management, and a report shall be submitted to the Joint Legislative Commission on Governmental Operations for review prior to implementing the changes. All changes to the budgeted allocations to the Block Grant shall be reported immediately to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT (TANF)

SECTION 10.55.(e) The sum of seven hundred sixty-two thousand six hundred twenty-six dollars ($762,626) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2007-2008 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 10.55.(f) The sum of two million two hundred thousand dollars ($2,200,000) appropriated under this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2007-2008 fiscal year shall be used to provide domestic violence services to Work First recipients. These funds shall be used to provide domestic violence counseling, support, and other direct services to clients. These funds shall not be used to establish new domestic violence shelters or to facilitate lobbying efforts. The Division of Social Services may use up to seventy-five thousand dollars ($75,000) in TANF funds to support one administrative position within the Division of Social Services to implement this subsection.

Each county department of social services and the local domestic violence shelter program serving the county shall jointly develop a plan for utilizing these funds. The plan shall include the services to be provided and the manner in which the services shall be delivered. The county plan shall be signed by the county social services director or the director's designee and the domestic violence program director or the director's designee and submitted to the Division of Social Services by December 1, 2007. The Division of Social Services, in consultation with the Council for Women, shall review the county plans and shall provide consultation and technical assistance to the departments of social services and local domestic violence shelter programs, if needed.

The Division of Social Services shall allocate these funds to county departments of social services according to the following formula: (i) each county shall receive a base allocation of five thousand dollars ($5,000); and (ii) each county shall receive an allocation of the remaining funds based on the county's proportion of the statewide total of the Work First caseload as of July 1, 2007, and the county's proportion of the statewide total of the individuals receiving domestic violence services from programs funded by the Council for Women as of July 1, 2007. The Division of Social Services may reallocate unspent funds to counties that submit a written request for additional funds.

SECTION 10.55.(g) The sum of two million two hundred forty-nine thousand six hundred forty-two dollars ($2,249,642) appropriated in this section in the

TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2007-2008 fiscal year shall be used to expand after-school programs and services for at-risk children. The Department shall develop and implement a grant program to award grants to community-based programs that demonstrate the ability to reach children at risk of teen pregnancy, school dropout, and gang participation. The Department shall award grants to community-based organizations that demonstrate the ability to develop and implement linkages with local departments of social services, area mental health programs, schools, and other human services programs in order to provide support services and assistance to the child and family. These funds may be used to fund one position within the Division of Social Services to coordinate at-risk after-school programs and shall not be used for other State administration.

SECTION 10.55.(h) The sum of fourteen million four hundred fifty-two thousand three hundred ninety-one dollars ($14,452,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2007-2008 fiscal year for child welfare improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and postadoption services for eligible families.

SECTION 10.55.(i) The sum of three million dollars ($3,000,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Special Children Adoption Fund, for the 2007-2008 fiscal year shall be used in accordance with Section 10.31 of this act. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

SECTION 10.55.(j) The sum of one million eight hundred thousand dollars ($1,800,000) in this section appropriated to the Department of Health and Human Services in the TANF Block Grant for the 2007-2008 fiscal year shall be used to implement N.C. FAST (North Carolina Families Accessing Services through Technology). The N.C. FAST Program involves the entire automation initiative through which families access services and local departments of social services deliver benefits, supervised by the Department of Health and Human Services, Divisions of Social Services, Aging and Adult Services, Medical Assistance, and Child Development. The statewide automated initiative shall be implemented in compliance with federal regulations in order to ensure federal financial participation in the project. The Department of Health and Human Services shall report on its compliance with this subsection to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division no later than January 1, 2008.

SECTION 10.55.(k) The sum of five hundred thousand dollars ($500,000) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2007-2008 fiscal year shall be used to expand after-school programs for at-risk children attending middle school. The Department shall develop and implement a grant program to award funds to community-based programs demonstrating the capacity to reach children at risk of teen pregnancy, school dropout, and gang participation. These funds shall not be used for training or administration at the State level. All funds shall be distributed to community-based programs, focusing on those communities where similar programs do not exist in middle schools.

SECTION 10.55.(l) In implementing the TANF Block Grant, the Department of Health and Human Services shall review policies, programs, and initiatives to ensure that they support men in their role as fathers and strengthen fathers' involvement in their children's lives. The Department shall encourage county departments of social services to ensure their Work First programs emphasize responsible fatherhood and increased participation by noncustodial fathers.

SECTION 10.55.(m) The sum of five hundred fifty thousand dollars ($550,000) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant for the 2007-2008 fiscal year shall be transferred to Connect, Inc. Connect, Inc., shall report on the number of people served and the services received as a result of the receipt of funds. The report shall contain expenditure data, including the amount of funds used for administration and direct training. The report shall also include the number of people who have been employed as a direct result of services provided by Connect, Inc., including the length of employment in the new position. The Department of Health and Human Services shall evaluate the program and ensure that services provided are not duplicative of local employment security commissions in the nine counties served by Connect, Inc. The evaluation report shall be submitted to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division no later than May 1, 2008.

SECTION 10.55.(n) The sum of one million five hundred thousand dollars ($1,500,000) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant for Boys and Girls Clubs for the 2007-2008 fiscal year shall be used to make grants for approved programs. The Department of Health and Human Services, in accordance with federal regulations for the use of TANF Block Grant funds, shall administer a grant program to award funds to the Boys and Girls Clubs across the State in order to implement programs that improve the motivation, performance, and self-esteem of youths and to implement other initiatives that would be expected to reduce gang participation, school dropout, and teen pregnancy rates. The Department shall encourage and facilitate collaboration between the Boys and Girls Clubs and Support Our Students, Communities in Schools, and similar programs to submit joint applications for the funds if appropriate.

SECTION 10.55.(o) The Department of Health and Human Services, Division of Social Services, shall continue implementing county demonstration grants that began in the 2006-2007 fiscal year. The county demonstration grants may be awarded for up to three years with all projects ending no later than the end of fiscal year 2009-2010. The purpose of the county demonstration grants is to identify best practices that can be used by counties to improve the work participation rates. The Division of Social Services is authorized to establish two time-limited positions to manage the grant award process and monitor the demonstration projects through fiscal year 2009-2010.

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

The Department of Health and Human Services, Division of Social Services, shall report on the status of county demonstration grants implemented pursuant to this subsection to the House of Representatives Appropriations Subcommittee on Health and

Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division no later than February 1, 2008.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.55.(p) Social Services Block Grant funds appropriated to the North Carolina Inter-Agency Council for Coordinating Homeless Programs and the North Carolina Housing Coalition are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.55.(q) The sum of two million seven hundred forty-nine thousand six hundred forty-two dollars ($2,749,642) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services and transferred to the Department of Juvenile Justice and Delinquency Prevention for the 2007-2008 fiscal year shall be used to support the existing Support Our Students Program, including gang prevention, and to expand the Program statewide, focusing on low-income communities in unserved areas. These funds shall not be used for administration of the Program.

SECTION 10.55.(r) The sum of two million five hundred fifty thousand dollars ($2,550,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2007-2008 fiscal year shall be used to support various child welfare training projects as follows:

(1) Provide a regional training center in southeastern North Carolina.

(2) Support the Master's Degree in Social Work/Baccalaureate Degree in Social Work Collaborative.

(3) Provide training for residential child caring facilities.

(4) Provide for various other child welfare training initiatives.

SECTION 10.55.(s) The sum of eight hundred thirty-eight thousand dollars ($838,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services for the 2007-2008 fiscal year shall be used to purchase services at maternity homes throughout the State.

SECTION 10.55.(t) The sum of two million six hundred forty-nine thousand six hundred sixty-two dollars ($2,649,662) appropriated in this section in the Social Services Block Grant for child caring agencies for the 2007-2008 fiscal year shall be allocated to the State Private Child Caring Agencies Fund.

SECTION 10.55.(u) The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

SECTION 10.55.(v) Additional emergency contingency funds received may be allocated for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Commission on Governmental Operations. Additional funds received shall be reported to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division upon notification of the award. The Department of Health and Human Services shall not allocate funds for any activities, including increasing administration, other than assistance payments, without prior consultation with the Joint Legislative Commission on Governmental Operations.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.55.(w) The sum of no more than four hundred thousand dollars ($400,000) appropriated in this section to the Department of Health and Human Services in the Child Care and Development Fund Block Grant for the 2007-2008 fiscal year may be used for the operations of the Medical Child Care Pilot.

SECTION 10.55.(x) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 10.55.(y) If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the Department may move funds to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.

MENTAL HEALTH BLOCK GRANT

SECTION 10.55.(z) The sum of one million five hundred thousand dollars ($1,500,000) appropriated in this section in the Mental Health Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2007-2008 fiscal year and the sum of four hundred twenty-two thousand three dollars ($422,003) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2007-2008 fiscal year shall be used to continue a Comprehensive Treatment Services Program for Children in accordance with Section 10.10 of this act.

SECTION 10.55.(aa) The Department of Health and Human Services shall contract with the University of North Carolina at Chapel Hill for the purpose of providing psychology student stipends in the amount of fifty thousand dollars ($50,000) for the 2007-2008 fiscal year. Twenty-five thousand dollars ($25,000) of this contract shall be paid from the Mental Health Block Grant.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.55.(bb) If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2007-2008 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to establish an Abstinence Until Marriage Education Program and shall delegate to one or more persons the responsibility of implementing the program and G.S. 115C-81(e1)(4). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 10.55.(cc) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

SALE OF TIMBER

SECTION 11.1. G.S. 143-64.05(a) reads as rewritten:

"(a) The State agency for surplus property may assess and collect a service charge for the acquisition, receipt, warehousing, distribution, or transfer of any State surplus property and for the transfer or sale of recyclable material. The service charge authorized by this subsection does not apply to the transfer or sale of timber on land owned by the Wildlife Resources ~~Commission.~~ Commission or the Department of Agriculture and Consumer Services."

PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

COMMERCIAL AND NONCOMMERCIAL LEAKING PETROLEUM UNDERGROUND STORAGE TANK PROGRAM ADMINISTRATIVE COSTS

SECTION 12.1.(a) G.S. 143-215.94B is amended by adding a new subsection to read:

"(g) The Commercial Fund may be used to support the administrative functions of the program for underground storage tanks under this Part and Part 2B of this Article up to the amounts allowed by law, which amounts may be changed from time to time. In the case of a legislated increase or decrease in salaries and benefits, the administrative allowance existing at the time of the increase or decrease shall be correspondingly increased or decreased an amount equal to the legislated increase or decrease in salaries and benefits."

SECTION 12.1.(b) G.S. 143-215.94D is amended by adding a new subsection to read:

"(g) The Noncommercial Fund may be used to support the administrative functions of the program for underground storage tanks under this Part and Part 2B of this Article up to the amounts allowed by law, which amounts may be changed from time to time. In the case of a legislated increase or decrease in salaries and benefits, the administrative allowance existing at the time of the increase or decrease shall be correspondingly increased or decreased an amount equal to the legislated increase or decrease in salaries and benefits."

BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND

SECTION 12.2.(a) G.S. 87-98 reads as rewritten:

"**§ 87-98. Bernard Allen Memorial Emergency Drinking Water Fund.**

(a) The Bernard Allen Memorial Emergency Drinking Water Fund is established ~~within~~ under the control and direction of the Department. The Fund shall be a nonreverting, interest-bearing fund consisting of monies appropriated by the General Assembly or made available to the Fund from any other source and investment interest credited to the Fund.

(b) The Fund may be used to pay for notification, to the extent practicable, of persons aged 18 and older who reside in any dwelling unit, and the senior official in charge of any business, at which drinking water is supplied from a private drinking water well or improved spring that is located within 1,500 feet of, and at risk from, known groundwater contamination. The senior official in charge of the business shall take reasonable measures to notify all employees of the business of the groundwater contamination, including posting a notice of the contamination in a form and at a location that is readily accessible to the employees of the business. The ~~funds~~ Fund may also be used to ~~cover~~ pay the costs of testing by the Department of private drinking water wells and improved springs for suspected contamination up to once every three years upon request by a person who uses the well ~~for contamination~~ and for the temporary or permanent provision of alternative drinking water supplies to persons whose drinking water well or improved spring is contaminated.

(c) The Department shall disburse monies from the Fund based on financial need and on the risk to public health posed by groundwater contamination and shall give priority to the provision of services under this section to instances when an alternative source of funds is not available. The ~~funds~~ Fund shall not be used for remediation of groundwater contamination. Nothing in this section expands, contracts, or modifies the obligation of responsible parties under Article 9 or 10 of Chapter 130A of the General Statutes, this Article, or Article 21A of this Chapter to assess contamination, identify receptors, or remediate groundwater or soil contamination. The Fund shall not be used to provide alternative water supply to households with incomes greater than two hundred percent (200%) of the current poverty level. The Fund shall not be used to provide alternative drinking water supplies unless the concentration of one or more contaminants in the private drinking water well or improved spring exceeds the Maximum Contaminant Level, or the federal drinking water action level as defined in 40 Code of Federal Regulations § 141.1 through § 141.571 (1 July 2006) and 40 Code of Federal Regulations § 143.3 (1 July 2006). The Fund shall not be used to provide temporary water supplies in any calendar quarter until all needs for permanent replacement water supplies that have been identified in that calendar quarter have been met through hookups to public water supplies, repair, or replacement of contaminated wells. In disbursing monies from the Fund, preference shall be given to providing permanent replacement water supplies by connection to public water supplies and repair or replacement of contaminated wells over the provision of temporary water supplies.

(d) The Department shall establish criteria by which the Department is to evaluate applications and disburse ~~funds~~ monies from this Fund and may adopt any rules necessary to implement this section.

(e) The Department, in consultation with the Commission for Health Services and local health departments, shall report no later than 1 October of each year to the Environmental Review Commission, the House of Representatives and Senate Appropriations Subcommittees on Natural and Economic Resources, and the Fiscal Research Division of the General Assembly on the implementation of this section. The report shall include the purpose and amount of all expenditures from the Fund during the prior fiscal year, a discussion of the benefits and deficiencies realized as a result of the section, and may also include recommendations for any legislative action."

SECTION 12.2.(b) The first report required by G.S. 87-98(e), as enacted by subsection (a) of this section, shall be submitted on or before 1 October 2008.

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 three hundred eighty-one thousand three hundred forty dollars ($3,381,340) for the 2007-2008 fiscal year and the sum of three million three hundred eighty-one thousand three hundred forty dollars ($3,381,340) for the 2008-2009 fiscal year is allocated as grants-in-aid for each fiscal year as follows:

	2007-2008	2008-2009
Aurora Fossil Museum	$59,057	$59,057
Cape Fear Museum	$161,007	$161,007
Carolina Raptor Center	$112,174	$112,174
Catawba Science Center	$146,356	$146,356
Colburn Earth Science Museum, Inc.	$74,545	$74,545
Core Sound Waterfowl Museum	$50,000	$50,000
Discovery Place	$662,865	$662,865
Eastern NC Regional Science Center	$50,000	$50,000
Fascinate-U	$81,072	$81,072
Granville County Museum Commission, Inc.–Harris Gallery	$56,422	$56,422
Greensboro Children's Museum	$135,076	$135,076
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	$155,611	$155,611
Highlands Nature Center	$79,268	$79,268
Imagination Station	$86,034	$86,034
The Iredell Museums, Inc.	$61,306	$61,306
Kidsenses	$81,282	$81,282
Museum of Coastal Carolina	$78,020	$78,020
The Natural Science Center of Greensboro, Inc.	$186,354	$186,354
North Carolina Museum of Life and Science	$379,826	$379,826
Port Discover: Northeastern North Carolina's Center for Hands-On Science, Inc.	$50,000	$50,000
Rocky Mount Children's Museum	$72,254	$72,254
Schiele Museum of Natural History and Planetarium, Inc.	$229,547	$229,547
Sci Works Science Center and Environmental Park of Forsyth County	$146,499	$146,499
Western North Carolina Nature Center	$112,879	$112,879
Wilmington Children's Museum	$73,886	$73,886
Total	$3,381,340	$3,381,340

SECTION 12.5.(b) No later than March 1, 2008, the Department of Environment and Natural Resources shall report to the Fiscal Research Division all of the following information for each museum that receives funds under this section:

(1) The operating budget for the 2006-2007 fiscal year.
(2) The operating budget for the 2007-2008 fiscal year.
(3) The total attendance at the museum during the 2007 calendar year.

SECTION 12.5.(c) No later than March 1, 2009, the Department of Environment and Natural Resources shall report to the Fiscal Research Division all of the following information for each museum that receives funds under this section:

(1) The operating budget for the 2007-2008 fiscal year.
(2) The operating budget for the 2008-2009 fiscal year.
(3) The total attendance at the museum during the 2008 calendar year.

SECTION 12.5.(d) As a condition for qualifying to receive funding under this section, all of the following documentation shall be submitted for each museum under this section to the Department of Environment and Natural Resources for fiscal years ending between July 1, 2005, and June 30, 2006, and only those costs that are properly documented under this subsection are allowed by the Department in calculating the distribution of funds under this section:

(1) Each museum under this section shall submit its IRS (Internal Revenue Service) Form 990 to show its annual operating expenses, its annual report, and a reconciliation that explains any differences between expenses as shown on the IRS Form 990 and the annual report.
(2) Each friends association of a museum under this section shall submit its IRS Form 990 to show its reported expenses for the museum, its annual report, and a reconciliation that explains any differences between expenses as shown on the IRS Form 990 and the annual report, unless the association does not have both an IRS Form 990 and an annual report available, in which case, it shall submit either an IRS Form 990 or an annual report.
(3) The chief financial officer of each county or municipal government that provides funds for the benefit of the museum shall submit a detailed signed statement of documented costs spent for the benefit of the museum that includes documentation of the name, address, title, and telephone number of the person making the assertion that the museum receives funds from the county or municipality for the benefit of the museum.
(4) The chief financial officer of each county or municipal government or each friends association that provides indirect or allocable costs that are not directly charged to a museum under this section but that benefit the museum shall submit in the form of a detailed statement enumerating each cost by type and amount that is verified by the financial officer responsible for the completion of the documentation and that includes the name, address, title, and telephone number of the person making the assertion that the county, municipality, or association provides indirect or allocable costs to the museum.

SECTION 12.5.(e) As used in subsection (d) of this section, "friends association" means a nonprofit corporation established for the purpose of supporting and assisting a museum that receives funding under this section.

SECTION 12.5.(f) The Fiscal Research Division shall study the current formula used to calculate the allocations for members of the Grassroots collaborative and shall report no later than January 15, 2008, its findings and any recommendations for revising this formula to be used for the 2008-2009 fiscal year to the Appropriations Subcommittees on Natural and Economic Resources in both the Senate and the House of Representatives.

RETAIN EARNINGS OF PARKS AND RECREATION TRUST FUND

SECTION 12.8. G.S. 113-44.15(a) reads as rewritten:

"(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the State Treasurer's Office. The Trust Fund shall be a nonreverting special revenue fund consisting of gifts and grants to the Trust Fund, monies credited to the Trust Fund pursuant to G.S. 105-228.30(b), and other monies appropriated to the Trust Fund by the General Assembly. Investment earnings credited to the assets of the Fund shall become part of the Fund."

PART XIII. DEPARTMENT OF COMMERCE

ONE NORTH CAROLINA FUND

SECTION 13.1. Of the funds appropriated in this act to the One North Carolina Fund, the Department of Commerce may use up to three hundred thousand dollars ($300,000) to cover its expenses in administering the One North Carolina Fund and other economic development incentive grant programs in the 2007-2008 fiscal year.

NC GREEN BUSINESS FUND

SECTION 13.2.(a) Article 10 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 2B. NC Green Business Fund.

"**§ 143B-437.4. NC Green Business Fund established as a special revenue fund.**

(a) Establishment. – The NC Green Business Fund is established as a special revenue fund in the Department of Commerce, and the Department shall be responsible for administering the Fund.

(b) Purposes. – Moneys in the NC Green Business Fund shall be allocated pursuant to this subsection. The Department of Commerce shall make grants from the Fund to private businesses with less than 100 employees, nonprofit organizations, local governments, and State agencies to encourage the expansion of small to medium size businesses with less than 100 employees to help grow a green economy in the State. Moneys in the NC Green Business Fund shall be used for projects that will focus on the following three priority areas:

(1) To encourage the development of the biofuels industry in the State. The Department of Commerce may make grants available to maximize development, production, distribution, retail infrastructure, and consumer purchase of biofuels in North Carolina, including grants to enhance biofuels workforce development.

(2) To encourage the development of the green building industry in the State. The Department of Commerce may make grants available to assist in the development and growth of a market for environmentally conscious and energy efficient green building processes. Grants may support the installation, certification, or distribution of green building materials; energy audits; and marketing and sales of green building technology in North Carolina, including grants to enhance workforce development for green building processes.

(3) To attract and leverage private-sector investments and entrepreneurial growth in environmentally conscious clean technology and renewable energy products and businesses, including grants to enhance workforce development in such businesses.

"**§ 143B-437.5. Green Business Fund Advisory Committee.**

The Department of Commerce may establish an advisory committee to assist in the development of the specific selection criteria and the grant-making process of the NC Green Business Fund.

"**§ 143B-437.6. Agreements required.**

Funds may be disbursed from the NC Green Business Fund only in accordance with agreements entered into between the Department of Commerce and an eligible grantee. Each agreement must contain the following provisions:

(1) A description of the acceptable uses of grant proceeds. The agreement may limit the use of funds to specific purposes or may allow the funds to be used for any lawful purposes.

(2) A provision allowing the Department of Commerce to inspect all records of the business that may be used to confirm compliance with the agreement or with the requirements of this Part.

(3) A provision establishing the method for determining compliance with the agreement.

(4) A provision establishing a schedule for disbursement of funds under the agreement.

(5) A provision requiring recapture of grant funds if a grantee subsequently fails to comply with the terms of the agreement.

(6) Any other provision the State finds necessary to ensure the proper use of State funds.

"**§ 143B-437.7. Program guidelines.**

The Department of Commerce shall develop guidelines related to the administration of the NC Green Business Fund and to the selection of projects to receive allocations from the Fund, including project evaluation measures. At least 20 days before the effective date of any guidelines or nontechnical amendments to guidelines, the Department of Commerce must publish the proposed guidelines on the Department's Web site and provide notice to persons who have requested notice of proposed guidelines. In addition, the Department must accept oral and written comments on the proposed guidelines during the 15 business days beginning on the first day that the Department has completed these notifications. For the purpose of this section, a technical amendment is either of the following:

(1) An amendment that corrects a spelling or grammatical error.

(2) An amendment that makes a clarification based on public comment and could have been anticipated by the public notice that immediately preceded the public comment.

"**§ 143B-437.8. Reports.**

Grants made to non-State entities through the NC Green Business Fund shall be subject to the oversight and reporting requirements of G.S. 143C-6-23. The Department of Commerce shall publish a report on the commitment, disbursement, and use of funds allocated from the NC Green Business Fund at the end of each fiscal year. The report is due no later than September 1 and must be submitted to the following:

(1) The Joint Legislative Commission on Governmental Operations.

(2) The chairs of the House of Representatives and Senate Finance Committees.

(3) The chairs of the House of Representatives and Senate Appropriations Committees.

(4) The Fiscal Research Division of the General Assembly.

"**§§ 143B-437.9 through 143B-437.11: Reserved for future codification purposes.**"

SECTION 13.2.(b) G.S. 147-68(d1) reads as rewritten:

"(d1) The Treasurer shall report to the Joint Legislative Commission on Governmental Operations, ~~to the Chairman, Appropriations Base Budget Committee and the Chairman, Appropriations Expansion Budget Committee of the House of Representatives, and to the Chairman, Committee on Appropriations and the Chairman,~~

~~Committee on Base Budget of the Senate~~the chairs of the House of Representatives and Senate Appropriations Committees, the chairs of the House of Representatives and Senate Finance Committees, and the Fiscal Research Division of the General Assembly, on a quarterly basis, concerning all investments and deposits made by and through his office. The report shall include a listing of all investments with or on behalf of the State or any of its agencies or institutions and shall include the particular agency or institution, fund, rate of return, duration of the investment, and the amount of deposit on all noninterest bearing accounts. The first report is due 90 days after July 1, 1982, and shall include all investments and deposits made during the 1981-82 fiscal year and all investments made during the first quarter of the 1982-83 fiscal year; thereafter, reports shall be made on a quarterly basis including all investments and deposits made during that reporting period. The report shall include a specific listing of all investments made with certified green managers and companies and funds that support sustainable practices, including the names of the companies, managers, and funds, the amount invested, and the State's return on investment."

SECTION 13.2.(c) G.S. 150B-1(d) is amended by adding the following new subdivision to read:

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

…

(17) The Department of Commerce in developing guidelines for the NC Green Business Fund under Part 2B of Article 10 of Chapter 143B of the General Statutes."

SECTION 13.2.(d) Of the funds appropriated in this act to the NC Green Business Fund, the Department of Commerce may use up to fifty thousand dollars ($50,000), if necessary, to cover the Department's expenses in administering the NC Green Business Fund.

EXECUTIVE AIRCRAFT/USES

SECTION 13.3. Part 2 of Article 10 of Chapter 143B is amended by adding a new section to read:

"**§ 143B-437.011. Executive aircraft used for economic development; other uses.**

The use of executive aircraft by the Department of Commerce for economic development purposes shall take precedence over all other uses. The Department of Commerce shall annually review the rates charged for the use of executive aircraft and shall adjust the rates, as necessary, to account for upgraded aircraft and inflationary increases in operating costs, including jet fuel prices. If an executive aircraft is not being used for economic development purposes, priority of use shall be given first to the Governor, second to the Council of State, and third to other State officials traveling on State business. If an executive aircraft is used to attend athletic events or for any other purpose related to collegiate athletics, the rate charged shall be equal to the direct cost of operating the aircraft as established by the aircraft's manufacturer, adjusted for inflation."

WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS

SECTION 13.3A.(a) Funds appropriated to the Department of Commerce for the 2006-2007 fiscal year for the Wanchese Seafood Industrial Park that are unexpended and unencumbered as of June 30, 2007, shall not revert to the General Fund on June 30, 2007, but shall remain available to the Department to be expended by the Wanchese Seafood Industrial Park for operations, maintenance, repair, and capital improvements in accordance with Article 23C of Chapter 113 of the General Statutes.

These funds shall be in addition to funds available to the North Carolina Seafood Industrial Park Authority for operations, maintenance, repair, and capital improvements under Article 23C of Chapter 113 of the General Statutes.

SECTION 13.3A.(b) Funds appropriated to the Department of Commerce for the 2006-2007 fiscal year for the Oregon Inlet Project that are unexpended and unencumbered as of June 30, 2007, shall not revert to the General Fund on June 30, 2007, but shall remain available to the Department to be expended by the Wanchese Seafood Industrial Park for securing adequate channel maintenance of the Oregon Inlet and for operations, maintenance, repair, and capital improvements in accordance with Article 23C of Chapter 113 of the General Statutes. These funds shall be in addition to funds available to the North Carolina Seafood Industrial Park Authority for operations, maintenance, repair, and capital improvements under Article 23C of Chapter 113 of the General Statutes.

SECTION 13.3A.(c) This section becomes effective June 30, 2007.

EMPLOYMENT SECURITY COMMISSION FUNDS

SECTION 13.4.(a) Funds from the Employment Security Commission Reserve Fund shall be available to the Employment Security Commission of North Carolina to use as collateral to secure federal funds and to pay the administrative costs associated with the collection of the Employment Security Commission Reserve Fund surcharge. The total administrative costs paid with funds from the Reserve in the 2007-2008 fiscal year shall not exceed two million five hundred thousand dollars ($2,500,000).

SECTION 13.4.(b) There is appropriated from the Employment Security Commission Reserve Fund to the Employment Security Commission of North Carolina the sum of seven million three hundred thousand dollars ($7,300,000) for the 2007-2008 fiscal year to be used for the following purposes:

(1) Seven million dollars ($7,000,000) for the operation and support of local offices.

(2) Two hundred thousand dollars ($200,000) for the State Occupational Information Coordinating Committee to develop and operate an interagency system to track former participants in State education and training programs.

(3) One hundred thousand dollars ($100,000) to maintain compliance with Chapter 96 of the General Statutes, which directs the Commission to employ the Common Follow-Up Management Information System to evaluate the effectiveness of the State's job training, education, and placement programs.

SECTION 13.4.(c) There is appropriated from the Employment Security Commission Reserve Fund to the Employment Security Commission of North Carolina an amount not to exceed two million five hundred thousand dollars ($2,500,000) for the 2007-2008 fiscal year to fund State initiatives not currently funded through federal grants.

SECTION 13.4.(d) There is appropriated from the Employment Security Commission Reserve Fund to the Employment Security Commission of North Carolina an amount not to exceed three hundred fifty thousand dollars ($350,000) for the 2007-2008 fiscal year to allow the Commission to continue to work with Connect, Inc., to provide dislocated workers with assistance in obtaining health care benefits, receiving vocational training, and securing employment.

SECTION 13.4.(e) This section becomes effective July 1, 2007.

INDUSTRIAL COMMISSION STRATEGIC PLAN/REPORT

SECTION 13.4A.(a) G.S. 97-78 is amended by adding two new subsections to read:

"(f) No later than September 1, 2007, the Commission shall prepare and implement a strategic plan for accomplishing all of the following:

(1) Tracking compliance with the provisions of G.S. 97-18(b), (c), and (d), and establishing a procedure to enforce compliance with the requirements of these subsections.

(2) Expeditiously resolving requests for, or disputes involving, medical compensation under G.S. 97-25, including selection of a physician, change of physician, the specific treatment involved, and the provider of such treatment.

(g) The Commission shall demonstrate its success in implementing its strategic plan under subsection (f) of this section by including all of the following in its annual report under subsection (e) of this section:

(1) The total number of claims made during the preceding calendar year, the total number of claims in which compliance was not timely made, and, for each claim, the date the claim was filed, the date by which compliance was required, the date of actual compliance, and any sanctions or other remedial action imposed by the Commission.

(2) The total number of requests for, and disputes involving, medical compensation under G.S. 97-25 in which final disposition was not made within 45 days of the filing of the motion with the Commission, and, for each such request or dispute, the date the motion or other initial pleading was filed, the date on which final disposition was made and, where reasonably ascertainable, the date on which any ordered medical treatment was actually provided."

SECTION 13.4A.(b) G.S. 97-78(e) reads as rewritten:

"(e) ~~The~~ No later than March 1 of each year, the Commission shall publish annually for free distribution a report of the administration of this Article, together with such recommendations as the Commission deems advisable. No later than March 1 of each year, the Commission shall submit this report to the Joint Legislative Commission on Governmental Operations."

COUNCIL OF GOVERNMENT FUNDS

SECTION 13.6.(a) Of the funds appropriated in this act to the Department of Commerce, seven hundred ninety thousand five hundred fifty-one dollars ($790,551) for the 2007-2008 fiscal year shall only be used as provided by this section. Each regional council of government or lead regional organization is allocated up to forty-six thousand five hundred three dollars ($46,503) for the 2007-2008 fiscal year.

SECTION 13.6.(b) A regional council of government may use funds appropriated by this section only to assist local governments in grant applications, economic development, community development, support of local industrial development activities, and other activities as deemed appropriate by the member governments.

SECTION 13.6.(c) Funds appropriated by this section shall be paid by electronic transfer in two equal installments, the first no later than September 1, 2007, and the second subsequent to acceptable submission of the annual report due to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by January 15, 2008, as specified in subdivision (e)(1) of this section.

SECTION 13.6.(d) Funds appropriated by this section shall not be used for payment of dues or assessments by the member governments and shall not supplant funds appropriated by the member governments.

SECTION 13.6.(e) Each council of government or lead regional organization shall do the following:

(1) By January 15, 2008, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
  a. State fiscal year 2006-2007 program activities, objectives, and accomplishments;
  b. State fiscal year 2006-2007 itemized expenditures and fund sources;
  c. State fiscal year 2007-2008 planned activities, objectives, and accomplishments, including actual results through December 31, 2007; and
  d. State fiscal year 2007-2008 estimated itemized expenditures and fund sources, including actual expenditures and fund sources, through December 31, 2007.

(2) By January 15, 2009, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
  a. State fiscal year 2007-2008 program activities, objectives, and accomplishments;
  b. State fiscal year 2007-2008 itemized expenditures and fund sources;
  c. State fiscal year 2008-2009 planned activities, objectives, and accomplishments, including actual results through December 31, 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.

REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS

SECTION 13.7.(a) Funds appropriated in this act to the Department of Commerce for regional economic development commissions shall be allocated to the following commissions in accordance with subsection (b) of this section: Western North Carolina Regional Economic Development Commission, Research Triangle Regional Commission, Southeastern North Carolina Regional Economic Development Commission, Piedmont Triad Partnership, Northeastern North Carolina Regional Economic Development Commission, North Carolina's Eastern Region Economic Development Partnership, and Carolinas Partnership, Inc.

SECTION 13.7.(b) Funds appropriated pursuant to subsection (a) of this section shall be allocated to each regional economic development commission as follows:

(1) First, the Department shall establish each commission's allocation by determining the sum of allocations to each county that is a member of that commission. Each county's allocation shall be determined by dividing the county's development factor by the sum of the

development factors for eligible counties and multiplying the resulting percentage by the amount of the appropriation. As used in this subdivision, the term "development factor" means a county's development factor as calculated under G.S. 143B-437.08; and

(2) Next, the Department shall subtract from funds allocated to the North Carolina's Eastern Region Economic Development Partnership the sum of three hundred thirty thousand seven hundred fifty dollars ($330,750) in the 2007-2008 fiscal year, which sum represents: (i) the total interest earnings in the prior fiscal year on the estimated balance of seven million five hundred thousand dollars ($7,500,000) appropriated to the Global TransPark Development Zone in Section 6 of Chapter 561 of the 1993 Session Laws; and (ii) the total interest earnings in the prior fiscal year on loans made from the seven million five hundred thousand dollars ($7,500,000) appropriated to the Global TransPark Development Zone in Section 6 of Chapter 561 of the 1993 Session Laws; and

(3) Next, the Department shall redistribute the sum of three hundred thirty thousand seven hundred fifty dollars ($330,750) in the 2007-2008 fiscal year to the seven regional economic development commissions named in subsection (a) of this section. Each commission's share of this redistribution shall be determined according to the development factor formula set out in subdivision (1) of this subsection. This redistribution shall be in addition to each commission's allocation determined under subdivision (1) of this subsection.

SECTION 13.7.(c) Each regional economic development commission may use up to fifty percent (50%) of the funds allocated in this section for administrative purposes, including personal services; purchased services; supplies, except marketing brochures or other advertising related supplies; and equipment. The remaining fifty percent (50%) of the funds allocated in this section shall be used only for expenditures related to the following: (i) marketing efforts that are aligned with the State's overall economic development and marketing strategies; (ii) economic development grants to counties and municipalities that are located within the region served by the commission; and (iii) activities directly related to the implementation of the commission's vision plan.

SECTION 13.7.(d) No later than September 1, 2007, the Department of Commerce shall submit a report in writing on the implementation of the provisions of G.S. 158-8.6 to the chairs of the House of Representatives and Senate Appropriations Subcommittees on Natural and Economic Resources, the Office of State Budget and Management, and the Fiscal Research Division. The Department shall include in the report a detailed plan to address any impediments to the development of uniform standards for the commissions.

SECTION 13.7.(e) G.S. 158-8.5 reads as rewritten:

"**§ 158-8.5. Annual reporting requirement.**

By February 15 of each year, the commissions created pursuant to G.S. 158-8.1, 158-8.2, 158-8.3, and 158-33 shall publish a report containing the information required by this section. As a condition on the receipt of State funds, the Charlotte Regional Partnership, Inc., the Piedmont Triad Regional Partnership, and the Research Triangle Regional Partnership shall, by February 15 of each year, publish a report containing the information required by this section. The commissions and partnerships shall also submit a copy of the report to the Department of Commerce, the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, the

Joint Legislative Economic Development Oversight Committee, and the Fiscal Research Division of the General Assembly. The report shall include all of the following:

(1) A summary of the preceding year's program activities, objectives, and accomplishments.

(2) The preceding fiscal year's itemized expenditures ~~of State funds.~~and fund sources. Itemized expenditures shall be reported separately for each fund source.

(3) A demonstration of how the commission's or partnership's regional economic development and marketing strategy aligns with the State's overall economic development and marketing strategies.

(4) A demonstration of how the commission's or partnership's involvement in promotion activities has generated leads.

(5) The most recent audited annual financial statement regarding State funds.

(6) A demonstration of the commission's efforts to obtain funds from local, private, and federal sources."

BIOTECHNOLOGY CENTER

SECTION 13.10.(a) The North Carolina Biotechnology Center shall recapture funds spent in support of successful research and development efforts in the for-profit private sector.

SECTION 13.10.(b) The North Carolina Biotechnology Center shall provide funding for biotechnology, biomedical, and related bioscience applications under its Business and Science Technology Programs.

SECTION 13.10.(c) The North Carolina Biotechnology Center shall:

(1) By January 15, 2008, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

a. State fiscal year 2006-2007 program activities, objectives, and accomplishments;

b. State fiscal year 2006-2007 itemized expenditures and fund sources;

c. State fiscal year 2007-2008 planned activities, objectives, and accomplishments, including actual results through December 31, 2007; and

d. State fiscal year 2007-2008 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2007.

(2) By January 15, 2009, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

a. State fiscal year 2007-2008 program activities, objectives, and accomplishments;

b. State fiscal year 2007-2008 itemized expenditures and fund sources;

c. State fiscal year 2008-2009 planned activities, objectives, and accomplishments, including actual results through December 31, 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 13.10.(d) The North Carolina Biotechnology Center shall provide a report containing detailed budget, personnel, and salary information to the Office of State Budget and Management and to the Fiscal Research Division in the same manner as State departments and agencies in preparation for biennium budget requests.

NONPROFIT REPORTING REQUIREMENTS

SECTION 13.11.(a) The N.C. Institute for Minority Economic Development, Inc., Land Loss Prevention Project, North Carolina Minority Support Center, North Carolina Community Development Initiative, Inc., North Carolina Association of Community Development Corporations, Inc., Coalition of Farm and Rural Families, and Partnership for the Sounds, Inc., shall do the following:

(1) By January 15, 2008, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

a. State fiscal year 2006-2007 program activities, objectives, and accomplishments;

b. State fiscal year 2006-2007 itemized expenditures and fund sources;

c. State fiscal year 2007-2008 planned activities, objectives, and accomplishments including actual results through December 31, 2007; and

d. State fiscal year 2007-2008 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2007.

(2) By January 15, 2009, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

a. State fiscal year 2007-2008 program activities, objectives, and accomplishments;

b. State fiscal year 2007-2008 itemized expenditures and fund sources;

c. State fiscal year 2008-2009 planned activities, objectives, and accomplishments including actual results through December 31, 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.

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

(5) Whose primary function is to act as deal maker and packager of projects and activities that will increase their constituencies' opportunities to become owners, managers, and producers of small businesses, affordable housing, and jobs designed to produce positive cash flow and curb blight in the targeted community.

SECTION 13.12.(d) Of the funds appropriated in this act to the Rural Economic Development Center, Inc., the sum of two million four hundred fifteen thousand nine hundred ten dollars ($2,415,910) for the 2007-2008 fiscal year and the sum of two million four hundred fifteen thousand nine hundred ten dollars ($2,415,910) for the 2008-2009 fiscal year shall be allocated as follows:

(1) $1,047,410 in each fiscal year for community development grants to support development projects and activities within the State's minority communities. Any new or previously funded community development corporation as defined in this section is eligible to apply for funds. The Rural Economic Development Center, Inc., shall establish performance-based criteria for determining which community development corporation will receive a grant and the grant amount.

The Rural Economic Development Center, Inc., shall allocate these funds as follows:

a. $997,410 for direct grants to local community development corporations to support operations and project activities.

b. $50,000 in each fiscal year to the Rural Economic Development Center, Inc., to be used to cover expenses in administering this section.

(2) $195,000 in each fiscal year to the Microenterprise Loan Program to support the loan fund and operations of the Program; and

(3) $983,000 in each fiscal year shall be used for a program to provide supplemental funding for matching requirements for projects and activities authorized under this subsection. The Center shall allocate these funds as follows:

a. $675,000 in each fiscal year to make grants to local governments and nonprofit corporations to provide funds necessary to match federal grants or other grants for:

1. Necessary economic development projects and activities in economically distressed areas;

2. Necessary water and sewer projects and activities in economically distressed communities to address health or environmental quality problems except that funds shall not be expended for the repair or replacement of low-pressure-pipe wastewater systems. If a grant is awarded under this sub-subdivision, then the grant shall be matched on a dollar-for-dollar basis in the amount of the grant awarded; or

3. Projects that demonstrate alternative water and waste management processes for local governments. Special consideration should be given to cost-effectiveness, efficacy, management efficiency, and the ability of the demonstration project to be replicated.

b. $208,000 in each fiscal year to make grants to local governments and nonprofit corporations to provide funds necessary to match federal grants or other grants related to water, sewer, or business development projects.

c. $100,000 in each fiscal year to support the update of the statewide water and sewer database and to support the development of a statewide water management plan.

(4) $190,500 in each fiscal year for the Agricultural Advancement Consortium. These funds shall be placed in a reserve and allocated as follows:

a. $75,000 in each fiscal year for operating expenses associated with the Consortium; and

b. $115,500 in each fiscal year for research initiatives funded by the Consortium.

The Consortium shall facilitate discussions among interested parties and shall develop recommendations to improve the State's economic development through farming and agricultural interests.

The grant recipients in this subsection shall be selected on the basis of need.

SECTION 13.12.(e) The Rural Economic Development Center, Inc., shall:

(1) By January 15, 2008, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

a. State fiscal year 2006-2007 program activities, objectives, and accomplishments;

b. State fiscal year 2006-2007 itemized expenditures and fund sources;

c. State fiscal year 2007-2008 planned activities, objectives, and accomplishments, including actual results through December 31, 2007; and

d. State fiscal year 2007-2008 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2007.

(2) By January 15, 2009, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

a. State fiscal year 2007-2008 program activities, objectives, and accomplishments;

b. State fiscal year 2007-2008 itemized expenditures and fund sources;

c. State fiscal year 2008-2009 planned activities, objectives, and accomplishments, including actual results through December 31, 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 each grant recipient's annual audited financial statement within 30 days of issuance of the statement.

SECTION 13.12.(f) No funds appropriated in this act shall be released to a community development corporation, as defined in this section, unless the corporation can demonstrate that there are no outstanding or proposed assessments or other collection actions against the corporation for any State or federal taxes, including related penalties, interest, and fees.

RURAL ECONOMIC DEVELOPMENT CENTER/INFRASTRUCTURE PROGRAM

SECTION 13.13.(a) Of the funds appropriated in this act to the Rural Economic Development Center, Inc., the sum of nineteen million five hundred thousand dollars ($19,500,000) for the 2007-2008 fiscal year and the sum of nineteen million five hundred thousand dollars ($19,500,000) for the 2008-2009 fiscal year shall be allocated as follows:

(1) To continue the North Carolina Infrastructure Program. The purpose of the Program is to provide grants to local governments to construct critical water and wastewater facilities and to provide other infrastructure needs, including technology needs, to sites where these facilities will generate private job-creating investment. At least fifteen million dollars ($15,000,000) of the funds appropriated in this act for each year of the biennium must be used to provide grants under this Program.

(2) To provide matching grants to local governments in distressed areas and equity investments in public-private ventures that will productively reuse vacant buildings and properties, with priority given to towns or communities with populations of less than 5,000.

(3) To provide economic development research and demonstration grants.

SECTION 13.13.(b) The Rural Economic Development Center, Inc., may contract with other State agencies, constituent institutions of The University of North Carolina, and colleges within the North Carolina Community College System for certain aspects of the North Carolina Infrastructure Program, including design of Program guidelines and evaluation of Program results.

SECTION 13.13.(c) During each year of the 2007-2009 biennium, the Rural Economic Development Center, Inc., may use up to two percent (2%) of the funds appropriated in this act to cover its expenses in administering the North Carolina Economic Infrastructure Program.

SECTION 13.13.(d) No later than January 15 of each year, the Rural Economic Development Center, Inc., shall submit an annual report to the Joint Legislative Commission on Governmental Operations concerning the progress of the North Carolina Economic Infrastructure Program.

RURAL ECONOMIC DEVELOPMENT CENTER FUNDS

SECTION 13.14.(a) Of the funds appropriated in this act to the North Carolina Rural Economic Development Center, Inc. (Rural Center), the sum of nineteen million dollars ($19,000,000) for the 2007-2008 fiscal year shall be used to expand the North Carolina Rural Economic Infrastructure Fund with targeted priority to severely distressed rural areas.

SECTION 13.14.(b) The Rural Center shall use the funds appropriated in this act to establish and implement the Rural Economic Transition Program. This program shall provide grants and equity investments to carry out transformative economic development and agricultural enhancement projects that will generate jobs and expand business activity.

SECTION 13.14.(c) Units of local government and nonprofit organizations in rural areas are eligible for grants, with priority to applicants in development tier one areas as defined in G.S. 143B-437.08.

SECTION 13.14.(d) Priority for grant funds shall be given to economic development projects that satisfy one or more of the following criteria:

(1) It is located in a county or census area with a persistently high poverty rate of at least one hundred fifty percent (150%) of the State's poverty rate according to the most recent decennial census.

(2) It is located in a community that has experienced a sudden and severe economic downturn as reflected in numbers of business closings, layoffs, and unemployment rate during the previous 12 months.

(3) It is located in a small town with a population under 10,000, an agrarian growth zone as defined in G.S. 143B-437.10, or an urban progress zone as defined in G.S. 143B-437.09.

(4) It is identified in community-based strategic planning efforts and coordinated with other economic development and community-building initiatives, such as the North Carolina Rural Economic Development Center Small Town Economic Prosperity Program, the North Carolina Department of Commerce 21st Century Communities Program, the North Carolina Department of Commerce

Main Street Program, and federally funded Comprehensive Economic Development Strategies.

(5) It is supportive of strategies to expand entrepreneurial small business activity based on the natural, cultural, or historical assets of the community.

(6) It has the ability to demonstrate benefits to small farm business diversifying into value-added production and marketing, and it increases opportunities in food and beverage manufacturing and distribution for small farm entrepreneurs.

SECTION 13.14.(e) Eligible units of local government and nonprofit organizations are not required to match grants received under this section, but shall demonstrate the commitment of other funds to the project.

SECTION 13.14.(f) Up to twenty percent (20%) of the funds appropriated in this section may be used for equity investments and loans through the Rural Venture Fund to private business ventures that will substantially transform and improve the economic status of rural areas, with priority to businesses locating or expanding in development tier one areas as defined in G.S. 143B-437.08.

SECTION 13.14.(g) The Rural Center may use a portion of the funds appropriated under this section, not to exceed four percent (4%), for administration of the programs created by this section.

SECTION 13.14.(h) The Rural Center may contract with other State agencies and branches of The University of North Carolina for certain aspects of the programs created under this section, including the design of program guidelines and evaluation of program results.

SECTION 13.14.(i) The Rural Center shall report to the Joint Legislative Commission on Governmental Operations on a quarterly basis concerning the progress of the programs created under this section. The first report is due no later than February 15, 2008.

SECTION 13.14.(j) This section becomes effective July 1, 2007.

STUDY EQUINE INDUSTRY IN NORTH CAROLINA

SECTION 13.14A.(a) Of the funds appropriated in this act to the Rural Economic Development Center, Inc., the sum of five hundred thousand dollars ($500,000) for the 2007-2008 fiscal year shall be allocated to the Agricultural Advancement Consortium for the purpose of assessing the numbers, composition, and value of the equine industry in North Carolina, analyzing the direct and indirect impact of the industry on the State's economy, and developing a comprehensive plan to maximize the economic opportunities presented by the industry.

SECTION 13.14A.(b) The assessment of the equine industry shall provide data on both a statewide and countywide basis. The assessment shall include the following:

(1) A census of equines in the State, including numbers, breeds, and disciplines.

(2) The value of equines in the State.

(3) The number of equine owners.

(4) The number of equine operations.

(5) The size of equine operations.

(6) The total acreage devoted to equine operations.

(7) The value of equine-related assets.

(8) The number of equines and owners participating in various activities within the State.

(9) An analysis of the economic impact of the existing exhibition facilities including the Hunt Horse Complex, the Senator Bob Martin Horse Complex, the WNC Agricultural Center, and the Carolina Horse Park.

(10) An analysis of the programs, contributions, and industry support provided by the North Carolina State University College of Veterinary Medicine and other equine programs, at both private and public education institutions including the College of Agriculture and Life Sciences at North Carolina State University, Martin Community College, and St. Andrews College.

(11) An analysis of the economic impact of breeding, training, and other horse operations.

(12) An analysis of the economic impact of services provided to the equine industry including farrier, veterinary, design and planning, farm management and consulting, show management, and other services related to equines and equine operations.

(13) An analysis of the economic impact, including manufacturing, agricultural production and employment, and wholesale and retail sales, of the purchase of equines, feed and grain, hay, tack and other horse equipment, riding clothes, insurance, vehicles and trailers, farm and pasture inputs, capital improvements such as barns, sheds, and fencing, and real estate, including planned equestrian communities.

(14) An analysis of the economic impact of other recreational uses of equines, including trail riding, camping with horses, therapeutic riding programs, other recreational activities, and equine-related agritourism.

(15) An analysis of the impact of the equine industry on State and local governments including the generation of tax revenues.

SECTION 13.14A.(c) The Agricultural Advancement Consortium, in developing a plan to maximize the economic impact of the equine industry, shall:

(1) Evaluate existing equine-related facilities, programs, and services in the State and make recommendations for enhancing those facilities, programs, and services so as to maximize their economic impact on the State.

(2) Identify opportunities for the growth of the equine industry, including the production of feed crops, improved pasture, and high quality horse hays, attracting industry engaged in the production of horse-related products, equipment, and pharmaceuticals, the addition of exhibition and show facilities, including the development of a world-class equestrian park, and other horse-related programs, activities, and facilities, and evaluate the potential economic contribution to the State's economy of each of these potential undertakings.

(3) Evaluate the need to create an equine industry board tasked with the market development, education, publicity, research, and promotion of the North Carolina equine industry and other such measures it deems appropriate to promote the objectives, findings, and recommendations of the equine industry survey and analysis.

(4) Evaluate the laws, rules, and policies that impact equine owners and persons engaged in equine activities, including land-use policies, preservation of trails, use of State recreational facilities, and tax credits and make recommendations directed toward making North Carolina more attractive to equine operations and activities.

SECTION 13.14A.(d) The Agricultural Advancement Consortium may contract with other agencies of State government, any of the constituent institutions of The University of North Carolina, and private consultants as it deems necessary and advisable in its conduct of the assessment and plan development. The Agricultural Advancement Consortium shall complete its work within 12 months of the funds becoming available and shall file a report containing the results of the assessment of the equine industry and its plan for maximizing the economic impact of the equine industry with the Chairs of the Joint Legislative Commission on Governmental Operations and the Chairs of the Senate and House of Representatives Appropriations Committees.

OPPORTUNITIES INDUSTRIALIZATION CENTER FUNDS

SECTION 13.15.(a) Of the funds appropriated in this act to the Rural Economic Development Center, Inc., the sum of three hundred sixty-one thousand dollars ($361,000) for the 2007-2008 fiscal year and the sum of three hundred sixty-one thousand dollars ($361,000) for the 2008-2009 fiscal year shall be equally distributed among the certified Opportunities Industrialization Centers for ongoing job training programs.

SECTION 13.15.(b) For each of the Opportunities Industrialization Centers receiving funds pursuant to subsection (a) of this section, the Rural Economic Development Center, Inc., shall:

(1) By January 15, 2008, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
  a. State fiscal year 2006-2007 program activities, objectives, and accomplishments;
  b. State fiscal year 2006-2007 itemized expenditures and fund sources;
  c. State fiscal year 2007-2008 planned activities, objectives, and accomplishments, including actual results through December 31, 2007; and
  d. State fiscal year 2007-2008 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2007.

(2) By January 15, 2009, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
  a. State fiscal year 2007-2008 program activities, objectives, and accomplishments;
  b. State fiscal year 2007-2008 itemized expenditures and fund sources;
  c. State fiscal year 2008-2009 planned activities, objectives, and accomplishments, including actual results through December 31, 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) Notwithstanding G.S. 143-6.1(d), file annually with the State Auditor a financial statement in the form and on the schedule prescribed by the State Auditor. The financial statements must be audited in accordance with standards prescribed by the State Auditor to assure that State funds are used for the purposes provided by law.

(4) Provide to the Fiscal Research Division a copy of the annual audited financial statement required in subdivision (3) of this subsection within 30 days of issuance of the statement.

SECTION 13.15.(c) No funds appropriated under this act shall be released to an Opportunities Industrialization Center (hereinafter Center) listed in subsection (a) of this section if the Center has any overdue tax debts, as that term is defined in G.S. 105-243.1, at the federal or State level.

E-NC AUTHORITY CONTRACTS/ REPORTING REQUIREMENTS

SECTION 13.16.(a) The e-NC Authority may contract with other State agencies, The University of North Carolina, the North Carolina Community College System, and nonprofit organizations to assist with program development and the evaluation of program activities.

SECTION 13.16.(b) The e-NC Authority shall report to the 2008 General Assembly on the following:

(1) The activities necessary to be undertaken in distressed urban areas of the State to enhance the capability of citizens and businesses residing in these areas to access high-speed Internet.

(2) An implementation plan for the training of citizens and businesses in distressed urban areas.

(3) The technology and digital literacy training necessary to assist citizens and existing businesses to create new technology-based enterprises in these communities and to use the Internet to enhance the productivity of their businesses.

The e-NC Authority shall, by September 30, 2007, and quarterly thereafter, report to the Joint Legislative Commission on Governmental Operations on program development and the evaluation of program activities.

NER BLOCK GRANTS

SECTION 13.18.(a) Appropriations from federal block grant funds are made for fiscal year ending June 30, 2008, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01.	State Administration	$ 1,000,000
02.	Urgent Needs and Contingency	1,000,000
03.	Scattered Site Housing	13,200,000
04.	Economic Development	7,710,000
05.	Small Business/Entrepreneurship	1,000,000
06.	Community Revitalization	13,500,000
07.	State Technical Assistance	450,000
08.	Housing Development	2,000,000
09.	Infrastructure	5,140,000

TOTAL COMMUNITY DEVELOPMENT
BLOCK GRANT – 2008 Program Year $ 45,000,000

SECTION 13.18.(b) Decreases in Federal Fund Availability. – If federal funds are reduced below the amounts specified above after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

SECTION 13.18.(c) Increases in Federal Fund Availability for Community Development Block Grant. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

SECTION 13.18.(d) Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to one million dollars ($1,000,000) may be used for State Administration; not less than one million dollars ($1,000,000) may be used for Urgent Needs and Contingency; up to thirteen million two hundred thousand dollars ($13,200,000) may be used for Scattered Site Housing; seven million seven hundred ten thousand dollars ($7,710,000) may be used for Economic Development; up to one million dollars ($1,000,000) may be used for Small Business/Entrepreneurship; not less than thirteen million five hundred thousand dollars ($13,500,000) shall be used for Community Revitalization; up to four hundred fifty thousand dollars ($450,000) may be used for State Technical Assistance; up to two million dollars ($2,000,000) may be used for Housing Development; up to five million one hundred forty thousand dollars ($5,140,000) may be used for Infrastructure. If federal block grant funds are reduced or increased by the Congress of the United States after the effective date of this act, then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

SECTION 13.18.(e) Increase Capacity for Nonprofit Organizations. – Assistance to nonprofit organizations to increase their capacity to carry out CDBG-eligible activities in partnership with units of local government is an eligible activity under any program category in accordance with federal regulations. Capacity building grants may be made from funds available within program categories, program income, or unobligated funds.

SECTION 13.18.(f) The Department of Commerce will operate a small business/entrepreneurship program in coordination with micro-lending programs and other small business assistance groups in the State. The Department of Commerce shall award up to one million dollars ($1,000,000) in grants to local governments to provide assistance to low-to-moderate income individuals for small business and entrepreneurship development as a means of achieving economic independence during these times of structural change in North Carolina's economy.

SECTION 13.18.(g) The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations prior to reallocating Community Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds that:

(1) A reallocation is required because of an emergency that poses an imminent threat to public health or public safety, the Director of the Budget may authorize the reallocation without consulting the Commission. The Department of Commerce shall report to the Commission on the reallocation no later than 30 days after it was

authorized and shall identify in the report the emergency, the type of action taken, and how it was related to the emergency.

(2) The State will lose federal block grant funds or receive less federal block grant funds in the next fiscal year unless a reallocation is made. The Department of Commerce shall provide a written report to the Commission on the proposed reallocation and shall identify the reason that failure to take action will result in the loss of federal funds. If the Commission does not hear the issue within 30 days of receipt of the report, the Department may take the action without consulting the Commission.

PART XIV. JUDICIAL DEPARTMENT

TRANSFER OF EQUIPMENT AND SUPPLY FUNDS

SECTION 14.1. Funds appropriated to the Judicial Department in the 2007-2009 biennium for equipment and supplies shall be certified in a reserve account. The Administrative Office of the Courts may transfer these funds to the appropriate programs and between programs as the equipment priorities and supply consumptions occur during the operating year. These funds shall not be expended for any other purpose.

GRANT FUNDS

SECTION 14.2. Notwithstanding G.S. 143C-6-9, the Judicial Department may use up to the sum of one million five hundred thousand dollars ($1,500,000) from funds available to the Department to provide the State match needed in order to receive grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

NORTH CAROLINA STATE BAR FUNDS

SECTION 14.3. Of the funds appropriated in the continuation budget as a grant-in-aid to the North Carolina State Bar for the 2007-2009 biennium, the North Carolina State Bar may in its discretion use up to the sum of five hundred one thousand five hundred dollars ($501,500) for the 2007-2008 fiscal year and up to the sum of five hundred one thousand five hundred dollars ($501,500) for the 2008-2009 fiscal year to contract with the Center for Death Penalty Litigation to provide training, consultation, brief banking, and other assistance to attorneys representing indigent capital defendants. The Office of Indigent Defense Services shall report by February 1, 2008, to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the activities funded by the grant-in-aid authorized by this section.

OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS/ESTABLISHMENT OF ADDITIONAL PUBLIC DEFENDER OFFICES

SECTION 14.4.(a) The Judicial Department, Office of Indigent Defense Services, may use up to the sum of two million one hundred ninety-two thousand three hundred fifty dollars ($2,192,350) in appropriated funds during the 2007-2008 fiscal year and up to the sum of two million eighty-two thousand five hundred ten dollars ($2,082,510) in appropriated funds during the 2008-2009 fiscal year for the expansion of existing or new public defender offices currently providing legal services to the 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 may be used for salaries, benefits, equipment, and related expenses. Prior to using funds for this purpose, the Office of Indigent Defense Services shall report to the Chairs of the House of Representatives and the Senate Appropriations Subcommittees on Justice and Public Safety on the proposed expansion.

SECTION 14.4.(b) Notwithstanding the provisions of G.S. 7A-498.7(a), the Indigent Defense Services Commission may establish additional district public defender offices during the 2007-2009 fiscal biennium. Of the funds appropriated in this act to the Office of Indigent Defense Services, the Office may use up to the sum of one million five hundred seventy thousand fifty-seven dollars ($1,570,057) during the 2008-2009 fiscal year to establish these offices. These funds may be used for recurring and nonrecurring personnel and operating costs in the new offices. No more than the sum of two hundred twenty-five thousand dollars ($225,000) may be used for positions in the Office of Indigent Defense Services directly related to facilitating the establishment of these offices.

The Office of Indigent Defense Services shall report to the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety and to the Fiscal Research Division no later than October 1, 2007, on the location and establishment of the new public defender offices.

SECTION 14.4.(c) In addition to the new public defender offices established pursuant to subsection (b) of this section, the Office of Indigent Defense Services shall use funds from the Indigent Persons Attorney Fee Fund as follows:

(1) Up to the sum of one million three hundred thirty-five thousand five hundred forty-three dollars ($1,335,543) for the 2007-2008 fiscal year and up to the sum of one million two hundred sixty-four thousand six hundred seventy-nine dollars ($1,264,679) for the 2008-2009 fiscal year to establish Public Defender District 5 as provided for in subsection (d) of this section.

(2) Up to the sum of seven hundred eighty-eight thousand two hundred sixty-four dollars ($788,264) for the 2007-2008 fiscal year and up to the sum of seven hundred forty-two thousand four hundred seventy-seven dollars ($742,477) for the 2008-2009 fiscal year to establish Public Defender District 29B as provided for in subsection (d) of this section.

SECTION 14.4.(d) G.S. 7A-498.7(a) reads as rewritten:

"(a) The following counties of the State are organized into the defender districts listed below, and in each of those defender districts an office of public defender is established:

Defender District	Counties
1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans
3A	Pitt
3B	Carteret
5	New Hanover
10	Wake
12	Cumberland
14	Durham

15B	Orange, Chatham
16A	Scotland, Hoke
16B	Robeson
18	Guilford
21	Forsyth
26	Mecklenburg
27A	Gaston
28	Buncombe
<u>29B</u>	<u>Henderson, Polk, Transylvania</u>

After notice to, and consultation with, the affected district bar, senior resident superior court judge, and chief district court judge, the Commission on Indigent Defense Services may recommend to the General Assembly that a district or regional public defender office be established. A legislative act is required in order to establish a new office or to abolish an existing office."

OFFICE OF INDIGENT DEFENSE SERVICES REPORT

SECTION 14.5. The Office of Indigent Defense Services shall report to the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by March 1 of each year on:

(1) The volume and cost of cases handled in each district by assigned counsel or public defenders;
(2) Actions taken by the Office to improve the cost-effectiveness and quality of indigent defense, including the capital case program;
(3) Plans for changes in rules, standards, or regulations in the upcoming year;
(4) Any recommended changes in law or funding procedures that would assist the Office in improving the management of funds expended for indigent defense services, including any recommendations concerning the feasibility and desirability of establishing regional public defender offices; and
(5) The changes in operations implemented in response to the following findings and recommendations contained in the March 2007 State Audit Report:
    a. Attorney fee payment process lacks adequate controls. Measures should be implemented to ensure that attorneys are paid the correct amount and to minimize the incidence of overpayment resulting from accident, fraud, or other cause.
    b. Attorney fee payment process is inefficient and labor-intensive.
    c. The Office should automate the attorney fee payment process and require attorneys to register for electronic fund transfer.

INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS

SECTION 14.6. Notwithstanding G.S. 143C-6-9, the Office of Indigent Defense Services may use the sum of up to fifty thousand dollars ($50,000) from funds available to provide the State matching funds needed to receive grant funds. Prior to using funds for this purpose, the Office shall report to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

REPORT ON BUSINESS COURTS

SECTION 14.7. The Administrative Office of the Courts shall report to the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by March 1 of each year on the activities of each North Carolina Business Court site, including the number of new, closed, and pending cases; average age of pending cases, and annual expenditures for the prior fiscal year.

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 14.8. Notwithstanding the provisions of G.S. 7A-308(c), the Judicial Department may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2007, for the purchase or repair of office or information technology equipment during the 2007-2008 fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the Joint Legislative Commission on Governmental Operations and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the equipment to be purchased or repaired and the reasons for the purchases.

DISPUTE RESOLUTION FEES

SECTION 14.9. Notwithstanding the provisions of G.S. 143C-1-2(b), certification and renewal fees collected by the Dispute Resolution Commission are non-reverting and are only to be used at the direction of the Commission.

REIMBURSEMENT FOR USE OF PERSONAL VEHICLES

SECTION 14.10. Notwithstanding the provisions of G.S. 138-6(a)(1), the Judicial Department, during the 2007-2009 fiscal biennium, may elect to establish a per-mile reimbursement rate for transportation by privately owned vehicles at a rate less than the business standard mileage rate set by the Internal Revenue Service.

DRUG TREATMENT FUNDS NEED NOT BE GRANTED

SECTION 14.12. Notwithstanding the provisions of G.S. 7A-794 and G.S. 7A-798, funds appropriated to the Judicial Department for the 2007-2009 fiscal biennium for drug treatment courts need not be granted but may be budgeted to support existing and new drug treatment courts in a manner similar to other specialty courts operating within the Judicial Department.

STATE FUNDS NOT TO BE USED FOR TELEPHONE SERVICE

SECTION 14.16.(a) G.S. 7A-302 reads as rewritten:

"**§ 7A-302. Counties and municipalities responsible for physical facilities.**

In each county in which a district court has been established, courtrooms, office space for juvenile court counselors and support staff as assigned by the Department of Juvenile Justice and Delinquency Prevention, and related judicial facilities (including ~~furniture~~ <u>furniture, properly functioning telephones, and the equipment and infrastructure necessary to support those telephones</u>), as defined in this Subchapter, shall be provided by the county, except that courtrooms and related judicial facilities may, with the approval of the Administrative Officer of the Courts, after consultation with county and municipal authorities, be provided by a municipality in the county. To assist a county or municipality in meeting the expense of providing courtrooms and related judicial facilities, a part of the costs of court, known as the "facilities fee," collected for the State by the clerk of superior court, shall be remitted to the county or municipality providing the facilities."

SECTION 14.16.(b) This section becomes effective July 1, 2008.

OFFICE OF INDIGENT DEFENSE SERVICES/ELECTRONIC FEE SUBMISSION

SECTION 14.17. The Office of Indigent Defense Services, in consultation with the Administrative Office of the Courts, shall study the potential for a statewide system of electronic fee submission and develop a proposal for statewide implementation of such a system. A report on this proposal shall be included as part of the report required under Section 14.5 of this act.

REPORT ON COURT SYSTEM PERFORMANCE MEASURES

SECTION 14.18. The Administrative Office of the Courts shall develop and implement a system to measure the impact of the funding provided in this act on the operation of the courts. The system shall include uniform performance measures and standards for caseload management and resource allocation, including funding, personnel, technology, and equipment at district and county levels. The Administrative Office of the Courts shall submit an interim status report on the development and implementation of the performance measurement system to the Joint Legislative Commission on Governmental Operations and the Chairs of the Senate and House Appropriations Committees no later than December 31, 2007, and shall submit a final report no later than May 1, 2008.

THE OFFICE OF INDIGENT DEFENSE SERVICES MAY COMPENSATE ATTORNEYS FOR CERTAIN FILINGS

SECTION 14.19.(a) G.S. 7A-451(b) reads as rewritten:

"(b) In each of the actions and proceedings enumerated in subsection (a) of this section, entitlement to the services of counsel begins as soon as feasible after the indigent is taken into custody or service is made upon him of the charge, petition, notice or other initiating process. Entitlement continues through any critical stage of the action or proceeding, including, if applicable:

(1) An in-custody interrogation;

(2) A pretrial identification procedure which occurs after formal charges have been preferred and at which the presence of the indigent is required;

(3) A hearing for the reduction of bail, or to fix bail if bail has been earlier denied;

(4) A probable cause hearing;

(5) Trial and sentencing; ~~and~~

(6) Review of any judgment or decree pursuant to G.S. 7A-27, 7A-30(1), 7A-30(2), and Subchapter XIV of Chapter 15A of the General ~~Statutes.~~ Statutes;

(7) In a capital case in which a defendant is under a sentence of death, subject to rules adopted by the Office of Indigent Defense Services, review of any judgment or decree rendered on direct appeal by the Supreme Court of North Carolina pursuant to the certiorari jurisdiction of the United States Supreme Court; and

(8) In a noncapital case, subject to rules adopted by the Office of Indigent Defense Services, review of any judgment or decree rendered on direct appeal by a court of the North Carolina Appellate Division pursuant to

the certiorari jurisdiction of the United States Supreme Court, when the judgment or decree:

a. Decides an important question of federal law in a way that conflicts with relevant decisions of the United States Supreme Court, a federal Court of Appeals, or the court of last resort of another state;

b. Decides an important question of federal law that has not been, but should be, settled by the United States Supreme Court; or

c. Decides a question of federal law in the indigent's favor and the judgment or decree is challenged by opposing counsel through an attempt to invoke the certiorari jurisdiction of the United States Supreme Court."

SECTION 14.19.(b) G.S. 7A-498.8(b) reads as rewritten:

"(b) The appellate defender shall perform such duties as may be directed by the Office of Indigent Defense Services, including:

(1) Representing indigent persons subsequent to conviction in trial courts. The Office of Indigent Defense Services may, following consultation with the appellate defender and consistent with the resources available to the appellate defender to ensure quality criminal defense services by the appellate defender's office, assign appeals, or authorize the appellate defender to assign appeals, to a local public defender's office or to private assigned counsel.

(2) Maintaining a clearinghouse of materials and a repository of briefs prepared by the appellate defender to be made available to private counsel representing indigents in criminal cases.

(3) Providing continuing legal education training to assistant appellate defenders and to private counsel representing indigents in criminal cases, including capital cases, as resources are available.

(4) Providing consulting services to attorneys representing defendants in capital cases.

(5) Recruiting qualified members of the private bar who are willing to provide representation in State and federal death penalty postconviction proceedings.

(6) In the appellate defender's discretion, serving as counsel of record for indigent defendants in capital cases in State court.

(6a) In the appellate defender's discretion, serving as counsel of record for indigent defendants in the United States Supreme Court pursuant to a petition for writ of certiorari of the decision on direct appeal by a court of the North Carolina Appellate Division.

(7) Undertaking other direct representation and consultation in capital cases pending in federal court only to the extent that such work is fully federally funded."

ALLOW JURORS TO WAIVE PAYMENT OF PER DIEM FEES AND ALLOW THOSE FUNDS TO BE USED TO PROVIDE HUMAN SERVICES WITHIN THAT DISTRICT

SECTION 14.20.(a) G.S. 7A-312 reads as rewritten:

"**§ 7A-312. Uniform fees for jurors; meals.**

(a) A juror in the General Court of Justice including a petit juror, or a coroner's juror, but excluding a grand juror, shall receive twelve dollars ($12.00) for the first day of service and twenty dollars ($20.00) per day afterwards, except that if any person serves as a juror for more than five days in any 24-month period, the juror shall receive forty dollars ($40.00) per day for each day of service in excess of five days. A grand juror shall receive twenty dollars ($20.00) per day. A juror required to remain overnight at the site of the trial shall be furnished adequate accommodations and subsistence. If required by the presiding judge to remain in a body during the trial of a case, meals shall be furnished the jurors during the period of sequestration. Jurors from out of the county summoned to sit on a special venire shall receive mileage at the same rate as State employees.

(b) Notwithstanding subsection (a) of this section, a juror may waive payment of the per diem fees provided for in that subsection. A juror waiving the fee may designate that the fee be used for any of the following services, if such services are provided in the district: (i) client treatment and service programs associated with a drug treatment or DWI treatment court program; (ii) courthouse self-help centers; (iii) courthouse child care centers; (iv) legal aid programs operated by a nonprofit corporation operating within the district; and (v) the Crime Victims Compensation Fund. If no such services are provided within the district, then waived fees are transferred to the Crime Victims Compensation Fund."

SECTION 14.20.(b) This section becomes effective July 1, 2007, and applies to jury service that begins on or after that date.

AUTHORIZE A TRAVEL ALLOWANCE FOR APPELLATE JUDGES WHO RESIDE FIFTY MILES OR MORE FROM RALEIGH

SECTION 14.21.(a) G.S. 7A-10(b) reads as rewritten:

"(b) The Chief Justice and each of the associate justices shall receive the annual salary provided in the Current Operations Appropriations Act. Each justice is entitled to reimbursement for travel and subsistence expenses at the rate allowed State employees ~~generally.~~ generally, except that each justice whose permanent residence is at least 50 miles from the City of Raleigh shall be paid a weekly travel allowance for each week the justice travels to the City of Raleigh from the justice's home for business of the court. The allowance shall be calculated for each justice by multiplying the actual round-trip mileage from that justice's home to the City of Raleigh by the rate-per-mile which is the business standard mileage rate set by the Internal Revenue Service in Rev. Proc. 93-51, December 27, 1993."

SECTION 14.21.(b) G.S. 7A-18(a) reads as rewritten:

"(a) The Chief Judge and each associate judge of the Court of Appeals shall receive the annual salary provided in the Current Operations Appropriations Act. Each judge is entitled to reimbursement for travel and subsistence expenses at the rate allowed State employees ~~generally.~~ generally, except that each judge whose permanent residence is at least 50 miles from the City of Raleigh shall be paid a weekly travel allowance for each week the judge travels to the City of Raleigh from the judge's home for business of the court. The allowance shall be calculated for each judge by multiplying the actual round-trip mileage from that judge's home to the City of Raleigh by the rate-per-mile which is the business standard mileage rate set by the Internal Revenue Service in Rev. Proc. 93-51, December 27, 1993."

APPORTIONING OF COURT SYSTEM PERSONNEL THROUGH A WORKLOAD FORMULA

SECTION 14.22.(a) G.S. 7A-60(a1) reads as rewritten:

"(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties and the number of full-time assistant district attorneys as prescribed in a workload formula set forth and adopted by the Conference of District

Attorneys and recommended to the Administrative Officer of the Courts and minimally set forth in the following table:

Prosecutorial District	Counties	No. of Full-Time Asst. District Attorneys
1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans	11
2	Beaufort, Hyde, Martin, Tyrrell, Washington	7
3A	Pitt	11
3B	Carteret, Craven, Pamlico	11
4	Duplin, Jones, Onslow, Sampson	16
5	New Hanover, Pender	16
6A	Halifax	5
6B	Bertie, Hertford, Northampton	5
7	Edgecombe, Nash, Wilson	18
8	Greene, Lenoir, Wayne	13
9	Franklin, Granville, Vance, Warren	12
9A	Person, Caswell	5
10	Wake	38
11	Harnett, Johnston, Lee	16
12	Cumberland	21
13	Bladen, Brunswick, Columbus	12
14	Durham	15
15A	Alamance	10
15B	Orange, Chatham	9
16A	Scotland, Hoke	6
16B	Robeson	13
17A	Rockingham	6
17B	Stokes, Surry	7
18	Guilford	30
19A	Cabarrus	8
19B	Montgomery, Randolph	8
19C	Rowan	7
19D	Moore	4
20A	Anson, Richmond, Stanly	10
20B	Union	8
21	Forsyth	20
22	Alexander, Davidson, Davie, Iredell	20
23	Alleghany, Ashe, Wilkes, Yadkin	7
24	Avery, Madison, Mitchell, Watauga, Yancey	6
25	Burke, Caldwell, Catawba	18
26	Mecklenburg	49

27A	Gaston	14
27B	Cleveland, Lincoln	10
28	Buncombe	13
29A	McDowell, Rutherford	6
29B	Henderson, Polk, Transylvania	7
30	Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain."	11

SECTION 14.22.(b) G.S. 7A-102(a) reads as rewritten:

"(a) The numbers and salaries of assistant clerks, deputy clerks, and other employees in the office of each clerk of superior court shall be determined by a workload formula adopted by the Conference of Clerks of Superior Court and recommended to the Administrative Officer of the Courts and after consultation with the clerk concerned. The allocation of deputy and assistant clerks on January 1, 2007, shall not be reduced without prior consent of the clerk concerned. All personnel in the clerk's office are employees of the State. The clerk appoints the assistants, deputies, and other employees in the clerk's office to serve at his or her pleasure. Assistant and deputy clerks shall take the oath of office prescribed for clerks of superior court, conformed to the office of assistant or deputy clerk, as the case may be. Except as provided by subsection (c2) of this section, the job classifications and related salaries of each employee within the office of each superior court clerk shall be subject to the approval of the Administrative Officer of the Courts after consultation with each clerk concerned and shall be subject to the availability of funds appropriated for that purpose by the General Assembly."

SECTION 14.22.(c) G.S. 7A-132 reads as rewritten:

"**§ 7A-132. Judges, district attorneys, full-time assistant district attorneys and magistrates for district court districts.**

Each district court district shall have one or more judges and one district attorney. Each county within each district shall have at least one magistrate.

For each district the General Assembly ~~shall prescribe~~ determines that the numbers of district ~~judges, and the numbers of full-time assistant district attorneys. For each county within each district the General Assembly shall prescribe a minimum number of magistrates.~~ judges shall be set by a workload formula adopted by the Board of Governors of the Association of District Court Judges and recommended to the Administrative Officer of the Courts. The General Assembly shall prescribe by law the procedures for the initial election of district court judges established under that formula."

SECTION 14.22.(d) G.S. 7A-133(a) reads as rewritten:

"(a) Each district court district shall have the minimum numbers of judges as set forth in the following table:

District	Judges	County
1	5	Camden
		Chowan
		Currituck
		Dare
		Gates
		Pasquotank
		Perquimans
2	4	Martin

		Beaufort
		Tyrrell
		Hyde
		Washington
3A	5	Pitt
3B	6	Craven
		Pamlico
		Carteret
4	8	Sampson
		Duplin
		Jones
		Onslow
5	8	New Hanover
		Pender
6A	3	Halifax
6B	3	Northampton
		Bertie
		Hertford
7	7	Nash
		Edgecombe
		Wilson
8	6	Wayne
		Greene
		Lenoir
9	4	Granville
		(part of Vance
		see subsection (b))
		Franklin
9A	2	Person
		Caswell
9B	2	Warren
		(part of Vance
		see subsection (b))
10	16	Wake
11	9	Harnett
		Johnston
		Lee
12	9	Cumberland
13	6	Bladen
		Brunswick
		Columbus
14	7	Durham
15A	4	Alamance
15B	5	Orange
		Chatham
16A	3	Scotland
		Hoke
16B	5	Robeson
17A	3	Rockingham
17B	4	Stokes
		Surry

18	13	Guilford
19A	4	Cabarrus
19B	7	Montgomery
		Moore
		Randolph
19C	5	Rowan
20A	4	Stanly
		Anson
		Richmond
20B	1	(part of Union see subsection (b))
20C	2	(part of Union see subsection (b))
21	9	Forsyth
22	9	Alexander
		Davidson
		Davie
		Iredell
23	4	Alleghany
		Ashe
		Wilkes
		Yadkin
24	4	Avery
		Madison
		Mitchell
		Watauga
		Yancey
25	9	Burke
		Caldwell
		Catawba
26	18	Mecklenburg
27A	7	Gaston
27B	5	Cleveland
		Lincoln
28	7	Buncombe
29A	3	McDowell
		Rutherford
29B	4	Henderson
		Polk
		Transylvania
30	6	Cherokee
		Clay
		Graham
		Haywood
		Jackson
		Macon
		Swain."

SECTION 14.22.(e) G.S. 7A-133(c) reads as rewritten:

"(c) Each county shall have the numbers of magistrates determined by a workload formula adopted by the North Carolina Magistrates' Association and recommended to the Administrative Officer of the Courts and additional seats of district court, as set forth in the following table:

County	Magistrates Min.	Additional Seats of Court
Camden	3	
Chowan	3	
Currituck	4	
Dare	6	
Gates	2	
Pasquotank	5	
Perquimans	3	
Martin	4	
Beaufort	5.05	
Tyrrell	3	
Hyde	3.5	
Washington	4	
Pitt	10.5	Farmville Ayden
Craven	10	Havelock
Pamlico	3	
Carteret	9	
Sampson	7	
Duplin	8	
Jones	2	
Onslow	11	
New Hanover	11	
Pender	4.8	
Halifax	12	Roanoke Rapids, Scotland Neck
Northampton	5.25	
Bertie	5	
Hertford	6	
Nash	9	Rocky Mount
Edgecombe	7	Rocky Mount
Wilson	7	
Wayne	9	Mount Olive
Greene	4	
Lenoir	7	La Grange
Granville	7	
Vance	6	
Warren	3.5	
Franklin	7	
Person	4	
Caswell	4	
Wake	18.5	Apex, Wendell, Fuquay-Varina, Wake Forest
Harnett	10	Dunn

Johnston	11	Benson, Clayton, Selma
Lee	5.5	
Cumberland	19	
Bladen	5	
Brunswick	9	
Columbus	9.5	Tabor City
Durham	13	
Alamance	12	Burlington
Orange	9	Chapel Hill
Chatham	6	Siler City
Scotland	5	
Hoke	5	
Robeson	15	Fairmont, Maxton, Pembroke, Red Springs, Rowland, St. Pauls
Rockingham	9	Reidsville, Eden, Madison
Stokes	5	
Surry	9	Mt. Airy
Guilford	24.4	High Point
Cabarrus	9	Kannapolis
Montgomery	5	
Randolph	10	Liberty
Rowan	9	
Stanly	6	
Union	7	
Anson	5	
Richmond	6	Hamlet
Moore	6.5	Southern Pines
Forsyth	15	Kernersville
Alexander	4	
Davidson	10	Thomasville
Davie	4	
Iredell	9	Mooresville
Alleghany	2	
Ashe	4	
Wilkes	6	
Yadkin	4	
Avery	4	
Madison	4	
Mitchell	4	
Watauga	5	
Yancey	3	
Burke	6.75	

Caldwell	7	
Catawba	10	Hickory
Mecklenburg	26.50	
Gaston	17	
Cleveland	8	
Lincoln	6	
Buncombe	15	
Henderson	6.5	
McDowell	4.5	
Polk	4	
Rutherford	7	
Transylvania	4	
Cherokee	4	
Clay	2	
Graham	2	
Haywood	6.75	Canton
Jackson	5	
Macon	3.5	
Swain	3.75"	

SECTION 14.22.(f) G.S. 7B-1200 reads as rewritten:

"**§ 7B-1200. Office of Guardian ad Litem Services established.**

There is established within the Administrative Office of the Courts an Office of Guardian ad Litem Services to provide services in accordance with G.S. 7B-601 to abused, neglected, or dependent juveniles involved in judicial proceedings and to assure that all participants in these proceedings are adequately trained to carry out their responsibilities. Each local program shall consist of volunteer guardians ad litem, at least one program attorney, ~~a program coordinator who is a paid State employee,~~ program coordinators who are paid State employees in numbers determined by a workload formula adopted by the Administrative Office of the Courts, and any clerical staff as the Administrative Office of the Courts in consultation with the local program deems necessary. The Administrative Office of the Courts shall adopt rules and regulations necessary and appropriate for the administration of the program."

EXPAND COURT-FUNDED INTERPRETER AUTHORITY

SECTION 14.23. G.S. 7A-314(f) reads as rewritten:

"(f) In any case in which the Judicial Department is bearing the costs of representation for a party and that party or a witness for that party does not speak or understand the English language, and the court appoints a foreign language interpreter to assist that party or witness, the reasonable fee for the interpreter's services is payable from funds appropriated to the Administrative Office of the Courts. The court may also appoint an interpreter, payable from funds appropriated to the Administrative Office of the Courts, in cases in which an interpreter is necessary to assist the court in the efficient transaction of business. The appointment and payment shall be made in accordance with G.S. 7A-343(9c)."

ADD THREE SPECIAL SUPERIOR COURT JUDGES

SECTION 14.24. G.S. 7A-45.1 is amended by adding a new subsection to read:

"(a7) Effective January 1, 2008, the Governor may appoint three special superior court judges to serve terms expiring five years from the date that each judge takes office. Successors to the special superior court judges appointed pursuant to this subsection shall be appointed to five-year terms. A special judge takes the same oath of office and is subject to the same requirements and disabilities as are or may be prescribed by law for regular judges of the superior court, save the requirement of residence in a particular district."

STUDY DIVIDING SUPERIOR COURT, DISTRICT COURT, AND PROSECUTORIAL DISTRICTS 24 INTO DISTRICTS 24A AND 24B

SECTION 14.25. The Administrative Office of the Court shall study the dividing of superior court, district court, and prosecutorial districts 24 into districts 24A and 24B as proposed by Senate Bill 1302, 2007 Regular Session, and shall report its recommendations to the General Assembly no later than March 1, 2008.

PART XV. DEPARTMENT OF JUSTICE

STATEWIDE AUTOMATED FINGERPRINT SYSTEM REPLACEMENT (SAFIS) REPORTS

SECTION 15.1. The Department of Justice shall provide two status reports on the implementation of Phase II of SAFIS to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Commission on Governmental Operations. The first report shall be provided no later than February 1, 2008, and the second report shall be provided no later than May 1, 2008. Each report shall include all of the following:

(1) A description of the system.
(2) A summary of work done with prior year appropriations.
(3) A list of all sites that are scheduled to receive new equipment.
(4) A list of sites that have already received new equipment.
(5) A time line for completion of the project.
(6) Expenditures for the year to date.

PRIVATE PROTECTIVE SERVICES AND ALARM SYSTEMS LICENSING BOARDS PAY FOR USE OF STATE FACILITIES AND SERVICES

SECTION 15.2. The Private Protective Services and Alarm Systems Licensing Boards shall pay the appropriate State agency for the use of physical facilities and services provided to those Boards by the State.

USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE LAW ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT

SECTION 15.3.(a) Assets transferred to the Departments of Justice, Correction, and Crime Control and Public Safety during the 2007-2009 fiscal biennium pursuant to applicable federal law shall be credited to the budgets of the respective departments and shall result in an increase of law enforcement resources for those departments. The Departments of Justice, Correction, and Crime Control and Public Safety shall report to the Joint Legislative Commission on Governmental Operations upon receipt of the assets and, before using the assets, shall report on the intended use of the assets and the departmental priorities on which the assets may be expended.

SECTION 15.3.(b) The General Assembly finds that the use of assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the Department of Justice, the Department of Correction, and the Department of Crime Control and Public Safety are prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 15.3.(c) Nothing in this section prohibits North Carolina law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

CERTAIN LITIGATION EXPENSES TO BE PAID BY CLIENTS

SECTION 15.4. Client departments, agencies, and boards shall reimburse the Department of Justice for reasonable court fees, attorney travel and subsistence costs, and other costs directly related to litigation in which the Department of Justice is representing the department, agency, or board.

REIMBURSEMENT FOR UNC BOARD OF GOVERNORS LEGAL REPRESENTATION

SECTION 15.5. The Department of Justice shall be reimbursed by the Board of Governors of The University of North Carolina for two Attorney III positions to provide legal representation to The University of North Carolina System.

NC LEGAL EDUCATION ASSISTANCE FOUNDATION REPORT ON FUNDS DISBURSED

SECTION 15.6. The North Carolina Legal Education Assistance Foundation shall report by March 1 of each year to the Joint Legislative Commission on Governmental Operations and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the expenditure of State funds, the purpose of the expenditures, the number of attorneys receiving funds, the average award amount, the average student loan amount, the number of attorneys on the waiting list, and the average number of years for which attorneys receive loan assistance.

HIRING OF SWORN STAFF POSITIONS FOR THE STATE BUREAU OF INVESTIGATION

SECTION 15.7. The Department of Justice may hire sworn personnel to fill vacant positions in the State Bureau of Investigation only in the following circumstances: (i) the position's regular responsibilities involve warrant executions, property searches, criminal investigations, or arrest activities that are consistent in frequency with the responsibilities of other sworn agents; (ii) the position is a promotion for a sworn agent who was employed at the State Bureau of Investigation prior to July 1, 2007; (iii) the position is a forensic drug chemist position which requires "responding to clandestine methamphetamine laboratories" as a primary duty; (iv) the position is a forensic impressions analyst position which requires "responding to clandestine methamphetamine laboratories" as a primary duty; or (v) the position primarily involves supervising sworn personnel.

ACTIONS TO REDUCE MEDICAID FRAUD

SECTION 15.8.(a) G.S. 108A-70.11(5) reads as rewritten:

"(5) "Medical Assistance Program" means <u>the Medical Assistance Program established pursuant to G.S. 108A-54 and includes</u> the North Carolina Division of Medical Assistance ~~and~~ <u>or</u> its fiscal agent."

SECTION 15.8.(b) G.S. 108A-70.12(a) reads as rewritten:

"**§ 108A-70.12. Liability for certain acts; damages; effect of repayment.**

(a) Liability for Certain Acts. – It shall be unlawful for any provider of medical assistance under the Medical Assistance Program to:

(1) Knowingly present, or cause to be presented to the Medical Assistance Program a false or fraudulent claim for payment or approval; ~~or~~

(2) Knowingly make, use, or cause to be made or used a false record or statement to get a false or fraudulent claim paid or approved by the Medical Assistance ~~Program.~~Program;

(3) Conspire to defraud the Medical Assistance Program by getting a false or fraudulent claim allowed or paid; or

(4) Knowingly make, use, or cause to be made or used, a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the Medical Assistance Program.

Each claim presented or caused to be presented in violation of this section is a separate violation."

SECTION 15.8.(c) G.S. 108A-70.12(b)(1) reads as rewritten:

"(b) Damages. –

(1) Except as provided in subdivision (2) of this subsection, a court shall assess against any provider of medical assistance under the Medical Assistance Program who violates this section a civil penalty of not less than five thousand five hundred dollars ~~($5,000)~~ ($5,500) and not more than ~~ten thousand dollars ($10,000)~~ eleven thousand dollars ($11,000) plus three times the amount of damages which the ~~Medicaid~~ Medical Assistance Program sustained because of the act of the provider.

…"

SECTION 15.8.(d) Article 2 of Chapter 108A of the General Statutes is amended by adding the following new Part to read:

"Part 7A. Civil Action by Private Persons for Provider False Claims.

"**§ 108A-70.17. Civil action filed by private persons.**

(a) A person may bring a civil action for a violation of G.S. 108A-70.12 on behalf of the person and the State. The action shall be brought in the name of the State. The action may be dismissed only if the court and the Attorney General have given written consent to the dismissal and their reasons for consenting.

(b) A copy of the complaint and written disclosure of substantially all material evidence and information the person possesses shall be served on the State. The complaint shall be filed in camera, shall remain under seal for at least 120 days, and shall not be served on the defendant until the court so orders. The State may elect to intervene and proceed with the action within 120 days after it receives both the complaint and the material evidence and information.

(c) The State may, for good cause shown, move the court for extensions of the time during which the complaint remains under seal. Any of these motions may be supported by affidavits or other submission in camera. The defendant shall not be required to respond to any complaint filed under this section until 21 days after the complaint is unsealed and served upon the defendant.

(d) Before the expiration of the 120-day period or any extensions obtained under subsection (c) of this section, the State shall proceed with the action, in which case the action shall be conducted by the State, or notify the court that it declines to take over the action, in which case the person bringing the action shall have the right to prosecute the action.

(e) When a person brings an action under this section, no person other than the State may intervene or bring a related action based on the facts underlying the pending action.

"**§ 108A-70.17A. Rights of private plaintiff and State.**

(a) If the State proceeds with the action, it shall have the primary responsibility for prosecuting the action and shall not be bound by an act of the person bringing the action. The person bringing the action shall have the right to continue as a party to the action, subject to the limitations of this section.

(b) The State may dismiss the action notwithstanding the objections of the person initiating the action if the person has been notified by the State of the filing of the motion, and the court has provided the person with an opportunity for a hearing on the motion.

(c) The State may settle the action with the defendant notwithstanding the objections of the person initiating the action if the court determines, after a hearing, that the proposed settlement is fair, adequate, and reasonable under all the circumstances. Upon a showing of good cause, such hearing may be held in camera. The State may, for good cause shown, move the court for a partial lifting of the seal to facilitate the investigative process or settlement.

(d) Upon a showing by the State that unrestricted participation during the course of the litigation by the person initiating the action would interfere with or unduly delay the State's prosecution of the case, or would be repetitious, irrelevant, or for purposes of harassment, the court may, in its discretion, impose limitations on the person's participation, such as (i) limiting the number of witnesses the person may call; (ii) limiting the length of the testimony of such witnesses; (iii) limiting the person's cross-examination of witnesses; and (iv) otherwise limiting the participation by the person in the litigation.

(e) Upon a showing by the defendant that unrestricted participation during the course of the litigation by the person initiating the action would be for purposes of harassment or would cause the defendant undue burden or unnecessary expense, the court may limit the participation by the person in the litigation.

(f) If the State elects not to proceed with the action, the person who initiated the action shall have the right to conduct the action. If the State so requests, it shall be served with copies of all pleadings filed in the action and shall be supplied with copies of all deposition transcripts at the State's expense. When a person proceeds with the action, the court, without limiting the status and rights of the person initiating the action, may nevertheless permit the State to intervene at a later date upon a showing of good cause.

(g) Whether or not the State proceeds with the action, upon a showing by the State that certain actions of discovery by the person initiating the action would interfere with the State's investigation or prosecution of a criminal or civil matter arising out of the same facts, the court may stay the discovery for a period of not more than 60 days. The showing by the State shall be conducted in camera. The court may extend the 60-day period upon a further showing in camera that the State has pursued the criminal or civil investigation or proceedings with reasonable diligence, and any proposed discovery in the civil action will interfere with the ongoing criminal or civil investigation or proceedings.

(h) Notwithstanding G.S. 108A-70.17(b), the State may elect to pursue its claim through any alternate remedy available to the State, including any administrative proceeding to determine a civil money penalty. If an alternate remedy is pursued in another proceeding, the person initiating the action shall have the same rights in the alternate proceeding as the person would have had if the action had continued under this section. Any finding of fact or conclusion of law made in the alternate proceeding that has become final shall be conclusive on all parties to an action under this Part. For purposes of this subsection, a finding or conclusion is final if it has been finally determined on appeal to a court of competent jurisdiction of the State, if the time for filing an appeal with respect to the finding or conclusion has expired, or if the finding or conclusions are not subject to judicial review.

"**§ 108A-70.17B. Award to qui tam plaintiff.**

(a) Except as otherwise provided in this section, if the State proceeds with an action brought by a person under G.S. 108A-70.17, the person shall receive at least fifteen percent (15%) but not more than twenty-five percent (25%) of the proceeds of the action or settlement of the claim, depending upon the extent to which the person substantially contributed to the prosecution of the action. The plaintiff's share in the proceeds of the action or settlement is administrative costs of the action. Where the action is one that the court finds to be based primarily on disclosures of specific information, other than information proved by the person bringing the action, relating to allegations or transaction in a criminal, civil, or administrative hearing, in a legislative, administrative, or State Auditor's report, hearing, audit, or investigation, or from the news media, the court may award such sums as it considers appropriate, but in no case more than ten percent (10%) of the proceeds of the action, taking into account the significance of the information and the role of the person bringing the action in advancing the case to litigation. The person shall also receive an amount for reasonable expenses that the court finds to have been necessarily incurred, plus reasonable attorneys' fees and costs. All such expenses, fees, and costs shall be awarded against the defendant. A share of the proceeds of an action or settlement of the claim shall not be awarded to the person bringing the action in State court under this Part if the person has received or may receive a share of the proceeds or settlement of an action or claim on the same facts brought in federal court.

(b) If the State does not proceed with an action, the person bringing the action or settling the claim shall receive an amount that the court decides is reasonable for collecting the civil penalty and damages. The amount shall be not less than twenty-five percent (25%) and not more than thirty percent (30%) of the proceeds of the action or settlement and shall be paid out of the proceeds. The person shall also receive an amount for reasonable expenses that the court finds to have been necessarily incurred, plus reasonable attorneys' fees and costs. All such expenses, fees, and costs shall be awarded against the defendant.

(c) Whether or not the State proceeds with the action, if the court finds that the action was brought by a person who planned and initiated the violation of G.S. 108A-70.12 upon which the action was brought, then the court may, to the extent the court considers appropriate, reduce the share of the proceeds of the action that the person would otherwise receive under subsection (a) or (b) of this section, taking into account the role of that person in advancing the case to litigation and any relevant circumstances pertaining to the violation. If the person bringing the action is convicted of criminal conduct arising from the person's role in the violation of G.S. 108A-70.12, that person shall be dismissed from the civil action and shall not receive any share of the proceeds of the action. The dismissal shall not prejudice the right of the State to continue the action.

(d) If the State does not proceed with the action and the person bringing the action conducts the action, the court may award to the defendant its reasonable attorneys' fees and expenses if the defendant prevails in the action and if the court finds that the claim of the person bringing the action was clearly frivolous, clearly vexatious, or brought primarily for purposes of harassment.

"**§ 108A-70.17C. Certain actions barred.**

(a) No court shall have jurisdiction over an action brought under this Part based on information discovered by a present or former employee of the State during the course of the present or former employee's employment unless that employee first, in good faith, exhausted existing internal procedures for reporting and seeking recovery of the falsely claimed sums through official channels, and unless the State failed to act on the information provided within a reasonable period of time.

(b) In no event may a person bring an action under this Part that is based upon allegations or transactions that are the subject of a civil suit or an administrative proceeding in which the State is already a party.

(c) No court shall have jurisdiction over an action under this Part based upon the public disclosure of allegations or transactions in a criminal, civil, or administrative hearing, in a legislative, administrative, or State Auditor's report, hearing, audit, or investigation, or from the news media, unless the action is brought by the Attorney General, or the person bringing the action is an original source of the information. For purposes of this section, "original source" means an individual who has direct and independent knowledge of the information on which the allegations are based and has voluntarily provided the information to the State before filing an action under this Part that is based on the information.

(d) The State is not liable for expenses a person incurs in bringing an action under this Part.

(e) G.S. 108A-70.14 and G.S. 108A-70.15 apply to this Part.

"**§ 108A-70.17D. Procedure; statute of limitations.**

A civil action under this Part may not be brought (i) more than six years after the date on which the violation is committed, or (ii) more than three years after the date when facts material to the right of the action are known or reasonably should have been known by the official of the State charged with responsibility to act in the circumstances, but in that event no more than 10 years after the date on which the violation is committed, whichever occurs last."

SECTION 15.8.(e) G.S. 108A-70.15 reads as rewritten:

"**§ 108A-70.15. Employee remedies.**

(a) In the absence of fraud or malice, no person who furnishes information to officials of the State responsible for investigating false claims violations shall be liable for damages in a civil action for any oral or written statement made or any other action that is necessary to supply information required pursuant to this ~~Part.~~ Part or Part 7A of this Article.

(b) Any employee of a provider who is discharged, demoted, suspended, threatened, harassed, or in any other manner discriminated against in the terms and conditions of employment by the employee's employer because of lawful acts done by the employee on behalf of the employee or others in furtherance of an action under G.S. ~~108A-70.12,~~ 108A-70.12, or Part 7A of this Article, including investigation for, initiation of, testimony for, or assistance in an action filed or to be filed under G.S. ~~108A-70.12,~~ 108A-70.12, or Part 7A of this Article, shall be entitled to all relief necessary to make the employee whole. Relief shall include reinstatement with the same seniority status as the employee would have had but for the discrimination, two times the amount of back pay, interest on the back pay, and compensation for any special damages sustained as a result of the discrimination, including litigation costs and reasonable attorneys' fees. An employee may bring an action in the appropriate court for the relief provided in this section."

SECTION 15.8.(f) Part 6 of Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-63.1. Authorized investigative demand procedures.**

(a) In any investigation relating to any act or activity involving a violation of G.S. 108A-64, 108A-60, 14-32.1, or 14-32.2, the Attorney General may issue in writing and cause to be served a subpoena:

(1) Requiring the production of any records, books, papers, documents, electronic media, or other objects or tangible things, which may be relevant to an authorized law enforcement inquiry, that a person or legal entity may possess or have care, custody, or control; or

(2) Requiring a custodian of records to give testimony concerning the production and authentication of the records.

(b) A subpoena under this section shall describe the objects required to be produced and shall also prescribe a return date within a reasonable period of time within which the objects can be assembled and made available.

(c) Witnesses summoned under this section shall be paid the same fees and mileage that are paid witnesses in the courts of the State.

(d) A subpoena issued under this section may be served in the manner provided in Rule 45(b) of the Rules of Civil Procedure, G.S. 1A-1, except that subdivision (2) of subsection (b) of Rule 45(b) does not apply to subpoenas issued under this section.

(e) In the case of failure by any person without adequate excuse to obey a subpoena served upon the person, the Attorney General may invoke the aide of any court of this State. The court may issue an order requiring the subpoenaed person to appear before the Attorney General to produce records, if so ordered, or to give testimony concerning the production and authentication of the records. Failure to obey the order of the court may be punished by the court as contempt thereof.

(f) Notwithstanding any other State law to the contrary, any person, including officers, agents, and employees, receiving a subpoena under this section, who complies in good faith with the subpoena and thus produces the materials sought, shall not be liable in any court of this State to any customer or other person for the production or for nondisclosure of the production to the customer.

(g) Health information about an individual that is disclosed under this section may not be used in, or disclosed to any person for use in, any administrative, civil, or criminal action or investigation directed against the individual who is the subject of the information unless the action or investigation arises out of and is directly related to receipt of health care or payment for health care or action involving a fraudulent claim related to health; or if authorized by an appropriate order of a court of competent jurisdiction, granted after application showing good cause therefor.

(1) In assessing good cause under this subsection, the court shall weigh the public interest and the need for disclosure against the injury to the patient, to the physician-patient relationship, and to the treatment services.

(2) Upon the granting of an order to disclose, the court, in determining the extent to which any disclosure of all or any part of any record is necessary, shall impose appropriate safeguards against unauthorized disclosure."

SECTION 15.8.(g) G.S. 108A-63 reads as rewritten:

"**§ 108A-63. Medical assistance provider fraud.**

(a) It shall be unlawful for any provider of medical assistance under this Part to knowingly and willfully make or cause to be made any false statement or representation of a material fact:

(1) In any application for payment under this Part, or for use in determining entitlement to such payment; or

(2) With respect to the conditions or operation of a provider or facility in order that such provider or facility may qualify or remain qualified to provide assistance under this Part.

(b) It shall be unlawful for any provider of medical assistance to knowingly and willfully conceal or fail to disclose any fact or event affecting:

(1) His initial or continued entitlement to payment under this Part; or

(2) The amount of payment to which such person is or may be entitled.

(c) ~~Any~~ Except as otherwise provided in subsection (e) of this section, any person who violates a provision of this section shall be guilty of a Class I felony.

(d) "Provider" shall include any person who provides goods or services under this Part and any other person acting as an employee, representative or agent of such person.

(e) It shall be unlawful for any provider of medical assistance under this Part to knowingly and willfully execute, or attempt to execute, a scheme or artifice to:

(1) Defraud the Medical Assistance Program; or

(2) Obtain, by means of false or fraudulent pretenses, representations or promises, any of the money or property owned by, or under the custody or control of, the Medical Assistance Program,

in connection with the delivery of or payment for health care benefits, items, or services. If the value of the health care benefits, items, or services is one hundred thousand dollars ($100,000) or more, a violation of this subsection is a Class C felony. If the value of the health care benefits, items, or services is less than one hundred thousand dollars ($100,000), a violation of this subsection is a Class H felony.

(f) It shall be unlawful for any person to knowingly and willfully solicit or receive any remuneration (including any kickback, bribe, or rebate) directly or indirectly, overtly or covertly, in cash or in kind:

(1) In return for referring an individual to a person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part under this Part, or

(2) In return for purchasing, leasing, ordering, or arranging for or recommending purchasing, leasing, or ordering any good, facility, service, or item for which payment may be made in whole or in part under this Part.

(g) It shall be unlawful for any person to knowingly and willfully offer or pay any remuneration (including any kickback, bribe, or rebate) directly or indirectly, overtly or covertly, in cash or in kind to any person to induce such person:

(1) To refer an individual to a person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part under this Part, or

(2) To purchase, lease, order, or arrange for or recommend purchasing, leasing, or ordering any good, facility, service, or item for which payment may be made in whole or in part under this Part.

(h) Subsections (f) and (g) of this section shall not apply to:

(1) Contracts between the State and a public or private agency where part of the agency's responsibility is referral of a person to a provider; and

(2) Any conduct or activity that does not violate 42 U.S.C. § 1320a-7b(b), and amendments thereto, or is protected by 42 C.F.R. § 1001.952, and amendments thereto."

SECTION 15.8.(h) This section becomes effective December 1, 2007.

PART XVI. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

ANNUAL EVALUATION OF TARHEEL CHALLENGE PROGRAM

SECTION 16.1. The Department of Crime Control and Public Safety shall report to the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by March 1 of each year of the biennium on the operations and effectiveness of the National Guard Tarheel Challenge Program. In particular, the Department shall evaluate and report on the Program's effectiveness as an intervention method for preventing juveniles from becoming undisciplined or delinquent and on the Program's role in improving individual skills and employment potential for participants. The report shall also include all of the following:

(1) The source of referrals for individuals participating in the Program.
(2) The summary of types of actions or offenses committed by the participants of the Program.
(3) An analysis outlining the cost of providing services for each participant, including a breakdown of all expenditures related to the administration and operation of the Program and the education and treatment of the Program participants.
(4) The number of individuals who successfully complete the Program.
(5) The number of participants who commit offenses after completing the Program.

NEW ALE NON-SWORN JOB CLASSIFICATION

SECTION 16.2.(a) As recommended by the Fiscal Research Division of the General Assembly in the February 2007 Justification Review, the State Personnel Commission shall develop for review a new non-sworn position classification for the Alcohol Law Enforcement Division of the Department of Crime Control and Public Safety that would supplement the agents that are employed by the Division.

SECTION 16.2.(b) Prior to the action taken pursuant to subsection (a) of this section, the Office of State Personnel shall review all of the following:

(1) The Justification Review report.
(2) Current position descriptions and job classifications.
(3) Tasks currently performed by ALE field agents in order to determine tasks that could be performed by non-sworn or noncertified personnel.
(4) Information on other states that use non-sworn staff for inspection, compliance, and education efforts currently performed by North Carolina ALE agents.

SECTION 16.2.(c) The Office of State Personnel shall report the results of its review in writing to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and to the State Personnel Commission by February 1, 2008. The Office of State Personnel report shall include (i) a detailed description of the new ALE civilian position, including the job classification, a description of all of the duties assigned to the position, and the salary grade for the position, (ii) the estimated number of positions that should be established, and (iii) a time line for further review of the job classification by the State Personnel Commission.

ALTERNATIVE FUNDING SOURCE STUDY FOR THE GEOSPATIAL AND TECHNOLOGY MANAGEMENT PROGRAM

SECTION 16.3. The Department of Crime Control and Public Safety shall study alternative funding sources for the Geospatial and Technology Management Program. By March 1, 2008, the Department shall report the results of this study to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety. This report shall include information about possible federal grant sources and receipt-based funding options from federal, State, and local agencies as well as private industry.

USE OF GANG PREVENTION FUNDS

SECTION 16.5.(a) Of the funds appropriated in this act to the Department of Crime Control and Public Safety, Governor's Crime Commission, the sum of three million dollars ($3,000,000) for the 2007-2008 fiscal year shall be used to provide grants for street gang violence prevention, intervention, and suppression programs.

SECTION 16.5.(b) The Governor's Crime Commission shall develop the criteria for eligibility for these funds. The criteria shall include a matching requirement of twenty-five percent (25%), one-half of which may be in in-kind contributions, and presentation of a written plan for the services to be provided by the funds. Funds shall be available to public and private entities or agencies for juvenile or adult programs that meet the criteria established by the Governor's Crime Commission.

SECTION 16.5.(c) The Governor's Crime Commission shall report to the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by April 15, 2008, on this program. The report shall include all of the following:

(1) The grant award process.
(2) A description of each grant awarded.
(3) The performance criteria for evaluating grant programs.
(4) A list of State grants awarded in the 2007 grant cycle.

REPORTS ON THE EXPANSION OF THE ALCOHOL LAW ENFORCEMENT DIVISION'S AUTOMATED SYSTEMS

SECTION 16.6. The Department of Crime Control and Public Safety shall report to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Chairs of the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee by February 1 and May 1, 2008, on the status of the expansion of the Alcohol Law Enforcement Division's automated systems for administrative and field processes. Each report shall include all of the following:

(1) A description of the Division's automated systems.
(2) A list of prior and ongoing automation projects.
(3) A summary of work done with funds received.
(4) A time line for completion of new and ongoing projects.
(5) A list of expenditures to date.
(6) Program performance/efficiencies achieved with expanded automation.

STUDY CONSOLIDATION OF GIS MAPPING PROGRAMS

SECTION 16.7.(a) The Office of State Budget and Management shall study the feasibility and desirability of consolidating GIS mapping programs that are currently located in separate State agencies into a single, unified program. Specifically, the study shall do all of the following:

(1) Identify every State agency that has a GIS mapping program.
(2) Determine how each agency that has a GIS mapping program uses the maps it develops.

(3) Determine the format in which each State agency that has a GIS mapping program stores data and the manner in which that data is accessed.

(4) Determine the feasibility and desirability of consolidating GIS mapping programs into a single, unified program.

SECTION 16.7.(b) The Office of State Budget and Management shall submit a written report of its findings and recommendations to the House of Representatives and Senate Appropriations Committees and to the Joint Legislative Commission on Governmental Operations by March 1, 2008.

STUDY GANG ACTIVITY

SECTION 16.8.(a) The Governor's Crime Commission shall study gang activity in North Carolina. In its study, the Governor's Crime Commission shall do all of the following:

(1) Assess gang activity in communities known to have gangs.

(2) Consult with the Department of Correction to assess gang activity in the State's prisons.

(3) Consult with the Department of Public Instruction, Department of Justice, and the Department of Correction on any gang prevention initiatives they have in place or administered in the past.

(4) Summarize significant gang prevention, intervention, and suppression programs that have been administered by local law enforcement, State agencies, local governments, and community-based organizations, and evaluate those programs for effectiveness.

(5) Review accepted best practices in gang prevention and evaluate whether or not increasing penalties will mitigate gang activity.

(6) Project the growth of gang activity over the next five years and identify the locations where that growth is expected to occur.

(7) Provide recommendations on ways of using State and local resources to improve the effectiveness of future gang prevention initiatives.

SECTION 16.8.(b) The Governor's Crime Commission shall report on the study's findings and recommendations by March 15, 2008, to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety.

PART XVII. DEPARTMENT OF CORRECTION

MUTUAL AGREEMENT PAROLE PROGRAM

SECTION 17.1. The Department of Correction and the Post-Release Supervision and Parole Commission shall report by March 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the number of inmates enrolled in the program, the number completing the program and being paroled, and the number who enrolled but were terminated from the program. The information should be based on the previous calendar year.

INMATE ROAD SQUADS AND LITTER CREWS

SECTION 17.2. Of the funds appropriated to the Department of Transportation in this act, the sum of eleven million three hundred thousand dollars

($11,300,000) per year shall be transferred by the Department to the Department of Correction during the 2007-2008 and 2008-2009 fiscal years for the cost of operating medium custody inmate road squads, as authorized by G.S. 148-26.5, and minimum custody inmate litter crews. This transfer shall be made quarterly in the amount of two million eight hundred twenty-five thousand dollars ($2,825,000). The Department of Transportation may use funds appropriated in this act to pay an additional amount exceeding the eleven million three hundred thousand dollars ($11,300,000), but those payments shall be subject to negotiations among the Department of Transportation, the Department of Correction, and the Office of State Budget and Management prior to payment by the Department of Transportation.

The Office of State Budget and Management shall conduct a study, in consultation with the Department of Correction and the Department of Transportation, to determine the actual cost and cost/benefit of operating medium custody road squads and minimum custody litter crews. The Office of State Budget and Management shall report the results of this study to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and to the Joint Legislative Transportation Oversight Committee by March 1, 2008. The study shall include a recommendation on whether or not the amount transferred from the Department of Transportation to the Department of Correction should be increased or decreased.

ALCOHOL AND CHEMICAL DEPENDENCY PROGRAM REPORT

SECTION 17.3.(a) G.S. 143B-262.3 reads as rewritten:

"**§ 143B-262.3. Reports to the General Assembly.**

(a) The Department of Correction shall report by March 1 of each year to the Chairs of the Senate and House Appropriations Committees and the Chairs of the Senate and House Appropriations Subcommittees in Justice and Public Safety on their efforts to provide effective treatment to offenders with substance abuse problems. The report shall include:

(1) Details of any new initiatives and expansions or reduction of programs;

(2) Details on any treatment efforts conducted in conjunction with other departments;

(3) Utilization of the DART/DWI ~~program, including its aftercare~~ program;

~~(4) Progress in the development on an offender and inmate tracking and program evaluation system; and~~

~~(5) A report on the number of current inmates with substance abuse problems, the numbers currently receiving treatment, and the numbers who have completed treatment. As an offender and inmate tracking system becomes operational, this report shall also include information on the recidivism of inmates who have previously completed substance abuse treatment and been released from prison.~~

<u>(6) Statistical information on the number of current inmates with substance abuse problems that require treatment, the number of treatment slots, the number who have completed treatment, and a comparison of available treatment slots to actual utilization rates. The report shall include this information for each DOC funded program; and</u>

<u>(7) Evaluation of each substance abuse treatment program funded by the Department of Correction. Evaluation measures shall include reduction in alcohol and drug dependency, improvements in discliplinary and</u>

<u>infraction rates, recidivism (defined as return-to-prison rates), and other measures of the programs' success.</u>

~~(b) The Department shall also report to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety by May 1, 2004, and by February 1 annually beginning in 2005, on the average caseloads of Community Service Work Program coordinators, by district, division, and statewide. The report shall also include the money collected, the type and value of the work performed, and the number of offenders in the Community Service Work Program, by type of referral (i.e. parole, supervised probation, unsupervised probation or community punishment, DWI, or any other agency referrals).~~"

SECTION 17.3.(b) During the 2007-2009 fiscal biennium, the Department of Correction evaluation effort shall focus mainly on evaluation of the long-term residential programs operated by the Department of Correction through private contract and those operated directly by the Department of Correction. The evaluation component of the March 1, 2008, annual report shall be primarily a status report and provide only preliminary information on the evaluation of the residential program. The final evaluation report shall be included in the March 1, 2009, annual report.

INMATE CONSTRUCTION PROGRAM

SECTION 17.4. Funding authorized in this act is intended to increase participation in the Inmate Construction Program in order to improve inmate job skills and reduce recidivism. By April 1, 2008, the Department of Correction shall report to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the House and Senate Appropriations Subcommittees on Justice and Public Safety on the Inmate Construction Program. The report shall summarize the 2007-2008 Inmate Construction Program projects, including a description of each project, the number of inmate workers, and the estimated total cost of the project compared to the cost if the project was conducted without inmate workers. The report shall also estimate the number of inmate workers that will be used in the program during the 2008-2009 fiscal year.

FEDERAL GRANT REPORTING

SECTION 17.5. The Department of Correction, the Department of Justice, the Department of Crime Control and Public Safety, the Judicial Department, and the Department of Juvenile Justice and Delinquency Prevention shall report by May 1 of each year to the Joint Legislative Commission on Governmental Operations, the Chairs of the House of Representatives and Senate Appropriations Committees, and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on federal grant funds received or preapproved for receipt by those departments. The report shall include information on the amount of grant funds received or preapproved for receipt by each department, the use of the funds, the State match expended to receive the funds, and the period to be covered by each grant. If the department intends to continue the program beyond the end of the grant period, the department shall report on the proposed method for continuing the funding of the program at the end of the grant period. Each department shall also report on any information it may have indicating that the State will be requested to provide future funding for a program presently supported by a local grant.

REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM

SECTION 17.6. Notwithstanding G.S. 143C-6-9, the Department of Correction may use funds available to the Department for the 2007-2009 biennium to pay the sum of forty dollars ($40.00) per day as reimbursement to counties for the cost of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to the State prison system, as provided in G.S. 148-29. The Department shall report quarterly to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, the Chairs of the House of Representatives and Senate Appropriations Committees, and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the expenditure of funds to reimburse counties for prisoners awaiting transfer and on its progress in reducing the jail backlog.

USE OF CLOSED PRISON FACILITIES

SECTION 17.7. In conjunction with the closing of prison facilities, including small expensive prison units recommended for consolidation by the Government Performance Audit Committee, the Department of Correction shall consult with the county or municipality in which the unit is located, with the elected State and local officials, and with State agencies about the possibility of converting that unit to other use. The Department may also consult with any private for-profit or nonprofit firm about the possibility of converting the unit to other use. In developing a proposal for future use of each unit, the Department shall give priority to converting the unit to other criminal justice use. Consistent with existing law and the future needs of the Department of Correction, the State may provide for the transfer or the lease of any of these units to counties, municipalities, State agencies, or private firms wishing to convert them to other use. The Department of Correction may also consider converting some of the units recommended for closing from one security custody level to another, where that conversion would be cost-effective. A prison unit under lease to a county pursuant to the provisions of this section for use as a jail is exempt for the period of the lease from any of the minimum standards adopted by the Secretary of Health and Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that would subject the unit to greater standards than those required of a unit of the State prison system.

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

LIMIT USE OF OPERATIONAL FUNDS

SECTION 17.8. Funds appropriated in this act to the Department of Correction for operational costs for additional facilities shall be used for personnel and operating expenses set forth in the budget approved by the General Assembly in this act. These funds shall not be expended for any other purpose, except as provided for in this act, and shall not be expended for additional prison personnel positions until the new facilities are within 120 days of projected completion, except that the Department may establish critical positions prior to 120 days of completion representing no more than twenty percent (20%) of the total estimated number of positions.

ENERGY COMMITTED TO OFFENDERS/CONTRACT AND REPORT

SECTION 17.9. The Department of Correction may continue to contract with Energy Committed To Offenders, Inc., for the purchase of prison beds for minimum security female inmates during the 2007-2009 biennium. Energy Committed To Offenders, Inc., shall report by February 1 of each year to the Joint Legislative Commission on Governmental Operations on the annual cost per inmate and the average daily inmate population compared to bed capacity using the same methodology as that used by the Department of Correction.

INMATE MEDICAL COSTS

SECTION 17.10. Notwithstanding the provisions of G.S. 143C-6-9, the Department of Correction may use funds available during the 2007-2009 biennium for the inmate medical program if expenditures are projected to exceed the Department's inmate medical continuation budget. The Department shall consult with the Joint Legislative Commission on Governmental Operations prior to exceeding the continuation budget amount.

PAROLE ELIGIBILITY REPORT

SECTION 17.11.(a) The Post-Release Supervision and Parole Commission shall, with the assistance of the North Carolina Sentencing and Policy Advisory Commission and the Department of Correction, analyze the amount of time each inmate who is eligible for parole on or before July 1, 2008, has served compared to the time served by offenders under Structured Sentencing for comparable crimes. The Commission shall determine if the person has served more time in custody than the person would have served if sentenced to the maximum sentence under the provisions of Article 81B of Chapter 15A of the General Statutes. The "maximum sentence", for the purposes of this section, shall be calculated as set forth in subsection (b) of this section.

SECTION 17.11.(b) For the purposes of this section, the following rules apply for the calculation of the maximum sentence:

(1) The offense upon which the person was convicted shall be classified as the same felony class as the offense would have been classified if committed after the effective date of Article 81B of Chapter 15A of the General Statutes.

(2) The minimum sentence shall be the maximum number of months in the presumptive range of minimum durations in Prior Record Level VI of G.S. 15A-1340.17(c) for the felony class determined under subdivision (1) of this subsection. The maximum sentence shall be calculated using G.S. 15A-1340.17(d), (e), or (e1).

(3) If a person is serving sentences for two or more offenses that are concurrent in any respect, then the offense with the greater classification shall be used to determine a single maximum sentence for the concurrent offenses. The fact that the person has been convicted of multiple offenses may be considered by the Commission in making its determinations under subsection (a) of this section.

SECTION 17.11.(c) The Commission shall report to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and to the Chairs of the House of Representatives and Senate Appropriations Committees, and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by April 1, 2008. The report shall include the following: the class of the offense for which each parole-eligible inmate was convicted and whether an inmate had multiple criminal convictions. The Commission shall reinitiate the parole review process for each offender who has served more time than that person would have under Structured Sentencing as provided by subsections (a) and (b) of this section.

The Commission shall also report on the number of parole-eligible inmates reconsidered in compliance with this section and the number who were actually paroled.

FEDERAL GRANT MATCHING FUNDS

SECTION 17.12. Notwithstanding the provisions of G.S. 143C-6-9, the Department of Correction may use up to the sum of one million two hundred thousand dollars ($1,200,000) during the 2007-2008 fiscal year from funds available to the Department to provide the State match needed in order to receive federal grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

REPORTS ON NONPROFIT PROGRAMS

SECTION 17.13.(a) Funds appropriated in this act to the Department of Correction to support the programs of Harriet's House may be used for program operating costs, the purchase of equipment, and the rental of real property to serve women released from prison with children in their custody. Harriet's House shall report by February 1 of each year to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the expenditure of State appropriations and on the effectiveness of the program, including information on the number of clients served, the number of clients who successfully complete the Harriet's House program, and the number of clients who have been rearrested within three years of successfully completing the program. The report shall provide financial and program data for the complete fiscal year prior to the year in which the report is submitted. The financial report shall identify all funding sources and amounts.

SECTION 17.13.(b) Summit House shall report by February 1 of each year to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the expenditure of State appropriations and on the effectiveness of the program, including information on the number of clients served, the number of clients who have had their probation revoked, the number of clients who successfully complete the program while housed at Summit House, Inc., and the number of clients who have been rearrested within three years of successfully completing the program. The report shall provide financial and program data for the complete fiscal year prior to the year in which the report is submitted. The financial report shall identify all funding sources and amounts.

SECTION 17.13.(c) Women at Risk shall report by February 1 of each year to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the expenditure of State funds and on the effectiveness of the program, including information on the number of clients served, the number of clients who have had their probation revoked, the number of clients who have successfully completed the program, and the number of clients who have been rearrested within three years of successfully completing the program. The report shall provide financial and program data for the complete fiscal year prior to the year in which the report is submitted. The financial report shall identify all funding sources and amounts.

SECTION 17.13.(d) Our Children's Place shall report by February 1, 2008, to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the status of the planning, design, and construction of Our Children's Place, the proposed program components and evaluation measures, and on the projected number of inmates and their children to be served. The report shall also provide financial data, including the expenditure of State funds and all funding sources and amounts.

REPORT ON ELECTRONIC MONITORING PROGRAM/USE OF GLOBAL POSITIONING SYSTEMS FOR SEX OFFENDERS

SECTION 17.14. The Department of Correction shall report by March 1 of each year to the Chairs of the House and Senate Appropriations Committees, the Chairs of 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 following:

(1) The number of sex offenders enrolled on active and passive GPS monitoring.

(2) The caseloads of probation officers assigned to GPS-monitored sex offenders.

(3) The number of violations.

(4) The number of absconders.

(5) The projected number of offenders to be enrolled by the end of the 2007-2008 fiscal year and the end of the 2008-2009 fiscal year.

(6) The total cost of the program, including a per-offender cost.

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) A review of whether each sentenced offender program is meeting established program goals developed by the Division of Community Corrections in consultation with the Division of Research and Planning and the State Criminal Justice Partnership Advisory Board;

(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 types 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 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.

REPORT ON PROBATION AND PAROLE CASELOADS

SECTION 17.16.(a) The Department of Correction shall report by March 1 of each year to the Chairs of 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 caseload averages for probation and parole officers. The report shall include:

(1) Data on current caseload averages for Probation Parole Officer I, Probation Parole Officer II, and Probation Parole Officer III positions;

(2) An analysis of the optimal caseloads for these officer classifications;

(3) An assessment of the role of surveillance officers;

(4) The number and role of paraprofessionals in supervising low-risk caseloads;

(5) An update on the Department's implementation of the recommendations contained in the National Institute of Correction study conducted on the Division of Community Corrections in 2004;

(6) The selection of a risk assessment and the resulting distribution of offenders among risk levels; and

(7) Any position reallocations in the previous 12 months, and the reasons for and fiscal impact of those reallocations.

SECTION 17.16.(b) The Department of Correction shall conduct a study of probation/parole officer workload at least biannually. The study shall include analysis of the type of offenders supervised, the distribution of the probation/parole officers' time by type of activity, the caseload carried by the officers, and comparisons to practices in other states. The study shall be used to determine whether the caseload goals established by the Structured Sentencing Act are still appropriate, based on the nature of the offenders supervised and the time required to supervise those offenders.

SECTION 17.16.(c) The Department of Correction shall report the results of the study and recommendations for any adjustments to caseload goals to the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by January 1, 2009.

COMMUNITY SERVICE WORK PROGRAM

SECTION 17.17. The Department of Correction shall report to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by February 1 of each year on the integration of the Community Service Work Program into the Division of Community Corrections, including the Department's ability to monitor the collection of offender payments from unsupervised offenders sentenced to community service. The Department shall also report to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by February 1 of each year on the average caseloads of Community Service Work Program coordinators, by district, division, and statewide. The report shall also include the money collected, the type and value of the work performed, and the number of offenders in the Community Service Work Program, by type of referral (i.e. parole, supervised probation, unsupervised probation or community punishment, DWI, or any other agency referrals).

PART XVIII. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION

SUPPORT OUR STUDENTS ADMINISTRATIVE COST LIMITS

SECTION 18.1. Of the funds appropriated to the Department of Juvenile Justice and Delinquency Prevention in this act, not more than five hundred thousand dollars ($500,000) for the 2007-2008 fiscal year and not more than five hundred thousand dollars ($500,000) for the 2008-2009 fiscal year may be used to administer the Support Our Students (S.O.S.) Program, to provide technical assistance to applicants and to local S.O.S. programs, and to evaluate the local S.O.S. programs. The Department may contract with appropriate public or nonprofit agencies to provide the technical assistance, including training and related services.

JCPC GRANT REPORTING AND CERTIFICATION

SECTION 18.2.(a) On or before April 1 each year, the Department of Juvenile Justice and Delinquency Prevention shall submit to the Joint Legislative Commission on Governmental Operations and the Appropriations Committees of the Senate and House of Representatives a list of the recipients of the grants awarded, or preapproved for award, from funds appropriated to the Department for local Juvenile Crime Prevention Council grants. The list shall include for each recipient the amount of the grant awarded, the membership of the local committee or council administering the award funds on the local level, and a short description of the local services, programs, or projects that will receive funds. The list shall also identify any programs that received grant funds at one time but for which funding has been eliminated by the Department of Juvenile Justice and Delinquency Prevention. A written copy of the list and other information regarding the projects shall also be sent to the Fiscal Research Division of the General Assembly.

SECTION 18.2.(b) Each county in which local programs receive Juvenile Crime Prevention Council grant funds from the Department of Juvenile Justice and Delinquency Prevention shall certify annually through its local council to the Department that funds received are not used to duplicate or supplant other programs within the county.

SECTION 18.2.(c) G.S. 143B-519 reads as rewritten:

"**§ 143B-519. Annual report.**

(a) On or before April 1 each year, beginning with the year 2001, the Department shall report to the General Assembly on the effectiveness and cost benefit of every program operated and contracted by the Department and a summary of the local programs that receive State funding. The report shall include the most current institutional populations of juveniles being served by the Department, a comparison of the costs of the services, and a ranking of all programs that provide services to juveniles. The Department shall submit the report to the various State agencies providing services to juveniles.

(b) On or before April 1 each year, the Department shall report to the Chairs of the Appropriations Committees of the Senate and House of Representatives, the Chairs of the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, and the Fiscal Research Division on the following:

(1) The effectiveness of programs that receive Juvenile Crime Prevention Council grant funds and that serve juveniles who have been adjudicated delinquent or who have been diverted for delinquent offenses. The standards used to evaluate these programs shall include methods for measuring success factors following intervention and shall include those factors that:

a. Reduce the use of alcohol or controlled substances.
b. Reduce subsequent complaints.
c. Reduce violations of terms of community supervision.
d. Reduce convictions for subsequent offenses.
e. Fulfill restitution to victims.
f. Increase parental accountability.

(2) The number of diverted and adjudicated juveniles served.

(3) The specific methods used by the Juvenile Crime Prevention Councils to determine services, programs, and intervention strategies most likely to change behaviors of juvenile offenders.

(4) The total cost for each funded program, including the cost per juvenile and the essential elements of the program.

(5) An assessment of the extent to which programs funded by Juvenile Crime Prevention Council grants:

a. Are compatible with research that shows prevention and early intervention strategies that are effective with juvenile offenders.
b. Are outcome-based in that the grantee describes what outcomes will be achieved or what outcomes have already been achieved.
c. Include an evaluation component.
d. Have a demonstrable impact on success factors.

e. Detect gang participation and divert individuals from gang participation."

SECTION 18.2.(d) The Department shall withhold the fourth quarter payment for local Juvenile Crime Prevention Council grants pending receipt of the annual effectiveness report required by subsection (c) of this section.

REPORTS ON CERTAIN PROGRAMS

SECTION 18.3.(a) Project Challenge North Carolina, Inc., shall report to the Department of Juvenile Justice and Delinquency Prevention and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by April 1 each year on the operation and the effectiveness of its program in providing alternative dispositions and services to juveniles who have been adjudicated delinquent or undisciplined. The report shall include information on:

(1) The source of referrals for juveniles.
(2) The types of offenses committed by juveniles participating in the program.
(3) The amount of time those juveniles spend in the program.
(4) The number of juveniles who successfully complete the program.
(5) The number of juveniles who commit additional offenses after completing the program.
(6) The program's budget and expenditures, including all funding sources.

SECTION 18.3.(b) The Juvenile Assessment Center shall report to the Chairs of 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 effectiveness of the Center by April 1 each year. The report shall include information on the number of juveniles served and an evaluation of the effectiveness of juvenile assessment plans and services provided as a result of these plans. In addition, the report shall include information on the Center's budget and expenditures, including all funding sources.

ANNUAL EVALUATION OF COMMUNITY PROGRAMS

SECTION 18.4. The Department of Juvenile Justice and Delinquency Prevention shall conduct an evaluation of the Eckerd and Camp Woodson wilderness camp programs, the teen court programs, the program that grants funds to the local organizations of the Boys and Girls Clubs established pursuant to Section 21.10 of S.L. 1999-237, the Support Our Students Program, the Governor's One-on-One Programs, and multipurpose group homes. The teen court report shall include statistical information on the number of juveniles served, the number and type of offenses considered by teen courts, referral sources for teen courts, and the number of juveniles that become court-involved after participation in teen courts. The report on the Boys and Girls Clubs program shall include information on:

(1) The expenditure of State appropriations on the program;
(2) The operations and the effectiveness of the program; and
(3) The number of juveniles served under the program.

In conducting the evaluation of each of these programs, the Department shall consider whether participation in each program results in a reduction of court involvement among juveniles. The Department shall also identify whether the programs are achieving the goals and objectives of the Juvenile Justice Reform Act, S.L. 1998-202. The Department shall report the results of the evaluation to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, the Chairs of the House of Representatives and Senate Appropriations Committees and the

Chairs of the Subcommittees on Justice and Public Safety of the House of Representatives and Senate Appropriations Committees by March 1 of each year.

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 18.5. Funds appropriated in this act to the Department of Juvenile Justice and Delinquency Prevention for the 2007-2008 fiscal year may be used as matching funds for the Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile Accountability Incentive Block Grants, or a notice of funds to be awarded, the Office of State Budget and Management and the Governor's Crime Commission shall consult with the Department of Juvenile Justice and Delinquency Prevention regarding the criteria for awarding federal funds. The Office of State Budget and Management, the Governor's Crime Commission, and the Department of Juvenile Justice and Delinquency Prevention shall report to the Appropriations Committees of the House of Representatives and Senate and the Joint Legislative Commission on Governmental Operations prior to allocation of the federal funds. The report shall identify the amount of funds to be received for the 2007-2008 fiscal year, the amount of funds anticipated for the 2008-2009 fiscal year, and the allocation of funds by program and purpose.

REPORTING ON TREATMENT STAFFING MODEL AT YOUTH DEVELOPMENT CENTERS

SECTION 18.6.(a) The Department of Juvenile Justice and Delinquency Prevention shall continue quarterly reporting during the 2007-2008 fiscal year to the Chairs of 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 implementation of the treatment staffing model at Samarkand and Stonewall Jackson Youth Development Centers, including the latest results of the evaluation of the pilot treatment staffing models at the Centers and the progress in implementing the model at other youth development centers.

SECTION 18.6.(b) The Department shall implement the staffing treatment model presented to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee as part of the Department's November 14, 2006, report regarding the joint use with the Department of Correction of the Swannanoa Youth Development Center campus.

The staffing levels of the new youth development centers shall be capped at 66 staff for a 32-bed facility and 198 staff for the 96-bed facility for the 2007-2009 fiscal biennium. Staffing ratios shall be no more than 2.1 staff per every juvenile committed at every other existing youth development center.

SECTION 18.6.(c) In the April 1, 2008, report, the Department shall include a recommendation on whether the staffing and budget for youth development centers should be modified to reflect the results of the pilot treatment programs.

PROGRESS REPORTS ON YOUTH DEVELOPMENT CENTER CAPITAL PROJECTS

SECTION 18.7. The Department of Juvenile Justice and Delinquency Prevention shall report quarterly during the 2007-2009 fiscal biennium, beginning October 1, 2007, to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the Department's progress in the planning, design, and construction of new youth development centers. The report shall include:

(1) An overall project schedule for each new youth development center showing the original estimated date for construction completion and the original estimated date for occupancy by juvenile offenders, compared to the latest projected dates.

(2) An explanation of significant delays in the schedule or any potential cost increase.

The Office of State Construction and the Capital Improvement Section of the Office of State Budget and Management shall assist the Department of Juvenile Justice and Delinquency Prevention in the preparation of the report required by this section.

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.

REPORT ON ECKERD FAMILY FOCUS ON REHABILITATIVE TREATMENT (EFFORT) PROJECT

SECTION 18.10. The Department and Eckerd Family Youth Alternatives, Inc., shall report by April 1, 2008, and quarterly thereafter to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the progress of the Eckerd Family Focus on Rehabilitative Treatment (EFFORT) project. The report shall include lessons learned from the EFFORT project, staff assignments by shift, and implementation of the therapeutic model.

PROGRESS REPORT ON JOINT USE BY THE DEPARTMENT OF CORRECTION AND THE DEPARTMENT OF JUVENILE JUSTICE AND

DELINQUENCY PREVENTION OF THE SWANNANOA VALLEY YOUTH DEVELOPMENT CENTER

SECTION 18.11. The Department of Juvenile Justice and Delinquency Prevention and the Department of Correction shall report quarterly during the 2007-2009 fiscal biennium, beginning October 1, 2007, to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the joint use by both departments of the Swannanoa Valley Youth Development Center. The report shall include an explanation of significant delays in converting the Swannanoa Valley Youth Development Center into a facility that functions as an adult female correctional center as well as a youth development center and any cost increase related to that conversion.

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) Pursuant to the Developmental Disabilities Assistance and Bill of Rights Act, the Governor shall redesignate the operation and function of the Governor's Advocacy Council for Persons with Disabilities from the Department of Administration to a nongovernmental entity. The Governor shall follow the federal statutory procedure for redesignation found at 45 C.F.R. § 1386.20, with a target transfer date of July 1, 2007.

SECTION 19.1.(c) G.S. 120-123(3) is repealed.

SECTION 19.1.(d) G.S. 122A-5.11(a)(5) reads as rewritten:

"(a) The Housing Coordination and Policy Council shall consist of 15 representatives, as follows:

…

(5) One member of the ~~Governor's Advocacy Council for Persons with Disabilities~~ <u>State protection and advocacy agency designated under the Developmental Disabilities Assistance and Bill of Rights Act 2000, P.L. 106-402,</u> who is familiar with the housing needs of the disabled.

…."

SECTION 19.1.(e) G.S. 122C-31(b) reads as rewritten:

"(b) Upon receipt of notification from a facility in accordance with subsection (a) of this section, the Secretary shall notify the ~~Governor's Advocacy Council for Persons With Disabilities~~ <u>State protection and advocacy agency designated under the Developmental Disabilities Assistance and Bill of Rights Act 2000, P.L. 106-402,</u> that a person with a disability has died. The Secretary shall provide the ~~Council~~ <u>agency</u> access to the information about each death reported pursuant to subsection (a) of this section, including information resulting from any investigation of the death by the Department and from reports received from the Chief Medical Examiner pursuant to G.S. 130A-385. The ~~Council~~ <u>agency</u> shall use the information in accordance with its powers and duties under ~~G.S. 143B-403.1 and~~ applicable <u>State and</u> federal law and regulations."

SECTION 19.1.(f) G.S. 122C-31(e) reads as rewritten:

"(e) Nothing in this section abrogates State or federal law or requirements pertaining to the confidentiality, privilege, or other prohibition against disclosure of information provided to the Secretary or the ~~Council.~~ <u>agency.</u> In carrying out the requirements of this section, the Secretary and the ~~Council~~ agency shall adhere to State and federal requirements of confidentiality, privilege, and other prohibitions against disclosure and release applicable to the information received under this section. A facility or provider that makes available confidential information in accordance with this section and with State and federal law is not liable for the release of the information."

SECTION 19.1.(g) G.S. 131D-10.6B(b) reads as rewritten:

"(b) Upon receipt of notification from a facility in accordance with subsection (a) of this section, the Department shall notify the ~~Governor's Advocacy Council for Persons With Disabilities~~ State protection and advocacy agency designated under the Developmental Disabilities Assistance and Bill of Rights Act 2000, P.L. 106-402, that a person with a disability has died. The Department shall provide the ~~Council~~ agency access to the information about each death reported to the ~~Council~~ agency pursuant to subsection (a) of this section, including information resulting from any investigation of the death by the Department, and from reports received from the Chief Medical Examiner pursuant to G.S. 130A-385. The ~~Council~~ agency shall use the information in accordance with its powers and duties under ~~G.S. 143B-403.1 and~~ applicable State and federal law and regulations."

SECTION 19.1.(h) G.S. 131D-10.6B(d) reads as rewritten:

"(d) Nothing in this section abrogates State or federal law or requirements pertaining to the confidentiality, privilege, or other prohibition against disclosure of information provided to the Department or the ~~Council.~~ agency. In carrying out the requirements of this section, the Department and the ~~Council~~ agency shall adhere to State and federal requirements of confidentiality, privilege, and other prohibitions against disclosure and release applicable to the information received under this section. A facility or provider that makes available confidential information in accordance with this section and with State and federal law is not liable for the release of the information."

SECTION 19.1.(i) G.S. 131D-34.1(b) reads as rewritten:

"(b) Upon receipt of notification from an adult care home in accordance with subsection (a) of this section, the Department of Health and Human Services shall notify the ~~Governor's Advocacy Council for Persons With Disabilities~~ State protection and advocacy agency designated under the Developmental Disabilities Assistance and Bill of Rights Act 2000, P.L. 106-402, that a person with a disability has died. The Department shall provide the ~~Council~~ agency access to the information about each death reported pursuant to subsection (a) of this section, including information resulting from any investigation of the death by the Department and from reports received from the Chief Medical Examiner pursuant to G.S. 130A-385. The ~~Council~~ agency shall use the information in accordance with its powers and duties under ~~G.S. 143B-403.1 and~~ applicable State and federal law and regulations."

SECTION 19.1.(j) G.S. 131D-34.1(d) reads as rewritten:

"(d) Nothing in this section abrogates State or federal law or requirements pertaining to the confidentiality, privilege, or other prohibition against disclosure of information provided to the Department or the ~~Council.~~ agency. In carrying out the requirements of this section, the Department and the ~~Council~~ agency shall adhere to State and federal requirements of confidentiality, privilege, and other prohibitions against disclosure and release applicable to the information received under this section. A facility or provider that makes available confidential information in accordance with this section and with State and federal law is not liable for the release of the information."

SECTION 19.1.(k) 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.

SECTION 19.1.(l) This section is effective on the effective date of the redesignation and transfer of the operation and function of the Governor's Advocacy Council for Persons with Disabilities from the Department of Administration to a nongovernmental entity under the Developmental Disabilities Assistance and Bill of Rights Act 2000, P.L. 106-402. Any funds appropriated to the Governor's Advocacy Council for Persons with Disabilities revert to the General Fund on that date.

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 Violence Commission, for a one-year period before the date of application;

(2) Have a mission statement that clearly specifies rape crisis services are provided;

(3) Act in support of victims of rape or sexual assault by providing assistance to ensure victims' interests are represented in law enforcement and legal proceedings and support and referral services are provided in medical and community settings; and

(4) Provide a 24-hour crisis hotline.

SECTION 19.2.(b) Grant funds allocated from the General Fund to the Department of Administration, the Council for Women and the Domestic Violence Commission for rape crisis shall be distributed in two equal shares. The North Carolina Coalition Against Sexual Assault and rape crisis centers whose services are confined to rape crisis and sexual assault services shall be allocated the sum of fifty thousand dollars ($50,000) in each year of the 2007-2009 biennium. Organizations that contain rape crisis services in addition to domestic violence services or other support services shall receive an equal share of remaining funds in each year of the 2007-2009 biennium.

TRANSFER OF STATE ENERGY OFFICE AND ENERGY GRANT PROGRAM

SECTION 19.3.(a) The State Energy Office is transferred to the State Construction Office in the Department of Administration, except for the administration of the energy grant program. This transfer shall have all of the elements of a Type I transfer, as defined in G.S. 143A-6. The energy grant program of the State Energy Office is transferred to the Department of Environment and Natural Resources as provided in this section. The Department of Environment and Natural Resources, Office of the Secretary, shall administer the energy grant program and the supporting positions for the grant program. Six positions shall be eliminated as a result of the transfer of the

State Energy Office to the State Construction Office and the administration of the energy grant program by the Department of Environment and Natural Resources.

SECTION 19.3.(b) G.S. 143-58.4(b) reads as rewritten:

"(b) Establish Program. – The State ~~Energy~~ Construction Office of the Department, in cooperation with State departments, institutions, and agencies, shall establish and administer an energy credit banking and selling program to allow State departments, institutions, and agencies to use moneys generated by the sale of EPAct credits to purchase alternative fuel, develop alternative fuel refueling infrastructure, and purchase AFVs for use by State departments, institutions, and agencies. Each State department, institution, and agency shall provide the State ~~Energy~~ Construction Office with all vehicle fleet information necessary to determine the number of EPAct credits generated annually by the State. The State ~~Energy~~ Construction Office may sell credits in any manner that is in accordance with the provisions of the Energy Policy Act."

SECTION 19.3.(c) G.S. 143-64.11 reads as rewritten:

"**§ 143-64.11. Definitions.**

For purposes of this Article:

…

~~(2a) "Energy Office" means the State Energy Office of the Department of Administration.~~

...

(8a) "State Construction Office" means the State Construction Office of the Department of Administration."

SECTION 19.3.(d) G.S. 143-64.17F reads as rewritten:

"**§ 143-64.17F. State agencies to use contracts when feasible; rules; recommendations.**

(a) State governmental units shall evaluate the use of guaranteed energy savings contracts in reducing energy costs and may use those contracts when feasible and practical.

(b) The Department of Administration, through the State ~~Energy~~ Construction Office, shall adopt rules for: (i) agency evaluation of guaranteed energy savings contracts; (ii) establishing time periods for consideration of guaranteed energy savings contracts by the Office of State Budget and Management, the Office of the State Treasurer, and the Council of State, and (iii) setting measurements and verification criteria, including review, audit, and precertification. Prior to adopting any rules pursuant to this section, the Department shall consult with and obtain approval of those rules from the State Treasurer.

(c) The Department of Administration, through the State ~~Energy~~ Construction Office, may provide to the Council of State its recommendations concerning any energy savings contracts being considered."

SECTION 19.3.(e) G.S. 143-64.17H reads as rewritten:

"**§ 143-64.17H. Report on guaranteed energy savings contracts entered into by State governmental units.**

A State governmental unit that enters into a guaranteed energy savings contract must report the contract and the terms of the contract to the State ~~Energy~~ Construction Office of the Department of Administration within 30 days of the date the contract is entered into. In addition, within 60 days after each annual anniversary date of a guaranteed energy savings contract, the State governmental unit must report the status of the contract to the State ~~Energy~~ Construction Office, including any details required by the State ~~Energy~~ Construction Office. The State ~~Energy~~ Construction Office shall compile the information for each fiscal year and report it to the Joint Legislative Commission on Governmental Operations and to the Local Government Commission annually by

December 1. In compiling the information, the State ~~Energy~~ Construction Office shall include information on the energy savings expected to be realized from a contract and shall evaluate whether expected savings have in fact been realized."

SECTION 19.3.(f) G.S. 113B-6(5) is repealed.

SECTION 19.3.(g) Part 3 of Article 36 of Chapter 143 of the General Statutes is recodified as Article 29 of Subchapter VII of Chapter 113 and reads as rewritten:

"**Subchapter VII. Energy.**

"~~Part 3.~~ Article 29.

"Energy Improvement Loan Program.

"**§ ~~143-345.16.~~113-425. Short title.**

This ~~Part~~ Article shall be known as the Energy Improvement Loan Program.

"**§ ~~143-345.17.~~113-426. Legislative findings and purpose.**

The General Assembly finds and declares that it is in the best interest of the citizens of North Carolina to promote and encourage energy efficiency within the State in order to conserve energy, promote economic competitiveness, and expand employment in the State.

"**§ ~~143-345.18.~~113-427. Lead agency; powers and duties.**

(a) For the purposes of this ~~Part,~~Article, the Department of ~~Administration, State Energy Office,~~Environment and Natural Resources is designated as the lead State agency in matters pertaining to ~~energy efficiency.~~the Energy Improvement Loan Program.

(b) The Department shall have the following powers and duties with respect to this Part:

(1) To provide industrial and commercial concerns doing business in North Carolina, local governmental units, and nonprofit organizations operating in North Carolina with information and assistance in undertaking energy conserving capital improvement projects to enhance efficiency.

(2) To ~~establish~~ maintain a revolving ~~fund within~~fund, located in the Department of Administration, for the purpose of providing secured loans in amounts not greater than five hundred thousand dollars ($500,000) per entity to install energy-efficient capital improvements (i) within businesses or nonprofit organizations located within or translocating to North Carolina, and (ii) within local governmental units. In providing these loans, priority shall be given to entities already located in the State.

(2a) To develop and adopt rules to allow State-regulated financial institutions to provide secured loans to corporate entities, nonprofit organizations, and local governmental units in accordance with terms and criteria established by the Department.

(3) To work with appropriate State and federal agencies to develop and implement rules and regulations to facilitate this program.

(c) The annual interest rate charged for the use of the funds from the revolving fund established pursuant to subdivision (b)(2) of this section shall be three percent (3%) per annum, excluding other fees required for loan application review and origination. The term of any loan originated under this section may not be greater than 10 years.

(c1) Notwithstanding subsection (c) of this section, the Department shall adopt rules to allow loans to be made from the revolving loan fund and by State-regulated financial institutions at interest rates as low as one percent (1%) per annum for certain energy efficient and conservation projects such as recycling and renewable energy to encourage their development and use.

(d) In accordance with the terms of the Stripper Well Settlement, administrative expenses for activities under this section shall be limited to five percent (5%) of funds appropriated for this purpose.

(e) For purposes of this section:

(1) "Local governmental unit" means any board or governing body of a political subdivision of the State, including any board of a community college, any school board, or an agency, commission, or authority of a political subdivision of the State.

(2) "Nonprofit organization" means an organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code."

SECTION 19.3.(h) The Department of Environment and Natural Resources may adopt rules pursuant to G.S. 113-427(b)(3) that are substantively identical to the rules adopted by the Department of Administration, State Energy Office, regarding the Energy Improvement Loan Program.

SECTION 19.3.(i) Subchapter VII of Chapter 113 of the General Statutes, as enacted in this section, is amended by adding a new Article to read:

"Article 30.

"Energy Improvement Grants.

"**§ 113-430. Awarding grants; Energy Policy Council approval required.**

(a) The Department of Environment and Natural Resources shall administer all continuing grants awarded prior to July 1, 2007, by the Department of Administration, State Energy Office, except grants for the State Energy Savings Program, the State Utility Savings Initiative, or grants to update the State Energy Plan and shall administer and shall adopt rules and procedures for awarding future grants for energy conservation, research, or efficiency. Prior to awarding any grant under this Article, the Department of Administration must verify sufficient funds are available. The Energy Policy Council shall approve all grants awarded under this Article and shall direct the Department of Administration to issue funds for the grants.

(b) The Department may apply for and accept grants of money from any federal agency or any public or private sources to carry out the purposes of this Article.

(c) Existing grant funds and new grant funds shall be administered by the Department, but all funds shall be located in and distributed by the Department of Administration."

SECTION 19.3.(j) G.S. 113B-11 reads as rewritten:

"**§ 113B-11. Powers and authority.**

…

(c) The Council shall have authority to ~~apply for and~~ utilize ~~grants, contributions~~contributions and appropriations in order to carry out its duties as defined in Articles 1 and 2 of this Chapter, provided, however, that all such applications and requests are made through and administered by the Department of Administration.

…

(e1) The Council shall review applications for grants for energy conservation, research, or efficiency, under Article 30 of Chapter 113 of the General Statutes, and shall approve, approve in part, or disapprove the applications."

SECTION 19.3.(k) The Department shall develop a Strategic Plan for Energy Grants to set forth the proposed criteria and guidelines to award and administer future grants. The plan shall include the proposed distribution of grant funds for energy purposes, which may include energy efficiency, renewable energy, alternative fuels, and energy conservation. The Department shall submit the plan to the Energy Policy Council and to the Chairs of the House Appropriations Committee and the Chairs of the Senate Appropriations Committee no later than November 1, 2007. After consultation with the House and Senate Appropriation Chairs, the Energy Policy Council shall approve the plan no later than March 1, 2008. The plan shall be approved prior to any new grants being awarded.

STATE EMPLOYEE PARKING CHANGES

SECTION 19.4.(a) Section 4 of S.L. 2006-231 is repealed.

SECTION 19.4.(b) The Department of Administration shall immediately cease the construction of a new parking facility in the City of Raleigh that had been authorized by Section 4 of S.L. 2006-231.

SECTION 19.4.(c) The Department of Administration shall no longer provide reserved spaces for State employee parking in the City of Raleigh Downtown Complex except for parking decks located belowground and parking lots with fewer than 30 employee spaces. The Department shall overbook parking decks or parking lots by no more than fifteen percent (15%). State employees who work in the City of Raleigh Downtown Complex shall be given priority over State employees whose offices are located outside of this complex and those who use service vehicles.

SECTION 19.4.(d) The Department may use funds from parking revenues that are in excess of parking system expense requirements to subsidize up to half the cost of vanpools and shall provide preferred parking to vanpools.

SECTION 19.4.(e) The Office of State Budget and Management, in consultation with the Department of Administration, shall study the overall plan for State employee parking in the City of Raleigh. As part of the study, the Office of State Budget and Management shall consider the use of alternative transportation to increase car pools, vanpools, use of park and ride lots, and city and county transit options. The Office of State Budget and Management shall report its findings and recommendations to the Senate Appropriations Committee on General Government and the House of Representatives Appropriations Subcommittee on General Government and Information Technology by May 1, 2008.

PART XX. OFFICE OF THE STATE CONTROLLER

OVERPAYMENTS AUDIT

SECTION 20.1.(a) During the 2007-2009 biennium, receipts generated by the collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors as required by G.S. 147-86.22(c) are to be deposited in the Special Reserve Account 24172.

SECTION 20.1.(b) For the 2007-2009 biennium, five hundred thousand dollars ($500,000) of the funds transferred from the Special Reserve Account 24172 shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs.

SECTION 20.1.(c) All funds available in the Special Reserve Account 24172 on July 1 of each year of the 2007-2009 biennium are transferred to the General Fund on that date.

SECTION 20.1.(d) Any unobligated funds in the Special Reserve Account 24172 that are realized above the allowance in subsection (b) of this section are subject to appropriation by the General Assembly in the 2008 Regular Session of the 2007 General Assembly.

SECTION 20.1.(e) The State Controller shall report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into the Special Reserve Account 24172 and the disbursement of that revenue.

PART XXI. DEPARTMENT OF CULTURAL RESOURCES

GRASSROOTS ARTS PROGRAM FUNDING

SECTION 21.1.(a) G.S. 143B-122 reads as rewritten:

"**§ 143B-122. Distribution of funds.**

~~Funds~~ Of the funds available under the Grassroots Arts ~~Program~~ Program, twenty percent (20%) of the total shall be distributed among the counties equally, and the remaining eighty percent (80%) shall be distributed among the counties on a per capita basis."

SECTION 21.1.(b) Any funds distributed by the Department of Cultural Resources under the Grassroots Arts Program for the 2000-2001 through 2006-2007 fiscal years are hereby ratified, validated, and confirmed.

AFRICAN-AMERICAN MONUMENT PROJECT

SECTION 21.2. Of the funds appropriated in this act to the Department of Cultural Resources, the Department shall allocate the sum of one hundred thousand dollars ($100,000) for the 2007-2008 fiscal year to the North Carolina Freedom Monument Project, Inc., to fabricate and construct a monument depicting the African-American experience in North Carolina on the Capitol Complex in Raleigh.

PART XXII. OFFICE OF THE GOVERNOR

HOUSING FINANCE AGENCY SHALL CONTINUE AND EXPAND THE NORTH CAROLINA HOME PROTECTION PILOT PROGRAM AND LOAN FUND

SECTION 22.1.(a) The North Carolina Housing Finance Agency shall continue, develop, implement, and administer a pilot program to assist North Carolina workers who have lost jobs as a result of changing economic conditions in North Carolina when the workers are in need of assistance to avoid losing their homes to foreclosure. The Agency shall do all of the following:

(1) Develop and administer the North Carolina Home Protection Pilot Program and Loan Fund to ensure that workers in the counties selected for the Pilot have assistance to avoid losing their homes to foreclosure. The Program shall include all counties that had greater than seven percent (7%) average unemployment in the 2004-2005 fiscal year.

(2) Make loans secured by liens on residential real property located in North Carolina to property owners who are eligible for those loans.

(3) Develop and administer procedures by which property owners at risk of being foreclosed upon may qualify for assistance.

(4) Designate, approve, and fund nonprofit counseling agencies in counties participating in the Program to be available to assist the Agency in implementing the provisions of this section, provide services such as direct mortgagee negotiations on behalf of unemployed workers, and process loan applications for the Agency.

(5) Develop and fund enhanced methods by which workers may be notified of foreclosure mitigation services, may easily contact local

nonprofit counseling agencies, and may apply for loans from the Agency.

(6) No later than April 1, 2008, report to the Chairs of the Appropriations Committees of the Senate and the House of Representatives on the effectiveness of the Program in accomplishing its purposes and provide any other information the Agency determines is pertinent or that the General Assembly requests.

SECTION 22.1.(b) As used in this section, the following definitions apply:

(1) Agency. – The North Carolina Housing Finance Agency.

(2) Counseling agency. – A nonprofit counseling agency located in North Carolina that is approved by the North Carolina Housing Finance Agency.

(3) Mortgage. – An obligation evidenced by a security document and secured by a lien upon real property located within North Carolina, including a deed of trust and land sale agreement. Mortgage also means an obligation evidenced by a security lien on real property upon which an owner-occupied mobile home is located.

(4) Mortgagee. – The owner of a beneficial interest in a mortgage loan, the servicer for the owner of a beneficial interest in a mortgage loan, or the trustee for a securitized trust that holds title to a beneficial interest in a mortgage loan.

SECTION 22.1.(c) Notwithstanding Chapters 23, 24, and 45 of the General Statutes or any other provision of law, upon the proper filing of an application for loan assistance by a mortgagor under this section, a mortgagee shall not do the following:

(1) Accelerate the maturity of any mortgage obligation covered under this section.

(2) Commence or continue any legal action, including mortgage foreclosure pursuant to Chapter 45 of the General Statutes, to recover the mortgage obligation.

(3) Take possession of any security of the mortgagor for the mortgage obligation.

(4) Procure or receive a deed in lieu of foreclosure.

(5) Enter judgment by confession pursuant to a note accompanying a mortgage.

(6) Proceed to enforce the mortgage obligation pursuant to applicable rules of civil procedure for a period of 120 days following the date of the mortgagor's properly filed application.

The provisions of this section shall not apply if the mortgagee receives notice from the Agency that the mortgagor's application has been denied.

If a mortgagee acts as proscribed in subdivisions (1) through (6) of this subsection, a mortgagor shall be entitled to injunctive relief without the necessity of providing a bond. This relief shall be in addition to any defenses available under G.S. 45-21.16(d) and any other remedies at law or equity.

Upon the Agency's receipt of a properly filed mortgagor's application for loan assistance, the Agency shall mail notice of the application to the mortgagor's mortgagee within five business days of the Agency's receipt of the application. The Agency shall also mail notice of the acceptance or denial of the mortgagor's application to the mortgagee within five days of the Agency's determination. Notice shall be deemed sufficient if sent to the last known address of the mortgagee.

SECTION 22.1.(d) Rule Making. – Solely with respect to the adoption of procedures for the pilot program by which property owners at risk of being foreclosed upon may qualify for assistance, the Agency is exempt from the requirements of Article 2A of Chapter 150B of the General Statutes. Prior to adoption or amendment of procedures, the Agency shall:

(1) Publish the proposed procedures in the North Carolina Register at least 30 days prior to the adoption of the final procedures.
(2) Accept oral and written comments on the proposed procedures.
(3) Hold at least one public hearing on the proposed procedures.

SECTION 22.1.(e) Funds appropriated under this act to the Agency that are unexpended and unencumbered shall not revert but shall remain available to be used for the expansion of the program to additional counties as provided by this section.

SECTION 22.1.(f) This section applies only to the 2007-2008 fiscal year.

PART XXIII. OFFICE OF STATE BUDGET AND MANAGEMENT

MILITARY MORALE, RECREATION, AND WELFARE FUNDS

SECTION 23.1. Funds appropriated in this act to the Office of State Budget and Management to the Reserve for the Military Morale, Recreation, and Welfare Fund and distributed to each military installation on a per capita basis shall be deposited in the Military Morale, Recreation, and Welfare Fund for each installation and used only for community services and other expenditures to improve quality of life programs for military members and their families in North Carolina.

LICENSING BOARD REPORTING REQUIREMENT

SECTION 23.2. G.S. 93B-2(b) reads as rewritten:

"(b) Each occupational licensing board shall file with the Secretary of State, the Attorney General, the Office of State Budget and Management, and the Joint Legislative Administrative Procedure Oversight Committee a financial report that includes the source and amount of all funds credited to the occupational licensing board and the purpose and amount of all funds disbursed by the occupational licensing board during the previous 12-month period."

STUDY OF THE WORKERS' COMPENSATION PROGRAM IN STATE AGENCIES

SECTION 23.3. The Office of State Budget and Management, in consultation with the Office of State Personnel and the Office of State Controller, shall conduct a study of the Workers' Compensation Program in State agencies and institutions to determine if the third-party administration of the program continues to be the most effective mode of administration; to determine if the current method of funding is still the most effective method; to determine whether excess coverage policies are needed; and to identify any other operational inefficiencies in program operations that might exist. The Office of State Budget and Management shall submit a final report outlining the related findings and recommendations for improvements to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by March 1, 2008.

MODIFY STATE FIRE PROTECTION GRANT FUND

SECTION 23.4.(a) Effective July 1, 2007, G.S. 58-85A-1(c) reads as rewritten:

"(c) It is the intent of the General Assembly to appropriate annually to the State Fire Protection Grant Fund ~~at least three million eighty thousand dollars ($3,080,000)~~ up to four million three hundred thirty thousand dollars ($4,330,000) from the General

Fund, ~~one hundred fifty thousand dollars ($150,000)~~ one hundred fifty-eight thousand dollars ($158,000) from the Highway Fund, and ~~nine hundred seventy thousand dollars ($970,000)~~ one million three hundred forty-five thousand dollars ($1,345,000) from University of North Carolina receipts. Funds received from the General Fund shall be allocated only for providing local fire protection for State-owned property supported by the General Fund; funds received from the Highway Fund shall be allocated only for providing local fire protection for State-owned property supported by the Highway Fund; and funds received from University of North Carolina receipts shall be allocated only for providing local fire protection for State-owned property supported by University of North Carolina receipts."

SECTION 23.4.(b) Effective July 1, 2008, G.S. 58-85A-1(c), as amended by subsection (a) of this section, reads as rewritten:

"(c) It is the intent of the General Assembly to appropriate annually to the State Fire Protection Grant Fund up to ~~four million three hundred thirty thousand dollars ($4,330,000)~~three million eight hundred eighty thousand dollars ($3,880,000) from the General Fund, one hundred fifty-eight thousand dollars ($158,000) from the Highway Fund, and one million three hundred forty-five thousand dollars ($1,345,000) from University of North Carolina receipts. Funds received from the General Fund shall be allocated only for providing local fire protection for State-owned property supported by the General Fund; funds received from the Highway Fund shall be allocated only for providing local fire protection for State-owned property supported by the Highway Fund; and funds received from University of North Carolina receipts shall be allocated only for providing local fire protection for State-owned property supported by University of North Carolina receipts."

PART XXIV. DEPARTMENT OF REVENUE

WHITE GOODS DISPOSAL TAX PROGRAM

SECTION 24.1. G.S. 105-187.24 reads as rewritten:

"**§ 105-187.24 Use of tax proceeds.**

The Secretary shall distribute the taxes collected under this Article, less the Department of Revenue's allowance for administrative expenses, in accordance with this section. The Secretary may retain the Department's cost of collection, not to exceed ~~two hundred twenty-five thousand dollars ($225,000)~~ four hundred twenty-five thousand dollars ($425,000) a year, as reimbursement to the Department.

Each quarter, the Secretary shall credit eight percent (8%) of the net tax proceeds to the Solid Waste Management Trust Fund and shall credit twenty percent (20%) of the net tax proceeds to the White Goods Management Account. The Secretary shall distribute the remaining seventy-two percent (72%) of the net tax proceeds among the counties on a per capita basis according to the most recent annual population estimates certified to the Secretary by the State Budget Officer. The Department shall not distribute the tax proceeds to a county when notified not to do so by the Department of Environment and Natural Resources under G.S. 130A-309.87. If a county is not entitled to a distribution, the proceeds allocated for that county will be credited to the White Goods Management Account.

A county may use funds distributed to it under this section only as provided in G.S. 130A-309.82. A county that receives funds under this section and that has an interlocal agreement with another unit of local government under which the other unit provides for the disposal of solid waste for the county must transfer the amount received under this section to that other unit. A unit to which funds are transferred is subject to the same restrictions on use of the funds as the county."

SCRAP TIRE DISPOSAL TAX PROGRAM

SECTION 24.2. G.S. 105-187.19(a) reads as rewritten:

"(a) The Secretary shall distribute the taxes collected under this Article, less the allowance to the Department of Revenue for administrative expenses, in accordance with this section. The Secretary may retain the cost of collection by the Department, not to exceed ~~two hundred twenty-five thousand dollars ($225,000)~~ four hundred twenty-five thousand dollars ($425,000) a year, as reimbursement to the Department."

EITC REQUIREMENTS

SECTION 24.3.(a) The Department of Revenue shall include language in its printed booklets for the individual income tax return that identifies the availability of the earned income tax credit.

SECTION 24.3.(b) In order to better ensure taxpayers receive the tax benefits for which they qualify, software companies producing computer programs for tax calculation should design all tax calculation software, other than forms library products, to automatically compute an individual's eligibility for the earned income tax credit when (i) the taxpayer is a North Carolina resident and (ii) the taxpayer is preparing both the federal and North Carolina individual income tax returns with the tax calculation software.

SECTION 24.3.(c) This section is effective for taxable years beginning on or after January 1, 2007.

TRANSFER REVENUE HEARINGS TO OAH

SECTION 24.4. The positions of one Assistant Secretary and one associated support position, presently assigned to the Department of Revenue for the purpose of hearing appeals on the cases, are transferred to the Office of Administrative Hearings by a Type I transfer as defined by G.S. 143A-6. The Chief Administrative Law Judge shall be responsible for the hiring of these positions.

PART XXV. STATE BOARD OF ELECTIONS

STATE BOARD OF ELECTIONS MOE AND HAVA FUND USE

SECTION 25.1.(a) The State Board of Elections shall use funds in the Maintenance of Effort Reserve as follows:

(1) $1,440,000 nonrecurring in fiscal year 2007-2008 for ballot printing for the 2008 first primary.

(2) $840,000 nonrecurring in fiscal year 2007-2008 for ballot printing for the 2008 second primary if a federal election is on the ballot.

(3) $1,260,000 nonrecurring in fiscal year 2008-2009 for ballot printing for the 2008 general election.

(4) $1,500,000 nonrecurring in fiscal year 2007-2008 and $500,000 nonrecurring in fiscal year 2008-2009 to rebuild the State Elections Information Management System (SEIMS).

(5) $100,000 recurring in fiscal year 2007-2008 for the required training for all county boards of elections staff on voting equipment operating procedures.

(6) $427,500 recurring in fiscal year 2007-2008 to centralize ballot coding in North Carolina to provide oversight, ensure accuracy of election preparation, and reduce errors with ballot styles.

(7) $150,000 recurring in fiscal year 2007-2008 to hire 20 additional election technicians across the State to deal with technical problems that arise on a 2008 Election Day in which a federal election is on the ballot.

SECTION 25.1.(b) The State Board of Elections shall use funds in the Election Fund under G.S. 163-82.28 (HAVA funds) as follows:

(1) $2,525,000 nonrecurring in fiscal year 2007-2008 and $2,525,000 nonrecurring in fiscal year 2008-2009 for maintenance performed on voting equipment.

(2) $750,000 nonrecurring in fiscal year 2007-2008 and $1,750,000 nonrecurring in fiscal year 2008-2009 provided for additional one-stop absentee voting (early voting) sites for the 2008 first primary and general election if a federal election is on the ballot.

PART XXVI. DEPARTMENT OF THE STATE TREASURER

FUNDS FOR AUDITING STATE EMPLOYEE SERVICE RECORDS; REPORTING REQUIREMENTS

SECTION 26.1.(a) Of the funds appropriated in this act to the Department of State Treasurer, Retirement Systems Division, the sum of one million two hundred thousand dollars ($1,200,000) for the 2007-2008 fiscal year shall be used to contract for the auditing of State employee service records. The Retirement Systems Division shall submit an interim report on the number of State employee service records verified to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division no later than April 30, 2008.

SECTION 26.1.(b) The Department of State Treasurer, Retirement Systems Division, shall report quarterly beginning October 31, 2007, on all contracts by funding sources and on the use of lapsed salary savings to the Joint Legislative Commission on Governmental Operations, the Chairs of the House Appropriations Subcommittee on General Government and Senate Appropriations Subcommittee on General Government and Information Technology and to the Fiscal Research Division.

PART XXVII. DEPARTMENT OF TRANSPORTATION

ONE-STOP SHOPS FOR DRIVERS LICENSES AND REGISTRATION PLATES

SECTION 27.1. The Department of Transportation, Division of Motor Vehicles, is prohibited from opening drivers license issuance and vehicle registration issuance and renewal One-Stop Shops until the General Assembly has considered and appropriated funds for the purpose of One-Stop Shops.

The Department of Transportation shall develop a business plan that thoroughly outlines the operational plans of a combined function center, a detailed budget for each proposed location, and any identified savings gleaned from the combined services. In addition, the Division of Motor Vehicles shall conduct an analysis on the anticipated number of transactions and the impact to independent tag agents in those areas. The report is due to the Joint Legislative Transportation Oversight Committee, the Joint Appropriations Subcommittee for Transportation, and the Fiscal Research Division by March 15, 2008.

CASH FLOW HIGHWAY FUNDS AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 27.2.(a) The General Assembly authorizes and certifies anticipated revenues of the Highway Fund as follows:

For Fiscal Year 2009-2010	$1,846.0 million
For Fiscal Year 2010-2011	$1,857.9 million
For Fiscal Year 2011-2012	$1,869.0 million
For Fiscal Year 2012-2013	$1,873.9 million

SECTION 27.2.(b) The General Assembly authorizes and certifies anticipated revenues of the Highway Trust Fund as follows:

For Fiscal Year 2009-2010	$1,174.4 million
For Fiscal Year 2010-2011	$1,204.9 million
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, nine million three hundred thirty-eight thousand four hundred four dollars ($9,338,404) shall be used 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. These funds, in addition to any remaining funds which were appropriated to the Department pursuant to Section 28.27 of S.L. 2005-276, shall be allocated equally among the 14 Divisions. 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.

The Department of Transportation shall report to the members of the General Assembly on projects funded pursuant to this section in each member's district prior to the Board of Transportation's action. The Department shall make a quarterly comprehensive report on the use of these funds to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

FUNDS FOR UNSAFE OR OBSOLETE FIELD FACILITIES

SECTION 27.6. Of the funds appropriated in this act to the Department of Transportation, the Department may use funds not to exceed seventy-five hundredths of one percent (.75%) for maintenance and construction programs for major repair, renovation, or replacement of its field facilities that fail to meet safety standards or that are obsolete for current or future use. Prior to expending these funds, the Department shall submit its proposed budget for these expenditures to the Senate Appropriations Subcommittee on Transportation, the House of Representatives Appropriations Subcommittee on Transportation, and the Joint Legislative Transportation Oversight Committee each year.

MODIFY GLOBAL TRANSPARK DEBT

SECTION 27.7. G.S. 147-69.2(b)(11), as amended by Section 7 of S.L. 2005-144, Section 2 of S.L. 2005-201, and Section 28.17 of S.L. 2005-276 reads as rewritten:

"(b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated in subsection (a) of this section in excess of the amount required to meet the current needs and demands on such funds, selecting from among the following:

…

(11) With respect to assets of the Escheat Fund, obligations of the North Carolina Global TransPark Authority authorized by G.S. 63A-4(a)(22), not to exceed twenty-five million dollars ($25,000,000), that have a final maturity not later than October 1, ~~2007.~~<u>2009.</u> The obligations shall bear interest at the rate set by the State Treasurer. No commitment to purchase obligations may be made pursuant to this subdivision after September 1, 1993, and no obligations may be purchased after September 1, 1994. In the event of a loss to the Escheat Fund by reason of an investment made pursuant to this subdivision, it is the intention of the General Assembly to hold the Escheat Fund harmless from the loss by appropriating to the Escheat Fund funds equivalent to the loss.

If any part of the property owned by the North Carolina Global TransPark Authority now or in the future is divested, proceeds of the divestment shall be used to fulfill any unmet obligations on an investment made pursuant to this subdivision.

…"

DIVISION OF MOTOR VEHICLES REPORT ON REAL ID ACT COMPLIANCE

SECTION 27.8. The Department of Transportation shall report on the expenditure plan for the use of the reserved funds appropriated for the Secure ID and Card Production System. The plan shall include the projected costs associated with the federal government's requirements for complying with P.L. 109-13, the REAL ID Act of 2005. The Department shall report to the Joint Legislative Transportation Oversight Committee and the Joint Appropriations Subcommittee for Transportation by May 1, 2008.

DEPARTMENT OF TRANSPORTATION PRODUCTIVITY PILOT PROGRAMS

SECTION 27.9.(a) The Department of Transportation may continue the productivity pilot programs in the road oil, bridge inspection and pavement markings units implemented under Section 29.3 of S.L. 2003-284 and Section 28.9 of S.L. 2005-276. The Department of Transportation may expend up to one-half of one percent (0.50%) of the budget allocation for these programs for employee incentive payments to maintain the increased efficiency and productivity under these programs.

SECTION 27.9.(b) The Department of Transportation may establish up to two additional pilot programs to test incentive pay for employees as a means of increasing and maintaining efficiency and productivity.

These programs may be selected by the Department of Transportation. Up to one-half of one percent (0.50%) of the budget allocation for these programs may be used to provide employee incentive payments.

Incentive payments shall be based on quantifiable measures and production schedules determined prior to the implementation of the pilot programs. Pilot programs implemented under this subsection shall last no more than two years.

SECTION 27.9.(c) The Department of Transportation shall report to the Joint Legislative Transportation Oversight Committee on the pilot programs developed under this section at least 30 days prior to their implementation.

DIVISION OF MOTOR VEHICLES LICENSE PLATE RECALL PROGRAM

SECTION 27.11.(a) Of the funds appropriated from the Highway Fund to the Department of Transportation under this act, the Division of Motor Vehicles may expend the sum of one hundred eighty-three thousand one hundred ninety-nine dollars ($183,199) for fiscal year 2007-2008 and the sum of ninety-nine thousand dollars ($99,000) for fiscal year 2008-2009 to recall vehicle license plates. The Division shall develop a schedule by which approximately 94,000 of the oldest license plates are recalled annually for the next five years. Each fiscal year after 2008-2009, the General Assembly intends to appropriate from the Highway Fund to the Department of Transportation the sum of ninety-nine thousand dollars ($99,000) in recurring funds for the Division to implement a continuous license plate recall program.

SECTION 27.11.(b) The Division shall report to the Joint Appropriations Subcommittee on Transportation and the Fiscal Research Division no later than May 1, 2008, on the progress of the vehicle license plate recall schedule and the implementation of the continuous license plate recall program.

BEAVER DAMAGE CONTROL PROGRAM FUNDS

SECTION 27.13. Of funds available to the Department of Transportation for maintenance, the sum of three hundred thirty thousand dollars ($330,000) for the 2007-2008 fiscal year and the sum of three hundred thirty thousand dollars ($330,000) for the 2008-2009 fiscal year shall be used to provide the State share necessary to support the beaver damage control program established in G.S. 113-291.10, provided the sum of at least twenty-five thousand dollars ($25,000) in federal funds is available each fiscal year of the biennium to provide the federal share.

DEPARTMENT OF TRANSPORTATION PERFORMANCE-BASED CONTRACTS

SECTION 27.14. The Department of Transportation may implement up to two performance-based contracts for routine maintenance and operations, exclusive of resurfacing. Selection of firms to perform this work shall be made using a best-value procurement process. Prior to any advertisement for a proposed project, the Department shall report to the Joint Legislative Transportation Oversight Committee on the contractor selection criteria to be used.

ENSURE PROPERTY AND FUNDS GO TO STATE HIGHWAY FUND

SECTION 27.15. G.S. 136-16 reads as rewritten:

"**§ 136-16. Funds and property converted to State Highway Fund.**

Except as otherwise provided, all funds and property collected by the Department of ~~Transportation~~ Transportation, including the proceeds from the sale of real property originally purchased with funds from the State Highway Fund, shall be paid or converted into the State Highway Fund."

DIVISION OF MOTOR VEHICLES TO REPORT CLOSINGS OF DRIVERS LICENSE OFFICES

SECTION 27.16. The Division of Motor Vehicles shall report the closing of any drivers license office to the Joint Legislative Transportation Oversight Committee at least 60 days before the closure. The report shall contain the location of the office by city and county, the number of customers served in that office in the preceding 12 months, the cost of operating the office to be closed, the reasons for the closure, where the customers will be directed for service after the closure, and the Division's intent to provide displaced customers with future service.

PART XXVIII SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES

SECTION 28.1.(a) Effective July 1, 2007, G.S. 147-11(a) reads as rewritten:

"(a) The salary of the Governor shall be ~~one hundred thirty thousand six hundred twenty-nine dollars ($130,629)~~ one hundred thirty-five thousand eight hundred fifty-four dollars ($135,854) annually, payable monthly."

SECTION 28.1.(b) Effective July 1, 2007, the annual salaries for the members of the Council of State, payable monthly, for the 2007-2008 and 2008-2009 fiscal years are:

Council of State	Annual Salary
Lieutenant Governor	$119,901
Attorney General	119,901
Secretary of State	119,901
State Treasurer	119,901
State Auditor	119,901
Superintendent of Public Instruction	119,901
Agriculture Commissioner	119,901
Insurance Commissioner	119,901
Labor Commissioner	119,901

NONELECTED DEPARTMENT HEAD/SALARY INCREASES

SECTION 28.2. In accordance with G.S. 143B-9, the maximum annual salaries, payable monthly, for the nonelected heads of the principal State departments for the 2007-2008 and 2008-2009 fiscal years are:

Nonelected Department Heads	Annual Salary
Secretary of Administration	$117,142
Secretary of Correction	117,142
Secretary of Crime Control and Public Safety	117,142
Secretary of Cultural Resources	117,142
Secretary of Commerce	117,142
Secretary of Environment, Health, and Natural Resources	117,142
Secretary of Health and Human Services	117,142
Secretary of Juvenile Justice and Delinquency Prevention	117,142
Secretary of Revenue	117,142
Secretary of Transportation	117,142

CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES

SECTION 28.3. The annual salaries, payable monthly, for the 2007-2008 and 2008-2009 fiscal years for the following executive branch officials are:

Executive Branch Officials	Annual Salary
Chairman, Alcoholic Beverage Control Commission	$ 106,621
State Controller	149,216
Commissioner of Motor Vehicles	106,621
Commissioner of Banks	119,901
Chairman, Employment Security Commission	133,161
State Personnel Director	117,142
Chairman, Parole Commission	97,358
Members of the Parole Commission	44,942
Chairman, Utilities Commission	133,531
Members of the Utilities Commission	119,901
Executive Director, Agency for Public Telecommunications	89,884
Director, Museum of Art	109,252
Executive Director, North Carolina Agricultural Finance Authority	103,781
State Chief Information Officer	149,126

JUDICIAL BRANCH OFFICIALS/SALARY INCREASES

SECTION 28.4.(a) The annual salaries, payable monthly, for specified judicial branch officials for the 2007-2008 and 2008-2009 fiscal years are:

Judicial Branch Officials	Annual Salary
Chief Justice, Supreme Court	$ 137,160
Associate Justice, Supreme Court	133,576
Chief Judge, Court of Appeals	130,236
Judge, Court of Appeals	128,011
Judge, Senior Regular Resident Superior Court	124,532
Judge, Superior Court	121,053
Chief Judge, District Court	109,923
Judge, District Court	106,445
District Attorney	116,112
Administrative Officer of the Courts	123,346
Assistant Administrative Officer of the Courts	112,665
Public Defender	116,112

SECTION 28.4.(b) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district do not exceed sixty-nine thousand forty-seven dollars ($69,047), and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-six thousand eighty-two dollars ($36,082) effective July 1, 2007.

SECTION 28.4.(c) Effective July 1, 2007, the annual salaries of permanent, full-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by four percent (4.0%).

SECTION 28.4.(d) Effective July 1, 2007, the annual salaries of permanent, part-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by four percent (4.0%).

CLERK OF SUPERIOR COURT/SALARY INCREASES

SECTION 28.5. Effective July 1, 2007, G.S. 7A-101(a) reads as rewritten:

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

Population	Annual Salary
Less than 100,000	~~$77,112~~ $80,196
100,000 to 149,999	~~86,532~~ 89,993
150,000 to 249,999	~~95,954~~ 99,792
250,000 and above	~~105,378.~~109,593.

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

~~Population~~	~~Annual Salary~~
~~Less than 100,000~~	~~73%~~
~~100,000 to 149,999~~	~~82%~~
~~150,000 to 249,999~~	~~91%~~
~~250,000 and above~~	~~100%.~~

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

ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES

SECTION 28.6. Effective July 1, 2007, G.S. 7A-102(c1) reads as rewritten:

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

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	~~$29,925~~ $31,122
Maximum	~~51,251~~ 53,301

Deputy Clerks	Annual Salary
Minimum	~~$25,758~~ $26,788
Maximum	~~39,862.~~ 41,456."

MAGISTRATES' SALARY INCREASES

SECTION 28.7.(a) Effective July 1, 2007, G.S. 7A-171.1(a) reads as rewritten:

"(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	~~$30,320~~$31,533
Step 1	~~33,101~~ 34,425
Step 2	~~36,126~~ 37,571
Step 3	~~39,429~~ 41,006
Step 4	~~43,046~~ 44,768
Step 5	~~47,122~~ 49,007
Step 6	~~51,692.~~ 53,760.

(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>$25,428</u>
1 or more but less than 3 years of service	~~25,572~~ <u>26,595</u>
3 or more but less than 5 years of service	~~27,831.~~ <u>28,944.</u>

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a)."

GENERAL ASSEMBLY PRINCIPAL CLERKS/SALARY INCREASES

SECTION 28.8. Effective July 1, 2007, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~ninety-seven thousand four hundred two dollars ($97,402)~~ <u>one hundred one thousand two hundred ninety-eight dollars ($101,298)</u> payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SERGEANT-AT-ARMS AND READING CLERKS/SALARY INCREASES

SECTION 28.9. Effective July 1, 2007, G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~three hundred forty-five dollars ($345.00)~~ <u>three hundred fifty-nine dollars ($359.00)</u> per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

LEGISLATIVE EMPLOYEES/SALARY INCREASES

SECTION 28.10. Effective July 1, 2007, the Legislative Services Officer shall increase the salaries of nonelected employees of the General Assembly in effect for fiscal year 2006-2007 by four percent (4.0%). Nothing in this act limits any of the provisions of G.S. 120-32.

COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES

SECTION 28.11.(a) The Director of the Budget shall transfer from the Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009, funds to the North Carolina Community Colleges System Office necessary to provide an annual salary increase of four percent (4.0%) including funds for the employer's retirement and social security contributions, commencing July 1, 2007, for all community college employees supported by State funds.

SECTION 28.11.(b) The Director of the Budget shall transfer from the Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009, funds to the North Carolina Community Colleges System Office necessary to provide an additional annual salary increase of one percent (1.0%) for Community College faculty and professional staff, including funds for the employer's retirement and social security contributions, supported by State funds.

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES

SECTION 28.12.(a) Effective July 1, 2007, 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, including funds for the employer's retirement and social security contributions, to provide to employees of The University of North Carolina, other than teachers of the North Carolina School of Science and Mathematics, whose salaries are supported by State funds and who are exempt from the State Personnel Act (EPA) an annual salary increase of five percent (5%) for faculty. The percentage annual salary increase of five percent (5%), authorized by this section shall be made on an aggregated average basis, according to the rules adopted by the Board of Governors of The University of North Carolina and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section. The Board of Governors may use a portion of the annual salary increase provided by this section to improve competitive national peer rankings for faculty.

SECTION 28.12.(b) Effective July 1, 2007, 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, including funds for the employer's retirement and social security contributions, to provide to employees of The University of North Carolina, other than teachers of the North Carolina School of Science and Mathematics, whose salaries are supported by State funds and who are exempt from the State Personnel Act (EPA) an annual salary increase of four percent (4.0%) for non-faculty. The percentage annual salary increase of four percent (4.0%) authorized by this section shall be made on an aggregated average basis, according to the rules adopted by the Board of Governors of The University of North Carolina and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section.

SECTION 28.12.(c) 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 percent (4.0%).

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 percent (4.0%), 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 percent (4.0%) 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.

SECTION 28.14.(e) Within regular State Budget Act procedures as limited by this act, all State agencies and departments may increase on an equitable basis the rate of pay of temporary and permanent hourly State employees, subject to availability of funds in the particular agency or department, by pro rata amounts of the four percent (4.0%) salary increase provided for permanent full-time employees covered by the provisions of subsection (a) of this section, commencing July 1, 2007.

ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES

SECTION 28.15.(a) Salaries and related benefits for positions that are funded partially from the General Fund or Highway Fund and partially from sources other than the General Fund or Highway Fund shall be increased from the General Fund or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.

SECTION 28.15.(b) The granting of the salary increases under this act does not affect the status of eligibility for salary increments for which employees may be eligible unless otherwise required by this act.

SECTION 28.15.(c) The salary increases provided in this act are to be effective July 1, 2007, do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement, or whose last workday is prior to July 1, 2007.

Payroll checks issued to employees after July 1, 2007, which represent payment of services provided prior to July 1, 2007, shall not be eligible for salary increases provided for in this act. This subsection shall apply to all employees, subject to or exempt from the State Personnel Act, paid from State funds, including public schools, community colleges, and The University of North Carolina.

SECTION 28.15.(d) The Director of the Budget shall transfer from the Reserve for Compensation Increases in this act for fiscal year 2007-2008 all funds necessary for the salary increases provided by this act, including funds for the employer's retirement and social security contributions.

SECTION 28.15.(e) Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

SECTION 28.15.(f) Permanent full-time employees who work a nine-, ten-, or eleven-month work year schedule shall receive the four percent (4.0%) annual increase provided by this act.

CERTAIN SALARIES SET BY GENERAL ASSEMBLY

SECTION 28.15A. G.S. 7A-65(a) reads as rewritten:

"(a) The annual salary of:

(1) District attorneys shall be ~~the midpoint amount between the salary of a senior resident superior court judge and the salary of a chief district court judge, as provided by law,~~<u>as provided in the Current Operations Appropriations Act.</u>

(2) Full-time assistant district attorneys shall be as provided in the Current Operations Appropriations Act.

When traveling on official business, each district attorney and assistant district attorney is entitled to reimbursement for his subsistence and travel expenses to the same extent as State employees generally."

TEMPORARY SALES TAX TRANSFER FOR WILDLIFE RESOURCES COMMISSION SALARIES

SECTION 28.15B. For the 2007-2008 and 2008-2009 fiscal years, the Secretary of Revenue shall transfer at the end of each quarter from the State sales and use tax net collections received by the Department of Revenue under Article 5 of Chapter 105 of the General Statutes to the State Treasurer for the Wildlife Resources Fund to fund the cost of any legislative salary increase for employees of the Wildlife Resources Commission.

SALARY ADJUSTMENT FUND

SECTION 28.18.(a) Any remaining appropriations in the General Fund Reserve for Compensation Increases authorized for employee salary increases not required for that purpose may be used to supplement the General Fund Salary Adjustment Fund to support salary adjustments for positions supported by the General Fund. Any remaining appropriations in the Highway Fund Reserves and Transfers authorized for employee salary increases not required for that purpose may be used to supplement the Highway Fund Salary Adjustment Fund to support salary adjustments for positions supported by the Highway Fund.

SECTION 28.18.(b) Funds appropriated or otherwise transferred to the General Fund Salary Adjustment Fund or to the Highway Fund Salary Adjustment Fund by this act or any other provision of law shall be used to fund agency requests for the following purposes:

(1) Salary range revisions, special minimum rates, grade to band transfers and geographic site differential adjustments to provide competitive salary rates for affected job classifications/groups in response to changes in labor market rates as documented through data collection and analysis according to accepted human resource professional practices and standards.

(2) Reallocation of positions to higher level job classifications to compensate employees for more difficult duties at competitive salary rates as documented through data collection and analysis according to accepted human resource professional practices and standards.

The terms 'salary range revision' and 'reallocation' as used in this section shall conform to the definitions of those terms as previously contained in the State Personnel Manual and adopted by the State Personnel Commission effective immediately prior to November 1, 2005. Funds shall only be used for salary adjustments that are in compliance with State Personnel Commission policies. Funding shall first be provided to the earliest actions approved on or before July 1, 2007, by the State Personnel Commission or the Office of State Personnel and shall not be used for other purposes including, but not limited to, in-range adjustments, career progression adjustments, or other adjustments as these terms may be defined by State personnel policy.

SECTION 28.18.(c) The Director of the Budget shall consult with the Joint Legislative Commission on Governmental Operations prior to transferring any salary adjustment funds for any State agency.

SECTION 28.18.(d) The Director of the Budget may:

(1) Transfer to General Fund budget codes from the General Fund Salary Adjustment Fund amounts required to support salary adjustments authorized by this section with the oldest of the pending adjustments to be funded first.

(2) Transfer to Highway Fund budget codes from the Highway Fund Salary Adjustment Fund amounts required to support salary adjustments authorized by this section.

SECTION 28.18.(e) The Judicial Department is eligible for the funding authorized in subsection (a) of this section.

SECTION 28.18.(f) Employees subject to the State Personnel Act in The University of North Carolina System are eligible for funding authorized in subsection (a) of this section and for the purposes outlined in subsection (b) of this section.

JUDICIAL BRANCH LONGEVITY

SECTION 28.18A.(a) G.S. 7A-10(c) reads as rewritten:

"(c) In lieu of merit and other increment raises paid to regular State employees, the Chief Justice and each of the Associate Justices shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, ~~and~~ nineteen and two-tenths percent (19.2%) after 20 years of ~~service.~~ <u>service, twenty-four percent (24%) after 25</u>

years of service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General Court of Justice or as a member of the Utilities Commission. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 28.18A.(b) G.S. 7A-18(b) reads as rewritten:

"(b) In lieu of merit and other increment raises paid to regular State employees, a judge of the Court of Appeals shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, ~~and~~ nineteen and two-tenths percent (19.2%) after 20 years of ~~service.~~ service, twenty-four percent (24%) after 25 years of service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General Court of Justice or as a member of the Utilities Commission. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 28.18A.(c) G.S. 7A-44(b) reads as rewritten:

"(b) In lieu of merit and other increment raises paid to regular State employees, a judge of the superior court, regular or special, shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, ~~and~~ nineteen and two-tenths percent (19.2%) after 20 years of ~~service.~~ service, twenty-four percent (24%) after 25 years of service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General Court of Justice or as a member of the Utilities Commission or as director or assistant director of the Administrative Office of the Courts. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 28.18A.(d) G.S. 7A-65 reads as rewritten:

"**§ 7A-65. Compensation and allowances of district attorneys and assistant district attorneys.**

(a) The annual salary of:

(1) District attorneys shall be the midpoint amount between the salary of a senior resident superior court judge and the salary of a chief district court judge, as provided by law,

(2) Full-time assistant district attorneys shall be as provided in the Current Operations Appropriations Act.

When traveling on official business, each district attorney and assistant district attorney is entitled to reimbursement for his subsistence and travel expenses to the same extent as State employees generally.

(b) Repealed by Session Laws 1985, c. 689, s. 2.

(c) In lieu of merit and other increment raises paid to regular State employees, a district attorney shall receive as longevity pay an amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, and nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, ~~and~~ nineteen and two-tenths percent (19.2%) after 20 years of ~~service.~~ service, twenty-four percent (24%) after 25 years of service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. Service shall mean service in the elective position of a district attorney and shall not include service as a deputy or acting district attorney. Service shall also mean service as a justice or judge of the General Court of Justice, clerk of superior court, assistant district attorney, public defender, appellate defender, or assistant public or appellate defender.

(d) In lieu of merit and other increment raises paid to regular State employees, an assistant district attorney shall receive as longevity pay an amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, ~~and~~ nineteen and two-tenths percent (19.2%) after 20 years of ~~service.~~ service, twenty-four percent (24%) after 25 years of service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as an assistant district attorney, district attorney, resource prosecutor, public defender, appellate defender, assistant public or appellate defender, justice or judge of the General Court of Justice, or clerk of superior court. For purposes of this subsection, "resource prosecutor" means a former assistant district attorney who has left the employment of the district attorney's office to serve in a specific, time-limited position with the Conference of District Attorneys."

SECTION 28.18A.(e) G.S. 7A-101(c) reads as rewritten:

"(c) In lieu of merit and other increment raises paid to regular State employees, a clerk of superior court shall receive as longevity pay an amount equal to four and eight-tenths percent (4.8%) of the clerk's annual salary payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, ~~and~~ nineteen and two-tenths percent (19.2%) after 20 years of ~~service.~~ service, twenty-four percent (24%) after 25 years of service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. Service shall mean service in the elective position of clerk of superior court, as an assistant clerk of court and as a supervisor of clerks of superior court with the Administrative Office of the Courts and shall not include service as a deputy or acting clerk. Service shall also mean service as a justice, judge, or magistrate of the General Court of Justice or as a district attorney."

SECTION 28.18A.(f) G.S. 7A-144(b) reads as rewritten:

"(b) Notwithstanding merit, longevity and other increment raises paid to regular State employees, a judge of the district court shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, ~~and~~ nineteen and two-tenths percent (19.2%) after 20 years of ~~service.~~ service, twenty-four percent (24%) after 25 years of service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General Court of Justice or as a member of the Utilities Commission or as director or assistant director of the Administrative Office of the Courts. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 28.18A.(g) G.S. 7A-498.7 reads as rewritten:

"**§ 7A-498.7. Public Defender Offices.**

(a) The following counties of the State are organized into the defender districts listed below, and in each of those defender districts an office of public defender is established:

Defender District	Counties

1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans
3A	Pitt
3B	Carteret
10	Wake
12	Cumberland
14	Durham
15B	Orange, Chatham
16A	Scotland, Hoke
16B	Robeson
18	Guilford
21	Forsyth
26	Mecklenburg
27A	Gaston
28	Buncombe

After notice to, and consultation with, the affected district bar, senior resident superior court judge, and chief district court judge, the Commission on Indigent Defense Services may recommend to the General Assembly that a district or regional public defender office be established. A legislative act is required in order to establish a new office or to abolish an existing office.

(b) For each new term, and to fill any vacancy, public defenders shall be appointed from a list of not less than two and not more than three names nominated by written ballot of the attorneys resident in the defender district who are licensed to practice law in North Carolina. The balloting shall be conducted pursuant to rules adopted by the Commission on Indigent Defense Services. The appointment shall be made by the senior resident superior court judge of the superior court district or set of districts as defined in G.S. 7A-44.1 that includes the county or counties of the defender district for which the public defender is being appointed.

(c) A public defender shall be an attorney licensed to practice law in North Carolina and shall devote full time to the duties of the office. In lieu of merit and other increment raises paid to regular State employees, a public defender shall receive as longevity pay an amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, ~~and~~ nineteen and two-tenths percent (19.2%) after 20 years of ~~service.~~ <u>service, twenty-four percent (24%) after 25 years of service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service.</u> "Service" means service as a public defender, appellate defender, assistant public or appellate defender, district attorney, assistant district attorney, justice or judge of the General Court of Justice, or clerk of superior court.

(d) Subject to standards adopted by the Commission, the day-to-day operation and administration of public defender offices shall be the responsibility of the public defender in charge of the office. The public defender shall keep appropriate records and make periodic reports, as requested, to the Director of the Office of Indigent Defense Services on matters related to the operation of the office.

(e) The Office of Indigent Defense Services shall procure office equipment and supplies for the public defender, and provide secretarial and library support from State funds appropriated to the public defender's office for this purpose.

(f) Each public defender is entitled to assistant public defenders, investigators, and other staff, full-time or part-time, as may be authorized by the Commission. Assistants, investigators, and other staff are appointed by the public defender and serve at the pleasure of the public defender. Average and minimum compensation of assistants shall be as provided in the biennial Current Operations Appropriations Act. The actual salaries of assistants shall be set by the public defender in charge of the office, subject to approval by the Commission. The Commission shall fix the compensation of investigators. Assistants and investigators shall perform such duties as may be assigned by the public defender.

(g) In lieu of merit and other increment raises paid to regular State employees, an assistant public defender shall receive as longevity pay an amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, ~~and~~ nineteen and two-tenths percent (19.2%) after 20 years of ~~service.~~ service, twenty-four percent (24%) after 25 years of service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a public defender, appellate defender, assistant public or appellate defender, district attorney, assistant district attorney, justice or judge of the General Court of Justice, or clerk of superior court.

(h) The term of office of public defender appointed under this section is four years. A public defender or assistant public defender may be suspended or removed from office, and reinstated, for the same causes and under the same procedures as are applicable to removal of a district attorney.

(i) A public defender may apply to the Director of the Office of Indigent Defense Services to enter into contracts with local governments for the provision by the State of services of temporary assistant public defenders pursuant to G.S. 153A-212.1 or G.S. 160A-289.1.

(j) The Director of the Office of Indigent Defense Services may provide assistance requested pursuant to subsection (i) of this section only upon a showing by the requesting public defender, supported by facts, that the overwhelming public interest warrants the use of additional resources for the speedy disposition of cases involving drug offenses, domestic violence, or other offenses involving a threat to public safety.

(k) The terms of any contract entered into with local governments pursuant to subsection (i) of this section shall be fixed by the Director of the Office of Indigent Defense Services in each case. Nothing in this section shall be construed to obligate the General Assembly to make any appropriation to implement the provisions of this section or to obligate the Office of Indigent Defense Services to provide the administrative costs of establishing or maintaining the positions or services provided for under this section. Further, nothing in this section shall be construed to obligate the Office of Indigent Defense Services to maintain positions or services initially provided for under this section."

CAREER BANDING/CONTINUATION

SECTION 28.18B. Notwithstanding any other provision of law, the State Personnel Commission, the Office of State Personnel, The University of North Carolina as to its employees subject to the State Personnel Act, and State agencies as to their defined critical occupational groups such as nursing, engineering, library, fiscal, and pharmacy positions, and other similar occupational groups, shall begin or continue the development and implementation of career banding, effective July 1, 2007.

The Office of State Personnel shall provide quarterly updates on career banding to the Joint Legislative Commission on Governmental Operations.

The Office of State Personnel shall consult with the Joint Legislative Commission on Governmental Operations prior to the State Personnel Commission's review and approval of career banding for major occupational groups with significant labor market changes.

SALARY-RELATED CONTRIBUTIONS/EMPLOYER

SECTION 28.19.(a) Required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of the employees' salary. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital-medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

Notwithstanding any other provision of law, an employer who hires or has hired a retiree as an employee shall enroll the retiree in the active group and pay the cost for the hospital-medical benefits if that retiree is employed in a position that would require the employer to pay hospital-medical benefits if the individual had not been retired.

SECTION 28.19.(b) Effective July 1, 2007, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2007-2008 fiscal year are: (i) seven and ninety-six hundredths percent (7.96%) – Teachers and State Employees; (ii) twelve and ninety-six hundredths percent (12.96%) – State Law Enforcement Officers; (iii) eleven and sixty-six hundredths percent (11.66%) – University Employees' Optional Retirement System; (iv) eleven and sixty-six hundredths percent (11.66%) – Community College Optional Retirement Program; (v) seventeen and fifty-one hundredths percent (17.51%) – Consolidated Judicial Retirement System; and (vi) four and thirty hundredths percent (4.30%) – Legislative Retirement System. Each of the foregoing contribution rates includes four and thirty hundredths percent (4.30%) for hospital and medical benefits. The rate for Teachers and State Employees, State Law Enforcement Officers, Community College Optional Retirement Program, and for the University Employees' Optional Retirement Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen-hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income.

SECTION 28.19.(c) Effective July 1, 2008, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2007-2008 fiscal year are: (i) seven and ninety-six hundredths percent (7.96%) – Teachers and State Employees; (ii) twelve and ninety-six hundredths percent (12.96%) – State Law Enforcement Officers; (iii) eleven and sixty-six hundredths percent (11.66%) – University Employees' Optional Retirement System; (iv) eleven and sixty-six hundredths percent (11.66%) – Community College Optional Retirement

Program; (v) seventeen and fifty-one hundredths percent (17.51%) – Consolidated Judicial Retirement System; and (vi) four and thirty hundredths percent (4.30%) – Legislative Retirement System. Each of the foregoing contribution rates includes four and thirty hundredths percent (4.30%) for hospital and medical benefits. The rate for Teachers and State Employees, State Law Enforcement Officers, Community College Optional Retirement Program, and for the University Employees' Optional Retirement Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen-hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income.

SECTION 28.19.(d) The maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2007-2008 fiscal year to the Teachers' and State Employees' Comprehensive Major Medical Plan's Indemnity Plan are: (i) Medicare-eligible employees and retirees – three thousand two hundred twenty-six dollars ($3,226) and (ii) non-Medicare-eligible employees and retirees – four thousand two hundred thirty-eight dollars ($4,238).

SECTION 28.19.(f) The maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2007-2008 fiscal year to the Teachers' and State Employees' Comprehensive Major Medical Plan's Preferred Provider Options Program are: (i) Medicare-eligible employees and retirees – three thousand ninety-one dollars ($3,091) and (ii) non-Medicare-eligible employees and retirees – four thousand sixty-one dollars ($4,061).

SECTION 28.19.(g) The maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2008-2009 fiscal year to the Teachers' and State Employees' Comprehensive Major Medical Plan's Preferred Provider Options Program are: (i) Medicare-eligible employees and retirees – three thousand one hundred seventy-three dollars ($3,173) and (ii) non-Medicare-eligible employees and retirees – four thousand one hundred sixty-eight dollars ($4,168).

PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

SECTION 28.20.(a) G.S. 135-5 is amended by adding a new subsection to read:

"<u>(qqq) From and after July 1, 2007, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased by two percent (2%) of the allowance payable on June 1, 2007, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2007, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2006, but before June 30, 2007, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2006, and June 30, 2007.</u>"

SECTION 28.20.(b) G.S. 135-65 is amended by adding a new subsection to read:

"<u>(bb) From and after July 1, 2007, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased by two percent (2%) of the allowance payable on June 1, 2007. Furthermore, from and after July 1, 2007, the retirement allowance to or on account of beneficiaries whose</u>

retirement commenced after July 1, 2006, but before June 30, 2007, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2006, and June 30, 2007."

SECTION 28.20.(c) G.S. 120-4.22A is amended by adding a new subsection to read:

"(v) In accordance with subsection (a) of this section, from and after July 1, 2007, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 2007, shall be increased by two percent (2%) of the allowance payable on June 1, 2007. Furthermore, from and after July 1, 2007, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 2007, but before June 30, 2007, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 2007, and June 30, 2007."

SECTION 28.20.(d) G.S. 128-27 is amended by adding a new subsection to read:

"(hhh) From and after July 1, 2007, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased by two and two-tenths percent (2.2%) of the allowance payable on June 1, 2007, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2007, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2006, but before June 30, 2007, shall be increased by a prorated amount of two and two-tenths percent (2.2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2006, and June 30, 2007."

INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND

SECTION 28.21. G.S. 58-86-55 reads as rewritten:

"**§ 58-86-55. Monthly pensions upon retirement.**

Any member who has served 20 years as an "eligible fireman" or "eligible rescue squad worker" in the State of North Carolina, as provided in G.S. 58-86-25 and G.S. 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly pension from this fund. The monthly pension shall be in the amount of ~~one hundred sixty-five dollars ($165.00)~~ one hundred sixty-seven dollars ($167.00) per month. Any retired fireman receiving a pension shall, effective ~~July 1, 2006,~~ July 1, 2007, receive a pension of ~~one hundred sixty-five dollars ($165.00)~~ one hundred sixty-seven dollars ($167.00) per month.

Members shall pay ten dollars ($10.00) per month as required by G.S. 58-86-35 and G.S. 58-86-40 for a period of no longer than 20 years. No "eligible rescue squad member" shall receive a pension prior to July 1, 1983. No member shall be entitled to a pension hereunder until the member's official duties as a fireman or rescue squad worker for which the member is paid compensation shall have been terminated and the member shall have retired as such according to standards or rules fixed by the board of trustees.

A member who is totally and permanently disabled while in the discharge of the member's official duties as a result of bodily injuries sustained or as a result of extreme exercise or extreme activity experienced in the course and scope of those official duties and who leaves the fire or rescue squad service because of this disability shall be entitled to be paid from the fund a monthly benefit in an amount of ~~one hundred~~

~~sixty-five dollars ($165.00)~~ one hundred sixty-seven dollars ($167.00) per month beginning the first month after the member's fifty-fifth birthday. All applications for disability are subject to the approval of the board who may appoint physicians to examine and evaluate the disabled member prior to approval of the application, and annually thereafter. Any disabled member shall not be required to make the monthly payment of ten dollars ($10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

A member who is totally and permanently disabled for any cause, other than line of duty, who leaves the fire or rescue squad service because of this disability and who has at least 10 years of service with the pension fund, may be permitted to continue making a monthly contribution of ten dollars ($10.00) to the fund until the member has made contributions for a total of 240 months. The member shall upon attaining the age of 55 years be entitled to receive a pension as provided by this section. All applications for disability are subject to the approval of the board who may appoint physicians to examine and evaluate the disabled member prior to approval of the application and annually thereafter.

A member who, because his residence is annexed by a city under Part 2 or Part 3 of ~~Article 4~~ Article 4A of Chapter 160A of the General Statutes, or whose department is closed because of an annexation by a city under Part 2 or Part 3 of ~~Article 4~~ Article 4A of Chapter 160A of the General Statutes, or whose volunteer department is taken over by a city or county, and because of such annexation or takeover is unable to perform as a fireman or rescue squad worker of any status, and if the member has at least 10 years of service with the pension fund, may be permitted to continue making a monthly contribution of ten dollars ($10.00) to the fund until the member has made contributions for a total of 240 months. The member upon attaining the age of 55 years and completion of such contributions shall be entitled to receive a pension as provided by this section. Any application to make monthly contributions under this section shall be subject to a finding of eligibility by the Board of Trustees upon application of the member.

The pensions provided shall be in addition to all other pensions or benefits under any other statutes of the State of North Carolina or the United States, notwithstanding any exclusionary provisions of other pensions or retirement systems provided by law."

ENHANCE BENEFITS PAYABLE THROUGH THE NATIONAL GUARD PENSION FUND

SECTION 28.21A. G.S. 127A-40(a) reads as rewritten:

"(a) Every member and former member of the North Carolina national guard who meets the requirements hereinafter set forth shall receive, commencing at age 60, a pension of ~~eighty dollars ($80.00)~~ ninety-five dollars ($95.00) per month for 20 years' creditable military service with an additional ~~eight dollars ($8.00)~~ nine dollars fifty cents ($9.50) per month for each additional year of such service; provided, however, that the total pension shall not exceed ~~one hundred sixty dollars ($160.00)~~ one hundred ninety dollars ($190.00) per month. The requirements for such pension are that each member shall:

(1) Have served and qualified for at least 20 years' creditable military service, including national guard, reserve and active duty, under the same requirement specified for entitlement to retired pay for nonregular service under Chapter 67, Title 10, United States Code.

(2) Have at least 15 years of the aforementioned service as a member of the North Carolina national guard.

(3) Have received an honorable discharge from the North Carolina national guard."

INCLUDE PUBLIC DEFENDERS AS MEMBERS OF THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

SECTION 28.21B.(a) G.S. 135-50(b) reads as rewritten:

"(b) The purpose of this Article is to improve the administration of justice by attracting and retaining the most highly qualified talent available within the State to the positions of justice and judge, district attorney and solicitor, public defender, and clerk of superior court, within the General Court of Justice."

SECTION 28.21B.(b) G.S. 135-51 reads as rewritten:

"**§ 135-51. Scope.**

(a) This Article provides consolidated retirement benefits for all justices and judges, district attorneys, and solicitors who are serving on January 1, 1974, and who become such thereafter; and for all clerks of superior court who are so serving on January 1, 1975, and who become such ~~thereafter.~~ after that date; and for all public defenders who are serving on July 1, 2007, and who become public defenders after that date.

(b) For justices and judges of the appellate and superior court divisions of the General Court of Justice who so served prior to January 1, 1974, the provisions of this Article supplement and, under certain circumstances, replace the provisions of Articles 6 and 8, as the case may be, of Chapter 7A of the General Statutes.

For district attorneys and judges of the district court of the General Court of Justice who so served prior to January 1, 1974, the provisions of this Article supplement and, under certain circumstances, replace the provisions of Article 1 of this Chapter.

For clerks of superior court of the General Court of Justice who so served prior to January 1, 1975, the provisions of this Article supplement and, under certain circumstances, replace the provisions of Article 1 of this Chapter.

(c) The retirement benefits of any person who becomes a justice or judge, district attorney, or solicitor on and after January 1, 1974, or clerk of superior court on and after January 1, 1975, or public defender on or after July 1, 2007, shall be determined solely in accordance with the provisions of this Article."

SECTION 28.21B.(c) G.S. 135-53 reads as rewritten:

"**§ 135-53. Definitions.**

The following words and phrases as used in this Article, unless a different meaning is plainly required by the context, shall have the following meanings:

(1) "Accumulated contributions" with respect to any member shall mean the sum of all the amounts deducted from the compensation of the member pursuant to G.S. 135-68 since he last became a member and credited to his account in the annuity savings fund, plus any amount standing to his credit pursuant to G.S. 135-67(c) as a result of a prior period of membership, plus any amounts credited to his account pursuant to G.S. 135-28.1(b) or 135-56(b), together with regular interest on all such amounts computed as provided in G.S. 135-7(b).

(2) "Actuarial equivalent" shall mean a benefit of equal value when computed upon the bases of such mortality tables as shall be adopted by the Board of Trustees, and regular interest.

(2a) "Average final compensation" shall mean the average annual compensation of a member during the 48 consecutive calendar months of membership service producing the highest such average.

(3) "Beneficiary" shall mean any person in receipt of a retirement allowance or other benefit as provided in this Article.

(4) "Board of Trustees" shall mean the Board of Trustees established by G.S. 135-6.

(4a) "Clerk of superior court" shall mean the clerk of superior court provided for in G.S. 7A-100(a).

(5) "Compensation" shall mean all salaries and wages derived from public funds which are earned by a member of the Retirement System for his service as a justice or judge, or district attorney, or clerk of superior ~~court.~~ court, or public defender.

(6) "Creditable service" shall mean for any member the total of his prior service plus his membership service.

(6a) "District attorney" shall mean the district attorney or solicitor provided for in G.S. 7A-60.

(7) "Filing" when used in reference to an application for retirement shall mean the receipt of an acceptable application on a form provided by the Retirement System.

(8) "Final compensation" shall mean for any member the annual equivalent of the rate of compensation most recently applicable to him.

(9) "Judge" shall mean any justice or judge of the General Court of Justice and the administrative officer of the courts.

(10) "Medical board" shall mean the board of physicians provided for in G.S. 135-6.

(11) "Member" shall mean any person included in the membership of the Retirement System as provided in this Article.

(12) "Membership service" shall mean service as a judge, district attorney, ~~or~~ clerk of superior ~~court~~ court, or public defender rendered while a member of the Retirement System.

(13) "Previous system" shall mean, with respect to any member, the retirement benefit provisions of Article 6 and Article 8 of Chapter 7A of the General Statutes, to the extent that such Article or Articles were formerly applicable to the member, and in the case of judges of the district court division, ~~and~~ district attorney, public defender, and clerk of superior court of the General Court of Justice, the Teachers' and State Employees' Retirement System.

(14) "Prior service" shall mean service rendered by a member, prior to his membership in the Retirement System, for which credit is allowable under G.S. 135-56.

(14a) "Public defender" means a public defender provided for in G.S. 7A-498.7, the appellate defender provided for in G.S. 7A-498.8, the capital defender, and the juvenile defender.

(15) "Regular interest" shall mean interest compounded annually at such a rate as shall be determined by the Board of Trustees in accordance with G.S. 135-7(b).

(16) "Retirement" shall mean the withdrawal from active service with a retirement allowance granted under the provisions of this Chapter. In order for a member's retirement to become effective in any month, the member must render no service at any time during that month.

(17) "Retirement allowance" shall mean the periodic payments to which a beneficiary becomes entitled under the provisions of this Article.

(18) "Retirement System" shall mean the "Consolidated Judicial Retirement System" of North Carolina, as established in this Article.

(19) "Year" as used in this Article shall mean the regular fiscal year beginning July 1 and ending June 30 in the following calendar year, unless otherwise defined by regulation of the Board of Trustees."

SECTION 28.21B.(d) G.S. 135-54 reads as rewritten:

"**§ 135-54. Name and date of establishment.**

A Retirement System is hereby established and placed under the management of the Board of Trustees for the purpose of providing retirement allowances and other benefits under the provisions of this Article for justices and judges, district attorneys, public defenders, and clerks of superior court of the General Court of Justice of North Carolina, and their survivors. The Retirement System so created shall be established as of January 1, 1974.

The Retirement System shall have the power and privileges of a corporation and shall be known as the "Consolidated Judicial Retirement System of North Carolina," and by such name all of its business shall be transacted."

SECTION 28.21B.(e) G.S. 135-55 reads as rewritten:

"**§ 135-55. Membership.**

(a) The membership of the Retirement System shall consist of:

(1) All judges and district attorneys in office on January 1, 1974;

(2) All persons who become judges and district attorneys or reenter service as judges and district attorneys after January 1, 1974;

(3) All clerks of superior court in office on January 1, 1975; ~~and~~

(4) All persons who become clerks of superior court or reenter service as clerks of superior court after January 1, ~~1975.~~ 1975;

(5) All public defenders in office on July 1, 2007; and

(6) All persons who become public defenders or reenter service as public defenders after July 1, 2007.

(b) The membership of any person in the Retirement System shall cease upon:

(1) The withdrawal of his accumulated contributions after he is no longer a judge, district ~~attorney~~ attorney, public defender, or clerk of superior court, or

(2) His retirement under the provisions of the Retirement System, or

(3) His death."

SECTION 28.21B.(f) G.S. 135-58(a4) reads as rewritten:

"(a4) Any member who retires under the provisions of G.S. 135-57(a) or G.S. 135-57(c) on or after January 1, 2004, but before July 1, 2007, after the member has either attained the member's 65th birthday or has completed 24 years or more of creditable service, shall receive an annual retirement allowance, payable monthly, which shall commence on the effective date of the member's retirement and shall be continued on the first day of each month thereafter during the member's lifetime, the amount of which shall be computed as the sum of the amounts in subdivisions (1), (2), (3), (4), and (5) of this subsection, provided that in no event shall the annual allowance payable to any member be greater than an amount which, when added to the allowance, if any, to which the member is entitled under the Teachers' and State Employees' Retirement System, the Legislative Retirement System, or the Local Governmental Employees' Retirement System (prior in any case to any reduction for early retirement or for an optional mode of payment), would total three-fourths of the member's final compensation:

(1) Four and two hundredths percent (4.02%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a justice of the Supreme Court or judge of the Court of Appeals;

(2) Three and fifty-two hundredths percent (3.52%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the superior court or as Administrative Officer of the Courts;

(3) Three and two hundredths percent (3.02%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the district court, district attorney, or clerk of superior court;

(4) A service retirement allowance computed in accordance with the service retirement provisions of Article 3 of Chapter 128 of the General Statutes using an average final compensation as defined in G.S. 135-53(2a) and creditable service equal to the number of years of the member's creditable service that was transferred from the Local Governmental Employees' Retirement System to this System as provided in G.S. 135-56; and

(5) A service retirement allowance computed in accordance with the service retirement provisions of Article 1 of this Chapter of the General Statutes using an average final compensation as defined in G.S. 135-53(2a) and creditable service, including any sick leave standing to the credit of the member, equal to the number of years of the member's creditable service that was transferred from the Teachers' and State Employees' Retirement System or the Legislative Retirement System to this System as provided in G.S. 135-56."

SECTION 28.21B.(g) G.S. 135-58 is amended by adding a new subsection to read:

"(a5) Any member who retires under the provisions of G.S. 135-57(a) or G.S. 135-57(c) on or after July 1, 2007, after the member has either attained the member's 65th birthday or has completed 24 years or more of creditable service, shall receive an annual retirement allowance, payable monthly, which shall commence on the effective date of the member's retirement and shall be continued on the first day of each month thereafter during the member's lifetime, the amount of which shall be computed as the sum of the amounts in subdivisions (1), (2), (3), (4), and (5) of this subsection, provided that in no event shall the annual allowance payable to any member be greater than an amount which, when added to the allowance, if any, to which the member is entitled under the Teachers' and State Employees' Retirement System, the Legislative Retirement System, or the Local Governmental Employees' Retirement System (prior in any case to any reduction for early retirement or for an optional mode of payment), would total three-fourths of the member's final compensation:

(1) Four and two hundredths percent (4.02%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a justice of the Supreme Court or judge of the Court of Appeals;

(2) Three and fifty-two hundredths percent (3.52%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the superior court or as Administrative Officer of the Courts;

(3) Three and two hundredths percent (3.02%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the district court, district attorney, clerk of superior court, or public defender;

(4) A service retirement allowance computed in accordance with the service retirement provisions of Article 3 of Chapter 128 of the General Statutes using an average final compensation as defined in G.S. 135-53(2a) and creditable service equal to the number of years of the member's creditable service that was transferred from the Local Governmental Employees' Retirement System to this System as provided in G.S. 135-56; and

(5) A service retirement allowance computed in accordance with the service retirement provisions of Article 1 of this Chapter using an average final compensation as defined in G.S. 135-53(2a) and creditable service, including any sick leave standing to the credit of the member, equal to the number of years of the member's creditable service that was transferred from the Teachers' and State Employees' Retirement System or the Legislative Retirement System to this System as provided in G.S. 135-56."

SECTION 28.21B.(h) G.S. 135-56 is amended by adding a new subsection to read:

"(g) On and after July 1, 2007, the creditable service of a member who was a public defender and a member of the Teachers' and State Employees' Retirement System at the time of transfer of membership from the previous system to this System shall include service as a public defender that was creditable in the previous system immediately prior to July 1, 2007. The accumulated contributions, creditable service, and reserves, if any, of a member as a public defender shall be transferred from the previous system to this System in the same manner as prescribed under G.S. 135-28.1 as it pertained to judges of the district court division of the General Court of Justice."

STATE HEALTH PLAN CHANGES EFFECTIVE FOR FISCAL YEAR 2007-2008

SECTION 28.22.(a) The Teachers' and State Employees' Comprehensive Major Medical Plan (Plan) shall provide for an annual open enrollment period in the Indemnity Plan and Optional PPO program for the July 1, 2007, to June 30, 2008, Plan year. Plan member changes to coverage type or selection of benefit coverage under the Indemnity Plan or Optional PPO program during open enrollment shall become effective October 1, 2007. At least 45 days prior to October 1, 2007, the Plan shall provide to all plan members sufficient information on premiums, cost-sharing, and benefits to enable the plan member or other eligible participant to make an enrollment election effective October 1, 2007. As used in this subsection, the term "plan member" includes active employees, retired employees, and other eligible participants with respect to the Indemnity Plan and the optional PPO program.

SECTION 28.22.(b) G.S. 135-40.1(2) reads as rewritten:

"(2) Deductible. – Deductible shall mean an amount of covered expenses during a fiscal year which must be incurred after which benefits (subject to the deductible) becomes payable. The deductible for an employee, retired employee and/or his or her dependents shall be ~~three hundred fifty dollars ($350.00)~~four hundred fifty dollars ($450.00) for each fiscal year.

The deductible applies separately to each covered individual in each fiscal year, subject to an aggregate maximum of ~~one thousand fifty dollars ($1,050)~~one thousand three hundred fifty dollars ($1,350) per employee and child(ren) or employee and family coverage contract in any fiscal year.

If two or more family members are injured in the same accident only one deductible is required for charges related to that accident during the benefit period."

SECTION 28.22.(c) G.S. 135-40.4 reads as rewritten:

"**§ 135-40.4. Benefits in general.**

(a) In the event a covered person, as a result of accidental bodily injury, disease or pregnancy, incurs covered expenses, the Plan will pay benefits up to the amounts described in G.S. 135-40.5 through G.S. 135-40.9.

The Plan is divided into two parts. The first part includes certain benefits which are not subject to a deductible or coinsurance. The second part is a comprehensive plan and includes those benefits which are subject to both a ~~three hundred fifty dollar ($350.00)~~ four hundred fifty dollar ($450.00) deductible for each covered individual to an aggregate maximum of ~~one thousand fifty dollars ($1,050)~~one thousand three hundred fifty dollars ($1,350) per employee and child(ren) or employee and family coverage contract and coinsurance of 80%/20%. There is a limit on out-of-pocket expenses under the second part.

Notwithstanding the provisions of this Article, the Executive Administrator and Board of Trustees of the Teachers' and State Employees' Comprehensive Major Medical Plan may contract with providers of institutional and professional medical care and services to established preferred provider networks. The terms pertaining to reimbursement rates or other terms of consideration of any contract between hospitals, hospital authorities, doctors or other medical providers, an optional program contract authorized under G.S. 135-39.5B(b), or a pharmacy benefit manager and the Plan shall not be a public record under Chapter 132 of the General Statutes for a period of thirty months after the date of the expiration of the contract. Provided, however, nothing in this subsection shall be deemed to prevent or restrict the release of any information made not a public record under this subsection to the State Auditor, the Attorney General, the Director of the State Budget, the Plan's Executive Administrator, and the Committee on Employee Hospital and Medical Benefits solely and exclusively for their use in the furtherance of their duties and responsibilities. The design, adoption, and implementation of the preferred provider contracts and networks are not subject to the requirements of Chapter 143 of the General Statutes, provided that for any hospital preferred provider network all hospitals will have an opportunity to contract with the Plan if they meet the contract requirements. The Executive Administrator and Board of Trustees shall, under the provisions of G.S. 135-39.5(12), pursue such preferred provider contracts on a timely basis and shall make reports as requested to the President of the Senate, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Committee on Employee Hospital and Medical Benefits on its progress in negotiating the preferred provider contracts. The Executive Administrator and Board of Trustees shall implement a refined diagnostic-related grouping or diagnostic-related grouping-based reimbursement system for hospitals as soon as practicable, but no later than January 1, 1995.

(b) As used in this section the term "preferred provider contracts or networks" includes, but is not limited to, a refined diagnostic-related grouping or diagnostic-related grouping-based system of reimbursement for hospitals."

SECTION 28.22.(d) Effective July 1, 2007, G.S. 135-40.5(g) reads as rewritten:

"(g) Prescription Drugs. – The Plan's allowable charges for prescription legend drugs to be used outside of a hospital or skilled nursing facility are to be determined by the Plan's Executive Administrator and Board of Trustees. The ~~Plan~~ Plan's indemnity plan will pay allowable charges for each outpatient prescription drug less a copayment to be paid by each covered individual equal to the following amounts: pharmacy charges up to ~~ten dollars ($10.00)~~fifteen dollars ($15.00) for each generic prescription, ~~twenty five dollars ($25.00)~~ thirty dollars ($30.00) for each preferred branded prescription, and ~~forty dollars ($40.00)~~forty-five dollars ($45.00) for each preferred branded prescription with a generic equivalent drug, and ~~fifty dollars ($50.00)~~fifty-five dollars ($55.00) for each nonpreferred branded or generic prescription. The Plan's optional PPO program will pay allowable charges for each outpatient prescription drug less a co-payment to be paid by each covered individual equal to the following amounts: pharmacy charges up to ten dollars ($10.00) for each generic prescription, twenty-five dollars ($25.00) for each preferred branded prescription, forty dollars ($40.00) for each preferred branded prescription with a generic equivalent drug, and fifty dollars ($50.00) for each nonpreferred branded or generic prescription.

Allowable charges shall not be greater than a pharmacy's usual and customary charge to the general public for a particular prescription. Prescriptions shall be for no more than a 34-day supply for the purposes of the copayments paid by each covered individual. By accepting the copayments and any remaining allowable charges provided by this subsection, pharmacies shall not balance bill an individual covered by the Plan. A prescription legend drug is defined as an article the label of which, under the Federal Food, Drug, and Cosmetic Act, is required to bear the legend: "Caution: Federal Law Prohibits Dispensing Without Prescription." Such articles may not be sold to or purchased by the public without a prescription order. Benefits are provided for insulin even though a prescription is not required. The Plan may use a pharmacy benefit manager to help manage the Plan's outpatient prescription drug coverage. In managing the Plan's outpatient prescription drug benefits, the Plan and its pharmacy benefit manager shall not provide coverage for erectile dysfunction, growth hormone, antiwrinkle, weight loss, and hair growth drugs unless such coverage is medically necessary to the health of the member. The Plan and its pharmacy benefit manager shall not provide coverage for growth hormone and weight loss drugs and antifungal drugs for the treatment of nail fungus and botulinium toxin without approval in advance by the pharmacy benefit manager. Any formulary used by the Plan's Executive Administrator and pharmacy benefit manager shall be an open formulary. Plan members shall not be assessed more than two thousand five hundred dollars ($2,500) per person per fiscal year in copayments required by this subsection."

SECTION 28.22.(e) The first paragraph of G.S. 135-40.6 reads as rewritten:

"The benefits provided in this section are subject to a deductible of ~~three hundred fifty dollars ($350.00)~~ four hundred fifty dollars ($450.00) per covered individual to an aggregate maximum of ~~one thousand fifty dollars ($1,050)~~ one thousand three hundred fifty dollars ($1,350) per employee and child(ren) or employee and family coverage contract per fiscal year and are payable on the basis of eighty percent (80%) by the Plan and twenty percent (20%) by the covered individual up to a maximum of two thousand dollars ($2,000) out-of-pocket per fiscal year. The aggregate maximum out-of-pocket required of individuals covered by this section shall not be more than six thousand dollars ($6,000) per employee and child(ren) or employee and family coverage contract per fiscal year."

SECTION 28.22.(f) G.S. 135-40.8(c3) reads as rewritten:

"(c3) Notwithstanding any other provision of this Article, the Plan does not pay for the first ~~fifteen dollars ($15.00)~~ twenty-five dollars ($25.00) of allowable charges for each home, office, or skilled nursing facility visit under the provisions of 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 G.S. 135-40.5(e). The co-payment assessed by this subsection shall be assessed only once per person per provider per day and shall not apply to laboratory, pathology, and radiology services, or to charges for injected medications. The exclusion made under this subsection shall not count toward the deductible nor toward the maximum amount of coinsurance out-of-pocket costs."

SECTION 28.22.(g) G.S. 135-39.5B is amended by adding the following new subsections to read:

"**§ 135-39.5B. Optional plans.**

…

<u>(c) Chemical dependency and mental health benefits under G.S. 135-40.7B apply to the optional program adopted under subsection (b) of this section.</u>

<u>(d) The optional program adopted under subsection (b) of this section shall not limit the number of visits for physical therapy, occupational therapy, and speech therapy.</u>"

STATE HEALTH PLAN CHANGES EFFECTIVE BEGINNING WITH THE 2008-2009 FISCAL YEAR

SECTION 28.22A.(a) Effective July 1, 2008, G.S. 135-39.5B, 135-40, 135-40.4, 135-40.5(g), 135-40.6, 135-40.8, and 135-40.9 are repealed.

SECTION 28.22A.(b) Effective July 1, 2008, G.S. 135-39(a) and (a1) read as rewritten:

"(a) There is hereby established the Board of Trustees of the ~~Teachers' and State Employees' Comprehensive Major Medical Plan.~~<u>State Health Plan for Teachers and State Employees.</u>

(a1) The Board of Trustees of the ~~Teachers' and State Employees' Comprehensive Major Medical Plan~~ <u>State Health Plan for Teachers and State Employees</u> shall consist of nine members."

SECTION 28.22A.(c) Effective July 1, 2008, G.S. 135-37 reads as rewritten:

"**§ 135-37. Confidentiality.**

Any information as herein described in this section which is in the possession of the Executive Administrator and the Board of Trustees of the ~~Teachers' and State Employees' Comprehensive Major Medical Plan~~ <u>State Health Plan for Teachers and State Employees ("Plan")</u> or its Claims Processor under the ~~Teachers' and State Employees' Comprehensive Major Medical Plan~~ <u>Plan or the Predecessor Plan</u> shall be confidential and shall be exempt from the provisions of Chapter 132 of the General Statutes or any other provision requiring information and records held by State agencies to be made public or accessible to the public. This section shall apply to all information concerning individuals, including the fact of coverage or noncoverage, whether or not a claim has been filed, medical information, whether or not a claim has been paid, and any other information or materials concerning a plan participant. Provided, however, such information may be released to the State Auditor, or to the Attorney General, or to the persons designated under G.S. 135-39.3 in furtherance of their statutory duties and responsibilities, or to such persons or organizations as may be designated and approved by the Executive Administrator and Board of Trustees of the ~~Teachers' and State Employees' Comprehensive Major Medical Plan,~~ <u>Plan</u> but any information so released shall remain confidential as stated above and any party obtaining such information shall assume the same level of responsibility for maintaining such confidentiality as that of the Executive Administrator and Board of Trustees of the ~~Teachers' and State Employees' Comprehensive Major Medical Plan.~~<u>State Health Plan for Teachers and State Employees.</u>"

SECTION 28.22A.(d) Effective July 1, 2008, G.S. 135-39.10 reads as rewritten:

"**§ 135-39.10. Meaning of "Executive Administrator and Board of Trustees".**

Whenever in this Article the words "Executive Administrator and Board of Trustees" appear, they mean that the Executive Administrator shall have the power, duty, right, responsibility, privilege or other function mentioned, after consulting with the Board of Trustees of the ~~Teachers' and State Employees' Comprehensive Major Medical Plan.~~North Carolina State Health Plan for Teachers and State Employees."

SECTION 28.22A.(e) Effective July 1, 2008, the title of Part 3 of Article 3 of Chapter 135 of the General Statutes reads as rewritten:

"Part 3. ~~Comprehensive Major Medical Plan.~~ State Health Plan for Teachers and State Employees."

SECTION 28.22A.(f) Effective July 1, 2008, G.S. 135-40(a) and (a1) read as rewritten:

"**§ 135-40. Undertaking.**

(a) The State of North Carolina undertakes to make available a ~~Comprehensive Major Medical~~ State Health Plan (hereinafter called the "Plan") exclusively for the benefit of its employees, retired employees and certain of their dependents which will pay benefits in accordance with the terms hereof. The Plan shall have all the powers and privileges of a corporation and shall be known as the ~~North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan.~~ North Carolina State Health Plan for Teachers and State Employees. The Executive Administrator and Board of Trustees shall carry out their duties and responsibilities as fiduciaries for the Plan. The Plan may be a PPO or other type of benefit plan that includes noncontributory coverage.

(a1) The State of North Carolina deems it to be in the public interest for North Carolina firemen, rescue squad workers, and members of the national guard, and certain of their dependents, who are not eligible for any other type of comprehensive group health insurance or other comprehensive group health benefits, and who have been without any form of group health insurance or other comprehensive group health benefit coverage for at least six months, to be given the opportunity to participate in the benefits provided by the ~~North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan.~~North Carolina State Health Plan for Teachers and State Employees. Coverage under the Plan shall be voluntary for eligible firemen, rescue squad workers, and members of the national guard who elect participation in the Plan for themselves and their eligible dependents."

SECTION 28.22A.(g) Effective July 1, 2008, the lead paragraph and subdivisions (8), (13a), and (14) of G.S. 135-40.1 read as rewritten:

"**§ 135-40.1. General definitions.**

As used in Parts 2 and 3 of this Article, and as applicable under the policies, benefits, and limitations on coverage under the optional program offered pursuant to G.S. 135-40.6A, the following terms have the meaning specified as follows:

…

(8) Health Benefits Representative. – The employee designated by the employing unit to administer the ~~Comprehensive Major Medical Plan~~ State Health Plan for Teachers and State Employees for the unit and its employees. The HBR is responsible for enrolling new employees, reporting changes, explaining benefits, reconciling group statements and remitting group fees. The State Retirement System is the Health Benefits Representative for retired members.

(13a) Plan. – The ~~Teachers' and State Employees' Comprehensive Major Medical Plan.~~ State Health Plan for Teachers and State Employees.

(14) Predecessor Plan. – The Hospital and Medical Benefits for the Teachers' and State Employees' Retirement System of the State of

North ~~Carolina.~~ Carolina, or the North Carolina Teachers' and State Employees Comprehensive Major Medical Plan, as applicable."

SECTION 28.22.(g1) Effective July 1, 2008, G.S. 135-40.2 is amended by adding the following new subsection to read:

"(a3) The Executive Administrator and Board of Trustees may in addition to noncontributory coverage offer optional coverage on a partially contributory basis and may set premium rates for the optional coverage on a partially contributory basis. The amount of State funds contributed for optional coverage on a partially contributory basis shall not be more than the Plan's total noncontributory premium for Employee only coverage, with the person selecting the coverage paying the balance of the partially contributory premium not paid by the Plan. The amount of State funds contributed shall not exceed the Plan's cost for Employee Only coverage. The Executive Administrator and Board of Trustees shall not impose a partially contributory premium until after it has consulted on the premium and the optional coverage design with the Committee on Employee Hospital and Medical Benefits."

SECTION 28.22A.(h) Effective July 1, 2008, G.S. 135-40.3(d) reads as rewritten:

"(d) Types of Coverage Available. – There are three types of coverage which an employee or retiree may elect.

(1) Employee Only. – Covers enrolled employees only. Maternity benefits are provided to employee only.

(2) Employee and Child(ren). – Covers enrolled employee and all eligible dependent children. Maternity benefits are provided to the employee only.

(3) Employee and Family. – Covers employee and spouse, and all eligible dependent children. Maternity benefits are provided to employee or enrolled spouse.

(4), (5) Repealed by Session Laws 1985 (Reg. Sess., 1986), c. 1020, s. 5(b).

(4a) Employee and spouse. – Covers employee and spouse only. Maternity benefits are provided to the employee only."

SECTION 28.22A.(i) Effective July 1, 2008, G.S. 135-40.5 is amended by adding the following new subsection to read:

"(g1) Prescription Drugs. – The Plan will pay allowable charges for each outpatient prescription drug less a co-payment to be paid by each covered individual equal to the following amounts: pharmacy charges up to ten dollars ($10.00) for each generic prescription, twenty-five dollars ($25.00) for each preferred branded prescription, forty dollars ($40.00) for each preferred branded prescription with a generic equivalent drug, and fifty dollars ($50.00) for each nonpreferred branded or generic prescription.

Allowable charges shall not be greater than a pharmacy's usual and customary charge to the general public for a particular prescription. Prescriptions shall be for no more than a 34-day supply for the purposes of the co-payments paid by each covered individual. By accepting the cop-ayments and any remaining allowable charges provided by this subsection, pharmacies shall not balance bill an individual covered by the Plan. A prescription legend drug is defined as an article the label of which, under the Federal Food, Drug, and Cosmetic Act, is required to bear the legend: "Caution: Federal Law Prohibits Dispensing Without Prescription." Such articles may not be sold to or purchased by the public without a prescription order. Benefits are provided for insulin even though a prescription is not required. The Plan may use a pharmacy benefit manager to help manage the Plan's outpatient prescription drug coverage. In managing the Plan's outpatient prescription drug benefits, the Plan and its pharmacy benefit manager shall not provide coverage for erectile dysfunction, growth hormone, antiwrinkle, weight loss, and hair growth drugs unless such coverage is medically necessary to the health of the member. The Plan and its pharmacy benefit manager shall not provide coverage for growth hormone and weight loss drugs and antifungal drugs for the treatment of nail fungus and botulinium toxin without approval in advance by the pharmacy benefit manager. Any formulary used by the Plan's Executive Administrator and pharmacy benefit manager shall be an open formulary. Plan members shall not be assessed more than two thousand five hundred dollars ($2,500) per person per fiscal year in co-payments required by this subsection."

SECTION 28.22A.(j) Effective July 1, 2008, the Revisor of Statutes shall delete all statutory references to "Teachers' and State Employees' Comprehensive Major Medical Plan" and substitute therefor "State Health Plan for Teachers and State Employees."

STATE HEALTH PLAN WELLNESS PILOT

SECTION 28.22B.(a) The Executive Administrator and Board of Trustees of the Teachers' and State Employees' Comprehensive Major Medical Plan may use funds available in an amount not to exceed two hundred thousand dollars ($200,000) for the 2007-2008 fiscal year to establish and implement one or more wellness pilot programs for State employees. The purpose of the pilot programs is to reduce health care costs and improve worker productivity through improved health status of the employee. The pilot programs shall be designed to encourage State employee enrollment in a structured fitness program that includes measurable benchmarks. The Executive Administrator shall select one or more pilot sites that represent different geographic regions of the State, taking into consideration sites that have the highest density of State employees.

SECTION 28.22B.(b) Not later than May 1, 2008, the Executive Administrator of the Teachers' and State Employees' Comprehensive Major Medical Plan shall report to the Committee on Employee Hospital and Medical Benefits on State employee participation levels in the wellness pilot programs and health outcomes resulting from the participation. The Executive Administrator shall also recommend in its report whether the pilot programs should be continued and expanded in other areas of the State in the 2008-2009 fiscal year.

RETIREE HEALTH BENEFIT FUND

SECTION 28.23. G.S. 135-7(f) reads as rewritten:

"(f) Retiree Health Benefit Fund. – The Retiree Health Benefit Fund is established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries as provided by this Chapter. The Retiree Health Benefit Fund shall be administered in accordance with the provisions of subsection (a) of this section. Employer contributions to the Fund are irrevocable. The assets of the Fund are dedicated to providing health benefits to retired and disabled employees and their applicable beneficiaries as provided by this Chapter and are not subject to the claims of creditors of the employers making contributions to the Fund. However, Fund assets may be used for reasonable expenses to administer the Fund, including costs to conduct required actuarial valuations of State-supported retired employees' health benefits under other post-employment benefit accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation."

PART XXIX. CAPITAL APPROPRIATIONS.

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 29.1. The appropriations made by the 2007 General Assembly for capital improvements are for constructing, repairing, or renovating State buildings, utilities, and other capital facilities, for acquiring sites for them where necessary, and acquiring buildings and land for State government purposes.

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 29.2. There is appropriated from the General Fund for the 2007-2008 fiscal year the following amount for capital improvements:

Capital Improvements – General Fund	**2007-2008**
Department of Administration	
Deerfield Cottage Renovation	$3,556,000
Department of Crime Control and Public Safety	
Voice Interoperability Plan for Emergency Responders Phase 1	12,250,000
Department of Natural and Environmental Resources	
Water Resources Development Projects	20,000,000
Division of Forest Resources County Headquarters	1,000,000
Information Technology Services	
Secondary Data Center Equipment	9,000,000
University of North Carolina System	
Reserve for Fire Suppression in Dormitories Phase 1	9,000,000
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	**$54,806,000**

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 29.3.(a) The Department of Environment and Natural Resources shall allocate the funds appropriated in this act for water resources development projects to the following projects whose costs are as indicated:

	Name of Project	**2007-2008**
(1)	Wilmington Harbor Deepening	$ 4,333,000
(2)	Manteo (Shallowbag) Bay	350,000
(3)	Wilmington Harbor Maintenance	2,000,000
(4)	Bogue Banks Shore Protection Study	125,000
(5)	B. Everett Jordan Lake Water Supply Storage	100,000
(6)	Princeville Flood Control	98,000
(7)	Aquatic Plant Control, Statewide and Lake Gaston	200,000
(8)	Belhaven Harbor Feasibility	120,000
(9)	John H. Kerr Dam & Reservoir	520,000
(10)	Currituck Sound Environmental Restoration Study	350,000
(11)	Neuse River Basin Study	554,000

(12)	Surf City/North Topsail Beach Study	50,000
(13)	West Onslow Beach (Topsail Beach) Study	43,000
(14)	Dare County Beaches (Bodie Island)	500,000
(15)	North Carolina Beach and Inlet Management Plan	250,000
(16)	Dredging Contingency Fund	4,037,000
(17)	State – Local Projects	2,400,000
(18)	Western N.C. Hurricane Damage Stream Restoration	1,200,000
(19)	Planning Assistance to Communities	75,000
(20)	Concord Stream Restoration – Cabarrus County	170,000
(21)	Southern Shores Canal Dredging Phase 2	800,000
(22)	Ararat River Restoration	550,000
(23)	Town of Williamston Drainage Improvement	600,000
(24)	Little Sugar Creek Stream Restoration Phase 7	575,000
TOTALS		**$20,000,000**

SECTION 29.3.(b) Where the actual costs are different from the estimated costs under subsection (a) of this section, the Department may adjust the allocations among projects as needed. If any projects funded under subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2007-2008 fiscal year, or if the projects funded under subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

(1) U.S. Army Corps of Engineers project feasibility studies.
(2) U.S. Army Corps of Engineers projects whose schedules have advanced and require State-matching funds in fiscal year 2007-2008.
(3) State-local water resources development projects.

Funds not expended or encumbered for these purposes shall revert to the General Fund at the end of the 2008-2009 fiscal year.

SECTION 29.3.(c) The Department shall make semiannual reports on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. Each report shall include all of the following:

(1) All projects listed in this section.
(2) The estimated cost of each project.
(3) The date that work on each project began or is expected to begin.
(4) The date that work on each project was completed or is expected to be completed.
(5) The actual cost of each project.

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

PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

SECTION 29.4. The appropriations made by the 2007 General Assembly for capital improvements shall be disbursed for the purposes provided by this act. Expenditure of funds shall not be made by any State department, institution, or agency until an allotment has been approved by the Governor as Director of the Budget. The allotment shall be approved only after full compliance with the State Budget Act, Chapter 143C of the General Statutes. Prior to the award of construction contracts for projects to be financed in whole or in part with self-liquidating appropriations, the

Director of the Budget shall approve the elements of the method of financing of those projects including the source of funds, interest rate, and liquidation period. Provided, however, that if the Director of the Budget approves the method of financing a project, the Director shall report that action to the Joint Legislative Commission on Governmental Operations at its next meeting.

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

Capital improvement projects authorized by the 2007 General Assembly shall be completed, including fixed and movable equipment and furnishings, within the limits of the amounts of the direct or self-liquidating appropriations provided, except as otherwise provided in this act. Capital improvement projects authorized by the 2007 General Assembly for the design phase only shall be designed within the scope of the project as defined by the approved cost estimate filed with the Director of the Budget, including costs associated with site preparation, demolition, and movable and fixed equipment.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 29.5.(a) Of the funds in the Reserve for Repairs and Renovations for the 2007-2008 fiscal year, forty-six percent (46%) shall be allocated to the Board of Governors of The University of North Carolina for repairs and renovations pursuant to G.S. 143C-4-3, in accordance with guidelines developed in The University of North Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as approved by the Board of Governors of The University of North Carolina, and fifty-four percent (54%) shall be allocated to the Office of State Budget and Management for repairs and renovations pursuant to G.S. 143C-4-3.

Notwithstanding G.S. 143C-4-3, the Board of Governors may allocate funds for the repair and renovation of facilities not supported from the General Fund if the Board determines that sufficient funds are not available from other sources and that conditions warrant General Fund assistance. Any such finding shall be included in the Board's submission to the Joint Legislative Commission on Governmental Operations on the proposed allocation of funds.

The Board of Governors and the Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations prior to the allocation or reallocation of these funds.

SECTION 29.5.(b) The Office of State Budget and Management and the University of North Carolina General Administration shall jointly study the allocation of funds in the Reserve for Repairs and Renovations set forth in subsection (a) of this section and shall recommend to the General Assembly changes to the current allocation if any are deemed necessary. The study shall include the following:

(1) A review of the Department of Administration's Facilities Condition and Assessment Program.
(2) A review and identification of State-owned buildings supported by the General Fund.
(3) A review of the actual expenditures for repairs and renovations from allocated reserve funds.

The Office of State Budget and Management and the University of North Carolina General Administration shall submit a joint report to the Senate Appropriations and

Base Budget Committee, the House Appropriations Committee, the House Appropriations Subcommittee on Capital, the Senate Finance Subcommittee on Capital and Infrastructure Financing, the Joint Legislative Oversight Committee on Capital Improvements, and the Fiscal Research Division. The report shall include the study findings and recommendations and shall be submitted no later than April 1, 2008.

SECTION 29.5.(c) Of the funds allocated to the Office of State Budget and Management in subsection (a) of this section, the sum of five hundred thirty-four thousand dollars ($534,000) shall be allocated to the Department of Juvenile Justice and Delinquency Prevention to renovate two cottages at the Samarkand Youth Development Center to use for the Eckerd Family Focus on Rehabilitative Treatment (EFFORT) project, which would supplement the traditional youth development centers pursuant to G.S. 143C-4-3.

PLANT CONSERVATION PROGRAM FUNDS

SECTION 29.6. From funds deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services pursuant to G.S. 146-30, the sum of thirty thousand dollars ($30,000) for the 2007-2008 fiscal year shall be transferred to the Department of Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its plant conservation program under Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, environmental studies, and for the management of the plant conservation program preserves owned by the Department.

EASTERN NORTH CAROLINA AGRICULTURAL CENTER FUNDS

SECTION 29.8.(a) Timber sales receipts received for the sale of timber harvested on the property on which the Eastern North Carolina Agricultural Center at Williamston is located shall be transferred from the Department of Agriculture and Consumer Services' timber sales capital improvement account in the Department of Agriculture and Consumer Services as such funds become available and shall be used for the 2007-2008 fiscal year by the Department for capital improvements to the grounds and facilities at the Eastern North Carolina Agricultural Center.

SECTION 29.8.(b) Funds transferred pursuant to subsection (a) of this section are hereby appropriated.

TIME WARNER CABLE LEASE PROCEEDS

SECTION 29.9. The sum of two hundred twenty-five thousand dollars ($225,000) in net proceeds received from Time Warner, Inc., by the Department of Environment and Natural Resources, Division of Forest Resources, for the lease of property located at 2600 Howard Road in Raleigh shall be transferred to the Department for deposit into a capital improvement account. Funds in this account for the 2007-2008 fiscal year may be used to construct an equipment storage building and related improvements.

TRANSFER OF STATE PROPERTY TO WAYNE COUNTY

SECTION 29.11. The State-owned property in Wayne County that is bordered on the north by SR 581, on the west by the DART-Cherry Facility/Programs, on the south by Cherry Hospital Cemetery, and on the west by property owned by APV North America, Inc., is hereby transferred to Wayne County. The transfer under this section shall be evidenced by a deed executed in accordance with G.S. 146-75 and registered in accordance with G.S. 146-77. The deed shall provide that the State retains a possibility of reverter and that, in the event that Wayne County does not substantially commence construction of a community agricultural center on the site within five years of the execution of the deed, the property shall revert to the State.

UNC RESERVE FOR FIRE SUPPRESSION

SECTION 29.12. Notwithstanding any other provision of law, the funds appropriated in this act to the Board of Governors of The University of North Carolina for the installation of fire sprinklers in University residence halls shall be allocated among the University's constituent institutions by the President of the University of North Carolina, who shall consider the following factors when allocating those funds:

(1) The current level of housing rents charged to students and how that compares to an institution's public peers and other UNC institutions.

(2) The level of previous authorizations to constituent institutions for the construction or renovation of residence halls funded from the General Fund, or from bonds or certificates of participation supported by the General Fund, since 1996.

(3) The financial status of each constituent institution's housing system, including debt capacity, debt coverage ratios, credit rankings, required reserves, the planned use of cash balances for other housing system improvements, and the constituent institution's ability to pay for the installation of fire sprinklers in all residence halls by 2012.

(4) The total cost of each proposed project, including the cost of installing fire sprinklers and the cost of other construction, such as asbestos removal and additional water supply needs.

SPECIAL INDEBTEDNESS PROJECTS

SECTION 29.13.(a) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of thirty-four million dollars ($34,000,000) to finance the capital facility costs of completing a new educational building at Appalachian State University. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of three million dollars ($3,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008.

SECTION 29.13.(b) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of eighty-seven million dollars ($87,000,000) to finance the capital facility costs of completing a building and 10 dental clinics for the School of Dentistry at East Carolina University. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of ten million dollars ($10,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate amount of fifty-two million dollars ($52,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009.

SECTION 29.13.(c) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of twenty million dollars ($20,000,000) to finance the capital facility costs of completing a building for the School of Education at Elizabeth City State University. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of two million dollars ($2,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate amount of six million dollars ($6,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009.

SECTION 29.13.(d) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of twenty-two million five hundred eighty-seven thousand dollars ($22,587,000) to finance the capital facility costs of completing a new Science and Technology Complex at Fayetteville State University. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of five million dollars ($5,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008.

SECTION 29.13.(e) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of twenty-five million seven hundred eighty-seven thousand dollars ($25,787,000) to finance the capital facility costs of completing a general classroom building at North Carolina Agricultural and Technical State University. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of five million dollars ($5,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008.

SECTION 29.13.(f) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of twenty-four million dollars ($24,000,000) to finance the capital facility costs of completing a building for the School of Nursing at North Carolina Central University. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of two million five hundred thousand dollars ($2,500,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate amount of six million two hundred fifty thousand dollars ($6,250,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009.

SECTION 29.13.(g) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of twenty-four million nine hundred twenty thousand dollars ($24,920,000) to finance the capital facility costs of completing a new library at the North Carolina School of the Arts. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of one million seven hundred seventy-five thousand six hundred dollars ($1,775,600) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate amount of fourteen million three hundred seventy-three thousand six hundred dollars ($14,373,600) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009.

SECTION 29.13.(h) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of thirty-four million dollars ($34,000,000) to finance the capital facility costs of completing an addition to Engineering Building III in the School of Engineering at North Carolina State University. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds. No more than a maximum aggregate amount of eight million five hundred thousand dollars ($8,500,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate amount of twenty-five million five hundred thousand dollars ($25,500,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009.

SECTION 29.13.(i) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of one hundred fourteen million dollars ($114,000,000) to finance the capital facility costs of completing the James B. Hunt Library at North Carolina State University. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of two million three hundred twenty-five thousand dollars ($2,325,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate amount of seven million nine hundred eight thousand three hundred thirty-three dollars ($7,908,333) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009. No more than a maximum aggregate amount of sixty-four million dollars ($64,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2010.

SECTION 29.13.(j) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of eight million six hundred eighty-seven thousand dollars ($8,687,000) to finance the capital facility costs of renovating Rhoades Hall at the University of North Carolina at Asheville. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of one million dollars ($1,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008.

SECTION 29.13.(k) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of nine million three hundred five thousand dollars ($9,305,000) to finance the capital facility costs of renovating Carmichael Hall at the University of North Carolina at Asheville. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of one million dollars ($1,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008.

SECTION 29.13.(l) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of one hundred nineteen million six hundred eight thousand two hundred twenty-five dollars ($119,608,225) to finance the capital facility costs of a Genomics Science Building at the University of North Carolina at Chapel Hill. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of twenty-five million two hundred seventy-two thousand two hundred twenty-five dollars ($25,272,225) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008.

SECTION 29.13.(m) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of ninety-six million dollars ($96,000,000) to finance the capital facility costs of a building addition to the School of Dentistry at the University of North Carolina at Chapel Hill. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of thirty million dollars ($30,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate amount of eighty-seven million dollars ($87,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009.

SECTION 29.13.(n) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of seventy-six million two hundred eighteen thousand dollars ($76,218,000) to finance the capital facility costs of an Energy Production Infrastructure Center at the University of North Carolina at Charlotte. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of seven million dollars ($7,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate amount of twenty-two million dollars ($22,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009. No more than a maximum aggregate amount of fifty-seven million dollars ($57,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2010.

SECTION 29.13.(o) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of forty-five million one hundred sixty-seven thousand dollars ($45,167,000) to finance the capital facility costs of completing a new education classroom building at the University of North Carolina at Greensboro. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of six million dollars ($6,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008.

SECTION 29.13.(p) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of nineteen million dollars ($19,000,000) to finance the capital facility costs of completing a Nursing and Allied Health Building at the University of North Carolina at Pembroke. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of five million dollars ($5,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008.

SECTION 29.13.(q) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of thirty-four million five hundred twenty-five thousand dollars ($34,525,000) to finance the capital facility costs of completing a new teaching laboratory at the University of North Carolina at Wilmington. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of two million five hundred thousand dollars ($2,500,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate amount of eight million six hundred thirty-one thousand two hundred fifty dollars ($8,631,250) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009.

SECTION 29.13.(r) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of eighteen million seven hundred eight thousand dollars ($18,708,000) to finance the capital facility costs of completing a new student activities center at Winston-Salem State University. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of two million dollars ($2,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate amount of five million dollars ($5,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009.

SECTION 29.13.(s) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of twenty-eight million two hundred twelve thousand dollars ($28,212,000) to finance the capital facility costs of completing a new science and general classroom building at Winston-Salem State University. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of four million dollars ($4,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate amount of nineteen million dollars ($19,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009.

SECTION 29.13.(t) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of forty-three million eight hundred five thousand dollars ($43,805,000) to finance the capital facility costs of completing a new Health and Gerontological Building at Western Carolina University. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of two million two hundred thousand dollars ($2,200,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate amount of twenty-three million two thousand five hundred dollars ($23,002,500) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009.

SECTION 29.13.(u) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of thirty-four million dollars ($34,000,000) to finance the capital facility costs of establishing and renovating buildings at State-owned 4-H campuses across the State. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of four million dollars ($4,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate amount of fourteen million dollars ($14,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009. No more than a maximum aggregate amount of twenty-four million dollars ($24,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2010.

SECTION 29.13.(v) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of thirty-two million five hundred thousand dollars ($32,500,000) to finance the capital facility costs for completing the Coastal Studies Institute. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of eight million dollars ($8,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008.

SECTION 29.13.(w) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of fifty-eight million dollars ($58,000,000) to finance the capital facility costs of completing a Nanoscience Building to be used jointly by the University of North Carolina at Greensboro and North Carolina Agricultural and Technical State University. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of ten million dollars ($10,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate amount of thirty-eight million dollars ($38,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009.

SECTION 29.13.(x) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of seventeen million five hundred thousand dollars ($17,500,000) to finance the capital facility costs for infrastructure improvements at the North Carolina School of Science and Mathematics. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection.

SECTION 29.13.(y) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of twenty-five million dollars ($25,000,000) to acquire land for The University of North Carolina. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay for the acquisition of lands described in this subsection.

SECTION 29.13.(z) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of twenty-five million dollars ($25,000,000) to finance the plans and specifications for capital projects for The University of North Carolina. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection.

SECTION 29.13.(aa) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of thirty-nine million seven hundred sixty-three thousand one hundred dollars ($39,763,100) to finance the capital facility costs of completing a new health care facility to be located at the North Carolina Correctional Institution for Women. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of five million dollars ($5,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate amount of thirty-two million dollars ($32,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009.

SECTION 29.13.(bb) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of thirteen million one hundred ninety-one thousand three hundred dollars ($13,191,300) to finance the capital facility costs of a minimum security facility at the Tabor City Correctional Institution. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of three million dollars ($3,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008.

SECTION 29.13.(cc) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of nineteen million eight hundred sixteen thousand five hundred dollars ($19,816,500) to finance the capital facility costs of a medium security facility at the Scotland Correctional Institution. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of five million dollars ($5,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008.

SECTION 29.13.(dd) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of thirteen million one hundred ninety-one thousand three hundred dollars ($13,191,300) to finance the capital facility costs of a minimum security facility at the Scotland Correctional Institution. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of three million dollars ($3,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008.

SECTION 29.13.(ee) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of nineteen million eight hundred sixteen thousand five hundred dollars ($19,816,500) to finance the capital facility costs of a medium security facility at the Bertie Correctional Institution. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of five million dollars ($5,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008.

SECTION 29.13.(ff) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of thirty-seven million five hundred thousand dollars ($37,500,000) to finance the capital facility costs of completing five new replacement youth development centers. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate amount of fifteen million dollars ($15,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate amount of thirty million dollars ($30,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009.

SECTION 29.13.(gg) It is the intent of the General Assembly to finance the costs of a voice interoperability plan for emergency responders through the use of special indebtedness, provided that funds can be identified with which to pay part or all of the special indebtedness.

SECTION 29.13.(hh) This section is effective when it becomes law.

PART XXX. FEES

EROSION AND SEDIMENTATION CONTROL PLAN FEE INCREASE

SECTION 30.1.(a) G.S. 113A-54.2(a) reads as rewritten:

"(a) ~~The Commission may establish a fee schedule for the review and approval of erosion and sedimentation control plans under this Article. In establishing the fee schedule, the Commission shall consider the administrative and personnel costs incurred by the Department for reviewing the plans and for related compliance activities.~~ An application fee ~~may not exceed fifty dollars ($50.00)~~ of sixty-five dollars ($65.00) per acre of disturbed land shown on an erosion and sedimentation control plan or of land actually disturbed during the life of the ~~project.~~project shall be charged for the review of an erosion and sedimentation control plan under this Article."

SECTION 30.1.(b) This section becomes effective July 1, 2007, and applies to applications submitted on or after that date.

MINING PERMIT APPLICATION FEES

SECTION 30.2.(a) G.S. 74-54.1 reads as rewritten:

"**§ 74-54.1. Permit fees.**

(a) ~~The Commission may establish a~~ The fee schedule for the processing of permit applications and permit renewals and ~~modifications.~~ modifications is as follows:

	0-25 acres	26+ acres
New Permit Applications	$3,750.00	$5,000.00
Permit Modifications	$750.00	$1,000.00
Permit Renewals	$750.00	$1,000.00
Transfers	$100.00	$100.00

~~The fees may vary on the basis of the acreage, size, and nature of the proposed or permitted operations or modifications. In establishing the fee schedule, the Commission shall consider the administrative and personnel costs incurred by the Department for processing applications for permits and permit renewals and modifications and for related compliance activities and safeguards to prevent unusual fee assessments that would impose a serious economic burden on an individual applicant or a class of applicants.~~

(b) ~~The total amount of permit fees collected for any fiscal year may not exceed one-third of the total personnel and administrative costs incurred by the Department for processing applications for permits and permit renewals and modifications and for related compliance costs in the prior fiscal year. A fee for an application for a new permit may not exceed two thousand five hundred dollars ($2,500), and a fee for an application to renew or modify a permit may not exceed five hundred dollars ($500.00).~~ The Mining Account is established as a nonreverting account within the Department. Fees collected under this section shall be credited to the Mining Account and shall be applied to the costs of administering this Article.

(c) The Department shall annually report on or before 1 September to the Environmental Review ~~Commission~~ Commission, the Fiscal Research Division, and the Mining Commission on the cost of implementing this Article. The report shall include the fees established, collected, and disbursed under this section and any other information requested by the General Assembly or the Commission."

SECTION 30.2.(b) This section becomes effective July 1, 2007, and applies to applications submitted on or after that date.

WATER QUALITY PERMIT FEES

SECTION 30.3.(a) G.S. 143-215.3D reads as rewritten:

"**§ 143-215.3D. Fee schedule for water quality permits.**

(a) Annual fees for discharge and nondischarge permits under G.S. 143-215.1. –

(1) Major Individual NPDES Permits. – The annual fee for an individual permit for a point source discharge of 1,000,000 or more gallons per day, a publicly owned treatment works (POTW) that administers a POTW pretreatment program, as defined in 40 Code of Federal Regulations § 403.3 (1 July 1996 Edition), or an industrial waste treatment works that has a high toxic pollutant potential ~~shall be two thousand eight hundred sixty-five dollars ($2,865).~~is three thousand four hundred forty dollars ($3,440).

(2) Minor Individual NPDES Permits. – The annual fee for an individual permit for a point source discharge other than a point source discharge to which subdivision (1) of this subsection applies ~~shall be seven hundred fifteen dollars ($715.00).~~is eight hundred sixty dollars ($860.00).

(3) Single-Family Residence. – The annual fee for a certificate of coverage under a general permit for a point source discharge or an individual nondischarge permit from a single-family residence ~~shall be fifty dollars ($50.00).~~is sixty dollars ($60.00).

(4) Stormwater and Wastewater Discharge General Permits. – The annual fee for a certificate of coverage under a general permit for a point source discharge of stormwater or wastewater ~~shall be eighty dollars ($80.00).~~is one hundred dollars ($100.00).

(5) Recycle Systems. – The annual fee for an individual permit for a recycle system nondischarge permit ~~shall be three hundred dollars ($300.00).~~is three hundred sixty dollars ($360.00).

(6) Major Nondischarge Permits. – The annual fee for an individual permit for a nondischarge of 10,000 or more gallons per day or requiring 300 or more acres of land ~~shall be one thousand ninety dollars ($1,090).~~is one thousand three hundred ten dollars ($1,310).

(7) Minor Nondischarge Permits. – The annual fee for an individual permit for a nondischarge of less than 10,000 gallons per day or requiring less than 300 acres of land ~~shall be six hundred seventy-five dollars ($675.00).~~is eight hundred ten dollars ($810.00).

(8) Animal Waste Management Systems. – The annual fee for animal waste management systems ~~shall be~~is as set out in G.S. 143-215.10G.

(b) Application fee for new discharge and nondischarge permits. – An application for a new permit of the type set out in subsection (a) of this section shall be accompanied by an initial application fee equal to the annual fee for that permit. If a permit is issued, the application fee ~~will~~ shall be applied as the annual fee for the first year that the permit is in effect. If the application is denied, the application fee shall not be refunded.

(c) Application and annual fees for consent special orders. –

(1) Major Consent Special Orders. – If the Commission enters into a consent special order, assurance of voluntary compliance, or similar document pursuant to G.S. 143-215.2 for an activity subject to an annual fee under subdivision (1) or (6) of subsection (a) of this section, the initial project fee ~~shall be~~is four hundred dollars ($400.00) and the annual fee ~~shall be~~ is five hundred dollars ($500.00). These fees ~~shall be~~is in addition to the annual fee due under subsection (a) of this section.

(2) Minor Consent Special Orders. – If the Commission enters into a consent special order, assurance of voluntary compliance, or similar document pursuant to G.S. 143-215.2 for an activity subject to an annual fee under subdivision (2) or (7) of subsection (a) of this section, the initial project fee ~~shall be~~is four hundred dollars ($400.00) and the annual fee ~~shall be~~is two hundred fifty dollars ($250.00). These fees ~~shall be~~is in addition to the annual fee due under subsection (a) of this section.

(d) Fee for major permit modifications. – An application for a major modification of a permit of the type set out in subsection (a) of this section shall be accompanied by an application fee equal to thirty percent (30%) of the annual fee applicable to that permit. A major modification of a permit is any modification that would allow an increase in the volume or pollutant load of the discharge or nondischarge or that would result in a significant relocation of the point of discharge, as determined by the Commission. This fee ~~shall be~~is in addition to the fees due under subsections (a) and (c) of this section. If the application is denied, the application fee shall not be refunded.

(e) Other fees under this Article. –

(1) Sewer System Extension Permits. – The application fee for a permit for the construction of a new sewer system or for the extension of an existing sewer system ~~shall be four hundred dollars ($400.00).~~is four hundred eighty dollars ($480.00).

(2) State Stormwater Permits. – The application fee for a permit regulating stormwater runoff under G.S. 143-214.7 and G.S. 143-215.1 ~~shall be~~

~~four hundred twenty dollars ($420.00).~~is five hundred five dollars ($505.00).

(3) Major Water Quality Certifications. – The fee for a water quality certification involving one acre or more of wetland fill or 150 feet or more of stream impact ~~shall be four hundred seventy-five dollars ($475.00).~~is five hundred seventy dollars ($570.00).

(4) Minor Water Quality Certifications. – The fee for a water quality certification involving less than one acre of wetland fill or less than 150 feet of stream impact ~~shall be two hundred dollars ($200.00).~~is two hundred forty dollars ($240.00).

(5) Permit for Land Application of Petroleum Contaminated Soils. – The fee for a permit to apply petroleum contaminated soil to land ~~shall be four hundred dollars ($400.00).~~is four hundred eighty dollars ($480.00).

(6) Fee Nonrefundable. – If an application for a permit or a certification described in this subsection is denied, the application or certification fee shall not be refunded.

(7) Limit Water Quality Certification Fee Required for CAMA Permit. – An applicant for a permit under Article 7 of Chapter 113A of the General Statutes for which a water quality certification is required shall pay a fee established by the Secretary. The Secretary shall not establish a fee that exceeds the greater of the fee for a permit under Article 7 of Chapter 113A of the General Statutes or the fee for a water quality certification under subdivision (3) or (4) of this subsection.

(f) Local Government Fee Authority Not Impaired. – This section shall not be construed to limit any authority that a unit of local government may have pursuant to any other provision of law to assess or collect a fee for the review of an application for a permit, the review of a mitigation plan, or the inspection of a site or a facility under any local program that is approved by the Commission under this Article."

SECTION 30.3.(b) G.S. 143-215.10G reads as rewritten:

"**§ 143-215.10G. Fees for animal waste management systems.**

(a) The Department shall charge an annual permit fee to an animal operation that is subject to a permit under G.S. 143-215.10C for an animal waste management system according to the following schedule:

(1) For a system with a design capacity of 38,500 or more and less than 100,000 pounds steady state live weight, ~~fifty dollars ($50.00).~~sixty dollars ($60.00).

(2) For a system with a design capacity of 100,000 or more and less than 800,000 pounds steady state live weight, ~~one hundred fifty dollars ($150.00).~~one hundred eighty dollars ($180.00).

(3) For a system with a design capacity of 800,000 pounds or more steady state live weight, ~~three hundred dollars ($300.00).~~three hundred sixty dollars ($360.00).

(a1) The Department shall charge an annual permit fee to a dry litter poultry facility that is subject to a permit under G.S. 143-215.10C for an animal waste management system according to the following schedule:

(1) For a system with a permitted capacity of less than 25,000 laying chickens, less than 37,500 nonlaying chickens, or less than 16,500 turkeys, ~~fifty dollars ($50.00).~~sixty dollars ($60.00).

(2) For a system with a permitted capacity of 25,000 or more but less than 200,000 laying chickens, 37,500 or more but less than 290,000

nonlaying chickens, 16,500 or more but less than 133,000 turkeys, ~~one hundred fifty dollars ($150.00).~~one hundred eighty dollars ($180.00).

(3) For a system with a permitted capacity of more than 200,000 laying chickens, more than 290,000 nonlaying chickens, or more than 133,000 turkeys, ~~three hundred dollars ($300.00).~~three hundred sixty dollars ($360.00).

(b) An application for a new permit under this section shall be accompanied by an initial application fee equal to the annual fee for that permit. If a permit is issued, the application fee ~~will~~ shall be applied as the annual fee for the first year that the permit is in effect. If the application is denied, the application fee shall not be refunded.

(c) Fees collected under this section shall be credited to the Water and Air Quality Account. The Department shall use fees collected pursuant to this section to cover the costs of administering this Part."

SECTION 30.3.(c) G.S. 90A-42 reads as rewritten:

"**§ 90A-42. Fees.**

(a) The Commission, in establishing procedures for implementing the requirements of this Article, shall impose the following schedule of fees:

(1) Examination including Certificate, $85.00;
(2) Temporary Certificate, $200.00;
(3) Temporary Certification Renewal, $300.00;
(4) Conditional Certificate, $75.00;
(5) Repealed by Session Laws 1987, c. 582, s. 3.
(6) Reciprocity Certificate, $100.00;
(6a) Voluntary Conversion Certificate, $50.00;
(7) Annual Renewal, ~~$35.00;~~$50.00;
(8) Replacement of Certificate, $20.00;
(9) Late Payment of Annual Renewal, $50.00 penalty in addition to all current and past due annual renewal fees plus one hundred dollars ($100.00) penalty per year for each year for which annual renewal fees were not paid prior to the current year; and
(10) Mailing List Charges – The Commission may provide mailing lists of certified water pollution control system operators and of water pollution control system operators to persons who request such lists. The charge for such lists shall be twenty-five dollars ($25.00) for each such list provided.

(b) The Water Pollution Control System Account is established as a nonreverting account within the Department. Fees collected under this section shall be credited to the Account and applied to the costs of administering this Article."

SECTION 30.3.(d) This section becomes effective July 1, 2007.

CERTIFICATE OF NEED FEE INCREASES TO MEET STATUTORY OBLIGATIONS

SECTION 30.4.(a) G.S. 131E-177(9) reads as rewritten:

"(9) ~~Establish and collect~~ Collect fees for submitting applications for certificates of need. ~~The fee schedule established should generate sufficient revenue to offset the entire cost of the certificate of need program. This fee may not exceed seventeen thousand five hundred dollars ($17,500) and may not be less than two thousand dollars ($2,000). Fees collected under this subdivision shall be credited to the General Fund as nontax revenue.~~"

SECTION 30.4.(b) G.S. 131E-182(c) reads as rewritten:

"(c) An application fee is imposed on an applicant for a certificate of need. An 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:

Over	**Up To**	**Project Fee**
-0-	5,000	$750.00 plus $0.25 per square foot
5,000	10,000	$1,500 plus $0.40 per square foot
10,000	20,000	$2,000 plus $0.50 per square foot
20,000	NA	$3,000 plus $0.75 per square foot

(c) The fee imposed for the review of a nursing home construction project varies depending upon the square footage of the project:

Over	**Up To**	**Project Fee**
-0-	2,000	$250.00 plus $0.15 per square foot
2,000	NA	$250.00 plus $0.16 per square foot

(d) The fee imposed for the review of an ambulatory surgical facility construction project varies depending upon the square footage of the project:

Over	**Up To**	**Project Fee**

-0-	2,000	$200.00 plus $0.15 per square foot
2,000	NA	$250.00 plus $0.20 per square foot

(e) The fee imposed for the review of a psychiatric hospital construction project varies depending upon the square footage of the project:

Over	**Up To**	**Project Fee**
-0-	5,000	$200.00 plus $0.16 per square foot
5,000	10,000	$200.00 plus $0.25 per square foot
10,000	20,000	$300.00 plus $0.45 per square foot
20,000	NA	$400.00 plus $0.45 per square foot

(f) The fee imposed for the review of an adult care home construction project varies depending upon the square footage of the project:

Over	**Up To**	**Project Fee**
-0-	2,000	$175.00 plus $0.10 per square foot
2,000	NA	$175.00 plus $0.20 per square foot

(g) The fee imposed for the review of the following residential construction projects is:

Residential Project	**Project Fee**
Family Care Homes	~~$175.00~~$200.00 flat fee
ICF/MR Group Homes	~~$275.00~~ $300.00 flat fee
Group Homes: 1-3 beds	$100.00 flat fee
Group Homes: 4-6 beds	~~$175.00~~ $200.00 flat fee
Group Homes: 7-9 beds	~~$225.00~~ $250.00 flat fee
Other residential:	
~~More than 9 beds~~	~~$225.00 plus $0.075/square foot of project space.~~
More than 9 beds	$250.00 plus $0.75 per square foot of project space."

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:

	Document	Fee
(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
(16)	Application for reinstatement following administrative dissolution	100.00
(17)	Certificate of reinstatement	No fee
(18)	Certificate of judicial dissolution	No fee
(19)	Application for certificate of authority	250.00
(20)	Application for amended certificate of authority	75.00
(21)	Application for certificate of withdrawal	25.00
(22)	Certificate of revocation of authority to transact business	No fee
(23)	Annual report (paper)	~~20.00~~ 25.00
(23a)	Annual report (electronic)	18.00
(24)	Articles of correction	10.00
(25)	Application for certificate of existence or authorization (paper)	15.00
(25a)	Application for certificate of existence or authorization (electronic)	10.00
(26)	Any other document required or permitted to be filed by this Chapter	10.00
(27)	Repealed by Session Laws 2001-358, s. 6(b), effective January 1, 2002."	

SECTION 30.6.(b) G.S. 105-122.1 reads as rewritten:

"**§ 105-122.1. Credit for additional annual report fees paid by limited liability companies subject to franchise tax.**

A limited liability company subject to tax under this Article is allowed a credit against the tax imposed by this Article equal to the difference between the annual report fee for corporations under ~~G.S. 55-1-22~~ G.S. 55-1-22(a)(23) and the annual report fee for limited liability companies under G.S. 57C-1-22(a). The credit allowed by this section may not exceed the amount of tax imposed by this Article for the taxable year reduced by the sum of all credits allowed, except payments of tax made by or on behalf of the taxpayer."

SECTION 30.6.(c) Subsection (a) of this section becomes effective July 1, 2007, and applies to annual reports filed on or after that date. Subsection (b) of this section is effective for taxable years beginning on or after January 1, 2007. The remainder of this section is effective when it becomes law.

INCREASE PRIMARY FOREST PRODUCTS ASSESSMENT RATES

SECTION 30.7.(a) G.S. 113A-194(b) reads as rewritten:

"(b) The assessment levied on primary forest products shall be at the following rates:

(1) ~~Fifty cents (50¢)~~One dollar ($1.00) per thousand board feet for softwood sawtimber, veneer logs and bolts, and all other softwood products normally measured in board feet;

(2) ~~Forty cents (40¢)~~Eighty cents (80¢) per thousand board feet for hardwood and bald cypress sawtimber, veneer, and all other hardwood and bald cypress products normally measured in board feet;

(3) ~~Twenty cents (20¢)~~Forty cents (40¢) per cord for softwood pulpwood and other softwood products normally measured in cords;

(4) ~~Twelve cents (12¢)~~Twenty-four cents (24¢) per cord for hardwood pulpwood and other hardwood and bald cypress products normally measured in cords;

(5) All material harvested within North Carolina for shipment outside the State for primary processing will be assessed at a percentage of the invoice value. This percentage will be established to yield rates equal to those if the material were processed within the State."

SECTION 30.7.(b) This section becomes effective July 1, 2007, and applies to assessments made on or after that date.

INCREASE COURT FEES AND AMEND THE ACCESS TO CIVIL JUSTICE ACT

SECTION 30.8.(a) G.S. 7A-304(a) reads as rewritten:

"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected, except that when the judgment imposes an active prison sentence, costs shall be assessed and collected only when the judgment specifically so provides, and that no costs may be assessed when a case is dismissed.

(1) For each arrest or personal service of criminal process, including citations and subpoenas, the sum of five dollars ($5.00), to be remitted to the county wherein the arrest was made or process was served, except that in those cases in which the arrest was made or process served by a law-enforcement officer employed by a municipality, the fee shall be paid to the municipality employing the officer.

(2) For the use of the courtroom and related judicial facilities, the sum of twelve dollars ($12.00) in the district court, including cases before a magistrate, and the sum of thirty dollars ($30.00) in superior court, to be remitted to the county in which the judgment is rendered. In all cases where the judgment is rendered in facilities provided by a municipality, the facilities fee shall be paid to the municipality. Funds derived from the facilities fees shall be used exclusively by the county or municipality for providing, maintaining, and constructing adequate courtroom and related judicial facilities, including: adequate space and furniture for judges, district attorneys, public defenders and other personnel of the Office of Indigent Defense Services, magistrates, juries, and other court related personnel; office space, furniture and vaults for the clerk; jail and juvenile detention facilities; free parking for jurors; and a law library (including books) if one has heretofore been established or if the governing body hereafter decides to establish one. In the event the funds derived from the facilities fees exceed what is needed for these purposes, the county or municipality may, with the approval of the Administrative Officer of the Courts as to the amount, use any or all of the excess to retire outstanding indebtedness incurred in the construction of the facilities, or to reimburse the county or municipality for funds expended in constructing or renovating the facilities (without incurring any indebtedness) within a period of two years before or after the date a district court is established in such county, or to supplement the operations of the General Court of Justice in the county.

(3) For the retirement and insurance benefits of both State and local government law-enforcement officers, the sum of six dollars and twenty-five cents ($6.25), to be remitted to the State Treasurer. Fifty cents (50¢) of this sum shall be administered as is provided in Article 12C of Chapter 143 of the General Statutes. Five dollars and seventy-five cents ($5.75) of this sum shall be administered as is provided in Article 12E of Chapter 143 of the General Statutes, with

one dollar and twenty-five cents ($1.25) being administered in accordance with the provisions of G.S. 143-166.50(e).

(3a) For the supplemental pension benefits of sheriffs, the sum of one dollar twenty-five cents ($1.25) to be remitted to the Department of Justice and administered under the provisions of Article 12G of Chapter 143 of the General Statutes.

(4) For support of the General Court of Justice, the sum of ~~eighty-five dollars and fifty cents ($85.50)~~ ninety-five dollars and fifty cents ($95.50) in the district court, including cases before a magistrate, and the sum of ~~ninety-two dollars and fifty cents ($92.50)~~ one hundred two dollars and fifty cents ($102.50) in the superior court, to be remitted to the State Treasurer. For a person convicted of a felony in superior court who has made a first appearance in district court, both the district court and superior court fees shall be assessed. The State Treasurer shall remit the sum of ~~one dollar and five cents ($1.05)~~ two dollars and five cents ($2.05) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19.

(5) For using pretrial release services, the district or superior court judge shall, upon conviction, impose a fee of fifteen dollars ($15.00) to be remitted to the county providing the pretrial release services. This cost shall be assessed and collected only if the defendant had been accepted and released to the supervision of the agency providing the pretrial release services.

(6) For support of the General Court of Justice, ~~for the issuance by the clerk of a report to the Division of Motor Vehicles pursuant to G.S. 20-24.2,~~ the sum of ~~fifty dollars ($50.00), to be remitted to the State Treasurer.~~ one hundred dollars ($100.00) is payable by a defendant who fails to appear to answer the charge as scheduled, unless within 20 days after the scheduled appearance, the person either appears in court to answer the charge or disposes of the charge pursuant to G.S. 7A-146. Upon a showing to the court that the defendant failed to appear because of an error or omission of a judicial official, a prosecutor, or a law-enforcement officer, the court shall waive this fee. This fee shall be remitted to the State Treasurer.

(7) For the services of the State Bureau of Investigation laboratory facilities, the district or superior court judge shall, upon conviction, order payment of the sum of three hundred dollars ($300.00) to be remitted to the Department of Justice for support of the State Bureau of Investigation. This cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratories have performed DNA analysis of the crime, tests of bodily fluids of the defendant for the presence of alcohol or controlled substances, or analysis of any controlled substance possessed by the defendant or the defendant's agent. The court may waive or reduce the amount of the payment required by this subdivision upon a finding of just cause to grant such a waiver or reduction.

(8) For the services of any crime laboratory facility operated by a local government or group of local governments, the district or superior

court judge shall, upon conviction, order payment of the sum of three hundred dollars ($300.00) to be remitted to the general fund of the local governmental unit that operates the laboratory to be used for law enforcement purposes. The cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratory has performed DNA analysis of the crime, test of bodily fluids of the defendant for the presence of alcohol or controlled substances, or analysis of any controlled substance possessed by the defendant or the defendant's agent. The costs shall be assessed only if the court finds that the work performed at the local government's laboratory is the equivalent of the same kind of work performed by the State Bureau of Investigation under subdivision (7) of this subsection. The court may waive or reduce the amount of the payment required by this subdivision upon a finding of just cause to grant such a waiver or reduction."

SECTION 30.8.(b) G.S. 7A-305(a) reads as rewritten:

"(a) In every civil action in the superior or district court, except for actions brought under Chapter 50B of the General Statutes, the following costs shall be assessed:

(1) For the use of the courtroom and related judicial facilities, the sum of twelve dollars ($12.00) in cases heard before a magistrate, and the sum of sixteen dollars ($16.00) in district and superior court, to be remitted to the county in which the judgment is rendered, except that in all cases in which the judgment is rendered in facilities provided by a municipality, the facilities fee shall be paid to the municipality. Funds derived from the facilities fees shall be used in the same manner, for the same purposes, and subject to the same restrictions, as facilities fees assessed in criminal actions.

(2) For support of the General Court of Justice, the sum of ~~seventy-nine dollars ($79.00)~~ninety-three dollars ($93.00) in the superior court, except that if a case is assigned to a special superior court judge as a complex business case under G.S. 7A-45.3, an additional two hundred dollars ($200.00) shall be paid upon its assignment, and the sum of ~~sixty-four dollars ($64.00)~~ seventy-three dollars ($73.00) in the district court except that if the case is assigned to a magistrate the sum shall be ~~fifty-three dollars ($53.00).~~ sixty-three dollars ($63.00). Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of ~~one dollar and five cents ($1.05)~~two dollars and five cents ($2.05) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19."

SECTION 30.8.(c) G.S. 7A-306(a) reads as rewritten:

"(a) In every special proceeding in the superior court, the following costs shall be assessed:

(1) For the use of the courtroom and related judicial facilities, the sum of ten dollars ($10.00) to be remitted to the county. Funds derived from the facilities fees shall be used in the same manner, for the same

purposes, and subject to the same restrictions, as facilities fees assessed in criminal actions.

(2) For support of the General Court of Justice the sum of forty dollars ($40.00). In addition, in proceedings involving land, except boundary disputes, if the fair market value of the land involved is over one hundred dollars ($100.00), there shall be an additional sum of thirty cents (30¢) per one hundred dollars ($100.00) of value, or major fraction thereof, not to exceed a maximum additional sum of two hundred dollars ($200.00). Fair market value is determined by the sale price if there is a sale, the appraiser's valuation if there is no sale, or the appraised value from the property tax records if there is neither a sale nor an appraiser's valuation. Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of ~~one dollar and five cents ($1.05)~~two dollars and five cents ($2.05) of each forty-dollar ($40.00) General Court of Justice fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4."

SECTION 30.8.(d) G.S. 7A-307(a) reads as rewritten:

"(a) In the administration of the estates of decedents, minors, incompetents, of missing persons, and of trusts under wills and under powers of attorney, in trust proceedings under G.S. 36A-23.1, and in collections of personal property by affidavit, the following costs shall be assessed:

(1) For the use of the courtroom and related judicial facilities, the sum of ten dollars ($10.00), to be remitted to the county. Funds derived from the facilities fees shall be used in the same manner, for the same purposes, and subject to the same restrictions, as facilities fees assessed in criminal actions.

(2) For support of the General Court of Justice, the sum of ~~forty dollars ($40.00),~~fifty dollars ($50.00), plus an additional forty cents (40¢) per one hundred dollars ($100.00), or major fraction thereof, of the gross estate, not to exceed six thousand dollars ($6,000). Gross estate shall include the fair market value of all personalty when received, and all proceeds from the sale of realty coming into the hands of the fiduciary, but shall not include the value of realty. In collections of personal property by affidavit, the fee based on the gross estate shall be computed from the information in the final affidavit of collection made pursuant to G.S. 28A-25-3 and shall be paid when that affidavit is filed. In all other cases, this fee shall be computed from the information reported in the inventory and shall be paid when the inventory is filed with the clerk. If additional gross estate, including income, comes into the hands of the fiduciary after the filing of the inventory, the fee for such additional value shall be assessed and paid upon the filing of any account or report disclosing such additional value. For each filing the minimum fee shall be fifteen dollars ($15.00). Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of ~~one dollar and five cents ($1.05)~~two dollars and five cents ($2.05) of each ~~forty-dollar ($40.00)~~fifty-dollar ($50.00) General Court of Justice fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4.

(2a) Notwithstanding subdivision (2) of this subsection, the fee of forty cents (40¢) per one hundred dollars ($100.00), or major fraction, of the gross estate, not to exceed six thousand dollars ($6,000), shall not be assessed on personalty received by a trust under a will when the estate of the decedent was administered under Chapters 28 or 28A of the General Statutes. Instead, a fee of twenty dollars ($20.00) shall be assessed on the filing of each annual and final account.

(2b) Notwithstanding subdivisions (1) and (2) of this subsection, no costs shall be assessed when the estate is administered or settled pursuant to G.S. 28A-25-6.

(2c) Notwithstanding subdivision (2) of this subsection, the fee of forty cents (40¢) per one hundred dollars ($100.00), or major fraction, of the gross estate shall not be assessed on the gross estate of a trust that is the subject of a proceeding under G.S. 36A-23.1 if there is no requirement in the trust that accountings be filed with the clerk.

(3) For probate of a will without qualification of a personal representative, the clerk shall assess a facilities fee as provided in subdivision (1) of this subsection and shall assess for support of the General Court of Justice, the sum of twenty dollars ($20.00)."

SECTION 30.8.(e) G.S. 7A-308(a)(1) reads as rewritten:

"(a) The following miscellaneous fees and commissions shall be collected by the clerk of superior court and remitted to the State for the support of the General Court of Justice:

(1) Foreclosure under power of sale in deed of trust or mortgage .... ~~$60.00~~$75.00 If the property is sold under the power of sale, an additional amount will be charged, determined by the following formula: forty-five cents (.45) per one hundred dollars ($100.00), or major fraction thereof, of the final sale price. If the amount determined by the formula is less than ten dollars ($10.00), a minimum ten dollar ($10.00) fee will be collected. If the amount determined by the formula is more than ~~three hundred dollars ($300.00),~~ five hundred dollars ($500.00), a maximum ~~three hundred dollar ($300.00)~~ five hundred-dollar ($500.00) fee will be collected."

SECTION 30.8.(f) G.S. 7A-308(a)(17) reads as rewritten:

"(a) The following miscellaneous fees and commissions shall be collected by the clerk of superior court and remitted to the State for the support of the General Court of Justice:

…

(17) Criminal record search except if search is requested by an agency of the State or any of its political subdivisions or by an agency of the United States or by a petitioner in a proceeding under Article 2 of General Statutes Chapter 20 .... ~~10.00~~15.00"

SECTION 30.8.(g) G.S. 7A-474.1 reads as rewritten:

"**§ 7A-474.1. Legislative findings and purpose.**

The General Assembly of North Carolina declares it to be its purpose to provide access to legal representation for indigent persons in certain kinds of civil matters. The General Assembly finds that such representation can best be provided in an efficient, effective, and economic manner through ~~five geographically based field~~ the established legal services programs in this State."

SECTION 30.8.(h) G.S. 7A-474.2(4) reads as rewritten:

"**§ 7A-474.2. Definitions.**

The following definitions shall apply throughout this Article, unless the context otherwise requires:

…

(4) ~~"Geographically based field~~ "Established legal services programs" means the following not-for-profit corporations using State funds to serve the counties listed: Legal Services of the Southern Piedmont, serving Cabarrus, Gaston, Mecklenburg, Stanly, and Union Counties; Legal Aid Society of Northwest North Carolina, serving Davie, Forsyth, Iredell, Stokes, Surry, and Yadkin Counties; ~~North Central Legal Assistance Program, serving Durham, Franklin, Granville, Person, Vance, and Warren Counties;~~ Pisgah Legal Services, serving Buncombe, Henderson, Madison, Polk, Rutherford, and Transylvania Counties; and Legal ~~Services~~ Aid of North Carolina, ~~serving 83 counties in North Carolina;~~ a statewide program; or any successor entity or entities of the named organizations, or, should any of the named organizations dissolve, the entity or entities providing substantially the same services in substantially the same service area."

SECTION 30.8.(i) G.S. 7A-474.4 reads as rewritten:

"**§ 7A-474.4. Funds.**

Funds to provide representation pursuant to this Article shall be provided to the North Carolina State Bar for provision of direct services by and support of the ~~geographically based field~~ established legal services programs. The North Carolina State Bar shall allocate these funds directly to each of the ~~five geographically based field~~ established legal services programs based upon the eligible client population in each ~~area program,~~ area, with Pisgah Legal Services receiving the allocation for Buncombe, Henderson, Madison, Polk, Rutherford, and Transylvania ~~Counties, based upon the eligible client population in each area program.~~ Counties; Legal Aid Society of Northwest North Carolina receiving half of the allocation for Davie, Forsyth, Iredell, Stokes, Surry, and Yadkin Counties; and Legal Services of Southern Piedmont receiving half of the allocation for Cabarras, Gaston, Mecklenburg, Stanly, and Union Counties. The North Carolina State Bar shall not use any of these funds for its administrative costs."

SECTION 30.8.(j) G.S. 7A-474.5 reads as rewritten:

"**§ 7A-474.5. Records and reports.**

The ~~geographically based field~~ established legal services programs shall keep appropriate records and make periodic reports, as requested, to the North Carolina State Bar."

SECTION 30.8.(k) G.S. 84-4.1(7) reads as rewritten:

"**§ 84-4.1. Limited practice of out-of-state attorneys.**

Any attorney domiciled in another state, and regularly admitted to practice in the courts of record of and in good standing in that state, having been retained as attorney for a party to any civil or criminal legal proceeding pending in the General Court of Justice of North Carolina, the North Carolina Utilities Commission, the North Carolina Industrial Commission, the Office of Administrative Hearings of North Carolina, or any administrative agency, may, on motion, be admitted to practice in that forum for the sole purpose of appearing for a client in the proceeding. The motion required under this section shall be signed by the attorney and shall contain or be accompanied by:

…

(7) A fee in the amount of ~~one hundred twenty-five dollars ($125.00),~~ two hundred twenty-five dollars ($225.00), of which ~~one hundred dollars ($100.00)~~ two hundred dollars ($200.00) shall be remitted to the State

Treasurer for support of the General Court of Justice and twenty-five dollars ($25.00) shall be transmitted to the North Carolina State Bar to regulate the practice of out-of-state attorneys as provided in this section.

Compliance with the foregoing requirements does not deprive the court of the discretionary power to allow or reject the application."

SECTION 30.8.(l) Subsection (a) of this section becomes effective July 1, 2007, and applies to all costs assessed or collected on or after that date, except that in misdemeanor or infraction cases disposed of on or after that date by written appearance, waiver of trial or hearing, and plea of guilt or admission of responsibility pursuant to G.S. 7A-180(4) or G.S. 7A-273(2), in which the citation or other criminal process was issued before that date, the cost shall be the lesser of those specified in G.S. 7A-304(a), as amended by subsection (a) of this section, or those specified in the notice portion of the defendant's or respondent's copy of the citation or other criminal process, if any costs are specified in that notice. Subsections (b), (c), (d), (e), (f), and (k) of this section become effective July 1, 2007, and apply to all costs assessed or collected on or after that date. The remainder of this section becomes effective July 1, 2007.

COLLECTION OF OUTSTANDING FINES AND FEES BY THE COURTS

SECTION 30.9.(a) G.S. 7A-321 reads as rewritten:

"**§ 7A-321. Collection of offender fines and fees assessed by the court.**

(a) The Judicial Department may, in lieu of payment by cash or check, accept payment by credit card, charge card, or debit card for the fines, fees, and costs owed to the courts by offenders.

(b) In attempting to collect the fines, fees, and costs owed by offenders not sentenced to supervised probation, the Department may:

(1) Assess a collection assistance fee if an amount due remains unpaid for 30 days after the time period allotted by the court. The amount of the collection assistance fee shall not exceed the average cost of collecting the debt or twenty percent (20%) of the amount past due, whichever is less.

(2) Enter into contracts with a collection agency or agencies to collect unpaid fines, fees, and costs owed by offenders not sentenced to supervised probation.

(3) Intercept tax refund checks under Chapter 105A of the General Statutes, the Setoff Debt Collection Act."

SECTION 30.9.(b) This section becomes effective July 1, 2007, and applies to cases adjudicated on or after that date.

INCREASE AND CLARIFY CERTAIN COURT COSTS

SECTION 30.10.(a) G.S. 7A-305(a1) is amended by adding a new subsection to read:

"(a1) Costs apply to any and all additional and subsequent actions filed by amendment to the original action brought under Chapter 50B of the General Statutes, unless such additional and subsequent amendment to the action is also brought under Chapter 50B of the General Statutes."

SECTION 30.10.(b) G.S. 7A-307(a)(2a) reads as rewritten:

"(a) In the administration of the estates of decedents, minors, incompetents, of missing persons, and of trusts under wills and under powers of attorney, in trust proceedings under G.S. 36A-23.1, and in collections of personal property by affidavit, the following costs shall be assessed:

…

(2a) Notwithstanding subdivision (2) of this subsection, the fee of forty cents (40¢) per one hundred dollars ($100.00), or major fraction, of the gross estate, not to exceed six thousand dollars ($6,000), shall not be assessed on personalty received by a trust under a will when the estate of the decedent was administered under Chapters 28 or 28A of the General Statutes. Instead, a fee of twenty dollars ($20.00) shall be assessed on the filing of each annual and final account. However, the fee shall be assessed on newly contributed or acquired assets, all interest or other income that accrues or is earned on or with respect to any existing or newly contributed or acquired assets, and realized gains on the sale of any and all trust assets. Newly contributed or acquired assets do not include assets acquired by the sale, transfer, exchange, or otherwise of the amount of trust property on which fees were previously assessed.

…."

SECTION 30.10.(c) G.S. 7A-308(a)(12) reads as rewritten:

"(a) The following miscellaneous fees and commissions shall be collected by the clerk of superior court and remitted to the State for the support of the General Court of Justice:

…

(12) Preparation of copies

—first page (of each document copied) 2.00

— each additional page or fraction thereof.. .25

…."

SECTION 30.10.(d) G.S. 7A-317 reads as rewritten:

"**§ 7A-317. Counties and municipalities not required to advance certain fees.**

Counties and municipalities are not required to advance ~~costs for the facilities fee, the General Court of Justice fee, the miscellaneous fees enumerated in G.S. 7A-308, or~~ the civil process fees enumerated in G.S. 7A-311."

SECTION 30.10.(e) G.S. 20-16.5(j) reads as rewritten:

"(j) Costs. – Unless the magistrate or judge orders the revocation rescinded, a person whose license is revoked under this section must pay a fee of ~~fifty dollars ($50.00)~~ one hundred dollars ($100.00) as costs for the action before the person's license may be returned under subsection ~~(h).~~ (h) of this section. ~~The costs collected under this section shall be credited to the General Fund.~~ Fifty percent (50%) of the costs collected shall be remitted to the General Fund and be used to fund a statewide chemical alcohol testing program administered by the Injury Control Section of the Department of Health and Human Services. The remaining fifty percent (50%) shall be remitted to the county for the sole purpose of reimbursing the county for jail expenses incurred due to enforcement of the impaired driving laws."

SECTION 30.10.(f) G.S. 130A-106(b) is repealed.

SECTION 30.10.(g) G.S. 130A-107(d) is repealed.

SECTION 30.10.(h) Subsection (d) of this act becomes effective July 1, 2008. The remainder of this act becomes effective July 1, 2007, and applies to all costs assessed or collected on or after that date.

PART XXXI. TAX LAW CHANGES

SET INSURANCE REGULATORY FEE

SECTION 31.12.(a) The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is five and one-half percent (5.5%) for the 2007 calendar year.

SECTION 31.12.(b) This section is effective when it becomes law.

SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 31.13.(a) The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is twelve one-hundredths of one percent (0.12%) for each public utility's North Carolina jurisdictional revenues earned during each quarter that begins on or after July 1, 2007.

SECTION 31.13.(b) The electric membership corporation regulatory fee imposed under G.S. 62-302(b1) for the 2007-2008 fiscal year is two hundred thousand dollars ($200,000).

SECTION 31.13.(c) This section becomes effective July 1, 2007.

MAKE MOTOR FUEL TAX RATE CAP PERMANENT

SECTION 31.15.(a) Section 24.3 of S.L. 2006-66 reads as rewritten:

"**SECTION 24.3.(a)** Notwithstanding G.S. 105-449.80(a), ~~for the period July 1, 2006, through June 30, 2007,~~ the variable wholesale component of the motor fuel excise tax rate may not exceed twelve and four-tenths cents (12.4¢) a gallon."

SECTION 31.15.(b) This section is effective when it becomes law.

PART XXXII. MISCELLANEOUS PROVISIONS

STATE BUDGET ACT APPLIES

SECTION 32.1. The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

COMMITTEE REPORT

SECTION 32.2.(a) The Senate Appropriations/Base Budget Committee Report on the Continuation, Expansion and Capital Budgets House Bill 1473 Committee Substitute, which was distributed in the Senate and House of Representatives and used to explain this act, shall indicate action by the General Assembly on this act and shall therefore be used to construe this act, as provided in the State Budget Act, Chapter 143C of the General Statutes, or the Executive Budget Act, Chapter 143 of the General Statutes, as appropriate, and for these purposes shall be considered a part of this act and as such shall be printed as a part of the Session Laws.

SECTION 32.2.(b) The budget enacted by the General Assembly for the maintenance of the various departments, institutions, and other spending agencies of the State for the 2007-2009 fiscal biennium is a line-item budget, in accordance with the Budget Code Structure and the State Accounting System Uniform Chart of Accounts set out in the Administrative Policies and Procedures Manual of the Office of the State Controller. This budget includes the appropriations made from all sources, including the General Fund, Highway Fund, special funds, cash balances, federal receipts, and departmental receipts.

The Director of the Budget submitted the itemized budget requests to the General Assembly in February 2007, in the documents "The North Carolina State Budget Summary of Recommendations 2007-2009" and "The North Carolina State Budget 2007-2009 Recommended Operating Budget with Results-Based Information" volumes one through six. The beginning appropriation for the 2007-2008 fiscal year and the 2008-2009 fiscal year for the various departments, institutions, and other spending agencies of the State is referenced in Tables 3 and 4 of the Summary of Recommendations document as the recommended continuation budget.

SECTION 32.2.(c) The budget enacted by the General Assembly shall also be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other appropriate legislation.

In the event that there is a conflict between the line-item budget certified by the Director of the Budget and the budget enacted by the General Assembly, the budget enacted by the General Assembly shall prevail.

MOST TEXT APPLIES ONLY TO THE 2007-2009 FISCAL BIENNIUM

SECTION 32.3. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2007-2009 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2007-2009 fiscal biennium.

EFFECT OF HEADINGS

SECTION 32.4. The headings to the parts and sections of this act are a convenience to the reader and are for reference only. The headings do not expand, limit, or define the text of this act, except for effective dates referring to a part.

SEVERABILITY CLAUSE

SECTION 32.5. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

EFFECTIVE DATE

SECTION 32.6. Except as otherwise provided, this act becomes effective July 1, 2007.