

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007**

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**HOUSE BILL 1473
Committee Substitute Favorable 5/8/07
Committee Substitute #2 Favorable 5/9/07
Fourth Edition Engrossed 5/11/07
Corrected Copy 5/11/07**

Short Title: 2007 Appropriations Act.

(Public)

Sponsors:

Referred to:

April 16, 2007

A BILL TO BE ENTITLED

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

24 The General Assembly of North Carolina enacts:

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

28
29 **INTRODUCTION**

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

7
 8 **TITLE OF ACT**

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

11
 12 **PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

13
 14 **CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

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

19	Current Operations – General Fund	2007-2008	2008-2009
20			
21			
22	EDUCATION		
23			
24	Community Colleges System Office	\$ 926,981,160	\$ 895,293,003
25			
26	Department of Public Instruction	7,617,858,906	7,647,067,360
27			
28	University of North Carolina - Board of Governors		
29	Appalachian State University	121,088,901	122,546,135
30	East Carolina University		
31	Academic Affairs	199,045,069	205,525,138
32	Health Affairs	48,700,539	48,649,036
33	Elizabeth City State University	31,383,354	32,120,970
34	Fayetteville State University	52,707,308	53,547,957
35	North Caroline Agricultural and		
36	Technical University	89,645,552	90,016,889
37	North Carolina Central University	75,885,006	77,267,483
38	North Carolina School of the Arts	24,391,420	23,729,158
39	North Carolina State University		
40	Academic Affairs	345,923,308	354,659,304
41	Agricultural Extension	42,241,968	42,126,187
42	Agricultural Research	53,406,637	52,144,009
43	University of North Carolina at Asheville	33,294,273	33,724,733
44	University of North Carolina at Chapel Hill		
45	Academic Affairs	264,945,034	270,689,011
46	Health Affairs	188,883,060	194,407,363
47	Area Health Education Centers	47,818,875	47,818,875
48	University of North Carolina at Charlotte	160,339,554	165,594,896
49	University of North Carolina at Greensboro	144,430,129	148,224,622
50	University of North Carolina at Pembroke	52,719,972	54,338,118
51	University of North Carolina at Wilmington	93,986,841	96,392,956

1	Western Carolina University	83,713,910	84,907,386
2	Winston-Salem State University	65,806,656	68,862,020
3	General Administration	42,489,469	42,647,024
4	University Institutional Programs	86,387,408	78,275,794
5	Related Educational Programs	149,629,645	149,933,562
6	North Carolina School of Science and Mathematics	16,859,174	17,065,422
7	UNC Hospitals at Chapel Hill	45,673,970	45,673,970
8	Total University of North Carolina –		
9	Board of Governors	\$ 2,561,397,032	\$ 2,600,888,018
10			
11	HEALTH AND HUMAN SERVICES		
12			
13	Department of Health and Human Services		
14	Office of the Secretary	70,456,262	64,218,183
15	Division of Aging	35,907,589	35,909,179
16	Division of Blind Services/Deaf/HH	11,212,540	11,434,643
17	Division of Child Development	306,853,499	311,284,207
18	Division of Education Services	38,794,264	38,855,457
19	Division of Facility Services	20,398,484	20,561,228
20	Division of Medical Assistance	2,846,030,681	3,125,704,806
21	Division of Mental Health	722,132,137	730,053,807
22	NC Health Choice	59,391,155	59,391,155
23	Division of Public Health	196,880,664	181,086,071
24	Division of Social Services	216,988,902	218,708,788
25	Division of Vocation Rehabilitation	44,216,797	45,518,365
26	Total Health and Human Services	\$ 4,569,262,974	\$ 4,842,725,889
27			
28	NATURAL AND ECONOMIC RESOURCES		
29			
30	Department of Agriculture and Consumer Services	\$ 69,857,939	\$ 60,997,179
31			
32	Department of Commerce		
33	Commerce	62,068,944	40,289,341
34	Commerce State-Aid	35,445,235	24,200,235
35	NC Biotechnology Center	12,354,692	12,354,692
36	Rural Economic Development Center	43,190,022	24,190,022
37			
38	Department of Environment and Natural Resources	197,575,831	187,713,956
39			
40	DENR Clean Water Management Trust Fund	100,000,000	100,000,000
41			
42	Department of Labor	16,494,758	16,494,951
43			
44	JUSTICE AND PUBLIC SAFETY		
45			
46	Department of Correction	\$ 1,213,986,709	\$ 1,235,779,061
47			
48	Department of Crime Control and Public Safety	51,162,444	41,200,144
49			
50	Judicial Department	414,383,094	416,627,599
51	Judicial Department – Indigent Defense	107,316,301	111,437,472

1			
2	Department of Justice	95,313,802	91,003,047
3			
4	Department of Juvenile Justice and		
5	Delinquency Prevention	158,833,717	165,147,912
6			
7	GENERAL GOVERNMENT		
8			
9	Department of Administration	67,122,032	67,390,336
10			
11	Office of Administrative Hearings	3,691,458	3,521,735
12			
13	Department of State Auditor	12,903,026	12,916,479
14			
15	Office of State Controller	20,539,148	20,562,655
16			
17	Department of Cultural Resources		
18	Cultural Resources	73,183,844	69,434,486
19	Roanoke Island Commission	2,020,023	2,020,023
20			
21	State Board of Elections	6,385,722	5,969,618
22			
23	General Assembly	54,538,665	55,740,786
24			
25	Office of the Governor		
26	Office of the Governor	6,436,304	6,474,572
27	Office of State Budget and Management	5,757,493	5,764,198
28	OSBM – Reserve for Special Appropriations	5,938,446	4,938,446
29	Housing Finance Agency	18,608,417	9,608,417
30			
31	Department of Insurance		
32	Insurance	30,922,133	30,936,704
33	Insurance – Volunteer Safety Workers' Compensation	4,500,000	4,500,000
34			
35	Office of Lieutenant Governor	914,122	915,109
36			
37	Department of Revenue	84,851,963	84,944,343
38			
39	Department of Secretary of State	11,476,990	10,743,041
40			
41	Department of State Treasurer		
42	State Treasurer	9,285,010	9,282,070
43	State Treasurer – Retirement for Fire and		
44	Rescue Squad Workers	9,458,957	9,458,957
45			
46	TRANSPORTATION		
47			
48	Department of Transportation	0	0
49			
50	RESERVES, ADJUSTMENTS AND DEBT SERVICE		
51			

1	Reserve for Compensation Increases	503,279,019	501,610,500
2			
3	Salary Adjustment Fund: 2007-09 Biennium	23,688,000	23,688,000
4			
5	Reserve for Teachers' and State Employees'		
6	Retirement Contribution	29,600,000	29,600,000
7			
8	Reserve for Retirement System Payback	45,000,000	0
9			
10	Reserve for State Health Plan	133,978,000	178,637,000
11			
12	Contingency and Emergency Fund	5,000,000	5,000,000
13			
14	Information Technology Fund	25,140,000	2,840,000
15			
16	Reserve for Job Development Investment Grants (JDIG)	12,400,000	12,400,000
17			
18	Integrated Tax Administration System Replacement	10,000,000	0
19			
20	Energy Efficiency Reserve	10,000,000	0
21			
22	Reserve for Pending Legislation	2,233,213	1,320,324
23			
24	Distinguished Professors Endowment Fund	6,000,000	0
25			
26	Reserve for Eliminated Positions	(103,000,000)	(103,000,000)
27			
28	One-time Fiscal Relief for Medicaid County Share	100,000,000	0
29			
30	Reserve for Critically Needed Positions	24,653,000	0
31			
32	Debt Service		
33	General Debt Service	619,793,004	701,454,348
34	Federal Reimbursement	1,616,380	1,616,380
35			
36	TOTAL CURRENT OPERATIONS –		
37	 GENERAL FUND	\$ 20,131,397,929	\$ 20,283,698,408

GENERAL FUND AVAILABILITY STATEMENT

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

	FY 2007-2008	FY 2008-2009
42		
43		
44	Unappropriated Balance Remaining	
45	from Previous Year	\$ 107,989,902
46	Projected Reversions FY 2006-07	0
47	Projected Overcollections FY 2006-07	0
48	Less Earmarkings of Year End Fund Balance	
49	Savings Reserve Account	0
50	Repairs and Renovations Reserve Account	0
51	Beginning Unreserved Fund Balance	\$ 107,989,902

1			
2	Revenues Based on Existing Tax Structure	\$ 18,532,400,000	\$ 19,551,000,000
3			
4	Nontax Revenues		
5	Investment Income	201,600,000	211,100,000
6	Judicial Fees	173,000,000	177,100,000
7	Disproportionate Share	100,000,000	100,000,000
8	Insurance	55,500,000	57,900,000
9	Other Nontax Revenues	140,400,000	154,300,000
10	Tobacco Trust Fund Transfer	10,000,000	0
11	Highway Trust Fund/Use Tax		
12	Reimbursement Transfer	172,500,000	172,500,000
13	Highway Fund Transfer	18,190,000	17,610,000
14	Subtotal Nontax Revenues	\$ 871,190,000	\$ 890,510,000
15			
16	Total General Fund Availability	\$ 20,203,740,000	\$ 20,549,499,902
17			
18	Adjustments to Availability: 2007 Session		
19	Extend 4.25% Sales Tax Rate for 2 Years	258,400,000	285,900,000
20	Extend 8% Upper Income Tax Bracket		
21	for 2 Years	40,800,000	93,700,000
22	IRC Conformity	(56,900,000)	(49,100,000)
23	Health & Human Services/Facility Services Fees	1,705,501	1,642,407
24	Secretary of State Corporate Annual Report Fees	563,016	563,016
25	Earned Income Tax Credit	0	(68,900,000)
26	Long-term Care Insurance Tax Credit	(7,000,000)	(7,200,000)
27	Adoption Tax Credit	(3,000,000)	(3,000,000)
28	Enhance 529 Plan Deduction (House Bill 1016)	(200,000)	(200,000)
29	Privilege Tax on Software Publishers	(3,700,000)	(4,000,000)
30	Research & Development Credit Enhancement	(400,000)	(800,000)
31	Modify Tax on Property Coverage Contracts	(1,500,000)	(3,100,000)
32	Reserve for Manufacturers' and		
33	Farmers Energy Tax Provisions	(14,500,000)	(30,100,000)
34	Enhanced Credit for Constructing		
35	Renewable Fuels Facilities	0	(2,250,000)
36	Reserve for Military Tax Relief	(4,000,000)	(4,000,000)
37	Reserve for Work Opportunity Tax Credit	(6,000,000)	(6,000,000)
38	Sales Tax Refund for Aircraft Part Mfgs.	(800,000)	(800,000)
39	Adjust Sales Tax Holiday	(600,000)	(600,000)
40	Adjust Transfer from Insurance Regulatory Fund	80,274	56,274
41	Adjust Transfer from Treasurer's Office	66,638	54,638
42	Transfer from Closed Capital Account	3,506,143	0
43	Subtotal Adjustments to Availability:		
44	2007 Session	\$ 206,521,572	\$ 201,866,335
45			
46	Revised General Fund Availability	\$ 20,410,261,572	\$ 20,751,366,237
47			
48	Less: General Fund Appropriations	(20,302,271,670)	(20,359,306,633)
49			
50	Unappropriated Balance Remaining	\$ 107,989,902	\$ 392,059,604
51			

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

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

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

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

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

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

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

23
 24 **SECTION 3.1.** Appropriations from the State Highway Fund for the
 25 maintenance and operation of the Department of Transportation and for other purposes
 26 as enumerated are made for the fiscal biennium ending June 30, 2009, according to the
 27 following schedule:
 28

29	Current Operations – Highway Fund	2007-2008	2008-2009
30	Department of Transportation		
31	Administration	\$ 65,089,050	\$ 84,255,576
32			
33	Division of Highways		
34	Administration	32,651,442	32,703,136
35	Construction	175,895,465	140,173,949
36	Maintenance	905,658,411	900,648,052
37	Planning and Research	4,700,000	4,700,000
38	OSHA Program	425,000	425,000
39			
40	Ferry Operations	31,313,921	27,763,921
41			
42	State Aid		
43	Municipalities	93,046,035	93,073,949
44	Public Transportation	73,466,447	96,866,447
45	Airports	21,860,122	19,730,033
46	Railroads	21,951,153	17,101,153
47			
48	Governor's Highway Safety	334,314	335,449
49	Division of Motor Vehicles	103,676,924	119,130,944
50	Other State Agencies	262,132,152	259,796,180
51			

1	Reserves and Transfers	33,372,211	34,876,211
2			
3	TOTAL	\$1,825,572,647	\$1,831,580,000

HIGHWAY FUND AVAILABILITY STATEMENT

6 **SECTION 3.2.** The Highway Fund availability used in developing the
7 2007-2009 biennial budget is shown below:

9	Highway Fund Availability Statement	2007-2008	2008-2009
10			
11	Unappropriated Balance From Previous Year	\$ 0	\$ 4,867,353
12	Beginning Credit Balance	30,000,000	-
13	Estimated Revenue	1,800,440,000	1,831,580,000
14			
15	Total Highway Fund Availability	\$ 1,830,440,000	\$ 1,836,447,353
16	Unappropriated Balance	\$ 4,867,353	\$ 4,867,353

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

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

26	Current Operations – Highway Trust Fund	2007-2008	2008-2009
27	Intrastate System	\$ 540,326,825	\$ 550,107,613
28	Urban Loops	218,485,665	222,440,608
29	Aid to Municipalities	56,692,887	57,719,120
30	Secondary Roads	94,808,677	96,786,225
31	Program Administration	42,722,640	43,386,880
32	Transfer to General Fund	172,543,306	172,619,554
33			
34	GRAND TOTAL CURRENT OPERATIONS		
35	AND EXPANSION	\$ 1,125,580,000	\$ 1,143,060,000

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

38 **SECTION 4.2.** The Highway Trust Fund availability used in developing the
39 2007-2009 biennial budget is shown below:

41	Total Highway Trust Fund Availability	\$ 1,125,580,000	\$ 1,143,060,000
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PART V. OTHER AVAILABILITY**CIVIL PENALTIES AND FORFEITURE FUND AVAILABILITY AND APPROPRIATION**

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

51		FY 2007-2008	FY 2008-2009
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1	Department of Revenue	\$63,000,000	\$63,000,000
2	Department of Transportation	\$15,000,000	\$15,000,000
3	Employment Security Commission	\$3,000,000	\$3,000,000
4	Department of Insurance	\$1,000,000	\$1,000,000
5	University of North Carolina	\$3,500,000	\$3,500,000
6	Other Agencies	\$10,000,000	\$10,000,000
7	Total Funds Available	\$95,500,000	\$95,500,000
8	SECTION 5.1.(b) Appropriations. – Appropriations are made from the Civil		
9	Penalty and Forfeiture Fund for the fiscal biennium ending June 30, 2009, as follows:		
10		FY 2007-2008	FY 2008-2009
11	School Technology Fund	\$18,000,000	\$18,000,000
12	State Public School Fund	\$77,500,000	\$77,500,000
13	Total Appropriation	\$95,500,000	\$95,500,000

EDUCATION LOTTERY

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

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

21			
22	Class Size Reduction	\$ 105,000,000	
23	Prekindergarten Program	70,000,000	
24	Public School Building Capital Fund	140,000,000	
25	Scholarships for Needy Students	35,000,000	
26			
27	Total Appropriation	\$ 350,000,000	

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

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

INFORMATION TECHNOLOGY FUND AVAILABILITY AND APPROPRIATION

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

41			
42		FY 2007-2008	FY 2008-2009
43	Receipts from Information		
44	Technology Enterprise Fee	\$9,800,000	\$9,800,000
45			
46	BEACON/Data Integration Funds	\$1,000,000	-
47			
48	Interest Income	\$100,000	\$100,000
49			
50	IT Fund Balance June 30, 2007	\$600,000	-

1	Appropriation from General Fund	\$4,140,000	\$2,840,000
2			
3	Total Funds Available	\$15,640,000	\$12,740,000
4			

5 **SECTION 5.3.(b)** Appropriations are made from the Information
6 Technology Fund for the 2007-2009 fiscal biennium as set forth in the Committee
7 Report.
8

9 **PART VI. GENERAL PROVISIONS**

10
11 **APPROPRIATION OF CASH BALANCES AND RECEIPTS**

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

- 16 (1) For all budget codes listed in "North Carolina State Budget,
17 Recommended Operating Budget 2007-2009, Volumes 1 through 6,"
18 cash balances and receipts are appropriated up to the amounts
19 specified in Volumes 1 through 6, as adjusted by the General
20 Assembly, for the 2007-2008 fiscal year and the 2008-2009 fiscal year.
21 Funds may be expended only for the programs, purposes, objects, and
22 line items specified in Volumes 1 through 6, or otherwise authorized
23 by the General Assembly.
- 24 (2) For all budget codes that are not listed in "North Carolina State
25 Budget, Recommended Operating Budget 2007-2009, Volumes 1
26 through 6," cash balances and receipts are appropriated for each year
27 of the 2007-2009 fiscal biennium up to the level of actual expenditures
28 for the 2006-2007 fiscal year, unless otherwise provided by law. Funds
29 may be expended only for the programs, purposes, objects, and line
30 items authorized for the 2006-2007 fiscal year.
- 31 (3) Notwithstanding subdivisions (1) and (2) of this subsection, any
32 receipts that are required to be used to pay debt service requirements
33 for various outstanding bond issues and certificates of participation are
34 appropriated up to the actual amounts received for the 2007-2008
35 fiscal year and the 2008-2009 fiscal year and shall be used only to pay
36 debt service requirements.
- 37 (4) Notwithstanding subdivisions (1) and (2) of this subsection, cash
38 balances and receipts of funds that meet the definition issued by the
39 Governmental Accounting Standards Board of a trust or agency fund
40 are appropriated for and in the amounts required to meet the legal
41 requirements of the trust agreement for the 2007-2008 fiscal year and
42 the 2008-2009 fiscal year.

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

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

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

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

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

14 **EXPENDITURES OF FUNDS IN RESERVES LIMITED**

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

17 **REVISE FREQUENCY OF FEE REPORT**

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

19 "**§ 143C-9-4. ~~Annual Fee Report.~~ Biennial fee report.**

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

31 **SECTION 6.4.** Notwithstanding G.S. 143C-6-4(b), the Office of State
32 Budget and Management, in consultation with the Office of the State Controller and the
33 Fiscal Research Division, may adjust the enacted budget by making transfers among
34 purposes or programs for the sole purpose of correctly aligning authorized positions and
35 associated operating costs with the appropriate purposes or programs as defined in
36 G.S. 143C-1-1(d)(23). The Office of State Budget and Management shall change the
37 certified budget to reflect these adjustments only after reporting the proposed
38 adjustments to the Joint Legislative Commission on Governmental Operations and the
39 Fiscal Research Division. Under no circumstances shall total General Fund
40 expenditures for a State department exceed the amount appropriated to that department
41 from the General Fund for the fiscal year.
42

43 **CONSULTATION NOT REQUIRED PRIOR TO ESTABLISHING OR** 44 **INCREASING FEES PURSUANT TO THE STATE BUDGET ACT**

45 **SECTION 6.5.** Notwithstanding G.S. 12-3.1, an agency is not required to
46 consult with the Joint Legislative Commission on Governmental Operations prior to
47 establishing or increasing a fee as authorized or anticipated in this act, or in the House
48 of Representatives Appropriations Committee Reports on the Continuation, Expansion
49 and Capital Budgets, that were distributed in the House of Representatives
50 Appropriations and Base Budget Committees and used to explain this act.
51

CONVERSION OF CONTRACTED POSITIONS

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

SECTION 6.6.(b) If the Director of the Budget finds that State funds previously appropriated for personal services contracts would be more efficiently and effectively used to maintain a purpose, program, or service for which the functions were originally appropriated, the Director may use State funds to convert existing personal services contracts to permanent positions.

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

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

STAFFING ANALYSIS OF STATE AGENCY BUSINESS FUNCTIONS

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 to the Human Resources/Payroll Function Mapping Analysis that was completed in fiscal year 2007 by the BEACON staff and OSBM. 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 could be mapped. These follow-up analyses of State agency HR/Payroll staffing should 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 necessarily 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 should be conducted annually and completed by January 1 of each year to assure the staffing

1 levels remain appropriate. The annual staffing analyses shall be conducted throughout
2 the implementation of future BEACON components and shall continue for a reasonable
3 time after the implementation to assure that the staffing levels are adjusted based on the
4 increased efficiency provided by the implementation.

5 **SECTION 6.7.(c)** By April 30, 2008, the Office of State Budget and
6 Management, in consultation with the Office of State Controller, and then by January 1,
7 2009, and annually thereafter, the Office of State Budget and Management, in
8 consultation with the Office of State Controller and the Office of State Personnel, shall
9 report to the Chairs of the House of Representatives Appropriations Committee, to the
10 Chairs of the Senate Committee on Appropriations/Base Budget, to the Joint Legislative
11 Oversight Committee on Information Technology, and to the Fiscal Research Division
12 on the results of the annual staffing analyses of State government business functions
13 conducted pursuant to subsection (a) of this section and on the implementation of the
14 BEACON HR/Payroll System.

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

25 26 **BEACON DATA INTEGRATION**

27 **SECTION 6.8.(a)** The Office of the State Controller, in cooperation with the
28 State Chief Information Officer, shall develop a comprehensive plan for the integration
29 of databases and the sharing of information among State agencies, operations, and
30 programs. This plan shall be developed and implemented under the governance of the
31 BEACON Project Steering Committee and in cooperation and in communication with
32 leadership within the several State agencies and with the support and cooperation of the
33 Office of State Budget and Management. This plan shall include the following:

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

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

1 **SECTION 6.8.(b)** Of the funds appropriated from the General Fund to the
2 North Carolina Information Technology Fund, the sum of one million dollars
3 (\$1,000,000) for the 2007-2008 fiscal year shall be used for BEACON data integration
4 as provided by subsection (a) of this section. The Office of State Controller, in
5 coordination with State agencies and with the support of the Office of State Budget and
6 Management, shall identify and obtain any federal matching funds or other funding
7 sources available to assist in funding this initiative.

8 **SECTION 6.8.(c)** By January 31, 2008, the Office of the State Controller,
9 with the support of the State's Chief Information Officer, shall provide this
10 comprehensive plan including implementation schedule in an oral report to the Joint
11 Legislative Commission on Governmental Operations and in a written report to the
12 Chairs of the Senate Appropriations Committee and the House of Representatives
13 Appropriations Committee, the Chairs of the Senate Information Technology
14 Committee and House Science and Technology Committee, and the Fiscal Research
15 Division. The Office of State Controller shall provide a written report of the plan's
16 implementation progress, including benefits and return on investment analysis as
17 identified by the Office of State Budget and Management to the Chairs of the Senate
18 Appropriations Committee and the House of Representatives Appropriations
19 Committee, the Chairs of the Senate Information Technology Committee and House
20 Science and Technology Committee, and Fiscal Research Division no later than the date
21 of the convening of the 2008 Regular Session of the General Assembly.

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

25 26 **TWENTY PERCENT COLLECTION ASSISTANCE FEE**

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

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

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

- 42 (1) To pay contractors for collecting overdue tax debts under subsection
43 (b) of this section.
- 44 (2) To pay the fee the United States Department of the Treasury charges
45 for setoff to recover tax owed to North Carolina.
- 46 (3) To pay for taxpayer locator services, not to exceed one hundred fifty
47 thousand dollars (\$150,000) a year.
- 48 (4) To pay for postage or other delivery charges for correspondence
49 directly and primarily relating to collecting overdue tax debts, not to
50 exceed ~~three hundred fifty three~~ five hundred thousand dollars
51 (~~\$353,000~~)(\$500,000) a year.

- 1 (5) To pay for operating expenses for Project Collection Tax and the
2 Taxpayer Assistance Call Center.
- 3 (6) To pay for expenses of the Examination and Collection Division
4 directly and primarily relating to collecting overdue tax debts.
- 5 (7) To pay for the replacement of the Integrated Tax Administration
6 System (ITAS) and related collections initiatives, not to exceed forty
7 million dollars (\$40,000,000)."

9 ENERGY EFFICIENCY RESERVE

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

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

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

42 OFFICE OF INFORMATION TECHNOLOGY SERVICES BUDGET REVIEW

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

48 **SECTION 6.11.(b)** The Office of State Budget and Management shall
49 ensure that State agencies have an opportunity to adjust their budgets based on any rate
50 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; 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.

1 **SECTION 6.13.(b)** OSBM shall make recommendations on the governance,
2 organization, and staffing of GIS in and across State agencies and on a coherent and
3 cost-effective State investment strategy for GIS that appropriately leverages local and
4 federal support and eliminates duplication of capabilities. The report shall include a
5 recommended strategy for consolidating State GIS initiatives. The OSBM shall make a
6 written report of these findings and recommendations to the General Assembly by
7 January 15, 2008.

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

10 **E-COMMERCE LONG-RANGE STRATEGY REPORT**

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

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

40 Periodic updates on this activity may be requested by the Joint Legislative
41 Commission on Governmental Operations. The final report is due no later than April 30,
42 2008.

43 **UNC DISTINGUISHED PROFESSOR CHALLENGE-GRANT** 44 **INITIATIVE/REDUCE BACKLOG FOR DISTINGUISHED PROFESSOR** 45 **ENDOWMENT TRUST FUND PROFESSORSHIPS**

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

8 **SECTION 6.15.(b)** Funds are allocated in the North Carolina House of
9 Representatives Committee Report on the Continuation, Expansion and Capital Budget,
10 dated May 8, 2007, for the purpose of addressing the existing backlog of professorships
11 under the Distinguished Professors Endowment Trust Fund.
12

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

14 **SECTION 6.16.(a)** Of the funds appropriated in this act to the Department
15 of Health and Human Services, Division of Medical Assistance, a sum not to exceed
16 one hundred million dollars (\$100,000,000) in nonrecurring funds for the 2007-2008
17 fiscal year shall be allocated to provide one-time assistance for the county share of the
18 nonfederal share of Medicaid as provided in this section.

19 **SECTION 6.16.(b)** Of the funds allocated in subsection (a) of this section,
20 the sum of fifty million dollars (\$50,000,000) shall be allocated to all 100 counties for
21 one-time assistance. Each county's share of the one-time assistance for the county share
22 of the nonfederal share of Medicaid shall be determined by calculating the ratio of each
23 county's total Medicaid expenditures in fiscal year 2006-2007 to the total Statewide
24 Medicaid expenditures for 2006.

25 **SECTION 6.16.(c)** Of the funds allocated in subsection (a) of this section,
26 the sum of forty million dollars (\$40,000,000) shall be allocated for targeted assistance
27 for those counties whose Medicaid population is twenty-five percent (25%) or greater of
28 the county's total population in 2006. Each county's share of one-time targeted
29 assistance for the county share of the nonfederal share of Medicaid shall be determined
30 by calculating the ratio of each county's targeted assistance share to the total Medicaid
31 expenses of all of the targeted counties in fiscal year 2006-2007.

32 **SECTION 6.16.(d)** Of the funds allocated in subsection (a) of this section,
33 the sum of ten million dollars (\$10,000,000) shall be allocated for those counties whose
34 Medicaid population is twenty percent (20%) or greater but less than twenty-five
35 percent (25%) of the county's total population in 2006. Each county's share of one-time
36 targeted assistance for the county share of the nonfederal share of Medicaid shall be
37 determined by calculating the ratio of each county's targeted assistance share to the total
38 Medicaid expenses of all of the targeted counties in fiscal year 2006-2007.

39 **SECTION 6.16.(e)** The Division of Medical Assistance shall distribute the
40 one-time assistance for the county share of the nonfederal share of Medicaid
41 expenditures by subtracting one-twelfth of each county's share of the one-time
42 assistance from the county's monthly Medical Assistance payments during fiscal year
43 2007-2008.

44 **SECTION 6.16.(f)** For purposes of this section:

- 45 (1) "Medical Assistance payments" include Medicare Part D payments.
- 46 (2) Medical Assistance payments in fiscal year 2006-2007 represent the
47 sum of 12 county warrants for Medicaid expenditures from June 2006
48 through May 2007. Medical Assistance payments in fiscal year
49 2007-2008 represent the sum of the 12 warrants for Medicaid
50 expenditures from June 2007 through May 2008.
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NO FUNDS FOR ONE-TIME BONUS

SECTION 6.16A. Notwithstanding any provision of this act, no funds shall be used to fund a one-time lump sum compensation bonus for State employees for the 2007-2008 fiscal year.

RESERVE FOR CRITICALLY NEEDED POSITIONS

SECTION 6.16B. There is established in the Office of State Budget and Management the Reserve for Critically Needed Positions to make funds available to State agencies to employ temporary employees to fill vacancies in positions critical to the functions of State government that have been eliminated under this act.

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 one hundred three million dollars (\$103,000,000) 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.

STUDY OF LAPSED SALARY USE

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

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

PART VII. PUBLIC SCHOOLS**TEACHER SALARY SCHEDULES**

SECTION 7.1.(a) Effective for the 2007-2008 school year, the Director of the Budget shall transfer from the Reserve for 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 32 steps with each step corresponding to one year of teaching experience.

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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
31+	\$5,208	\$5,833

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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

1	11	\$4,312	\$4,829
2	12	\$4,368	\$4,892
3	13	\$4,424	\$4,955
4	14	\$4,483	\$5,021
5	15	\$4,542	\$5,087
6	16	\$4,602	\$5,154
7	17	\$4,663	\$5,223
8	18	\$4,728	\$5,295
9	19	\$4,792	\$5,367
10	20	\$4,855	\$5,438
11	21	\$4,924	\$5,515
12	22	\$4,991	\$5,590
13	23	\$5,063	\$5,671
14	24	\$5,134	\$5,750
15	25	\$5,205	\$5,830
16	26	\$5,278	\$5,911
17	27	\$5,353	\$5,995
18	28	\$5,431	\$6,083
19	29	\$5,509	\$6,170
20	30	\$5,617	\$6,291
21	31+	\$5,729	\$6,416

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

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

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

46 Certified psychologists with certification based on academic preparation at
47 the six-year degree level shall receive a salary supplement of one hundred twenty-six
48 dollars (\$126.00) per month in addition to the compensation provided for certified
49 psychologists. Certified psychologists with certification based on academic preparation
50 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.

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

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

1	20	\$4,904	\$4,904	\$4,973	\$5,041	\$5,114
2	21	\$4,973	\$4,973	\$5,041	\$5,114	\$5,185
3	22	\$5,041	\$5,041	\$5,114	\$5,185	\$5,257
4	23	\$5,114	\$5,114	\$5,185	\$5,257	\$5,331
5	24	\$5,185	\$5,185	\$5,257	\$5,331	\$5,407
6	25	\$5,257	\$5,257	\$5,331	\$5,407	\$5,485
7	26	\$5,331	\$5,331	\$5,407	\$5,485	\$5,564
8	27	\$5,407	\$5,407	\$5,485	\$5,564	\$5,675
9	28	\$5,485	\$5,485	\$5,564	\$5,675	\$5,789
10	29	\$5,564	\$5,564	\$5,675	\$5,789	\$5,905
11	30	\$5,675	\$5,675	\$5,789	\$5,905	\$6,023
12	31	\$5,789	\$5,789	\$5,905	\$6,023	\$6,143
13	32	-	\$5,905	\$6,023	\$6,143	\$6,266
14	33	-	-	\$6,143	\$6,266	\$6,391
15	34	-	-	\$6,266	\$6,391	\$6,519
16	35	-	-	-	\$6,519	\$6,649
17	36	-	-	-	\$6,649	\$6,782
18	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+)
24	0-14	\$4,775	-	-
25	15	\$4,840	-	-
26	16	\$4,904	\$4,973	-
27	17	\$4,973	\$5,041	\$5,185
28	18	\$5,041	\$5,114	\$5,257
29	19	\$5,114	\$5,185	\$5,331
30	20	\$5,185	\$5,257	\$5,407
31	21	\$5,257	\$5,331	\$5,485
32	22	\$5,331	\$5,407	\$5,564
33	23	\$5,407	\$5,485	\$5,675
34	24	\$5,485	\$5,564	\$5,789
35	25	\$5,564	\$5,675	\$5,905
36	26	\$5,675	\$5,789	\$6,023
37	27	\$5,789	\$5,905	\$6,143
38	28	\$5,905	\$6,023	\$6,266
39	29	\$6,023	\$6,143	\$6,391
40	30	\$6,143	\$6,266	\$6,519
41	31	\$6,266	\$6,391	\$6,649
42	32	\$6,391	\$6,519	\$6,782
43	33	\$6,519	\$6,649	\$6,918
44	34	\$6,649	\$6,782	\$7,056
45	35	\$6,782	\$6,918	\$7,197
46	36	\$6,918	\$7,056	\$7,341
47	37	\$7,056	\$7,197	\$7,488
48	38	\$7,197	\$7,341	\$7,638
49	39	-	\$7,488	\$7,791
50	40	-	\$7,638	\$7,947
51	41	-	-	\$8,106

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

1 merging two or more school systems. Transfers in these merged systems are exempt
 2 from the provisions of this subsection for one calendar year following the date of the
 3 merger.

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

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

18 **CENTRAL OFFICE SALARIES**

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

22	School Administrator I	\$3,224	\$6,056
23	School Administrator II	\$3,423	\$6,423
24	School Administrator III	\$3,633	\$6,814
25	School Administrator IV	\$3,779	\$7,085
26	School Administrator V	\$3,931	\$7,372
27	School Administrator VI	\$4,171	\$7,818
28	School Administrator VII	\$4,339	\$8,133

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

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

37	Superintendent I	\$4,605	\$8,627
38	Superintendent II	\$4,888	\$9,148
39	Superintendent III	\$5,186	\$9,706
40	Superintendent IV	\$5,504	\$10,295
41	Superintendent V	\$5,842	\$10,922

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

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

49 **SECTION 7.3.(d)** Superintendents, assistant superintendents, associate
 50 superintendents, directors/coordinators, supervisors, and finance officers with
 51

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

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

11 **SECTION 7.3.(f)** The annual salary increase for all permanent full-time
12 personnel paid from the Central Office Allotment shall be four and one-quarter percent
13 (4.25%), commencing July 1, 2007. The State Board of Education shall allocate these
14 funds to local school administrative units. The local boards of education shall establish
15 guidelines for providing salary increases to these personnel.

16 **NONCERTIFIED PERSONNEL SALARIES**

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

20 **SECTION 7.4.(b)** Local boards of education shall increase the rates of pay
21 for such employees who were employed for all or part of fiscal year 2006-2007 and who
22 continue their employment for fiscal year 2007-2008 by providing an annual salary
23 increase for employees of four and one-quarter percent (4.25%).
24

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

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

30 **BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY 31 SCHEDULES**

32 **SECTION 7.5.** Effective July 1, 2007, any permanent personnel employed
33 on July 1, 2007, and paid at the top of the principal and assistant principal salary
34 schedule shall receive a one-time bonus equivalent to two percent (2%). Personnel
35 defined under G.S. 115C-325(a)(5a) are not eligible to receive the bonus.
36

37 **USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES**

38 **SECTION 7.6.(a)** Funds for Supplemental Funding. – The General
39 Assembly finds that it is appropriate to provide supplemental funds in low-wealth
40 counties to allow those counties to enhance the instructional program and student
41 achievement. Therefore, funds are appropriated to State Aid to Local School
42 Administrative Units for the 2007-2008 fiscal year and the 2008-2009 fiscal year to be
43 used for supplemental funds for the schools.
44

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

1 (\$10,000) of the plant operation contract cost charged by the Department of Public
2 Instruction for services.

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

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

- 16 (1) "Anticipated county property tax revenue availability" means the
17 county-adjusted property tax base multiplied by the effective State
18 average tax rate.
- 19 (2) "Anticipated total county revenue availability" means the sum of the:
20 a. Anticipated county property tax revenue availability,
21 b. Local sales and use taxes received by the county that are levied
22 under Chapter 1096 of the 1967 Session Laws or under
23 Subchapter VIII of Chapter 105 of the General Statutes,
24 c. Sales tax hold harmless reimbursement received by the county
25 under G.S. 105-521, and
26 d. Fines and forfeitures deposited in the county school fund for the
27 most recent year for which data are available.
- 28 (3) "Anticipated total county revenue availability per student" means the
29 anticipated total county revenue availability for the county divided by
30 the average daily membership of the county.
- 31 (4) "Anticipated State average revenue availability per student" means the
32 sum of all anticipated total county revenue availability divided by the
33 average daily membership for the State.
- 34 (5) "Average daily membership" means average daily membership as
35 defined in the North Carolina Public Schools Allotment Policy
36 Manual, adopted by the State Board of Education. If a county contains
37 only part of a local school administrative unit, the average daily
38 membership of that county includes all students who reside within the
39 county and attend that local school administrative unit.
- 40 (6) "County-adjusted property tax base" shall be computed as follows:
41 a. Subtract the present-use value of agricultural land, horticultural
42 land, and forestland in the county, as defined in G.S. 105-277.2,
43 from the total assessed real property valuation of the county,
44 b. Adjust the resulting amount by multiplying by a weighted
45 average of the three most recent annual sales assessment ratio
46 studies,
47 c. Add to the resulting amount the:
48 1. Present-use value of agricultural land, horticultural land,
49 and forestland, as defined in G.S. 105-277.2,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 **SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

31 **SECTION 7.7.(a)** Funds for Small School Systems. – Except as provided in
32 subsection (b) of this section, the State Board of Education shall allocate funds
33 appropriated for small school system supplemental funding (i) to each county school
34 administrative unit with an average daily membership of fewer than 3,175 students and
35 (ii) to each county school administrative unit with an average daily membership from
36 3,175 to 4,000 students if the county in which the local school administrative unit is
37 located has a county-adjusted property tax base per student that is below the
38 State-adjusted property tax base per student and if the total average daily membership of
39 all local school administrative units located within the county is from 3,175 to 4,000
40 students. The allocation formula shall:

- 41 (1) Round all fractions of positions to the next whole position.
42 (2) Provide five and one-half additional regular classroom teachers in
43 counties in which the average daily membership per square mile is
44 greater than four and seven additional regular classroom teachers in
45 counties in which the average daily membership per square mile is
46 four or fewer.
47 (3) Provide additional program enhancement teachers adequate to offer
48 the standard course of study.
49 (4) Change the duty-free period allocation to one teacher assistant per 400
50 average daily membership.
51

1 (5) Provide a base for the consolidated funds allotment of at least seven
2 hundred seventy-seven thousand one hundred eleven dollars
3 (\$777,111), excluding textbooks for the 2007-2008 fiscal year and a
4 base of at least seven hundred seventy-seven thousand one hundred
5 eleven dollars (\$777,111) for the 2008-2009 fiscal year.

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

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

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

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

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

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

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

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

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

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

49 (2a) "Local current expense funds" means the most recent county current
50 expense appropriations to public schools, as reported by local boards

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

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

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

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

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

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

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

35 **DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING**

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

47 Funds received for disadvantaged student supplemental funding shall be used,
48 consistent with the policies and procedures adopted by the State Board of Education,
49 only to:
50

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

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

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

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

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

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

- 31 (1) For counties with wealth greater than ninety percent (90%) of the
- 32 statewide average, a ratio of 1:20;
- 33 (2) For counties with wealth not less than eighty percent (80%) and not
- 34 greater than ninety percent (90%) of the statewide average, a ratio of
- 35 1:19.5;
- 36 (3) For counties with wealth less than eighty percent (80%) of the
- 37 statewide average, a ratio of 1:18.8; and
- 38 (4) For LEAs receiving DSSF funds in 2005-2006, a ratio of 1:16. These
- 39 LEAs shall receive no less than the DSSF amount allotted in
- 40 2006-2007.

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

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

46 **STUDENTS WITH LIMITED ENGLISH PROFICIENCY**

47 **SECTION 7.9.(a)** The State Board of Education shall develop guidelines for
48 identifying and providing services to students with limited proficiency in the English
49 language.
50

1 The State Board shall allocate these funds to local school administrative units
2 and to charter schools under a formula that takes into account the average percentage of
3 students in the units or the charters over the past three years who have limited English
4 proficiency. The State Board shall allocate funds to a unit or a charter school only if (i)
5 average daily membership of the unit or the charter school includes at least 20 students
6 with limited English proficiency or (ii) students with limited English proficiency
7 comprise at least two and one-half percent (2.5%) of the average daily membership of
8 the unit or charter school. For the portion of the funds that is allocated on the basis of
9 the number of identified students, the maximum number of identified students for whom
10 a unit or charter school receives funds shall not exceed ten and six-tenths percent
11 (10.6%) of its average daily membership.

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

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

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

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

26 **CHILDREN WITH DISABILITIES**

27 **SECTION 7.10.** The State Board of Education shall allocate funds for
28 children with disabilities on the basis of three thousand one hundred eighty-six dollars
29 and fifty-seven cents (\$3,186.57) per child for a maximum of 172,317 children for the
30 2007-2008 school year. Each local school administrative unit shall receive funds for the
31 lesser of (i) all children who are identified as children with disabilities or (ii) twelve and
32 five-tenths percent (12.5%) of the 2007-2008 allocated average daily membership in the
33 local school administrative unit.

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

38 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

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

46 The dollar amounts allocated under this section for academically or
47 intellectually gifted children shall also adjust in accordance with legislative salary
48 increments, retirement rate adjustments, and health benefit adjustments for personnel
49 who serve academically or intellectually gifted children.
50
51

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

1 establish a statewide term contract for use by the State Board of
2 Education. Local boards of education and other agencies shall be
3 eligible to purchase from the statewide term contract. The State Board
4 of Education shall also solicit bids for the financing of school buses.

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

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

9 **SECTION 7.14.(b)** Any term contract for the purchase or lease-purchase of
10 school buses or school activity buses shall not require vendor payment of the electronic
11 procurement transaction fee of the North Carolina E-Procurement Service.
12

13 **DISCREPANCIES BETWEEN ANTICIPATED AND ACTUAL ADM**

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

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

26 The allotments reduced pursuant to this subsection shall include only those
27 allotments that may be increased pursuant to the Allotment Adjustments for ADM
28 Growth provisions of the North Carolina Public Schools Allotment Policy Manual.
29

30 **CHARTER SCHOOL EVALUATION**

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

36 (1) Improve student learning;

37 (2) Increase learning opportunities for all students, with special emphasis
38 on expanded learning experiences for students who are identified as at
39 risk of academic failure or academically gifted;

40 (3) Encourage the use of different and innovative teaching methods;

41 (4) Create new professional opportunities for teachers, including the
42 opportunities to be responsible for the learning program at the school
43 site;

44 (5) Provide parents and students with expanded choices in the types of
45 educational opportunities that are available within the public school
46 system; and

47 (6) Hold the schools established under this Part accountable for meeting
48 measurable student achievement results and provide the schools with a
49 method to change from rule-based to performance-based
50 accountability systems.

1 **SECTION 7.16.(b)** The State Board of Education shall report the results of
2 its evaluation to the Joint Legislative Education Oversight Committee and the Fiscal
3 Research Division.
4

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

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

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

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

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

24 **SECTION 7.17.(d)** In addition to the report required in subsection (c) of this
25 section, the State shall also evaluate the effectiveness of a representative sample of local
26 mentor programs and report on its findings to the Joint Legislative Education Oversight
27 Committee and the Fiscal Research Division by December 15 of each year of the
28 biennium. The evaluation shall focus on quantitative evidence, quality of service
29 delivery, and satisfaction of those involved. The report shall include the results of the
30 evaluation and recommendations both for improving mentor programs generally and for
31 an appropriate level of State support for mentor programs.
32

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

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

- 39 (1) Incentive awards in schools that achieve higher than expected
40 improvements may be:
41 a. Up to one thousand five hundred dollars (\$1,500) for each
42 teacher and for certified personnel; and
43 b. Up to five hundred dollars (\$500.00) for each teacher assistant.
44 (2) Incentive awards in schools that meet the expected improvements may
45 be:
46 a. Up to seven hundred fifty dollars (\$750.00) for each teacher and
47 for certified personnel; and
48 b. Up to three hundred seventy-five dollars (\$375.00) for each
49 teacher assistant.

50 **SECTION 7.18.(b)** The State Board of Education may use funds
51 appropriated to the State Public School Fund to implement the consolidated assistance

1 program, as directed in Section 7.6(b) of S.L. 2006-66. The Board shall report to the
2 Joint Legislative Education Oversight Committee by January 15, 2008, on any
3 restructuring of the program pursuant to this section.
4

5 **LEARN AND EARN HIGH SCHOOLS**

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

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

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

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

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

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

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

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

45 **SECTION 7.19.(h)** The State Board of Education shall allot funds for
46 university enrollment, tuition and fees, and textbooks on the basis of and after
47 verification of the credit hour enrollment of Learn and Earn students in university
48 courses. The State Board of Education shall allot funds for community college fees and
49 textbooks on the basis of and after verification of the credit hour enrollment of Learn
50 and Earn students in community college courses.
51

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

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

4 **SECTION 7.23.(b)** National Board for Professional Teaching Standards
5 (NBPTS) certified teachers serving in these positions shall be exempt from the
6 requirements in G.S. 115C-296.2(b)(2)d and shall remain on the NBPTS teacher salary
7 schedule.

8 9 **MORE AT FOUR PROGRAM AND OFFICE OF SCHOOL READINESS**

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

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

- 1 (9) Standards for minimum teacher qualifications. A portion of the
- 2 classroom sites initially funded shall have at least one teacher who is
- 3 certified or provisionally certified in birth-to-kindergarten education.
- 4 (10) A local contribution. Programs must demonstrate that they are
- 5 accessing resources other than "More at Four."
- 6 (11) A system of accountability.
- 7 (12) Consideration of the reallocation of existing funds. In order to
- 8 maximize current funding and resources, the Department of Health and
- 9 Human Services and the Department of Public Instruction shall
- 10 consider the reallocation of existing funds from State and local
- 11 programs that provide prekindergarten-related care and services.

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

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

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

- 32 (1) The number of children participating in the program.
- 33 (2) The number of children participating in the program who have never
- 34 been served in other early education programs, such as child care,
- 35 public or private preschool, Head Start, Early Head Start, or early
- 36 intervention programs.
- 37 (3) The expected expenditures for the programs and the source of the local
- 38 match for each grantee.
- 39 (4) The location of program sites and the corresponding number of
- 40 children participating in the program at each site.
- 41 (5) A comprehensive cost analysis of the program, including the cost per
- 42 child served by the program.
- 43 (6) The status of the NC Prekindergarten initiatives as outlined in this
- 44 section.

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

50 **SECTION 7.24.(e)** The "More at Four" program funding shall not supplant
51 any funding for classrooms serving four-year-olds as of the 2005-2006 fiscal year.

1 Support of existing four-year-old classrooms with "More at Four" program funding
2 shall be permitted when current funding is eliminated, reduced, or redirected as required
3 to meet other specified federal or State educational mandates.
4

5 **ADMINISTRATIVE FUNDING FOR TEACHING FELLOWS PROGRAM**

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

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

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

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

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

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

27 (2) Initiatives to recruit minorities to the Program.

28 **SECTION 7.25.(d)** The General Assembly urges the North Carolina
29 Teaching Fellows Commission to use funds available in the revolving fund to establish
30 additional teaching fellows scholarships.
31

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

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

39 **SECTION 7.26.(b)** Effective July 1, 2007, local school administrative units
40 shall formally communicate to students and their parents or guardians that tuition and
41 fees will not be charged for summer school courses that are required for remediation or
42 courses that are necessary for the student to meet graduation requirements.
43

44 **LEARN AND EARN ONLINE**

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

50 **SECTION 7.27.(b)** Funds shall be used for course tuition, and only those
51 technology and course fees, and textbooks required for course participation. Funds shall

1 also support a liaison position to be housed at the Department of Public Instruction to
2 coordinate with The University of North Carolina and the North Carolina Community
3 College System, and to communicate course availability and related information to high
4 school administrators, teachers, and counselors.

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

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

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

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

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

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

34 35 **SCHOOL CONNECTIVITY INITIATIVE**

36 **SECTION 7.28.(a)** Funds in the amount of twelve million dollars
37 (\$12,000,000) are appropriated in this act to support the enhancement of the technology
38 infrastructure for public schools. These funds shall be used for broadband access,
39 equipment, and support services that create, improve, and sustain equity of access for
40 instructional opportunities for public school students and educators.

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

- 47 (1) A business plan with time lines, clearly defined outcomes, and an
48 operational model, including a governance structure, personnel, e-Rate
49 reimbursement, support services to local school administrative units
50 and schools, and budget.

- 1 (2) Assurances that local school administrative units will upgrade internal
- 2 networks in schools, provide technology tools, and support for teachers
- 3 and students to use technology to improve teaching and learning.
- 4 (3) Assurances of a fair and open bidding and contracting process.
- 5 (4) Technology assessment site survey template.
- 6 (5) Documentation of technology assessments.
- 7 (6) Documentation of how the technology will be used to enhance
- 8 teaching in learning.
- 9 (7) The number, location, and schedule of sites to be served in 2007-2008
- 10 and in 2008-2009.

11 **SECTION 7.28.(c)** The State Board of Education shall report by January 15,
12 2008, on its progress towards achieving the connectivity initiative and annually
13 thereafter to the Joint Legislative Information Technology Oversight Committee, the
14 Joint Legislative Education Oversight Committee, the Office of State Budget
15 Management, the State Information Technology Officer, and the Fiscal Research
16 Division.

17 **REORGANIZATION OF THE DEPARTMENT OF PUBLIC INSTRUCTION**

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

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

23 **LEGISLATIVE STUDY ON EARLY CHILDHOOD PROGRAMS**

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

- 27 (1) Six members appointed by the General Assembly, upon the
28 recommendation of the Speaker of the House of Representatives, to
29 include:
 - 30 a. Four members of the House of Representatives.
 - 31 b. Two members of the general public.
- 32 (2) Six members appointed by the General Assembly, upon the
33 recommendation of the President Pro Tempore of the Senate, to
34 include:
 - 35 a. Four members of the Senate.
 - 36 b. Two members of the general public.

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

- 38 (1) Assess the feasibility and desirability of consolidating the North
39 Carolina Partnership for Children, Inc., and the "More At Four"
40 program.
- 41 (2) Consider any needed adjustments and the necessary reprioritization of
42 funds to realize the maximum benefit to the State's children and
43 families.
- 44 (3) Review any other matters the Commission deems relevant to its
45 charge.

46 **SECTION 7.30.(c)** The Speaker of the House of Representatives and the
47 President Pro Tempore of the Senate shall each appoint a cochair for the Commission.
48 The Commission may contract for consultant services as provided by G.S. 120-32.02.
49 Upon approval of the Legislative Services Commission, the Legislative Services Officer
50
51

1 shall assign professional and clerical staff to assist in the work of the Commission.
2 Clerical staff shall be furnished to the Commission through the offices of the House of
3 Representatives and the Senate Directors of Legislative Assistants. The Commission
4 may meet in the Legislative Building or the Legislative Office Building upon the
5 approval of the Legislative Services Commission. Members of the Commission shall
6 receive per diem, subsistence, and travel allowances at the rate established in
7 G.S. 120-3.1. The appointing authority shall fill vacancies. The Commission, while in
8 the discharge of its official duties, may exercise all the powers provided under the
9 provisions of G.S. 120-19 through G.S. 120-19.4, including the power to request all
10 officers, agents, agencies, and departments of the State to provide any information, data,
11 or documents within their possession, ascertainable from their records, or otherwise
12 available to them and the power to subpoena witnesses.

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

18 **STUDY OF PUBLIC SCHOOL FUNDING FORMULAS**

19 **SECTION 7.31.(a)** There is created the Joint Legislative Study Committee
20 on Public School Funding Formulas. The Committee shall consist of six members of the
21 House of Representatives appointed by the Speaker of the House of Representatives
22 and six members of the Senate appointed by the President Pro Tempore of the Senate.
23 The Speaker of the House of Representatives shall appoint a cochair, and the President
24 Pro Tempore of the Senate shall appoint a cochair for the Committee.

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

29 Subject to the approval of the Legislative Services Commission, the
30 Committee may meet in the Legislative Building or the Legislative Office Building. The
31 Legislative Services Commission, through the Legislative Services Officer, shall assign
32 professional staff to assist the Committee in its work. The House of Representatives'
33 and the Senate's Supervisors of Clerks shall assign clerical support staff to the
34 Committee, and the expenses relating to the clerical employees shall be borne by the
35 Committee.

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

- 38 (1) Children with Disabilities;
- 39 (2) Limited English Proficiency;
- 40 (3) At-Risk Student Services/Alternative Schools;
- 41 (4) Improving Student Accountability;
- 42 (5) Disadvantaged Students Supplemental;
- 43 (6) Low-Wealth Counties Supplemental Funding;
- 44 (7) Small County Supplemental Funding; and
- 45 (8) Transportation of Pupils.

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

50 **SECTION 7.31.(d)** The Committee shall submit a report of its findings and
51 recommendations, including any legislative recommendations, to the 2008 Regular

1 Session of the 2007 General Assembly. The Committee shall terminate upon filing its
2 report.

3 4 **DROPOUT PREVENTION GRANTS**

5 **SECTION 7.32.(a)** The Commission on Dropout Prevention is established.
6 The Commission shall be located administratively in the Department of Public
7 Instruction but shall exercise its powers and duties independently of the Department of
8 Public Instruction. The Commission shall administer funds appropriated for the 2007-
9 2009 fiscal biennium for dropout prevention grants. In administering the funds, the
10 Commission shall consider the likelihood that a program will be effective in preventing
11 students from dropping out of school and the likelihood that a program will serve as an
12 effective model for other programs.

13 **SECTION 7.32.(b)** The Commission shall consist of five members
14 appointed by the Governor, five members appointed by the General Assembly upon the
15 recommendation of the Speaker of the House of Representatives, and five members
16 appointed by the General Assembly upon the recommendation of the President Pro
17 Tempore of the Senate. The appointments by the General Assembly shall be made in
18 accordance with G.S. 120-121, and vacancies in these appointments shall be filled in
19 accordance with G.S. 120-122.

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

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

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

33 **SECTION 7.32.(e)** The Commission shall report to the Joint Legislative
34 Education Oversight Committee by October 15, 2008, on grants distributed for the
35 2007-2008 school year.

36 37 **SCHOOL SAFETY OFFICERS**

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

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

41 ...
42 (14a) A statement of the number of school safety officers, if any, that will be
43 assigned to each middle school and high school. State funds allocated
44 in the At-Risk/Alternative Schools Allotment shall be used to provide
45 at least one school safety officer for each middle school and high
46 school, except for charter schools, unless the State Board of Education
47 waives this requirement. The Board shall waive the requirement only if
48 the local school administrative unit demonstrates that a school has an
49 alternative plan for providing a safety officer or for otherwise
50 addressing its safety needs."
51

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 elementary schools to help offset the cost of the lunches. This reimbursement shall be in addition to the amount of federal reimbursement for free and reduced-price lunches served.

FUNDS FOR SCIENCE COMPETITIONS

SECTION 7.37. Notwithstanding any other provision of this act, of the funds appropriated in this act to the Department of Public Instruction as a pass through for science competitions:

- (1) The sum of one hundred thousand dollars (\$100,000) for the 2007-2008 fiscal year and the sum of one hundred thousand dollars (\$100,000) for the 2008-2009 fiscal year shall be used to provide additional funding for Science Olympiad; and
- (2) The sum of one hundred thousand dollars (\$100,000) for the 2007-2008 fiscal year and the sum of one hundred thousand dollars (\$100,000) for the 2008-2009 fiscal year shall be allocated to the North Carolina Science, Mathematics and Technology Education Center, Inc. to support the establishment of new interscholastic science competitions.

FUNDS FOR PRINCIPAL MENTORS AND FOR THE NORTH CAROLINA NETWORK FOR SCHOOL BASED MANAGEMENT

SECTION 7.38.(a) Notwithstanding any other provision of this act, of the funds appropriated to the State Public School Fund in this act, the sum of two million five hundred sixty-three thousand dollars (\$2,563,000) in recurring expansion funds shall be used for principal mentors for the 2007-2008 fiscal year and the 2008-2009 fiscal year.

SECTION 7.38.(b) Notwithstanding any other provision of this act, of the funds appropriated to the Department of Public Instruction, the sum of three hundred twelve thousand dollars (\$312,000) in recurring expansion funds shall be allocated as a pass-through for the North Carolina Network for School Based Management for the 2007-2008 and the 2008-2009 fiscal year. The North Carolina Network for School

1 Based Management provides training for school-based management teams to improve
2 the capacity of local administrative units by helping them use data to develop and
3 monitor achievement-focused plans. Local school administrative units may contract
4 with this nonprofit using allotments that can be expended for professional development.
5

6 **PART VIII. COMMUNITY COLLEGES**

7 **USE OF FUNDS FOR THE COLLEGE INFORMATION SYSTEM PROJECT**

8 **SECTION 8.1.(a)** Funds appropriated to the Community Colleges System
9 Office for the College Information System Project shall not revert at the end of the
10 2006-2007 fiscal year but shall remain available until expended.
11

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

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

24 **SECTION 8.1.(d)** Subsection (a) of this section becomes effective June 30,
25 2007.
26

27 **CARRYFORWARD OF EQUIPMENT FUNDS FOR COMMUNITY** 28 **COLLEGES**

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

35 **SECTION 8.2.(b)** This section becomes effective June 30, 2007.
36

37 **INSTRUCTIONAL RESOURCE ALLOCATION FORMULA**

38 **SECTION 8.3.** The State Board of Community Colleges shall develop a new
39 funding formula for library books and related instructional resources before distributing
40 funds appropriated for this purpose for the 2007-2009 fiscal biennium. The revised
41 instructional resource allocation formula shall reflect the availability of online
42 subscription resources and electronic media and should include a base amount per
43 college.
44

45 **REPORT ON NCCCS DISTANCE LEARNING AND ONLINE CAPABILITIES**

46 **SECTION 8.4.** The Community Colleges System Office shall report by
47 March 1, 2008, to the Joint Legislative Education Oversight Committee, the Fiscal
48 Research Division, and the Office of State Budget and Management on its efforts
49 regarding distance learning opportunities. This report shall complement the report
50 authorized by the General Assembly in Part 6 of S.L. 2004-179 and shall address the
51 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

1 to eight percent (8%) of the State funds allocated to it for
2 faculty salaries.

- 3 b. If the average faculty salary at a community college is at least
4 ninety-five percent (95%) but less than one hundred percent
5 (100%) of the national average community college faculty
6 salary, the college may transfer up to six percent (6%) of the
7 State funds allocated to it for faculty salaries.
8 c. If the average faculty salary at a community college is at least
9 ninety percent (90%) but less than ninety-five percent (95%) of
10 the national average community college faculty salary, the
11 college may transfer up to five percent (5%) of the State funds
12 allocated to it for faculty salaries.
13 d. If the average faculty salary at a community college is at least
14 eighty-five percent (85%) but less than ninety percent (90%) of
15 the national average community college faculty salary, the
16 college may transfer up to three percent (3%) of the State funds
17 allocated to it for faculty salaries.
18 e. If the average faculty salary at a community college is
19 eighty-five percent (85%) or less of the national average
20 community college faculty salary, the college may transfer up
21 to two percent (2%) of the State funds allocated to it for faculty
22 salaries.

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

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

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

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

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

- 40 (1) "Average faculty salary at a community college" means the total
41 nine-month salary from all sources of all nine-month, full-time,
42 curriculum faculty at the college, as determined by the North Carolina
43 Community College System on October 1 of each year.
44 (2) "National average community college faculty salary" means the
45 nine-month, full-time, curriculum salary average, as published by the
46 Integrated Postsecondary Education Data System (IPEDS), for the
47 most recent year for which data are available.

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

50 **SECTION 8.5.(g)** The State Board of Community Colleges shall report to
51 the appropriations subcommittees on education, the Speaker of the House of

1 Representatives, the President Pro Tempore of the Senate, the Fiscal Research Division,
2 and the Office of State Budget and Management by December 1, 2007, and every year
3 thereafter through December 1, 2009, on the implementation of this section.
4

5 **SUSPEND APPROVAL OF NEW MULTICAMPUS CENTERS**

6 **SECTION 8.6.** The State Board of Community Colleges shall not approve
7 the establishment of any additional multicampus centers during the 2007-2008 fiscal
8 year. The Joint Legislative Education Oversight Committee shall conduct a study of the
9 proliferation of multicampus center locations. This study shall determine the
10 appropriateness of the current process and criteria outlined in State Board policy for
11 approving multicampus center designations. The Joint Legislative Education Oversight
12 Committee shall specifically consider whether the establishment of additional
13 multicampuses should be subject to General Assembly approval.
14

15 **COMMUNITY COLLEGE CONNECTIVITY FUNDS**

16 **SECTION 8.7.** In expending funds appropriated for increasing the
17 bandwidth capacity among the colleges of the North Carolina Community College
18 System, the Community Colleges System Office shall seek the best value among
19 information technology providers in order to maximize online instruction, provide
20 accurate data transmission, and utilize video services.
21

22 **STUDY OF BASIC SKILLS FORMULA**

23 **SECTION 8.8.** The General Assembly finds that the formula budget
24 computation of State funds for the Basic Skills Block Grant has not been reviewed or
25 modified for at least two decades and that there are potential changes in the allocation of
26 federal funds for literacy education through the Workforce Investment Act, Title II.
27 Therefore, the General Assembly directs the State Board of Community Colleges to
28 make findings and recommendations for a new formula budget computation for the
29 Basic Skills Block Grant. The Community Colleges System Office shall report these
30 findings and recommendations to the Joint Legislative Education Oversight Committee
31 and the Fiscal Research Division by March 31, 2008.
32

33 **REALIGNMENT OF STATE AID ALLOCATIONS**

34 **SECTION 8.9.** The State Board of Community Colleges shall examine new
35 State Aid allocation options that more closely align the allocation and expenditure of
36 State-appropriated resources. The State Board shall realign the 2007-2008 formula
37 budget computation to incorporate the Academic Support Supplement into the
38 Institutional Support Formula.
39

40 **COMMUNITY COLLEGES FACILITIES AND EQUIPMENT FUNDS**

41 **SECTION 8.10.(a)** Funds in the amount of twelve million three hundred
42 seventy thousand dollars (\$12,370,000) are appropriated in this act for the 2007-2008
43 fiscal year to the Community College Facilities and Equipment Fund. These funds shall
44 be used to award grants to community colleges for facility and equipment needs. The
45 Community Colleges System Office, in consultation with the State Board of
46 Community Colleges, shall develop a competitive grant application process and
47 guidelines for facility or equipment needs. The State Board of Community Colleges
48 shall award grants on the merit of the applications received. Priority shall be given to
49 projects in low-wealth counties, to projects that have a high potential for promoting
50 economic growth in economically depressed areas, and to projects at colleges that did
51 not receive a grant during the 2006-2007 fiscal year. Also, projects shall be distributed

1 geographically throughout the State. No individual grant may exceed the sum of one
2 million dollars (\$1,000,000).

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

5 **SECTION 8.10.(b)** Beginning September 1, 2007, the Community Colleges
6 System Office shall submit a report to the Office of State Budget and Management and
7 the Fiscal Research Division containing the following information about each grant that
8 was awarded: (i) the name of the community college; (ii) a description of the project;
9 (iii) the project location; (iv) the cost-benefit analysis conducted by the Community
10 Colleges System Office and the rationale for awarding the grant; and (v) the amount of
11 the grant.

12 13 **FUNDS FOR THE COMMUNITY COLLEGE MINORITY MALE** 14 **MENTORING PROGRAM**

15 **SECTION 8.11.** Notwithstanding any other provision of this act, the sum of
16 six hundred thirty thousand dollars (\$630,000) in nonrecurring expansion funds is
17 appropriated in this act to the Community Colleges System Office for the 2007-2008
18 fiscal year to expand the minority male mentoring program to 20 additional community
19 colleges.

20 21 **PART IX. UNIVERSITIES**

22 23 **NC SCHOOL OF SCIENCE AND MATHEMATICS ENROLLMENT GROWTH** 24 **FORMULA**

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

33 34 **REPORTING ON UNC FACULTY WORKLOAD**

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

- 39 (1) The faculty workload data for each constituent institution of The
40 University of North Carolina compared to The University of North
41 Carolina enrollment model.
- 42 (2) The University of North Carolina faculty workload average as
43 compared to The University of North Carolina enrollment model
44 student credit hours per instructional position.
- 45 (3) The faculty workload of regional and peer institutions as compared to
46 each constituent institution faculty average and to The University of
47 North Carolina faculty workload average.

48 **SECTION 9.2.(b)** The Board of Governors of The University of North
49 Carolina shall submit the study report to the Joint Legislative Education Oversight
50 Committee, the Office of State Budget and Management, and the Fiscal Research
51 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.

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

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

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

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

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

31
32 **GRADUATE NURSE SCHOLARSHIP LOANS FOR FULL-TIME NURSING**
33 **FACULTY IN THE NC COMMUNITY COLLEGE SYSTEM**

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

35 **"§ 90-171.100. Graduate Nurse Scholarship Program for Faculty Production**
36 **established; administration.**

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

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

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

48 (2) A scholarship loan for up to three years in the amount of fifteen
49 thousand dollars (\$15,000) per year, per recipient, to students enrolled
50 in a doctoral degree program in nursing education or any other area of

1 the nursing field that would permit them to become a nursing
2 instructor at a North Carolina community college or university.

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

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

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

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

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

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

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

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

1 "(b) The State Education Assistance Authority shall forgive the loan if, within
2 seven years after graduation from a nursing education program, the recipient teaches in
3 a public or private nursing education program in a public or private educational
4 institution in North Carolina for one year for every year a scholarship loan was
5 ~~provided.~~ provided; unless the recipient was a nursing faculty member of a community
6 college. In those circumstances, the State Education Assistance Authority shall forgive
7 the loan if, within seven years after graduation from a nursing education program, the
8 recipient teaches in a community college nursing education program in North Carolina
9 for one year for every year a scholarship loan was provided. If the recipient repays the
10 scholarship loan by cash payments, all indebtedness shall be repaid within 10 years. The
11 Authority may provide for accelerated repayment and for less than full-time
12 employment options to encourage the practice of nursing education in either geographic
13 or nursing specialty shortage areas. The Authority shall adopt specific rules to designate
14 these geographic areas and these nursing specialty shortage areas, upon
15 recommendations of the North Carolina Center for Nursing. The North Carolina Center
16 for Nursing shall base its recommendations on objective information provided by
17 interested groups or agencies and upon objective information collected by the Center.
18 The Authority may forgive the scholarship loan if it determines that it is impossible for
19 the recipient to teach in a public or private nursing ~~program~~ program, or in a community
20 college nursing program if that was a condition of the scholarship loan, in North
21 Carolina for a sufficient time to repay the loan because of the death or permanent
22 disability of the recipient within 10 years following graduation or termination of
23 enrollment in a nursing education program."
24

25 **ESTABLISH THE EDUCATION ACCESS REWARDS NORTH CAROLINA** 26 **SCHOLARS FUND (EARN)**

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

29 **"§ 116-209.26. Education Access Rewards North Carolina Scholars Fund.**

30 **(a)** The following definitions apply to this section:

- 31 **(1)** Academic year. – A period of time in which a student in matriculated
32 status is expected to complete the equivalent of at least two semesters'
33 or three quarters' academic work.
- 34 **(2)** Eligible postsecondary institution. – A school that is:
 - 35 **a.** A constituent institution of The University of North Carolina as
36 defined in G.S. 116-2(4); or
 - 37 **b.** A community college as defined in G.S. 115D-2(2).
- 38 **(3)** Matriculated status. – Being recognized as a first-time candidate for a
39 degree or certificate, exclusive of any course credits earned while in
40 high school, in a defined program of study at an eligible postsecondary
41 institution.
- 42 **(4)** Title IV. – Title IV of the Higher Education Act of 1965, as amended.

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

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

- 1 (1) The student must qualify as a legal resident of North Carolina, a legal
2 resident of the United States, and as a resident for tuition purposes in
3 accordance with G.S. 116-143.1.
- 4 (2) Within seven months of the fiscal year in which the grant is to be
5 disbursed, the student must have:
- 6 a. Graduated from a North Carolina high school;
7 b. Received a General Education Development (GED) Certificate
8 from a North Carolina institution; or
9 c. Completed a high school education in a home school setting
10 meeting the qualifications and requirements under
11 G.S. 115C-564.
- 12 (3) The student must meet enrollment standards by being admitted,
13 enrolled, and classified as an undergraduate student in a matriculated
14 status on a full-time basis at an eligible postsecondary institution in
15 North Carolina.
- 16 (4) The student must be an eligible dependent student. For purposes of this
17 subsection, an "eligible dependent student" is a student who:
- 18 a. Either is classified as dependent for the Title IV programs or is
19 a ward or dependent of the court; and
20 b. Demonstrates total family income not exceeding two hundred
21 percent (200%) of the applicable federal poverty guideline,
22 according to standards set by the SEAA and measured using
23 data elements available to the SEAA from the Free Application
24 for Federal Student Aid (FAFSA) or such other source as the
25 SEAA may deem appropriate.
- 26 (5) The student must meet all other eligibility requirements for the federal
27 Pell Grant.
- 28 (6) In order to retain eligibility for a grant for the student's second
29 academic year, the student must meet achievement standards by
30 maintaining satisfactory academic progress in a course of study in
31 accordance with the standards and practices used for Title IV programs
32 by the eligible postsecondary institution in which the student is
33 enrolled.
- 34 (7) The student may not receive a grant in an amount that, when combined
35 with the federal Pell Grant, exceeds the student's cost of attendance as
36 defined under Title IV.
- 37 (8) The student may not receive a grant under this section for more than
38 the equivalent of two academic years.
- 39 (d) The maximum grant for which a student is eligible under this section shall be
40 four thousand dollars (\$4,000) per academic year. In the event there are not sufficient
41 funds to provide each eligible student with the maximum grant, it is the intent of the
42 General Assembly that eligible students who have matriculated into an eligible
43 postsecondary institution in North Carolina with at least one academic year of college
44 credit receive the maximum grant amount and all other eligible students shall receive a
45 reduced grant amount.
- 46 (e) The grants provided for in this section shall be administered by the State
47 Education Assistance Authority pursuant to rules adopted by the SEAA not inconsistent
48 with this section.
- 49 (f) The State Education Assistance Authority shall report to the Joint Legislative
50 Education Oversight Committee by December 1, 2009, and by each December 1
51 thereafter, regarding the Fund and grants awarded from the Fund.

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

3 **SECTION 9.7.(b)** There is appropriated from the Escheat Fund to the State
4 Education Assistance Authority the sum of twenty-five million dollars (\$25,000,000)
5 for the 2007-2008 fiscal year and the sum of fifty million dollars (\$50,000,000) for the
6 2008-2009 fiscal year to implement this section. Notwithstanding subsection (a) of this
7 section, no grant shall be disbursed to an eligible student under G.S. 116-209.26, as
8 enacted by this act, before July 1, 2008.

9
10 **MANAGEMENT FLEXIBILITY TO REORGANIZE BUDGET CODE 16012**
11 **UNC BOARD OF GOVERNORS RELATED EDUCATIONAL PROGRAMS**

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

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

25
26 **FUTURE TEACHERS OF NC SCHOLARSHIP LOAN PROGRAM**

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

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

38
39 **PRINCIPALS' EXECUTIVE PROGRAM**

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

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

- 46 (1) Gives priority to school administrators working in high-need schools
47 so that State resources are targeted to those who most need support.
48 (2) Takes into account geographic diversity to ensure that school
49 administrators statewide are served. If more school administrators seek
50 admission than slots are available, the Principals' Executive Program
51 shall retain those names and offer priority admission to those on the

1 waiting list for the next class. The Principals' Executive Program shall
2 also use these waiting lists to assess demand and determine how best
3 to allocate resources among the various executive training courses.

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

9
10 **REPEAL NORTH CAROLINA PROGRESS BOARD**

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

13
14 **REVERT MOTORSPORTS CAPITAL ACCOUNT**

15 **SECTION 9.12.** Effective June 30, 2007, the unencumbered balance of the
16 funds appropriated to the NC Motor Sports Testing and Research Complex in Section
17 32.1 of S.L. 2004-124, as amended by Section 3 of S.L. 2004-184, shall revert to the
18 General Fund.

19
20 **LEGISLATIVE TUITION GRANT FOR PART-TIME STUDENTS**

21 **SECTION 9.13.(a)** G.S. 116-21.2 reads as rewritten:

22 "**§ 116-21.2. Legislative tuition grants to aid students and licensure students**
23 **attending private institutions of higher education.**

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

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

45 (b) The tuition grants provided for in this section shall be administered by the
46 State Education Assistance Authority pursuant to rules adopted by the State Education
47 Assistance Authority not inconsistent with this section. The State Education Assistance
48 Authority shall not approve any grant until it receives proper certification from an
49 approved institution that the student or licensure student applying for the grant is
50 eligible. Upon receipt of the certification, the State Education Assistance Authority shall

1 remit at the times as it prescribes the grant to the approved institution on behalf, and to
2 the credit, of the student or licensure student.

3 ~~(c) Except as provided in subsection (a1) of this section, in~~ In the event a
4 full-time student on whose behalf a grant has been paid in accordance with subsection
5 (a) of this section or a full-time licensure student on whose behalf a grant has been paid
6 in accordance with subsection (a1) of this section is not enrolled and carrying a
7 minimum academic load as of the tenth classroom day following the beginning of the
8 school term for which the grant was paid, the institution shall refund the full amount of
9 the grant to the State Education Assistance Authority. If a part-time student on whose
10 behalf a prorated grant has been paid in accordance with subsection (a) of this section or
11 a part-time licensure student on whose behalf a prorated grant has been paid in
12 accordance with subsection (a1) of this section is not enrolled and carrying a minimum
13 academic load of six credit hours per semester in the undergraduate class as of the tenth
14 classroom day following the beginning of the school term for which the grant was paid,
15 the institution shall refund the full amount of the grant to the State Education Assistance
16 Authority. If the matriculated status of a full-time student or a full-time licensure
17 student changes to a matriculated status of part-time student or part-time licensure
18 student by the tenth classroom day following the beginning of the school term for which
19 the grant was paid, the institution shall refund only the difference between the amount
20 of the full-time grant awarded and the amount of the part-time grant that is awarded
21 pursuant to this section. Each approved institution shall be subject to examination by the
22 State Auditor for the purpose of determining whether the institution has properly
23 certified eligibility and enrollment of students and licensure students and credited grants
24 paid on behalf of them.

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

- 28 (1) The Board of Governors of The University of North Carolina, with the
29 approval of the Office of State Budget and Management, may transfer
30 available funds to meet the needs of the programs provided by
31 subsections (a), (a1), and (b) of this section; and
- 32 (2) Each eligible student and licensure student shall receive a pro rata
33 share of funds then available for the remainder of the academic year
34 within the fiscal period covered by the current appropriation.

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

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

37 **"§ 116-43.5. State grants to aid eligible students attending certain private**
38 **institutions of higher education; administrative procedure.**

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

- 40 (1) "Institution" means a nonprofit educational institution with a main
41 permanent campus located in this State that satisfies all of the
42 following:
 - 43 a. Is not owned or operated by the State of North Carolina or by
44 an agency or political subdivision of the State or by any
45 combination thereof.
 - 46 b. Is accredited by the Southern Association of Colleges and
47 Schools under the standards of the College Delegate Assembly
48 of the Association.
 - 49 c. Awards a postsecondary degree as defined in G.S. 116-15.
 - 50 d. Its students are not eligible for a similar State grant under
51 another State program.

1 (1a) "Licensure student" means a person who:
2 a. Has a bachelor's degree;
3 b. Is enrolled either full-time or less than full-time in a program
4 intended to result in licensure in teaching or nursing;
5 c. Attends an institution located in the State; and
6 d. Qualifies as a resident of North Carolina in accordance with
7 definitions of residency that may from time to time be adopted
8 by the Board of Governors of The University of North Carolina
9 and published in the residency manual of the Board.

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

15 (3) "Student" means a person enrolled in and attending an institution
16 located in the State (i) who qualifies as a resident of North Carolina in
17 accordance with definitions of residency that may from time to time be
18 adopted by the Board of Governors of The University of North
19 Carolina and published in the residency manual of the Board, and (ii)
20 who has not received a bachelors degree, or qualified therefor, and
21 who is otherwise classified as an undergraduate under such regulations
22 as the Board of Governors of The University of North Carolina may
23 promulgate. Qualification for in-State tuition under G.S. 116-143.3
24 makes a person a "student" as defined in this subdivision.

25 (b) ~~Eligibility.~~ Eligibility of Full-Time and Part-Time Undergraduates. – A
26 student is eligible for a State grant under this section for an academic year if the student
27 is a ~~full-time~~ North Carolina undergraduate student attending an institution as defined
28 by this section and is not eligible for a similar State grant under another State program
29 for the same academic year. A full-time North Carolina undergraduate student shall be
30 eligible for the full amount of the State grant provided by this section. A part-time North
31 Carolina undergraduate student who is enrolled to take at least six hours of academic
32 credit per semester shall be eligible for a State grant under this section calculated on a
33 pro rata basis.

34 (b1) Eligibility of Licensure Students. – Each full-time licensure student who is
35 enrolled in a program intended to result in a license in teaching or nursing shall also be
36 eligible for the State grant provided by this section. The State grant provided by this
37 section shall be paid on a pro rata basis to any part-time licensure student who is
38 enrolled to take at least six hours of undergraduate academic credit per semester in a
39 program intended to result in a license in teaching or nursing at an approved institution.
40 The State grant and prorated State grant authorized under this subsection shall be paid
41 for undergraduate courses only. If a course is required for licensure, but is designated as
42 both an undergraduate and graduate course, for purposes of this subsection, the course
43 shall be considered an undergraduate course.

44 (c) Administration. – The State grants provided for in this section shall be
45 administered by the State Education Assistance Authority pursuant to rules adopted by
46 the State Education Assistance Authority not inconsistent with this section. The State
47 Education Assistance Authority shall pay the State grant to each student eligible under
48 this section. The amount of the grant shall be determined by the General Assembly. The
49 State grant shall be paid to a student only after the student completes the academic year.
50 The grant shall be paid directly to the student on or after July 1 following the
51 completion of the academic year. The State Education Assistance Authority shall not

1 remit any grant until it receives proper certification from an institution that the student
2 applying for the grant is an eligible student.

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

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

9 (2) Each part-time student or part-time licensure student eligible for a
10 prorated grant under this section shall receive a pro rata share of the
11 funds for the prorated grant then available for the appropriate
12 academic year within the fiscal period covered by the current
13 appropriation.

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

15 (f) A State grant authorized by this act shall be reduced by twenty-five percent
16 (25%) for any individual student who has completed 140 semester credit hours or the
17 equivalent of 140 semester credit hours.

18 (f1) The State Education Assistance Authority shall document the number of
19 full-time equivalent and part-time North Carolina undergraduate students and the
20 number of licensure students that are enrolled in private institutions and the State funds
21 collected by students at each institution under this section. The State Education
22 Assistance Authority shall report those findings to the Secretary of Administration, the
23 House and Senate Appropriations Subcommittees on Education, and the Joint
24 Legislative Education Oversight Committee.

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

26 (1) Is incarcerated in a State or federal correctional facility for committing
27 a Class A, B, B1, or B2 felony; or

28 (2) Is incarcerated in a State or federal correctional facility for committing
29 a Class C through I felony and is not eligible for parole or release
30 within 10 years."

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

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

40 PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

42 PHYSICIAN SERVICES

43 **SECTION 10.1.** With the approval of the Office of State Budget and
44 Management, the Department of Health and Human Services may use funds
45 appropriated in this act for across-the-board salary increases and performance pay to
46 offset similar increases in the costs of contracting with private and independent
47 universities for the provision of physician services to clients in facilities operated by the
48 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.
49 This offsetting shall be done in the same manner as is currently done with the
50 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.

NONMEDICAID 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

1 providers in non-Medicaid medical service programs, retroactive adjustments to claims
 2 already paid shall not be required.

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

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

13	DSB Medical Eye Care	125% FPL
14	DSB Independent Living <55	125% FPL
15	DSB Independent Living 55>	200% FPL
16	DSB Vocational Rehabilitation	125%
17	DVR Independent Living <55	125% FPL
18	DVR Independent Living 55>	125% FPL
19	DVR Vocational Rehabilitation	125%

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

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

35	<u>Income</u>	<u>State Participation</u>	<u>Client Participation</u>
36	(% of poverty)		
37	0-150%	100%	0%
38	151-200%	75%	25%
39	201-250%	50%	50%
40	251-300%	25%	75%
41	300% and over	0%	100%

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

45
 46 **COMMUNITY HEALTH CENTER CHANGES**

47 **SECTION 10.6.(a)** Of the funds appropriated in this act for Community
 48 Health Grants, the sum of seven million dollars (\$7,000,000) in recurring funds for the
 49 2007-2008 fiscal year and the sum of two million dollars (\$2,000,000) for the 2008-2009
 50 fiscal year shall be allocated to federally qualified health centers and those health
 51 centers that meet the criteria for federally qualified health centers, State-designated rural

1 health centers, free clinics, public health departments, school-based health centers, and
2 other nonprofit organizations that provide primary and preventative medical services to
3 uninsured or medically indigent patients to:

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

15 Grant funds may not be used to enhance or increase compensation or other
16 benefits of personnel, administrators, directors, consultants, or any other parties. Grant
17 funds may not be used to supplant federal funds traditionally received by federally
18 qualified community health centers and may not be used to finance or satisfy any
19 existing debt. In distributing funds, the Department of Health and Human Services shall
20 consider the availability of other funds for the agency, the incidence of poverty or
21 indigent clients served, arrangements for after-hours care, and collaboration with the
22 applicant's community hospital and other safety-net organizations.

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

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

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

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

45 **FUNDS TO ASSIST RURAL HOSPITALS**

46 **SECTION 10.7.** Of the funds appropriated in this act to the Department of
47 Health and Human Services, Office of Rural Health and Community Care, the sum of
48 two million dollars (\$2,000,000) for the 2007-2008 fiscal year and the sum of two
49 million dollars (\$2,000,000) for the 2008-2009 fiscal year shall be allocated to small
50

1 rural hospitals in need of assistance with the operations and infrastructure maintenance
2 of the hospital. These funds may be used for:

- 3 (1) Capital and operational needs of small rural hospitals. The Office of
4 Rural Health and Community Care shall convene an advisory group to
5 establish criteria for distribution of these funds. The criteria shall
6 include the number of indigent patients served, the number of
7 Medicaid recipients served, the per capita income of the area served by
8 the hospital, and the financial needs of the hospital; and
9 (2) Pilot demonstration programs that address issues critical to the
10 long-term survivability of rural hospitals such as: development of
11 regional care networks for mental health services; restructuring of
12 emergency department and outpatient services; and disease-focused
13 regional referral and care networks. The Office of Rural Health and
14 Community Care shall convene an advisory group to establish criteria
15 for the pilot demonstration projects, distribution of funds, and
16 monitoring and evaluation of the pilot projects.

17 The Office of Rural Health and Community Care shall report on the
18 allocation of funds appropriated under this section to the Senate Appropriations
19 Committee on Health and Human Services, the House of Representatives
20 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
21 Division not later than March 1, 2008.

22 23 **TRANSFER SHIIP FUNDS TO DEPARTMENT OF INSURANCE**

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

31 32 **COLLABORATION AMONG DEPARTMENTS OF ADMINISTRATION, 33 HEALTH AND HUMAN SERVICES, JUVENILE JUSTICE AND 34 DELINQUENCY PREVENTION, AND PUBLIC INSTRUCTION ON 35 SCHOOL-BASED CHILD AND FAMILY TEAM INITIATIVE**

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

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

- 1 b. One child, one team, one plan;
- 2 c. Individualized strengths-based care;
- 3 d. Accountability;
- 4 e. Cultural competence;
- 5 f. Children at risk of school failure or out-of-home placement may
- 6 enter the system through any participating agency;
- 7 g. Services shall be specified, delivered, and monitored through a
- 8 unified Child and Family Plan that is outcome-oriented and
- 9 evaluation-based;
- 10 h. Services shall be the most efficient in terms of cost and
- 11 effectiveness and shall be delivered in the most natural settings
- 12 possible;
- 13 i. Out-of-home placements for children shall be a last resort and
- 14 shall include concrete plans to bring the children back to a
- 15 stable, permanent home, their schools, and their community;
- 16 and
- 17 j. Families and consumers shall be involved in decision making
- 18 throughout service planning, delivery, and monitoring.
- 19 (2) Program goals and services. – In order to ensure that children
- 20 receiving services are appropriately served, the affected State and local
- 21 agencies shall:
- 22 a. Increase capacity in the school setting to address the academic,
- 23 health, mental health, social, and legal needs of children.
- 24 b. Ensure that children receiving services are screened initially to
- 25 identify needs and assessed periodically to determine progress
- 26 and sustained improvement in educational, health, safety,
- 27 behavioral, and social outcomes.
- 28 c. Develop uniform screening mechanisms and a set of outcomes
- 29 that are shared across affected agencies to measure children's
- 30 progress in home, school, and community settings.
- 31 d. Promote practices that are known to be effective based upon
- 32 research or national best practice standards.
- 33 e. Review services provided across affected State agencies to
- 34 ensure that children's needs are met.
- 35 f. Eliminate cost shifting and facilitate cost-sharing among
- 36 governmental agencies with respect to service development,
- 37 service delivery, and monitoring for participating children and
- 38 their families.
- 39 g. Participate in a local memorandum of agreement signed
- 40 annually by the participating superintendent of the local LEA,
- 41 directors of the county departments of social services and
- 42 health, director of the local management entity, the chief district
- 43 court judge, and the chief district court counselor.
- 44 (3) Local level responsibilities. – In coordination with the North Carolina
- 45 Child and Family Leadership Council (Council), the local board of
- 46 education shall establish the School-Based Child and Family Team
- 47 Initiative (Initiative) at designated schools and shall appoint the Child
- 48 and Family Team Leaders who shall be a school nurse and a school
- 49 social worker. Each local management entity that has any selected
- 50 schools in its catchment area shall appoint a Care Coordinator, and any
- 51 department of social services that has a selected school in its

1 catchment area shall appoint a Child and Family Teams Facilitator.
2 The Care Coordinators and Child and Family Team Facilitators shall
3 have as their sole responsibility working with the selected schools in
4 their catchment areas and shall provide training to school-based
5 personnel, as required. The Child and Family Team Leaders shall
6 identify and screen children who are potentially at risk of academic
7 failure or out-of-home placement due to physical, social, legal,
8 emotional, or developmental factors. Based on the screening results,
9 responsibility for developing, convening, and implementing the Child
10 and Family Team Initiative is as follows:

- 11 a. School personnel shall take the lead role for those children and
12 their families whose primary unmet needs are related to
13 academic achievement.
- 14 b. The local management entity shall take the lead role for those
15 children and their families whose primary unmet needs are
16 related to mental health, substance abuse, or developmental
17 disabilities and who meet the criteria for the target population
18 established by the Division of Mental Health, Developmental
19 Disabilities, and Substance Abuse Services.
- 20 c. The local department of public health shall take the lead role for
21 those children and their families whose primary unmet needs
22 are health-related.
- 23 d. Local departments of social services shall take the lead for
24 those children and their families whose primary unmet needs
25 are related to child welfare, abuse, or neglect.
- 26 e. The chief district court counselor shall take the lead for those
27 children and their families whose primary unmet needs are
28 related to juvenile justice issues.

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

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

- 37 a. The number of and other demographic information on children
38 screened and assigned to a team and a description of the
39 services needed by and provided to these children;
- 40 b. The number of and information about children assigned to a
41 team who are placed in programs or facilities outside the child's
42 home or outside the child's county and the average length of
43 stay in residential treatment;
- 44 c. The amount and source of funds expended to implement the
45 Initiative;
- 46 d. Information on how families and consumers are involved in
47 decision making throughout service planning, delivery, and
48 monitoring;
- 49 e. Other information as required by the Council to evaluate
50 success in local programs and ensure appropriate outcomes; and
51 f. Recommendations on needed improvements.

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

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

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

- 19 (1) Leadership Council established; location. – There is established the
20 North Carolina Child and Family Leadership Council (Council). The
21 Council shall be located within the Department of Administration for
22 organizational and budgetary purposes.
- 23 (2) Purpose. – The purpose of the Council is to review and advise the
24 Governor in the development of the School-Based Child and Family
25 Team Initiative and to ensure the active participation and collaboration
26 in the Initiative by all State agencies and their local counterparts
27 providing services to children in participating counties in order to
28 increase the academic success and reduce out-of-home and
29 out-of-county placements of children at risk of academic failure.
- 30 (3) Membership. – The Superintendent of Public Instruction and the
31 Secretary of Health and Human Services shall serve as co-chairs of the
32 Council. Council membership shall include the Secretary of the
33 Department of Juvenile Justice and Delinquency Prevention, the
34 Chairman of the State Board of Education, the Director of the
35 Administrative Office of the Courts, and other members as appointed
36 by the Governor.
- 37 (4) The Council shall:
- 38 a. Sign an annual memorandum of agreement (MOA) among the
39 named State agencies to define the purposes of the program and
40 to ensure that program goals are accomplished.
 - 41 b. Resolve State policy issues, as identified at the local level,
42 which interfere with effective implementation of the
43 School-Based Child and Family Team Initiative.
 - 44 c. Direct the integration of resources, as needed, to meet goals and
45 ensure that the Initiative promotes the most effective and
46 efficient use of resources and eliminates duplication of effort.
 - 47 d. Establish criteria for defining success in local programs and
48 ensure appropriate outcomes.
 - 49 e. Develop an evaluation process, based on expected outcomes, to
50 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.

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

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

- 28 (1) Provide only those treatment services that are medically necessary.
- 29 (2) Implement utilization review of services provided.
- 30 (3) Adopt the following guiding principles for the provision of services:
 - 31 a. Service delivery system must be outcome-oriented and
32 evaluation-based.
 - 33 b. Services should be delivered as close as possible to the child's
34 home.
 - 35 c. Services selected should be those that are most efficient in
36 terms of cost and effectiveness.
 - 37 d. Services should not be provided solely for the convenience of
38 the provider or the client.
 - 39 e. Families and consumers should be involved in decision making
40 throughout treatment planning and delivery.
 - 41 f. Services shall be specified, delivered, and monitored through a
42 unified Child and Family Plan incorporating the principles of
43 one-child-one-team-one-plan.
 - 44 g. Out-of-home placements for children shall be a last resort and
45 shall include concrete plans to bring the children back to a
46 stable, permanent home, their schools, and their community.
- 47 (4) Implement all of the following cost-reduction strategies:
 - 48 a. Preauthorization for all services except emergency services.
 - 49 b. Levels of care to assist in the development of treatment plans.
 - 50 c. Clinically appropriate services.

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

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

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

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

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

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

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

- 51 (1) The amount of Program funding allocated and expended by each LME.

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

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

8 "Article 24.

9 "The Legislative Study Commission on Children and Youth.

10 **"§ 120-215. Commission created; purpose.**

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

16 **"§ 120-216. Commission duties.**

17 The Commission shall have the following duties:

- 18 (1) Study the needs of children and youth. This study shall include, but is
19 not limited to:
- 20 a. Determining the adequacy and appropriateness of services:
 - 21 1. To children and youth receiving child welfare services;
 - 22 2. To children and youth in the juvenile court system; ~~and~~
 - 23 3. Provided by the Division of Social Services and the
24 Department of Juvenile Justice and Delinquency
25 ~~Prevention.~~ Prevention;
 - 26 4. To children and youth served by the Mental Health,
27 Developmental Disabilities, and Substance Abuse
28 Services system.
 - 29 b. Developing methods for identifying and providing services to
30 children and youth not receiving but in need of child welfare
31 services, children and youth at risk of entering the juvenile
32 court system, and children and youth exposed to domestic
33 violence situations.
 - 34 c. Developing strategies for addressing the issues of school
35 dropout, teen suicide, and adolescent pregnancy.
 - 36 d. Identifying and evaluating the impact on children and youth of
37 other economic and environmental issues.
 - 38 e. Identifying obstacles to ensuring that children who are in secure
39 or nonsecure custody are placed in safe and permanent homes
40 within a reasonable period of time and recommending strategies
41 for overcoming those obstacles. The Commission shall consider
42 what, if anything, can be done to expedite the adjudication and
43 appeal of abuse and neglect charges against parents so that
44 decisions may be made about the safe and permanent placement
45 of their children as quickly as possible.
- 46 (2) Evaluate problems associated with juveniles who are beyond the
47 disciplinary control of their parents, including juveniles who are
48 runaways, and develop solutions for addressing the problems of those
49 juveniles.
- 50 (3) Identify strategies for the development and funding of a
51 comprehensive statewide database relating to children and youth to

1 facilitate State agency planning for delivery of services to children and
2 youth.

- 3 (4) Conduct any other studies, evaluations, or assessments necessary for
4 the Commission to carry out its purpose.

5 **"§ 120-217. Commission membership; terms; compensation.**

6 (a) The Commission shall consist of ~~25-26~~ members, as follows:

- 7 (1) Eleven members appointed by the Speaker of the House of
8 Representatives, among them:

9 a. ~~Four-Five~~ shall be members of the House of Representatives at
10 the time of their appointment, of whom at least one shall also
11 serve on the House of Representatives Appropriations
12 Subcommittee on Health and Human Services, one of whom
13 also serves on the Joint Legislative Education Oversight
14 Committee, one of whom also serves on the Joint Legislative
15 Oversight Committee on Mental Health, Developmental
16 Disabilities, and Substance Abuse Services, and one of whom
17 also serves on the House of Representatives Appropriations
18 Subcommittee on Justice and Public Safety,

19 b. One shall be the director of a local health department,

20 c. One shall be the director of a county department of social
21 services,

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

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

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

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

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

34 a. ~~Four-Five~~ shall be members of the Senate at the time of their
35 appointment, of whom at least one shall also serve on the
36 Senate Appropriations Committee on Health and Human
37 Services, at least one of whom shall also serve on the Joint
38 Legislative Education Oversight Committee, at least one of
39 whom shall also serve on the Joint Legislative Oversight
40 Committee on Mental Health, Developmental Disabilities, and
41 Substance Abuse Services, and at least one of whom also serves
42 on the Senate Appropriations Committee on Justice and Public
43 Safety,

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

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

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

- 1 e. One shall be a licensed attorney whose practice includes the
 2 representation of parents accused of criminal or civil abuse or
 3 neglect, ~~and~~
 4 f. One shall be a chief district court judge recommended by the
 5 Council of Chief District ~~Judges.~~ Judges,
 6 g. One shall be a representative from ~~the North Carolina Child~~
 7 ~~Advocacy Institute.~~ Action for Children of North Carolina, and
 8 h. One shall be a representative from the North Carolina Child
 9 Fatality Task Force.

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

- 12 a. The Secretary of Health and Human Services, or the Secretary's
 13 designee,
 14 b. The State Superintendent of Public Instruction, or the
 15 Superintendent's designee,
 16 c. The Secretary of Administration, or the Secretary's designee,
 17 and
 18 d. The Director of the Administrative Office of the Courts, or the
 19 Director's designee.

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

24 (c) Commission members shall receive no salary as a result of serving on the
 25 Commission ~~and the Task Force on the Coordination of Children's Services~~ but shall
 26 receive necessary subsistence and travel expenses in accordance with G.S. 120-3.1,
 27 138-5, and 138-6, as applicable.

28 **"§ 120-218. Commission meetings; public hearings; staff.**

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

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

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

44 **"§ 120-219. Commission reports.**

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

48 **"§ 120-220. Commission authority.**

49 The Commission ~~and the Task Force on the Coordination of Children's Services~~ has
 50 the authority to obtain information and data from all State officers, agents, agencies, and

1 departments, while in discharge of its duties, pursuant to G.S. 120-19, as if it were a
2 committee of the General Assembly.

3 **"§ 120-221. Task Force on the Coordination of Children's Services.**

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

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

9 a. The Commission member who serves on the House of
10 Representatives Appropriations Subcommittee on Health and
11 Human Services, and the Commission member who is a
12 member of the House of Representatives and who also serves
13 on the Legislative Oversight Committee on Mental Health,
14 Developmental Disabilities, and Substance Abuse Services,

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

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

19 d. The Commission member who is the director of a county
20 department of social services.

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

23 a. The Commission member who is a member of the Senate and
24 serves on the Joint Legislative Education Oversight Committee,
25 and the Commission member who serves on the Senate
26 Appropriations Committee on Justice and Public Safety,

27 b. The Commission member who represents a local board of
28 education,

29 c. The Commission member who is a representative of Action for
30 Children of North Carolina, and

31 d. The Commission member who is the director of an area
32 authority or county program.

33 (3) One designee of each of the following ex officio Commission
34 members:

35 a. The Secretary of Health and Human Services,

36 b. The Superintendent of Public Instruction, and

37 c. The Secretary of Administration.

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

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

46 (1) Identify existing State, regional, and local collaborative bodies
47 (including their charges, scopes of authority, and accountability
48 requirements) that have been created by legislation, administrative
49 rule, or agency policy and that are charged with serving, protecting, or
50 improving the well-being of North Carolina's children, youth, and
51 families. Once it has identified the collaborative bodies, the Task

1 Force shall consider how they could be consolidated, reorganized, or
2 eliminated in order to improve their effectiveness and accountability,
3 increase the likelihood that key players will actively participate, and
4 reduce unnecessary duplication of effort. The Task Force shall also
5 consider the creation of a mechanism for coordination and
6 communication among the State and local collaborative bodies,
7 incentives for collaboration, clarification of roles among agencies, and
8 ways to monitor the extent to which groups are collaborating.

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

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

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

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

26 c. Services should actively promote early identification and
27 intervention.

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

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

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

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

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

38 i. Services shall be culturally competent.

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

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

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

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

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

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

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

23 24 **SENIOR CENTER OUTREACH**

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

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

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

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

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

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

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

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

40 **SECTION 10.11.(c)** State funding shall not exceed seventy-five percent
41 (75%) of reimbursable costs.

42 43 **QUALITY IMPROVEMENT CONSULTATION PROGRAM FOR ADULT** 44 **CARE HOMES**

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

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

5 The Program will address the following topics:

- 6 (1) Principles and philosophies that are resident-centered and promote
7 independence, dignity, and choice for residents;
- 8 (2) Approaches to develop continuous quality improvement with a focus
9 on resident satisfaction and optimal outcomes;
- 10 (3) Dissemination of best practice models that have been used successfully
11 elsewhere;
- 12 (4) A determination of the availability of standardized instruments, and
13 their use to the extent possible, to assess and measure adult care home
14 performance according to quality of life indicators;
- 15 (5) Utilization of quality improvement plans for adult care homes that
16 identify and resolve issues that adversely affect quality of care and
17 services to residents. The plans include agreed upon time frames for
18 completion of improvements and identification of needed resources;
- 19 (6) Training required to equip county departments of social services' staff
20 to implement the Program;
- 21 (7) A distinction of roles between the regulatory role of the Department's
22 Division of Facility Services and the quality improvement consultation
23 and monitoring responsibilities of the county departments of social
24 services; and
- 25 (8) Identification of staffing and other resources needed to implement the
26 Program.

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

41 42 **STATE-COUNTY SPECIAL ASSISTANCE**

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

49 **SECTION 10.13.(b)** Effective January 1, 2007, the maximum monthly rate
50 for residents in adult care home facilities shall be one thousand one hundred forty-eight

1 dollars (\$1,148) per month per resident unless adjusted by the Department in
2 accordance with subsection (e) of this section.

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

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

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

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

48 **SPECIAL ASSISTANCE IN-HOME**

49 **SECTION 10.14.(a)** Part 3 of Article 2 of Chapter 108A of the General
50 Statutes is amended by adding the following new section to read:
51

1 **"§ 108A-47.1. Special Assistance in-home payments.**

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

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

21
 22 **CHILD CARE SUBSIDY RATES**

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

26 **SECTION 10.15.(b)** Fees for families who are required to share in the cost
 27 of care shall be established based on a percent of gross family income and adjusted for
 28 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%.

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

- 35 (1) Religious-sponsored child care facilities operating pursuant to
 36 G.S. 110-106 and licensed child care centers and homes that meet the
 37 minimum licensing standards that are participating in the subsidized
 38 child care program shall be paid the one-star county market rate or the
 39 rate they charge privately paying parents, whichever is lower.
- 40 (2) Licensed child care centers and homes with two or more stars shall
 41 receive the market rate for that rated license level for that age group or
 42 the rate they charge privately paying parents, whichever is lower.
- 43 (3) Nonlicensed homes shall receive fifty percent (50%) of the county
 44 market rate or the rate they charge privately paying parents, whichever
 45 is lower.
- 46 (4) Maximum payment rates shall also be calculated periodically by the
 47 Division of Child Development for transportation to and from child
 48 care provided by the child care provider, individual transporter, or
 49 transportation agency, and for fees charged by providers to parents.
 50 These payment rates shall be based upon information collected by
 51 market rate surveys.

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

- 4 (1) Except as applicable in subdivision (2) of this subsection, payment
5 rates shall be set at the statewide or regional market rate for licensed
6 child care centers and homes.
7 (2) If it can be demonstrated that the application of the statewide or
8 regional market rate to a county with fewer than 50 children in each
9 age group is lower than the county market rate and would inhibit the
10 ability of the county to purchase child care for low-income children,
11 then the county market rate may be applied.

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

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

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

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

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

- 39 (1) The child for whom a child care subsidy is sought is receiving child
40 protective services or foster care services.
41 (2) The child for whom a child care subsidy is sought is developmentally
42 delayed or at risk of being developmentally delayed.
43 (3) The child for whom a child care subsidy is sought is a citizen of the
44 United States.

45 **CHILD CARE ALLOCATION FORMULA**

46 **SECTION 10.16.(a)** The Department of Health and Human Services shall
47 allocate child care subsidy voucher funds to pay the costs of necessary child care for
48 minor children of needy families. The mandatory thirty percent (30%) Smart Start
49 subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each
50 county's child care subsidy allocation. The Department of Health and Human Services
51

1 shall use the following method when allocating federal and State child care funds, not
2 including the aggregate mandatory thirty percent (30%) Smart Start subsidy allocation:

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

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

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

13 **SECTION 10.16.(c)** Notwithstanding subsection (a) of this section, the
14 Department of Health and Human Services shall allocate up to twelve million dollars
15 (\$12,000,000) in federal block grant funds and State funds appropriated for fiscal years
16 2007-2008 and 2008-2009 for child care services. These funds shall be allocated to
17 prevent termination of child care services. Funds appropriated for specific purposes,
18 including market rate adjustments, may also be allocated by the Department separately
19 from the allocation formula described in subsection (a) of this section.

20 **CHILD CARE FUNDS MATCHING REQUIREMENT**

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

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

37 **CHILD CARE REVOLVING LOAN**

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

44 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES**

45 **ENHANCEMENTS**

46 **SECTION 10.19.(a)** Administrative costs shall be equivalent to, on an
47 average statewide basis for all local partnerships, not more than eight percent (8%) of
48 the total statewide allocation to all local partnerships. For purposes of this subsection,
49
50
51

1 administrative costs shall include costs associated with partnership oversight, business
2 and financial management, general accounting, human resources, budgeting,
3 purchasing, contracting, and information systems management.

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

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

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

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

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

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

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

14 **SECTION 10.19.(e)** The Department of Health and Human Services and the
15 North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds
16 for Early Childhood Education and Development Initiatives for State fiscal years
17 2007-2008 and 2008-2009 shall be administered and distributed in the following
18 manner:

- 19 (1) Capital expenditures are prohibited for fiscal years 2007-2008 and
20 2008-2009. For the purposes of this section, "capital expenditures"
21 means expenditures for capital improvements as defined in
22 G.S. 143-34.40.
23 (2) Expenditures of State funds for advertising and promotional activities
24 are prohibited for fiscal years 2007-2008 and 2008-2009.

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

32 **SECTION 10.19.(g)** For fiscal years 2007-2008 and 2008-2009, the local
33 partnerships shall spend an amount for child care subsidies that provides at least
34 fifty-two million dollars (\$52,000,000) for the TANF maintenance of effort requirement
35 and the Child Care Development Fund and Block Grant match requirement.
36

37 **EVALUATION OF EDUCATIONAL SERVICES TO STUDENTS WITH** 38 **HEARING AND VISUAL IMPAIRMENTS**

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

- 42 (1) Collaborate in an evaluation of the State's entire service delivery
43 model for deaf and blind students, including special needs of the
44 students resulting from additional disabilities other than hearing and
45 visual impairments, the training needs of professional staff, access to
46 assistive technology, and curriculum content.
47 (2) Determine whether the State's schools for the deaf and blind should
48 remain under the purview of the Department of Health and Human
49 Services or if management of the schools should be transferred to the
50 Department of Public Instruction.

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

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

7
8 **EARLY INTERVENTION SERVICES REPORT**

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

- 13 (1) Children served: the number of children referred and the source of
14 referral, the number of children receiving initial evaluations, the
15 number of children determined eligible, the number of children
16 enrolled, and the number of IFS Plans developed.
- 17 (2) Services provided: the number and types of evaluation services,
18 treatment services, and other services provided and whether the service
19 was provided by an employee of a children's developmental services
20 agency or a private provider.
- 21 (3) Sliding scale participation: the percentage of enrolled children whose
22 family income falls into each of the following categories: at or below
23 two hundred percent (200%) of the federal poverty level, between two
24 hundred fifty percent (250%) and three hundred percent (300%) of the
25 federal poverty level, between three hundred fifty percent (350%) and
26 four hundred percent (400%) of the federal poverty level, and over
27 four hundred percent (400%) of the federal poverty level. These
28 percentages shall be reported based on gross income and net income
29 after allowable deductions.

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

34
35 **COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES**
36 **INITIATIVE**

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

49 Of the seven hundred fifty thousand dollars (\$750,000) in recurring funds
50 appropriated in this act to the Department of Health and Human Services, Division of
51 Public Health, for the Health Disparities Initiative in the 2007-2008 fiscal year, the

1 Department of Health and Human Services, Division of Public Health, shall allocate the
2 sum of five hundred thousand dollars (\$500,000) in the 2007-2008 fiscal year into a
3 special fund to be established by the Department as the Lucas, Holloman, Martin, Allen,
4 Hunter, and Hall Minority Health Initiative Fund to honor the memory of and in
5 recognition of the recent deaths of Senators Holloman, Lucas, and Bill Martin, and
6 Representatives Bernard Allen, Howard Hunter, and John Hall. These funds shall be
7 used for concerted efforts to address large gaps in health status among North
8 Carolinians who are African-American, as well as disparities among other minority
9 populations in North Carolina. These efforts shall include:

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

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

- 19 (1) Which community programs and local health departments received
20 CFEHDI grants.
- 21 (2) What amount of funding did each program or local health department
22 receive.
- 23 (3) Which of the minority populations were served by the programs or
24 local health departments.
- 25 (4) Which counties were served by the programs or local health
26 departments.
- 27 (5) What activities were planned and implemented by the programs or
28 local health departments to fulfill the community focus of the CFEHDI
29 program.

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

43 **FUNDS FOR SCHOOL NURSES**

44 **SECTION 10.23.(a)** Of the funds appropriated in this act to the Department
45 of Health and Human Services, the sum of four million dollars (\$4,000,000) for the
46 2007-2008 fiscal year and the sum of four million dollars (\$4,000,000) for the
47 2008-2009 fiscal year shall be used for the school nurse initiative. All funds
48 appropriated or allocated for school nurses shall be used to supplement and not supplant
49 other State, local, or federal funds appropriated or allocated for this purpose.
50 Communities shall maintain their current level of effort and funding for school nurses.
51

1 These funds shall not be used for funding nurses for State agencies. All funds shall be
2 used for direct services.

3 **SECTION 10.23.(b)** All school nurses funded with State funds shall
4 participate, as needed, in child and family teams.
5

6 **PUBLIC HEALTH FUNDS TO AID COUNTIES**

7 **SECTION 10.24.** Of the funds appropriated in this act to the Department of
8 Health and Human Services, Division of Public Health, the sum of four million dollars
9 (\$4,000,000) for the 2007-2008 fiscal year and the sum of four million dollars
10 (\$4,000,000) for the 2008-2009 fiscal year shall be allocated as noncategorical General
11 Aid to County funds to improve the delivery of the 10 essential public health services,
12 including prevention activities that focus on the prevention of suicide among
13 adolescents and young adults, in all counties. These funds shall not be used to supplant
14 existing State, federal, county, or other funds allocated for this purpose.
15

16 **HEALTH PROMOTION AND DISEASE PREVENTION INVENTORY AND** 17 **PLAN**

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

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

- 34 (1) Rate of infant mortality.
- 35 (2) Rate of adolescent pregnancy.
- 36 (3) Rates of cancer, heart disease, and diabetes.
- 37 (4) Number of persons without health insurance.
- 38 (5) Median income.
- 39 (6) Percent of county population enrolled in Medicaid.
- 40 (7) Percent of the population that is minority.

41 **SECTION 10.25.(c)** The Department shall report on the inventory and the
42 plan not later than February 1, 2008, to the House of Representatives Appropriations
43 Subcommittee on Health and Human Services, the Senate Appropriations Committee on
44 Health and Human Services, and the Fiscal Research Division.
45

46 **AIDS DRUG ASSISTANCE PROGRAM**

47 **SECTION 10.26.** For the 2007-2008 fiscal year and the 2008-2009 fiscal
48 year, the Department may adjust the financial eligibility criterion of the ADAP up to an
49 amount not exceeding two hundred fifty percent (250%) of the federal poverty level in
50 order to serve as many eligible North Carolinians living with HIV disease as possible
51 within existing resources plus any new federal resources. If the Department raises the

1 eligibility limit above one hundred twenty-five percent (125%) of the federal poverty
2 level and a waiting list develops as a result, the Department shall give priority on the
3 waiting list to those individuals at or below one hundred twenty-five percent (125%) of
4 the federal poverty level.
5

6 **HIV AND HEPATITIS-C PREVENTION PROGRAM**

7 **SECTION 10.27.** Funds appropriated in this act to the Department of Health
8 and Human Services, Division of Public Health, for HIV prevention may also be used
9 by the State Health Director and local health departments to implement three
10 community-based harm reduction programs as part of a comprehensive Hepatitis C and
11 HIV disease prevention program. These funds shall be used to support these programs
12 in providing case management services, outreach, transportation, referrals for housing
13 and medical care, and other services that will further the purpose of HIV and Hepatitis-
14 C prevention. Pursuant to G.S. 90-113.22, these funds shall not be used to provide
15 access to sterile syringes.
16

17 **FUNDS FOR UNC SCHOOL OF MEDICINE OASIS PROGRAM**

18 **SECTION 10.27A.** Notwithstanding any other provision of this act, of the
19 funds appropriated in this act to the Department of Health and Human Services,
20 Division of Public Health, for Purchase of Medical Care for Cancer, the sum of one
21 hundred thousand dollars (\$100,000) for the 2007-2008 fiscal year, and the sum of one
22 hundred thousand dollars (\$100,000) for the 2008-2009 fiscal year, shall be allocated to
23 the UNC School of Medicine Department of Psychiatry for the OASIS Program.
24

25 **CHILD SUPPORT PROGRAM/ENHANCED STANDARDS**

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

- 30 (1) Cost per collections.
- 31 (2) Consumer satisfaction.
- 32 (3) Paternity establishments.
- 33 (4) Administrative costs.
- 34 (5) Orders established.
- 35 (6) Collections on arrearages.
- 36 (7) Location of absent parents.
- 37 (8) Other related performance measures.

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

44 **SECTION 10.28.(b)** The Department of Health and Human Services shall
45 report on its progress, in compliance with this section, to the Senate Appropriations
46 Committee on Health and Human Services, the House of Representatives
47 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
48 Division by May 1 of each even-numbered year beginning in 2008.
49

50 **FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS**

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

- 3 (1) \$390.00 per child per month for children aged birth through 5;
- 4 (2) \$440.00 per child per month for children aged 6 through 12; and
- 5 (3) \$490.00 per child per month for children aged 13 through 18.

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

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

- 10 (1) \$390.00 per child per month for children aged birth through 5;
- 11 (2) \$440.00 per child per month for children aged 6 through 12; and
- 12 (3) \$490.00 per child per month for children aged 13 through 18.

13 **SECTION 10.29.(c)** In addition to providing board payments to foster and
14 adoptive families of HIV-infected children, as prescribed in Section 23.28 of Chapter
15 324 of the 1995 Session Laws, any additional funds remaining that were appropriated
16 for this purpose shall be used to provide medical training in avoiding HIV transmission
17 in the home.

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

- 20 (1) \$800.00 per child per month with indeterminate HIV status;
- 21 (2) \$1,000 per child per month confirmed HIV-infected, asymptomatic;
- 22 (3) \$1,200 per child per month confirmed HIV-infected, symptomatic; and
- 23 (4) \$1,600 per child per month terminally ill with complex care needs.

24 25 **CHILD CARING INSTITUTIONS**

26 **SECTION 10.30.** Until the Social Services Commission adopts rules setting
27 standardized rates for child caring institutions as authorized under G.S. 143B-153(8),
28 the maximum reimbursement for child caring institutions shall not exceed the rate
29 established for the specific child caring institution by the Department of Health and
30 Human Services, Office of the Controller. In determining the maximum reimbursement,
31 the State shall include county and IV-E reimbursements.
32

33 **SPECIAL CHILDREN ADOPTION FUND**

34 **SECTION 10.31.(a)** Of the funds appropriated to the Department of Health
35 and Human Services in this act, the sum of one hundred thousand dollars (\$100,000)
36 shall be used to support the Special Children Adoption Fund for the 2007-2008 and
37 2008-2009 fiscal years. The Division of Social Services, in consultation with the North
38 Carolina Association of County Directors of Social Services and representatives of
39 licensed private adoption agencies, shall develop guidelines for the awarding of funds to
40 licensed public and private adoption agencies upon the adoption of children described in
41 G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption
42 Fund by participating agencies shall be used exclusively to enhance the adoption
43 services. No local match shall be required as a condition for receipt of these funds. In
44 accordance with State rules for allowable costs, the Special Children Adoption Fund
45 may be used for post-adoption services for families whose income exceeds two hundred
46 percent (200%) of the federal poverty level.

47 **SECTION 10.31.(b)** Of the total funds appropriated for the Special Children
48 Adoption Fund each year, twenty percent (20%) of the total funds available shall be
49 reserved for payment to participating private adoption agencies. If the funds reserved in
50 this subsection for payments to private agencies have not been spent on or before March

1 31, 2008, the Division of Social Services may reallocate those funds, in accordance with
2 this section, to other participating adoption agencies.

3 **SECTION 10.31.(c)** The Division of Social Services shall monitor the total
4 expenditures in the Special Children Adoption Fund and redistribute unspent funds to
5 ensure that the funds are used according to the guidelines established in subsection (a)
6 of this section. The Division shall implement strategies to ensure that funds that have
7 historically reverted for this program are used for the intended purpose.
8

9 **LIMITATION ON STATE ABORTION FUND**

10 **SECTION 10.32.** The limitations on funding of the performance of abortion
11 established in Section 23.27 of Chapter 324 of the 1995 Session Laws, as amended by
12 Section 23.8A of Chapter 507 of the 1995 Session Laws, apply to the 2007-2008 and
13 2008-2009 fiscal years.
14

15 **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND** 16 **PERFORMANCE ENHANCEMENTS**

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

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

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

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

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

1
2 **CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM/USE OF**
3 **ESCHEAT FUND**

4 **SECTION 10.34.(a)** There is appropriated from the Escheat Fund income to
5 the Department of Health and Human Services the sum of three million one hundred
6 seven thousand two hundred dollars (\$3,107,200) for the 2007-2008 fiscal year and the
7 sum of six million three hundred thirty-six thousand five hundred dollars (\$6,336,500)
8 for the 2008-2009 fiscal year. These funds shall be used to implement a child welfare
9 postsecondary support program for the educational needs of foster youth aging out of
10 the foster care system and special needs children adopted from foster care after age 12
11 by providing assistance with tuition, fees, room and board, books, and course-required
12 instructional materials. The Department shall collaborate with the State Education
13 Assistance Authority to develop policies and procedures for the distribution of these
14 funds.

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

20 Funds appropriated by this subsection shall be allocated by the State
21 Education Assistance Authority.

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

26 **SECTION 10.34.(b)** There is appropriated from the General Fund to the
27 Department of Health and Human Services the sum of fifty thousand dollars (\$50,000)
28 for the 2007-2008 fiscal year and the sum of fifty thousand dollars (\$50,000) for the
29 2008-2009 fiscal year to be allocated to the North Carolina State Education Assistance
30 Authority (SEAA). The SEAA shall use these funds only to perform administrative
31 functions necessary to manage and distribute scholarship funds under the child welfare
32 postsecondary support program.

33 **SECTION 10.34.(c)** There is appropriated from the General Fund to the
34 Department of Health and Human Services the sum of six hundred fifty thousand
35 dollars (\$650,000) for the 2007-2008 fiscal year and the sum of six hundred fifty
36 thousand dollars (\$650,000) for the 2008-2009 fiscal year to contract with an entity to
37 develop and administer the child welfare postsecondary support program described
38 under subsection (a) of this section.

39 **SECTION 10.34.(d)** Funds appropriated to the Department of Health and
40 Human Services for the child welfare postsecondary support program shall be used only
41 for students attending public institutions of higher education in this State.
42

43 **TANF BENEFIT IMPLEMENTATION**

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

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

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

11 12 **MEDICAID**

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

- 15 (1) Use of Funds. – Funds appropriated in this act for services provided in
16 accordance with Title XIX of the Social Security Act (Medicaid) are
17 for both the categorically needy and the medically needy.
- 18 (2) Allocation of Nonfederal Cost of Medicaid. – Except as otherwise
19 provided in this act, the State shall pay eighty-five percent (85%); the
20 county shall pay fifteen percent (15%) of the nonfederal costs of all
21 applicable services listed in this section. In addition, the State shall pay
22 eighty-five percent (85%); the county shall pay fifteen percent (15%)
23 of the federal Medicare Part D clawback payments under the Medicare
24 Modernization Act of 2004.
- 25 (3) Use of Funds for Development and Acquisition of Equipment and
26 Software. – If first approved by the Office of State Budget and
27 Management, the Division of Medical Assistance, Department of
28 Health and Human Services, may use funds that are identified to
29 support the cost of development and acquisition of equipment and
30 software and related operational costs through contractual means to
31 improve and enhance information systems that provide management
32 information and claims processing. The Department of Health and
33 Human Services shall identify adequate funds to support the
34 implementation and first year's operational costs that exceed funds
35 allocated for the 2007-2008 and 2008-2009 fiscal years for the new
36 contract for the fiscal agent for the Medicaid Management Information
37 System.
- 38 (4) Reports. – Unless otherwise provided, whenever the Department of
39 Health and Human Services is required by this section to report to the
40 General Assembly, the report shall be submitted to the House of
41 Representatives Appropriations Subcommittee for Health and Human
42 Services, the Senate Appropriations Committee on Health and Human
43 Services, and the Fiscal Research Division of the Legislative Services
44 Office. Reports shall be submitted on the date provided in the
45 reporting requirement.

46 **SECTION 10.36.(b)** Policy. –

- 47 (1) Volume purchase plans and single source procurement. – The
48 Department of Health and Human Services, Division of Medical
49 Assistance, may, subject to the approval of a change in the State
50 Medicaid Plan, contract for services, medical equipment, supplies, and
51 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
	Standard of Need &		Families and
Family Size	Families and Children Income Level	WFFA* Payment Level	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

1	5	7,776	3,888	5,200
2	6	8,376	4,188	5,600
3	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.

- 1 (8) Rural health clinical services. – Provider-based, reasonable cost;
2 non-provider-based, single-cost reimbursement rate per clinic visit.
- 3 (9) Family planning. – Negotiated rate for local health departments. For
4 other providers see specific services, e.g., hospitals, physicians.
- 5 (10) Independent laboratory and X-ray services. – Uniform fee schedules as
6 developed by the Department of Health and Human Services.
- 7 (11) Ambulatory surgical centers.
- 8 (12) Private duty nursing, clinic services, prepaid health plans.
- 9 (13) Intermediate care facilities for the mentally retarded.
- 10 (14) Chiropractors, podiatrists, optometrists, dentists.
- 11 (15) Limitations on Dental Coverage. – Dental services shall be provided
12 on a restricted basis in accordance with criteria adopted by the
13 Department to implement this subsection.
- 14 (16) Medicare Buy-In. – Social Security Administration premium.
- 15 (17) Ambulance services. – Uniform fee schedules as developed by the
16 Department of Health and Human Services. Public ambulance
17 providers will be reimbursed at cost.
- 18 (18) Optical supplies. – Payment for materials is made to a contractor in
19 accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing
20 providers are negotiated fees established by the State agency based on
21 industry charges.
- 22 (19) Medicare crossover claims. – The Department shall apply Medicaid
23 medical policy to Medicare claims for dually eligible recipients. The
24 Department shall pay an amount up to the actual coinsurance or
25 deductible or both, in accordance with the State Plan, as approved by
26 the Department of Health and Human Services.
- 27 (20) Physical therapy, occupational therapy, and speech therapy. – Services
28 limited to EPSDT-eligible children. Payments are to be made only to
29 qualified providers at rates negotiated by the Department of Health and
30 Human Services. Physical therapy, occupational therapy, and speech
31 therapy services are subject to prior approval and utilization review.
- 32 (21) Personal care services.
- 33 (22) Case management services. – Reimbursement in accordance with the
34 availability of funds to be transferred within the Department of Health
35 and Human Services.
- 36 (23) Hospice.
- 37 (24) Medically necessary prosthetics or orthotics for children. – In order to
38 be eligible for reimbursement, providers must be licensed or certified
39 by the occupational licensing board or the certification authority
40 having authority over the provider's license or certification. Medically
41 necessary prosthetics and orthotics for children are subject to prior
42 approval and utilization review.
- 43 (25) Health insurance premiums.
- 44 (26) Medical care/other remedial care. – Services not covered elsewhere in
45 this section include related services in schools; health professional
46 services provided outside the clinic setting to meet maternal and infant
47 health goals; and services to meet federal EPSDT mandates.
- 48 (27) Pregnancy-related services. – Covered services for pregnant women
49 shall include nutritional counseling, psychosocial counseling, and
50 predelivery and postpartum home visits by maternity care coordinators
51 and public health nurses.

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

16 Limitations on quantity. – The Department of Health and Human
17 Services may establish authorizations, limitations, and reviews for
18 specific drugs, drug classes, brands, or quantities in order to manage
19 effectively the Medicaid pharmacy program, except that the
20 Department shall not impose limitations on brand-name medications
21 for which there is a generic equivalent in cases where the prescriber
22 has determined, at the time the drug is prescribed, that the brand-name
23 drug is medically necessary and has written on the prescription order
24 the phrase "medically necessary".

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

50 Prior authorization. – The Department of Health and Human
51 Services shall not impose prior authorization requirements or other

1 restrictions under the State Medical Assistance Program on
2 medications prescribed for Medicaid recipients for the treatment of: (i)
3 mental illness, including, but not limited to, medications for
4 schizophrenia, bipolar disorder, and major depressive disorder, or (ii)
5 HIV/AIDS.

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

8 a. Services as defined by the Division of Mental Health,
9 Developmental Disabilities, and Substance Abuse Services and
10 approved by the Centers for Medicare and Medicaid Services
11 (CMS) when provided in agencies meeting the requirements of
12 the rules established by the Commission for Mental Health,
13 Developmental Disabilities, and Substance Abuse Services and
14 reimbursement is made in accordance with a State Plan
15 developed by the Department of Health and Human Services
16 not to exceed the upper limits established in federal regulations,
17 and

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

- 19 1. Licensed or certified psychologists, licensed clinical
20 social workers, certified clinical nurse specialists in
21 psychiatric mental health advanced practice, nurse
22 practitioners certified as clinical nurse specialists in
23 psychiatric mental health advanced practice, licensed
24 psychological associates, licensed professional
25 counselors, licensed marriage and family therapists,
26 certified clinical addictions specialists, and certified
27 clinical supervisors, when Medicaid-eligible children are
28 referred by the Community Care of North Carolina
29 primary care physician, a Medicaid-enrolled psychiatrist,
30 or the area mental health program or local management
31 entity, and
- 32 2. Institutional providers of residential services as defined
33 by the Division of Mental Health, Developmental
34 Disabilities, and Substance Abuse Services and approved
35 by the Centers for Medicare and Medicaid Services
36 (CMS) for children and Psychiatric Residential
37 Treatment Facility services that meet federal and State
38 requirements as defined by the Department.

39 c. For Medicaid-eligible adults, services provided by licensed or
40 certified psychologists, licensed clinical social workers,
41 certified clinical nurse specialists in psychiatric mental health
42 advanced practice, and nurse practitioners certified as clinical
43 nurse specialists in psychiatric mental health advanced practice,
44 licensed psychological associates, licensed professional
45 counselors, licensed marriage and family therapists, licensed
46 clinical addictions specialists, and licensed clinical supervisors,
47 Medicaid-eligible adults may be self-referred.

48 d. Payments made for services rendered in accordance with this
49 subdivision shall be to qualified providers in accordance with
50 approved policies and the State Plan. Nothing in
51 sub-subdivision b. or c. of this subdivision shall be interpreted

1 to modify the scope of practice of any service provider,
2 practitioner, or licensee, nor to modify or attenuate any
3 collaboration or supervision requirement related to the
4 professional activities of any service provider, practitioner, or
5 licensee. Nothing in sub-subdivision b. or c. of this subdivision
6 shall be interpreted to require any private health insurer or
7 health plan to make direct third-party reimbursements or
8 payments to any service provider, practitioner, or licensee.

9 Notwithstanding G.S. 150B-21.1(a), the Department of Health and
10 Human Services may adopt temporary rules in accordance with
11 Chapter 150B of the General Statutes further defining the
12 qualifications of providers and referral procedures in order to
13 implement this subdivision. Coverage policy for services defined by
14 the Division of Mental Health, Developmental Disabilities, and
15 Substance Abuse Services under sub-subdivisions a. and b.2 of this
16 subdivision shall be established by the Division of Medical Assistance.

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

- 18 (1) Payment is limited to Medicaid-enrolled providers that purchase a
19 performance bond in an amount not to exceed one hundred thousand
20 dollars (\$100,000) naming as beneficiary the Department of Health
21 and Human Services, Division of Medical Assistance, or provide to the
22 Department a validly executed letter of credit or other financial
23 instrument issued by a financial institution or agency honoring a
24 demand for payment in an equivalent amount. The Department may
25 waive or limit the requirements of this paragraph for one or more
26 classes of Medicaid-enrolled providers based on the provider's dollar
27 amount of monthly billings to Medicaid or the length of time the
28 provider has been licensed in this State to provide services. In waiving
29 or limiting requirements of this paragraph, the Department shall take
30 into consideration the potential fiscal impact of the waiver or
31 limitation on the State Medicaid Program. The Department may adopt
32 temporary rules in accordance with G.S. 150B-21.1 as necessary to
33 implement this provision.
- 34 (2) Reimbursement is available for visits per recipient per fiscal year to
35 any one or combination of the following: physicians, nurse
36 practitioners, nurse midwives, clinics, hospital outpatient, health
37 departments, optometrists, chiropractors, and podiatrists. A threshold
38 of 24 visits shall be established. Primary care providers or the
39 appropriate CCNC network shall be notified when a patient is nearing
40 the established threshold to facilitate care coordination and
41 intervention as needed. The Department shall ensure that all visits
42 beyond 50 are reviewed for medical necessity and approval on a
43 case-by-case basis. Mandatory services include those provided by
44 physicians, nurse practitioners, nurse midwives, and hospital
45 outpatient services. Optional services including those provided by
46 chiropractors, optometrists, and podiatrists shall require prior
47 authorization for each visit over eight within a fiscal year. The
48 Division of Medical Assistance shall study and evaluate changes in
49 utilization services. Prenatal services, all EPSDT children, emergency
50 rooms, and mental health services subject to independent utilization
51 review are exempt from the visit limitations contained in this

1 paragraph. Exceptions may be authorized by the Department of Health
2 and Human Services where the life of the patient would be threatened
3 without such additional care.

4 **SECTION 10.36.(f)** Exceptions and limitations on services; authorization of
5 co-payments and other services.

- 6 (1) Exceptions to Service Limitations, Eligibility Requirements, and
7 Payments. – Service limitations, eligibility requirements, and
8 payments bases in this section may be waived by the Department of
9 Health and Human Services, with the approval of the Director of the
10 Budget, to allow the Department to carry out pilot programs for
11 prepaid health plans, contracting for services, managed care plans, or
12 community-based services programs in accordance with plans
13 approved by the United States Department of Health and Human
14 Services or when the Department determines that such a waiver will
15 result in a reduction in the total Medicaid costs for the recipient.
- 16 (2) Co-Payment for Medicaid Services. – The Department of Health and
17 Human Services may establish co-payments up to the maximum
18 permitted by federal law and regulation.

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

- 20 (1) Rules. – The Department of Health and Human Services may adopt
21 temporary or emergency rules according to the procedures established
22 in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that these rules
23 are necessary to maximize receipt of federal funds within existing
24 State appropriations, to reduce Medicaid expenditures, and to reduce
25 fraud and abuse. Prior to the filing of these temporary or emergency
26 rules with the Rules Review Commission and the Office of
27 Administrative Hearings, the Department shall consult with the Office
28 of State Budget and Management on the possible fiscal impact of the
29 temporary or emergency rule and its effect on State appropriations and
30 local governments.
- 31 (2) Changes to Medicaid program; reports. – The Department shall report
32 on any change it anticipates making in the Medicaid program that
33 impacts the type or level of service, reimbursement methods, or
34 waivers, any of which require a change in the State Plan or other
35 approval by the Centers for Medicare and Medicaid Services (CMS).
36 The reports shall be provided at the same time they are submitted to
37 CMS for approval. In addition to the entities listed in subsection (a)(4)
38 of this section, the report shall be submitted to the Joint Legislative
39 Health Care Oversight Committee.

40 **MEDICAID COST-CONTAINMENT ACTIVITIES**

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

49 Medicaid cost-containment activities may include prospective reimbursement
50 methods, incentive-based reimbursement methods, service limits, prior authorization of
51

1 services, periodic medical necessity reviews, revised medical necessity criteria, service
2 provision in the least costly settings, plastic magnetic stripped Medicaid identification
3 cards for issuance to Medicaid enrollees, fraud detection software or other fraud
4 detection activities, technology that improves clinical decision making, credit balance
5 recovery and data mining services, and other cost-containment activities. Funds may be
6 expended under this section only after the Office of State Budget and Management has
7 approved a proposal for the expenditure submitted by the Department. Proposals for
8 expenditure of funds under this section shall include the cost of implementing the
9 cost-containment activity and documentation of the amount of savings expected to be
10 realized from the cost-containment activity. The Department shall provide a copy of
11 proposals for expenditures under this section to the House of Representatives
12 Appropriations Subcommittee on Health and Human Services, the Senate
13 Appropriations Committee on Health and Human Services, and the Fiscal Research
14 Division. On or before October 1, 2007, the Department shall also report the amounts
15 paid for cost-containment activities in fiscal years 2003-2004 through 2006-2007, and
16 the amount of savings realized from cost-containment activities in fiscal years
17 2003-2004 through 2006-2007.

18 19 **COUNTY MEDICAID COST-SHARE**

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

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

28 29 **DISPOSITION OF DISPROPORTIONATE SHARE RECEIPTS**

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

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

41 42 **MEDICAID SPECIAL FUND TRANSFER**

43 **SECTION 10.40.** Of the funds transferred to the Department of Health and
44 Human Services for Medicaid programs pursuant to G.S. 143C-9-1, there is
45 appropriated from the Medicaid Special Fund the sum of fifty-three million dollars
46 (\$53,000,000) for the 2007-2008 fiscal year and the sum of fifty-three million dollars
47 (\$53,000,000) for the 2008-2009 fiscal year. These funds shall be allocated as
48 prescribed by G.S. 143C-9-1(b) for Medicaid programs. Notwithstanding the
49 prescription in G.S. 143C-9-1(b) that these funds not reduce State general revenue
50 funding, these funds shall replace the reduction in general revenue funding effected in
51 this act. The Department may also use funds in the Medicaid Special Fund to fund the

1 settlement of the Disproportionate Share Hospital payment audit issues between the
2 Department of Health and Human Services and the federal government related to fiscal
3 years 1997-2002, and funds are appropriated from the fund for the 2007-2009 fiscal
4 biennium for this purpose.
5

6 **IMPLEMENT ELECTRONIC QUALITY PRESCRIPTION MANAGEMENT** 7 **PROGRAM**

8 **SECTION 10.41.** The Department of Health and Human Services, Division
9 of Medical Assistance, in consultation with the Community Care of NC (CCNC)
10 program, shall implement an Electronic Quality Prescription Management program for
11 prescription drugs through the use of personal data assistance (PDA) technology. The
12 Division may designate CCNC through the Office of Rural Health and Community Care
13 as the lead program to implement this section and shall assist CCNC by providing cost
14 containment funds to purchase PDAs, connectivity, and software, and for other related
15 costs.
16

17 **DELAY EFFECTIVE DATE OF CHANGES TO MEDICAID ESTATE** 18 **RECOVERY PLAN**

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

22 "**SECTION 10.21C.(c)** This section becomes effective July 1, ~~2007~~,2009, and
23 applies to recipients of medical assistance on or after that date."
24

25 **TICKET TO WORK EFFECTIVE DATE CHANGE**

26 **SECTION 10.43.** Section 10.18(c) of S.L. 2005-276, as amended by Section
27 10.9(a) of S.L. 2006-66, reads as rewritten:

28 "**SECTION 10.18.(c)** Subsection (b) of this section becomes effective July 1, 2006.
29 Subsection (a) of this section becomes effective July 1, ~~2007~~,2008."
30

31 **EXTEND IMPLEMENTATION OF COMMUNITY ALTERNATIVES** 32 **PROGRAMS REIMBURSEMENT SYSTEM**

33 **SECTION 10.44.** Full implementation for the Community Alternatives
34 Programs reimbursement system shall be not later than twelve months after the date on
35 which the replacement Medicaid Management Information System becomes operational
36 and stabilized.
37

38 **DEPARTMENTAL STUDY OF COST-SHARING UNDER THE CAP MR/DD** 39 **PROGRAM AND THE CAP-CHILDREN'S PROGRAM**

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

- 46 (1) Take into account the impact on families with more than one child in
47 the CAP programs.
- 48 (2) Examine how other states have implemented cost-sharing in their CAP
49 programs, the components of cost-sharing, and the resulting savings to
50 the state's Medicaid program.

- 1 (3) Whether other states that have implemented cost-sharing in CAP
2 programs have provided for public input prior to implementation of the
3 cost-sharing requirements.
- 4 (4) Other matters the Department deems relevant to the determination of
5 whether cost-sharing in CAP programs should be implemented in this
6 State.

7 **SECTION 10.45.(b)** The Department shall report its findings and
8 recommendations to the House of Representatives Appropriations Subcommittee on
9 Health and Human Services, the Senate Appropriations Committee on Health and
10 Human Services, and the Fiscal Research Division on or before March 1, 2008. If the
11 Department recommends the implementation of cost-sharing, the report shall indicate
12 cost-sharing amounts or percentages, family income levels that would trigger
13 cost-sharing, and the administrative costs and savings to the State. If the Department
14 recommends that cost-sharing not be implemented, it shall state the reasons therefor.

15
16 **CONTINUE EFFORTS TO EXPAND COMMUNITY CARE AND IMPROVE**
17 **QUALITY OF CARE FOR AGED, BLIND, AND DISABLED MEDICAID**
18 **RECIPIENTS**

19 **SECTION 10.46.(a)** The Department of Health and Human Services shall
20 continue its efforts to expand the scope of Community Care of NC care management
21 model to recipients of Medicaid and dually eligible individuals with a chronic condition
22 and long-term care needs. In expanding the scope, the Department shall focus on the
23 Aged, Blind, and Disabled, and CAP-DA populations for improvement in management,
24 cost-effectiveness, and local coordination of services through Community Care of NC
25 and in collaboration with local providers of care. The Department shall target personal
26 care services, private duty nursing, home health, durable medical equipment, ancillary
27 professional services, specialty care, residential services, including skilled nursing
28 facilities, home infusion therapy, pharmacy, and other services determined
29 target-worthy by the Department. The Department shall pilot communitywide
30 initiatives and shall expand statewide successful models. The initiatives may include
31 one or more pilot projects to control costs and improve quality of care for the Aged,
32 Blind, and Disabled recipients of Medicaid.

33 **SECTION 10.46.(b)** The Department of Health and Human Services shall
34 report not later than March 1, 2008, on the status of the implementation and findings of
35 this pilot project with regard to improving the quality of care and controlling the cost of
36 care for the Aged, Blind, and Disabled recipients of Medicaid. The report shall also
37 address the Department's plans for expanding the pilot project and implementing the
38 practices for all Aged, Blind, and Disabled Medicaid recipients in the State. The
39 Department shall submit the report to the House of Representatives Appropriations
40 Subcommittee on Health and Human Services, the Senate Appropriations Committee on
41 Health and Human Services, and the Fiscal Research Division.

42
43 **NC HEALTH CHOICE ENROLLMENT**

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

47
48 **NC KIDS' CARE**

49 **SECTION 10.48.(a)** The Department of Health and Human Services,
50 Division of Medical Assistance, shall develop and implement a limited benefit medical
51 assistance program, NC Kids' Care, to expand health care coverage to children in

1 families with incomes between two hundred percent (200%) and three hundred percent
2 (300%) of the federal poverty guidelines, as revised April 1 of every year. The
3 Department shall apply for any federal Medicaid waivers required to implement this
4 section. Eligibility for and benefits under this program are not entitlement and are
5 subject to availability of funds and other changes to State and federal law.

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

- 9 (1) Be between the ages of birth and 19 years of age;
- 10 (2) Be ineligible for Medicaid, Medicare, or other government sponsored
11 health insurance;
- 12 (3) Have been uninsured for three months;
- 13 (4) Be in a family whose family income is above two hundred percent
14 (200%) through three hundred percent (300%) of the federal poverty
15 level;
- 16 (5) Be a resident of this State, meet applicable federal citizenship and
17 immigration requirements, and be eligible under Federal law; and
- 18 (6) Have paid the monthly premiums required by NC Kids' Care.

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

- 21 (1) Excluded benefits:
 - 22 a. Dental.
 - 23 b. Maternity.
 - 24 c. Skilled nursing facility.
 - 25 d. Personal care services.
- 26 (2) Capped benefits:
 - 27 a. Inpatient physical health benefits are limited to two hundred
28 fifty thousand dollars (\$250,000) per eligible child.
 - 29 b. Inpatient behavioral health benefits are limited to two hundred
30 fifty thousand dollars (\$250,000) per eligible child.
 - 31 c. Outpatient behavioral health benefits are limited to 26 visits
32 annually.
 - 33 d. Primary care and special care physician visits are limited to five
34 annually, except that:
 - 35 1. Additional specialty physician visits are allowed if
36 approved by a primary care physician enrolled in
37 Community Care of North Carolina; and
 - 38 2. Additional wellness visits are allowed according to a
39 predetermined schedule.
 - 40 e. Prescriptions are limited to six per month, but this limit is
41 waived if the child is participating in a Community Care of
42 North Carolina case or disease management program.
 - 43 f. Durable medical equipment and supplies are limited to five
44 hundred dollars (\$500.00) with prior approval by CCNC, except
45 there is no limit on diabetic supplies.

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

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

4 (1) A monthly premium is to be charged for each child enrolled in NC
5 Kids' Care.

6 (2) The premium amount charged for each child shall vary depending on
7 family income between two hundred percent (200%) FPL and three
8 hundred percent (300%) FPL, except that:

9 a. The average premium charged for a child between two hundred
10 percent (200%) and three hundred percent (300%) FPL shall not
11 be more than sixty-five dollars (\$65.00) PM/PM; and

12 b. The total premium cost shall not exceed two percent (2%) of an
13 individual's annual income and four percent (4%) of a family's
14 annual income.

15 (3) Coinsurance of not more than twenty percent (20%) may apply to the
16 following benefits:

17 a. Inpatient physical health;

18 b. Outpatient physical health;

19 c. Surgery;

20 d. Physical therapy, occupational therapy, and speech therapy;

21 e. Emergency room;

22 f. Inpatient behavioral health;

23 g. Laboratory and radiology;

24 h. Durable medical supplies; and

25 i. Ambulance services.

26 (4) The maximum out-of-pocket coinsurance is two thousand five hundred
27 dollars (\$2,500) per child annually.

28 (5) Co-Payments. – NC Kids' Care may require enrollees to pay a co-
29 payment for the following services offered. The co-payment for each
30 service shall not exceed:

31 a. Twenty dollars (\$20.00) for a primary care physician visit;

32 b. Forty dollars (\$40.00) for a specialty care physician visit;

33 c. One hundred dollars (\$100.00) for an emergency room visit,
34 except the co-payment is waived if the enrollee is admitted to
35 the hospital;

36 d. One hundred fifty dollars (\$150.00) for ambulance service,
37 except the co-payment is waived if the enrollee is admitted to
38 the hospital;

39 e. Prescription drugs, as follows:

40 1. Five dollars (\$5.00) for each generic drug prescription;

41 2. Thirty dollars (\$30.00) for each brand-name drug
42 prescription; and

43 3. Sixty dollars (\$60.00) for each brand-name drug
44 prescription, not on the list of preferred drugs.

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

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

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

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

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

8 9 **IN-HOME SERVICES RATE ADJUSTMENT**

10 **SECTION 10.48A.(a)** Notwithstanding any other provision of this act, of
11 the funds appropriated in this act to the Department of Health and Human Services,
12 Division of Public Health, for Aid to Local Health Departments, the sum of one million
13 dollars (\$1,000,000) in each fiscal year shall be transferred to the Division of Medical
14 Assistance to be used for the purposes stated in subsection (c) of this section.

15 **SECTION 10.48A.(b)** Notwithstanding any other provision of this act, the
16 reduction in funds in this act for cost containment activities in the Department of Health
17 and Human Services, Division of Medical Assistance, is increased in each fiscal year by
18 two million dollars (\$2,000,000). Funds made available from this increased reduction
19 shall be used for the purposes stated in subsection (c) of this section.

20 **SECTION 10.48A.(c)** Of the funds allocated to the Division of Medical
21 Assistance in this section, the sum of three million dollars (\$3,000,000) in each fiscal
22 year shall be used to provide funding for rate increases for home health and personal
23 care services providers, effective October 1, 2007.

24 25 **BUILD COMMUNITY INFRASTRUCTURE FOR MENTAL HEALTH, 26 DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES**

27 28 **INCREASE AVAILABILITY OF SUBSTANCE ABUSE TREATMENT.**

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

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

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

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

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

4 **SECTION 10.49.(e1)** Of the funds appropriated in this act to the Department
5 of Health and Human Services, Division of Mental Health, Developmental Disabilities,
6 and Substance Abuse Services, the sum of four million dollars (\$4,000,000) for the
7 2007-2008 fiscal year and the sum of four million dollars (\$4,000,000) for the
8 2008-2009 fiscal year shall be allocated as follows:

- 9 (1) \$2,000,000 in each fiscal year shall be used to provide substance abuse
10 services for adult offenders and shall include increasing the number of
11 TASC case managers; and
12 (2) \$2,000,000 in each fiscal year to provide treatment for existing pre-
13 and post-plea Adult Treatment Courts within the targeted populations
14 for mental health, developmental disabilities, and substance abuse
15 services as defined in G.S. 122C-3(38).

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

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

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

38 **SECTION 10.49.(f)** Local management entities shall work with county
39 public health departments and county sheriffs to provide medical assessments and
40 medication, if appropriate, for inmates housed in county jails who are suicidal,
41 hallucinating, or delusional. LMEs shall also examine ways to provide additional
42 treatment to persons who are determined to be psychotic, severely depressed, suicidal,
43 or who have substance abuse disorders. LMEs, county public health departments, and
44 county sheriffs shall work together to develop all of the following:

- 45 (1) A statewide standardized evidence-based screening instrument to be
46 used when offenders are booked.
47 (2) A designated LME employee who is responsible for screening the
48 daily jail booking log for known mental health consumers.
49 (3) Protocols for effective communication between the LME and the jail
50 staff including collaborative development of medication management
51 protocols between the jail staff and the mental health providers.

1 (4) Training to help detention officers recognize signals of mental illness.
2

3 **ADDITIONAL HOUSING ASSISTANCE.**

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

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

26 **SECTION 10.49.(i)** The Department of Health and Human Services shall
27 develop a "Transitional Residential Treatment Program" service definition to provide
28 24-hour residential treatment and rehabilitation for adults who have a pattern of difficult
29 behaviors related to mental illness, which exceeds the capabilities of traditional
30 community residential settings. DHHS shall submit the new service definition to the
31 Centers for Medicare and Medicaid for approval no later than 90 days after the
32 enactment of the Current Operations and Capital Appropriations Act for the 2007-2009
33 biennium.

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

40 **SECTION 10.49.(k)** The Department of Health and Human Services shall
41 complete the development of a Uniform Screening Tool (UST) to be used by LMEs to
42 determine the mental health of any individual admitted to any long-term care facility
43 within an LME's catchment area. The UST shall be available for use no later than 90
44 days after the enactment of the Current Operations and Capital Appropriations Act for
45 the 2007-2009 fiscal biennium.

46 **SECTION 10.49.(l)** LMEs shall be responsible for the delivery of case
47 management for recipients of State-County Special Assistance In-Home services who
48 have a mental illness, developmental disability, or substance abuse disorder and are
49 within the target populations for those disabilities.
50

51 **CRISIS AND ACUTE CARE SERVICES.**

1 **SECTION 10.49.(m)** Of the funds appropriated in this act to the Department
2 of Health and Human Services, Division of Mental Health, Developmental Disabilities,
3 and Substance Abuse Services, the sum of four million dollars (\$4,000,000) for the
4 2007-2008 fiscal year and the sum of four million dollars (\$4,000,000) for the
5 2008-2009 fiscal year shall be allocated to LMEs to continue to implement the crisis
6 plans developed under S.L. 2006-66, Section 10.26. DHHS may use up to two hundred
7 fifty thousand dollars (\$250,000) of the funds appropriated under this section to extend
8 its contract with the crisis services consultant authorized under Section 10.26(b) of S.L.
9 2006-66.

10 **SECTION 10.49.(n)** S.L. 2006-66, Section 10.26(d), as amended by Section
11 11 of S.L. 2006-221, reads as rewritten:

12 **"SECTION 10.26.(d)** With the assistance of the consultant, the LMEs within a
13 crisis region shall work together to identify gaps in their ability to provide a continuum
14 of crisis services for all consumers and use the funds allocated to them to develop and
15 implement a plan to address those needs. At a minimum, the plan must address the
16 development over time of the following components: 24-hour crisis telephone lines,
17 walk-in crisis services, mobile crisis outreach, crisis respite/residential services, crisis
18 stabilization units, 23-hour beds, facility-based crisis, in-patient crisis, detox, and
19 transportation. Options for voluntary admissions to a secured facility must include at
20 least one service appropriate to address the mental health, developmental disability, and
21 substance abuse needs of adults, and the mental health, developmental disability, and
22 substance abuse needs of children. Options for involuntary commitment to a secured
23 facility must include at least one option in addition to admission to a State facility.

24 If all LMEs in a crisis region determine that a facility-based crisis center is needed
25 and sustainable on a long-term basis, the crisis region shall first attempt to secure those
26 services through a community hospital or other community facility. If all LMEs in the
27 crisis region determine the region's crisis needs are being met, the LMEs may use the
28 funds to meet local crisis service needs."

29 **SECTION 10.49.(o)** LMEs shall report monthly to the Department and to
30 the consultant regarding the use of the funds, whether there has been a reduction in the
31 use of State psychiatric hospitals for acute admissions, and any remaining gaps in local
32 and regional crisis services. The consultant and the Department shall report quarterly to
33 the Senate Appropriations Committee on Health and Human Services, the House of
34 Representatives Appropriations Subcommittee on Health and Human Services, the
35 Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental
36 Health, Developmental Disabilities, and Substance Abuse Services regarding each
37 LME's proposed and actual use of the funds appropriated under this section. The
38 reporting requirements under this subsection shall expire July 1, 2008.

39 **SECTION 10.49.(p)** LMEs shall work with sheriffs and county public
40 health agencies to serve individuals who are incarcerated or being held in county jails
41 and who are in need of crisis services.

42 **SECTION 10.49.(q)** G.S. 122C-147.1 is amended by adding the following
43 new subsection to read:

44 "(b1) Notwithstanding subsection (b) of this section, funds appropriated by the
45 General Assembly for crisis services shall not be allocated in broad disability or
46 age/disability categories. Subsection (c) of this section shall apply to funds appropriated
47 by the General Assembly for crisis services."

48 **SECTION 10.49.(r)** The Department of Health and Human Services shall
49 develop a system for reporting to LMEs information regarding all visits to community
50 hospital emergency departments by individuals who are in crisis due to a mental illness,
51 a developmental disability, or a substance abuse disorder. The system shall be

1 implemented no later than 90 days after the enactment of the Current Operations and
2 Capital Appropriations Act for the 2007-2009 fiscal biennium.

3 **SECTION 10.49.(s1)** Of the funds appropriated in this act to the Department
4 of Health and Human Services, Division of Mental Health, Developmental Disabilities,
5 and Substance Abuse Services (Division), the sum of one million dollars (\$1,000,000)
6 for the 2007-2008 fiscal year and the sum of one million dollars (\$1,000,000) for the
7 2008-2009 fiscal year shall be used to develop a pilot program to reduce State
8 psychiatric hospital use and to increase local services for persons with mental illness.
9 Of these funds, the sum of seven hundred fifty thousand dollars (\$750,000) shall be
10 allocated to LMEs to be used in accordance with subdivision (c)(6) of this section. The
11 Division and a selected LME shall implement a six-month pilot for the 2007-2008 fiscal
12 year, as provided in subsections (b) and (c) of this section. It is the intent of the General
13 Assembly to provide funds to expand the pilot program in the 2008-2009 fiscal year.
14 To this end, the Division shall develop a plan for expanded pilots as provided in
15 subsection (d) of this section.

16 **SECTION 10.49.(s2)** The purpose of the six-month pilot program developed
17 under subsection (s1) of this section and to be implemented during the 2007-2008 fiscal
18 year is to test a mechanism to reduce psychiatric hospital use by holding an LME
19 financially and clinically responsible for the cost of that use and by providing additional
20 resources to build community capacity. LMEs that are interested in participating in this
21 pilot shall submit a proposal to the Division no later than October 15, 2007. The
22 proposal shall include a plan by the LME to reduce hospital use by a specified amount
23 and an explanation of how the LME expects to accomplish this goal. To facilitate pilot
24 implementation, the Division shall do all of the following:

- 25 (1) Calculate the cost of each LME's 2006-2007 use of State psychiatric
26 hospital services based roughly on that hospital's total budget and the
27 percentage of patients at the hospital admitted from the LME's
28 catchment area.
- 29 (2) Calculate a daily rate for hospital usage based on 2006-2007 statewide
30 usage. The daily rate shall be higher for subsequent admissions by the
31 same patient and higher for patients admitted with a primary diagnosis
32 of substance abuse.
- 33 (3) Provide the results from subdivisions (1) and (2) of this subsection to
34 all LMEs not later than September 1, 2007.
- 35 (4) Award pilot participation not later than November 1, 2007, based upon
36 the proposal that projects the largest decrease in use and that the
37 Division believes has the greatest likelihood of succeeding.
- 38 (5) Commence pilot implementation not later than January 1, 2008.

39 **SECTION 10.49.(s3)** Parameters of the pilot developed under subsection
40 (s1) of this section are as follows:

- 41 (1) The pilot LME will have a virtual budget account for January 1, 2008,
42 through June 30, 2008, based on one-half of the LME's cost of State
43 psychiatric hospital use during the 2006-2007 fiscal year minus the
44 LME's proposed reduction in hospital use.
- 45 (2) Every bed day used by patients from that LME's catchment area will
46 be debited against that LME's virtual account.
- 47 (3) The cost of bed days will increase by the agreed upon amount for
48 patients who are repeatedly admitted to the hospital.
- 49 (4) The cost of bed days will increase by the agreed upon amount for
50 patients who are admitted with a primary diagnosis of substance abuse.

- 1 (5) The LME shall have one or more representatives on site at the State
2 psychiatric hospital. The LME representatives shall be involved with
3 patient admissions, development of treatment plans, supervision and
4 delivery of treatment, and development and implementation of
5 discharge plans.
- 6 (6) The pilot LME shall have up to seven hundred fifty thousand dollars
7 (\$750,000) to: (i) build community capacity through start-up
8 operations or payment for local services; (ii) pay for the on-site
9 representative at State psychiatric hospitals; and (iii) pay for patient
10 bed days that are in excess of RFP's projected use.
- 11 (7) As of June 30, 2008, any savings to the State realized from the LME's
12 reduced hospital usage, plus any funds remaining in the LME's virtual
13 hospital budget account, will be transferred to the LME to be used to
14 purchase hospital use in the 2008-2009 fiscal year. Any funds
15 remaining from the seven hundred fifty thousand dollar (\$750,000)
16 allocation shall carry over to be used by the LME to pay for services to
17 the mentally ill.

18 **SECTION 10.49.(s4)** Based on the experiences of the pilot programs
19 authorized under subsections (s2) and (s3) of this section, the Division of Mental
20 Health, Developmental Disabilities, and Substance Abuse Services (Division) shall
21 work with the existing hospital use study group to develop a proposal for subsequent
22 pilots to reduce hospital use and build community services. The Division may use up to
23 two hundred fifty thousand dollars (\$250,000) during the 2007-2008 fiscal year to
24 develop the proposal. The Division shall submit an interim report on its progress to the
25 Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities,
26 and Substance Abuse Services (Oversight Committee) by October 15, 2007, and shall
27 submit its final report to the Oversight Committee by February 1, 2008.

28 **SECTION 10.49.(s5)** The budgets for the State psychiatric hospitals shall
29 not be reduced during the 2007-2008 fiscal year as a result of the pilot developed under
30 subsection (s1) of this section. However, those budgets shall be adjusted in following
31 years to reflect the previous year's use by the LMEs participating in the pilot program.

32 **SECTION 10.49.(t)** Notwithstanding G.S. 122C-112.1(a)(30) and
33 G.S. 122C-181, the Secretary of Health and Human Services may close Dorothea Dix
34 Hospital, and the Secretary of Health and Human Services may close John Umstead
35 Hospital or any unit or section of that hospital, provided that all of the following
36 conditions have been met prior to closure of each hospital or unit thereof:

- 37 (1) The Secretary has notified the Joint Legislative Commission on
38 Governmental Operations, the Joint Legislative Oversight Committee
39 on Mental Health, Developmental Disabilities, and Substance Abuse
40 Services, and members of the General Assembly who represent
41 catchment areas affected by the closure.
- 42 (2) The Secretary has presented a plan for the closure of each hospital or
43 unit thereof to the members of the Joint Legislative Oversight
44 Committee on Mental Health, Developmental Disabilities, and
45 Substance Abuse Services (Oversight Committee) for their review,
46 advice, and recommendations. The plan shall address specifically all of
47 the following: (i) the capacity of any replacement facility and the
48 catchment area to meet the needs of those consumers who require
49 long-term secure services as well as acute care; (ii) an inventory of
50 existing capacity in the communities within the catchment area for
51 patients to access crisis services, appropriate housing, and other

1 necessary supports; (iii) how the State and the LMEs in the catchment
2 area will attract and retain qualified private providers that will provide
3 services to State-paid non-Medicaid eligible consumers; and (iv) the
4 impact of the closure on remaining State facilities. In implementing the
5 plan, the Secretary shall take into consideration the comments and
6 recommendations of the Oversight Committee and other members of
7 the General Assembly. Prior to presenting the plan to the Oversight
8 Committee for its review, the Secretary shall provide a copy of the
9 plan to members of the House of Representatives Appropriations
10 Subcommittee on Health and Human Services and the Senate
11 Appropriations Committee on Health and Human Services so that
12 those members who are not members of the Oversight Committee may
13 attend the Oversight Committee presentation to offer comments or
14 recommendations.

15 (3) The Central Regional Hospital is operational and patient transfers from
16 Dorothea Dix Hospital and John Umstead Hospital have been
17 completed.

18 (4) Notwithstanding any other provision of law, the Secretary shall not
19 close a State facility if there are not adequate replacement services
20 available prior to the date of closure.

21 **SECTION 10.49.(u)** In keeping with the United States Supreme Court
22 decision in Olmstead v. L.C. & E.W. and State policy to provide appropriate services to
23 clients in the least restrictive and most appropriate environment, the Department of
24 Health and Human Services shall continue to implement a plan for the transition of
25 patients from State psychiatric hospitals to the community or to other long-term care
26 facilities, as appropriate. The goal is to develop mechanisms and identify resources
27 needed to enable patients and their families to receive the necessary services and
28 supports based on the following guiding principles:

29 (1) Individuals shall be provided acute psychiatric care in non-State
30 facilities when appropriate.

31 (2) Individuals shall be provided acute psychiatric care in State facilities
32 only when non-State facilities are unavailable.

33 (3) Individuals shall receive evidence-based psychiatric services and care
34 that are cost-efficient.

35 (4) The State shall minimize cost shifting to other State and local facilities
36 or institutions.

37 The Department of Health and Human Services shall conduct an analysis of the
38 individual patient service needs and shall develop and implement an individual
39 transition plan, as appropriate, for patients in each hospital. The State shall ensure that
40 each individual transition plan, as appropriate, shall take into consideration the
41 availability of appropriate alternative placements based on the needs of the patient and
42 within resources available for the mental health, developmental disabilities, and
43 substance abuse services system. In developing each plan, the Department shall consult
44 with the patient and the patient's family or other legal representative.

45 In accordance with the plan established in subsections (a) and (b) of this section, any
46 nonrecurring savings in State appropriations that result from reductions in beds or
47 services shall be placed in the Trust Fund for Mental Health, Developmental
48 Disabilities, and Substance Abuse Services and Bridge Funding Needs. These funds
49 shall be used to facilitate the transition of clients into appropriate community-based
50 services and supports in accordance with G.S. 143C-9-2. Recurring savings realized
51 through implementation of this section shall be retained by the Department of Health

1 and Human Services, Division of Mental Health, Developmental Disabilities, and
2 Substance Abuse Services, (i) for implementation of subsections (a) and (b) of this
3 section and (ii) to support the recurring costs of additional community-based placements
4 from Division facilities in accordance with Olmstead v. L.C. & E.W.

5 The Department of Health and Human Services shall submit reports on the status of
6 implementation of this section to the Joint Legislative Commission on Governmental
7 Operations, the Senate Appropriations Committee on Health and Human Services, the
8 House of Representatives Appropriations Subcommittee on Health and Human
9 Services, the Joint Legislative Oversight Committee on Mental Health, Developmental
10 Disabilities, and Substance Abuse Services, and the Fiscal Research Division. These
11 reports shall be submitted on December 1, 2007, and May 1, 2008.

12 13 **USE OF MENTAL HEALTH TRUST FUNDS.**

14 **SECTION 10.49.(v)** Funds allocated to area programs to be spent on
15 community-based programs that are remaining in the Trust Fund for Mental Health,
16 Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs
17 (Trust Fund) as of June 30, 2007, shall be dispersed to the area programs to be spent
18 according to the purposes for which the funds were allocated. The Department shall
19 limit the LME fund balance to ensure that LMEs fully utilize funds dispersed to the
20 LME for the stated purposes.

21 **SECTION 10.49.(w)** G.S. 143C-9-2 reads as rewritten:

22 **"§ 143C-9-2. Trust Fund for Mental Health, Developmental Disabilities, and** 23 **Substance Abuse Services and Bridge Funding Needs.**

24 (a) The Trust Fund for Mental Health, Developmental Disabilities, and
25 Substance Abuse Services and Bridge Funding Needs is established as an
26 interest-bearing, nonreverting special trust fund in the Office of State Budget and
27 Management. Moneys in the Trust Fund shall be held in trust and used solely to increase
28 community-based services that meet the mental health, developmental disabilities, and
29 substance abuse services needs of the State. The Trust Fund shall be used to supplement
30 and not to supplant or replace existing State and local funding available to meet the
31 mental health, developmental disabilities, and substance abuse services needs of the
32 State.

33 The State Treasurer shall hold the Trust Fund separate and apart from all other
34 moneys, funds, and accounts. The State Treasurer shall be the custodian of the Trust
35 Fund and shall invest its assets in accordance with G.S. 147-69.2 and G.S. 147-69.3.
36 Investment earnings credited to the assets of the Trust Fund shall become part of the
37 Trust Fund. Any balance remaining in the Trust Fund at the end of any fiscal year shall
38 be carried forward in the Trust Fund for the next succeeding fiscal year.

39 Moneys in the Trust Fund shall be expended only in accordance with subsection (b)
40 of this section and in accordance with limitations and directions enacted by the General
41 Assembly.

42 (b) Moneys in the Trust Fund for Mental Health, Developmental Disabilities, and
43 Substance Abuse Services and Bridge Funding Needs shall be allocated to area
44 programs to be used only to:

45 (1) Provide start-up funds and operating support for programs and services
46 that provide more appropriate and cost-effective community treatment
47 alternatives for individuals currently residing in the State's mental
48 health, developmental disabilities, and substance abuse services
49 institutions.

50 (2) ~~Facilitate the State's compliance with the United States Supreme Court~~
51 ~~decision in Olmstead v. L.C. and E.W.~~

- 1 (3) Facilitate reform of the mental health, developmental disabilities, and
2 substance abuse services system and expand and enhance treatment
3 and prevention services in these program areas to remove waiting lists
4 and provide appropriate and safe services for clients.
- 5 (4) Provide bridge funding to maintain appropriate client services during
6 transitional periods as a result of facility closings, including
7 departmental restructuring of services.
- 8 (5) ~~Construct, repair, and renovate State mental health, developmental~~
9 ~~disabilities, and substance abuse services facilities.~~

10 (c) Notwithstanding G.S. 143C-1-2, any nonrecurring savings in State
11 appropriations realized from the closure of any State psychiatric hospitals that are in
12 excess of the cost of operating and maintaining a new State psychiatric hospital shall not
13 revert to the General Fund but shall be placed in the Trust Fund and shall be used for the
14 purposes authorized in this section. Notwithstanding G.S. 143C-1-2, recurring savings
15 realized from the closure of any State psychiatric hospitals shall not revert to the
16 General Fund but shall be credited to the Department of Health and Human Services to
17 be used only for the purposes of subsections (b)(1) ~~(b)(2)~~ and (b)(3) of this section.

18 (d) Beginning July 1, 2007, the Secretary of the Department of Health and
19 Human Services shall report annually to the Fiscal Research Division on the
20 expenditures made during the preceding fiscal year from the Trust Fund. The report
21 shall identify each expenditure by recipient and purpose and shall indicate the authority
22 under subsection (b) of this section for the expenditure."

23 **SECTION 10.49.(x)** Notwithstanding G.S. 143C-9-2, as amended by this
24 act, the Secretary of Health and Human Services may use funds for the 2007-2008 fiscal
25 year from the Trust Fund for Mental Health, Developmental Disabilities, and Substance
26 Abuse Services and Bridge Funding Needs to support up to 66 new positions in the
27 Julian F. Keith Alcohol and Drug Abuse Treatment Center, provided that these funds
28 may be used only if the Julian F. Keith Alcohol and Drug Abuse Treatment Center
29 opens before July 1, 2008.

30 **STRENGTHEN THE SERVICES NETWORK.**

31 **SECTION 10.49.(y)** The Department of Health and Human Services shall
32 designate four additional local management entities to receive all State allocations
33 through single stream funding. If DHHS has not made the designations by July 1, 2007,
34 the designations shall be enacted by the 2007 General Assembly. In addition to the four
35 LMEs designated by the Department, the Piedmont, New River, Smoky Mountain,
36 Guilford, and Mecklenburg LMEs shall continue to receive State allocations through
37 single stream funding.

38 **SECTION 10.49.(z)** The Joint Legislative Oversight Committee for Mental
39 Health, Developmental Disabilities, and Substance Abuse Services shall study the
40 effectiveness of the 1915(b) Medicaid waiver and of those LMEs operating under a
41 waiver.

42 **SECTION 10.49.(aa)** No later than July 1, 2008, the Department of Health
43 and Human Services shall commence the process for three additional local management
44 entities to apply for a 1915(b) Medicaid waiver.

45 **FILLING SERVICE GAPS.**

46 **SECTION 10.49.(bb)** Funds appropriated in this act for mental health
47 services and supported employment shall be allocated to local management entities such
48 that each local management entity receives a percentage of the total allocation that is
49 equal to that local management entity's percentage of the State's total population that is
50
51

1 below the federal poverty level. Funds appropriated to the Department of Health and
2 Human Services in S.L. 2006-66 for mental health services, substance abuse services,
3 and crisis services as part of the continuation budget shall continue to be allocated by
4 the Department to local management entities such that each local management entity
5 receives a percentage of the total allocation that is equal to that local management
6 entity's percentage of the State's total population that is below the federal poverty level.

7 **SECTION 10.49.(cc)** G.S. 122C-147.1(c) shall apply to the State-funded
8 service of developmental therapies.

9 **SECTION 10.49.(dd)** The Department of Health and Human Services shall
10 develop and apply to the Centers for Medicare and Medicaid Services for additional
11 home and community-based waivers for persons with developmental disabilities. In
12 conjunction with the existing CAP MR/DD waiver, the new waivers will create a tiered
13 system of services. Not later than March 1, 2008, the Department shall report to the
14 Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities,
15 and Substance Abuse Services on the status of the waivers required under this section.

16 **SECTION 10.49.(ee)** The Department of Health and Human Services shall
17 study the option of tiering the rates for the Community Supports service according to
18 the level of qualifications of the individuals delivering the services and the types of
19 services being delivered by these individuals. The Department shall report to the Joint
20 Legislative Oversight Committee on Mental Health, Developmental Disabilities, and
21 Substance Abuse Services and the Fiscal Research Division by January 1, 2008, on the
22 advantages and disadvantages of a tiered rate system versus the current rate system.
23 The report shall also include a summary of other cost savings and quality control
24 measures considered or implemented by the Department for this service.

25 26 **LME ADMINISTRATIVE FUNDING**

27 **SECTION 10.49.(ff)** The General Assembly finds that counties have
28 budgeted almost one hundred twenty-one million dollars (\$121,000,000) to LMEs to
29 pay for mental health, developmental disabilities, and substance abuse services.
30 However, the General Assembly lacks information regarding the specific services that
31 are purchased with those county funds. The General Assembly also lacks data
32 regarding the incomes of persons receiving mental health, developmental disabilities,
33 and substance abuse services that are paid for by either State or county funds. This lack
34 of data severely limits the General Assembly's ability to determine the distribution of
35 services that are being paid for with public funds, whether persons who are eligible for
36 Medicaid are being enrolled in that program, and whether expanding the State's
37 Medicaid eligibility criteria would impact a significant number of mental health,
38 developmental disabilities, and substance abuse services consumers. Therefore, LMEs
39 shall report annually to the Division all expenditures from county funds by the LME for
40 services, start-up expenses, and capital and operational expenditures, regardless of the
41 source of the funds and regardless of whether the funds were earned on a payment for
42 service or grant basis. This reporting shall include specific information regarding the
43 expenditure of all funds provided to the LME by the county or counties contained in the
44 LME's catchment area and the amount of expenditures for services provided by the
45 multicounty LME to residents of each county in the multicounty LME's catchment area.
46 To the extent possible, the information shall be submitted through the Integrated
47 Payment and Reimbursement System. LMEs shall also gather income data for all
48 individuals receiving services. Notwithstanding G.S. 143C-6-4, Budget Adjustments
49 Authorized, the Department of Health and Human Services shall use funds available to
50 the Department to fully fund the State's contribution for LME system administration.

51

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

1 Appropriations Subcommittee on Health and Human Services, the Senate
2 Appropriations Committee on Health and Human Services, and the Fiscal Research
3 Division.

4 **SECTION 10.50.(d)** The Department of Health and Human Services shall
5 provide an updated report on its progress in complying with this section to the Senate
6 Appropriations Committee on Health and Human Services, the House of
7 Representatives Appropriations Subcommittee on Health and Human Services, and the
8 Fiscal Research Division. The Department shall submit the progress report no later than
9 January 15, 2008, and submit a final report no later than May 1, 2009.

10
11 **DHHS POLICIES AND PROCEDURES IN DELIVERING COMMUNITY**
12 **MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND**
13 **SUBSTANCE ABUSE SERVICES**

14 **SECTION 10.51.(a)** The Department of Health and Human Services,
15 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services,
16 shall in cooperation with area mental health authorities and county programs, identify
17 and eliminate administrative and fiscal barriers created by existing State and local
18 policies and procedures in the delivery of community-based mental health,
19 developmental disabilities, and substance abuse services provided through the area
20 programs and county programs, including services provided through the Comprehensive
21 Treatment Services Program for Children and services delivered to multiply diagnosed
22 adults. The Department shall implement changes in policies and procedures in order to
23 facilitate all of the following:

- 24 (1) The provision of services to adults and children as defined in the
25 Mental Health System Reform State Plan as priority or targeted
26 populations.
27 (2) The provision of services to children not deemed eligible for the
28 Comprehensive Treatment Services Program for Children, but who
29 would otherwise be in need of medically necessary treatment services
30 to prevent out-of-home placement.
31 (3) The provision of services in the community to adults remaining in and
32 being placed in State institutions addressed in Olmstead v. L.C.

33 **SECTION 10.51.(b)** The Department shall rework the revised system of
34 allocating State and federal funds to area mental health authorities and county programs
35 to better reflect projected needs, including the impact of system reform efforts rather
36 than historical allocation practices and spending patterns. The reworked allocation shall
37 include the following:

- 38 (1) For each LME, the current allocation by source and age/disability
39 category, and the newly proposed allocation by source and
40 age/disability category;
41 (2) A clear formula for how the new allocations are derived with a
42 detailed methodology for how the formula was created; and
43 (3) A plan for moving to the new formula.

44 The Department shall submit the reworked language to the House of
45 Representatives Appropriations Subcommittee on Health and Human Services, the
46 Senate Appropriations Committee on Health and Human Services, and the Fiscal
47 Research Division not later than October 1, 2007, for review. The Department shall
48 implement the system only after review and approval by the 2007 General Assembly,
49 Regular Session 2008.

50 **SECTION 10.51.(c)** Area mental health, developmental disabilities, and
51 substance abuse services authorities and county programs shall use all funds

1 appropriated for and necessary to provide mental health, developmental disabilities, and
2 substance abuse services to meet the need for these services. If excess funds are
3 available after expending appropriated funds to fully meet service needs, one-half of
4 these excess funds shall not revert to the General Fund but shall be transferred to the
5 Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse
6 Services and Bridge Funding Needs, except that one-half of the funds appropriated for
7 the Comprehensive Treatment Services Program for Children that are unexpended and
8 unencumbered shall not revert to the General Fund but shall be carried forward and used
9 only for services for children and adolescents.

10 The Department, in consultation with the area mental health authorities and
11 county programs, shall report to the House of Representatives Appropriations
12 Subcommittee on Health and Human Services, the Senate Appropriations Committee on
13 Health and Human Services, and the Joint Legislative Oversight Committee on Mental
14 Health, Developmental Disabilities, and Substance Abuse Services on the progress in
15 implementing these changes. The report shall be submitted on October 1, 2007, and
16 February 1, 2008.

17 **SERVICES TO MULTIPLY DIAGNOSED ADULTS**

18 **SECTION 10.52.(a)** In order to ensure that multiply diagnosed adults are
19 appropriately served by the mental health, developmental disabilities, and substance
20 abuse services system, the Department of Health and Human Services, Division of
21 Mental Health, Developmental Disabilities, and Substance Abuse Services, shall do the
22 following with respect to services provided to these adults:
23

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

36 (2) Provide those treatment services that are medically necessary.

37 (3) Implement utilization review of services provided.

38 **SECTION 10.52.(b)** The Department of Health and Human Services shall
39 implement all of the following cost-reduction strategies:

- 40 (1) Preauthorization for all services except emergency services.
- 41 (2) Criteria for determining medical necessity.
- 42 (3) Clinically appropriate services.

43 **SECTION 10.52.(c)** No State funds shall be used for the purchase of
44 single-family or other residential dwellings to house multiply diagnosed adults.

45 **SECTION 10.52.(d)** The Department shall report on implementation of this
46 section on May 1, 2008, and again on May 1, 2009, to the Senate Appropriations
47 Committee on Health and Human Services, the House of Representatives
48 Appropriations Subcommittee on Health and Human Services, the Joint Legislative
49 Oversight Committee on Mental Health, Developmental Disabilities, and Substance
50 Abuse Services, and the Fiscal Research Division.

51

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. 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.

FUNDS FOR HEALTH CARE PERSONNEL REGISTRY POSITIONS CONTINGENCY

SECTION 10.54. Funds appropriated in this act to the Department of Health and Human Services, Division of Facility Services, for the 2007-2008 fiscal year and the 2008-2009 fiscal year for positions and related costs to expand the Health Care Personnel Registry are contingent upon enactment of House Bill 95, 2007 Regular Session, by the 2007 General Assembly.

FUNDS FOR PUBLIC AVAILABILITY TO INSPECTION REPORTS

SECTION 10.54A. Funds appropriated in this act to the Department of Health and Human Services, Division of Facility Services, for the 2007-2008 fiscal year and for the 2008-2009 fiscal year to establish and maintain public availability to inspection reports for adult care homes, nursing homes, home care agencies, adult day care programs, and adult day health care programs are contingent upon enactment of House Bill 248, 2007 Regular Session, by the 2007 General Assembly.

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)	\$95,807,234
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	1,500,000

1			
2	05.	Work First – After-School Services for	
3		At-Risk Children	2,249,642
4			
5	06.	Work First – After-School Programs for	
6		At-Risk Youth in Middle Schools	500,000
7			
8	07.	Work First – Connect, Inc.	550,000
9			
10	08.	Adoption Services – Special Children's	
11		Adoption Fund	3,000,000
12			
13	09.	Family Violence Prevention	2,200,000
14			
15		Division of Child Development	
16			
17	10.	Subsidized Child Care Program	48,563,266
18			
19		DHHS Administration	
20			
21	11.	Division of Social Services	762,626
22			
23	12.	Office of the Secretary	65,836
24			
25	13.	Office of the Secretary/DIRM – TANF	
26		Automation Projects	592,500
27			
28	14.	Office of the Secretary/DIRM – NC FAST	
29		Implementation	1,800,000
30			
31		Transfers to Other Block Grants	
32			
33		Division of Child Development	
34			
35	15.	Transfer to the Child Care and	
36		Development Fund	81,292,880
37			
38		Division of Social Services	
39			
40	16.	Transfer to Social Services Block Grant for	
41		Department of Juvenile Justice and Delinquency	
42		Prevention – Support Our Students	2,749,642
43			
44	17.	Transfer to Social Services Block Grant for Child	
45		Protective Services – Child Welfare Training in	
46		Counties	2,550,000
47			
48	18.	Transfer to Social Services Block Grant for	
49		Maternity Homes	838,000
50			
51	19.	Transfer to Social Services Block Grant for Teen	

1	Pregnancy Prevention Initiatives	2,500,000
2		
3	20. Transfer to Social Services Block Grant for County	
4	Departments of Social Services for Children's Services	4,500,000
5		
6	21. Transfer to Social Services Block Grant for	
7	Foster Care Services	1,181,907
8		
9	TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES	
10	(TANF) BLOCK GRANT	\$362,309,239
11		
12	SOCIAL SERVICES BLOCK GRANT	
13		
14	Local Program Expenditures	
15		
16	Divisions of Social Services and Aging and Adult Services	
17		
18	01. County Departments of Social Services	\$ 28,868,189
19	(Transfer from TANF – \$4,500,000)	
20		
21	02. State In-Home Services Fund	2,101,113
22		
23	03. State Adult Day Care Fund	2,155,301
24		
25	04. Child Protective Services/CPS Investigative	
26	Services-Child Medical Evaluation Program	238,321
27		
28	05. Foster Care Services	2,649,662
29	(Transfer from TANF – \$1,181,907)	
30		
31	06. Foster Care Maintenance Payments	2,636,587
32		
33	07. Child Protective Services-Child Welfare Training	
34	for Counties	2,550,000
35	(Transfer from TANF)	
36		
37	08. Maternity Homes	838,000
38	(Transfer from TANF)	
39		
40	Division of Aging and Adult Services	
41		
42	09. Home and Community Care Block Grant (HCCBG)	1,834,077
43		
44	Division of Mental Health, Developmental Disabilities, and Substance	
45	Abuse Services	
46		
47	10. Mental Health Services Program	422,003
48		
49	11. Developmental Disabilities Services Program	5,000,000
50		
51	12. Mental Health Services-Adult and	

1	Child/Developmental Disabilities Program/ Substance Abuse Services-Adult	3,234,601
2		
3		
4	Division of Child Development	
5		
6	13. Subsidized Child Care Program	3,195,000
7		
8	Division of Vocational Rehabilitation	
9		
10	14. Vocational Rehabilitation Services – Easter Seal Society/UCP	188,263
11		
12		
13	Office of the Secretary – Office of Economic Opportunity	
14		
15	15. Elderly Supplemental Grant Program	41,302
16		
17	Division of Public Health	
18		
19	16. Teen Pregnancy Prevention Initiatives (Transfer from TANF)	2,500,000
20		
21		
22	DHHS Program Expenditures	
23		
24	Division of Aging and Adult Services	
25		
26	17. UNC-CARES Training Contract	247,920
27		
28	Division of Services for the Blind	
29		
30	18. Independent Living Program	3,480,133
31		
32	Division of Facility Services	
33		
34	19. Adult Care Licensure Program	411,897
35		
36	20. Mental Health Licensure and Certification Program	205,668
37		
38	DHHS Administration	
39		
40	21. Division of Aging and Adult Services	658,036
41		
42	22. Division of Social Services	869,058
43		
44	23. Office of the Secretary/Controller's Office	126,155
45		
46	24. Office of the Secretary/DIRM	82,009
47		
48	25. Division of Child Development	15,000
49		
50	26. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	28,860
51		

1		
2	27.	Division of Facility Services 159,218
3		
4	28.	Office of the Secretary-NC Inter-Agency Council
5		For Coordinating Homeless Programs 250,000
6		
7	29.	Office of the Secretary-Housing Coalition 100,000
8		
9	30.	Office of the Secretary 46,819
10		
11	Transfers to Other State Agencies	
12		
13	Department of Administration	
14		
15	31.	NC Commission of Indian Affairs In-Home
16		Services for the Elderly 203,198
17		
18	Department of Juvenile Justice and Delinquency Prevention	
19		
20	32.	Support Our Students 2,749,642
21		(Transfer from TANF)
22		
23	Transfers to Other Block Grants	
24		
25	Division of Public Health	
26		
27	33.	Transfer to Preventive Health Services Block Grant for
28		HIV/STD Prevention and Community Planning 145,819
29		
30	TOTAL SOCIAL SERVICES BLOCK GRANT \$ 68,232,489	
31	LOW-INCOME ENERGY BLOCK GRANT	
32		
33	Local Program Expenditures	
34		
35	Division of Social Services	
36		
37		
38	01.	Low-Income Energy Assistance Program (LIHEAP) \$ 17,315,919
39		
40	02.	Crisis Intervention Program (CIP) 12,904,706
41		
42	Office of the Secretary – Office of Economic Opportunity	
43		
44	03.	Weatherization Program 5,578,702
45		
46	04.	Heating Air Repair & Replacement Program (HARRP) 2,602,008
47		
48	Local Administration	
49		
50	Division of Social Services	
51		

1	05. County DSS Administration	2,215,016
2		
3	Office of the Secretary – Office of Economic Opportunity	
4		
5	06. Local Residential Energy Efficiency Service	
6	Providers – Weatherization	262,837
7		
8	07. Local Residential Energy Efficiency Service	
9	Providers – HARRP	122,591
10		
11	DHHS Administration	
12		
13	08. Division of Social Services	215,000
14		
15	09. Division of Mental Health, Developmental	
16	Disabilities, and Substance Abuse Services	7,389
17		
18	10. Office of the Secretary/DIRM	245,395
19		
20	11. Office of the Secretary/Controller's Office	11,211
21		
22	12. Office of the Secretary/Office of Economic	
23	Opportunity – Weatherization	262,837
24		
25	13. Office of the Secretary/Office of Economic	
26	Opportunity – HARRP	122,591
27		
28	Transfers to Other State Agencies	
29		
30	14. Department of Administration –	
31	N.C. State Commission of Indian Affairs	59,740
32		
33	TOTAL LOW-INCOME ENERGY BLOCK GRANT	\$ 41,925,942
34		
35	CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
36		
37	Local Program Expenditures	
38		
39	Division of Child Development	
40		
41	01. Subsidized Child Care Services	\$163,231,913
42		
43	02. Subsidized Child Care Services	
44	(TANF to CCDF)	81,292,880
45		
46	DHHS Program Expenditures	
47		
48	Division of Child Development	
49		
50	03. Quality and Availability Initiatives	31,463,419
51		

1	Local Administrations	
2		
3	Division of Child Development	
4		
5	04. Administrative Expenses (Nondirect Subsidy	
6	Services Support)	1,849,000
7		
8	DHHS Administration	
9		
10	05. DCD Administrative Expenses	6,028,354
11		
12	TOTAL CHILD CARE AND DEVELOPMENT FUND	
13	BLOCK GRANT	\$283,916,162
14		
15	MENTAL HEALTH SERVICES BLOCK GRANT	
16		
17	Local Program Expenditures	
18		
19	01. Mental Health Services – Adult	\$ 5,654,932
20		
21	02. Mental Health Services – Child	3,921,991
22		
23	03. Comprehensive Treatment Service	
24	Program	1,500,000
25		
26	Local Administration	
27		
28	04. Division of Mental Health	100,000
29		
30	TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	\$ 11,176,923
31		
32	SUBSTANCE ABUSE PREVENTION	
33	AND TREATMENT BLOCK GRANT	
34		
35	Local Program Expenditures	
36		
37	01. Substance Abuse Services – Adult	\$ 20,287,390
38		
39	02. Substance Abuse Treatment Alternative for	
40	Women	8,069,524
41		
42	03. Substance Abuse – HIV and IV Drug	4,816,378
43		
44	04. Substance Abuse Prevention – Child	5,835,701
45		
46	05. Substance Abuse Services – Child	4,940,500
47		
48	06. Substance Abuse Strengthening Families –	
49	Prevention	851,156
50		
51	Division of Public Health	

1		
2	07. Risk Reduction Projects	633,980
3		
4	08. Aid-to-Counties	209,576
5		
6	09. Maternal Health	37,779
7		
8	DHHS Administration	
9		
10	10. Division of Mental Health	500,000
11		
12	TOTAL SUBSTANCE ABUSE PREVENTION	
13	AND TREATMENT BLOCK GRANT	\$ 46,181,984
14		
15	MATERNAL AND CHILD HEALTH BLOCK GRANT	
16		
17	Local Program Expenditures	
18		
19	Division of Public Health	
20		
21	01. Children's Health Services	6,657,275
22		
23	02. Family Planning	4,078,338
24		
25	03. Maternal Health	3,441,129
26		
27	04. Teen Pregnancy Prevention Initiatives	85,710
28		
29	05. Oral Health	35,951
30		
31	DHHS Program Expenditures	
32		
33	Division of Public Health	
34		
35	06. Children's Health Services	2,444,445
36		
37	07. Maternal Health	106,927
38		
39	08. State Center for Health Statistics	33,134
40		
41	09. Local Technical Assistance & Training	17,318
42		
43	10. Injury and Violence Prevention	142,850
44		
45	11. Office of Minority Health	37,068
46		
47	12. Immunization Program – Vaccine Distribution	310,667
48		
49	DHHS Administration	
50		
51	13. Division of Public Health Administration	600,586

1		
2	TOTAL MATERNAL AND CHILD	
3	HEALTH BLOCK GRANT	\$ 17,991,398
4		
5	PREVENTIVE HEALTH SERVICES BLOCK GRANT	
6		
7	Local Program Expenditures	
8		
9	01. NC Statewide Health Promotion	\$1,755,653
10		
11	02. Services to Rape Victims	197,112
12		
13	03. HIV/STD Prevention and Community Planning	
14	(Transfer from Social Services Block Grant)	145,819
15		
16	DHHS Program Expenditures	
17		
18	04. NC Statewide Health Promotion	718,451
19		
20	05. Oral Health	70,000
21		
22	DHHS Administration	
23		
24	06. Division of Public Health	163,806
25		
26	TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	\$3,070,841
27		
28	COMMUNITY SERVICES BLOCK GRANT	
29		
30	Local Program Expenditures	
31		
32	Office of Economic Opportunity – Community Services Block Grant	
33		
34	01. Community Action Agencies	\$ 15,071,666
35		
36	02. Limited Purpose Agencies	823,136
37		
38	DHHS Administration	
39		
40	03. Office of Economic Opportunity	823,136
41		
42	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.

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

12 **SECTION 10.55.(c)** Changes in Federal Fund Availability. – If the Congress
 13 of the United States increases the federal fund availability for any of the Block Grants
 14 administered by the Department of Health and Human Services from the amounts
 15 appropriated in this section, the Department shall allocate the increase proportionally
 16 across the program and activity appropriations identified for that Block Grant in this
 17 section. In allocating an increase in federal fund availability, the Department shall not
 18 propose funding for new programs or activities not appropriated in this section or
 19 increase State administrative expenditures.

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

29 Prior to allocating the change in federal fund availability, the proposed
 30 allocation must be approved by the Office of State Budget and Management. If the
 31 Department adjusts the allocation of any Block Grant due to changes in federal fund
 32 availability, then a report shall be made to the Joint Legislative Commission on
 33 Governmental Operations, the House of Representatives Appropriations Subcommittee
 34 on Health and Human Services, the Senate Appropriations Committee on Health and
 35 Human Services, and the Fiscal Research Division.

36 **SECTION 10.55.(d)** All changes to the budgeted allocations to the Block
 37 Grants administered by the Department of Health and Human Services that are not
 38 specifically addressed in this section shall be approved by the Office of State Budget
 39 and Management, and a report shall be submitted to the Joint Legislative Commission
 40 on Governmental Operations for review prior to implementing the changes. All changes
 41 to the budgeted allocations to the Block Grant shall be reported immediately to the
 42 House of Representatives Appropriations Subcommittee on Health and Human
 43 Services, the Senate Appropriations Committee on Health and Human Services, and the
 44 Fiscal Research Division. This subsection does not apply to Block Grant changes
 45 caused by legislative salary increases and benefit adjustments.

46
 47 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT**
 48 **(TANF)**

49 **SECTION 10.55.(e)** The sum of seven hundred sixty-two thousand six
 50 hundred twenty-six dollars (\$762,626) appropriated in this section in the TANF Block
 51 Grant to the Department of Health and Human Services, Division of Social Services, for

1 the 2007-2008 fiscal year shall be used to support administration of TANF-funded
2 programs.

3 **SECTION 10.55.(f)** The sum of two million two hundred thousand dollars
4 (\$2,200,000) appropriated under this section in the TANF Block Grant to the
5 Department of Health and Human Services, Division of Social Services, for the
6 2007-2008 fiscal year shall be used to provide domestic violence services to Work First
7 recipients. These funds shall be used to provide domestic violence counseling, support,
8 and other direct services to clients. These funds shall not be used to establish new
9 domestic violence shelters or to facilitate lobbying efforts. The Division of Social
10 Services may use up to seventy-five thousand dollars (\$75,000) in TANF funds to
11 support one administrative position within the Division of Social Services to implement
12 this subsection.

13 Each county department of social services and the local domestic violence
14 shelter program serving the county shall jointly develop a plan for utilizing these funds.
15 The plan shall include the services to be provided and the manner in which the services
16 shall be delivered. The county plan shall be signed by the county social services director
17 or the director's designee and the domestic violence program director or the director's
18 designee and submitted to the Division of Social Services by December 1, 2007. The
19 Division of Social Services, in consultation with the Council for Women, shall review
20 the county plans and shall provide consultation and technical assistance to the
21 departments of social services and local domestic violence shelter programs, if needed.

22 The Division of Social Services shall allocate these funds to county
23 departments of social services according to the following formula: (i) each county shall
24 receive a base allocation of five thousand dollars (\$5,000); and (ii) each county shall
25 receive an allocation of the remaining funds based on the county's proportion of the
26 statewide total of the Work First caseload as of July 1, 2007, and the county's proportion
27 of the statewide total of the individuals receiving domestic violence services from
28 programs funded by the Council for Women as of July 1, 2007. The Division of Social
29 Services may reallocate unspent funds to counties that submit a written request for
30 additional funds.

31 **SECTION 10.55.(g)** The sum of two million two hundred forty-nine
32 thousand six hundred forty-two dollars (\$2,249,642) appropriated in this section in the
33 TANF Block Grant to the Department of Health and Human Services, Division of
34 Social Services, for the 2007-2008 fiscal year shall be used to expand after-school
35 programs and services for at-risk children. The Department shall develop and
36 implement a grant program to award grants to community-based programs that
37 demonstrate the ability to reach children at risk of teen pregnancy, school dropout, and
38 gang participation. The Department shall award grants to community-based
39 organizations that demonstrate the ability to develop and implement linkages with local
40 departments of social services, area mental health programs, schools, and other human
41 services programs in order to provide support services and assistance to the child and
42 family. These funds may be used to fund one position within the Division of Social
43 Services to coordinate at-risk after-school programs and shall not be used for other State
44 administration.

45 **SECTION 10.55.(h)** The sum of fourteen million four hundred fifty-two
46 thousand three hundred ninety-one dollars (\$14,452,391) appropriated in this section to
47 the Department of Health and Human Services, Division of Social Services, in the
48 TANF Block Grant for the 2007-2008 fiscal year for child welfare improvements, shall
49 be allocated to the county departments of social services for hiring or contracting staff
50 to investigate and provide services in Child Protective Services cases; to provide foster
51 care and support services; to recruit, train, license, and support prospective foster and

1 adoptive families; and to provide interstate and postadoption services for eligible
2 families.

3 **SECTION 10.55.(i)** The sum of three million dollars (\$3,000,000)
4 appropriated in this section in the TANF Block Grant to the Department of Health and
5 Human Services, Special Children Adoption Fund, for the 2007-2008 fiscal year shall
6 be used in accordance with Section 10.31 of this act. The Division of Social Services,
7 in consultation with the North Carolina Association of County Directors of Social
8 Services and representatives of licensed private adoption agencies, shall develop
9 guidelines for the awarding of funds to licensed public and private adoption agencies
10 upon the adoption of children described in G.S. 108A-50 and in foster care. Payments
11 received from the Special Children Adoption Fund by participating agencies shall be
12 used exclusively to enhance the adoption services program. No local match shall be
13 required as a condition for receipt of these funds.

14 **SECTION 10.55.(j)** The sum of one million eight hundred thousand dollars
15 (\$1,800,000) in this section appropriated to the Department of Health and Human
16 Services in the TANF Block Grant for the 2007-2008 fiscal year shall be used to
17 implement N.C. FAST (North Carolina Families Accessing Services through
18 Technology). The N.C. FAST Program involves the entire automation initiative through
19 which families access services and local departments of social services deliver benefits,
20 supervised by the Department of Health and Human Services, Divisions of Social
21 Services, Aging and Adult Services, Medical Assistance, and Child Development. The
22 statewide automated initiative shall be implemented in compliance with federal
23 regulations in order to ensure federal financial participation in the project. The
24 Department of Health and Human Services shall report on its compliance with this
25 subsection to the House of Representatives Appropriations Subcommittee on Health and
26 Human Services, the Senate Appropriations Committee on Health and Human Services,
27 and the Fiscal Research Division no later than January 1, 2008.

28 **SECTION 10.55.(k)** The sum of five hundred thousand dollars (\$500,000)
29 appropriated in this section to the Department of Health and Human Services, Division
30 of Social Services, in the TANF Block Grant for the 2007-2008 fiscal year shall be used
31 to expand after-school programs for at-risk children attending middle school. The
32 Department shall develop and implement a grant program to award funds to
33 community-based programs demonstrating the capacity to reach children at risk of teen
34 pregnancy, school dropout, and gang participation. These funds shall not be used for
35 training or administration at the State level. All funds shall be distributed to
36 community-based programs, focusing on those communities where similar programs do
37 not exist in middle schools.

38 **SECTION 10.55.(l)** In implementing the TANF Block Grant, the
39 Department of Health and Human Services shall review policies, programs, and
40 initiatives to ensure that they support men in their role as fathers and strengthen fathers'
41 involvement in their children's lives. The Department shall encourage county
42 departments of social services to ensure their Work First programs emphasize
43 responsible fatherhood and increased participation by noncustodial fathers.

44 **SECTION 10.55.(m)** The sum of five hundred fifty thousand dollars
45 (\$550,000) appropriated in this section to the Department of Health and Human
46 Services in the TANF Block Grant for the 2007-2008 fiscal year shall be transferred to
47 Connect, Inc. Connect, Inc., shall report on the number of people served and the
48 services received as a result of the receipt of funds. The report shall contain expenditure
49 data, including the amount of funds used for administration and direct training. The
50 report shall also include the number of people who have been employed as a direct
51 result of services provided by Connect, Inc., including the length of employment in the

1 new position. The Department of Health and Human Services shall evaluate the
2 program and ensure that services provided are not duplicative of local employment
3 security commissions in the nine counties served by Connect, Inc. The evaluation report
4 shall be submitted to the House of Representatives Appropriations Subcommittee on
5 Health and Human Services, the Senate Appropriations Committee on Health and
6 Human Services, and the Fiscal Research Division no later than May 1, 2008.

7 **SECTION 10.55.(n)** The sum of one million five hundred thousand dollars
8 (\$1,500,000) appropriated in this section to the Department of Health and Human
9 Services in the TANF Block Grant for Boys and Girls Clubs for the 2007-2008 fiscal
10 year shall be used to make grants for approved programs. The Department of Health and
11 Human Services, in accordance with federal regulations for the use of TANF Block
12 Grant funds, shall administer a grant program to award funds to the Boys and Girls
13 Clubs across the State in order to implement programs that improve the motivation,
14 performance, and self-esteem of youths and to implement other initiatives that would be
15 expected to reduce gang participation, school dropout, and teen pregnancy rates. The
16 Department shall encourage and facilitate collaboration between the Boys and Girls
17 Clubs and Support Our Students, Communities in Schools, and similar programs to
18 submit joint applications for the funds if appropriate.

19 **SECTION 10.55.(o)** The Department of Health and Human Services,
20 Division of Social Services, shall continue implementing county demonstration grants
21 that began in the 2006-2007 fiscal year. The county demonstration grants may be
22 awarded for up to three years with all projects ending no later than the end of fiscal year
23 2009-2010. The purpose of the county demonstration grants is to identify best practices
24 that can be used by counties to improve the work participation rates. The Division of
25 Social Services is authorized to establish two time-limited positions to manage the grant
26 award process and monitor the demonstration projects through fiscal year 2009-2010.

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

30 The Department of Health and Human Services, Division of Social Services,
31 shall report on the status of county demonstration grants implemented pursuant to this
32 subsection to the House of Representatives Appropriations Subcommittee on Health and
33 Human Services, the Senate Appropriations Committee on Health and Human Services,
34 and the Fiscal Research Division no later than February 1, 2008.

35 36 **SOCIAL SERVICES BLOCK GRANT**

37 **SECTION 10.55.(p)** Social Services Block Grant funds appropriated to the
38 North Carolina Inter-Agency Council for Coordinating Homeless Programs and the
39 North Carolina Housing Coalition are exempt from the provisions of 10A NCAC 71R
40 .0201(3).

41 **SECTION 10.55.(q)** The sum of two million seven hundred forty-nine
42 thousand six hundred forty-two dollars (\$2,749,642) appropriated in this section in the
43 Social Services Block Grant to the Department of Health and Human Services and
44 transferred to the Department of Juvenile Justice and Delinquency Prevention for the
45 2007-2008 fiscal year shall be used to support the existing Support Our Students
46 Program, including gang prevention, and to expand the Program statewide, focusing on
47 low-income communities in unserved areas. These funds shall not be used for
48 administration of the Program.

49 **SECTION 10.55.(r)** The sum of two million five hundred fifty thousand
50 dollars (\$2,550,000) appropriated in this section in the Social Services Block Grant to
51 the Department of Health and Human Services, Division of Social Services, for the

1 2007-2008 fiscal year shall be used to support various child welfare training projects as
2 follows:

- 3 (1) Provide a regional training center in southeastern North Carolina.
- 4 (2) Support the Master's Degree in Social Work/Baccalaureate Degree in
5 Social Work Collaborative.
- 6 (3) Provide training for residential child caring facilities.
- 7 (4) Provide for various other child welfare training initiatives.

8 **SECTION 10.55.(s)** The sum of eight hundred thirty-eight thousand dollars
9 (\$838,000) appropriated in this section in the Social Services Block Grant to the
10 Department of Health and Human Services for the 2007-2008 fiscal year shall be used
11 to purchase services at maternity homes throughout the State.

12 **SECTION 10.55.(t)** The sum of two million six hundred forty-nine thousand
13 six hundred sixty-two dollars (\$2,649,662) appropriated in this section in the Social
14 Services Block Grant for child caring agencies for the 2007-2008 fiscal year shall be
15 allocated to the State Private Child Caring Agencies Fund.

16 **SECTION 10.55.(u)** The Department of Health and Human Services is
17 authorized, subject to the approval of the Office of State Budget and Management, to
18 transfer Social Services Block Grant funding allocated for departmental administration
19 between divisions that have received administrative allocations from the Social Services
20 Block Grant.

21 **LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM**

22 **SECTION 10.55.(v)** Additional emergency contingency funds received may
23 be allocated for Energy Assistance Payments or Crisis Intervention Payments without
24 prior consultation with the Joint Legislative Commission on Governmental Operations.
25 Additional funds received shall be reported to the Joint Legislative Commission on
26 Governmental Operations and the Fiscal Research Division upon notification of the
27 award. The Department of Health and Human Services shall not allocate funds for any
28 activities, including increasing administration, other than assistance payments, without
29 prior consultation with the Joint Legislative Commission on Governmental Operations.

30 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

31 **SECTION 10.55.(w)** The sum of no more than four hundred thousand
32 dollars (\$400,000) appropriated in this section to the Department of Health and Human
33 Services in the Child Care and Development Fund Block Grant for the 2007-2008 fiscal
34 year may be used for the operations of the Medical Child Care Pilot.

35 **SECTION 10.55.(x)** Payment for subsidized child care services provided
36 with federal TANF funds shall comply with all regulations and policies issued by the
37 Division of Child Development for the subsidized child care program.

38 **SECTION 10.55.(y)** If funds appropriated through the Child Care and
39 Development Fund Block Grant for any program cannot be obligated or spent in that
40 program within the obligation or liquidation periods allowed by the federal grants, the
41 Department may move funds to child care subsidies, unless otherwise prohibited by
42 federal requirements of the grant, in order to use the federal funds fully.

43 **MENTAL HEALTH BLOCK GRANT**

44 **SECTION 10.55.(z)** The sum of one million five hundred thousand dollars
45 (\$1,500,000) appropriated in this section in the Mental Health Block Grant to the
46 Department of Health and Human Services, Division of Mental Health, Developmental
47 Disabilities, and Substance Abuse Services, for the 2007-2008 fiscal year and the sum
48 of four hundred twenty-two thousand three dollars (\$422,003) appropriated in this
49
50
51

1 section in the Social Services Block Grant to the Department of Health and Human
2 Services, Division of Social Services, for the 2007-2008 fiscal year shall be used to
3 continue a Comprehensive Treatment Services Program for Children in accordance with
4 Section 10.10 of this act.

5 **SECTION 10.55.(aa)** The Department of Health and Human Services shall
6 contract with the University of North Carolina at Chapel Hill for the purpose of
7 providing psychology student stipends in the amount of fifty thousand dollars (\$50,000)
8 for the 2007-2008 fiscal year. Twenty-five thousand dollars (\$25,000) of this contract
9 shall be paid from the Mental Health Block Grant.

10 **SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT**

11 **SECTION 10.55.(bb)** Of the funds appropriated for risk reduction projects,
12 the sum of two hundred fifty thousand dollars (\$250,000) shall be used to fund a pilot to
13 do basic education resource and referral for individuals with HIV/AIDS and substance
14 abuse disorder. If substance abuse prevention and treatment carry-forward funds are
15 available, the Department of Health and Human Services shall budget the first two
16 hundred fifty thousand dollars (\$250,000) of these funds to adult substance abusers.
17

18 **MATERNAL AND CHILD HEALTH BLOCK GRANT**

19 **SECTION 10.55.(cc)** If federal funds are received under the Maternal and
20 Child Health Block Grant for abstinence education, pursuant to section 912 of Public
21 Law 104-193 (42 U.S.C. § 710), for the 2007-2008 fiscal year, then those funds shall be
22 transferred to the State Board of Education to be administered by the Department of
23 Public Instruction. The Department of Public Instruction shall use the funds to establish
24 an Abstinence Until Marriage Education Program and shall delegate to one or more
25 persons the responsibility of implementing the program and G.S. 115C-81(e1)(4). The
26 Department of Public Instruction shall carefully and strictly follow federal guidelines in
27 implementing and administering the abstinence education grant funds.
28

29 **SECTION 10.55.(dd)** The Department of Health and Human Services shall
30 ensure that there will be follow-up testing in the Newborn Screening Program.
31

32 **PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES**

33 **SALE OF TIMBER**

34 **SECTION 11.1.** G.S. 143-64.05(a) reads as rewritten:

35 "(a) The State agency for surplus property may assess and collect a service charge
36 for the acquisition, receipt, warehousing, distribution, or transfer of any State surplus
37 property and for the transfer or sale of recyclable material. The service charge
38 authorized by this subsection does not apply to the transfer or sale of timber on land
39 owned by the Wildlife Resources ~~Commission.~~ Commission or the Department of
40 Agriculture and Consumer Services."
41

42 **STUDY EQUINE INDUSTRY IN NORTH CAROLINA**

43 **SECTION 11.2.(a)** The Department of Agriculture and Consumer Services
44 shall conduct a study of the equine industry in North Carolina. In conducting this study,
45 the Department shall assess the numbers, composition, and value of the equine industry
46 in North Carolina, analyze the direct and indirect impact of the industry on the State's
47 economy, and develop a comprehensive plan to maximize the economic opportunities
48 presented by the industry.
49

1 **SECTION 11.2.(b)** The assessment of the equine industry under subsection
2 (a) of this section shall provide data on both a statewide and countywide basis. The
3 assessment shall include all of the following:

- 4 (1) A census of equines in the State, including numbers, breeds, and
5 disciplines.
- 6 (2) The value of equines in the State.
- 7 (3) The number of equine owners.
- 8 (4) The number of equine operations.
- 9 (5) The size of equine operations.
- 10 (6) The total acreage devoted to equine operations.
- 11 (7) The value of equine-related assets.
- 12 (8) The number of equines and owners participating in various activities
13 within the State.
- 14 (9) An analysis of the economic impact of the existing exhibition
15 facilities, including the Hunt Horse Complex, the Senator Bob Martin
16 Horse Complex, the WNC Agricultural Center, and the Carolina Horse
17 Park.
- 18 (10) An analysis of the programs, contributions, and industry support
19 provided by the North Carolina State University College of Veterinary
20 Medicine and other equine programs, at both private and public
21 education institutions, including the College of Agriculture and Life
22 Sciences at North Carolina State University, Martin Community
23 College, and St. Andrews College.
- 24 (11) An analysis of the economic impact of breeding, training, and other
25 horse operations.
- 26 (12) An analysis of the economic impact of services provided to the equine
27 industry, including farrier, veterinary, design and planning, farm
28 management and consulting, show management, and other services
29 related to equines and equine operations.
- 30 (13) An analysis of the economic impact, including manufacturing,
31 agricultural production and employment, and wholesale and retail
32 sales, of the purchase of equines, feed and grain, hay, tack and other
33 horse equipment, riding clothes, insurance, vehicles and trailers, farm
34 and pasture inputs, capital improvements such as barns, sheds, and
35 fencing, and real estate, including planned equestrian communities.
- 36 (14) An analysis of the economic impact of other recreational uses of
37 equines, including trail riding, camping with horses, therapeutic riding
38 programs, other recreational activities, and equine-related agritourism.
- 39 (15) An analysis of the impact of the equine industry on State and local
40 governments, including the generation of tax revenues.

41 **SECTION 11.2.(c)** The Department of Agriculture and Consumer Services,
42 in developing a plan to maximize the economic impact of the equine industry under
43 subsection (a) of this section, shall do all of the following:

- 44 (1) Evaluate existing equine-related facilities, programs, and services in
45 the State and make recommendations for enhancing those facilities,
46 programs, and services so as to maximize their economic impact on
47 the State.
- 48 (2) Identify opportunities for the growth of the equine industry, including
49 the production of feed crops, improved pasture, and high-quality horse
50 hays, attracting industry engaged in the production of horse-related
51 products, equipment, and pharmaceuticals, the addition of exhibition

1 and show facilities, including the development of a world-class
2 equestrian park, and other horse-related programs, activities, and
3 facilities, and evaluate the potential economic contribution to the
4 State's economy of each of these potential undertakings.

5 (3) Evaluate the need to create an equine industry board tasked with the
6 market development, education, publicity, research, and promotion of
7 the North Carolina equine industry and other such measures it deems
8 appropriate to promote the objectives, findings, and recommendations
9 of the equine industry survey and analysis.

10 (4) Evaluate the laws, rules, and policies that impact equine owners and
11 persons engaged in equine activities, including land-use policies,
12 preservation of trails, use of State recreational facilities, and tax credits
13 and make recommendations directed toward making North Carolina
14 more attractive to equine operations and activities.

15 **SECTION 11.2.(d)** The Department of Agriculture and Consumer Services
16 may conduct the assessment or develop the plan under subsection (a) of this section or
17 may contract with another agency of State government, any of the constituent
18 institutions of The University of North Carolina, or a private consultant as it deems
19 necessary and advisable. Prior to developing the plan under subsection (a) of this
20 section, the Department of Agriculture and Consumer Services shall consult with equine
21 industry stakeholders, including the Rural Economic Development Center, Inc. No later
22 than January 15, 2009, the Department of Agriculture and Consumer Services shall
23 complete its work and shall file a report containing the results of the assessment of the
24 equine industry and its plan under subsection (a) of this section with the Chairs of the
25 Joint Legislative Commission on Governmental Operations and the Chairs of the Senate
26 and House Appropriations Committees.

27 28 **TOBACCO TRUST ACCOUNT INTERCEPT TO SUPPORT CERTAIN** 29 **GENERAL FUND APPROPRIATIONS**

30 **SECTION 11.3.** Notwithstanding G.S. 143C-9-3, of the funds credited to the
31 Tobacco Trust Account from the Master Settlement Agreement pursuant to Section 6(2)
32 of S.L. 1999-2 during the 2007-2009 fiscal biennium, the sum of ten million dollars
33 (\$10,000,000) for the 2007-2008 fiscal year shall be transferred from the Department of
34 Agriculture and Consumer Services, Budget Code 23703 (Tobacco Trust Account) to
35 the State Controller to be deposited in Non-tax Budget Code 19978 (Intra State
36 Transfers) to support General Fund appropriations by the 2007 General Assembly to
37 provide funding as follows:

38 (1) Eight million dollars (\$8,000,000) to the North Carolina Agricultural
39 Development and Farmland Preservation Trust Fund established in
40 G.S. 106-744.

41 (2) One million dollars (\$1,000,000) to the One North Carolina Fund
42 established in G.S. 143B-437.71.

43 (3) Five hundred thousand dollars (\$500,000) to the Bernard Allen
44 Memorial Emergency Drinking Water Fund established in G.S. 87-98.

45 (4) Five hundred thousand dollars (\$500,000) to the 'Got to Be NC'
46 agriculture marketing initiative in the Department of Agriculture and
47 Consumer Services.
48

49 **PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL** 50 **RESOURCES** 51

1 **COMMERCIAL AND NONCOMMERCIAL LEAKING PETROLEUM**
2 **UNDERGROUND STORAGE TANK PROGRAM ADMINISTRATIVE**
3 **COSTS**

4 **SECTION 12.1.(a)** G.S. 143-215.94B is amended by adding a new
5 subsection to read:

6 "(g) The Commercial Fund may be used to support the administrative functions of
7 the program for underground storage tanks under this Part and Part 2B of this Article up
8 to the amounts allowed by law, which amounts may be changed from time to time. In
9 the case of a legislated increase or decrease in salaries and benefits, the administrative
10 allowance existing at the time of the increase or decrease shall be correspondingly
11 increased or decreased an amount equal to the legislated increase or decrease in salaries
12 and benefits."

13 **SECTION 12.1.(b)** G.S. 143-215.94D is amended by adding a new
14 subsection to read:

15 "(g) The Noncommercial Fund may be used to support the administrative
16 functions of the program for underground storage tanks under this Part and Part 2B of
17 this Article up to the amounts allowed by law, which amounts may be changed from
18 time to time. In the case of a legislated increase or decrease in salaries and benefits, the
19 administrative allowance existing at the time of the increase or decrease shall be
20 correspondingly increased or decreased an amount equal to the legislated increase or
21 decrease in salaries and benefits."

22
23 **BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND**

24 **SECTION 12.2.(a)** G.S. 87-98 reads as rewritten:

25 "**§ 87-98. Bernard Allen Memorial Emergency Drinking Water Fund.**

26 (a) The Bernard Allen Memorial Emergency Drinking Water Fund is established
27 within under the control and direction of the Department. The Fund shall be a
28 nonreverting, interest-bearing fund consisting of monies appropriated by the General
29 Assembly or made available to the Fund from any other source and investment interest
30 credited to the Fund.

31 (b) The Fund may be used to pay for notification, to the extent practicable, of
32 persons aged 18 and older who reside in any dwelling unit, and the senior official in
33 charge of any business, at which drinking water is supplied from a private drinking
34 water well or improved spring that is located within 1,500 feet of, and at risk from,
35 known groundwater contamination. The senior official in charge of the business shall
36 take reasonable measures to notify all employees of the business of the groundwater
37 contamination, including posting a notice of the contamination in a form and at a
38 location that is readily accessible to the employees of the business. ~~The funds-Fund~~ may
39 also be used to ~~cover~~ pay the costs of testing by the Department of private drinking
40 water wells and improved springs for suspected contamination up to once every three
41 years upon request by a person who uses the well for ~~contamination~~ and for the
42 temporary or permanent provision of alternative drinking water supplies to persons
43 whose drinking water well or improved spring is contaminated.

44 (c) The Department shall disburse monies from the Fund based on financial need
45 and on the risk to public health posed by groundwater contamination and shall give
46 priority to the provision of services under this section to instances when an alternative
47 source of funds is not available. ~~The funds-Fund~~ shall not be used for remediation of
48 groundwater contamination. Nothing in this section expands, contracts, or modifies the
49 obligation of responsible parties under Article 9 or 10 of Chapter 130A of the General
50 Statutes, this Article, or Article 21A of this Chapter to assess contamination, identify
51 receptors, or remediate groundwater or soil contamination. The Fund shall not be used

1 to provide alternative water supply to households with incomes greater than two
2 hundred percent (200%) of the current poverty level. The Fund shall not be used to
3 provide alternative drinking water supplies unless the concentration of one or more
4 contaminants in the private drinking water well or improved spring exceeds the
5 Maximum Contaminant Level, or the federal drinking water action level as defined in
6 40 Code of Federal Regulations § 141.1 through § 141.571 (1 July 2006) and 40 Code
7 of Federal Regulations § 143.3 (1 July 2006). The Fund shall not be used to provide
8 temporary water supplies in any calendar quarter until all needs for permanent
9 replacement water supplies that have been identified in that calendar quarter have been
10 met through hookups to public water supplies, repair, or replacement of contaminated
11 wells. In disbursing monies from the Fund, preference shall be given to providing
12 permanent replacement water supplies by connection to public water supplies and repair
13 or replacement of contaminated wells over the provision of temporary water supplies.

14 (d) The Department shall establish criteria by which the Department is to
15 evaluate applications and disburse funds—monies from this Fund and may adopt any
16 rules necessary to implement this section.

17 (e) The Department, in consultation with the Commission for Health Services
18 and local health departments, shall report no later than 1 October of each year to the
19 Environmental Review Commission, the House of Representatives and Senate
20 Appropriations Subcommittees on Natural and Economic Resources, and the Fiscal
21 Research Division of the General Assembly on the implementation of this section. The
22 report shall include the purpose and amount of all expenditures from the Fund during
23 the prior fiscal year, a discussion of the benefits and deficiencies realized as a result of
24 the section, and may also include recommendations for any legislative action."

25 **SECTION 12.2.(b)** The first report required by G.S. 87-98(e), as enacted by
26 subsection (a) of this section, shall be submitted on or before 1 October 2008.

27 28 **RECEIPTS CREDITED TO NORTH CAROLINA AQUARIUMS FUND**

29 **SECTION 12.3.** G.S. 143B-289.44 reads as rewritten:

30 **"§ 143B-289.44. North Carolina Aquariums; fees; fund.**

31 (a) Fees. – The Secretary of Environment and Natural Resources may adopt a
32 schedule of uniform entrance fees for the North Carolina Aquariums.

33 (b) Fund. – The North Carolina Aquariums Fund is hereby created as a special
34 and nonreverting fund. The North Carolina Aquariums Fund shall be used for repair,
35 renovation, expansion, maintenance, educational exhibit construction, and operational
36 expenses at existing aquariums, to pay the debt service and lease payments related to the
37 financing of expansions of aquariums, including other relevant satellite areas, and to
38 match private funds that are raised for these purposes.

39 (c) Disposition of Fees.~~Fees and Other Receipts.~~ – All entrance fee receipts and
40 all receipts received by any aquarium for a special event or activity held at the aquarium
41 shall be credited to the North Carolina Aquariums Fund.

42 (d) Report. – The Division of North Carolina Aquariums shall submit to the Joint
43 Legislative Commission on Governmental Operations, the House and Senate
44 Appropriations Subcommittees on Natural and Economic Resources, and the Fiscal
45 Research Division by September 30 of each year a report on the North Carolina
46 Aquariums Fund that shall include the source and amounts of all funds credited to the
47 Fund and the purpose and amount of all expenditures from the Fund during the prior
48 fiscal year."

49 50 **NEW LEASE PURCHASE/INSTALLMENT CONTRACTS FOR FORESTRY** 51 **EQUIPMENT**

1 **SECTION 12.4.** Prior to the Division of Forest Resources of the Department
 2 of Environment and Natural Resources entering into either a new lease purchase
 3 contract for the purchase of forestry equipment or a new installment contract for the
 4 purchase of forestry equipment, the Division of Forest Resources shall submit a detailed
 5 list of the forestry equipment to be purchased under the contract to the Joint Legislative
 6 Commission on Governmental Operations and the Fiscal Research Division. Prior to the
 7 Department of Administration entering into either a new lease purchase contract for the
 8 purchase of forestry equipment or a new installment contract for the purchase of
 9 forestry equipment on behalf of the Division of Forest Resources, the Department of
 10 Administration shall submit a detailed list of the forestry equipment to be purchased
 11 under the contract to the Joint Legislative Commission on Governmental Operations
 12 and the Fiscal Research Division. If a list is modified after it is submitted under this
 13 section, the modified list shall be submitted to the Joint Legislative Commission on
 14 Governmental Operations and the Fiscal Research Division prior to entering into the
 15 contract.

16
 17 **GRASSROOTS SCIENCE PROGRAM**

18 **SECTION 12.5.(a)** Of the funds appropriated in this act to the Department
 19 of Environment and Natural Resources for the Grassroots Science Program, the sum of
 20 three million one hundred ninety-seven thousand seven hundred sixty-three dollars
 21 (\$3,197,763) for the 2007-2008 fiscal year is allocated as grants-in-aid for each fiscal
 22 year as follows:

	2007-2008
25 Aurora Fossil Museum	\$55,865
26 Cape Fear Museum	\$137,493
27 Carolina Raptor Center	\$98,472
28 Catawba Science Center	\$157,908
29 Children's Museum of Iredell County	\$60,695
30 Colburn Gem and Mineral Museum, Inc.	\$72,992
31 Discovery Place	\$705,437
32 Eastern NC Regional Science Center	\$50,000
33 Fascinate-U	\$79,202
34 Granville County Museum Commission, 35 Inc.–Harris Gallery	\$55,008
36 Greensboro Children's Museum	\$121,824
37 The Health Adventure Museum of Pack 38 Place Education, Arts and 39 Science Center, Inc.	\$132,950
40 Highlands Nature Center	\$67,843
41 Imagination Station	\$84,561
42 Kidsenses	\$82,000
43 Museum of Coastal Carolina	\$72,063
44 Natural Science Center of Greensboro	\$163,921
45 North Carolina Museum of Life 46 and Science	\$326,615
47 Port Discover	\$50,000
48 Rocky Mount Children's Museum	\$97,694
49 Schiele Museum of Natural History	\$201,274
50 Sci Works Science Center and 51 Environmental Park of Forsyth County	\$133,161

1	Western North Carolina Nature Center	\$97,351
2	Wilmington Children's Museum	\$93,434
3		
4	Total	\$3,197,763

5 **SECTION 12.5.(a1)** Of the funds appropriated in this act to the Grassroots
6 Science Program, the additional sum of one hundred twenty-five thousand dollars
7 (\$125,000) in the 2007-2008 fiscal year shall be allocated to the Natural Science Center
8 of Greensboro.

9 **SECTION 12.5.(b)** No later than March 1, 2008, the Department of
10 Environment and Natural Resources shall report to the Fiscal Research Division all of
11 the following information for each museum that receives funds under this section:

- 12 (1) The operating budget for the 2006-2007 fiscal year.
- 13 (2) The operating budget for the 2007-2008 fiscal year.
- 14 (3) The total attendance at the museum during the 2007 calendar year.

15 **SECTION 12.5.(c)** As a condition for qualifying to receive funding under
16 this section, all of the following documentation shall be submitted for each museum
17 under this section to the Department of Environment and Natural Resources for fiscal
18 years ending between July 1, 2005, and June 30, 2006, and only those costs that are
19 properly documented under this subsection are allowed by the Department in
20 calculating the distribution of funds under this section:

- 21 (1) Each museum under this section shall submit its IRS (Internal Revenue
22 Service) Form 990 to show its annual operating expenses, its annual
23 report, and a reconciliation that explains any differences between
24 expenses as shown on the IRS Form 990 and the annual report.
- 25 (2) Each friends association of a museum under this section shall submit
26 its IRS Form 990 to show its reported expenses for the museum, its
27 annual report, and a reconciliation that explains any differences
28 between expenses as shown on the IRS Form 990 and the annual
29 report, unless the association does not have both an IRS Form 990 and
30 an annual report available, in which case, it shall submit either an IRS
31 Form 990 or an annual report.
- 32 (3) The chief financial Officer of each county or municipal government
33 that provides funds for the benefit of the museum shall submit a
34 detailed signed statement of documented costs spent for the benefit of
35 the museum that includes documentation of the name, address, title,
36 and telephone number of the person making the assertion that the
37 museum receives funds from the county or municipality for the benefit
38 of the museum.
- 39 (4) The chief financial Officer of each county or municipal government or
40 each friends association that provides indirect or allocable costs that
41 are not directly charged to a museum under this section but that benefit
42 the museum shall submit in the form of a detailed statement
43 enumerating each cost by type and amount that is verified by the
44 financial officer responsible for the completion of the documentation
45 and that includes the name, address, title, and telephone number of the
46 person making the assertion that the county, municipality, or
47 association provides indirect or allocable costs to the museum.

48 **SECTION 12.5.(d)** As used in subsection (c) of this section, "friends
49 association" means a nonprofit corporation established for the purpose of supporting
50 and assisting a museum that receives funding under this section.

BEAVER DAMAGE CONTROL PROGRAM FUNDS

SECTION 12.6. Of the funds available to the Wildlife Resources Commission, the sum of five hundred thousand dollars (\$500,000) for the 2007-2008 fiscal year and the sum of five hundred thousand dollars (\$500,000) 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.

CAP WILDLIFE RESOURCES FUND ANNUAL SALES TAX RECEIPTS

SECTION 12.7. G.S. 105-164.44B reads as rewritten:

"§ 105-164.44B. Transfer to Wildlife Resources Fund of taxes on hunting and fishing supplies and equipment.

Each fiscal year, 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, one fourth of the amount transferred the preceding fiscal year plus or minus the percentage of that amount by which the total collection of State sales and use taxes increased or decreased during the preceding fiscal ~~year-year~~, not to exceed twenty-two million dollars (\$22,000,000)."

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 revolving loan fund.

(a) Establishment. – The NC Green Business Fund is established as a revolving loan 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 no-interest loans from the Fund to private business 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

1 economy in the State. Moneys in the NC Green Business Fund shall be used for projects
2 that will focus on the following three priority areas:

- 3 (1) To encourage the development of the biofuels industry in the State.
4 The Department of Commerce shall make no-interest loans available
5 to maximize development, production, distribution, retail
6 infrastructure, and consumer purchase of biofuels in North Carolina,
7 including workforce development.
8 (2) To encourage the development of the green building industry in the
9 State. The Department of Commerce shall make no-interest loans
10 available to grow a market for installation, certification, building
11 material distribution, energy audits, and marketing and sales of green
12 building in North Carolina, including workforce development.
13 (3) To attract and leverage private-sector investments and entrepreneurial
14 growth in additional clean technology and renewable energy products
15 and businesses, including workforce development.

16 **"§ 143B-437.5. Green Business Fund Advisory Committee.**

17 The Department of Commerce may establish an advisory committee to assist in the
18 development of the specific selection criteria and the loan-making process of the NC
19 Green Business Fund.

20 **"§ 143B-437.6. Agreements required.**

21 Funds may be disbursed from the NC Green Business Fund only in accordance with
22 agreements entered into between the Department of Commerce and an eligible loan
23 recipient. Each agreement must contain the following provisions:

- 24 (1) A description of the acceptable uses of loan proceeds. The agreement
25 may limit the use of funds to specific purposes or may allow the funds
26 to be used for any lawful purposes.
27 (2) A provision allowing the Department of Commerce to inspect all
28 reasonable records of the business that may be used to confirm
29 compliance with the agreement or with the requirements of this Part.
30 (3) A provision establishing the method for determining compliance with
31 the agreement.
32 (4) A provision establishing a schedule for disbursement of loan funds
33 under the agreement.
34 (5) A provision establishing a schedule for the repayment of the loan
35 under the agreement.
36 (6) A provision requiring repayment of loan funds if a business
37 subsequently fails to comply with the terms of the agreement.
38 (7) Any other provision the State finds necessary to ensure the proper use
39 of State funds.

40 **"§ 143B-437.7. Program guidelines.**

41 The Department of Commerce shall develop guidelines related to the administration
42 of the NC Green Business Fund and to the selection of projects to receive no-interest
43 loans from the Fund, including project evaluation measures. At least 20 days before the
44 effective date of any guidelines or nontechnical amendments to guidelines, the
45 Department of Commerce must publish the proposed guidelines on the Department's
46 Web site and provide notice to persons who have requested notice of proposed
47 guidelines. In addition, the Department must accept oral and written comments on the
48 proposed guidelines during the 15 business days beginning on the first day that the
49 Department has completed these notifications. For the purpose of this section, a
50 technical amendment is either of the following:

- 51 (1) An amendment that corrects a spelling or grammatical error.

- 1 (2) An amendment that makes a clarification based on public comment
2 and could have been anticipated by the public notice that immediately
3 preceded the public comment.

4 **"§ 143B-437.8. Reports.**

5 The Department of Commerce shall conduct an annual audit review of each NC
6 Green Business Fund loan recipient to assess project quality assurance. The Department
7 of Commerce shall publish a report on the use of funds in the NC Green Business Fund
8 at the end of each fiscal year. The report shall contain information on the commitment,
9 disbursement, and use of funds allocated under the NC Green Business Fund. The report
10 shall also include the Department of Commerce's audit review of the NC Green
11 Business Fund loan recipients. The report is due no later than September 1 and must be
12 submitted to the following:

- 13 (1) The Joint Legislative Commission on Governmental Operations.
14 (2) The chairs of the House of Representatives and Senate Finance
15 Committees.
16 (3) The chairs of the House of Representatives and Senate Appropriations
17 Committees.
18 (4) The Fiscal Research Division of the General Assembly.

19 **"§§ 143B-437.9 through 143B-437.11: Reserved for future codification purposes."**

20 **SECTION 13.2.(b)** G.S. 147-68(d1) reads as rewritten:

21 "(d1) The Treasurer shall report to the Joint Legislative Commission on
22 Governmental Operations, ~~to the Chairman, Appropriations Base Budget Committee~~
23 ~~and the Chairman, Appropriations Expansion Budget Committee of the House of~~
24 ~~Representatives, and to the Chairman, Committee on Appropriations and the Chairman,~~
25 ~~Committee on Base Budget of the Senate~~ the chairs of the House of Representatives and
26 Senate Appropriations Committees, the chairs of the House of Representatives and
27 Senate Finance Committees, and the Fiscal Research Division of the General Assembly,
28 on a quarterly basis, concerning all investments and deposits made by and through his
29 office. The report shall include a listing of all investments with or on behalf of the State
30 or any of its agencies or institutions and shall include the particular agency or
31 institution, fund, rate of return, duration of the investment, and the amount of deposit on
32 all noninterest bearing accounts. The first report is due 90 days after July 1, 1982, and
33 shall include all investments and deposits made during the 1981-82 fiscal year and all
34 investments made during the first quarter of the 1982-83 fiscal year; thereafter, reports
35 shall be made on a quarterly basis including all investments and deposits made during
36 that reporting period. The report shall include a specific listing of all investments made
37 with certified green managers and companies and funds that support sustainable
38 practices, including the names of the companies, managers, and funds, the amount
39 invested, and the State's return on investment."

40
41 **EXECUTIVE AIRCRAFT/USES**

42 **SECTION 13.3.** Part 2 of Article 10 of Chapter 143B is amended by adding
43 a new section to read:

44 **"§ 143B-437.011. Executive aircraft used for economic development; other uses.**

45 The use of executive aircraft by the Department of Commerce for economic
46 development purposes shall take precedence over all other uses. The Department of
47 Commerce shall annually review the rates charged for the use of executive aircraft and
48 shall adjust the rates, as necessary, to account for upgraded aircraft and inflationary
49 increases in operating costs, including jet fuel prices. If executive aircraft is not being
50 used for economic development purposes, priority of use shall be given first to the
51 Governor, second to the Council of State, and third to other State officials traveling on

1 State business. If executive aircraft is used to attend athletic events or for any other
2 purpose related to collegiate athletics, the rate charged shall be equal to the direct cost
3 of operating the aircraft as established by the aircraft's manufacturer, adjusted for
4 inflation."
5

6 **EMPLOYMENT SECURITY COMMISSION FUNDS**

7 **SECTION 13.4.(a)** Funds from the Employment Security Commission
8 Reserve Fund shall be available to the Employment Security Commission of North
9 Carolina to use as collateral to secure federal funds and to pay the administrative costs
10 associated with the collection of the Employment Security Commission Reserve Fund
11 surcharge. The total administrative costs paid with funds from the Reserve in the
12 2007-2008 fiscal year shall not exceed two million five hundred thousand dollars
13 (\$2,500,000).

14 **SECTION 13.4.(b)** There is appropriated from the Employment Security
15 Commission Reserve Fund to the Employment Security Commission of North Carolina
16 the sum of seven million three hundred thousand dollars (\$7,300,000) for the 2007-2008
17 fiscal year to be used for the following purposes:

- 18 (1) Seven million dollars (\$7,000,000) for the operation and support of
19 local offices.
- 20 (2) Two hundred thousand dollars (\$200,000) for the State Occupational
21 Information Coordinating Committee to develop and operate an
22 interagency system to track former participants in State education and
23 training programs.
- 24 (3) One hundred thousand dollars (\$100,000) to maintain compliance with
25 Chapter 96 of the General Statutes, which directs the Commission to
26 employ the Common Follow-Up Management Information System to
27 evaluate the effectiveness of the State's job training, education, and
28 placement programs.

29 **SECTION 13.4.(c)** There is appropriated from the Employment Security
30 Commission Reserve Fund to the Employment Security Commission of North Carolina
31 an amount not to exceed two million five hundred thousand dollars (\$2,500,000) for the
32 2007-2008 fiscal year to fund State initiatives not currently funded through federal
33 grants.

34 **SECTION 13.4.(d)** There is appropriated from the Employment Security
35 Commission Reserve Fund to the Employment Security Commission of North Carolina
36 an amount not to exceed three hundred fifty thousand dollars (\$350,000) for the
37 2007-2008 fiscal year to allow the Commission to continue to work with Connect, Inc.,
38 to provide dislocated workers with assistance in obtaining health care benefits, receiving
39 vocational training, and securing employment.

40 **SECTION 13.4.(e)** This section becomes effective July 1, 2007.

41 **NORTH CAROLINA CENTER FOR AUTOMOTIVE RESEARCH/FUNDS** 42 **SHALL NOT REVERT**

43 **SECTION 13.5.(a)** Funds appropriated to the North Carolina Center for
44 Automotive Research, Inc., (Center) for the 2005-2006 fiscal year and for the
45 2006-2007 fiscal year that are unexpended and unencumbered as of June 30, 2007, shall
46 not revert to the General Fund on June 30, 2007, but shall remain available at the
47 Department of Commerce.
48

49 **SECTION 13.5.(b)** Of the funds appropriated to the North Carolina Center
50 for Automotive Research for the 2005-2006 fiscal year and for the 2006-2007 fiscal
51 year, the Department of Commerce, with approval from the Office of State Budget and

1 Management, may, subject to the provisions of subsection (c) of this section, allocate
2 the remaining appropriated funds to the Center when the Office of State Budget and
3 Management, in consultation with the Department of Commerce, determines the Center
4 has completed goals and projects consistent with the Center's business plan. The goals
5 and projects shall include the following:

- 6 (1) The Center has obtained legal title to the property on which the Center
7 will be built.
- 8 (2) The Center has determined and provided for the critical infrastructure
9 needed to support the Center.
- 10 (3) The Center has entered into a contract for the use and operation of a
11 testing facility that will create new private sector jobs in Tier 1 or Tier
12 2 counties.

13 **SECTION 13.5.(c)** No funds shall be released by the Office of State Budget
14 and Management under subsection (b) of this section until a board of directors for the
15 Center consisting of no fewer than five members representing five different
16 organizations is appointed and operating.

17 **SECTION 13.5.(d)** The Center shall file with the Department of Commerce
18 a copy of the Center's policy addressing conflicts of interest that may arise involving the
19 Center's management employees and members of the Center's board of directors or
20 other governing body before funds may be allocated to the Center. The policy shall
21 address situations in which any of the Center's management employees and members of
22 the board of directors or other governing body may directly or indirectly benefit, except
23 as Center employees or members of the board or other governing body, from the
24 Center's disbursing of State funds and shall include actions to be taken by the Center or
25 the employee or member, or both, to avoid conflicts of interest and the appearance of
26 impropriety.

27 **SECTION 13.5.(e)** By December 31, 2007, and April 30, 2008, the Center
28 shall report to the Governor, the Joint Legislative Commission on Governmental
29 Operations, and the Fiscal Research Division the following information: (i) fiscal year
30 2007-2008 projects, objectives, and accomplishments; and (ii) fiscal year 2007-2008
31 itemized expenditures and fund sources. The April 30, 2008, report shall also contain
32 the following information: (i) fiscal year 2008-2009 planned projects, objectives, and
33 accomplishments; and (ii) fiscal year 2008-2009 estimated expenditures and fund
34 sources.

35 **SECTION 13.5.(f)** The Center shall also provide to the Governor, the Joint
36 Legislative Commission on Governmental Operations, and the Fiscal Research Division
37 a copy of the Center's annual audited financial statement within 30 days of issuance of
38 the statement and a copy of the Center's IRS Form 990.

39 **SECTION 13.5.(g)** The Center shall provide a report containing detailed
40 budget information to the Office of State Budget and Management in the same manner
41 as State departments and agencies in preparation for biennium budget requests. The
42 Center shall provide specific salary information upon the written request of the chairs of
43 the Joint Legislative Commission on Governmental Operations and the chairs of the
44 House Appropriations Committee on Natural and Economic Resources and the Senate
45 Appropriations Committee on Natural and Economic Resources.

46 **COUNCIL OF GOVERNMENT FUNDS**

47 **SECTION 13.6.(a)** Of the funds appropriated in this act to the Department
48 of Commerce, eight hundred thirty-two thousand one hundred fifty dollars (\$832,150)
49 for the 2007-2008 fiscal year and eight hundred thirty-two thousand one hundred fifty
50 dollars (\$832,150) for the 2008-2009 fiscal year shall only be used as provided by this
51

1 section. Each regional council of government or lead regional organization is allocated
2 up to forty-eight thousand nine hundred fifty dollars (\$48,950) for the 2007-2008 and
3 the 2008-2009 fiscal years.

4 **SECTION 13.6.(b)** A regional council of government may use funds
5 appropriated by this section only to assist local governments in grant applications,
6 economic development, community development, support of local industrial
7 development activities, and other activities as deemed appropriate by the member
8 governments.

9 **SECTION 13.6.(c)** Funds appropriated by this section shall be paid by
10 electronic transfer in two equal installments, the first no later than September 1, 2007,
11 and the second subsequent to acceptable submission of the annual report due to the Joint
12 Legislative Commission on Governmental Operations and the Fiscal Research Division
13 by January 15, 2008, as specified in subdivision (e)(1) of this section.

14 **SECTION 13.6.(d)** Funds appropriated by this section shall not be used for
15 payment of dues or assessments by the member governments and shall not supplant
16 funds appropriated by the member governments.

17 **SECTION 13.6.(e)** Each council of government or lead regional
18 organization shall do the following:

- 19 (1) By January 15, 2008, and more frequently as requested, report to the
20 Joint Legislative Commission on Governmental Operations and the
21 Fiscal Research Division the following information:
 - 22 a. State fiscal year 2006-2007 program activities, objectives, and
23 accomplishments;
 - 24 b. State fiscal year 2006-2007 itemized expenditures and fund
25 sources;
 - 26 c. State fiscal year 2007-2008 planned activities, objectives, and
27 accomplishments, including actual results through December
28 31, 2007; and
 - 29 d. State fiscal year 2007-2008 estimated itemized expenditures
30 and fund sources, including actual expenditures and fund
31 sources, through December 31, 2007.
- 32 (2) By January 15, 2009, and more frequently as requested, report to the
33 Joint Legislative Commission on Governmental Operations and the
34 Fiscal Research Division the following information:
 - 35 a. State fiscal year 2007-2008 program activities, objectives, and
36 accomplishments;
 - 37 b. State fiscal year 2007-2008 itemized expenditures and fund
38 sources;
 - 39 c. State fiscal year 2008-2009 planned activities, objectives, and
40 accomplishments, including actual results through December
41 31, 2008; and
 - 42 d. State fiscal year 2008-2009 estimated itemized expenditures
43 and fund sources, including actual expenditures and fund
44 sources, through December 31, 2008.
- 45 (3) Provide to the Fiscal Research Division a copy of the organization's
46 annual audited financial statement within 30 days of issuance of the
47 statement.
48

49 **REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS**

50 **SECTION 13.7.(a)** Funds appropriated in this act to the Department of
51 Commerce for regional economic development commissions shall be allocated to the

1 following commissions in accordance with subsection (b) of this section: Western North
2 Carolina Regional Economic Development Commission, Research Triangle Regional
3 Commission, Southeastern North Carolina Regional Economic Development
4 Commission, Piedmont Triad Partnership, Northeastern North Carolina Regional
5 Economic Development Commission, North Carolina's Eastern Region Economic
6 Development Partnership, and Carolinas Partnership, Inc.

7 **SECTION 13.7.(b)** Funds appropriated pursuant to subsection (a) of this
8 section shall be allocated to each regional economic development commission as
9 follows:

- 10 (1) First, the Department shall establish each Commission's allocation by
11 determining the sum of allocations to each county that is a member of
12 that Commission. Each county's allocation shall be determined by
13 dividing the county's enterprise factor by the sum of the enterprise
14 factors for eligible counties and multiplying the resulting percentage
15 by the amount of the appropriation. As used in this subdivision, the
16 term "enterprise factor" means a county's enterprise factor as
17 calculated under G.S. 143B-437.08; and
- 18 (2) Next, the Department shall subtract from funds allocated to the North
19 Carolina's Eastern Region Economic Development Partnership the
20 sum of three hundred thirty thousand seven hundred fifty dollars
21 (\$330,750) in the 2007-2008 fiscal year and three hundred thirty
22 thousand seven hundred fifty dollars (\$330,750) in the 2008-2009
23 fiscal year, which sum represents: (i) the total interest earnings in the
24 prior fiscal year on the estimated balance of seven million five hundred
25 thousand dollars (\$7,500,000) appropriated to the Global TransPark
26 Development Zone in Section 6 of Chapter 561 of the 1993 Session
27 Laws; and (ii) the total interest earnings in the prior fiscal year on
28 loans made from the seven million five hundred thousand dollars
29 (\$7,500,000) appropriated to the Global TransPark Development Zone
30 in Section 6 of Chapter 561 of the 1993 Session Laws; and
- 31 (3) Next, the Department shall redistribute the sum of three hundred thirty
32 thousand seven hundred fifty dollars (\$330,750) in the 2007-2008
33 fiscal year and three hundred thirty thousand seven hundred fifty
34 dollars (\$330,750) in the 2008-2009 fiscal year to the seven regional
35 economic development commissions named in subsection (a) of this
36 section. Each commission's share of this redistribution shall be
37 determined according to the enterprise factor formula set out in
38 subdivision (1) of this subsection. This redistribution shall be in
39 addition to each commission's allocation determined under subdivision
40 (1) of this subsection.

41 **REGIONAL ECONOMIC DEVELOPMENT COMMISSION REPORTS**

42 **SECTION 13.8.(a)** By February 15 of each fiscal year, the seven regional
43 economic development commissions shall report to the Joint Legislative Commission
44 on Governmental Operations and the Fiscal Research Division the following
45 information:
46

- 47 (1) The preceding fiscal year's program activities, objectives, and
48 accomplishments.
49 (2) The preceding fiscal year's itemized expenditures and fund sources.

(3) Demonstration of how the commission's regional economic development and marketing strategy aligns with the State's overall economic development and marketing strategies.

(4) To the extent they are involved in promotion activities such as trade shows, visits to prospects and consultants, advertising and media placement, the commissions shall demonstrate how they have generated qualified leads.

SECTION 13.8.(b) Each of the commissions shall provide to the Fiscal Research Division a copy of their annual audited financial statement within 30 days of issuance of the statement.

SECTION 13.8.(c) The reporting requirements for regional economic development commissions, as provided in subsection (a) of this section, shall be reviewed annually by the North Carolina Partnership for Economic Development, and recommendations for changes to the reporting requirements shall be made to the Fiscal Research Division, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives.

SECTION 13.8.(d) Regional economic development commissions shall receive quarterly allocations of the funds appropriated in this act to the Department of Commerce for regional economic development commissions.

SECTION 13.8.(e) Regional economic development commissions shall remain in the Department of Commerce's Budget Code 14601 with other State-aided nonprofit entities.

KERR-TAR REGIONAL ECONOMIC DEVELOPMENT CORPORATION/REPORTING REQUIREMENTS

SECTION 13.9. The Kerr-Tar Regional Economic Development Corporation 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

- 1 d. State fiscal year 2008-2009 estimated itemized expenditures
2 and fund sources including actual expenditures and fund
3 sources through December 31, 2008.
4 (3) Provide to the Fiscal Research Division a copy of the corporation's
5 annual audited financial statement within 30 days of issuance of the
6 statement.
7

8 BIOTECHNOLOGY CENTER

9 **SECTION 13.10.(a)** The North Carolina Biotechnology Center shall
10 recapture funds spent in support of successful research and development efforts in the
11 for-profit private sector.

12 **SECTION 13.10.(b)** The North Carolina Biotechnology Center shall
13 provide funding for biotechnology, biomedical, and related bioscience applications
14 under its Business and Science Technology Programs.

15 **SECTION 13.10.(c)** The North Carolina Biotechnology Center shall:

- 16 (1) By January 15, 2008, and more frequently as requested, report to the
17 Joint Legislative Commission on Governmental Operations and the
18 Fiscal Research Division the following information:
19 a. State fiscal year 2006-2007 program activities, objectives, and
20 accomplishments;
21 b. State fiscal year 2006-2007 itemized expenditures and fund
22 sources;
23 c. State fiscal year 2007-2008 planned activities, objectives, and
24 accomplishments, including actual results through December
25 31, 2007; and
26 d. State fiscal year 2007-2008 estimated itemized expenditures
27 and fund sources, including actual expenditures and fund
28 sources through December 31, 2007.
29 (2) By January 15, 2009, and more frequently as requested, report to the
30 Joint Legislative Commission on Governmental Operations and the
31 Fiscal Research Division the following information:
32 a. State fiscal year 2007-2008 program activities, objectives, and
33 accomplishments;
34 b. State fiscal year 2007-2008 itemized expenditures and fund
35 sources;
36 c. State fiscal year 2008-2009 planned activities, objectives, and
37 accomplishments, including actual results through December
38 31, 2008; and
39 d. State fiscal year 2008-2009 estimated itemized expenditures
40 and fund sources, including actual expenditures and fund
41 sources through December 31, 2008.
42 (3) Provide to the Fiscal Research Division a copy of the organization's
43 annual audited financial statement within 30 days of issuance of the
44 statement.

45 **SECTION 13.10.(d)** The North Carolina Biotechnology Center shall
46 provide a report containing detailed budget, personnel, and salary information to the
47 Office of State Budget and Management and to the Fiscal Research Division in the same
48 manner as State departments and agencies in preparation for biennium budget requests.
49

50 NONPROFIT REPORTING REQUIREMENTS

1 **SECTION 13.11.(a)** The N.C. Institute for Minority Economic
 2 Development, Inc., Land Loss Prevention Project, North Carolina Minority Support
 3 Center, North Carolina Community Development Initiative, Inc., North Carolina
 4 Association of Community Development Corporations, Inc., Coalition of Farm and
 5 Rural Families, and Partnership for the Sounds, Inc., shall do the following:

- 6 (1) By January 15, 2008, and more frequently as requested, report to the
 7 Joint Legislative Commission on Governmental Operations and the
 8 Fiscal Research Division the following information:
 9 a. State fiscal year 2006-2007 program activities, objectives, and
 10 accomplishments;
 11 b. State fiscal year 2006-2007 itemized expenditures and fund
 12 sources;
 13 c. State fiscal year 2007-2008 planned activities, objectives, and
 14 accomplishments including actual results through December 31,
 15 2007; and
 16 d. State fiscal year 2007-2008 estimated itemized expenditures
 17 and fund sources including actual expenditures and fund
 18 sources through December 31, 2007.
 19 (2) By January 15, 2009, and more frequently as requested, report to the
 20 Joint Legislative Commission on Governmental Operations and the
 21 Fiscal Research Division the following information:
 22 a. State fiscal year 2007-2008 program activities, objectives, and
 23 accomplishments;
 24 b. State fiscal year 2007-2008 itemized expenditures and fund
 25 sources;
 26 c. State fiscal year 2008-2009 planned activities, objectives, and
 27 accomplishments including actual results through December 31,
 28 2008; and
 29 d. State fiscal year 2008-2009 estimated itemized expenditures
 30 and fund sources including actual expenditures and fund
 31 sources through December 31, 2008.
 32 (3) Provide to the Fiscal Research Division a copy of the organization's
 33 annual audited financial statement within 30 days of issuance of the
 34 statement.

35 **SECTION 13.11.(b)** No funds appropriated under this act shall be released
 36 to a nonprofit organization listed in subsection (a) of this section until the organization
 37 has satisfied the reporting requirement for January 15, 2007. Fourth quarter allotments
 38 shall not be released to any nonprofit organization that does not satisfy the reporting
 39 requirements by January 15, 2008, or January 15, 2009.

40 **SECTION 13.11.(c)** No funds shall be released to the Triangle Urban
 41 League if it is not in compliance with all State funding requirements governing State-
 42 Aid to non-State entities as of July 1, 2007.
 43

44 **RURAL ECONOMIC DEVELOPMENT CENTER**

45 **SECTION 13.12.(a)** Of the funds appropriated in this act to the Rural
 46 Economic Development Center, Inc., the sum of one million nine hundred thirteen
 47 thousand one hundred twelve dollars (\$1,913,112) for the 2007-2008 fiscal year and the
 48 sum of one million nine hundred thirteen thousand one hundred twelve dollars
 49 (\$1,913,112) for the 2008-2009 fiscal year shall be allocated as follows:

	2007-2008	2008-2009
50 Research and Demonstration Grants	\$370,000	\$370,000

1	Technical Assistance and Center		
2	Administration of Research		
3	and Demonstration Grants	444,399	444,399
4	Center Administration, Oversight,		
5	and Other Programs	604,298	604,298
6	Administration of Clean Water/		
7	Natural Gas Critical Needs		
8	Bond Act of 1998	87,137	87,137
9	Additional Administration of Supplemental		
10	Funding Program	138,278	138,278
11	Administration of Capacity Building		
12	Assistance Program (1998 Bond Act)	125,000	125,000
13	Institute for Rural Entrepreneurship	144,000	144,000.

14 **SECTION 13.12.(b)** The Rural Economic Development Center, Inc., shall
 15 provide a report containing detailed budget, personnel, and salary information to the
 16 Office of State Budget and Management in the same manner as State departments and
 17 agencies in preparation for biennium budget requests.

18 **SECTION 13.12.(c)** For purposes of this section, the term "community
 19 development corporation" means a nonprofit corporation:

- 20 (1) Chartered pursuant to Chapter 55A of the General Statutes;
- 21 (2) Tax-exempt pursuant to section 501(c)(3) of the Internal Revenue
 22 Code of 1986;
- 23 (3) Whose primary mission is to develop and improve low-income
 24 communities and neighborhoods through economic and related
 25 development;
- 26 (4) Whose activities and decisions are initiated, managed, and controlled
 27 by the constituents of those local communities; and
- 28 (5) Whose primary function is to act as deal maker and packager of
 29 projects and activities that will increase their constituencies'
 30 opportunities to become owners, managers, and producers of small
 31 businesses, affordable housing, and jobs designed to produce positive
 32 cash flow and curb blight in the targeted community.

33 **SECTION 13.12.(d)** Of the funds appropriated in this act to the Rural
 34 Economic Development Center, Inc., the sum of two million four hundred fifteen
 35 thousand nine hundred ten dollars (\$2,415,910) for the 2007-2008 fiscal year and the
 36 sum of two million four hundred fifteen thousand nine hundred ten dollars (\$2,415,910)
 37 for the 2008-2009 fiscal year shall be allocated as follows:

- 38 (1) \$1,047,410 in each fiscal year for community development grants to
 39 support development projects and activities within the State's minority
 40 communities. Any new or previously funded community development
 41 corporation as defined in this section is eligible to apply for funds. The
 42 Rural Economic Development Center, Inc., shall establish
 43 performance-based criteria for determining which community
 44 development corporation will receive a grant and the grant amount.
 45 The Rural Economic Development Center, Inc., shall allocate these
 46 funds as follows:
 - 47 a. \$1,047,410 for direct grants to local community development
 48 corporations to support operations and project activities.
 - 49 b. \$50,000 in each fiscal year to the Rural Economic Development
 50 Center, Inc., to be used to cover expenses in administering this
 51 section.

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- (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) Of the funds allocated to Research and Demonstration Grants for fiscal year 2007-2008 in subsection (a) of this section, the sum of twenty-five thousand dollars (\$25,000) shall be allocated to The Cooper Help Center for the planning and development of a neighborhood grocery and laundry center in an economically distressed inner-city community, and the sum of one hundred fifty thousand dollars (\$150,000) shall be allocated to EBC-ATOM (A Total Outreach Ministry) Project for the development and implementation of a stabilization plan for targeted deteriorating neighborhoods in Nash and Halifax Counties.

SECTION 13.12.(f) The Rural Economic Development Center, Inc., shall:

- 1 (1) By January 15, 2008, and more frequently as requested, report to the
2 Joint Legislative Commission on Governmental Operations and the
3 Fiscal Research Division the following information:
4 a. State fiscal year 2006-2007 program activities, objectives, and
5 accomplishments;
6 b. State fiscal year 2006-2007 itemized expenditures and fund
7 sources;
8 c. State fiscal year 2007-2008 planned activities, objectives, and
9 accomplishments, including actual results through December
10 31, 2007; and
11 d. State fiscal year 2007-2008 estimated itemized expenditures
12 and fund sources, including actual expenditures and fund
13 sources through December 31, 2007.
14 (2) By January 15, 2009, and more frequently as requested, report to the
15 Joint Legislative Commission on Governmental Operations and the
16 Fiscal Research Division the following information:
17 a. State fiscal year 2007-2008 program activities, objectives, and
18 accomplishments;
19 b. State fiscal year 2007-2008 itemized expenditures and fund
20 sources;
21 c. State fiscal year 2008-2009 planned activities, objectives, and
22 accomplishments, including actual results through December
23 31, 2008; and
24 d. State fiscal year 2008-2009 estimated itemized expenditures
25 and fund sources, including actual expenditures and fund
26 sources through December 31, 2008.
27 (3) Provide to the Fiscal Research Division a copy of each grant
28 recipient's annual audited financial statement within 30 days of
29 issuance of the statement.

30 **SECTION 13.12.(g)** No funds appropriated under this act shall be released
31 to a community development corporation, as defined in this section, unless the
32 corporation can demonstrate that there are no outstanding or proposed assessments or
33 other collection actions against the corporation for any State or federal taxes, including
34 related penalties, interest, and fees.
35

36 **RURAL ECONOMIC DEVELOPMENT CENTER/INFRASTRUCTURE** 37 **PROGRAM**

38 **SECTION 13.13.(a)** Of the funds appropriated in this act to the Rural
39 Economic Development Center, Inc., the sum of nineteen million five hundred thousand
40 dollars (\$19,500,000) for the 2007-2008 fiscal year and the sum of nineteen million five
41 hundred thousand dollars (\$19,500,000) for the 2008-2009 fiscal year shall be allocated
42 as follows:

- 43 (1) To continue the North Carolina Infrastructure Program. The purpose of
44 the Program is to provide grants to local governments to construct
45 critical water and wastewater facilities and to provide other
46 infrastructure needs, including technology needs, to sites where these
47 facilities will generate private job-creating investment. At least fifteen
48 million dollars (\$15,000,000) of the funds appropriated in this act for
49 each year of the biennium must be used to provide grants under this
50 Program.

1 (2) To provide matching grants to local governments in distressed areas
2 and equity investments in public-private ventures that will
3 productively reuse vacant buildings and properties, with priority given
4 to towns or communities with populations of less than 5,000.

5 (3) To provide economic development research and demonstration grants.

6 **SECTION 13.13.(b)** The funds appropriated in this act to the Rural
7 Economic Development Center, Inc., shall be recurring funds.

8 **SECTION 13.13.(c)** The Rural Economic Development Center, Inc., may
9 contract with other State agencies, constituent institutions of The University of North
10 Carolina, and colleges within the North Carolina Community College System for certain
11 aspects of the North Carolina Infrastructure Program, including design of Program
12 guidelines and evaluation of Program results.

13 **SECTION 13.13.(d)** During each year of the 2007-2009 biennium, the Rural
14 Economic Development Center, Inc., may use up to two percent (2%) of the funds
15 appropriated in this act to cover its expenses in administering the North Carolina
16 Economic Infrastructure Program.

17 **SECTION 13.13.(e)** No later than January 15 of each year, the Rural
18 Economic Development Center, Inc., shall submit an annual report to the Joint
19 Legislative Commission on Governmental Operations concerning the progress of the
20 North Carolina Economic Infrastructure Program.

21 **RURAL ECONOMIC DEVELOPMENT CENTER FUNDS**

22 **SECTION 13.14.(a)** Of the funds appropriated in this act to the North
23 Carolina Rural Economic Development Center, Inc. (Rural Center), the sum of nineteen
24 million dollars (\$19,000,000) for the 2007-2008 fiscal year shall be used to expand the
25 North Carolina Rural Economic Infrastructure Fund with targeted priority to severely
26 distressed rural areas.

27 **SECTION 13.14.(b)** The Rural Center shall use the funds appropriated in
28 this act to establish and implement the Rural Economic Transition Program. This
29 program shall provide grants and equity investments to carry out transformative
30 economic development and agricultural enhancement projects that will generate jobs
31 and expand business activity.

32 **SECTION 13.14.(c)** Units of local government and nonprofit organizations
33 in rural areas are eligible for grants, with priority to applicants in development tier one
34 areas as defined in G.S. 143B-437.08.

35 **SECTION 13.14.(d)** Priority for grant funds shall be given to economic
36 development projects that satisfy one or more of the following criteria:

37 (1) It is located in a county or census area with a persistently high poverty
38 rate of at least one hundred fifty percent (150%) of the State's poverty
39 rate according to the most recent decennial census.

40 (2) It is located in a community that has experienced a sudden and severe
41 economic downturn as reflected in numbers of business closings,
42 layoffs, and unemployment rate during the previous 12 months.

43 (3) It is located in a small town with a population under 10,000, an
44 agrarian growth zone as defined in G.S. 143B-437.10, or an urban
45 progress zone as defined in G.S. 143B-437.09.

46 (4) It is identified in community-based strategic planning efforts and
47 coordinated with other economic development and
48 community-building initiatives, such as the North Carolina Rural
49 Economic Development Center Small Town Economic Prosperity
50 Program, the North Carolina Department of Commerce 21st Century
51

1 Communities Program, the North Carolina Department of Commerce
2 Main Street Program, and federally funded Comprehensive Economic
3 Development Strategies.

4 (5) It is supportive of strategies to expand entrepreneurial small business
5 activity based on the natural, cultural, or historical assets of the
6 community.

7 (6) It has the ability to demonstrate benefits to small farm business
8 diversifying into value-added production and marketing, and it
9 increases opportunities in food and beverage manufacturing and
10 distribution for small farm entrepreneurs.

11 **SECTION 13.14.(e)** Eligible units of local government and nonprofit
12 organizations are not required to match grants received under this section, but shall
13 demonstrate the commitment of other funds to the project.

14 **SECTION 13.14.(f)** Up to twenty percent (20%) of the funds appropriated in
15 this section may be used for equity investments and loans through the Rural Venture
16 Fund to private business ventures that will substantially transform and improve the
17 economic status of rural areas, with priority to businesses locating or expanding in
18 development tier one areas as defined in G.S. 143B-437.08.

19 **SECTION 13.14.(g)** The Rural Center may use a portion of the funds
20 appropriated under this section, not to exceed four percent (4%), for administration of
21 the programs created by this section.

22 **SECTION 13.14.(h)** The Rural Center may contract with other State
23 agencies and branches of The University of North Carolina for certain aspects of the
24 programs created under this section, including the design of program guidelines and
25 evaluation of program results.

26 **SECTION 13.14.(i)** The Rural Center shall report to the Joint Legislative
27 Commission on Governmental Operations on a quarterly basis concerning the progress
28 of the programs created under this section. The first report is due no later than February
29 15, 2008.

30 **SECTION 13.14.(j)** This section becomes effective July 1, 2007.

31 **OPPORTUNITIES INDUSTRIALIZATION CENTER FUNDS**

32 **SECTION 13.15.(a)** Of the funds appropriated in this act to the Rural
33 Economic Development Center, Inc., the sum of three hundred sixty-one thousand
34 dollars (\$361,000) for the 2007-2008 fiscal year and the sum of three hundred sixty-one
35 thousand dollars (\$361,000) for the 2008-2009 fiscal year shall be equally distributed
36 among the certified Opportunities Industrialization Centers for ongoing job training
37 programs.

38 **SECTION 13.15.(b)** For each of the Opportunities Industrialization Centers
39 receiving funds pursuant to subsection (a) of this section, the Rural Economic
40 Development Center, Inc., shall:

41 (1) By January 15, 2008, and more frequently as requested, report to the
42 Joint Legislative Commission on Governmental Operations and the
43 Fiscal Research Division the following information:

44 a. State fiscal year 2006-2007 program activities, objectives, and
45 accomplishments;

46 b. State fiscal year 2006-2007 itemized expenditures and fund
47 sources;

48 c. State fiscal year 2007-2008 planned activities, objectives, and
49 accomplishments, including actual results through December
50 31, 2007; and
51

- 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.

WOW E-COMMUNITY DEVELOPMENT CORPORATION PILOT PROGRAM FUNDS

1 **SECTION 13.17.(a)** Of the funds appropriated to the e-NC Authority for the
2 2007-2008 fiscal year, the sum of two hundred ninety thousand dollars (\$290,000) shall
3 be transferred to WOW e-Community Development Corporation (WOW e-CDC) for the
4 Windows on the World Technology Center to establish and implement a two-year pilot
5 program that will enable the Windows on the World Technology Center to become the
6 northeastern North Carolina regional technology resource center for indigent rural
7 low-wealth communities through direct engagement. These funds shall be used as
8 follows:

- 9 (1) \$150,000 for operating expenses of the Windows on the World
10 Technology Center.
11 (2) \$100,000 for the following:
12 a. Developing, maintaining, and hosting municipal Web sites and
13 a northeastern North Carolina portal.
14 b. Expanding public access points and digital literacy classes in
15 the northeastern North Carolina Tier I counties.
16 c. Establishing initiatives in indigent communities to create a
17 sense of urgency concerning digital literacy and information
18 technology.
19 (3) \$40,000 for operations of the Internet service provider.

20 These funds shall not revert at the end of each fiscal year but shall remain
21 available until expended for the purposes provided in this subsection.

22 **SECTION 13.17.(b)** No funds shall be released by the Office of State
23 Budget and Management to WOW e-CDC until the Office of the State Auditor finds
24 that the WOW e-CDC is in compliance with all recommendations made by the State
25 Auditor regarding fiscal management and internal controls.

26 **SECTION 13.17.(c)** WOW e-CDC shall file with the Department of
27 Commerce a copy of WOW e-CDC's policy addressing conflicts of interest that may
28 arise involving WOW e-CDC's management employees and members of WOW
29 e-CDC's board of directors or other governing body before funds may be allocated to
30 WOW e-CDC. The policy shall address situations in which any of WOW e-CDC's
31 management employees and members of the board of directors or other governing body
32 may directly or indirectly benefit, except as WOW e-CDC employees or members of the
33 board or other governing body, from WOW e-CDC's disbursing of State funds, and the
34 policy shall include actions to be taken by WOW e-CDC or the employee or member, or
35 both, to avoid conflicts of interest and the appearance of impropriety.

36 **SECTION 13.17.(e)** By April 30, 2008, WOW e-CDC shall report to the
37 Governor, the Joint Legislative Commission on Governmental Operations, and the
38 Fiscal Research Division the following information: (i) fiscal year 2007-2008 planned
39 projects, objectives, and accomplishments; and (ii) fiscal year 2007-2008 estimated
40 expenditures and fund sources.

41 **SECTION 13.17.(f)** WOW e-CDC shall also provide to the Governor, the
42 Joint Legislative Commission on Governmental Operations, and the Fiscal Research
43 Division a copy of WOW e-CDC's annual audited financial statement within 30 days of
44 issuance of the statement and a copy of WOW e-CDC's IRS Form 990.

45 **SECTION 13.17.(g)** WOW e-CDC shall provide a report containing detailed
46 budget information to the Office of State Budget and Management in the same manner
47 as State departments and agencies in preparation for biennium budget requests. WOW
48 e-CDC shall provide specific salary information upon the written request of the chairs
49 of the Joint Legislative Commission on Governmental Operations and the chairs of the
50 House Appropriations Committee on Natural and Economic Resources and the Senate
51 Appropriations Committee on Natural and Economic Resources.

1
2 **NER BLOCK GRANTS**

3 **SECTION 13.18.(a)** Appropriations from federal block grant funds are
4 made for fiscal year ending June 30, 2008, according to the following schedule:
5

6 **COMMUNITY DEVELOPMENT BLOCK GRANT**

7		
8	01. State Administration	\$ 1,000,000
9		
10	02. Urgent Needs and Contingency	1,000,000
11		
12	03. Scattered Site Housing	13,200,000
13		
14	04. Economic Development	7,710,000
15		
16	05. Small Business/Entrepreneurship	1,000,000
17		
18	06. Community Revitalization	13,500,000
19		
20	07. State Technical Assistance	450,000
21		
22	08. Housing Development	2,000,000
23		
24	09. Infrastructure	5,140,000
25		

26 **TOTAL COMMUNITY DEVELOPMENT**
27 **BLOCK GRANT – 2008 Program Year** \$ 45,000,000
28

29 **SECTION 13.18.(b)** Decreases in Federal Fund Availability. – If federal
30 funds are reduced below the amounts specified above after the effective date of this act,
31 then every program in each of these federal block grants shall be reduced by the same
32 percentage as the reduction in federal funds.

33 **SECTION 13.18.(c)** Increases in Federal Fund Availability for Community
34 Development Block Grant. – Any block grant funds appropriated by the Congress of the
35 United States in addition to the funds specified in this section shall be expended as
36 follows: each program category under the Community Development Block Grant shall
37 be increased by the same percentage as the increase in federal funds.

38 **SECTION 13.18.(d)** Limitations on Community Development Block Grant
39 Funds. – Of the funds appropriated in this section for the Community Development
40 Block Grant, the following shall be allocated in each category for each program year: up
41 to one million dollars (\$1,000,000) may be used for State Administration; not less than
42 one million dollars (\$1,000,000) may be used for Urgent Needs and Contingency; up to
43 thirteen million two hundred thousand dollars (\$13,200,000) may be used for Scattered
44 Site Housing; seven million seven hundred ten thousand dollars (\$7,710,000) may be
45 used for Economic Development; up to one million dollars (\$1,000,000) may be used
46 for Small Business/Entrepreneurship; not less than thirteen million five hundred
47 thousand dollars (\$13,500,000) shall be used for Community Revitalization; up to four
48 hundred fifty thousand dollars (\$450,000) may be used for State Technical Assistance;
49 up to two million dollars (\$2,000,000) may be used for Housing Development; up to
50 five million one hundred forty thousand dollars (\$5,140,000) may be used for
51 Infrastructure. If federal block grant funds are reduced or increased by the Congress of

1 the United States after the effective date of this act, then these reductions or increases
2 shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

3 **SECTION 13.18.(e)** Increase Capacity for Nonprofit Organizations. –
4 Assistance to nonprofit organizations to increase their capacity to carry out
5 CDBG-eligible activities in partnership with units of local government is an eligible
6 activity under any program category in accordance with federal regulations. Capacity
7 building grants may be made from funds available within program categories, program
8 income, or unobligated funds.

9 **SECTION 13.18.(f)** The Department of Commerce will operate a small
10 business/entrepreneurship program in coordination with micro-lending programs and
11 other small business assistance groups in the State. The Department of Commerce shall
12 award up to one million dollars (\$1,000,000) in grants to local governments to provide
13 assistance to low-to-moderate income individuals for small business and
14 entrepreneurship development as a means of achieving economic independence during
15 these times of structural change in North Carolina's economy.

16 **SECTION 13.18.(g)** The Department of Commerce shall consult with the
17 Joint Legislative Commission on Governmental Operations prior to reallocating
18 Community Development Block Grant Funds. Notwithstanding the provisions of this
19 subsection, whenever the Director of the Budget finds that:

- 20 (1) A reallocation is required because of an emergency that poses an
21 imminent threat to public health or public safety, the Director of the
22 Budget may authorize the reallocation without consulting the
23 Commission. The Department of Commerce shall report to the
24 Commission on the reallocation no later than 30 days after it was
25 authorized and shall identify in the report the emergency, the type of
26 action taken, and how it was related to the emergency.
- 27 (2) The State will lose federal block grant funds or receive less federal
28 block grant funds in the next fiscal year unless a reallocation is made.
29 The Department of Commerce shall provide a written report to the
30 Commission on the proposed reallocation and shall identify the reason
31 that failure to take action will result in the loss of federal funds. If the
32 Commission does not hear the issue within 30 days of receipt of the
33 report, the Department may take the action without consulting the
34 Commission.

35 36 **PART XIV. JUDICIAL DEPARTMENT**

37 38 **TRANSFER OF EQUIPMENT AND SUPPLY FUNDS**

39 **SECTION 14.1.** Funds appropriated to the Judicial Department in the
40 2007-2009 biennium for equipment and supplies shall be certified in a reserve account.
41 The Administrative Office of the Courts may transfer these funds to the appropriate
42 programs and between programs as the equipment priorities and supply consumptions
43 occur during the operating year. These funds shall not be expended for any other
44 purpose.

45 46 **GRANT FUNDS**

47 **SECTION 14.2.** Notwithstanding G.S. 143C-6-9, the Judicial Department
48 may use up to the sum of one million five hundred thousand dollars (\$1,500,000) from
49 funds available to the Department to provide the State match needed in order to receive
50 grant funds. Prior to using funds for this purpose, the Department shall report to the
51 Chairs of the House of Representatives and Senate Appropriations Subcommittees on

1 Justice and Public Safety and to the Joint Legislative Commission on Governmental
2 Operations on the grants to be matched using these funds.

3 4 **NORTH CAROLINA STATE BAR FUNDS**

5 **SECTION 14.3.** Of the funds appropriated in the continuation budget as a
6 grant-in-aid to the North Carolina State Bar for the 2007-2009 biennium, the North
7 Carolina State Bar may in its discretion use up to the sum of five hundred one thousand
8 five hundred dollars (\$501,500) for the 2007-2008 fiscal year and up to the sum of five
9 hundred one thousand five hundred dollars (\$501,500) for the 2008-2009 fiscal year to
10 contract with the Center for Death Penalty Litigation to provide training, consultation,
11 brief banking, and other assistance to attorneys representing indigent capital defendants.
12 The Office of Indigent Defense Services shall report by February 1, 2008, to the Chairs
13 of the House of Representatives and Senate Appropriations Subcommittees on Justice
14 and Public Safety on the activities funded by the grant-in-aid authorized by this section.

15 16 **OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS**

17 **SECTION 14.4.** The Judicial Department, Office of Indigent Defense
18 Services, may use up to the sum of two million one hundred ninety-two thousand three
19 hundred fifty dollars (\$2,192,350) in appropriated funds during the 2007-2008 fiscal
20 year and up to the sum of two million eighty-two thousand five hundred ten dollars
21 (\$2,082,510) in appropriated funds during the 2008-2009 fiscal year for the expansion
22 of existing or new public defender offices currently providing legal services to the
23 indigent population under the oversight of the Office of Indigent Defense Services by
24 creating up to 20 new attorney positions and 10 new support staff positions. These funds
25 may be used for salaries, benefits, equipment, and related expenses. Prior to using funds
26 for this purpose, the Office of Indigent Defense Services shall report to the Chairs of the
27 House of Representatives and the Senate Appropriations Subcommittees on Justice and
28 Public Safety on the proposed expansion.

29 30 **OFFICE OF INDIGENT DEFENSE SERVICES REPORT**

31 **SECTION 14.5.** The Office of Indigent Defense Services shall report to the
32 Chairs of the House of Representatives and Senate Appropriations Committees and the
33 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
34 Justice and Public Safety by March 1 of each year on:

- 35 (1) The volume and cost of cases handled in each district by assigned
36 counsel or public defenders;
- 37 (2) Actions taken by the Office to improve the cost-effectiveness and
38 quality of indigent defense, including the capital case program;
- 39 (3) Plans for changes in rules, standards, or regulations in the upcoming
40 year; and
- 41 (4) Any recommended changes in law or funding procedures that would
42 assist the Office in improving the management of funds expended for
43 indigent defense services.
- 44 (5) The changes in operations implemented in response to the following
45 findings and recommendations contained in the March 2007 State
46 Audit Report:
 - 47 a. Attorney fee payment process lacks adequate controls.
 - 48 b. Attorney fee payment process is inefficient and labor-intensive.
 - 49 c. The Office should automate the attorney fee payment process
50 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 COURT FUNDS

SECTION 14.11. Except as otherwise provided in this act, funds appropriated to the Judicial Department in this act for the Drug Treatment Court program shall be used only to provide treatment and case coordination to offenders sentenced to intermediate punishment and to offenders sentenced to community punishment who are at risk of revocation.

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.

ADDITIONAL DISTRICT COURT JUDGES

SECTION 14.13.(a) G.S. 7A-133(a) reads as rewritten:

"(a) Each district court district shall have the numbers of judges as set forth in the following table:

District	Judges	County
1	5	Camden Chowan Currituck Dare Gates Pasquotank Perquimans
2	4	Martin Beaufort Tyrrell Hyde Washington
3A	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 <u>17</u>	Wake
11	9 <u>10</u>	Harnett Johnston

1			Lee
2	12	9	Cumberland
3	13	6	Bladen
4			Brunswick
5			Columbus
6	14	7	Durham
7	15A	4	Alamance
8	15B	5	Orange
9			Chatham
10	16A	3	Scotland
11			Hoke
12	16B	5	Robeson
13	17A	3	Rockingham
14	17B	4	Stokes
15			Surry
16	18	13	Guilford
17	19A	4	Cabarrus
18	19B	7	Montgomery
19			Moore
20			Randolph
21	19C	5	Rowan
22	20A	4	Stanly
23			Anson
24			Richmond
25	20B	1	(part of Union
26			see subsection (b))
27	20C	2	(part of Union
28			see subsection (b))
29	21	9	Forsyth
30	22	9	Alexander
31			Davidson
32			Davie
33			Iredell
34	23	4	Alleghany
35			Ashe
36			Wilkes
37			Yadkin
38	24	4	Avery
39			Madison
40			Mitchell
41			Watauga
42			Yancey
43	25	9	Burke
44			Caldwell
45			Catawba
46	26	18 19	Mecklenburg
47	27A	7	Gaston
48	27B	5	Cleveland
49			Lincoln
50	28	7	Buncombe
51	29A	3	McDowell

1			Rutherford
2	29B	4	Henderson
3			Polk
4			Transylvania
5	30	6	Cherokee
6			Clay
7			Graham
8			Haywood
9			Jackson
10			Macon
11			Swain."

12 **SECTION 14.13.(b)** The Governor shall appoint the additional district court
13 judges authorized by subsection (a) of this section. Those judges' successors shall be
14 elected in the 2008 general election for four-year terms commencing January 1, 2009.

15
16 **ADDITIONAL ASSISTANT DISTRICT ATTORNEYS**

17 **SECTION 14.14.** G.S. 7A-60 is amended by adding a new subsection to
18 read:

19 "(a2) In addition to the full-time district attorneys set forth in subsection (a1) of this
20 section, the Administrative Office of the Courts may allocate up to 30 assistant district
21 attorneys to the various prosecutorial districts based upon caseloads and other criteria to
22 be determined by the Administrative Office of the Courts."

23
24 **STUDY AVAILABILITY OF PROSECUTORIAL RESOURCES TO DISTRICT**
25 **ATTORNEYS AND THE MANAGEMENT AND USE OF THOSE**
26 **RESOURCES BY DISTRICT ATTORNEYS**

27 **SECTION 14.15.(a)** The Legislative Research Commission shall contract
28 for an independent study that assesses the availability of prosecutorial resources to the
29 State's district attorneys and that assesses the use and management of those
30 prosecutorial resources by the district attorneys, their staffs, and the Conference of
31 District Attorneys. The study shall address all of the following:

- 32 (1) Current prosecutorial resources. – Resources to be considered include
33 those available to district attorneys and their legal, administrative,
34 support, and investigative staff, and the Conference of District
35 Attorneys. The study shall also consider supplemental assistance and
36 resources provided to district attorneys and their staffs through the
37 State or other funding sources.
- 38 (2) Services provided by the State's district attorneys and Conference of
39 District Attorneys and the recipients of those services.
- 40 (3) Funding of prosecutorial services, adequacy of supplies, equipment,
41 and working space, and allocation of prosecutorial resources. – Issues
42 to be considered shall include the following:
 - 43 a. Funding, supplies, equipment, and space required to support
44 prosecutorial services at an appropriate level.
 - 45 b. Distribution of prosecutorial resources and how that distribution
46 is determined.
 - 47 c. Equitable allocation of prosecutorial resources among the
48 geographical areas of the State and between urban and rural
49 areas.

- 1 d. The proportion of prosecution personnel and budget that is
2 devoted to criminal prosecution, as opposed to other functions
3 or mandates.
- 4 e. Whether monies from the General Fund should be used to
5 support positions for the Conference of District Attorneys, or
6 positions for any other conferences that provide prosecutorial
7 resources.
- 8 (4) The current role of the Conference of District Attorneys and district
9 attorneys in assessing the needs of the public with regard to
10 prosecutorial services and providing assistance in meeting those needs.
11 The study shall also assess the current role, responsibilities, and
12 interaction of the Conference of District Attorneys with regard to the
13 General Assembly and the executive branch and whether those roles
14 and responsibilities should be modified.
- 15 (5) Automation. – The study shall document which prosecutorial services
16 are currently automated and the ability of those systems to interact
17 with each other. The study shall also address areas in which
18 automation could improve or increase the efficiency of prosecutorial
19 services.
- 20 (6) Cost management practices of district attorneys and their staffs. –
21 Practices to be reviewed and considered shall include how well district
22 attorneys' offices manage costs associated with a prosecution such as
23 forensics costs, expert witnesses, and witness travel expenses.
- 24 (7) Caseload management. – In the assessment of caseload management,
25 the study shall focus particularly on whether current management
26 techniques used by district attorneys recognize the critical need to
27 prosecute serious crimes in a timely manner and to keep jail
28 populations at a low level; the techniques, if any that have been
29 adopted to achieve those objectives; and the effectiveness of those
30 management techniques. Other issues that shall also be considered
31 include the following:
- 32 a. Mechanisms used by the district attorney to manage the
33 incoming caseloads generally.
- 34 b. The screening process, if any, for assessing cases prior to
35 assignment.
- 36 c. Initiatives implemented by a district attorney, if any, to expedite
37 the resolution of certain categories of cases.
- 38 d. The type of statistics, if any, the district attorney's office keeps
39 and for what purposes.
- 40 e. Performance indicators, if any, used by district attorneys. If
41 performance indicators are not being used, then the study shall
42 assess whether implementation of performance indicators
43 would be helpful in achieving management goals and the types
44 of indicators that may assist with caseload management. If there
45 are performance indicators, then the study shall identify the
46 indicators, how they are developed, the effectiveness of the
47 indicators, and whether additional performance indicators or
48 modification of existing performance indicators would be
49 helpful in achieving management objectives.
- 50 (8) How the current management and use of prosecutorial resources affect
51 the following:

- a. Access to justice.
 - b. Day-to-day functioning of the prosecution service.
 - c. Case management, including the development of case screening mechanisms and protocols for diversion.
 - d. Timely resolution of caseloads.
 - e. Reduction of any backlogs that exist and the impact that current management and use of prosecutorial resources has on the jail population.
 - f. The capacity to handle specialized or complex crimes.
 - g. The effectiveness of district attorneys and their staffs in responding to domestic violence and other crimes of violence.
 - h. Services and support provided to victims.
 - i. Accountability to the public.
- (9) Any other issue deemed relevant by the Legislative Research Commission.

SECTION 14.15.(b) The findings and recommendations of the study shall be reported to the Chairs of the House of Representatives and Senate Appropriations Committee, Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety, and the Fiscal Research Division by March 15, 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

1 Safety shall report to the Joint Legislative Commission on Governmental Operations
2 upon receipt of the assets and, before using the assets, shall report on the intended use of
3 the assets and the departmental priorities on which the assets may be expended.

4 **SECTION 15.3.(b)** The General Assembly finds that the use of assets
5 transferred pursuant to federal law for new personnel positions, new projects,
6 acquisition of real property, repair of buildings where the repair includes structural
7 change, and construction of or additions to buildings may result in additional expenses
8 for the State in future fiscal periods. Therefore, the Department of Justice, the
9 Department of Correction, and the Department of Crime Control and Public Safety are
10 prohibited from using these assets for such purposes without the prior approval of the
11 General Assembly.

12 **SECTION 15.3.(c)** Nothing in this section prohibits North Carolina law
13 enforcement agencies from receiving funds from the United States Department of
14 Justice, the United States Department of the Treasury, and the United States Department
15 of Health and Human Services.

16 **CERTAIN LITIGATION EXPENSES TO BE PAID BY CLIENTS**

17 **SECTION 15.4.** Client departments, agencies, and boards shall reimburse
18 the Department of Justice for reasonable court fees, attorney travel and subsistence
19 costs, and other costs directly related to litigation in which the Department of Justice is
20 representing the department, agency, or board.

21 **REIMBURSEMENT FOR UNC BOARD OF GOVERNORS LEGAL REPRESENTATION**

22 **SECTION 15.5.** The Department of Justice shall be reimbursed by the
23 Board of Governors of The University of North Carolina for two Attorney III positions
24 to provide legal representation to The University of North Carolina System.

25 **NC LEGAL EDUCATION ASSISTANCE FOUNDATION REPORT ON FUNDS DISBURSED**

26 **SECTION 15.6.** The North Carolina Legal Education Assistance Foundation
27 shall report by March 1 of each year to the Joint Legislative Commission on
28 Governmental Operations and the Chairs of the House of Representatives and Senate
29 Appropriations Subcommittees on Justice and Public Safety on the expenditure of State
30 funds, the purpose of the expenditures, the number of attorneys receiving funds, the
31 average award amount, the average student loan amount, the number of attorneys on the
32 waiting list, and the average number of years for which attorneys receive loan
33 assistance.

34 **PART XVI. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY**

35 **ANNUAL EVALUATION OF TARHEEL CHALLENGE PROGRAM**

36 **SECTION 16.1.** The Department of Crime Control and Public Safety shall
37 report to the Chairs of the House of Representatives and Senate Appropriations
38 Committees and the Chairs of the House of Representatives and Senate Appropriations
39 Subcommittees on Justice and Public Safety by March 1 of each year of the biennium
40 on the operations and effectiveness of the National Guard Tarheel Challenge Program.
41 In particular, the Department shall evaluate and report on the Program's effectiveness as
42 an intervention method for preventing juveniles from becoming undisciplined or
43 delinquent and on the Program's role in improving individual skills and employment
44 potential for participants. The report shall also include all of the following:
45
46
47
48
49
50
51

- 1 (1) The source of referrals for individuals participating in the Program.
- 2 (2) The summary of types of actions or offenses committed by the
- 3 participants of the Program.
- 4 (3) An analysis outlining the cost of providing services for each
- 5 participant, including a breakdown of all expenditures related to the
- 6 administration and operation of the Program and the education and
- 7 treatment of the Program participants.
- 8 (4) The number of individuals who successfully complete the Program.
- 9 (5) The number of participants who commit offenses after completing the
- 10 Program.
- 11

12 NEW ALE NON-SWORN JOB CLASSIFICATION

13 **SECTION 16.2.(a)** As recommended by the Fiscal Research Division of the
14 General Assembly in the February 2007 Justification Review, the State Personnel
15 Commission shall develop for review a new non-sworn position classification for the
16 Alcohol Law Enforcement Division of the Department of Crime Control and Public
17 Safety that would supplement the agents that are employed by the Division.

18 **SECTION 16.2.(b)** Prior to the action taken pursuant to subsection (a) of
19 this section, the Office of State Personnel shall review all of the following:

- 20 (1) The Justification Review report.
- 21 (2) Current position descriptions and job classifications.
- 22 (3) Tasks currently performed by ALE field agents in order to determine
- 23 tasks that could be performed by non-sworn or noncertified personnel.
- 24 (4) Information on other states that use non-sworn staff for inspection,
- 25 compliance, and education efforts currently performed by North
- 26 Carolina ALE agents.

27 **SECTION 16.2.(c)** The Office of State Personnel shall report the results of
28 its review in writing to the Joint Legislative Corrections, Crime Control, and Juvenile
29 Justice Oversight Committee and to the State Personnel Commission by February 1,
30 2008. The Office of State Personnel report shall include (i) a detailed description of the
31 new ALE civilian position, including the job classification, a description of all of the
32 duties assigned to the position, and the salary grade for the position, (ii) the estimated
33 number of positions that should be established, and (iii) a time line for further review of
34 the job classification by the State Personnel Commission.

35 36 ALTERNATIVE FUNDING SOURCE STUDY FOR LAW ENFORCEMENT 37 SUPPORT SERVICES AND THE GEOSPATIAL AND TECHNOLOGY 38 MANAGEMENT PROGRAM

39 **SECTION 16.3.(a)** The Department of Crime Control and Public Safety
40 shall study alternative funding sources for the operating costs of the Law Enforcement
41 Support Services Program. By March 1, 2008, the Department shall report the results of
42 this study to the Joint Legislative Corrections, Crime Control, and Juvenile Justice
43 Oversight Committee and the Chairs of the House of Representatives and Senate
44 Appropriations Subcommittees on Justice and Public Safety. This report shall include
45 information about possible federal grant sources and options for receipt-based funding
46 from State and local agencies.

47 **SECTION 16.3.(b)** The Department of Crime Control and Public Safety
48 shall study alternative funding sources for the Geospatial and Technology Management
49 Program. By March 1, 2008, the Department shall report the results of this study to the
50 Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee
51 and the Chairs of the House of Representatives and Senate Appropriations

1 Subcommittees on Justice and Public Safety. This report shall include information about
2 possible federal grant sources and receipt-based funding options from federal, State, and
3 local agencies as well as private industry.

4 5 **NC NATIONAL GUARD KIDS ON GUARD REPORT**

6 **SECTION 16.4.** The National Guard Kids on Guard program shall report to
7 the Joint Legislative Commission on Governmental Operations and the Chairs of the
8 Joint Appropriations Subcommittee on Justice and Public Safety no later than March 1,
9 2008. The report shall include information on (i) the program's funding, (ii) the
10 program's expenditures, (iii) the number of events completed and planned for the
11 2008-2009 fiscal year, and (iv) the number of children served.

12 13 **USE OF GANG PREVENTION FUNDS**

14 **SECTION 16.5.(a)** Of the funds appropriated in this act to the Department
15 of Crime Control and Public Safety, Governor's Crime Commission, the sum of four
16 million seven hundred sixty thousand one hundred ninety-five dollars (\$4,760,195) for
17 the 2007-2008 fiscal year shall be used to provide grants for street gang violence
18 prevention and intervention programs.

19 **SECTION 16.5.(b)** The Governor's Crime Commission shall develop the
20 criteria for eligibility for these funds. The criteria shall include a matching requirement
21 of twenty-five percent (25%), one-half of which may be in in-kind contributions, and
22 presentation of a written plan for the services to be provided by the funds. Funds shall
23 be available to public and private entities or agencies for juvenile or adult programs that
24 meet the criteria established by the Governor's Crime Commission.

25 **SECTION 16.5.(c)** The Governor's Crime Commission shall report on the
26 uses of these funds no later than April 1, 2008, to the House of Representatives
27 Appropriations Subcommittee on Justice and Public Safety, the Senate Appropriations
28 Subcommittee on Justice and Public Safety, and the Fiscal Research Division.

29 30 **PART XVII. DEPARTMENT OF CORRECTION**

31 32 **MUTUAL AGREEMENT PAROLE PROGRAM**

33 **SECTION 17.1.** The Department of Correction and the Post-Release
34 Supervision and Parole Commission shall report by March 1 of each year to the Chairs
35 of the House of Representatives and Senate Appropriations Subcommittees on Justice
36 and Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile
37 Justice Oversight Committee on the number of inmates enrolled in the program, the
38 number completing the program and being paroled, and the number who enrolled but
39 were terminated from the program. The information should be based on the previous
40 calendar year.

41 42 **INMATE ROAD SQUADS AND LITTER CREWS**

43 **SECTION 17.2.** Of the funds appropriated to the Department of
44 Transportation in this act, the sum of eleven million three hundred thousand dollars
45 (\$11,300,000) per year shall be transferred by the Department to the Department of
46 Correction during the 2007-2008 and 2008-2009 fiscal years for the cost of operating
47 medium custody inmate road squads, as authorized by G.S. 148-26.5, and minimum
48 custody inmate litter crews. This transfer shall be made quarterly in the amount of two
49 million eight hundred twenty-five thousand dollars (\$2,825,000). The Department of
50 Transportation may use funds appropriated in this act to pay an additional amount
51 exceeding the eleven million three hundred thousand dollars (\$11,300,000), but those

1 payments shall be subject to negotiations among the Department of Transportation, the
2 Department of Correction, and the Office of State Budget and Management prior to
3 payment by the Department of Transportation.

4 The Office of State Budget and Management shall conduct a study, in
5 consultation with the Department of Correction and the Department of Transportation,
6 to determine the actual cost and cost/benefit of operating medium custody road squads
7 and minimum custody litter crews. The Office of State Budget and Management shall
8 report the results of this study to the Joint Legislative Corrections, Crime Control, and
9 Juvenile Justice Oversight Committee and to the Joint Legislative Transportation
10 Oversight Committee by March 1, 2008. The study shall include a recommendation on
11 whether or not the amount transferred from the Department of Transportation to the
12 Department of Correction for this work is adequate.

13 14 **ALCOHOL AND CHEMICAL DEPENDENCY PROGRAM REPORT**

15 **SECTION 17.3.(a)** G.S. 143B-262.3. reads as rewritten:

16 **"§ 143B-262.3. Reports to the General Assembly.**

17 (a) The Department of Correction shall report by March 1 of each year to the
18 Chairs of the Senate and House Appropriations Committees and the Chairs of the
19 Senate and House Appropriations Subcommittees in Justice and Public Safety on their
20 efforts to provide effective treatment to offenders with substance abuse problems. The
21 report shall include:

- 22 (1) Details of any new initiatives and expansions or reduction of
23 programs;
- 24 (2) Details on any treatment efforts conducted in conjunction with other
25 departments;
- 26 (3) Utilization of and completion rates for the DART/DWI program,
27 including its a report of the status of the aftercare program;
- 28 (4) ~~Progress in the development on an offender and inmate tracking and~~
29 ~~program evaluation system; and~~
- 30 (5) ~~A report on the number of current inmates with substance abuse~~
31 ~~problems, the numbers currently receiving treatment, and the numbers~~
32 ~~who have completed treatment. As an offender and inmate tracking~~
33 ~~system becomes operational, this report shall also include information~~
34 ~~on the recidivism of inmates who have previously completed substance~~
35 ~~abuse treatment and been released from prison.~~
- 36 (6) Statistical information on the number of current inmates with
37 substance abuse problems that require treatment, the number receiving
38 treatment, the numbers who have completed treatment and a
39 comparison of available treatment slots to actual utilization rates. The
40 report shall include this information for each DOC funded program;
41 and
- 42 (7) Evaluation of each substance abuse treatment program funded by the
43 Department of Correction. Evaluation measures shall include reduction
44 in alcohol and drug dependency, recidivism, and other measures of the
45 programs' success.

46 (b) ~~The Department shall also report to the Chairs of the Senate and House of~~
47 ~~Representatives Appropriations Subcommittees on Justice and Public Safety by May 1,~~
48 ~~2004, and by February 1 annually beginning in 2005, on the average caseloads of~~
49 ~~Community Service Work Program coordinators, by district, division, and statewide.~~
50 ~~The report shall also include the money collected, the type and value of the work~~
51 ~~performed, and the number of offenders in the Community Service Work Program, by~~

1 ~~type of referral (i.e. parole, supervised probation, unsupervised probation or community~~
2 ~~punishment, DWI, or any other agency referrals)."~~

3 **SECTION 17.3.(b)** During the 2007-2009 fiscal biennium, the Department
4 of Correction evaluation effort shall focus mainly on evaluation of the long-term
5 residential therapeutic communities operated by the Department of Correction through
6 private contract and those operated directly by the Department of Correction. The
7 evaluation component of the March 1, 2008, annual report shall be a status report and
8 provide preliminary information. The final evaluation report shall be included in the
9 March 1, 2009, annual report.

10 **INMATE CONSTRUCTION PROGRAM**

11 **SECTION 17.4.** Funding authorized in this act is intended to increase
12 participation in the Inmate Construction Program in order to improve inmate job skills
13 and reduce recidivism. By April 1, 2008, the Department of Correction shall report to
14 the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
15 Committee and the House and Senate Appropriations Subcommittees on Justice and
16 Public Safety on the Inmate Construction Program. The report shall summarize the
17 2007-2008 Inmate Construction Program projects, including a description of each
18 project, the number of inmate workers, and the estimated total cost of the project
19 compared to the cost if the project was conducted without inmate workers. The report
20 shall also estimate the number of inmate workers that will be used in the program
21 during the 2008-2009 fiscal year.

22 **FEDERAL GRANT REPORTING**

23 **SECTION 17.5.** The Department of Correction, the Department of Justice,
24 the Department of Crime Control and Public Safety, the Judicial Department, and the
25 Department of Juvenile Justice and Delinquency Prevention shall report by May 1 of
26 each year to the Joint Legislative Commission on Governmental Operations, the Chairs
27 of the House of Representatives and Senate Appropriations Committees, and the Chairs
28 of the House of Representatives and Senate Appropriations Subcommittees on Justice
29 and Public Safety on federal grant funds received or preapproved for receipt by those
30 departments. The report shall include information on the amount of grant funds received
31 or preapproved for receipt by each department, the use of the funds, the State match
32 expended to receive the funds, and the period to be covered by each grant. If the
33 department intends to continue the program beyond the end of the grant period, the
34 department shall report on the proposed method for continuing the funding of the
35 program at the end of the grant period. Each department shall also report on any
36 information it may have indicating that the State will be requested to provide future
37 funding for a program presently supported by a local grant.

38 **REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY** 39 **MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE** 40 **SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM**

41 **SECTION 17.6.** Notwithstanding G.S. 143C-6-9, the Department of
42 Correction may use funds available to the Department for the 2007-2009 biennium to
43 pay the sum of forty dollars (\$40.00) per day as reimbursement to counties for the cost
44 of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to
45 the State prison system, as provided in G.S. 148-29. The Department shall report
46 quarterly to the Joint Legislative Commission on Governmental Operations, the Joint
47 Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, the
48 Chairs of the House of Representatives and Senate Appropriations Committees, and the

1 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
2 Justice and Public Safety on the expenditure of funds to reimburse counties for
3 prisoners awaiting transfer and on its progress in reducing the jail backlog.
4

5 **USE OF CLOSED PRISON FACILITIES**

6 **SECTION 17.7.** In conjunction with the closing of prison facilities,
7 including small expensive prison units recommended for consolidation by the
8 Government Performance Audit Committee, the Department of Correction shall consult
9 with the county or municipality in which the unit is located, with the elected State and
10 local officials, and with State agencies about the possibility of converting that unit to
11 other use. The Department may also consult with any private for-profit or nonprofit firm
12 about the possibility of converting the unit to other use. In developing a proposal for
13 future use of each unit, the Department shall give priority to converting the unit to other
14 criminal justice use. Consistent with existing law and the future needs of the
15 Department of Correction, the State may provide for the transfer or the lease of any of
16 these units to counties, municipalities, State agencies, or private firms wishing to
17 convert them to other use. The Department of Correction may also consider converting
18 some of the units recommended for closing from one security custody level to another,
19 where that conversion would be cost-effective. A prison unit under lease to a county
20 pursuant to the provisions of this section for use as a jail is exempt for the period of the
21 lease from any of the minimum standards adopted by the Secretary of Health and
22 Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that
23 would subject the unit to greater standards than those required of a unit of the State
24 prison system.

25 Prior to any transfer or lease of these units, the Department of Correction
26 shall report on the terms of the proposed transfer or lease to the Joint Legislative
27 Commission on Governmental Operations and the Joint Legislative Corrections, Crime
28 Control, and Juvenile Justice Oversight Committee. The Department of Correction shall
29 also provide annual summary reports to the Joint Legislative Commission on
30 Governmental Operations and the Joint Legislative Corrections, Crime Control, and
31 Juvenile Justice Oversight Committee on the conversion of these units to other use and
32 on all leases or transfers entered into pursuant to this section.
33

34 **LIMIT USE OF OPERATIONAL FUNDS**

35 **SECTION 17.8.** Funds appropriated in this act to the Department of
36 Correction for operational costs for additional facilities shall be used for personnel and
37 operating expenses set forth in the budget approved by the General Assembly in this act.
38 These funds shall not be expended for any other purpose, except as provided for in this
39 act, and shall not be expended for additional prison personnel positions until the new
40 facilities are within 120 days of projected completion, except that the Department may
41 establish critical positions prior to 120 days of completion representing no more than
42 twenty percent (20%) of the total estimated number of positions.
43

44 **ENERGY COMMITTED TO OFFENDERS/CONTRACT AND REPORT**

45 **SECTION 17.9.** The Department of Correction may continue to contract
46 with Energy Committed To Offenders, Inc., for the purchase of prison beds for
47 minimum security female inmates during the 2007-2009 biennium. Energy Committed
48 To Offenders, Inc., shall report by February 1 of each year to the Joint Legislative
49 Commission on Governmental Operations on the annual cost per inmate and the average
50 daily inmate population compared to bed capacity using the same methodology as that
51 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 purchase of inmate medical services 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 reinstate 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

1 **SECTION 17.12.** Notwithstanding the provisions of G.S. 143C-6-9, the
2 Department of Correction may use up to the sum of one million two hundred thousand
3 dollars (\$1,200,000) during the 2007-2008 fiscal year from funds available to the
4 Department to provide the State match needed in order to receive federal grant funds.
5 Prior to using funds for this purpose, the Department shall report to the Chairs of the
6 House of Representatives and Senate Appropriations Subcommittees on Justice and
7 Public Safety and the Joint Legislative Commission on Governmental Operations on the
8 grants to be matched using these funds.
9

10 **REPORTS ON NONPROFIT PROGRAMS**

11 **SECTION 17.13.(a)** Funds appropriated in this act to the Department of
12 Correction to support the programs of Harriet's House may be used for program
13 operating costs, the purchase of equipment, and the rental of real property to serve
14 women released from prison with children in their custody. Harriet's House shall report
15 by February 1 of each year to the Joint Legislative Corrections, Crime Control, and
16 Juvenile Justice Oversight Committee and the Chairs of the House of Representatives
17 and Senate Appropriations Subcommittees on Justice and Public Safety on the
18 expenditure of State appropriations and on the effectiveness of the program, including
19 information on the number of clients served, the number of clients who successfully
20 complete the Harriet's House program, and the number of clients who have been
21 rearrested within three years of successfully completing the program. The report shall
22 provide financial and program data for the complete fiscal year prior to the year in
23 which the report is submitted. The financial report shall identify all funding sources and
24 amounts.

25 **SECTION 17.13.(b)** Summit House shall report by February 1 of each year
26 to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
27 Committee and the Chairs of the House of Representatives and Senate Appropriations
28 Subcommittees on Justice and Public Safety on the expenditure of State appropriations
29 and on the effectiveness of the program, including information on the number of clients
30 served, the number of clients who have had their probation revoked, the number of
31 clients who successfully complete the program while housed at Summit House, Inc.,
32 and the number of clients who have been rearrested within three years of successfully
33 completing the program. The report shall provide financial and program data for the
34 complete fiscal year prior to the year in which the report is submitted. The financial
35 report shall identify all funding sources and amounts.

36 **SECTION 17.13.(c)** Women at Risk shall report by February 1 of each year
37 to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
38 Committee and the Chairs of the House of Representatives and Senate Appropriations
39 Subcommittees on Justice and Public Safety on the expenditure of State funds and on
40 the effectiveness of the program, including information on the number of clients served,
41 the number of clients who have had their probation revoked, the number of clients who
42 have successfully completed the program, and the number of clients who have been
43 rearrested within three years of successfully completing the program. The report shall
44 provide financial and program data for the complete fiscal year prior to the year in
45 which the report is submitted. The financial report shall identify all funding sources and
46 amounts.

47 **SECTION 17.13.(d)** Our Children's Place shall report by February 1, 2008,
48 to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
49 Committee and the Chairs of the House of Representatives and Senate Appropriations
50 Subcommittees on Justice and Public Safety on the status of the planning, design, and
51 construction of Our Children's Place, the proposed program components and evaluation

1 measures, and on the projected number of inmates and their children to be served. The
2 report shall also provide financial data, including the expenditure of State funds and all
3 funding sources and amounts.

4
5 **REPORT ON ELECTRONIC MONITORING PROGRAM/USE OF GLOBAL**
6 **POSITIONING SYSTEMS FOR SEX OFFENDERS**

7 **SECTION 17.14.** The Department of Correction shall report by March 1 of
8 each year to the Chairs of the House and Senate Appropriations Committees, the Chairs
9 of the House of Representatives and Senate Appropriations Subcommittees on Justice
10 and Public Safety, and the Joint Legislative Corrections, Crime Control, and Juvenile
11 Justice Oversight Committee on the following:

- 12 (1) The number of sex offenders enrolled on active and passive GPS
13 monitoring.
- 14 (2) The caseloads of probation officers assigned to GPS-monitored sex
15 offenders.
- 16 (3) The number of violations.
- 17 (4) The number of absconders.
- 18 (5) The projected number of offenders to be enrolled by the end of the
19 2007-2008 fiscal year and the end of the 2008-2009 fiscal year.
- 20 (6) The total cost of the program, including a per-offender cost.

21
22 **CRIMINAL JUSTICE PARTNERSHIP**

23 **SECTION 17.15.(a)** Notwithstanding the provisions of G.S. 143B-273.15
24 specifying that grants to participating counties are for the full fiscal year and that
25 unobligated funds are returned to the State-County Criminal Justice Partnership
26 Account at the end of the grant period, the Department of Correction may reallocate
27 unspent or unclaimed funds distributed to counties participating in the State-County
28 Criminal Justice Partnership Program in an effort to maintain the level of services
29 realized in previous fiscal years.

30 **SECTION 17.15.(b)** The Department of Correction may not deny funds to a
31 county to support both a residential program and a day reporting center if the
32 Department of Correction determines that the county has a demonstrated need and a
33 fully developed plan for each type of sanction.

34 **SECTION 17.15.(c)** The Department of Correction shall report by March 1
35 of each year to the Chairs of the House of Representatives and Senate Appropriations
36 Committees, the House of Representatives and Senate Appropriations Subcommittees
37 on Justice and Public Safety, and the Joint Legislative Corrections, Crime Control, and
38 Juvenile Justice Oversight Committee on the status of the State-County Criminal Justice
39 Partnership Program. The report shall include the following information:

- 40 (1) The amount of funds carried over from the prior fiscal year;
- 41 (2) The dollar amount and purpose of grants awarded to counties as
42 discretionary grants for the current fiscal year;
- 43 (3) Any counties the Department anticipates will submit requests for new
44 implementation grants;
- 45 (4) An update on efforts to ensure that all counties make use of the
46 electronic reporting system, including the number of counties
47 submitting offender participation data via the system;
- 48 (5) An analysis of offender participation data received, including data on
49 each program's utilization and capacity;
- 50 (6) An analysis of comparable programs prepared by the Division of
51 Research and Planning, Department of Correction, including a

1 comparison of programs in each program type on selected outcome
2 measures developed by the Division of Community Corrections in
3 consultation with the Fiscal Research Division and the Division of
4 Research and Planning, and a summary of the reports prepared by
5 county Criminal Justice Partnerships Advisory Boards;

- 6 (7) An evaluation of whether each sentenced offender program meets
7 program standards developed by the Division of Community
8 Corrections in consultation with the Division of Research and
9 Planning;
- 10 (8) The number of community offenders and intermediate offenders
11 served by each county program;
- 12 (9) The amount of Criminal Justice Partnership funds spent on community
13 offenders and intermediate offenders; and
- 14 (10) A short description of the services and programs provided by each
15 partnership, including who the service providers are and the amount of
16 funds each service provider receives.

17 **SECTION 17.15.(d)** The Research and Planning Division of the Department
18 of Correction shall review national best practice programs for community corrections
19 and recommend whether the type of programs currently being funded should continue to
20 be funded, and whether alternative programs should be funded if a county wants to
21 expand sanction options. The Division shall report on its review by March 1 of each
22 year to the Chairs of the House of Representatives and Senate Appropriations
23 Committees, the House of Representatives and Senate Appropriations Subcommittees
24 on Justice and Public Safety, and the Joint Legislative Corrections, Crime Control, and
25 Juvenile Justice Oversight Committee.

26 27 **REPORT ON PROBATION AND PAROLE CASELOADS**

28 **SECTION 17.16.(a)** The Department of Correction shall report by March 1
29 of each year to the Chairs of the House of Representatives and Senate Appropriations
30 Subcommittees on Justice and Public Safety and the Joint Legislative Corrections,
31 Crime Control, and Juvenile Justice Oversight Committee on caseload averages for
32 probation and parole officers. The report shall include:

- 33 (1) Data on current caseload averages for Probation Parole Officer I,
34 Probation Parole Officer II, and Probation Parole Officer III positions;
- 35 (2) An analysis of the optimal caseloads for these officer classifications;
- 36 (3) An assessment of the role of surveillance officers;
- 37 (4) The number and role of paraprofessionals in supervising low-risk
38 caseloads;
- 39 (5) An update on the Department's implementation of the
40 recommendations contained in the National Institute of Correction
41 study conducted on the Division of Community Corrections in 2004;
- 42 (6) The selection of a risk assessment and the resulting distribution of
43 offenders among risk levels; and
- 44 (7) Any position reallocations in the previous 12 months, and the reasons
45 for and fiscal impact of those reallocations.

46 **SECTION 17.16.(b)** The Department of Correction shall conduct a study of
47 probation/parole officer workload at least biannually. The study shall include analysis of
48 the type of offenders supervised, the distribution of the probation/parole officers' time
49 by type of activity, the caseload carried by the officers, and comparisons to practices in
50 other states. The study shall be used to determine whether the caseload goals established

1 by the Structured Sentencing Act are still appropriate, based on the nature of the
2 offenders supervised and the time required to supervise those offenders.

3 **SECTION 17.16.(c)** The Department of Correction shall report the results of
4 the study and recommendations for any adjustments to caseload goals to the House of
5 Representatives and Senate Appropriations Subcommittees on Justice and Public Safety
6 by January 1, 2009.

7 8 **COMMUNITY SERVICE WORK PROGRAM**

9 **SECTION 17.17.** The Department of Correction shall report to the Chairs of
10 the House of Representatives and Senate Appropriations Subcommittees on Justice and
11 Public Safety by February 1 of each year on the integration of the Community Service
12 Work Program into the Division of Community Corrections, including the Department's
13 ability to monitor the collection of offender payments from unsupervised offenders
14 sentenced to community service. The Department shall also report to the Chairs of the
15 House of Representatives and Senate Appropriations Subcommittees on Justice and
16 Public Safety by February 1 of each year on the average caseloads of Community
17 Service Work Program coordinators, by district, division, and statewide. The report
18 shall also include the money collected, the type and value of the work performed, and
19 the number of offenders in the Community Service Work Program, by type of referral
20 (i.e. parole, supervised probation, unsupervised probation or community punishment,
21 DWI, or any other agency referrals).

22 23 **PART XVIII. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY** 24 **PREVENTION**

25 26 **SUPPORT OUR STUDENTS ADMINISTRATIVE COST LIMITS**

27 **SECTION 18.1.** Of the funds appropriated to the Department of Juvenile
28 Justice and Delinquency Prevention in this act, not more than five hundred thousand
29 dollars (\$500,000) for the 2007-2008 fiscal year and not more than five hundred
30 thousand dollars (\$500,000) for the 2008-2009 fiscal year may be used to administer the
31 Support Our Students (S.O.S.) Program, to provide technical assistance to applicants
32 and to local S.O.S. programs, and to evaluate the local S.O.S. programs. The
33 Department may contract with appropriate public or nonprofit agencies to provide the
34 technical assistance, including training and related services.

35 36 **JCPC GRANT REPORTING AND CERTIFICATION**

37 **SECTION 18.2.(a)** On or before April 1 each year, the Department of
38 Juvenile Justice and Delinquency Prevention shall submit to the Joint Legislative
39 Commission on Governmental Operations and the Appropriations Committees of the
40 Senate and House of Representatives a list of the recipients of the grants awarded, or
41 preapproved for award, from funds appropriated to the Department for local Juvenile
42 Crime Prevention Council grants. The list shall include for each recipient the amount of
43 the grant awarded, the membership of the local committee or council administering the
44 award funds on the local level, and a short description of the local services, programs, or
45 projects that will receive funds. The list shall also identify any programs that received
46 grant funds at one time but for which funding has been eliminated by the Department of
47 Juvenile Justice and Delinquency Prevention. A written copy of the list and other
48 information regarding the projects shall also be sent to the Fiscal Research Division of
49 the General Assembly.

50 **SECTION 18.2.(b)** Each county in which local programs receive Juvenile
51 Crime Prevention Council grant funds from the Department of Juvenile Justice and

1 Delinquency Prevention shall certify annually through its local council to the
2 Department that funds received are not used to duplicate or supplant other programs
3 within the county.
4

5 **REPORTS ON CERTAIN PROGRAMS**

6 **SECTION 18.3.(a)** Project Challenge North Carolina, Inc., shall report to
7 the Department of Juvenile Justice and Delinquency Prevention and the Chairs of the
8 House of Representatives and Senate Appropriations Subcommittees on Justice and
9 Public Safety by April 1 each year on the operation and the effectiveness of its program
10 in providing alternative dispositions and services to juveniles who have been
11 adjudicated delinquent or undisciplined. The report shall include information on:

- 12 (1) The source of referrals for juveniles.
- 13 (2) The types of offenses committed by juveniles participating in the
14 program.
- 15 (3) The amount of time those juveniles spend in the program.
- 16 (4) The number of juveniles who successfully complete the program.
- 17 (5) The number of juveniles who commit additional offenses after
18 completing the program.
- 19 (6) The program's budget and expenditures, including all funding sources.

20 **SECTION 18.3.(b)** The Juvenile Assessment Center shall report to the
21 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
22 Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and
23 Juvenile Justice Oversight Committee on the effectiveness of the Center by April 1 each
24 year. The report shall include information on the number of juveniles served and an
25 evaluation of the effectiveness of juvenile assessment plans and services provided as a
26 result of these plans. In addition, the report shall include information on the Center's
27 budget and expenditures, including all funding sources.

28 **SECTION 18.3.(c)** Communities in Schools shall report to the Department
29 of Juvenile Justice and Delinquency Prevention, the Chairs of the House of
30 Representatives and Senate Appropriations Subcommittees on Justice and Public Safety,
31 the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
32 Committee, and the Joint Legislative Education Oversight Committee by April 1 each
33 year on the operation and effectiveness of its program. The report shall include
34 information on:

- 35 (1) The number of children served.
- 36 (2) The number of volunteers used.
- 37 (3) The impact on children who have received services from Communities
38 in Schools, including graduation rates, dropout rates, suspension and
39 expulsion rates, and involvement with the juvenile justice system.
- 40 (4) The program's budget and expenditures, including all funding sources.

41 **ANNUAL EVALUATION OF COMMUNITY PROGRAMS**

42 **SECTION 18.4.** The Department of Juvenile Justice and Delinquency
43 Prevention shall conduct an evaluation of the Eckerd and Camp Woodson wilderness
44 camp programs, the teen court programs, the program that grants funds to the local
45 organizations of the Boys and Girls Clubs established pursuant to Section 21.10 of S.L.
46 1999-237, the Support Our Students Program, the Governor's One-on-One Programs,
47 and multipurpose group homes. The teen court report shall include statistical
48 information on the number of juveniles served, the number and type of offenses
49 considered by teen courts, referral sources for teen courts, and the number of juveniles
50

1 that become court-involved after participation in teen courts. The report on the Boys
2 and Girls Clubs program shall include information on:

- 3 (1) The expenditure of State appropriations on the program;
- 4 (2) The operations and the effectiveness of the program; and
- 5 (3) The number of juveniles served under the program.

6 In conducting the evaluation of each of these programs, the Department shall
7 consider whether participation in each program results in a reduction of court
8 involvement among juveniles. The Department shall also identify whether the programs
9 are achieving the goals and objectives of the Juvenile Justice Reform Act, S.L.
10 1998-202. The Department shall report the results of the evaluation to the Joint
11 Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, the
12 Chairs of the House of Representatives and Senate Appropriations Committees and the
13 Chairs of the Subcommittees on Justice and Public Safety of the House of
14 Representatives and Senate Appropriations Committees by March 1 of each year.

15 16 **STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

17 **SECTION 18.5.** Funds appropriated in this act to the Department of Juvenile
18 Justice and Delinquency Prevention for the 2007-2008 fiscal year may be used as
19 matching funds for the Juvenile Accountability Incentive Block Grants. If North
20 Carolina receives Juvenile Accountability Incentive Block Grants, or a notice of funds
21 to be awarded, the Office of State Budget and Management and the Governor's Crime
22 Commission shall consult with the Department of Juvenile Justice and Delinquency
23 Prevention regarding the criteria for awarding federal funds. The Office of State Budget
24 and Management, the Governor's Crime Commission, and the Department of Juvenile
25 Justice and Delinquency Prevention shall report to the Appropriations Committees of
26 the House of Representatives and Senate and the Joint Legislative Commission on
27 Governmental Operations prior to allocation of the federal funds. The report shall
28 identify the amount of funds to be received for the 2007-2008 fiscal year, the amount of
29 funds anticipated for the 2008-2009 fiscal year, and the allocation of funds by program
30 and purpose.

31 32 **REPORTING ON TREATMENT STAFFING MODEL AT YOUTH** 33 **DEVELOPMENT CENTERS**

34 **SECTION 18.6.** The Department of Juvenile Justice and Delinquency
35 Prevention shall continue quarterly reporting during the 2007-2008 fiscal year to the
36 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
37 Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and
38 Juvenile Justice Oversight Committee on the implementation of the treatment staffing
39 model at Samarkand and Stonewall Jackson Youth Development Centers, including the
40 latest results of the evaluation of the pilot treatment staffing models at the Centers and
41 the progress in implementing the model at other youth development centers. In the April
42 1, 2008 report, the Department shall include a recommendation on whether the staffing
43 and budget for youth development centers should be maintained at the recommended
44 2007-2008 levels or be modified to reflect the results of the pilot treatment programs.

45 46 **PROGRESS REPORTS ON YOUTH DEVELOPMENT CENTER CAPITAL** 47 **PROJECTS**

48 **SECTION 18.7.(a)** The Department of Juvenile Justice and Delinquency
49 Prevention shall report quarterly during the 2007-2009 fiscal biennium, beginning
50 October 1, 2007, to the Chairs of the House of Representatives and Senate
51 Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative

1 Corrections, Crime Control, and Juvenile Justice Oversight Committee on the
2 Department's progress in the planning, design, and construction of new youth
3 development centers. The report shall include:

- 4 (1) An overall project schedule for each new youth development center
5 showing the original estimated date for construction completion and
6 the original estimated date for occupancy by juvenile offenders,
7 compared to the latest projected dates.
- 8 (2) An explanation of significant delays in the schedule or any potential
9 cost increase.

10 The Office of State Construction and the Capital Improvement Section of the
11 Office of State Budget and Management shall assist the Department of Juvenile Justice
12 and Delinquency Prevention in the preparation of the report required by this section.

13 **SECTION 18.7.(b)** The Department of Juvenile Justice and Delinquency
14 Prevention and Eckerd Family Youth Alternatives, Inc., shall report to the Chairs of the
15 House of Representatives and Senate Appropriations Subcommittees on Justice and
16 Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile
17 Justice Oversight Committee by November 1, 2007, on the nature, scope, and cost of the
18 Eckerd Family Focus on Rehabilitative Treatment (EFFORT) project, which would be
19 located at the Samarkand Youth Development Center and would supplement the
20 traditional youth development centers. The report shall state whether funds from the
21 Repairs and Renovations Reserve Account established in G.S. 143C-4-3 have been
22 approved by the Office of State Budget and Management for this project.

23 24 **STUDY OF STATE DETENTION CENTERS**

25 **SECTION 18.8.** The Department of Juvenile Justice and Delinquency
26 Prevention shall study the nine juvenile detention centers that are operated by the State.
27 For each of the facilities, the review shall include:

- 28 (1) Recent admission trends and projections of future population.
- 29 (2) The offense history and assessed needs of the population.
- 30 (3) Whether staffing levels are appropriate for the number and types of
31 offenders housed in the facility.
- 32 (4) Whether the center has adequate housing capacity.
- 33 (5) Determine the repair and renovation needs and estimate the cost of any
34 repairs or renovations.
- 35 (6) The estimated cost to plan, design, and construct new detention
36 centers, if appropriate.
- 37 (7) Information on security and control of the facility, including assaults,
38 escapes, and infractions.

39 The Department shall report its findings to the Joint Legislative Corrections,
40 Crime Control, and Juvenile Justice Oversight Committee and to the Chairs of the
41 House of Representatives and the Senate Appropriations Subcommittees on Justice and
42 Public Safety no later than March 1, 2008.

43 44 **YOUTH DEVELOPMENT CENTER SCHOLARSHIPS**

45 **SECTION 18.9.** Funds appropriated to the North Carolina Community
46 College Foundation during the 2003-2004 fiscal year in S.L. 2003-284 for community
47 college scholarships for students who have completed their commitment to a Youth
48 Development Center and who have obtained a high school diploma or its equivalent are
49 hereby transferred to the Department of Juvenile Justice and Delinquency Prevention.
50 The Department of Juvenile Justice and Delinquency Prevention shall administer the
51 community college scholarship program described in this section.

1
2 **PART XIX. DEPARTMENT OF ADMINISTRATION**
3

4 **REDESIGNATION OF THE GOVERNOR'S ADVOCACY COUNCIL FOR**
5 **PERSONS WITH DISABILITIES**

6 **SECTION 19.1.(a)** Part 14A of Article 9 of Chapter 143B of the General
7 Statutes is repealed.

8 **SECTION 19.1.(b)** Not later than May 1, 2008, the Department of
9 Administration and the Office of State Personnel shall report to the House
10 Appropriations Subcommittee on General Government and the Senate Appropriations
11 Subcommittee on General Government on the placement or compensation of all State
12 employees affected by the redesignation of the Governor's Advocacy Council for
13 Persons with Disabilities.
14

15 **SEXUAL ASSAULT/RAPE CRISIS CENTER FUNDING**

16 **SECTION 19.2.(a)** The Department of Administration, the Council for
17 Women, and the Domestic Violence Commission shall distribute funds to the North
18 Carolina Coalition Against Sexual Assault and to rape crisis centers. To receive funds,
19 rape crisis centers shall meet the following criteria:

- 20 (1) Operate as a private, nonprofit organization or a local unit of
21 government applying for a rape crisis center that has provided basic
22 services, as defined by the Council for Women and the Domestic
23 Violence Commission, for a one-year period before the date of
24 application;
- 25 (2) Have a mission statement that clearly specifies rape crisis services are
26 provided;
- 27 (3) Act in support of victims of rape or sexual assault by providing
28 assistance to ensure victims' interests are represented in law
29 enforcement and legal proceedings and support and referral services
30 are provided in medical and community settings; and
- 31 (4) Provide a 24-hour crisis hotline.

32 **SECTION 19.2.(b)** Grant funds allocated from the General Fund to the
33 Department of Administration, the Council for Women and the Domestic Violence
34 Commission for rape crisis shall be distributed in two equal shares. The North Carolina
35 Coalition Against Sexual Assault and rape crisis centers whose services are confined to
36 rape crisis and sexual assault services shall be allocated the sum of fifty thousand
37 dollars (\$50,000) in each year of the 2007-2009 biennium. Organizations that contain
38 rape crisis services in addition to domestic violence services or other support services
39 shall receive an equal share of remaining funds in each year of the 2007-2009 biennium.
40

41 **PART XX. OFFICE OF THE STATE CONTROLLER**
42

43 **OVERPAYMENTS AUDIT**

44 **SECTION 20.1.(a)** During the 2007-2009 biennium, receipts generated by
45 the collection of inadvertent overpayments by State agencies to vendors as a result of
46 pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed
47 refunds, erroneously paid excise taxes, and related errors as required by
48 G.S. 147-86.22(c) are to be deposited in the Special Reserve Account 24172.

49 **SECTION 20.1.(b)** For the 2007-2009 biennium, five hundred thousand
50 dollars (\$500,000) of the funds transferred from the Special Reserve Account 24172

1 shall be used by the Office of the State Controller for data processing, debt collection,
2 or e-commerce costs.

3 **SECTION 20.1.(c)** All funds available in the Special Reserve Account
4 24172 on July 1 of each year of the 2007-2009 biennium are transferred to the General
5 Fund on that date.

6 **SECTION 20.1.(d)** Any unobligated funds in the Special Reserve Account
7 24172 that are realized above the allowance in subsection (b) of this section are subject
8 to appropriation by the General Assembly in the 2008 Regular Session of the 2007
9 General Assembly.

10 **SECTION 20.1.(e)** The State Controller shall report quarterly to the Joint
11 Legislative Commission on Governmental Operations and the Fiscal Research Division
12 on the revenue deposited into the Special Reserve Account 24172 and the disbursement
13 of that revenue.

14 15 **PART XXI. DEPARTMENT OF CULTURAL RESOURCES**

16 17 **GRASSROOTS ARTS PROGRAM FUNDING**

18 **SECTION 21.1.(a)** G.S. 143B-122 reads as rewritten:

19 "**§ 143B-122. Distribution of funds.**

20 Funds—Of the funds available under the Grassroots Arts ~~Program—Program~~, twenty
21 percent (20%) of the total shall be distributed among the counties equally, and the
22 remaining eighty percent (80%) shall be distributed among the counties on a per capita
23 basis."

24 **SECTION 21.1.(b)** Any funds distributed by the Department of Cultural
25 Resources under the Grassroots Arts Program for the 2000-2001 through 2006-2007
26 fiscal years are hereby ratified, validated, and confirmed.

27 28 **PART XXII. OFFICE OF THE GOVERNOR**

29 30 **HOUSING FINANCE AGENCY SHALL CONTINUE AND EXPAND THE** 31 **NORTH CAROLINA HOME PROTECTION PILOT PROGRAM AND** 32 **LOAN FUND**

33 **SECTION 22.1.(a)** The North Carolina Housing Finance Agency shall
34 continue, develop, implement, and administer a pilot program to assist North Carolina
35 workers who have lost jobs as a result of changing economic conditions in North
36 Carolina when the workers are in need of assistance to avoid losing their homes to
37 foreclosure. The Agency shall do all of the following:

- 38 (1) Develop and administer the North Carolina Home Protection Pilot
39 Program and Loan Fund to ensure that workers in the counties selected
40 for the Pilot have assistance to avoid losing their homes to foreclosure.
41 The Program shall include all counties that had greater than seven
42 percent (7%) average unemployment in the 2006-2007 fiscal year.
- 43 (2) Make loans secured by liens on residential real property located in
44 North Carolina to property owners who are eligible for those loans.
- 45 (3) Develop and administer procedures by which property owners at risk
46 of being foreclosed upon may qualify for assistance.
- 47 (4) Designate, approve, and fund nonprofit counseling agencies in
48 counties participating in the Program to be available to assist the
49 Agency in implementing the provisions of this section, and to provide
50 services such as direct mortgagee negotiations on behalf of
51 unemployed workers, and to process loan applications for the Agency.

- 1 (5) Develop and fund enhanced methods by which workers may be
2 notified of foreclosure mitigation services, may easily contact local
3 nonprofit counseling agencies, and may apply for loans from the
4 Agency.
5 (6) No later than April 1, 2008, report to the Chairs of the Appropriations
6 Committees of the Senate and the House of Representatives on the
7 effectiveness of the Program in accomplishing its purposes, and
8 provide any other information the Agency determines is pertinent or
9 that the General Assembly requests.

10 **SECTION 22.1.(b)** As used in this section, the following definitions apply:

- 11 (1) Agency. – The North Carolina Housing Finance Agency.
12 (2) Counseling agency. – A nonprofit counseling agency located in North
13 Carolina that is approved by the North Carolina Housing Finance
14 Agency.
15 (3) Mortgage. – An obligation evidenced by a security document and
16 secured by a lien upon real property located within North Carolina,
17 including a deed of trust and land sale agreement. Mortgage also
18 means an obligation evidenced by a security lien on real property upon
19 which an owner-occupied mobile home is located.
20 (4) Mortgagee. – The owner of a beneficial interest in a mortgage loan, the
21 servicer for the owner of a beneficial interest in a mortgage loan, or the
22 trustee for a securitized trust that holds title to a beneficial interest in a
23 mortgage loan.

24 **SECTION 22.1.(c)** Notwithstanding Chapters 23, 24, and 45 of the General
25 Statutes or any other provision of law, upon the proper filing of an application for loan
26 assistance by a mortgagor under this section, a mortgagee shall not do the following:

- 27 (1) Accelerate the maturity of any mortgage obligation covered under this
28 section.
29 (2) Commence or continue any legal action, including mortgage
30 foreclosure pursuant to Chapter 45 of the General Statutes, to recover
31 the mortgage obligation.
32 (3) Take possession of any security of the mortgagor for the mortgage
33 obligation.
34 (4) Procure or receive a deed in lieu of foreclosure.
35 (5) Enter judgment by confession pursuant to a note accompanying a
36 mortgage.
37 (6) Proceed to enforce the mortgage obligation pursuant to applicable
38 rules of civil procedure for a period of 120 days following the date of
39 the mortgagor's properly filed application.

40 The provisions of this section shall not apply if the mortgagee receives notice
41 from the Agency that the mortgagor's application has been denied.

42 If a mortgagee acts as proscribed in subdivisions (1) through (6) of this
43 subsection, a mortgagor shall be entitled to injunctive relief without the necessity of
44 providing a bond. This relief shall be in addition to any defenses available under
45 G.S. 45-21.16(d) and any other remedies at law or equity.

46 Upon the Agency's receipt of a properly filed mortgagor's application for loan
47 assistance, the Agency shall mail notice of the application to the mortgagor's mortgagee
48 within five business days of the Agency's receipt of the application. The Agency shall
49 also mail notice of the acceptance or denial of the mortgagor's application to the
50 mortgagee within five days of the Agency's determination. Notice shall be deemed
51 sufficient if sent to the last known address of the mortgagee.

1 **SECTION 22.1.(d)** Rule Making. – Solely with respect to the adoption of
2 procedures for the pilot program by which property owners at risk of being foreclosed
3 upon may qualify for assistance, the Agency is exempt from the requirements of Article
4 2A of Chapter 150B of the General Statutes. Prior to adoption or amendment of
5 procedures, the Agency shall:

- 6 (1) Publish the proposed procedures in the North Carolina Register at least
7 30 days prior to the adoption of the final procedures.
- 8 (2) Accept oral and written comments on the proposed procedures.
- 9 (3) Hold at least one public hearing on the proposed procedures.

10 **SECTION 22.1.(e)** Any funds appropriated under Section 20A.1 of S.L.
11 2004-124 that have not been encumbered shall be used for the expansion of the program
12 to additional counties as provided by this section.

13 **SECTION 22.1.(f)** This section applies only to the 2007-2008 fiscal year.
14

15 **PART XXIII. OFFICE OF STATE BUDGET AND MANAGEMENT**

16 **MILITARY MORALE, RECREATION, AND WELFARE FUNDS**

17 **SECTION 23.1.(a)** There is appropriated from the General Fund to a
18 Reserve for the Military Morale, Recreation, and Welfare Fund in the Office of State
19 Budget and Management the sum of one million dollars (\$1,000,000) in the 2007-2008
20 fiscal year.

21 **SECTION 23.1.(b)** The Office of State Budget and Management shall
22 distribute for the purposes described in this section the amount appropriated by
23 subsection (a) of this section. That amount shall be distributed to each military
24 installation on a per capita basis.

25 **SECTION 23.1.(c)** Funds distributed to a military installation exchange
26 under this section must be deposited in the Military Morale, Recreation, and Welfare
27 Fund for that installation and used only for community services and other expenditures
28 to improve quality of life programs for military members and their families in North
29 Carolina.
30

31 **LICENSING BOARD REPORTING REQUIREMENT**

32 **SECTION 23.2.** G.S. 93B-2(b) reads as rewritten:

33 "(b) Each occupational licensing board shall file with the Secretary of State, the
34 Attorney General, the Office of State Budget and Management, and the Joint Legislative
35 Administrative Procedure Oversight Committee a financial report that includes the
36 source and amount of all funds credited to the occupational licensing board and the
37 purpose and amount of all funds disbursed by the occupational licensing board during
38 the previous 12-month period."
39
40

41 **STUDY OF THE WORKERS' COMPENSATION PROGRAM IN STATE** 42 **AGENCIES**

43 **SECTION 23.3.** The Office of State Budget and Management, in
44 consultation with the Office of State Personnel and the Office of State Controller, shall
45 conduct a study of the Workers' Compensation Program in State agencies and
46 institutions to determine if the third-party administration of the program continues to be
47 the most effective mode of administration; to determine if the current method of funding
48 is still the most effective method; to determine whether excess coverage policies are
49 needed; and to identify any other operational inefficiencies in program operations that
50 might exist. The Office of State Budget and Management shall submit a final report
51 outlining the related findings and recommendations for improvements to the Joint

1 Legislative Commission on Governmental Operations and the Fiscal Research Division
2 by March 1, 2008.

3 4 **PART XXIV. DEPARTMENT OF REVENUE**

5 6 **WHITE GOODS DISPOSAL TAX PROGRAM**

7 **SECTION 24.1.** G.S. 105-187.24 reads as rewritten:

8 "**§ 105-187.24 Use of tax proceeds.**

9 The Secretary shall distribute the taxes collected under this Article, less the
10 Department of Revenue's allowance for administrative expenses, in accordance with this
11 section. The Secretary may retain the Department's cost of collection, not to exceed ~~two~~
12 ~~hundred twenty five thousand dollars (\$225,000)~~ four hundred twenty-five thousand
13 dollars (\$425,000) a year, as reimbursement to the Department.

14 Each quarter, the Secretary shall credit eight percent (8%) of the net tax proceeds to
15 the Solid Waste Management Trust Fund and shall credit twenty percent (20%) of the
16 net tax proceeds to the White Goods Management Account. The Secretary shall
17 distribute the remaining seventy-two percent (72%) of the net tax proceeds among the
18 counties on a per capita basis according to the most recent annual population estimates
19 certified to the Secretary by the State Budget Officer. The Department shall not
20 distribute the tax proceeds to a county when notified not to do so by the Department of
21 Environment and Natural Resources under G.S. 130A-309.87. If a county is not entitled
22 to a distribution, the proceeds allocated for that county will be credited to the White
23 Goods Management Account.

24 A county may use funds distributed to it under this section only as provided in
25 G.S. 130A-309.82. A county that receives funds under this section and that has an
26 interlocal agreement with another unit of local government under which the other unit
27 provides for the disposal of solid waste for the county must transfer the amount received
28 under this section to that other unit. A unit to which funds are transferred is subject to
29 the same restrictions on use of the funds as the county."
30

31 **SCRAP TIRE DISPOSAL TAX PROGRAM**

32 **SECTION 24.2.** G.S. 105-187.19(a) reads as rewritten:

33 "(a) The Secretary shall distribute the taxes collected under this Article, less the
34 allowance to the Department of Revenue for administrative expenses, in accordance
35 with this section. The Secretary may retain the cost of collection by the Department, not
36 to exceed ~~two hundred twenty five thousand dollars (\$225,000)~~ four hundred
37 twenty-five thousand dollars (\$425,000) a year, as reimbursement to the Department."
38

39 **PART XXV. STATE BOARD OF ELECTIONS**

40 41 **STATE BOARD OF ELECTIONS MOE AND HAVA FUND USE**

42 **SECTION 25.1.(a)** The State Board of Elections shall use funds in the
43 Maintenance of Effort Reserve as follows:

- 44 (1) \$1,440,000 nonrecurring in fiscal year 2007-2008 for ballot printing
45 for the 2008 first primary.
- 46 (2) \$840,000 nonrecurring in fiscal year 2007-2008 for ballot printing for
47 the 2008 second primary if a federal election is on the ballot.
- 48 (3) \$1,260,000 nonrecurring in fiscal year 2008-2009 for ballot printing
49 for the 2008 general election.
- 50 (4) \$1,500,000 nonrecurring in fiscal year 2007-2008 and \$500,000
51 nonrecurring in fiscal year 2008-2009 to rebuild the State Elections

1 Information Management System (SEIMS). (See 2007 House Bill
2 1267.)

3 (5) \$100,000 recurring in fiscal year 2007-2008 for the required training
4 for all county boards of elections staff on voting equipment operating
5 procedures.

6 (6) \$427,500 recurring in fiscal year 2007-2008 to centralize ballot coding
7 in North Carolina to provide oversight, ensure accuracy of election
8 preparation, and reduce errors with ballot styles.

9 (7) \$150,000 recurring in fiscal year 2007-2008 to hire 20 additional
10 election technicians across the State to deal with technical problems
11 that arise on a 2008 Election Day in which a federal election is on the
12 ballot.

13 **SECTION 25.1.(b)** The State Board of Elections shall use funds in the
14 Election Fund under G.S. 163-82.28 (HAVA funds) as follows:

15 (1) \$2,525,000 nonrecurring in fiscal year 2007-2008 and \$2,525,000
16 nonrecurring in fiscal year 2008-2009 for maintenance performed on
17 voting equipment.

18 (2) \$750,000 nonrecurring in fiscal year 2007-2008 and \$1,750,000
19 nonrecurring in fiscal year 2008-2009 provided for additional one-stop
20 absentee voting (early voting) sites for the 2008 first primary and
21 general election if a federal election is on the ballot.
22

23 **PART XXVI. DEPARTMENT OF THE STATE TREASURER**

24 25 **FUNDS FOR AUDITING STATE EMPLOYEE SERVICE RECORDS; NO** 26 **CONTRACTING FOR CERTAIN FUNCTIONS; PROHIBITION ON USE OF** 27 **LAPSED SALARIES**

28 **SECTION 26.1.(a)** The funds appropriated in this act to the Department of
29 State Treasurer, Retirement Systems Division, for the sum of one million two hundred
30 thousand dollars (\$1,200,000) for the 2007-2008 fiscal year shall be used to contract for
31 the auditing of State employee service records. The Retirement Systems Division shall
32 submit an interim report on the number of State employee service records verified to the
33 Joint Legislative Commission on Governmental Operations and the Fiscal Research
34 Division no later than April 30, 2008.

35 **SECTION 26.1.(b)** The Department of State Treasurer, Retirement Systems
36 Division, shall report quarterly beginning October 31, 2007, on all contracts by funding
37 sources and on the use of lapsed salary savings to the Joint Legislative Commission on
38 Governmental Operations, the Chairs of the House Appropriations Subcommittee on
39 General Government and Senate Appropriations on General Government and
40 Information Technology and to the Fiscal Research Division.
41

42 **PART XXVII. DEPARTMENT OF TRANSPORTATION**

43 44 **ONE-STOP SHOPS FOR DRIVERS LICENSES AND REGISTRATION** 45 **PLATES**

46 **SECTION 27.1.** The Department of Transportation, Division of Motor
47 Vehicles, is prohibited from opening drivers license issuance and vehicle registration
48 issuance and renewal One-Stop Shops until the General Assembly has considered and
49 appropriated funds for the purpose of One-Stop Shops.

50 The Department of Transportation shall develop a business plan that
51 thoroughly outlines the operational plans of a combined function center, a detailed

1 budget for each proposed location, and any identified savings gleaned from the
2 combined services. In addition, the Division of Motor Vehicles shall conduct an
3 analysis on the anticipated number of transactions and the impact to independent tag
4 agents in those areas. The report is due to the Joint Legislative Transportation Oversight
5 Committee, the Joint Appropriations Subcommittee for Transportation, and the Fiscal
6 Research Division by March 15, 2008.

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

10 **SECTION 27.2.(a)** The General Assembly authorizes and certifies
11 anticipated revenues of the Highway Fund as follows:

12	For Fiscal Year 2009-2010	\$1,846.0 million
13	For Fiscal Year 2010-2011	\$1,857.9 million
14	For Fiscal Year 2011-2012	\$1,869.0 million
15	For Fiscal Year 2012-2013	\$1,873.9 million

16 **SECTION 27.2.(b)** The General Assembly authorizes and certifies
17 anticipated revenues of the Highway Trust Fund as follows:

18	For Fiscal Year 2009-2010	\$1,174.4 million
19	For Fiscal Year 2010-2011	\$1,204.9 million
20	For Fiscal Year 2011-2012	\$1,236.4 million
21	For Fiscal Year 2012-2013	\$1,276.1 million

22
23 **FUNDS FOR ECONOMIC DEVELOPMENT, SPOT SAFETY, AND**
24 **TRANSPORTATION IMPROVEMENT PROGRAM PROJECTS**

25 **SECTION 27.3.** Of the funds appropriated by this act to the Department of
26 Transportation in fiscal year 2007-2008, fourteen million dollars (\$14,000,000) shall be
27 allocated equally among the 14 Highway Divisions for economic development
28 transportation projects recommended by the member of the Board of Transportation
29 representing the Division in which the project is to be constructed in consultation with
30 the Division Engineer and approved by the Board of Transportation. Funds in each
31 Division not needed for economic development projects shall be used on spot safety
32 needs to enhance safety, reduce congestion, improve traffic flow, reduce accidents, and
33 for system preservation. Funds not identified for economic development and spot safety
34 projects prior to December 31, 2007, shall be used on Transportation Improvement
35 Program projects. The Secretary of Transportation shall not prevent or delay the
36 implementation of any projects approved by the Board of Transportation pursuant to
37 this section.

38
39 **CONSOLIDATION OF RURAL FUNDING PROGRAMS BY THE**
40 **DEPARTMENT OF TRANSPORTATION'S PUBLIC TRANSPORTATION**
41 **DIVISION**

42 **SECTION 27.4.** The Department of Transportation, Public Transportation
43 Division, may consolidate its rural funding programs for vehicles, technology, and
44 facilities into one large capital program. The Division shall have the flexibility to
45 transfer funding from the consolidated capital program to the operating programs, based
46 on the ability to leverage additional federal funds to meet the capital needs of rural
47 transportation systems. The Department shall report on the use of funds and
48 effectiveness of the provisions of this section to the Joint Appropriations Subcommittee
49 on Transportation and the Fiscal Research Division by March 15, 2008.

50
51 **SMALL CONSTRUCTION AND CONTINGENCY FUNDS**

1 **SECTION 27.5.** Of the funds appropriated in this act to the Department of
2 Transportation:

- 3 (1) Twenty-one million dollars (\$21,000,000) shall be allocated in each
4 fiscal year for small construction projects recommended by the
5 member of the Board of Transportation representing the Division in
6 which the project is to be constructed in consultation with the Division
7 Engineer and approved by the Board of Transportation. These funds
8 shall be allocated equally in each fiscal year of the biennium among
9 the 14 Highway Divisions for small construction projects.
- 10 (2) Fifteen million dollars (\$15,000,000) in fiscal year 2007-2008 and
11 fifteen million dollars (\$15,000,000) in fiscal year 2008-2009 shall be
12 used statewide for rural or small urban highway improvements and
13 related transportation enhancements to public roads and public
14 facilities, industrial access roads, and spot safety projects, including
15 pedestrian walkways that enhance highway safety. Projects funded
16 pursuant to this subdivision shall be approved by the Secretary of
17 Transportation.

18 None of these funds used for rural secondary road construction are subject to
19 the county allocation formulas in G.S. 136-44.5(b) and (c).

20 These funds are not subject to G.S. 136-44.7.

21 The Department of Transportation shall report to the members of the General
22 Assembly on projects funded pursuant to this section in each member's district prior to
23 the Board of Transportation's action. The Department shall make a quarterly
24 comprehensive report on the use of these funds to the Joint Legislative Transportation
25 Oversight Committee and the Fiscal Research Division.

26 27 **FUNDS FOR UNSAFE OR OBSOLETE FIELD FACILITIES**

28 **SECTION 27.6.** Of the funds appropriated in this act to the Department of
29 Transportation, the Department may use funds not to exceed seventy-five hundredths of
30 one percent (.75%) for maintenance and construction programs for major repair,
31 renovation, or replacement of its field facilities that fail to meet safety standards or that
32 are obsolete for current or future use. Prior to expending these funds, the Department
33 shall submit its proposed budget for these expenditures to the Senate Appropriations
34 Subcommittee on Transportation, the House of Representatives Appropriations
35 Subcommittee on Transportation, and the Joint Legislative Transportation Oversight
36 Committee each year.

37 38 **MODIFY GLOBAL TRANSPARK DEBT**

39 **SECTION 27.7.** G.S. 147-69.2(b)(11), as amended by Section 7 of S.L.
40 2005-144, Section 2 of S.L. 2005-201, and Section 28.17 of S.L. 2005-276 reads as
41 rewritten:

42 "(b) It shall be the duty of the State Treasurer to invest the cash of the funds
43 enumerated in subsection (a) of this section in excess of the amount required to meet the
44 current needs and demands on such funds, selecting from among the following:

45 ...

- 46 (11) With respect to assets of the Escheat Fund, obligations of the North
47 Carolina Global TransPark Authority authorized by G.S. 63A-4(a)(22),
48 not to exceed twenty-five million dollars (\$25,000,000), that have a
49 final maturity not later than October 1, ~~2007-2009~~. The obligations
50 shall bear interest at the rate set by the State Treasurer. No
51 commitment to purchase obligations may be made pursuant to this

1 subdivision after September 1, 1993, and no obligations may be
2 purchased after September 1, 1994. In the event of a loss to the
3 Escheat Fund by reason of an investment made pursuant to this
4 subdivision, it is the intention of the General Assembly to hold the
5 Escheat Fund harmless from the loss by appropriating to the Escheat
6 Fund funds equivalent to the loss.

7 If any part of the property owned by the North Carolina Global
8 TransPark Authority now or in the future is divested, proceeds of the
9 divestment shall be used to fulfill any unmet obligations on an
10 investment made pursuant to this subdivision.

11"

12
13 **DIVISION OF MOTOR VEHICLES REPORT ON REAL ID ACT**
14 **COMPLIANCE**

15 **SECTION 27.8.** The Department of Transportation shall report on the
16 expenditure plan for the use of the reserved funds appropriated for the Secure ID and
17 Card Production System. The plan shall include the projected costs associated with the
18 federal government's requirements for complying with P.L. 109-13, the REAL ID Act
19 of 2005. The Department shall report to the Joint Legislative Transportation Oversight
20 Committee and the Joint Appropriations Subcommittee for Transportation by May 1,
21 2008.

22
23 **DEPARTMENT OF TRANSPORTATION PRODUCTIVITY PILOT**
24 **PROGRAMS**

25 **SECTION 27.9.(a)** The Department of Transportation may continue the
26 productivity pilot programs in the road oil and bridge inspection units implemented
27 under Section 29.3 of S.L. 2003-284. The Department of Transportation may expend up
28 to one-half of one percent (.50%) of the budget allocation for these programs for
29 employee incentive payments to maintain the increased efficiency and productivity
30 under these programs.

31 **SECTION 27.9.(b)** The Department of Transportation may continue any
32 additional pilot programs authorized by Section 28.9(b) of S.L. 2005-276 to test
33 incentive pay for employees as a means of increasing and maintaining efficiency and
34 productivity.

35 Up to one-half of one percent (.50%) of the budget allocation for these
36 programs may be used to provide employee incentive payments.

37 Incentive payments shall be based on quantifiable measures and production
38 schedules determined prior to the implementation of the pilot programs.

39
40 **STUDY DEPARTMENT OF TRANSPORTATION'S BUDGET PROCESS**

41 **SECTION 27.10.(a)** The Joint Legislative Transportation Oversight
42 Committee may study the Department of Transportation's budgeting process. If the
43 Committee undertakes the study of issues related to the Department of Transportation's
44 budgeting process, the Committee shall study all issues related to how the Department
45 prepares its budget, how the Department differentiates between its issued and unused
46 budget authority and its used and unused cash availability for programs administered by
47 the Department, the role of encumbered accounts in the budget process, the cash
48 management system currently in place, and any other issues the Committee deems
49 proper related to the administration of appropriations to the Department.

1 **SECTION 27.10.(b)** The Joint Legislative Transportation Oversight
 2 Committee shall report its findings and recommendations, including all legislative
 3 proposals, to the 2008 Regular Session of the 2007 General Assembly by April 1, 2008.

4
 5 **DIVISION OF MOTOR VEHICLES LICENSE PLATE RECALL PROGRAM**

6 **SECTION 27.11.(a)** Of the funds appropriated from the Highway Fund to
 7 the Department of Transportation under this act, the Division of Motor Vehicles may
 8 expend the sum of one hundred eighty-three thousand one hundred ninety-nine dollars
 9 (\$183,199) for fiscal year 2007-2008 and the sum of ninety-nine thousand dollars
 10 (\$99,000) for fiscal year 2008-2009 to recall vehicle license plates. The Division shall
 11 develop a schedule by which approximately 94,000 of the oldest license plates are
 12 recalled annually for the next five years. Each fiscal year after 2008-2009, the General
 13 Assembly intends to appropriate from the Highway Fund to the Department of
 14 Transportation the sum of ninety-nine thousand dollars (\$99,000) in recurring funds for
 15 the Division to implement a continuous license plate recall program.

16 **SECTION 27.11.(b)** The Division shall report to the Joint Appropriations
 17 Subcommittee on Transportation and the Fiscal Research Division no later than May 1,
 18 2008, on the progress of the vehicle license plate recall schedule and the implementation
 19 of the continuous license plate recall program.

20
 21 **PHASE OUT TRANSFERS FROM THE HIGHWAY FUND AND THE**
 22 **HIGHWAY TRUST FUND TO THE GENERAL FUND AND OTHER STATE**
 23 **AGENCIES**

24 **SECTION 27.12.** It is the intent of the General Assembly to phase out funds
 25 transfers from the Highway Fund and the Highway Trust Fund to the General Fund and
 26 to other State agencies over a five-year period of time. The funds transfers from the
 27 Highway Fund and the Highway Trust Fund to the General Fund and to other State
 28 agencies would be reduced to fifty percent (50%) of the current funds transfers,
 29 effective July 1, 2009. The funds transfers from the Highway Fund and the Highway
 30 Trust Fund to the General Fund and other State agencies would be reduced an additional
 31 fifty percent (50%) of the amount being transferred on June 30, 2011, effective July 1,
 32 2011. The funds transfers from the Highway Fund and the Highway Trust Fund to the
 33 General Fund and other State agencies would be eliminated completely, effective July 1,
 34 2013.

35
 36 **PART XXIII SALARIES AND BENEFITS**

37
 38 **GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES**

39 **SECTION 28.1.(a)** Effective July 1, 2007, G.S. 147-11(a) reads as
 40 rewritten:

41 "(a) The salary of the Governor shall be ~~one hundred thirty thousand six hundred~~
 42 ~~twenty nine dollars (\$130,629)~~ one hundred thirty-six thousand one hundred eight-one
 43 dollars (\$136,181) annually, payable monthly."

44 **SECTION 28.1.(b)** Effective July 1, 2007, the annual salaries for the
 45 members of the Council of State, payable monthly, for the 2007-2008 and 2008-2009
 46 fiscal years are:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$120,189
Attorney General	120,189
Secretary of State	120,189

1	State Treasurer	120,189
2	State Auditor	120,189
3	Superintendent of Public Instruction	120,189
4	Agriculture Commissioner	120,189
5	Insurance Commissioner	120,189
6	Labor Commissioner	120,189

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:

	<u>Nonelected Department Heads</u>	<u>Annual Salary</u>
13	Secretary of Administration	\$117,424
14	Secretary of Correction	117,424
15	Secretary of Crime Control and Public Safety	117,424
16	Secretary of Cultural Resources	117,424
17	Secretary of Commerce	117,424
18	Secretary of Environment, Health, and Natural Resources	117,424
19	Secretary of Health and Human Services	117,424
20	Secretary of Juvenile Justice and Delinquency Prevention	117,424
21	Secretary of Revenue	117,424
22	Secretary of Transportation	117,424

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:

	<u>Executive Branch Officials</u>	<u>Annual Salary</u>
29	Chairman, Alcoholic Beverage Control Commission	\$ 106,877
30	State Controller	149,575
31	Commissioner of Motor Vehicles	106,877
32	Commissioner of Banks	120,189
33	Chairman, Employment Security Commission	133,161
34	State Personnel Director	117,424
35	Chairman, Parole Commission	97,592
36	Members of the Parole Commission	45,050
37	Chairman, Utilities Commission	133,852
38	Members of the Utilities Commission	120,189
39	Executive Director, Agency for Public Telecommunications	90,100
40	Director, Museum of Art	109,515
41	Executive Director, North Carolina Agricultural Finance Authority	104,030
42	State Chief Information Officer	149,484

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:

	<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
49	Chief Justice, Supreme Court	\$ 137,160
50	Associate Justice, Supreme Court	133,576

1	Chief Judge, Court of Appeals	130,236
2	Judge, Court of Appeals	128,011
3	Judge, Senior Regular Resident Superior Court	124,532
4	Judge, Superior Court	121,053
5	Chief Judge, District Court	109,923
6	Judge, District Court	106,445
7	Administrative Officer of the Courts	123,643
8	Assistant Administrative Officer of the Courts	112,936

9
10 **SECTION 28.4.(b)** The district attorney or public defender of a judicial
11 district, with the approval of the Administrative Officer of the Courts or the
12 Commission on Indigent Defense Services, respectively, shall set the salaries of
13 assistant district attorneys or assistant public defenders, respectively, in that district such
14 that the average salaries of assistant district attorneys or assistant public defenders in
15 that district do not exceed sixty-nine thousand two hundred thirteen dollars (\$69,213)
16 and the minimum salary of any assistant district attorney or assistant public defender is
17 at least thirty-six thousand one hundred sixty-eight dollars (\$36,168) effective July 1,
18 2007.

19 **SECTION 28.4.(c)** Effective July 1, 2007, the annual salaries of permanent,
20 full-time employees of the Judicial Department whose salaries are not itemized in this
21 act shall be increased by four and one-quarter percent (4.25%).

22 **SECTION 28.4.(d)** Effective July 1, 2007, the annual salaries of permanent,
23 part-time employees of the Judicial Department whose salaries are not itemized in this
24 act shall be increased by four and one-quarter percent (4.25%).
25

26 **CLERK OF SUPERIOR COURT/SALARY INCREASES**

27 **SECTION 28.5.** Effective July 1, 2007, G.S. 7A-101(a) reads as rewritten:

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

Population	Annual Salary
Less than 100,000	\$77,112 <u>\$80,389</u>
100,000 to 149,999	86,532 <u>90,210</u>
150,000 to 249,999	95,954 <u>100,032</u>
250,000 and above	105,378 <u>109,857</u>

37 ~~The salary schedule in this subsection is intended to represent the following~~
38 ~~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%

44 When a county changes from one population group to another, the salary of the clerk
45 shall be changed, on July 1 of the fiscal year for which the change is reported, to the
46 salary appropriate for the new population group, except that the salary of an incumbent
47 clerk shall not be decreased by any change in population group during his continuance
48 in office."
49

50 **ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES**

51 **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 <u>\$31,197</u>
Maximum	51,251 <u>53,429</u>
Deputy Clerks	Annual Salary
Minimum	\$25,758 <u>\$26,853</u>
Maximum	39,862 <u>41,556.</u> "

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 <u>\$31,609</u>
Step 1	33,101 <u>34,508</u>
Step 2	36,126 <u>37,661</u>
Step 3	39,429 <u>41,105</u>
Step 4	43,046 <u>44,875</u>
Step 5	47,122 <u>49,125</u>
Step 6	51,692 <u>53,889.</u>

- (2) A part-time magistrate is a magistrate who is assigned to work an average of less than 40 hours of work a week during the term, except that no magistrate shall be assigned an average of less than 10 hours of work a week during the term. A part-time magistrate is included, in accordance with G.S. 7A-170, under the provisions of G.S. 135-1(10) and G.S. 135-40.2(a). The Administrative Officer of the Courts designates whether a magistrate is a part-time magistrate. A part-time magistrate shall receive an annual salary based on the following formula: The average number of hours a week that a part-time magistrate is assigned work during the term shall be multiplied by the annual salary payable to a full-time magistrate who has the same number of years of service prior to the beginning of that term as does the part-time magistrate and the product of that multiplication shall be

1 divided by the number 40. The quotient shall be the annual salary
 2 payable to that part-time magistrate.

- 3 (3) Notwithstanding any other provision of this subsection, a magistrate
 4 who is licensed to practice law in North Carolina or any other state
 5 shall receive the annual salary provided in the Table in subdivision (1)
 6 of this subsection for Step 4."
 7

8 **SECTION 28.7.(b)** Effective July 1, 2007, G.S. 7A-171.1(a1)(1) reads as
 9 rewritten:

10 "(a1) Notwithstanding subsection (a) of this section, the following salary provisions
 11 apply to individuals who were serving as magistrates on June 30, 1994:

- 12 (1) The salaries of magistrates who on June 30, 1994, were paid at a salary
 13 level of less than five years of service under the table in effect that date
 14 shall be as follows:

15 Less than 1 year of service	\$24,450	\$25,489
16 1 or more but less than 3 years of service	25,572	<u>26,659</u>
17 3 or more but less than 5 years of service	27,831	<u>29,014</u>

18 Upon completion of five years of service, those magistrates shall
 19 receive the salary set as the Entry Rate in the table in subsection (a)."
 20

21 **GENERAL ASSEMBLY PRINCIPAL CLERKS/ SALARY INCREASES**

22 **SECTION 28.8.** Effective July 1, 2007, G.S. 120-37(c) reads as rewritten:

23 "(c) The principal clerks shall be full-time officers. Each principal clerk shall be
 24 entitled to other benefits available to permanent legislative employees and shall be paid
 25 an annual salary of ~~ninety seven thousand four hundred two dollars (\$97,402)~~ one
 26 hundred one thousand five hundred forty-two dollars (\$101,542) payable monthly. Each
 27 principal clerk shall also receive such additional compensation as approved by the
 28 Speaker of the House of Representatives or the President Pro Tempore of the Senate,
 29 respectively, for additional employment duties beyond those provided by the rules of
 30 their House. The Legislative Services Commission shall review the salary of the
 31 principal clerks prior to submission of the proposed operating budget of the General
 32 Assembly to the Governor and shall make appropriate recommendations for changes in
 33 those salaries. Any changes enacted by the General Assembly shall be by amendment to
 34 this paragraph."
 35

36 **SERGEANT-AT-ARMS AND READING CLERKS/ SALARY INCREASES**

37 **SECTION 28.9.** Effective July 1, 2007, G.S. 120-37(b) reads as rewritten:

38 "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a
 39 salary of ~~three hundred forty five dollars (\$345.00)~~ three hundred sixty dollars
 40 (\$360.00) per week plus subsistence at the same daily rate provided for members of the
 41 General Assembly, plus mileage at the rate provided for members of the General
 42 Assembly for one round trip only from their homes to Raleigh and return. The
 43 sergeants-at-arms shall serve during sessions of the General Assembly and at such time
 44 prior to the convening of, and subsequent to adjournment or recess of, sessions as may
 45 be authorized by the Legislative Services Commission. The reading clerks shall serve
 46 during sessions only."
 47

48 **LEGISLATIVE EMPLOYEES/ SALARY INCREASES**

49 **SECTION 28.10.** Effective July 1, 2007, the Legislative Services Officer
 50 shall increase the salaries of nonelected employees of the General Assembly in effect

1 for fiscal year 2006-2007 by four and one-quarter percent (4.25%). Nothing in this act
2 limits any of the provisions of G.S. 120-32.

3 4 **COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES**

5 **SECTION 28.11.(a)** The Director of the Budget shall transfer from the
6 Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and
7 2008-2009, funds to the North Carolina Community Colleges System Office necessary
8 to provide an annual salary increase of four and one-quarter percent (4.25%) including
9 funds for the employer's retirement and social security contributions, commencing July
10 1, 2007, for all community college employees supported by State funds.

11 **SECTION 28.11.(b)** The Director of the Budget shall transfer from the
12 Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and
13 2008-2009, funds to the North Carolina Community Colleges System Office necessary
14 to provide an additional annual salary increase of three quarters of one percent (0.75%),
15 for Community College faculty and professional staff, including funds for the
16 employer's retirement and social security contributions, supported by State funds.

17 18 **UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES**

19 **SECTION 28.12.(a)** The Director of the Budget shall transfer to the Board
20 of Governors of The University of North Carolina sufficient funds from the Reserve for
21 Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009,
22 to provide an annual salary increase of four and one-quarter percent (4.25%), including
23 funds for the employer's retirement and social security contributions, commencing July
24 1, 2007, for all employees of The University of North Carolina, as well as employees
25 other than teachers of the North Carolina School of Science and Mathematics, supported
26 by State funds and whose salaries are exempt from the State Personnel Act (EPA).

27 **SECTION 28.12.(b)** The Director of the Budget shall transfer to the Board
28 of Governors of The University of North Carolina sufficient funds from the Reserve for
29 Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009,
30 to provide an average annual salary increase of five percent (5%) but at least an annual
31 increase of one thousand two hundred forty dollars (\$1,240), including funds for the
32 employer's retirement and social security contributions, commencing July 1, 2007, for
33 all teaching employees of the North Carolina School of Science and Mathematics,
34 supported by State funds and whose salaries are exempt from the State Personnel Act
35 (EPA). These funds shall be allocated to individuals according to the rules adopted by
36 the Board of Trustees of the North Carolina School of Science and Mathematics and
37 may not be used for any purpose other than for salary increases and necessary employer
38 contributions provided by this section.

39 40 **STATE AGENCY TEACHERS' COMPENSATION**

41 **SECTION 28.13.** Funds in the Reserve for Compensation Increases shall be
42 used for experience step increases for employees of schools operated by the Department
43 of Health and Human Services, the Department of Correction, or the Department of
44 Juvenile Justice and Delinquency Prevention, who are paid on the Teacher Salary
45 Schedule or the School Based Administrator Salary Schedule.

46 47 **MOST STATE EMPLOYEES/SALARY INCREASES**

48 **SECTION 28.14.(a)** The salaries in effect June 30, 2007, of all permanent
49 full-time State employees whose salaries are set in accordance with the State Personnel
50 Act, and who are paid from the General Fund or the Highway Fund, shall be increased,

1 on or after July 1, 2007, unless otherwise provided by this act, by four and one-quarter
2 percent (4.25%).

3 **SECTION 28.14.(b)** Except as otherwise provided in this act, the fiscal year
4 2007-2008 salaries for permanent full-time State officials and persons in exempt
5 positions that are recommended by the Governor or the Governor and the Advisory
6 Budget Commission and set by the General Assembly shall be increased by four and
7 one-quarter percent (4.25%), commencing July 1, 2007.

8 **SECTION 28.14.(c)** The salaries in effect for fiscal year 2007-2008 for all
9 permanent part-time State employees shall be increased on and after July 1, 2007, by the
10 four and one-quarter percent (4.25%) salary increase provided for permanent full-time
11 employees covered under this part.

12 **SECTION 28.14.(d)** The Director of the Budget may allocate out of special
13 operating funds or from other sources of the employing agency, except tax revenues,
14 sufficient funds to allow a salary increase, on and after July 1, 2007, in accordance with
15 subsection (a), (b), or (c) of this section including funds for the employer's retirement
16 and social security contributions, for the permanent full-time and part-time employees
17 of the agency, provided the employing agency elects to make available the necessary
18 funds.

19 **SECTION 28.14.(e)** Within regular State Budget Act procedures as limited
20 by this act, all State agencies and departments may increase on an equitable basis the
21 rate of pay of temporary and permanent hourly State employees, subject to availability
22 of funds in the particular agency or department, by pro rata amounts of the four and
23 one-quarter percent (4.25%) salary increase provided for permanent full-time employees
24 covered by the provisions of subsection (a) of this section, commencing July 1, 2007.

25 26 **ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES**

27 **SECTION 28.15.(a)** Salaries and related benefits for positions that are
28 funded partially from the General Fund or Highway Fund and partially from sources
29 other than the General Fund or Highway Fund shall be increased from the General Fund
30 or Highway Fund appropriation only to the extent of the proportionate part of the
31 salaries paid from the General Fund or Highway Fund.

32 **SECTION 28.15.(b)** The granting of the salary increases under this act does
33 not affect the status of eligibility for salary increments for which employees may be
34 eligible unless otherwise required by this act.

35 **SECTION 28.15.(c)** The salary increases provided in this act are to be
36 effective July 1, 2007, and do not apply to persons separated from State service due to
37 resignation, dismissal, reduction in force, death, or retirement, or whose last workday is
38 prior to July 1, 2007.

39 Payroll checks issued to employees after July 1, 2007, which represent
40 payment of services provided prior to July 1, 2007, shall not be eligible for salary
41 increases provided for in this act. This subsection shall apply to all employees, subject
42 to or exempt from the State Personnel Act, paid from State funds, including public
43 schools, community colleges, and The University of North Carolina.

44 **SECTION 28.15.(d)** The Director of the Budget shall transfer from the
45 Reserve for Compensation Increases in this act for fiscal year 2007-2008 all funds
46 necessary for the salary increases provided by this act, including funds for the
47 employer's retirement and social security contributions.

48 **SECTION 28.15.(e)** Nothing in this act authorizes the transfer of funds
49 between the General Fund and the Highway Fund for salary increases.

1 **SECTION 28.15.(f)** Permanent full-time employees who work a nine-, ten-,
2 or eleven-month work year schedule shall receive the four and one-quarter percent
3 (4.25%) annual increase provided by this act.
4

5 **SALARY ADJUSTMENT FUND**

6 **SECTION 28.18.(a)** Any remaining appropriations in the General Fund
7 Reserve for Compensation Increases authorized for employee salary increases not
8 required for that purpose may be used to supplement the General Fund Salary
9 Adjustment Fund to support salary adjustments for positions supported by the General
10 Fund. Any remaining appropriations in the Highway Fund Reserves and Transfers
11 authorized for employee salary increases not required for that purpose may be used to
12 supplement the Highway Fund Salary Adjustment Fund to support salary adjustments
13 for positions supported by the Highway Fund.

14 **SECTION 28.18.(b)** Funds appropriated or otherwise transferred to the
15 General Fund Salary Adjustment Fund or to the Highway Fund Salary Adjustment Fund
16 by this act or any other provision of law shall be used to fund agency requests for the
17 following purposes:

- 18 (1) Salary range revisions, special minimum rates, grade to band transfers
19 and geographic site differential adjustments to provide competitive
20 salary rates for affected job classifications/groups in response to
21 changes in labor market rates as documented through data collection
22 and analysis according to accepted human resource professional
23 practices and standards.
- 24 (2) Reallocation of positions to higher level job classifications to
25 compensate employees for more difficult duties at competitive salary
26 rates as documented through data collection and analysis according to
27 accepted human resource professional practices and standards.

28 The terms 'salary range revision' and 'reallocation' as used in this section shall conform
29 to the definitions of those terms as previously contained in the State Personnel Manual
30 and adopted by the State Personnel Commission effective immediately prior to
31 November 1, 2005. Funds shall only be used for salary adjustments that are in
32 compliance with State Personnel Commission policies. Funding shall first be provided
33 to the earliest actions approved on or before July 1, 2007, by the State Personnel
34 Commission or the Office of State Personnel and shall not be used for other purposes
35 including, but not limited to, in-range adjustments, career progression adjustments, or
36 other adjustments as these terms may be defined by State personnel policy.

37 **SECTION 28.18.(c)** The Director of the Budget shall consult with the Joint
38 Legislative Commission on Governmental Operations prior to transferring any salary
39 adjustment funds for any State agency.

40 **SECTION 28.18.(d)** The Director of the Budget may:

- 41 (1) Transfer to General Fund budget codes from the General Fund Salary
42 Adjustment Fund amounts required to support salary adjustments
43 authorized by this section with the oldest of the pending adjustments to
44 be funded first.
- 45 (2) Transfer to Highway Fund budget codes from the Highway Fund
46 Salary Adjustment Fund amounts required to support salary
47 adjustments authorized by this section.

48 **SECTION 28.18.(e)** The Judicial Department is eligible for the funding
49 authorized in subsection (a) of this section.

1 **SECTION 28.18.(f)** Employees subject to the State Personnel Act in The
2 University of North Carolina System are eligible for funding authorized in subsection
3 (a) of this section and for the purposes outlined in subsection (b) of this section.
4

5 **SALARY-RELATED CONTRIBUTIONS/EMPLOYER**

6 **SECTION 28.19.(a)** Required employer salary-related contributions for
7 employees whose salaries are paid from department, office, institution, or agency
8 receipts shall be paid from the same source as the source of the employees' salary. If an
9 employee's salary is paid in part from the General Fund or Highway Fund and in part
10 from department, office, institution, or agency receipts, required employer salary-related
11 contributions may be paid from the General Fund or Highway Fund only to the extent of
12 the proportionate part paid from the General Fund or Highway Fund in support of the
13 salary of the employee, and the remainder of the employer's requirements shall be paid
14 from the source that supplies the remainder of the employee's salary. The requirements
15 of this section as to source of payment are also applicable to payments on behalf of the
16 employee for hospital-medical benefits, longevity pay, unemployment compensation,
17 accumulated leave, workers' compensation, severance pay, separation allowances, and
18 applicable disability income benefits.

19 Notwithstanding any other provision of law, an employer who hires or has
20 hired a retiree as an employee shall enroll the retiree in the active group and pay the cost
21 for the hospital-medical benefits if that retiree is employed in a position that would
22 require the employer to pay hospital-medical benefits if the individual had not been
23 retired.

24 **SECTION 28.19.(b)** Effective July 1, 2007, the State's employer
25 contribution rates budgeted for retirement and related benefits as percentage of covered
26 salaries for the 2007-2008 fiscal year are: (i) seven and ninety-six hundredths percent
27 (7.96%) – Teachers and State Employees; (ii) twelve and ninety-six hundredths percent
28 (12.96%) – State Law Enforcement Officers; (iii) eleven and sixty-six hundredths
29 percent (11.66%) – University Employees' Optional Retirement System; (iv) eleven and
30 sixty-six hundredths percent (11.66%) – Community College Optional Retirement
31 Program; (v) sixteen and eighty-nine hundredths percent (16.89%) – Consolidated
32 Judicial Retirement System; and (vi) four and thirty hundredths percent (4.30%) –
33 Legislative Retirement System. Each of the foregoing contribution rates includes four
34 and thirty hundredths percent (4.30%) for hospital and medical benefits. The rate for
35 Teachers and State Employees, State Law Enforcement Officers, Community College
36 Optional Retirement Program, and for the University Employees' Optional Retirement
37 Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan.
38 The rates for Teachers and State Employees and State Law Enforcement Officers
39 include sixteen-hundredths percent (0.16%) for the Death Benefits Plan. The rate for
40 State Law Enforcement Officers includes five percent (5%) for Supplemental
41 Retirement Income.

42 **SECTION 28.19.(c)** Effective July 1, 2008, the State's employer
43 contribution rates budgeted for retirement and related benefits as percentage of covered
44 salaries for the 2007-2008 fiscal year are: (i) seven and ninety-six hundredths percent
45 (7.96%) – Teachers and State Employees; (ii) twelve and ninety-six hundredths percent
46 (12.96%) – State Law Enforcement Officers; (iii) eleven and sixty-six hundredths
47 percent (11.66%) – University Employees' Optional Retirement System; (iv) eleven and
48 sixty-six hundredths percent (11.66%) – Community College Optional Retirement
49 Program; (v) sixteen and eighty-nine hundredths percent (16.89%) – Consolidated
50 Judicial Retirement System; and (vi) four and thirty hundredths percent (4.30%) –
51 Legislative Retirement System. Each of the foregoing contribution rates includes four

1 and thirty hundredths percent (4.30%) for hospital and medical benefits. The rate for
2 Teachers and State Employees, State Law Enforcement Officers, Community College
3 Optional Retirement Program, and for the University Employees' Optional Retirement
4 Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan.
5 The rates for Teachers and State Employees and State Law Enforcement Officers
6 include sixteen-hundredths percent (0.16%) for the Death Benefits Plan. The rate for
7 State Law Enforcement Officers includes five percent (5%) for Supplemental
8 Retirement Income.

9 **SECTION 28.19.(d)** The maximum annual employer contributions, payable
10 monthly, by the State for each covered employee or retiree for the 2007-2008 fiscal year
11 to the Teachers' and State Employees' Comprehensive Major Medical Plan's Indemnity
12 Plan are: (i) Medicare-eligible employees and retirees – three thousand two hundred
13 sixty-two dollars (\$3,262) and (ii) non-Medicare-eligible employees and retirees – four
14 thousand two hundred eighty-four dollars (\$4,284).

15 **SECTION 28.19.(e)** The maximum annual employer contributions, payable
16 monthly, by the State for each covered employee or retiree for the 2008-2009 fiscal year
17 to the Teachers' and State Employees' Comprehensive Major Medical Plan's Indemnity
18 Plan are: (i) Medicare-eligible employees and retirees – three thousand three hundred
19 seventy-one dollars (\$3,371) and (ii) non-Medicare-eligible employees and retirees –
20 four thousand four hundred twenty-eight dollars (\$4,428).

21 **SECTION 28.19.(f)** The maximum annual employer contributions, payable
22 monthly, by the State for each covered employee or retiree for the 2007-2008 fiscal year
23 to the Teachers' and State Employees' Comprehensive Major Medical Plan's Preferred
24 Provider Options Program are: (i) Medicare-eligible employees and retirees – three
25 thousand one hundred nineteen dollars (\$3,119) and (ii) non-Medicare-eligible
26 employees and retirees – four thousand ninety-seven dollars (\$4,097).

27 **SECTION 28.19.(g)** The maximum annual employer contributions, payable
28 monthly, by the State for each covered employee or retiree for the 2008-2009 fiscal year
29 to the Teachers' and State Employees' Comprehensive Major Medical Plan's Preferred
30 Provider Options Program are: (i) Medicare-eligible employees and retirees – three
31 thousand two hundred ten dollars (\$3,210) and (ii) non-Medicare-eligible employees
32 and retirees – four thousand two hundred seventeen dollars (\$4,217).

33
34 **PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE**
35 **TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE**
36 **JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT**
37 **SYSTEM, AND THE LOCAL GOVERNMENTAL EMPLOYEES'**
38 **RETIREMENT SYSTEM**

39 **SECTION 28.20.(a)** G.S. 135-5 is amended by adding a new subsection to
40 read:

41 "(qqq) From and after July 1, 2007, the retirement allowance to or on account of
42 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased
43 by two percent (2%) of the allowance payable on June 1, 2007, in accordance with
44 G.S. 135-5(o). Furthermore, from and after July 1, 2007, the retirement allowance to or
45 on account of beneficiaries whose retirement commenced after July 1, 2006, but before
46 June 30, 2007, shall be increased by a prorated amount of two percent (2%) of the
47 allowance payable as determined by the Board of Trustees based upon the number of
48 months that a retirement allowance was paid between July 1, 2006, and June 30, 2007."

49 **SECTION 28.20.(b)** G.S. 135-65 is amended by adding a new subsection to
50 read:

1 "(bb) From and after July 1, 2007, the retirement allowance to or on account of
2 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased
3 by two percent (2%) of the allowance payable on June 1, 2007. Furthermore, from and
4 after July 1, 2007, the retirement allowance to or on account of beneficiaries whose
5 retirement commenced after July 1, 2006, but before June 30, 2007, shall be increased
6 by a prorated amount of two percent (2%) of the allowance payable as determined by
7 the Board of Trustees based upon the number of months that a retirement allowance was
8 paid between July 1, 2006, and June 30, 2007."

9 **SECTION 28.20.(c)** G.S. 120-4.22A is amended by adding a new subsection
10 to read:

11 "(v) In accordance with subsection (a) of this section, from and after July 1, 2007,
12 the retirement allowance to or on account of beneficiaries whose retirement commenced
13 on or before January 1, 2007, shall be increased by two percent (2%) of the allowance
14 payable on June 1, 2007. Furthermore, from and after July 1, 2007, the retirement
15 allowance to or on account of beneficiaries whose retirement commenced after January
16 1, 2007, but before June 30, 2007, shall be increased by a prorated amount of two
17 percent (2%) of the allowance payable as determined by the Board of Trustees based
18 upon the number of months that a retirement allowance was paid between January 1,
19 2007, and June 30, 2007."

20 **SECTION 28.20.(d)** G.S. 128-27 is amended by adding a new subsection to
21 read:

22 "(hhh) From and after July 1, 2007, the retirement allowance to or on account of
23 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased
24 by two and two-tenths percent (2.2%) of the allowance payable on June 1, 2007, in
25 accordance with subsection (k) of this section. Furthermore, from and after July 1, 2007,
26 the retirement allowance to or on account of beneficiaries whose retirement commenced
27 after July 1, 2006, but before June 30, 2007, shall be increased by a prorated amount of
28 two and two-tenths percent (2.2%) of the allowance payable as determined by the Board
29 of Trustees based upon the number of months that a retirement allowance was paid
30 between July 1, 2006, and June 30, 2007."

31
32 **INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S**
33 **AND RESCUE SQUAD WORKERS' PENSION FUND**

34 **SECTION 28.21.** G.S. 58-86-55 reads as rewritten:

35 **"§ 58-86-55. Monthly pensions upon retirement.**

36 Any member who has served 20 years as an "eligible fireman" or "eligible rescue
37 squad worker" in the State of North Carolina, as provided in G.S. 58-86-25 and
38 G.S. 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly
39 pension from this fund. The monthly pension shall be in the amount of ~~one hundred~~
40 ~~sixty five dollars (\$165.00)~~ one hundred sixty-seven dollars (\$167.00) per month. Any
41 retired fireman receiving a pension shall, effective ~~July 1, 2006,~~ July 1, 2007, receive a
42 pension of ~~one hundred sixty five dollars (\$165.00)~~ one hundred sixty-seven dollars
43 (\$167.00) per month.

44 Members shall pay ten dollars (\$10.00) per month as required by G.S. 58-86-35 and
45 G.S. 58-86-40 for a period of no longer than 20 years. No "eligible rescue squad
46 member" shall receive a pension prior to July 1, 1983. No member shall be entitled to a
47 pension hereunder until the member's official duties as a fireman or rescue squad
48 worker for which the member is paid compensation shall have been terminated and the
49 member shall have retired as such according to standards or rules fixed by the board of
50 trustees.

1 A member who is totally and permanently disabled while in the discharge of the
2 member's official duties as a result of bodily injuries sustained or as a result of extreme
3 exercise or extreme activity experienced in the course and scope of those official duties
4 and who leaves the fire or rescue squad service because of this disability shall be
5 entitled to be paid from the fund a monthly benefit in an amount of ~~one hundred~~
6 ~~sixty five dollars (\$165.00)~~ one hundred sixty-seven dollars (\$167.00) per month
7 beginning the first month after the member's fifty-fifth birthday. All applications for
8 disability are subject to the approval of the board who may appoint physicians to
9 examine and evaluate the disabled member prior to approval of the application, and
10 annually thereafter. Any disabled member shall not be required to make the monthly
11 payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

12 A member who is totally and permanently disabled for any cause, other than line of
13 duty, who leaves the fire or rescue squad service because of this disability and who has
14 at least 10 years of service with the pension fund, may be permitted to continue making
15 a monthly contribution of ten dollars (\$10.00) to the fund until the member has made
16 contributions for a total of 240 months. The member shall upon attaining the age of 55
17 years be entitled to receive a pension as provided by this section. All applications for
18 disability are subject to the approval of the board who may appoint physicians to
19 examine and evaluate the disabled member prior to approval of the application and
20 annually thereafter.

21 A member who, because his residence is annexed by a city under Part 2 or Part 3 of
22 ~~Article 4~~ Article 4A of Chapter 160A of the General Statutes, or whose department is
23 closed because of an annexation by a city under Part 2 or Part 3 of ~~Article 4~~ Article 4A
24 of Chapter 160A of the General Statutes, or whose volunteer department is taken over
25 by a city or county, and because of such annexation or takeover is unable to perform as
26 a fireman or rescue squad worker of any status, and if the member has at least 10 years
27 of service with the pension fund, may be permitted to continue making a monthly
28 contribution of ten dollars (\$10.00) to the fund until the member has made contributions
29 for a total of 240 months. The member upon attaining the age of 55 years and
30 completion of such contributions shall be entitled to receive a pension as provided by
31 this section. Any application to make monthly contributions under this section shall be
32 subject to a finding of eligibility by the Board of Trustees upon application of the
33 member.

34 The pensions provided shall be in addition to all other pensions or benefits under any
35 other statutes of the State of North Carolina or the United States, notwithstanding any
36 exclusionary provisions of other pensions or retirement systems provided by law."
37

38 **ENHANCE BENEFITS PAYABLE THROUGH THE NATIONAL GUARD** 39 **PENSION FUND**

40 **SECTION 28.21A.** G.S. 127A-40(a) reads as rewritten:

41 "(a) Every member and former member of the North Carolina national guard who
42 meets the requirements hereinafter set forth shall receive, commencing at age 60, a
43 pension of ~~eighty dollars (\$80.00)~~ ninety-five dollars (\$95.00) per month for 20 years'
44 creditable military service with an additional ~~eight dollars (\$8.00)~~ nine dollars fifty
45 cents (\$9.50) per month for each additional year of such service; provided, however,
46 that the total pension shall not exceed ~~one hundred sixty dollars (\$160.00)~~ one hundred
47 ninety dollars (\$190.00) per month. The requirements for such pension are that each
48 member shall:

- 49 (1) Have served and qualified for at least 20 years' creditable military
50 service, including national guard, reserve and active duty, under the

- 1 same requirement specified for entitlement to retired pay for
2 nonregular service under Chapter 67, Title 10, United States Code.
- 3 (2) Have at least 15 years of the aforementioned service as a member of
4 the North Carolina national guard.
- 5 (3) Have received an honorable discharge from the North Carolina
6 national guard."
7

8 STATE HEALTH PLAN CHANGES

9 **SECTION 28.22.(a)** The Teachers' and State Employees' Comprehensive
10 Major Medical Plan (Plan) shall provide for an annual open enrollment period in the
11 Indemnity Plan and Optional PPO program for the July 1, 2007, to June 30, 2008, Plan
12 year. Plan member changes to coverage type or selection of benefit coverage under the
13 Indemnity Plan or Optional PPO program during open enrollment shall become
14 effective October 1, 2007. At least 45 days prior to October 1, 2007, the Plan shall
15 provide to all plan members sufficient information on premiums, cost-sharing, and
16 benefits to enable the plan member or other eligible participant to make an enrollment
17 election effective October 1, 2007. As used in this subsection, the term "plan member"
18 includes active employees, retired employees, and other eligible participants with
19 respect to the Indemnity Plan and the optional PPO program.

20 **SECTION 28.22.(b)** G.S. 135-40.1(2) reads as rewritten:

21 "(2) Deductible. – Deductible shall mean an amount of covered expenses
22 during a fiscal year which must be incurred after which benefits
23 (subject to the deductible) becomes payable. The deductible for an
24 employee, retired employee and/or his or her dependents shall be ~~three~~
25 ~~hundred fifty dollars (\$350.00)~~ four hundred fifty dollars (\$450.00) for
26 each fiscal year.

27 The deductible applies separately to each covered individual in
28 each fiscal year, subject to an aggregate maximum of ~~one thousand~~
29 ~~five hundred dollars (\$1,050)~~ one thousand three hundred fifty dollars (\$1,350)
30 per employee and child(ren) or employee and family coverage contract
31 in any fiscal year.

32 If two or more family members are injured in the same accident
33 only one deductible is required for charges related to that accident
34 during the benefit period."

35 **SECTION 28.22.(c)** G.S. 135-40.4 reads as rewritten:

36 "§ 135-40.4. Benefits in general.

37 (a) In the event a covered person, as a result of accidental bodily injury, disease
38 or pregnancy, incurs covered expenses, the Plan will pay benefits up to the amounts
39 described in G.S. 135-40.5 through G.S. 135-40.9.

40 The Plan is divided into two parts. The first part includes certain benefits which are
41 not subject to a deductible or coinsurance. The second part is a comprehensive plan and
42 includes those benefits which are subject to both a ~~three hundred fifty dollar (\$350.00)~~
43 four hundred fifty dollar (\$450.00) deductible for each covered individual to an
44 aggregate maximum of ~~one thousand fifty dollars (\$1,050)~~ one thousand three hundred
45 fifty dollars (\$1,350) per employee and child(ren) or employee and family coverage
46 contract and coinsurance of 80%/20%. There is a limit on out-of-pocket expenses under
47 the second part.

48 Notwithstanding the provisions of this Article, the Executive Administrator and
49 Board of Trustees of the Teachers' and State Employees' Comprehensive Major Medical
50 Plan may contract with providers of institutional and professional medical care and
51 services to established preferred provider networks. The terms pertaining to

1 reimbursement rates or other terms of consideration of any contract between hospitals,
2 hospital authorities, doctors or other medical providers, an optional program contract
3 authorized under G.S. 135-39.5B(b), or a pharmacy benefit manager and the Plan shall
4 not be a public record under Chapter 132 of the General Statutes for a period of thirty
5 months after the date of the expiration of the contract. Provided, however, nothing in
6 this subsection shall be deemed to prevent or restrict the release of any information
7 made not a public record under this subsection to the State Auditor, the Attorney
8 General, the Director of the State Budget, the Plan's Executive Administrator, and the
9 Committee on Employee Hospital and Medical Benefits solely and exclusively for their
10 use in the furtherance of their duties and responsibilities. The design, adoption, and
11 implementation of the preferred provider contracts and networks are not subject to the
12 requirements of Chapter 143 of the General Statutes, provided that for any hospital
13 preferred provider network all hospitals will have an opportunity to contract with the
14 Plan if they meet the contract requirements. The Executive Administrator and Board of
15 Trustees shall, under the provisions of G.S. 135-39.5(12), pursue such preferred
16 provider contracts on a timely basis and shall make reports as requested to the President
17 of the Senate, the President Pro Tempore of the Senate, the Speaker of the House of
18 Representatives, and the Committee on Employee Hospital and Medical Benefits on its
19 progress in negotiating the preferred provider contracts. The Executive Administrator
20 and Board of Trustees shall implement a refined diagnostic-related grouping or
21 diagnostic-related grouping-based reimbursement system for hospitals as soon as
22 practicable, but no later than January 1, 1995.

23 (b) As used in this section the term "preferred provider contracts or networks"
24 includes, but is not limited to, a refined diagnostic-related grouping or
25 diagnostic-related grouping-based system of reimbursement for hospitals."

26 **SECTION 28.22.(d)** G.S. 135-40.5(g) reads as rewritten:

27 "(g) Prescription Drugs. – The Plan's allowable charges for prescription legend
28 drugs to be used outside of a hospital or skilled nursing facility are to be determined by
29 the Plan's Executive Administrator and Board of Trustees. The Plan will pay allowable
30 charges for each outpatient prescription drug less a copayment to be paid by each
31 covered individual equal to the following amounts: pharmacy charges up to ten dollars
32 (\$10.00) for each generic prescription, ~~twenty five dollars (\$25.00)~~ thirty dollars
33 (\$30.00) for each preferred branded prescription, and forty dollars (\$40.00) for each
34 preferred branded prescription with a generic equivalent drug, and fifty dollars (\$50.00)
35 for each nonpreferred branded or generic prescription.

36 Allowable charges shall not be greater than a pharmacy's usual and customary
37 charge to the general public for a particular prescription. Prescriptions shall be for no
38 more than a 34-day supply for the purposes of the copayments paid by each covered
39 individual. By accepting the copayments and any remaining allowable charges provided
40 by this subsection, pharmacies shall not balance bill an individual covered by the Plan.
41 A prescription legend drug is defined as an article the label of which, under the Federal
42 Food, Drug, and Cosmetic Act, is required to bear the legend: "Caution: Federal Law
43 Prohibits Dispensing Without Prescription." Such articles may not be sold to or
44 purchased by the public without a prescription order. Benefits are provided for insulin
45 even though a prescription is not required. The Plan may use a pharmacy benefit
46 manager to help manage the Plan's outpatient prescription drug coverage. In managing
47 the Plan's outpatient prescription drug benefits, the Plan and its pharmacy benefit
48 manager shall not provide coverage for erectile dysfunction, growth hormone,
49 antiwrinkle, weight loss, and hair growth drugs unless such coverage is medically
50 necessary to the health of the member. The Plan and its pharmacy benefit manager shall
51 not provide coverage for growth hormone and weight loss drugs and antifungal drugs

1 for the treatment of nail fungus and botulinium toxin without approval in advance by the
2 pharmacy benefit manager. Any formulary used by the Plan's Executive Administrator
3 and pharmacy benefit manager shall be an open formulary. Plan members shall not be
4 assessed more than two thousand five hundred dollars (\$2,500) per person per fiscal
5 year in copayments required by this subsection."

6 **SECTION 28.22.(e)** The first paragraph of G.S. 135-40.6 reads as rewritten:

7 "The benefits provided in this section are subject to a deductible of ~~three hundred~~
8 ~~five dollars (\$350.00)~~ four hundred fifty dollars (\$450.00) per covered individual to an
9 aggregate maximum of ~~one thousand fifty dollars (\$1,050)~~ one thousand three hundred
10 fifty dollars (\$1,350) per employee and child(ren) or employee and family coverage
11 contract per fiscal year and are payable on the basis of eighty percent (80%) by the Plan
12 and twenty percent (20%) by the covered individual up to a maximum of two thousand
13 dollars (\$2,000) out-of-pocket per fiscal year. The aggregate maximum out-of-pocket
14 required of individuals covered by this section shall not be more than six thousand
15 dollars (\$6,000) per employee and child(ren) or employee and family coverage contract
16 per fiscal year."

17 **SECTION 28.22.(f)** G.S. 135-40.8(c3) reads as rewritten:

18 "(c3) Notwithstanding any other provision of this Article, the Plan does not pay for
19 the first ~~fifteen dollars (\$15.00)~~ twenty-five dollars (\$25.00) of allowable charges for
20 each home, office, or skilled nursing facility visit under the provisions of
21 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
22 G.S. 135-40.5(e). The co-payment assessed by this subsection shall be assessed only
23 once per person per provider per day and shall not apply to laboratory, pathology, and
24 radiology services, or to charges for injected medications. The exclusion made under
25 this subsection shall not count toward the deductible nor toward the maximum amount
26 of coinsurance out-of-pocket costs."

27 28 **RETIREE HEALTH BENEFIT FUND**

29 **SECTION 28.23.** G.S. 135-7(f) reads as rewritten:

30 "(f) Retiree Health Benefit Fund. – The Retiree Health Benefit Fund is established
31 as a fund in which accumulated contributions from employers and any earnings on those
32 contributions shall be used to provide health benefits to retired and disabled employees
33 and their applicable beneficiaries as provided by this Chapter. The Retiree Health
34 Benefit Fund shall be administered in accordance with the provisions of subsection (a)
35 of this section. Employer contributions to the Fund are irrevocable. The assets of the
36 Fund are dedicated to providing health benefits to retired and disabled employees and
37 their applicable beneficiaries as provided by this Chapter and are not subject to the
38 claims of creditors of the employers making contributions to the Fund. However, Fund
39 assets may be used for reasonable expenses to administer the Fund, including costs to
40 conduct required actuarial valuations of State-supported retired employees' health
41 benefits under other post-employment benefit accounting standards set forth by the
42 Governmental Accounting Standards Board of the Financial Accounting Foundation."

43 44 **PART XXIX. CAPITAL APPROPRIATIONS.**

45 46 **GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION**

47 **SECTION 29.1.** The appropriations made by the 2007 General Assembly
48 for capital improvements are for constructing, repairing, or renovating State buildings,
49 utilities, and other capital facilities, for acquiring sites for them where necessary, and
50 acquiring buildings and land for State government purposes.
51

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 29.2.(a) 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	
NC Court of Appeals Building Renovation	\$10,498,000
Deerfield Cottage Renovation	3,556,000
State Highway Patrol Training Facility Planning Funds	1,721,000
State Capital Visitors Center / Public Plaza / Underground Parking Facility Planning Funds	627,281
Department of Agriculture and Consumer Services	
Veterinary Laboratory System Study and Planning Funds	1,250,000
Western Agricultural Center Facilities – Phase I	5,000,000
Eastern Agricultural Center Facilities	3,000,000
Oxford Research Complex	5,000,000
Department of Commerce	
NC Ports Improvements	7,500,000
Department of Correction	
Scotland Correctional Institution Minimum Security Addition Planning Funds	1,033,088
Bertie Correctional Institution Medium Security Addition Planning Funds	1,551,950
Lanesboro Correctional Institution Medium Security Addition Planning Funds	547,839
Tabor Correctional Institution Minimum Security Addition Planning Funds	364,680
Department of Crime Control and Public Safety	
Gastonia National Guard Armory Rehabilitation	527,100
Statewide Department Master Plan – Phase I	280,294
Camp Butner Land Buffers – Phase I	117,800
Department of Cultural Resources	
Charlotte Hawkins Brown Museum Renovations	3,921,100
NC Museum of History Chronology Exhibit – Phase I	6,322,900
Horne Creek Farm Visitors Center	442,100
Department of Natural and Environmental Resources	
Division of Water Quality Modular Office	252,200
NC Zoo Horticulture Storage Facility	450,000
NC Zoo Plains Barns and Paddocks	3,006,000
Division of Forestry Resources Ashe County Headquarters	708,000
Division of Forestry Resources Buncombe County Headquarters	462,300
Water Resources Development Projects	18,563,000

Department of Justice

1	State Bureau of Investigation Garner Road Facilities Addition	1,792,006
2	Western Justice Academy Firing Range	1,974,103
3	State Bureau of Investigation Operations Wing Planning Funds	1,300,000
4		
5	Department of Juvenile Justice and Delinquency Prevention	
6	Dillon Youth Development Center Maintenance Building	375,000
7	Dillon Youth Development Center Mobile Office	200,000
8		
9	Information Technology Services	
10	Secondary Data Center Equipment	7,000,000
11		
12	University of North Carolina System	
13	University of North Carolina at Asheville – Rhoades Hall and	
14	Rhoades Tower Renovation	8,687,000
15		
16	Appalachian State University College of Education Building	9,000,000
17		
18	East Carolina University – School of Dentistry Planning Funds	2,500,000
19		
20	Elizabeth City State University – Education Building Planning	
21	Funds	994,000
22		
23	North Carolina Agricultural and Technical University	
24	and University of North Carolina Greensboro – Nanoscience	
25	and Nano-engineering Building Planning Funds	2,485,000
26		
27	North Carolina Central University – School of Nursing	
28	Planning Funds	1,136,000
29		
30	North Carolina School of Science and Math – Discovery	
31	Center Planning Funds	3,337,000
32		
33	University of North Carolina at Chapel Hill – School of Dentistry	
34	Planning Funds	2,500,000
35		
36	University of North Carolina at Charlotte – Research Facilities	
37	Phase II Planning Funds	3,340,000
38		
39	Western Carolina University – School of Health and	
40	Gerontology Planning Funds	2,200,000
41		
42	Winston-Salem State University – Science and General Office	
43	Building Planning Funds	1,351,000
44		
45	TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$126,873,541

46
47 **SECTION 29.2.(b)** There is appropriated from the General Fund to the
48 Board of Governors of The University of North Carolina the sum of forty-four million
49 dollars (\$44,000,000) for the 2007-2008 fiscal year and the sum of seventy-five million
50 six hundred eight thousand two hundred twenty-five dollars (\$75,608,225) for the

1 2008-2009 fiscal year for the design and construction of the Genomics Science Building
 2 at the University of North Carolina at Chapel Hill.

3
 4 **WATER RESOURCES DEVELOPMENT PROJECT FUNDS**

5 **SECTION 29.3.(a)** The Department of Environment and Natural Resources
 6 shall allocate the funds appropriated in this act for water resources development projects
 7 to the following projects whose costs are as indicated:
 8

9 Name of Project	10 2007-2008
11 (1) Wilmington Harbor Deepening	\$ 4,333,000
12 (2) Manteo (Shallowbag) Bay	350,000
13 (3) Wilmington Harbor Maintenance	2,000,000
14 (4) Bogue Banks Shore Protection Study	125,000
15 (5) B. Everett Jordan Lake Water Supply Storage	100,000
16 (6) Princeville Flood Control	98,000
17 (7) Aquatic Plant Control, Statewide and Lake Gaston	200,000
18 (8) Belhaven Harbor Feasibility	120,000
19 (9) John H. Kerr Dam & Reservoir	520,000
20 (10) Currituck Sound Environmental Restoration Study	350,000
21 (11) Neuse River Basin Study	554,000
22 (12) Surf City/North Topsail Beach Study	50,000
23 (13) West Onslow Beach (Topsail Beach) Study	43,000
24 (14) Dare County Beaches (Bodie Island)	500,000
25 (15) North Carolina Beach and Inlet Management Plan	250,000
26 (16) Dredging Contingency Fund	2,500,000
27 (17) State – Local Projects	2,400,000
28 (18) Black River Restoration – Pender County	100,000
29 (19) Western N.C. Hurricane Damage Stream Restoration	1,200,000
30 (20) Planning Assistance to Communities	75,000
31 (21) Concord Stream Restoration – Cabarrus County	170,000
32 (22) Southern Shores Canal Dredging Phase 2	800,000
33 (23) Ararat River Restoration	550,000
34 (24) Town of Williamston Drainage Improvement	600,000
35 (25) Little Sugar Creek Stream Restoration Phase 7	575,000
36	
37 TOTALS	\$18,563,000
38	

39 **SECTION 29.3.(b)** Where the actual costs are different from the estimated
 40 costs under subsection (a) of this section, the Department may adjust the allocations
 41 among projects as needed. If any projects funded under subsection (a) of this section are
 42 delayed and the budgeted State funds cannot be used during the 2007-2008 fiscal year,
 43 or if the projects funded under subsection (a) of this section are accomplished at a lower
 44 cost, the Department may use the resulting fund availability to fund any of the
 45 following:

- 46 (1) U.S. Army Corps of Engineers project feasibility studies.
- 47 (2) U.S. Army Corps of Engineers projects whose schedules have
 48 advanced and require State-matching funds in fiscal year 2007-2008.
- 49 (3) State-local water resources development projects.

50 Funds not expended or encumbered for these purposes shall revert to the General Fund
 51 at the end of the 2008-2009 fiscal year.

1 **SECTION 29.3.(c)** The Department shall make semiannual reports on the
2 use of these funds to the Joint Legislative Commission on Governmental Operations,
3 the Fiscal Research Division, and the Office of State Budget and Management. Each
4 report shall include all of the following:

- 5 (1) All projects listed in this section.
- 6 (2) The estimated cost of each project.
- 7 (3) The date that work on each project began or is expected to begin.
- 8 (4) The date that work on each project was completed or is expected to be
9 completed.
- 10 (5) The actual cost of each project.

11 The semiannual reports shall also show those projects advanced in schedule,
12 those projects delayed in schedule, and an estimate of the amount of funds expected to
13 revert to the General Fund.
14

15 **PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS**

16 **SECTION 29.4.** The appropriations made by the 2007 General Assembly
17 for capital improvements shall be disbursed for the purposes provided by this act.
18 Expenditure of funds shall not be made by any State department, institution, or agency
19 until an allotment has been approved by the Governor as Director of the Budget. The
20 allotment shall be approved only after full compliance with the State Budget Act,
21 Chapter 143C of the General Statutes. Prior to the award of construction contracts for
22 projects to be financed in whole or in part with self-liquidating appropriations, the
23 Director of the Budget shall approve the elements of the method of financing of those
24 projects including the source of funds, interest rate, and liquidation period. Provided,
25 however, that if the Director of the Budget approves the method of financing a project,
26 the Director shall report that action to the Joint Legislative Commission on
27 Governmental Operations at its next meeting.

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

34 Capital improvement projects authorized by the 2007 General Assembly shall
35 be completed, including fixed and movable equipment and furnishings, within the limits
36 of the amounts of the direct or self-liquidating appropriations provided, except as
37 otherwise provided in this act. Capital improvement projects authorized by the 2007
38 General Assembly for the design phase only shall be designed within the scope of the
39 project as defined by the approved cost estimate filed with the Director of the Budget,
40 including costs associated with site preparation, demolition, and movable and fixed
41 equipment.
42

43 **REPAIRS AND RENOVATIONS RESERVE ALLOCATION**

44 **SECTION 29.5.(a)** Of the funds in the Reserve for Repairs and Renovations
45 for the 2007-2008 fiscal year, forty-six percent (46%) shall be allocated to the Board of
46 Governors of The University of North Carolina for repairs and renovations pursuant to
47 G.S. 143C-4-3, in accordance with guidelines developed in The University of North
48 Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as
49 approved by the Board of Governors of The University of North Carolina, and fifty-four
50 percent (54%) shall be allocated to the Office of State Budget and Management for
51 repairs and renovations pursuant to G.S. 143C-4-3.

1 Notwithstanding G.S. 143C-4-3, the Board of Governors may allocate funds
2 for the repair and renovation of facilities not supported from the General Fund if the
3 Board determines that sufficient funds are not available from other sources and that
4 conditions warrant General Fund assistance. Any such finding shall be included in the
5 Board's submission to the Joint Legislative Commission on Governmental Operations
6 on the proposed allocation of funds.

7 The Board of Governors and the Office of State Budget and Management
8 shall consult with the Joint Legislative Commission on Governmental Operations prior
9 to the allocation or reallocation of these funds.

10 **SECTION 29.5.(b)** The Office of State Budget and Management and the
11 University of North Carolina General Administration shall jointly study the allocation
12 of funds in the Reserve for Repairs and Renovations set forth in subsection (a) of this
13 section and shall recommend to the General Assembly changes to the current allocation
14 if any are deemed necessary. The study shall include the following:

- 15 (1) A review of the Department of Administration's Facilities Condition
16 and Assessment Program.
- 17 (2) A review and identification of State-owned buildings supported by the
18 General Fund.
- 19 (3) A review of the actual expenditures for repairs and renovations from
20 allocated reserve funds.

21 The Office of State Budget and Management and the University of North Carolina
22 General Administration shall submit a joint report to the Senate Appropriations and
23 Base Budget Committee, the House Appropriations Committee, the House
24 Appropriations Subcommittee on Capital, the Senate Finance Subcommittee on Capital
25 and Infrastructure Financing, the Joint Legislative Oversight Committee on Capital
26 Improvements, and the Fiscal Research Division. The report shall include the study
27 findings and recommendations and shall be submitted no later than April 1, 2008.

28 **SECTION 29.5.(c)** Of the funds appropriated in this act for the 2007-2008
29 fiscal year to the Reserve for Repairs and Renovations, the sum of one million six
30 hundred fifty thousand dollars (\$1,650,000) shall be used for roof repair at the North
31 Carolina Transportation Museum.

32 **PLANT CONSERVATION PROGRAM FUNDS**

33 **SECTION 29.6.** From funds deposited with the State Treasurer in a capital
34 improvement account to the credit of the Department of Agriculture and Consumer
35 Services pursuant to G.S. 146-30, the sum of thirty thousand dollars (\$30,000) for the
36 2007-2008 fiscal year shall be transferred to the Department of Agriculture and
37 Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its
38 plant conservation program under Article 19B of Chapter 106 of the General Statutes
39 for costs incidental to the acquisition of land, such as land appraisals, land surveys, title
40 searches, environmental studies, and for the management of the plant conservation
41 program preserves owned by the Department.
42
43

44 **STATE FAIRGROUNDS IMPROVEMENT FUNDS**

45 **SECTION 29.7.** From funds received from the sale of utility easements on
46 property allocated to the Department of Agriculture and Consumer Services in the
47 vicinity of the State Fairgrounds in Raleigh that are deposited with the State Treasurer
48 in a capital improvement account to the credit of the Department of Agriculture and
49 Consumer Services pursuant to G.S. 146-30, the sum of nine hundred seventy-five
50 thousand dollars (\$975,000) for the 2007-2008 fiscal year shall be transferred to the

1 Department to be used for planning and capital improvements to property at the State
2 Fairgrounds.

3
4 **EASTERN NORTH CAROLINA AGRICULTURAL CENTER FUNDS**

5 **SECTION 29.8.(a)** Timber sales receipts received for the sale of timber
6 harvested on the property on which the Eastern North Carolina Agricultural Center at
7 Williamston is located shall be transferred from the Department of Agriculture and
8 Consumer Services' timber sales capital improvement account in the Department of
9 Agriculture and Consumer Services as such funds become available and shall be used
10 for the 2007-2008 fiscal year by the Department for capital improvements to the
11 grounds and facilities at the Eastern North Carolina Agricultural Center.

12 **SECTION 29.8.(b)** Funds transferred pursuant to subsection (a) of this
13 section are hereby appropriated.

14
15 **TIME WARNER CABLE LEASE PROCEEDS**

16 **SECTION 29.9.** The net proceeds received from Time Warner, Inc., by the
17 Department of Environment and Natural Resources, Division of Forest Resources, for
18 the lease of property located at 2600 Howard Road in Raleigh shall be transferred to the
19 Department for deposit into a capital improvement account. Funds in this account for
20 the 2007-2008 fiscal year may be used to construct an equipment storage building and
21 related improvements.

22
23 **SPECIAL INDEBTEDNESS PROJECTS**

24 **SECTION 29.10.(a)** In accordance with G.S. 142-83, this subsection
25 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
26 principal amount of forty-five million one hundred sixty-seven thousand dollars
27 (\$45,167,000) to finance the capital facility costs of completing a new educational
28 building at the University of North Carolina at Greensboro. The State, with the prior
29 approval of the State Treasurer and the Council of State, as provided in Article 9 of
30 Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness
31 in order to provide funds to the State to be used, together with other available funds, to
32 pay the capital facility costs of the project described in this subsection.

33 **SECTION 29.10.(b)** In accordance with G.S. 142-83, this subsection
34 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
35 principal amount of twenty-two million five hundred eighty-seven thousand dollars
36 (\$22,587,000) to finance the capital facility costs of completing a new Science and
37 Technology Complex at Fayetteville State University. The State, with the prior approval
38 of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142
39 of the General Statutes, is authorized to issue or incur special indebtedness in order to
40 provide funds to the State to be used, together with other available funds, to pay the
41 capital facility costs of the project described in this subsection.

42 **SECTION 29.10.(c)** In accordance with G.S. 142-83, this subsection
43 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
44 principal amount of twenty-five million seven hundred eighty-seven thousand dollars
45 (\$25,787,000) to finance the capital facility costs of completing a new general
46 classroom building at North Carolina Agricultural and Technical State University. The
47 State, with the prior approval of the State Treasurer and the Council of State, as
48 provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or
49 incur special indebtedness in order to provide funds to the State to be used, together
50 with other available funds, to pay the capital facility costs of the project described in
51 this subsection.

1 **SECTION 29.10.(d)** In accordance with G.S. 142-83, this subsection
2 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
3 principal amount of twenty-four million nine hundred twenty thousand dollars
4 (\$24,920,000) to finance the capital facility costs of completing a new library at the
5 North Carolina School of the Arts. The State, with the prior approval of the State
6 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
7 General Statutes, is authorized to issue or incur special indebtedness in order to provide
8 funds to the State to be used, together with other available funds, to pay the capital
9 facility costs of the project described in this subsection.

10 **SECTION 29.10.(e)** In accordance with G.S. 142-83, this subsection
11 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
12 principal amount of thirty-eight million dollars (\$38,000,000) to finance the capital
13 facility costs of completing the Randall B. Terry Companion Animal Hospital at North
14 Carolina State University. The State, with the prior approval of the State Treasurer and
15 the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is
16 authorized to issue or incur special indebtedness in order to provide funds to the State to
17 be used, together with other available funds, to pay the capital facility costs of the
18 project described in this subsection.

19 **SECTION 29.10.(f)** In accordance with G.S. 142-83, this subsection
20 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
21 principal amount of nineteen million dollars (\$19,000,000) to finance the capital facility
22 costs of completing a new residence hall at the University of North Carolina at
23 Pembroke. The State, with the prior approval of the State Treasurer and the Council of
24 State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to
25 issue or incur special indebtedness in order to provide funds to the State to be used,
26 together with other available funds, to pay the capital facility costs of the project
27 described in this subsection.

28 **SECTION 29.10.(g)** In accordance with G.S. 142-83, this subsection
29 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
30 principal amount of thirty-four million five hundred twenty-five thousand dollars
31 (\$34,525,000) to finance the capital facility costs of completing a new teaching lab at
32 the University of North Carolina at Wilmington. The State, with the prior approval of
33 the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of
34 the General Statutes, is authorized to issue or incur special indebtedness in order to
35 provide funds to the State to be used, together with other available funds, to pay the
36 capital facility costs of the project described in this subsection.

37 **SECTION 29.10.(h)** In accordance with G.S. 142-83, this subsection
38 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
39 principal amount of eighteen million seven hundred eight thousand dollars
40 (\$18,708,000) to finance the capital facility costs of completing a new student activities
41 center at Winston-Salem State University. The State, with the prior approval of the State
42 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
43 General Statutes, is authorized to issue or incur special indebtedness in order to provide
44 funds to the State to be used, together with other available funds, to pay the capital
45 facility costs of the project described in this subsection.

46 **SECTION 29.10.(i)** In accordance with G.S. 142-83, this subsection
47 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
48 principal amount of thirty-nine million seven hundred sixty-three thousand one hundred
49 dollars (\$39,763,100) to finance the capital facility costs of completing a new healthcare
50 facility to be located at the North Carolina Correctional Institution for Women. The
51 State, with the prior approval of the State Treasurer and the Council of State, as

1 provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or
2 incur special indebtedness in order to provide funds to the State to be used, together
3 with other available funds, to pay the capital facility costs of the project described in
4 this subsection.

5 **SECTION 29.10.(j)** In accordance with G.S. 142-83, this subsection
6 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
7 principal amount of thirteen million one hundred ninety-one thousand three hundred
8 dollars (\$13,191,300) to finance the capital facility costs of a minimum security facility
9 at the Alexander Correctional Institution. The State, with the prior approval of the State
10 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
11 General Statutes, is authorized to issue or incur special indebtedness in order to provide
12 funds to the State to be used, together with other available funds, to pay the capital
13 facility costs of the project described in this subsection.

14 **SECTION 29.10.(k)** In accordance with G.S. 142-83, this subsection
15 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
16 principal amount of nineteen million eight hundred sixteen thousand five hundred
17 dollars (\$19,816,500) to finance the capital facility costs of a medium security facility at
18 the Scotland Correctional Institution. The State, with the prior approval of the State
19 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
20 General Statutes, is authorized to issue or incur special indebtedness in order to provide
21 funds to the State to be used, together with other available funds, to pay the capital
22 facility costs of the project described in this subsection.

23 **SECTION 29.10.(l)** In accordance with G.S. 142-83, this subsection
24 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
25 principal amount of thirty-five million dollars (\$35,000,000) to finance the capital
26 facility costs of a new education and visitors center at Tryon Palace Historic Sites and
27 Gardens. The State, with the prior approval of the State Treasurer and the Council of
28 State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to
29 issue or incur special indebtedness in order to provide funds to the State to be used,
30 together with other available funds, to pay the capital facility costs of the project
31 described in this subsection.

32 **SECTION 29.10.(m)** In accordance with G.S. 142-83, this subsection
33 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
34 principal amount of forty-six million six hundred fifty thousand dollars (\$46,650,000) to
35 finance the capital facility costs of a new office building for the Department of
36 Environment and Natural Resources located in downtown Raleigh on the city block
37 bordered by Jones Street to the north, Salisbury Street to the east, Edenton Street to the
38 south, and McDowell Street to the west. The State, with the prior approval of the State
39 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
40 General Statutes, is authorized to issue or incur special indebtedness in order to provide
41 funds to the State to be used, together with other available funds, to pay the capital
42 facility costs of the project described in this subsection.

43 **SECTION 29.10.(n)** In accordance with G.S. 142-83, this subsection
44 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
45 principal amount of thirty-seven million five hundred thousand dollars (\$37,500,000) to
46 finance the capital facility costs of completing an expansion to the North Carolina
47 Museum of Natural Sciences called the Nature Research Center. The facility shall be
48 located in downtown Raleigh on the city block bordered by Jones Street to the north,
49 Salisbury Street to the east, Edenton Street to the south, and McDowell Street to the
50 west. The State, with the prior approval of the State Treasurer and the Council of State,
51 as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or

1 incur special indebtedness in order to provide funds to the State to be used, together
2 with other available funds, to pay the capital facility costs of the project described in
3 this subsection.

4 **SECTION 29.10.(o)** In accordance with G.S. 142-83, this subsection
5 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
6 principal amount of eighteen million six hundred thousand dollars (\$18,600,000) to
7 finance the capital facility costs of new parking facilities to be constructed in downtown
8 Raleigh on the city block bordered by Jones Street to the north, Salisbury Street to the
9 east, Edenton Street to the south, and McDowell Street to the west. The State, with the
10 prior approval of the State Treasurer and the Council of State, as provided in Article 9
11 of Chapter 142 of the General Statutes, is authorized to issue or incur special
12 indebtedness in order to provide funds to the State to be used, together with other
13 available funds, to pay the capital facility costs of the project described in this
14 subsection.

15 **SECTION 29.10.(p)** In accordance with G.S. 142-83, this subsection
16 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
17 principal amount of ten million dollars (\$10,000,000) to finance the capital facility costs
18 of a warehouse expansion for the Alcoholic Beverage Control Commission. The State,
19 with the prior approval of the State Treasurer and the Council of State, as provided in
20 Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special
21 indebtedness in order to provide funds to the State to be used, together with other
22 available funds, to pay the capital facility costs of the project described in this
23 subsection.

24 **SECTION 29.10.(q)** G.S. 18B-208(b) reads as rewritten:

25 "(b) Special Fund. – A special fund in the office of the State Treasurer, the ABC
26 Commission Fund, is created. On and after November 1, 1982, all moneys derived from
27 the collection of bailment charges and bailment surcharges shall be deposited in the
28 ABC Commission Fund for the purpose of carrying out the provisions of this Chapter.
29 The ABC Commission Fund shall be subject to the provisions of the Executive Budget
30 Act except that no unexpended surplus of this fund shall revert to the General Fund. The
31 Commission shall fix the level of the bailment surcharges at an amount calculated to
32 cover operating expenses of the Commission and the retirement of ~~bonds~~ any bonded
33 indebtedness issued for construction of a Commission warehouse and offices. Upon
34 payment of ~~the bonds issued pursuant to this section, any bonded indebtedness issued~~
35 for construction of a Commission warehouse and offices, the Commission shall reduce
36 the bailment surcharge to an amount no greater than necessary to pay operating
37 expenses of the Commission as authorized by the General Assembly.

38 All moneys credited to the ABC Commission Fund shall be used to carry out the
39 intent and purposes of the ABC law in accordance with plans approved by the North
40 Carolina ABC Commission and the Director of the Budget, and all these funds are
41 appropriated, reserved, set aside, and made available until expended for the
42 administration of the ABC law."

43 **SECTION 29.10.(r)** This section is effective when it becomes law.

44 **PART XXX. FEES**

45 **EROSION AND SEDIMENTATION CONTROL PLAN FEE INCREASE**

46 **SECTION 30.1.(a)** G.S. 113A-54.2(a) reads as rewritten:

47 "(a) ~~The Commission may establish a fee schedule for the review and approval of~~
48 ~~erosion and sedimentation control plans under this Article. In establishing the fee~~
49 ~~schedule, the Commission shall consider the administrative and personnel costs incurred~~
50 ~~for the review and approval of erosion and sedimentation control plans under this Article.~~
51 ~~The Commission shall consider the administrative and personnel costs incurred~~

1 by the Department for reviewing the plans and for related compliance activities. An
 2 application fee may not exceed fifty dollars (\$50.00) of sixty-five dollars (\$65.00) per
 3 acre of disturbed land shown on an erosion and sedimentation control plan or of land
 4 actually disturbed during the life of the project. project shall be charged for the review of
 5 an erosion and sedimentation control plan under this Article."

6 **SECTION 30.1.(b)** This section becomes effective July 1, 2007, and applies
 7 to applications submitted on or after that date.
 8

9 **MINING PERMIT APPLICATION FEES**

10 **SECTION 30.2.(a)** G.S. 74-54.1 reads as rewritten:

11 "**§ 74-54.1. Permit fees.**

12 (a) ~~The Commission may establish a~~ The fee schedule for the processing of
 13 permit applications and permit renewals and ~~modifications.~~ modifications is as follows:
 14

	<u>0-25 acres</u>	<u>26+ acres</u>
<u>New Permit Applications</u>	<u>\$3,750.00</u>	<u>\$5,000.00</u>
<u>Permit Modifications</u>	<u>\$750.00</u>	<u>\$1,000.00</u>
<u>Permit Renewals</u>	<u>\$750.00</u>	<u>\$1,000.00</u>
<u>Transfers</u>	<u>\$100.00</u>	<u>\$100.00</u>

15
16
17
18
19
20
21
22 ~~The fees may vary on the basis of the acreage, size, and nature of the proposed or~~
 23 ~~permitted operations or modifications. In establishing the fee schedule, the Commission~~
 24 ~~shall consider the administrative and personnel costs incurred by the Department for~~
 25 ~~processing applications for permits and permit renewals and modifications and for~~
 26 ~~related compliance activities and safeguards to prevent unusual fee assessments that~~
 27 ~~would impose a serious economic burden on an individual applicant or a class of~~
 28 ~~applicants.~~

29 (b) ~~The total amount of permit fees collected for any fiscal year may not exceed~~
 30 ~~one third of the total personnel and administrative costs incurred by the Department for~~
 31 ~~processing applications for permits and permit renewals and modifications and for~~
 32 ~~related compliance costs in the prior fiscal year. A fee for an application for a new~~
 33 ~~permit may not exceed two thousand five hundred dollars (\$2,500), and a fee for an~~
 34 ~~application to renew or modify a permit may not exceed five hundred dollars (\$500.00).~~
 35 The Mining Account is established as a nonreverting account within the Department.
 36 Fees collected under this section shall be credited to the Mining Account and shall be
 37 applied to the costs of administering this Article.

38 (c) The Department shall annually report on or before 1 September to the
 39 Environmental Review Commission on the cost of implementing this Article. The report
 40 shall include the fees established, collected, and disbursed under this section and any
 41 other information requested by the General Assembly or the Commission."

42 **SECTION 30.2.(b)** This section becomes effective July 1, 2007, and applies
 43 to applications submitted on or after that date.
 44

45 **WATER QUALITY PERMIT FEES**

46 **SECTION 30.3.(a)** G.S. 143-215.3D reads as rewritten:

47 "**§ 143-215.3D. Fee schedule for water quality permits.**

- 48 (a) Annual fees for discharge and nondischarge permits under G.S. 143-215.1. –
 49 (1) Major Individual NPDES Permits. – The annual fee for an individual
 50 permit for a point source discharge of 1,000,000 or more gallons per
 51 day, a publicly owned treatment works (POTW) that administers a

- 1 POTW pretreatment program, as defined in 40 Code of Federal
2 Regulations § 403.3 (1 July 1996 Edition), or an industrial waste
3 treatment works that has a high toxic pollutant potential ~~shall be two~~
4 ~~thousand eight hundred sixty five dollars (\$2,865).~~ is three thousand
5 four hundred forty dollars (\$3,440).
- 6 (2) Minor Individual NPDES Permits. – The annual fee for an individual
7 permit for a point source discharge other than a point source discharge
8 to which subdivision (1) of this subsection applies ~~shall be seven~~
9 ~~hundred fifteen dollars (\$715.00).~~ is eight hundred sixty dollars
10 (\$860.00).
- 11 (3) Single-Family Residence. – The annual fee for a certificate of
12 coverage under a general permit for a point source discharge or an
13 individual nondischarge permit from a single-family residence ~~shall be~~
14 ~~fifty dollars (\$50.00).~~ is sixty dollars (\$60.00).
- 15 (4) Stormwater and Wastewater Discharge General Permits. – The annual
16 fee for a certificate of coverage under a general permit for a point
17 source discharge of stormwater or wastewater ~~shall be eighty dollars~~
18 ~~(\$80.00).~~ is one hundred dollars (\$100.00).
- 19 (5) Recycle Systems. – The annual fee for an individual permit for a
20 recycle system nondischarge permit ~~shall be three hundred dollars~~
21 ~~(\$300.00).~~ is three hundred sixty dollars (\$360.00).
- 22 (6) Major Nondischarge Permits. – The annual fee for an individual permit
23 for a nondischarge of 10,000 or more gallons per day or requiring 300
24 or more acres of land ~~shall be one thousand ninety dollars (\$1,090).~~ is
25 one thousand three hundred ten dollars (\$1,310).
- 26 (7) Minor Nondischarge Permits. – The annual fee for an individual
27 permit for a nondischarge of less than 10,000 gallons per day or
28 requiring less than 300 acres of land ~~shall be six hundred seventy five~~
29 ~~dollars (\$675.00).~~ is eight hundred ten dollars (\$810.00).
- 30 (8) Animal Waste Management Systems. – The annual fee for animal
31 waste management systems ~~shall be~~ is as set out in G.S. 143-215.10G.
- 32 (b) Application fee for new discharge and nondischarge permits. – An
33 application for a new permit of the type set out in subsection (a) of this section shall be
34 accompanied by an initial application fee equal to the annual fee for that permit. If a
35 permit is issued, the application fee ~~will~~ shall be applied as the annual fee for the first
36 year that the permit is in effect. If the application is denied, the application fee shall not
37 be refunded.
- 38 (c) Application and annual fees for consent special orders. –
- 39 (1) Major Consent Special Orders. – If the Commission enters into a
40 consent special order, assurance of voluntary compliance, or similar
41 document pursuant to G.S. 143-215.2 for an activity subject to an
42 annual fee under subdivision (1) or (6) of subsection (a) of this section,
43 the initial project fee ~~shall be~~ is four hundred dollars (\$400.00) and the
44 annual fee ~~shall be~~ is five hundred dollars (\$500.00). These fees ~~shall~~
45 ~~be~~ is in addition to the annual fee due under subsection (a) of this
46 section.
- 47 (2) Minor Consent Special Orders. – If the Commission enters into a
48 consent special order, assurance of voluntary compliance, or similar
49 document pursuant to G.S. 143-215.2 for an activity subject to an
50 annual fee under subdivision (2) or (7) of subsection (a) of this section,
51 the initial project fee ~~shall be~~ is four hundred dollars (\$400.00) and the

1 annual fee ~~shall be~~ is two hundred fifty dollars (\$250.00). These fees
2 ~~shall be~~ is in addition to the annual fee due under subsection (a) of this
3 section.

4 (d) Fee for major permit modifications. – An application for a major modification
5 of a permit of the type set out in subsection (a) of this section shall be accompanied by
6 an application fee equal to thirty percent (30%) of the annual fee applicable to that
7 permit. A major modification of a permit is any modification that would allow an
8 increase in the volume or pollutant load of the discharge or nondischarge or that would
9 result in a significant relocation of the point of discharge, as determined by the
10 Commission. This fee ~~shall be~~ is in addition to the fees due under subsections (a) and (c)
11 of this section. If the application is denied, the application fee shall not be refunded.

12 (e) Other fees under this Article. –

13 (1) Sewer System Extension Permits. – The application fee for a permit
14 for the construction of a new sewer system or for the extension of an
15 existing sewer system ~~shall be four hundred dollars (\$400.00)~~ is four
16 hundred eighty dollars (\$480.00).

17 (2) State Stormwater Permits. – The application fee for a permit regulating
18 stormwater runoff under G.S. 143-214.7 and G.S. 143-215.1 ~~shall be~~
19 ~~four hundred twenty dollars (\$420.00)~~ is five hundred five dollars
20 (\$505.00).

21 (3) Major Water Quality Certifications. – The fee for a water quality
22 certification involving one acre or more of wetland fill or 150 feet or
23 more of stream impact ~~shall be four hundred seventy five dollars~~
24 ~~(\$475.00)~~ is five hundred seventy dollars (\$570.00).

25 (4) Minor Water Quality Certifications. – The fee for a water quality
26 certification involving less than one acre of wetland fill or less than
27 150 feet of stream impact ~~shall be two hundred dollars (\$200.00)~~ is
28 two hundred forty dollars (\$240.00).

29 (5) Permit for Land Application of Petroleum Contaminated Soils. – The
30 fee for a permit to apply petroleum contaminated soil to land ~~shall be~~
31 ~~four hundred dollars (\$400.00)~~ is four hundred eighty dollars
32 (\$480.00).

33 (6) Fee Nonrefundable. – If an application for a permit or a certification
34 described in this subsection is denied, the application or certification
35 fee shall not be refunded.

36 (7) Limit Water Quality Certification Fee Required for CAMA Permit. –
37 An applicant for a permit under Article 7 of Chapter 113A of the
38 General Statutes for which a water quality certification is required
39 shall pay a fee established by the Secretary. The Secretary shall not
40 establish a fee that exceeds the greater of the fee for a permit under
41 Article 7 of Chapter 113A of the General Statutes or the fee for a water
42 quality certification under subdivision (3) or (4) of this subsection.

43 (f) Local Government Fee Authority Not Impaired. – This section shall not be
44 construed to limit any authority that a unit of local government may have pursuant to
45 any other provision of law to assess or collect a fee for the review of an application for a
46 permit, the review of a mitigation plan, or the inspection of a site or a facility under any
47 local program that is approved by the Commission under this Article."

48 **SECTION 30.3.(b)** G.S. 143-215.10G reads as rewritten:

49 **"§ 143-215.10G. Fees for animal waste management systems.**

1 (a) The Department shall charge an annual permit fee to an animal operation that
2 is subject to a permit under G.S. 143-215.10C for an animal waste management system
3 according to the following schedule:

- 4 (1) For a system with a design capacity of 38,500 or more and less than
5 100,000 pounds steady state live weight, ~~fifty dollars (\$50.00)~~sixty
6 dollars (\$60.00).
7 (2) For a system with a design capacity of 100,000 or more and less than
8 800,000 pounds steady state live weight, ~~one hundred fifty dollars~~
9 ~~(\$150.00)~~one hundred eighty dollars (\$180.00).
10 (3) For a system with a design capacity of 800,000 pounds or more steady
11 state live weight, ~~three hundred dollars (\$300.00)~~three hundred sixty
12 dollars (\$360.00).

13 (a1) The Department shall charge an annual permit fee to a dry litter poultry
14 facility that is subject to a permit under G.S. 143-215.10C for an animal waste
15 management system according to the following schedule:

- 16 (1) For a system with a permitted capacity of less than 25,000 laying
17 chickens, less than 37,500 nonlaying chickens, or less than 16,500
18 turkeys, ~~fifty dollars (\$50.00)~~sixty dollars (\$60.00).
19 (2) For a system with a permitted capacity of 25,000 or more but less than
20 200,000 laying chickens, 37,500 or more but less than 290,000
21 nonlaying chickens, 16,500 or more but less than 133,000 turkeys, ~~one~~
22 ~~hundred fifty dollars (\$150.00)~~one hundred eighty dollars (\$180.00).
23 (3) For a system with a permitted capacity of more than 200,000 laying
24 chickens, more than 290,000 nonlaying chickens, or more than
25 133,000 turkeys, ~~three hundred dollars (\$300.00)~~three hundred sixty
26 dollars (\$360.00).

27 (b) An application for a new permit under this section shall be accompanied by
28 an initial application fee equal to the annual fee for that permit. If a permit is issued, the
29 application fee ~~will~~shall be applied as the annual fee for the first year that the permit is
30 in effect. If the application is denied, the application fee shall not be refunded.

31 (c) Fees collected under this section shall be credited to the Water and Air
32 Quality Account. The Department shall use fees collected pursuant to this section to
33 cover the costs of administering this Part."

34 **SECTION 30.3.(c)** G.S. 90A-42 reads as rewritten:

35 "**§ 90A-42. Fees.**

36 (a) The Commission, in establishing procedures for implementing the
37 requirements of this Article, shall impose the following schedule of fees:

- 38 (1) Examination including Certificate, \$85.00;
39 (2) Temporary Certificate, \$200.00;
40 (3) Temporary Certification Renewal, \$300.00;
41 (4) Conditional Certificate, \$75.00;
42 (5) Repealed by Session Laws 1987, c. 582, s. 3.
43 (6) Reciprocity Certificate, \$100.00;
44 (6a) Voluntary Conversion Certificate, \$50.00;
45 (7) Annual Renewal, ~~\$35.00~~\$50.00;
46 (8) Replacement of Certificate, \$20.00;
47 (9) Late Payment of Annual Renewal, \$50.00 penalty in addition to all
48 current and past due annual renewal fees plus one hundred dollars
49 (\$100.00) penalty per year for each year for which annual renewal fees
50 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~~ 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
Hospitals

Project Fee
\$300.00 plus \$0.20/square foot of project space

1	Nursing Homes	\$250.00 plus \$0.16/square foot of project space
2	Ambulatory Surgical	
3	Facility	\$200.00 plus \$0.16/square foot of project space
4	Psychiatric Hospital	\$200.00 plus \$0.16/square foot of project space
5	Adult Care Home	
6	7 or more beds	\$175.00 plus \$0.10/square foot of project space

7 (b) The fee imposed for the review of a hospital construction project varies
 8 depending upon the square footage of the project:

9	<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
10	<u>-0-</u>	<u>5,000</u>	<u>\$750.00 plus \$0.25 per square foot</u>
11	<u>5,000</u>	<u>10,000</u>	<u>\$1,500 plus \$0.40 per square foot</u>
12	<u>10,000</u>	<u>20,000</u>	<u>\$2,000 plus \$0.50 per square foot</u>
13	<u>20,000</u>	<u>NA</u>	<u>\$3,000 plus \$0.75 per square foot</u>

14 (c) The fee imposed for the review of a nursing home construction project varies
 15 depending upon the square footage of the project:

16	<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
17	<u>-0-</u>	<u>2,000</u>	<u>\$250.00 plus \$0.15 per square foot</u>
18	<u>2,000</u>	<u>NA</u>	<u>\$250.00 plus \$0.16 per square foot</u>

19 (d) The fee imposed for the review of an ambulatory surgical facility
 20 construction project varies depending upon the square footage of the project:

21	<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
22	<u>-0-</u>	<u>2,000</u>	<u>\$200.00 plus \$0.15 per square foot</u>
23	<u>2,000</u>	<u>NA</u>	<u>\$250.00 plus \$0.20 per square foot</u>

24 (e) The fee imposed for the review of a psychiatric hospital construction project
 25 varies depending upon the square footage of the project:

26	<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
27	<u>-0-</u>	<u>5,000</u>	<u>\$200.00 plus \$0.16 per square foot</u>
28	<u>5,000</u>	<u>10,000</u>	<u>\$200.00 plus \$0.25 per square foot</u>
29	<u>10,000</u>	<u>20,000</u>	<u>\$300.00 plus \$0.45 per square foot</u>
30	<u>20,000</u>	<u>NA</u>	<u>\$400.00 plus \$0.45 per square foot</u>

31 (f) The fee imposed for the review of an adult care home construction project
 32 varies depending upon the square footage of the project:

33	<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
34	<u>-0-</u>	<u>2,000</u>	<u>\$175.00 plus \$0.10 per square foot</u>
35	<u>2,000</u>	<u>NA</u>	<u>\$175.00 plus \$0.20 per square foot</u>

36 (g) The fee imposed for the review of the following residential construction
 37 projects is:

38	<u>Residential Project</u>	<u>Project Fee</u>
39	Family Care Homes	\$175.00 \$200.00 flat fee
40	ICF/MR Group Homes	\$275.00 \$300.00 flat fee
41	Group Homes: 1-3 beds	\$100.00 flat fee
42	Group Homes: 4-6 beds	\$175.00 \$200.00 flat fee
43	Group Homes: 7-9 beds	\$225.00 \$250.00 flat fee
44	Other residential:	
45	More than 9 beds	\$225.00 plus \$0.075/square foot of project space.
46	More than 9 beds	\$250.00 plus \$0.75 per square foot of project space."

47 **SECTION 30.5.(b)** This section becomes effective July 1, 2007, and applies
 48 to applications for review submitted on or after that date.

49
 50 **CHANGE CORPORATE ANNUAL REPORT FEES**

51 **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 with amendment of articles	10.00 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.

1
2 **PART XXXI. TAX LAW CHANGES**

3
4 **IRC UPDATE**

5 **SECTION 31.1.(a)** G.S. 105-228.90(b)(1b) reads as rewritten:

6 "(b) Definitions. – The following definitions apply in this Article:

7 ...

8 (1b) Code. – The Internal Revenue Code as enacted as of ~~January 1, 2006,~~
9 January 1, 2007, including any provisions enacted as of that date
10 which become effective either before or after that date."

11 **SECTION 31.1.(b)** Notwithstanding subsection (a) of this section, any
12 amendments to the Internal Revenue Code enacted after January 1, 2006, that increase
13 North Carolina taxable income for the 2006 taxable year become effective for taxable
14 years beginning on or after January 1, 2007.

15 **SECTION 31.1.(c)** This section is effective when it becomes law.

16
17 **EXTEND STATE SALES TAX RATE FOR TWO YEARS**

18 **SECTION 31.2.(a)** Section 24.1(j) of S.L. 2006-66 reads as rewritten:

19 "**SECTION 24.1.(j)** Subsection (b) of this section becomes effective December 1,
20 2006, and applies to sales made on or after that date. Subsections (d), (f), and (h) of this
21 section become effective January 1, 2007, and apply to taxes collected on or after that
22 date. Subsection (c) of this section becomes effective ~~July 1, 2007,~~ July 1, 2009, and
23 applies to sales made on or after that date. Subsections (e), (g), and (i) of this section
24 become effective ~~July 1, 2007,~~ July 1, 2009, and apply to taxes collected on or after that
25 date. The remainder of this section is effective when it becomes law."

26 **SECTION 31.2.(b)** This section is effective when it becomes law.

27
28 **EXTEND UPPER INCOME TAX RATE THROUGH 2009**

29 **SECTION 31.3.(a)** Section 24.2(d) of S.L. 2006-66 reads as rewritten:

30 "**SECTION 24.2.(d)** Subsection (b) of this section is effective for taxable years
31 beginning on or after January 1, 2007. Subsection (c) of this section is effective for
32 taxable years beginning on or after ~~January 1, 2008,~~ January 1, 2010. The remainder of
33 this section is effective when it becomes law."

34 **SECTION 31.3.(b)** This section is effective when it becomes law.

35
36 **EARNED INCOME TAX CREDIT**

37 **SECTION 31.4.(a)** Part 2 of Article 4 of Chapter 105 of the General Statutes
38 is amended by adding a new section to read:

39 "**§ 105-151.31. Earned income tax credit.**

40 (a) Credit. – An individual who claims for the taxable year an earned income tax
41 credit under section 32 of the Code is allowed a credit against the tax imposed by this
42 Part equal to five percent (5%) of the amount of credit the individual qualified for under
43 section 32 of the Code. A nonresident or part-year resident who claims the credit
44 allowed by this section must reduce the amount of the credit by multiplying it by the
45 fraction calculated under G.S. 105-134.5(b) or (c), as appropriate.

46 (b) Credit Refundable. – If the credit allowed by this section exceeds the amount
47 of tax imposed by this Part for the taxable year reduced by the sum of all credits
48 allowable, the Secretary must refund the excess to the taxpayer. The refundable excess
49 is governed by the provisions governing a refund of an overpayment by the taxpayer of
50 the tax imposed in this Part. Section 3507 of the Code, Advance Payment of Earned
51 Income Credit, does not apply to the credit allowed by this section. In computing the

1 amount of tax against which multiple credits are allowed, nonrefundable credits are
 2 subtracted before refundable credits.

3 (c) Sunset. – This section is repealed effective for taxable years beginning on or
 4 after January 1, 2013."

5 **SECTION 31.4.(b)** G.S. 105-160.3(b) reads as rewritten:

6 "(b) The following credits are not allowed to an estate or trust:

- 7 (1) G.S. 105-151. Tax credits for income taxes paid to other states by
 8 individuals.
- 9 (2) G.S. 105-151.11. Credit for child care and certain employment-related
 10 expenses.
- 11 (3) G.S. 105-151.18. Credit for the disabled.
- 12 (4) G.S. 105-151.24. Credit for children.
- 13 (5) G.S. 105-151.26. Credit for charitable contributions by nonitemizers.
- 14 (6) Repealed by Session Laws 2004-170, s. 17, effective August 2, 2004.
- 15 (7) G.S. 105-151.28. Credit for long-term care insurance.
- 16 (8) G.S. 105-151.30. Credit for recycling oyster shells.
- 17 (9) G.S. 105-151.31. Earned income tax credit."

18 **SECTION 31.4.(c)** This section is effective for taxable years beginning on
 19 or after January 1, 2008.

20
 21 **REENACT LONG-TERM CARE CREDIT**

22 **SECTION 31.5.(a)** G.S. 105-151.28 is reenacted and reads as rewritten:

23 "**§ 105-151.28. Credit for premiums paid on long-term care insurance.**

24 (a) Credit. —~~An individual is~~ A taxpayer whose adjusted gross income (AGI), as
 25 calculated under the Code, is less than the amount listed in this section is allowed, as a
 26 credit against the tax imposed by this Part, an amount equal to fifteen percent (15%) of
 27 the premium costs the individual taxpayer paid during the taxable year on a qualified
 28 long-term care insurance contract that offers coverage to either the individual, taxpayer,
 29 the individual's taxpayer's spouse, or a dependent for whom the individual taxpayer was
 30 allowed to deduct a personal exemption under section 151(c)(1)(A) of the Code for the
 31 taxable year. The credit allowed by this section may not exceed three hundred fifty
 32 dollars (\$350.00) for each qualified long-term care insurance contract for which a credit
 33 is claimed. The credit allowed under this section may not exceed the amount of tax
 34 imposed by this Part for the taxable year reduced by the sum of all credits allowed,
 35 except payments of tax made by or on behalf of the taxpayer. A nonresident or part-year
 36 resident who claims the credit allowed by this subsection shall reduce the amount of the
 37 credit by multiplying it by the fraction calculated under G.S. 105-134.5(b) or (c), as
 38 appropriate.

<u>Filing Status</u>	<u>AGI</u>
<u>Married, filing jointly</u>	<u>\$100,000</u>
<u>Head of Household</u>	<u>80,000</u>
<u>Single</u>	<u>60,000</u>
<u>Married, filing separately</u>	<u>50,000</u>

44 (b) No Double Benefit. – No credit is allowed for payments that are deducted
 45 from, or not included in, the taxpayer's gross income for the taxable year. If the taxpayer
 46 claimed a deduction for health insurance costs of self-employed individuals under
 47 section 162(l) of the Code for the taxable year, the amount of credit otherwise allowed
 48 the taxpayer under this section is reduced by the applicable percentage provided in
 49 section 162(l) of the Code. If the taxpayer claimed a deduction for medical care
 50 expenses under section 213 of the Code for the taxable year, the taxpayer is not allowed
 51 a credit under this section. A taxpayer who claims the credit allowed by this section

1 must provide any information required by the Secretary to demonstrate that the amount
2 paid for premiums for which the credit is claimed was not excluded from the taxpayer's
3 gross income for the taxable year.

4 (c) Definition. – For purposes of this section, the term "qualified long-term care
5 insurance contract" has the same meaning as defined in section 7702B of the Code."

6 **SECTION 31.5.(b)** G.S. 105-160.3(b)(7) is reenacted.

7 **SECTION 31.5.(c)** This section is effective for taxable years beginning on
8 or after January 1, 2007.
9

10 **ADOPTION TAX CREDIT**

11 **SECTION 31.6.(a)** Part 2 of Article 4 of Chapter 105 of the General Statutes
12 is amended by adding a new section to read as follows:

13 **"§ 105-151.32. Credit for adoption expenses.**

14 (a) Credit. – An individual who is allowed a federal adoption tax credit under
15 section 23 of the Code for the taxable year is allowed a credit against the tax imposed
16 by this Part. The credit is equal to fifty percent (50%) of the amount of credit allowed
17 under section 23 of the Code.

18 (b) Limitations. – A nonresident or part-year resident who claims the credit
19 allowed by this section shall reduce the amount of the credit by multiplying it by the
20 fraction calculated under G.S. 105-134.5(b) or (c), as appropriate. The credit allowed
21 under this section may not exceed the amount of tax imposed by this Part for the taxable
22 year reduced by the sum of all credits allowed, except payments of tax made by or on
23 behalf of the taxpayer. Any unused portion of this credit may be carried forward for the
24 next succeeding five years.

25 (c) Sunset. – This section is repealed effective for taxable years beginning on or
26 after January 1, 2013.

27 **SECTION 31.6.(b)** G.S. 105-160.3(b) reads as rewritten:

28 "(b) The following credits are not allowed to an estate or trust:

- 29 (1) G.S. 105-151. Tax credits for income taxes paid to other states by
30 individuals.
- 31 (2) G.S. 105-151.11. Credit for child care and certain employment-related
32 expenses.
- 33 (3) G.S. 105-151.18. Credit for the disabled.
- 34 (4) G.S. 105-151.24. Credit for children.
- 35 (5) G.S. 105-151.26. Credit for charitable contributions by nonitemizers.
- 36 (6) Repealed by Session Laws 2004-170, s. 17, effective August 2, 2004.
- 37 (7) G.S. 105-151.28. Credit for long-term care insurance.
- 38 (8) G.S. 105-151.30. Credit for recycling oyster shells.
- 39 (10) G.S. 105-151.32. Credit for adoption expenses."

40 **SECTION 31.6.(c)** This section is effective for taxable years beginning on
41 or after January 1, 2007."
42

43 **PRIVILEGE TAX ON SOFTWARE PUBLISHERS' MACHINERY AND** 44 **EQUIPMENT**

45 **SECTION 31.7.(a)** G.S. 105-187.51B reads as rewritten:

46 **"§ 105-187.51B. Tax imposed on certain recyclers and research and development**
47 **companies.**

48 (a) Tax. – A privilege tax is imposed on the following:
49 ...

- 1 (3) A software publishing company that is included in the industry group
 2 5112 of NAICS and that purchases equipment or an attachment or
 3 repair part for equipment that meets all of the following requirements:
 4 a. Is capitalized by the company for tax purposes under the Code.
 5 b. Is used by the company in the research and development of
 6 tangible personal property.
 7 c. Would be considered mill machinery under G.S. 105-187.51 if
 8 it were purchased by a manufacturing industry or plant and used
 9 in the research and development of tangible personal property
 10 manufactured by the industry or plant.

11 (b) Rate. – The tax is one percent (1%) of the sales price of the equipment or
 12 other tangible personal property. The maximum tax is eighty dollars (\$80.00) per
 13 article."

14 **SECTION 31.7.(b)** This section becomes effective July 1, 2007.

15
 16 **ENHANCE TAX CREDIT FOR RESEARCH AND DEVELOPMENT**
 17 **EXPENDITURES**

18 **SECTION 31.8.(a)** G.S. 105-129.55 reads as rewritten:

19 "**§ 105-129.55. Credit for North Carolina research and development.**

20 (a) Qualified North Carolina Research Expenses. – A taxpayer that has qualified
 21 North Carolina research expenses for the taxable year is allowed a credit equal to a
 22 percentage of the expenses, determined as provided in this subsection. Only one credit
 23 is allowed under this subsection with respect to the same expenses. If more than one
 24 subdivision of this subsection applies to the same expenses, then the credit is equal to
 25 the higher percentage, not both percentages combined. If part of the taxpayer's qualified
 26 North Carolina research expenses qualifies under subdivision (2) of this subsection and
 27 the remainder qualifies under subdivision (3) of this subsection, the applicable
 28 percentages apply separately to each part of the expenses.

- 29 (1) Small business. – If the taxpayer was a small business as of the last
 30 day of the taxable year, the applicable percentage is three and
 31 one-quarter percent (~~3%~~)(3.25%).
 32 (2) Low-tier research. – For expenses with respect to research performed
 33 in a development tier one area, the applicable percentage is three and
 34 one-quarter percent (~~3%~~)(3.25%).
 35 (3) Other research. – For expenses not covered under subdivision (1) or
 36 (2) of this subsection, the percentages provided in the table below
 37 apply to the taxpayer's qualified North Carolina research expenses
 38 during the taxable year at the following levels:

Expenses Over	Up To	Rate
-0-	\$50 million	1% <u>1.25%</u>
\$50 million	\$200 million	2% <u>2.25%</u>
\$200 million	–	3% <u>3.25%</u>

43 (b) North Carolina University Research Expenses. – A taxpayer that has North
 44 Carolina university research expenses for the taxable year is allowed a credit equal to
 45 fifteen percent (15%)~~twenty percent (20%)~~ of the expenses."

46 **SECTION 31.8.(b)** This section is effective for taxable years beginning on
 47 or after January 1, 2007.

48
 49 **MODIFY TAX CREDIT FOR CONSTRUCTING RENEWABLE FUEL**
 50 **FACILITIES**

51 **SECTION 31.9.(a)** G.S. 105-129.16D(b1) reads as rewritten:

1 "(b1) Alternative Production Credit. – In lieu of the credit allowed under subsection
2 (b) of this section, a taxpayer that constructs and places in service in this State three or
3 more commercial facilities for processing renewable fuel and that invests a total amount
4 of at least four hundred million dollars (\$400,000,000) in the facilities is allowed a
5 credit equal to thirty-five percent (35%) of the cost to the taxpayer of constructing and
6 equipping the facilities. In order to claim the credit, the taxpayer must obtain a written
7 determination from the Secretary of Commerce that the taxpayer is expected to invest
8 within a five-year period a total amount of at least four hundred million dollars
9 (\$400,000,000) in three or more facilities. The credit must be taken in seven equal
10 annual installments beginning with the taxable year in which the first facility is placed
11 in service. If, in one of the years in which the installment of credit accrues, a facility
12 with respect to which the credit was claimed is disposed of or taken out of service and
13 the investment requirements of this subsection are no longer satisfied, the credit expires
14 and the taxpayer may not take any remaining installment of the credit. The taxpayer
15 may, however, take the portion of an installment that accrued in a previous year and was
16 carried forward to the extent permitted under G.S. 105-129.17. ~~If a credit allowed under~~
17 ~~this subsection expires, a taxpayer is not eligible for a credit under subsection (b) of this~~
18 ~~section with respect to the same property.~~ Notwithstanding the provisions of
19 G.S. 105-129.17, ~~a taxpayer may claim the credit allowed under this subsection against~~
20 ~~the income tax imposed under Article 4 of this Chapter only the credit allowed under~~
21 ~~this subsection may not exceed one hundred percent (100%) of the tax against which it~~
22 ~~is claimed,~~ and the taxpayer may carry forward unused portions of the credit allowed
23 under this subsection for the succeeding 10 years."

24 **SECTION 31.9.(b)** This section is effective for taxable years beginning on
25 or after January 1, 2007.

26 27 **EXPAND SALES AND USE TAX REFUND FOR CERTAIN AIRCRAFT** 28 **MANUFACTURERS**

29 **SECTION 31.10.(a)** G.S. 105-164.14(j)(3)b. reads as rewritten:

30 "(3) Industries. – This subsection applies to the following industries:

31 …

32 b. Aircraft manufacturing. Aircraft manufacturing means the
33 manufacturing or assembling of complete aircraft, aircraft or of
34 aircraft engines, blisks, fuselage sections, flight decks, flight
35 deck systems or components, wings, fuselage fairings, fins,
36 moving leading and trailing wing edges, wing boxes, nose
37 sections, tailplanes, passenger doors, nacelles, thrust reversers,
38 landing gear, braking systems, or any combination thereof."

39 **SECTION 31.10.(b)** This section becomes effective July 1, 2007, and
40 applies to purchases made on or after that date.

41 42 **ADJUST TAX RATE ON PROPERTY COVERAGE INSURANCE** 43 **CONTRACTS AND INCREASE THE DISTRIBUTION OF TAX PROCEEDS** 44 **TO THE VOLUNTEER FIRE DEPARTMENT FUND**

45 **SECTION 31.11.(a)** G.S. 105-228.5(d)(3), as amended by Section 3 of S.L.
46 2006-196, reads as rewritten:

47 "(3) Additional Rate on Property Coverage Contracts. – An additional tax
48 at the rate of ~~eighty five hundredths percent (.85%)~~ seventy-four
49 hundredths percent (0.74%) applies to gross premiums on insurance
50 contracts for property coverage. The tax is imposed on ten percent
51 (10%) of the gross premiums from insurance contracts for automobile

1 physical damage coverage and on one hundred percent (100%) of the
2 gross premiums from all other contracts for property coverage. ~~Twenty~~
3 ~~percent (20%)~~ Thirty percent (30%) of the net proceeds of this
4 additional tax must be credited to the Volunteer Fire Department Fund
5 established in Article 87 of Chapter 58 of the General Statutes.
6 Twenty-five percent (25%) of the net proceeds must be credited to the
7 Department of Insurance for disbursement pursuant to G.S. 58-84-25.
8 The remaining net proceeds must be credited to the General Fund.

9 The following definitions apply in this subdivision:

- 10 a. Automobile physical damage. – The following lines of business
11 identified by the NAIC: private passenger automobile physical
12 damage and commercial automobile physical damage.
- 13 b. Property coverage. – The following lines of business identified
14 by the NAIC: fire, farm owners multiple peril, homeowners
15 multiple peril, nonliability portion of commercial multiple peril,
16 ocean marine, inland marine, earthquake, private passenger
17 automobile physical damage, commercial automobile physical
18 damage, aircraft, and boiler and machinery. The term also
19 includes insurance contracts for wind damage.
- 20 c. NAIC. – National Association of Insurance Commissioners."

21 **SECTION 31.11.(b)** G.S. 58-84-25, as amended by Section 7 of S.L.

22 2006-196, reads as rewritten:

23 "**§ 58-84-25. Disbursement of funds by Insurance Commissioner.**

24 (a) Distribution. – The Insurance Commissioner shall deduct the sum of three
25 percent (3%) from the tax proceeds credited to the Department pursuant to
26 G.S. 105-228.5(d)(3) and pay the same over to the treasurer of the State Firemen's
27 Association for general purposes. The Insurance Commissioner shall deduct the sum of
28 two percent (2%) from the tax proceeds and retain the same in the budget of the
29 Department of Insurance for the purpose of administering the disbursement of funds by
30 the board of trustees in accordance with the provisions of G.S. 58-84-35. The Insurance
31 Commissioner shall, pursuant to G.S. 58-84-50, credit the amount forfeited by
32 nonmember fire districts to the North Carolina State Firemen's Association. The
33 Insurance Commissioner shall ~~pay~~ distribute the remaining tax proceeds to the treasurer
34 of each fire district as provided in subsections (b) and (c) of this section.

35 (b) Allocation to Counties. – ~~on a per capita basis, using the most recent annual~~
36 ~~population estimates certified by the State Budget Officer.~~ The Insurance Commissioner
37 shall allocate to each county an amount of tax proceeds based upon the amount
38 allocated to it in the previous year. If the amount allocable in the current year is less
39 than the amount allocated in the previous year, then the Commissioner shall reduce the
40 amount allocated to each county. The amount of the reduction is equal to the difference
41 in the amount allocated in the previous year and the amount allocable in the current year
42 multiplied by a fraction, the numerator of which is the population of the county and the
43 denominator of which is the population of the State. If the amount allocable in the
44 current year is greater than the amount allocated in the previous year, then the
45 Commissioner shall increase the amount allocated to each county. The amount of the
46 increase is equal to the excess proceeds multiplied by a fraction, the numerator of which
47 is the population of the county and the denominator of which is the population of the
48 State.

49 (c) Distribution to Fire Districts. – Once the Insurance Commissioner has
50 allocated the tax proceeds to a county under subsection (b) of this section, the
51 Commissioner shall distribute those allocations to the fire districts in that county. The

1 amount distributed to each fire district is equal to the total amount allocated to the
2 county multiplied by a fraction, the numerator of which is the tax value of the property
3 located in the fire district and the denominator of which is the tax value of all property
4 located in any fire district in that county. A county shall provide the Commissioner with
5 the tax value of property located in each fire district in that county by January 1 of each
6 year. If a county does not submit information that the Commissioner needs to make a
7 distribution by the date the information is due, the Commissioner shall distribute the
8 allocation based on the most recent information the Commissioner has.

9 (d) Administration. – These funds shall be held by the treasurer of a fire district
10 as a separate and distinct fund. The fire district shall immediately pay the funds to the
11 treasurer of the local board of trustees upon the treasurer's election and qualification, for
12 the use of the board of trustees of the firemen's local relief fund in each fire district,
13 which board shall be composed of five members, residents of the fire district as
14 hereinafter provided for, to be used by it for the purposes provided in G.S. 58-84-35."

15 **SECTION 31.11.(c)** G.S. 58-87-1, as amended by Section 8 of S.L.
16 2006-196, reads as rewritten:

17 "**§ 58-87-1. Volunteer Fire Department Fund.**

18 (a) Fund. – The Volunteer Fire Department Fund is created as an
19 interest-bearing, nonreverting fund in the Department to provide matching grants to
20 volunteer fire departments to purchase equipment and make capital improvements. The
21 Commissioner shall administer the Fund. Up to two percent (2%) of the Fund may be
22 used for additional staff and resources to administer the Fund in each fiscal year.

23 (a1) Grant Program. – An eligible fire department may apply to the Commissioner
24 for a grant under this section. In awarding grants under this section, the Commissioner
25 must, to the extent possible, select applicants from all parts of the State based upon
26 need. The Commissioner must award the grants on May 15 of each year subject to the
27 following limitations:

28 (1) The size of a grant may not exceed ~~twenty thousand dollars~~
29 ~~(\$20,000);~~ thirty thousand dollars (\$30,000).

30 (2) The applicant shall match the grant on a dollar-for-dollar ~~basis;~~ basis.

31 (3) The grant may be used only for equipment purchases, payment of
32 highway use taxes on those purchases, or capital expenditures
33 necessary to provide fire protection ~~services;~~ and services.

34 (4) An applicant may receive no more than one grant per fiscal year.

35 (b) Eligible Fire Department. – A fire department is eligible for a grant under this
36 section if it meets all of the conditions of this subsection. No fire department may be
37 declared ineligible for a grant solely because it is classified as a municipal fire
38 department.

39 (1) It serves a response area of ~~6,000~~ 12,000 or less in population. In
40 making the population determination, the Department must use the
41 most recent annual population estimates certified by the State Budget
42 Officer.

43 (2) It consists entirely of volunteer members, with the exception that the
44 unit may have paid members to fill the equivalent of ~~three~~ six full-time
45 paid positions.

46 (3) It has been certified by the Department of Insurance.

47 (c) Report. – The Commissioner must submit a written report to the General
48 Assembly within 60 days after the grants have been made. This report must contain the
49 amount of the grant and the name of the recipient."

50 **SECTION 31.11.(d)** Notwithstanding G.S. 58-84-25, as amended by this
51 section, for the initial allocation of tax proceeds after January 1, 2008, the Insurance

1 Commissioner shall calculate the allocation by setting the previous year's allocation as
2 the amount of tax proceeds distributed in the previous year to the fire districts located in
3 each county. If a fire district is located in more than one county, the Commissioner must
4 allocate the distribution between those counties in proportion to the tax value of the
5 property in the district located in each county.

6 **SECTION 31.11.(e)** Subsection (a) of this section is effective for taxable
7 years beginning on or after January 1, 2008. The remainder of this section becomes
8 effective January 1, 2008.

9 10 **SET INSURANCE REGULATORY FEE**

11 **SECTION 31.12.(a)** The percentage rate to be used in calculating the
12 insurance regulatory charge under G.S. 58-6-25 is five and one-half percent (5.5%) for
13 the 2007 calendar year.

14 **SECTION 31.12.(b)** This section is effective when it becomes law.

15 16 **SET REGULATORY FEE FOR UTILITIES COMMISSION**

17 **SECTION 31.13.(a)** The percentage rate to be used in calculating the public
18 utility regulatory fee under G.S. 62-302(b)(2) is twelve one-hundredths of one percent
19 (0.12%) for each public utility's North Carolina jurisdictional revenues earned during
20 each quarter that begins on or after July 1, 2007.

21 **SECTION 31.13.(b)** The electric membership corporation regulatory fee
22 imposed under G.S. 62-302(b1) for the 2007-2008 fiscal year is two hundred thousand
23 dollars (\$200,000).

24 **SECTION 31.13.(c)** This section becomes effective July 1, 2007.

25 26 **AMEND SALES TAX HOLIDAY**

27 **SECTION 31.14.(a)** G.S. 105-164.3 reads as rewritten:

28 **"§ 105-164.3. Definitions.**

29 The following definitions apply in this Article:

30 ...
31 (37b) School instructional material. – Defined in the Streamlined
32 Agreement.

33 (37d) School supply. – An item that is commonly used by a student in the
34 course of study and is considered a 'school supply', a 'school art
35 supply', or 'school instructional material' supply' or 'school art supply'
36 under the Streamlined Agreement.

37"

38 **SECTION 31.14.(b)** G.S. 105-164.13C(a) reads as rewritten:

39 "(a) The taxes imposed by this Article do not apply to the following items of
40 tangible personal property if sold between 12:01 A.M. on the first Friday of August and
41 11:59 P.M. the following Sunday:

42 (1) Clothing with a sales price of one hundred dollars (\$100.00) or less per
43 item.

44 (2) School supplies with a sales price of one hundred dollars (\$100.00) or
45 less per item.

46 (2a) School instructional materials with a sales price of three hundred
47 dollars (\$300.00) or less per item.

48 (3) Computers with a sales price of three thousand five hundred dollars
49 (\$3,500) or less per item.

50 (3a) Computer supplies with a sales price of two hundred fifty dollars
51 (\$250.00) or less per item.

1 (4) Sport or recreational equipment with a sales price of fifty dollars
2 (\$50.00) or less per item."

3 **SECTION 31.14.(c)** This section becomes effective July 1, 2007, and
4 applies to sales made on or after that date.
5

6 **PART XXXII. MISCELLANEOUS PROVISIONS**

7 **STATE BUDGET ACT APPLIES**

8 **SECTION 32.1.** The provisions of the State Budget Act, Chapter 143C of
9 the General Statutes, are reenacted and shall remain in full force and effect and are
10 incorporated in this act by reference.
11

12 **COMMITTEE REPORT**

13 **SECTION 32.2.(a)** The N.C. House of Representatives Appropriations
14 Committee Report on the Continuation, Expansion and Capital Budgets House Bill
15 1473 Committee Substitute, 3rd Edition, dated May 9, 2007, which was distributed in
16 the House of Representatives and used to explain this act, shall indicate action by the
17 General Assembly on this act and shall therefore be used to construe this act, as
18 provided in the State Budget Act, Chapter 143C of the General Statutes, or the
19 Executive Budget Act, Chapter 143 of the General Statutes, as appropriate, and for these
20 purposes shall be considered a part of this act and as such shall be printed as a part of
21 the Session Laws.
22

23 **SECTION 32.2.(b)** The budget enacted by the General Assembly for the
24 maintenance of the various departments, institutions, and other spending agencies of the
25 State for the 2007-2009 fiscal biennium is a line-item budget, in accordance with the
26 Budget Code Structure and the State Accounting System Uniform Chart of Accounts set
27 out in the Administrative Policies and Procedures Manual of the Office of the State
28 Controller. This budget includes the appropriations made from all sources, including
29 the General Fund, Highway Fund, special funds, cash balances, federal receipts, and
30 departmental receipts.

31 The Director of the Budget submitted the itemized budget requests to the
32 General Assembly in February 2007, in the documents "The North Carolina State
33 Budget Summary of Recommendations 2007-2009" and "The North Carolina State
34 Budget 2007-2009 Recommended Operating Budget With Results-Based Information"
35 volumes one through six. The beginning appropriation for the 2007-2008 fiscal year and
36 the 2008-2009 fiscal year for the various departments, institutions, and other spending
37 agencies of the State is referenced in Tables 3 and 4 of the Summary of
38 Recommendations document as the recommended continuation budget.

39 **SECTION 32.2.(c)** The budget enacted by the General Assembly shall also
40 be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and
41 other appropriate legislation.

42 In the event that there is a conflict between the line-item budget certified by
43 the Director of the Budget and the budget enacted by the General Assembly, the budget
44 enacted by the General Assembly shall prevail.
45

46 **MOST TEXT APPLIES ONLY TO THE 2007-2009 FISCAL BIENNIUM**

47 **SECTION 32.3.** Except for statutory changes or other provisions that clearly
48 indicate an intention to have effects beyond the 2007-2009 fiscal biennium, the textual
49 provisions of this act apply only to funds appropriated for, and activities occurring
50 during, the 2007-2009 fiscal biennium.
51

1 **EFFECT OF HEADINGS**

2 **SECTION 32.4.** The headings to the parts and sections of this act are a
3 convenience to the reader and are for reference only. The headings do not expand,
4 limit, or define the text of this act, except for effective dates referring to a part.
5

6 **SEVERABILITY CLAUSE**

7 **SECTION 32.5.** If any section or provision of this act is declared
8 unconstitutional or invalid by the courts, it does not affect the validity of this act as a
9 whole or any part other than the part so declared to be unconstitutional or invalid.
10

11 **EFFECTIVE DATE**

12 **SECTION 32.6.** Except as otherwise provided, this act becomes effective
13 July 1, 2007.