

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005**

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SENATE DRS35380-LTxf-145* (05/10)

Short Title: 2006 Governor's Budget. (Public)

Sponsors: Senators Garrou, Dalton and Hagan.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL
APPROPRIATIONS ACT OF 2005 AND TO MAKE OTHER CHANGES IN THE
BUDGET OPERATIONS OF THE STATE, AS RECOMMENDED BY THE
GOVERNOR.

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

INTRODUCTION

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

TITLE OF ACT

SECTION 1.2. This act shall be known as "The Current Operations and Capital Improvements Appropriations Act of 2005."

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Appropriations from the General Fund of the State for the maintenance of the State's departments, institutions, and agencies, and for other

1 purposes as enumerated are made for the fiscal year ending June 30, 2007, according to
 2 the following schedule. Amounts set out in brackets are reductions from General Fund
 3 appropriations for the 2006-2007 fiscal year.

4
 5 **State Agency or Division**

**FY 2006-2007
Adjustments**

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 9 **Health and Human Services:**

10	Central Administration	\$(64,030,678)
11	Aging	3,000,000
12	Child Development	30,465,513
13	Smart Start	
14	Education Services	828,548
15	Public Health	20,305,744
16	Social Services	14,686,546
17	Medical Assistance	(150,000,000)
18	Child Health	0
19	Services for the Blind	0
20	Mental Health/DD/SAS	89,133,395
21	Facility Services	0
22	Vocational Rehabilitation	<u>699,856</u>
23	Total Health & Human Services	(54,911,076)

24
 25 **Natural and Economic Resources:**

26	Agriculture & Consumer Services	1,320,839
27	Commerce	19,246,828
28	Commerce – State Aid to Non-State Entities	2,000,000
29	Environment and Natural Resources	11,225,028
30	Clean Water Management Trust Fund	0
31	Labor	<u>450,000</u>
32	Total Natural and Economic Resources	34,242,695

33
 34 **Justice and Public Safety:**

35	Correction	31,529,391
36	Crime Control & Public Safety	3,968,741
37	Judicial	26,158,821
38	Judicial – Indigent Defense	6,213,600
39	Justice	4,571,760
40	Juvenile Justice	<u>3,060,852</u>
41	Total Justice and Public Safety	75,503,165

42
 43 **General Government:**

44	Administration	5,691,818
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1	State Auditor	407,564
2	Cultural Resources	4,252,602
3	Cultural Resources – Roanoke Island	0
4	General Assembly	238,346
5	Governor's Office	100,000
6	Insurance	597,903
7	Insurance – Workers' Compensation Fund	0
8	Lieutenant Governor	2,600
9	Office of Administrative Hearings	365,000
10	Revenue	1,360,060
11	NC Housing Finance	5,000,000
12	Secretary of State	838,671
13	State Board of Elections	143,279
14	State Budget and Management (OSBM)	409,938
15	OSBM – Special Appropriations	1,255,000
16	Office of State Controller	0
17	State Treasurer	281,274
18	State Treasurer – Retirement/Benefits	0
19	Total General Government	20,944,565
20		
21	<u>Education:</u>	
22	Public Schools	127,574,985
23	Community Colleges	39,838,763
24	University System	<u>123,385,910</u>
25	Total Education	290,799,658
26		
27	<u>Debt Service:</u>	
28	General Debt Service	(50,000,000)
29	Federal Reimbursement	<u>0</u>
30	Total Debt Service	(50,000,000)
31		
32	<u>Reserves & Adjustments:</u>	
33	Compensation Increase Reserve	594,536,890
34	Minimum Fair Wage Noncertified Public School Employees	8,582,073
35	Salary Adjustment Fund	20,000,000
36	Retirement System COLA	48,000,000
37	Reserve for Lawsuits	2,000,000
38	Reserve for Innovative IT Initiatives	3,000,000
39	Reserve for Disaster Expenses	50,000,000
40	BEACON Project	41,788,403
41	Retirement System Payback	<u>30,000,000</u>
42	Total Reserves & Adjustments	808,206,192
43		
44	<u>Capital:</u>	

1 Capital Improvements 329,453,300

2
3 **Total General Fund Budget Changes** **\$1,454,238,499**

4
5 **GENERAL FUND AVAILABILITY STATEMENT**

6 **SECTION 2.2.(a)** The General Fund availability used in adjusting the
7 2006-2007 budget is shown below:

<u>Description</u>	FY 2006-2007 Recommended (In Millions)
Beginning Availability:	
Unappropriated Balance FY 2005-2006	\$113.4
Overcollections FY 2005-2006	1,072.1
Reversions FY 2005-2006	125.0
Credit to Savings Reserve Account	(324.0)
Credit to Repair and Renovations Reserve Account	<u>(200.0)</u>
Beginning Unreserved Credit Balance	\$771.5
Revenue:	
Tax:	
Income (Individual & Corporate)	10,753.0
Sales and Use	4,973.0
Other Tax	1,699.0
Total Tax	\$17,425.0
Nontax/Transfers	655.0
Total Revenue	<u>\$18,080.0</u>
Total Availability	\$18,850.5

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30 **SECTION 2.2.(b)** Notwithstanding the allocations outlined in G.S.143-15.2
31 and G.S.143-15.3, the sum of three hundred twenty-four million dollars (\$324,000,000)
32 shall be transferred to the Savings Reserve Account from the beginning credit balance
33 on June 30, 2006.

34 **SECTION 2.2.(c)** Notwithstanding the allocations outlined in G.S.143-15.2
35 and G.S.143-15.3, the sum of two hundred million dollars (\$200,000,000) shall be
36 transferred to the Repairs and Renovations Reserve Account from the credit balance on
37 June 30, 2006.

38
39 **PART III. CURRENT OPERATIONS/HIGHWAY FUND**

40
41 **SECTION 3.1.** Revised appropriations from the Highway Fund of the State
42 for the maintenance and operation of the Department of Transportation, and for other
43 purposes as enumerated, are made for 2006-2007 fiscal year, according to the following

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

3 **Current Operations – Highway Fund** **2006-2007**
4 **Adjustments**

5
6 DOT – General Administration \$2,500,000
7 Highway Division Administration
8 State Match for Federal Aid-Planning and Research

9
10 Construction Program:
11 State Secondary System 1,439,500
12 Small Urban Construction 38,000,000
13 **Total Construction Program** **39,439,500**

14
15 Maintenance Program
16 Contract Resurfacing 82,853,280
17 General Maintenance Reserve 57,481,289
18 **Total Maintenance Program** **140,334,569**

19
20 State Aid to Municipalities 1,439,500
21 State Aid to Railroads 3,198,750
22 State Aid for Public Transportation (14,000,000)
23 State Aid for Airports 2,000,000
24 Division of Motor Vehicles 2,168,301

25
26 **Total Department of Transportation** **\$ 177,080,620**

27
28 Appropriations to Other State Agencies:
29 Public Instruction – Driver Education 457,971
30 CCPS – Highway Patrol 15,017,698
31 **Total – Other State Agencies** **15,325,669**

32
33 Reserves and Transfers:
34 Salary Adjustment 1,000,000
35 Weigh Station Improvements 12,824,782
36 Reserve for Legislative Increase 19,500,000
37 Reserve for Retirement Adjustment 2,500,000
38 **Total Reserves and Transfers** **35,824,782**

39
40 **Total Highway Fund Appropriation** **\$ 228,231,071**

41
42 **HIGHWAY FUND AVAILABILITY STATEMENT**

1 **SECTION 3.2.** The Highway Fund appropriations availability used in
 2 developing modifications to the 2006-2007 Highway Fund budget contained in this act
 3 is shown below:

4		
5	Beginning Credit Balance	\$-
6	Transfer from General Fund	17,662,725
7	Estimated Revenue	1,749,477,275
8	TOTAL HIGHWAY FUND AVAILABILITY	\$ 1,767,140,000

9
 10 **HIGHWAY TRUST FUND**

11 **SECTION 4.1.** Appropriations from the Highway Trust Fund are made for
 12 the fiscal year ending June 30, 2007, according to the following schedule. Amounts set
 13 out in brackets are reductions from Highway Trust Fund appropriations for the
 14 2006-2007 fiscal year.

15		
16	Highway Trust Fund	2006-2007
17		<u>Adjustments</u>
18		
19	Department of Transportation:	
20	Maximum Allowance for Administration	\$ 3,180,220
21		
22	Construction Allocation:	
23	Intrastate System	169,102,879
24	Urban Loop System	68,378,162
25	Secondary Roads	16,462,310
26		
27	State Aid to Municipalities	17,742,836
28		
29	Transfer to the General Fund	(195,176,407)
30		
31	Total Highway Trust Fund	<u>\$ 79,690,000</u>

32
 33 **CAP GAS TAX RATE/HOLD HIGHWAY FUND HARMLESS**

34 **SECTION 4.2.(a)** Notwithstanding G.S.105-449.80, the motor fuel excise
 35 tax rate shall not exceed 29.9 cents per gallon. The sum of seventeen million six
 36 hundred sixty-two thousand seven hundred twenty-five dollars (\$17,662,725) shall be
 37 transferred from Nontax Budget Code 19978 (Intrastate Transfers) to Highway Fund
 38 Budget Code 84210 by April 30, 2007, if the motor fuel excise tax rate is scheduled to
 39 exceed 29.9 cents per gallon at any time during FY 2006-2007.

40 **SECTION 4.2.(b)** G.S. 105-449.80(a) reads as rewritten:

41 "(a) Rate. – The motor fuel excise tax rate is a flat rate of seventeen and one-half
 42 cents (17 1/2¢) a gallon plus a variable wholesale component. The variable wholesale
 43 component is either three and one-half cents (3 1/2¢) a gallon or seven percent (7%) of
 44 the average wholesale price of motor fuel for the applicable base period, whichever is

1 greater. In no case may the variable wholesale component be greater than twelve and
 2 four-tenths cents (12.4¢) a gallon.

3 The two base periods are six-month periods; one ends on September 30 and one ends
 4 on March 31. The Secretary must set the tax rate twice a year based on the wholesale
 5 price for each base period. A tax rate set by the Secretary using information for the base
 6 period that ends on September 30 applies to the six-month period that begins the
 7 following January 1. A tax rate set by the Secretary using information for the base
 8 period that ends on March 31 applies to the six-month period that begins the following
 9 July 1."

10 **SECTION 4.2.(c)** Subsection (b) of this section is effective when it becomes
 11 law.

12
 13 **REDUCE HIGHWAY TRUST FUND TRANSFER TO GENERAL FUND**

14 **SECTION 4.3.** Section 2.2(e) of S.L. 2005-276 is repealed.
 15 Notwithstanding any other provision of law, the sum of fifty-one million five hundred
 16 ninety-nine thousand twenty-seven dollars (\$51,599,027) shall be transferred from the
 17 Highway Trust Fund to the General Fund for fiscal year 2006-2007.

18
 19 **PART V. BLOCK GRANTS**

20
 21 **NATURAL AND ECONOMIC RESOURCES BLOCK GRANTS**

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

24
 25 **COMMUNITY DEVELOPMENT BLOCK GRANT**

26

27	01.State Administration	\$ 850,000
28	02.Urgent Needs and Contingency	600,000
29	03.Scattered Site Housing	11,550,000
30	04.Economic Development	7,500,000
31	05.Small Business/Entrepreneurship	1,000,000
32	06.Community Revitalization	11,000,000
33	07.State Technical Assistance	375,000
34	08.Housing Development	1,500,000
35	09.Infrastructure	3,125,000

36
 37 **TOTAL COMMUNITY DEVELOPMENT**
 38 **BLOCK GRANT – 2007 Program Year**
 39 **\$ 37,500,000**

40
 41 **SECTION 5.1.(b)** Decreases in Federal Fund Availability. – If federal funds
 42 are reduced below the amounts specified above after the effective date of this act, then
 43 every program in each of these federal block grants shall be reduced by the same
 44 percentage as the reduction in federal funds.

1 **SECTION 5.1.(c)** Increases in Federal Fund Availability for Community
2 Development Block Grant. – Any block grant funds appropriated by the Congress of the
3 United States in addition to the funds specified in this section shall be expended as
4 follows: each program category under the Community Development Block Grant shall
5 be increased by the same percentage as the increase in federal funds.

6 **SECTION 5.1.(d)** Limitations on Community Development Block Grant
7 Funds. – Of the funds appropriated in this section for the Community Development
8 Block Grant, the following shall be allocated in each category for each program year: up
9 to eight hundred fifty thousand dollars (\$850,000) may be used for State
10 Administration; not less than six hundred thousand dollars (\$600,000) may be used for
11 Urgent Needs and Contingency; up to eleven million five hundred fifty thousand dollars
12 (\$11,550,000) may be used for Scattered Site Housing; up to seven million five hundred
13 thousand dollars (\$7,500,000) may be used for Economic Development; up to one
14 million dollars (\$1,000,000) may be used for Small Business/Entrepreneurship; not less
15 than eleven million dollars (\$11,000,000) shall be used for Community Revitalization;
16 up to three hundred seventy-five thousand dollars (\$375,000) may be used for State
17 Technical Assistance; up to one million five hundred thousand dollars (\$1,500,000) may
18 be used for Housing Development; up to three million one hundred twenty-five
19 thousand dollars (\$3,125,000) may be used for Infrastructure. If federal block grant
20 funds are reduced or increased by the Congress of the United States after the effective
21 date of this act, then these reductions or increases shall be allocated in accordance with
22 subsection (b) or (c) of this section, as applicable.

23 **SECTION 5.1.(e)** Increase Capacity for Nonprofit Organizations. –
24 Assistance to nonprofit organizations to increase their capacity to carry out
25 CDBG-eligible activities in partnership with units of local government is an eligible
26 activity under any program category in accordance with federal regulations. Capacity
27 building grants may be made from funds available within program categories, program
28 income, or unobligated funds.

29 **SECTION 5.1.(f)** Department of Commerce Demonstration will create a
30 small business/entrepreneurship program in coordination with micro-lending programs
31 and other small business assistance groups in the State. The Department of Commerce
32 shall award up to one million dollars (\$1,000,000) in grants to local governments to
33 provide assistance to low-to-moderate income individuals for small business and
34 entrepreneurship development as a means of achieving economic independence during
35 these times of structural change in North Carolina's economy.

36 **SECTION 5.1.(g)** The Department of Commerce shall consult with the Joint
37 Legislative Commission on Governmental Operations prior to reallocating Community
38 Development Block Grant Funds. Notwithstanding the provisions of this subsection,
39 whenever the Director of the Budget finds that:

- 40 (1) A reallocation is required because of an emergency that poses an
41 imminent threat to public health or public safety, the Director of the
42 Budget may authorize the reallocation without consulting the
43 Commission. The Department of Commerce shall report to the
44 Commission on the reallocation no later than 30 days after it was

1 authorized and shall identify in the report the emergency, the type of
2 action taken, and how it was related to the emergency.

- 3 (2) The State will lose federal block grant funds or receive less federal
4 block grant funds in the next fiscal year unless a reallocation is made.
5 The Department of Commerce shall provide a written report to the
6 Commission on the proposed reallocation and shall identify the reason
7 that failure to take action will result in the loss of federal funds. If the
8 Commission does not hear the issue within 30 days of receipt of the
9 report, the Department may take the action without consulting the
10 Commission.

11 PART VI. GENERAL PROVISIONS

12 INCREASE MINIMUM WAGE

13 **SECTION 6.1.(a)** G.S. 95-25.3(a) reads as rewritten:

14 "(a) Every employer shall pay to each employee who in any workweek performs
15 any work, wages of at least ~~the minimum wage set forth in paragraph 1 of section 6(a)~~
16 ~~of the Fair Labor Standards Act, 29 U.S.C. 206(a)(1), as that wage may change from~~
17 ~~time to time, six dollars (\$6.00) per hour, except as otherwise provided in this section."~~

18 **SECTION 6.1.(b)** This act is effective January 1, 2007.

19 GENERAL FUND OPERATING APPROPRIATIONS CAP

20 **SECTION 6.2.** Article 1 of Chapter 143 of the General Statutes is amended
21 by adding the following new sections to read:

22 **"§ 143-2.1. Definitions and determination of the General Fund appropriations cap.**

23 (a) Definitions. – The following definitions apply in this section and in
24 G.S. 143-2.2:

25 (1) Fiscal growth factor. – The average of total State personal income
26 change for each of the preceding 10 State fiscal years. If income
27 change for any of the preceding 10 fiscal years is negative, then that
28 change shall be counted as zero. For fiscal year 2006-2007, the fiscal
29 growth factor is 5.6 percent.

30 (2) Total State personal income change. – The annual percentage change
31 in State personal income for each State fiscal year as reported by the
32 Office of State Budget and Management.

33 (3) General Fund appropriations limit. – The General Fund appropriations
34 limit for each fiscal year shall be the previous fiscal year's General
35 Fund appropriations for operations increased by a percentage rate that
36 equals the fiscal growth factor.

37 (4) Exemptions from the limit. – Any increases in appropriations for the
38 following purposes shall be excluded from the appropriations limit:

39 a. Repayments to the Retirement Fund for moneys intercepted in
40 order to balance the State budget in previous years.

41 b. Compliance with a court order or directive.

1 c. Mental Health Trust Fund.

2 d. To implement the teacher pay plan required under Section 2.2(j)
3 of S.L. 2005-276.

4 e.5. Disaster reserve funds and utility assistance.

5 (b) Fiscal Reports. – On or before March 15 of each year, the Fiscal Research
6 Division and the Office of State Budget and Management shall issue a determination of
7 the General Fund appropriations limit for the fiscal year beginning July 1 of that year
8 and a projection of the General Fund appropriations limit for the next fiscal year.

9 **"§ 143-2.2. Increase in General Fund appropriations limited.**

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

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

24
25 **REQUIRE VOTER APPROVAL FOR DEBT EXCEEDING TWENTY-FIVE**
26 **MILLION DOLLARS**

27 **SECTION 6.3.** G.S. 142-83 reads as rewritten:

28 **"§ 142-83. Authorization of special indebtedness; General Assembly approval.**

29 The State may incur or issue special indebtedness subject to the terms and conditions
30 provided in this Article for the purpose of financing the cost of capital facilities that
31 meet one of the following conditions:

32 (1) The General Assembly has enacted legislation describing the capital
33 facility and authorizing its financing by the incurrence or issuance of
34 special indebtedness up to a specific maximum ~~amount.~~ amount, or
35 legislation authorizing the incurrence or issuance of special
36 indebtedness up to a specific maximum amount for a specific category
37 of capital facilities and the capital facility meets all of the conditions
38 set in that legislation.

39 (2) The General Assembly has enacted legislation authorizing the
40 incurrence or issuance of special indebtedness up to a specific
41 maximum amount for a specific category of capital facilities and the
42 capital facility meets all of the conditions set in that legislation.

43 (3) The authorization of special indebtedness, except for matters of public
44 safety, public health, or to enforce a court order, shall not exceed

twenty-five million dollars (\$25,000,000). The authorization cap of twenty-five million dollars (\$25,000,000) shall include all authorizations made by the General Assembly during one fiscal year."

RECEIPT SUPPORTED POSITIONS CONSULTATION REQUIREMENT

SECTION 6.4. G.S. 143-34.1(a1) is repealed.

PART VII. PUBLIC SCHOOLS

TEACHER SALARY SCHEDULES

SECTION 7.1.(a) Effective for the 2006-2007 school year, the Director of the Budget shall transfer from the Reserve for Experience Step Salary Increase for Teachers and Principals in Public Schools for the 2006-2007 fiscal year funds necessary to implement the teacher salary schedule set out in subsection (b) of this section, including funds for the employer's retirement and social security contributions and funds for annual longevity payments at one and one-half percent (1.5%) of base salary for 10 to 14 years of State service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19 years of State service, three and twenty-five hundredths percent (3.25%) of base salary for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary for 25 or more years of State service, commencing July 1, 2006, 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. The longevity payment shall be paid in a lump sum once a year.

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

2006-2007 Monthly Salary Schedule
"A" Teachers

<u>Years of Experience</u>	<u>"A" Teachers</u>	<u>NBPTS Certification</u>
0	\$2,851	N/A
1	\$2,893	N/A
2	\$2,937	N/A
3	\$3,093	\$3,464
4	\$3,233	\$3,621
5	\$3,367	\$3,771
6	\$3,496	\$3,916
7	\$3,600	\$4,032
8	\$3,648	\$4,086
9	\$3,697	\$4,141
10	\$3,747	\$4,197

1	11	\$3,796	\$4,252
2	12	\$3,847	\$4,309
3	13	\$3,898	\$4,366
4	14	\$3,951	\$4,425
5	15	\$4,005	\$4,486
6	16	\$4,060	\$4,547
7	17	\$4,115	\$4,609
8	18	\$4,174	\$4,675
9	19	\$4,232	\$4,740
10	20	\$4,290	\$4,805
11	21	\$4,352	\$4,874
12	22	\$4,413	\$4,943
13	23	\$4,479	\$5,016
14	24	\$4,543	\$5,088
15	25	\$4,608	\$5,161
16	26	\$4,674	\$5,235
17	27	\$4,742	\$5,311
18	28	\$4,813	\$5,391
19	29+	\$4,884	\$5,470

2006-2007 Monthly Salary Schedule
"M" Teachers

<u>Years of Experience</u>	<u>"M" Teachers</u>	<u>NBPTS Certification</u>
26	0	N/A
27	1	N/A
28	2	N/A
29	3	\$3,810
30	4	\$3,983
31	5	\$4,148
32	6	\$4,308
33	7	\$4,435
34	8	\$4,495
35	9	\$4,555
36	10	\$4,617
37	11	\$4,677
38	12	\$4,740
39	13	\$4,803
40	14	\$4,868
41	15	\$4,935
42	16	\$5,002
43	17	\$5,070
44	18	\$5,142

1	19	\$4,655	\$5,214
2	20	\$4,719	\$5,285
3	21	\$4,787	\$5,361
4	22	\$4,854	\$5,436
5	23	\$4,927	\$5,518
6	24	\$4,997	\$5,597
7	25	\$5,069	\$5,677
8	26	\$5,141	\$5,758
9	27	\$5,216	\$5,842
10	28	\$5,294	\$5,929
11	29+	\$5,372	\$6,017

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

SECTION 7.1.(d) Effective for the 2006-2007 school year, the first step of the salary schedule for school psychologists shall be equivalent to Step 5, corresponding to five years of experience, on the salary schedule established in this section for certified personnel of the public schools who are classified as "M" teachers. Certified psychologists shall be placed on the salary schedule at an appropriate step based on their years of experience. Certified psychologists shall receive longevity payments based on years of State service in the same manner as teachers.

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

SECTION 7.1.(e) Effective for the 2006-2007 school year, speech pathologists who are certified as speech pathologists at the masters degree level and audiologists who are certified as audiologists at the masters 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

1 certification based on academic preparation at the doctoral degree level shall receive a
 2 salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to
 3 the compensation provided for speech pathologists and audiologists.

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

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

8
 9 **SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE**

10 **SECTION 7.2.(a)** Effective for the 2006-2007 school year, the Director of
 11 the Budget shall transfer from the Reserve for Compensation Increases for the
 12 2006-2007 fiscal year funds necessary to implement the salary schedule for
 13 school-based administrators as provided in this section. These funds shall be used for
 14 State-paid employees only.

15 **SECTION 7.2.(b)** The base salary schedule for school-based administrators
 16 shall apply only to principals and assistant principals. The base salary schedule for the
 17 2006-2007 fiscal year, commencing July 1, 2006, is as follows:

18
 19 2006-2007
 20 Principal and Assistant Principal Salary Schedules
 21 Classification

22	23 Yrs. of	Assistant	Prin I	Prin II	Prin III	Prin IV
24	Exp	Principal	(0-10)	(11-21)	(22-32)	(33-43)
25						
26	0-4	\$3,592				
27	5	\$3,741				
28	6	\$3,884				
29	7	\$4,000				
30	8	\$4,053	\$4,053			
31	9	\$4,108	\$4,108			
32	10	\$4,163	\$4,163	\$4,218		
33	11	\$4,218	\$4,218	\$4,274		
34	12	\$4,274	\$4,274	\$4,331	\$4,389	
35	13	\$4,331	\$4,331	\$4,389	\$4,450	\$4,511
36	14	\$4,389	\$4,389	\$4,450	\$4,511	\$4,572
37	15	\$4,450	\$4,450	\$4,511	\$4,572	\$4,637
38	16	\$4,511	\$4,511	\$4,572	\$4,637	\$4,702
39	17	\$4,572	\$4,572	\$4,637	\$4,702	\$4,766
40	18	\$4,637	\$4,637	\$4,702	\$4,766	\$4,835
41	19	\$4,702	\$4,702	\$4,766	\$4,835	\$4,903
42	20	\$4,766	\$4,766	\$4,835	\$4,903	\$4,976
43	21	\$4,835	\$4,835	\$4,903	\$4,976	\$5,047
44	22	\$4,903	\$4,903	\$4,976	\$5,047	\$5,120

1	23	\$4,976	\$4,976	\$5,047	\$5,120	\$5,192
2	24	\$5,047	\$5,047	\$5,120	\$5,192	\$5,268
3	25	\$5,120	\$5,120	\$5,192	\$5,268	\$5,347
4	26	\$5,192	\$5,192	\$5,268	\$5,347	\$5,426
5	27	\$5,268	\$5,268	\$5,347	\$5,426	\$5,535
6	28	\$5,347	\$5,347	\$5,426	\$5,535	\$5,646
7	29	\$5,426	\$5,426	\$5,535	\$5,646	\$5,759
8	30	\$5,535	\$5,535	\$5,646	\$5,759	\$5,874
9	31	\$5,646	\$5,646	\$5,759	\$5,874	\$5,991
10	32		\$5,759	\$5,874	\$5,991	\$6,111
11	33			\$5,991	\$6,111	\$6,233
12	34			\$6,111	\$6,233	\$6,358
13	35				\$6,358	\$6,485
14	36				\$6,485	\$6,615
15	37					\$6,747

Principal and Assistant Principal Salary Schedules
Classification

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

1	35	\$6,615	\$6,747	\$7,020	\$7,160
2	36	\$6,747	\$6,882	\$7,160	\$7,303
3	37	\$6,882	\$7,020	\$7,303	\$7,449
4	38	\$7,020	\$7,160	\$7,449	\$7,598
5	39		\$7,303	\$7,598	\$7,750
6	40		\$7,449	\$7,750	\$7,905
7	41			\$7,905	\$8,063

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

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

14 The beginning classification for principals in alternative schools and in
15 cooperative innovative high schools shall be the Principal III level. Principals in
16 alternative schools who supervise 33 or more teachers shall be classified according to
17 the number of teachers supervised.

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

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

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

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

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

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

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

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

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

16
17 **CENTRAL OFFICE SALARIES**

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

21	School Administrator I	\$2,932	\$5,726
22	School Administrator II	\$3,112	\$6,074
23	School Administrator III	\$3,303	\$6,443
24	School Administrator IV	\$3,436	\$6,700
25	School Administrator V	\$3,574	\$6,970
26	School Administrator VI	\$3,792	\$7,392
27	School Administrator VII	\$3,945	\$7,690

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

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

36	Superintendent I	\$4,187	\$8,158
37	Superintendent II	\$4,445	\$8,651
38	Superintendent III	\$4,716	\$9,178
39	Superintendent IV	\$5,005	\$9,734
40	Superintendent V	\$5,312	\$10,328

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

1 Notwithstanding the provisions of this subsection, a local board of education
2 may pay an amount in excess of the applicable range to a superintendent who is entitled
3 to receive the higher amount under Section 7.2(f) of this act.

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

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

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

19 **SECTION 7.3.(f)** The annual salary increase for all permanent full-time
20 personnel paid from the Central Office Allotment shall be four percent (4%),
21 commencing July 1, 2006. The State Board of Education shall allocate these funds to
22 local school administrative units. The local boards of education shall establish
23 guidelines for providing salary increases to these personnel.

24 25 **NONCERTIFIED PERSONNEL SALARY AND FAIR MINIMUM PAY**

26 **SECTION 7.4.(a)** The annual salary increase for permanent, full-time
27 noncertified public school employees whose salaries are supported from the State's
28 General Fund shall be four percent (4%), commencing July 1, 2006.

29 **SECTION 7.4.(b)** Local boards of education shall increase the rates of pay
30 for such employees who were employed for all or part of fiscal year 2005-2006 and who
31 continue their employment for fiscal year 2006-2007 by providing an annual salary
32 increase for employees of four percent (4%). For part-time employees, the pay increase
33 shall be pro rata based on the number of hours worked.

34 **SECTION 7.4.(c)** The State Board of Education may adopt salary ranges for
35 noncertified personnel to support increases of four percent (4%) for the 2006-2007
36 fiscal year.

37 **SECTION 7.4.(d)** Effective July 1, 2006, permanent noncertified public
38 school employees whose salaries are supported from the State's General Fund shall be
39 paid a minimum monthly or hourly salary equivalent to the minimum salary of State
40 employees subject to the State Personnel Act.

41 42 **BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY** 43 **SCHEDULES**

1 **SECTION 7.5.** Effective July 1, 2006, any permanent certified personnel
2 employed on July 1, 2006, and paid on the teacher salary schedule with 29+ years of
3 experience shall receive a one-time bonus equivalent to the average increase of the 26-
4 to 29-year steps, one and fifty-eight hundredths percent (1.58%). Effective July 1,
5 2006, any permanent personnel employed on July 1, 2006, and paid at the top of the
6 principal and assistant principal salary schedule shall receive a one-time bonus
7 equivalent to two percent (2%). For permanent part-time personnel, the one-time bonus
8 shall be adjusted pro rata. Personnel defined under G.S. 115C-325(a)(5a) are not
9 eligible to receive the bonus.

10 11 **FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION**

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

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

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

30 31 **CHILDREN WITH DISABILITIES**

32 **SECTION 7.7.** The State Board of Education shall allocate funds for
33 children with disabilities on the basis of two thousand nine hundred sixty-six dollars and
34 sixty-five cents (\$2,966.65) per child for a maximum of 172,040 children for the
35 2006-2007 school year. Each local school administrative unit shall receive funds for the
36 lesser of (i) all children who are identified as children with disabilities, or (ii) twelve
37 and five-tenths percent (12.5%) of the 2006-2007 allocated average daily membership
38 in the local school administrative unit.

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

43 44 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

1 **SECTION 7.8.** The State Board of Education shall allocate funds for
2 academically or intellectually gifted children on the basis of nine hundred sixty-one
3 dollars and sixty cents (\$961.60) per child. A local school administrative unit shall
4 receive funds for a maximum of four percent (4%) of its 2006-2007 allocated average
5 daily membership, regardless of the number of children identified as academically or
6 intellectually gifted in the unit. The State Board shall allocate funds for no more than
7 57,419 children for the 2006-2007 school year.

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

12 13 **LEA ASSISTANCE PROGRAM**

14 **SECTION 7.9.(a)** The State Board of Education shall report on a plan to
15 provide assistance to low-performing schools and LEAs and to assist schools and LEAs
16 not meeting adequate yearly progress as identified in the No Child Left Behind Act of
17 2001. The report shall include historical data on assistance that has been provided and
18 the quantitative outcomes, including student academic performance for each school and
19 LEA assisted. The report shall also include research-based data regarding state LEA
20 and school assistance programs. The plan shall ensure that all assistance to LEAs and
21 schools that is provided on behalf of the State Board of Education (SBE) by the
22 Department of Public Instruction and its contractors shall be consolidated into the LEA
23 Assistance Program (LEAAP) created in the 2003 Session of the General Assembly.

24 **SECTION 7.9.(b)** The State Board of Education shall develop the criteria
25 for LEA Assistance Teams (i) the criteria for selecting LEAs and schools to receive
26 assistance, (ii) measurable goals and objectives for the assistance program, (iii) an
27 explanation of the type of assistance to be provided with these combined resources. The
28 Department will develop a revised organizational structure and budget for the provision
29 of assistance services to LEAs to ensure the department can meet the needs of the
30 LEAs. This structure and budget must be approved by the State Board of Education.
31 The report to the Office of State Budget and Management, the Fiscal Research Division,
32 and the Joint Legislative Education Oversight Committee on the criteria and the new
33 organizational structure, proposed budget, functions, and projected workloads shall be
34 submitted by August 15, 2006.

35 **SECTION 7.9.(c)** To implement the plan, notwithstanding G.S. 143-23,
36 funds shall be transferred from within existing appropriations to the LEAAP. The State
37 Board of Education may, subject to the approval of the Office of State Budget and
38 Management, use these funds to create positions. For 2006-2007 only, the State Board
39 may transfer General Fund appropriations between personnel service and nonpersonnel
40 service line items provided that it has been approved by the State Board and has prior
41 approval from the Office of State Budget and Management, in order to have the
42 flexibility during the transition year to structure itself most efficiently for the delivery of
43 services. However, all funds transferred under this provision are only for this program
44 and for the services described herein. Funds are not to be used to raise the salary of

1 existing employees. These funds shall come from appropriations currently supporting
2 positions, and related operating costs within the Department of Public Instruction for
3 school improvement teams and for Closing the Gap positions, and from the funds
4 appropriated to the State Public School Fund being used for contractual services and
5 associated costs for the Assistance Teams. The Office of State Budget and Management
6 shall approve the plan prior to the transfer of funds.

7 **SECTION 7.9.(d)** A report shall be submitted on the prior year's expenditure
8 of these funds by August 31 of each year. The report shall contain: (i) the criteria for
9 selecting LEAs and schools to receive assistance, (ii) measurable goals and objectives
10 for the assistance program, (iii) an explanation of the assistance provided, (iv) findings
11 from the assistance program, (v) actual expenditures by category, (vi) recommendations
12 for the continuance of this program, and (vii) any other information the State Board
13 deems necessary. These funds shall not revert at the end of each fiscal year but shall
14 remain available until expended for this purpose.

15 **DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING**

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

18 "SECTION 7.8.(c) Beginning in the 2006-2007 fiscal year, funds appropriated for
19 disadvantaged student supplemental funding (DSSF) shall be allotted based upon a
20 teacher-to-student ratio for the eligible DSSF population using the following formula:
21 (i) local education agencies (LEAs) in counties with wealth greater than ninety percent
22 (90%) of the statewide average as calculated under the low-wealth supplemental
23 formula shall receive one teaching position per 20.5 DSSF population, (ii) LEAs in
24 counties with wealth not less than eighty percent (80%) and not greater than ninety
25 percent (90%) of the statewide average as calculated under the low-wealth supplemental
26 formula shall receive one teaching position per 20 DSSF population, (iii) LEAs in
27 counties with less wealth than eighty percent (80%) of the statewide average as
28 calculated under the low-wealth supplemental formula shall receive one teaching
29 position per 19.5 DSSF population, and (iv) LEAs receiving DSSF funds in 2005-2006
30 shall receive one teaching position per 16 DSSF population. LEAs receiving DSSF
31 funds in 2005-2006 shall receive no less than the DSSF amount allotted in 2005-2006."
32

33 **LEARN AND EARN HIGH SCHOOLS**

34 **SECTION 7.11.(a)** Funds are appropriated in this act for the Learn and Earn
35 high school workforce development program. The purpose of the program is to create
36 rigorous and relevant high school options that provide students with the opportunity and
37 assistance to earn an associate degree or two years of college credit by the conclusion of
38 the year after their senior year in high school. The State Board of Education shall work
39 closely with the Education Cabinet and the New Schools Project in administering the
40 program.

41 **SECTION 7.11.(b)** These funds shall be used to establish new high schools
42 in which a local school administrative unit, two- and four-year colleges and universities,
43 and local employers work together to ensure that high school and postsecondary college
44

1 curricula operate seamlessly and meet the needs of participating employers. Funds shall
2 not be allotted until Learn and Earn high schools are certified as operational.

3 **SECTION 7.11.(c)** During the first year of its operation, a high school
4 established under G.S. 115C-238.50 shall be allotted a principal regardless of the
5 number of State-paid teachers assigned to the school or the number of students enrolled
6 in the school. The budget flexibility authorized by G.S. 115C-105.25 does not apply to
7 these positions.

8 **SECTION 7.11.(d)** The State Board of Education, in consultation with the
9 State Board of Community Colleges and The University of North Carolina Board of
10 Governors, shall conduct an annual evaluation of this program. The evaluation shall
11 include measures as identified in G.S. 115C-238.55. It shall also include: (i) an
12 accounting of how funds and personnel resources were utilized and their impact on
13 student achievement, retention, and employability; (ii) recommended statutory and
14 policy changes; and (iii) recommendations for improvement of the program. The State
15 Board of Education shall report the results of this evaluation to the Office of State
16 Budget and Management, the Joint Legislative Education Oversight Committee, and the
17 Fiscal Research Division by January 15 of each fiscal year.

18 **SECTION 7.11.(e)** Funds appropriated in this act will expand the number of
19 Learn and Earn sites to 34 in 2006-2007. Enrollment and tuition for The University of
20 North Carolina courses in which Learn and Earn students are enrolled is an allowable
21 use of these funds. Tuition costs may include laboratory fees assessed to all students
22 enrolled in the course or a similar course.

23 **SECTION 7.11.(f)** Textbooks required for college courses in which Learn
24 and Earn students are enrolled may be purchased with these funds.

25 **SECTION 7.11.(g)** Payment of fees by LEAs to partnering community
26 colleges and universities are restricted to technology or course fees. Funds appropriated
27 in this act shall not be used to support the cost of athletic or other student activity or
28 campus fees not required by enrollment in a specific course.

29 **SECTION 7.11.(h)** Nonrecurring funds are appropriated to support planning
30 sites in 2006-2007. These funds may be used for planning and start-up costs, and
31 principal salary for the four months immediately prior to the academic year in which the
32 site becomes operational.

33 **SECTION 7.11.(i)** The State Board of Education shall allot funds for
34 university enrollment, tuition and fees, and textbooks on the basis of and after
35 verification of the credit hour enrollment of Learn and Earn students in university
36 courses. The State Board of Education shall allot funds for community college fees and
37 textbooks on the basis of and after verification of the credit hour enrollment of Learn
38 and Earn students in community college courses.

39 40 **NEW SCHOOLS PROJECT HIGH SCHOOLS**

41 **SECTION 7.12.(a)** Funds are appropriated in this act to expand the Small
42 Specialty Schools pilot. This appropriation will support the redesign of an additional 21
43 new schools in 2006-2007. The purpose of the program is to improve graduation rates
44 and to achieve higher student performance as measured by standard tests and

1 postgraduate gainful employment or admission into an institution of higher education.
2 The State Board of Education shall work closely with the Education Cabinet and the
3 New Schools Project in administering the program.

4 **SECTION 7.12.(b)** Nonrecurring funds are appropriated to support 10
5 planning sites in 2006-2007 for redesigned schools focused on science, technology,
6 engineering, and/or mathematics (STEM). The State Board of Education shall work
7 closely with the NC New Schools Project in administering the program. These funds
8 may be used for planning and start-up costs and principal salaries for the four months
9 immediately prior to the academic year in which the site becomes operational. Any
10 implementation grants for STEM schools shall come from non-State sources, such as
11 private and other public sources.

12 13 **NC WISE POSITIONS**

14 **SECTION 7.13.(a)** Notwithstanding G.S. 143-23, the State Board of
15 Education may, subject to the approval of the Office of State Budget and Management,
16 and in consultation with the Office of Information Technology Services, use funds
17 appropriated in this act for NC WISE to create positions or incur expenditures necessary
18 to transfer the maintenance and administration of the NC WISE system from the vendor
19 to the Department of Public Instruction.

20 **SECTION 7.13.(b)** The Department of Public Instruction shall report on a
21 quarterly basis to the Joint Legislative Education Oversight Committee on the
22 implementation of the NC WISE project.

23 24 **ONLINE PROFESSIONAL DEVELOPMENT RESOURCE CENTER**

25 **SECTION 7.14.(a)** Funds appropriated to the State Board of Education for
26 the Online Professional Development Resource Center Web portal will be placed in a
27 reserve in the Professional Teaching Standards Commission budget until an IT project
28 plan is developed and approved.

29 **SECTION 7.14.(b)** Funds will be released upon approval of the IT project
30 plan by the State Budget Director and the Chief Information Officer.

31 32 **21ST CENTURY LITERACY COACHES**

33 **SECTION 7.15.(a)** Funds in the amount of four million seven hundred
34 sixty-seven thousand four hundred dollars (\$4,767,400) are appropriated to support the
35 selection and hiring of 100 21st Century Literacy Coaches. Coaches will be hired and
36 placed in 100 middle schools or other public schools with an eighth grade class. A site
37 selection process including formal criteria will be developed by the State Board of
38 Education in consultation with the North Carolina Teacher Academy. The site must
39 receive formal approval of the State Board of Education to receive funds for this
40 purpose. Sites prioritized for selection will include representation from a wide
41 demographic and will include, but will not be limited to, feeder schools to Learn and
42 Earn schools, New Schools Project schools, Disadvantaged Student Supplemental
43 Funding (DSSF) districts, or select schools with the lowest tier of reading scores in the
44 most recent three years on end-of-grade tests. To be selected, schools must (i) contain

1 an eighth grade class, and (ii) ensure that Literacy Coaches will have no administrative
2 responsibilities in the schools in which they are placed.

3 **SECTION 7.15.(b)** National Board for Professional Teaching Standards
4 (NBPTS) certified teachers serving in these positions shall be exempt from the
5 requirements in G.S.115C-296.2(b)(2)d. and shall remain on the NBPTS teacher salary
6 schedule.

7
8 **EDUCATION VALUES ADDED ASSESSMENT SYSTEM (EVAAS) – ALLOW**
9 **LEAS TO PARTICIPATE**

10 **SECTION 7.16.** Effective July 1, 2006, the Education Value Added
11 Assessment System (EVAAS) will be made available to LEAs as a tool to provide
12 in-depth analysis of student performance and to help identify strategies for improving
13 student achievement. The State Board of Education shall identify LEAs to receive
14 funding in 2006-2007 based on criteria that shall include (i) identified need, (ii)
15 readiness, and (iii) county wealth, as defined in the Low-Wealth Supplemental Funding
16 Formula.

17
18 **NORTH CAROLINA VIRTUAL SCHOOL**

19 **SECTION 7.17.(a)** Funds are appropriated in this act for the North Carolina
20 Virtual Public School (NCVPS) program. The NCVPS shall report to the State Board
21 of Education and shall maintain an administrative office at the Department of Public
22 Instruction. Funds shall be used for eight positions for administration of the program;
23 course reviews, consolidation, acquisition and development; an NCVPS management
24 system; employment of instructional staff; and operating expenses of the program. The
25 purpose of the North Carolina Virtual Public School (NCVPS) program is to ensure that
26 North Carolina public school students and faculty can access a standard set of quality
27 educational resources online.

28 **SECTION 7.17.(b)** The Director of NCVPS will ensure that course quality
29 standards are established and met and that all e-learning opportunities offered to public
30 school students are consolidated under the NC Virtual Public School Program,
31 eliminating course duplication. Assessment will be conducted by the director who shall
32 evaluate current course offerings for rigor and quality. A report on the proposed
33 consolidation and operating plan for 2007-2008 will be made to the Joint Legislative
34 Education Oversight Committee, the Office of State Budget and Management, and the
35 Fiscal Research Division no later than January 15, 2007. Consolidation will be
36 completed by June 30, 2007. Notwithstanding G.S 143-23, the State Board of
37 Education may move funds within the budget to implement the consolidation.

38 **SECTION 7.17.(c)** Subsequent to course consolidation, the Director will
39 prioritize e-learning course offerings for students residing in rural and low-wealth
40 county LEAs, in order to expand available instructional opportunities. First-available
41 e-learning instructional opportunities should include courses required as part of the
42 standard course of study for high school graduation and AP offerings not otherwise
43 available.

1 **SECTION 7.17.(d)** Beginning in fiscal year 2007-2008 funds for e-learning
2 opportunities for public school students will be budgeted as an ADM adjustment within
3 the State Public School Fund.

4 **SECTION 7.17.(e)** The appropriation for the information technology
5 component of this initiative is placed in a reserve in the Department of Public
6 Instruction. This project component must be approved by the State Budget Director and
7 the Chief Information Officer prior to the expenditure of funds.

8
9 **DISTANCE EDUCATION**

10 **SECTION 7.18.** Notwithstanding G.S. 143-23, the State Board of Education
11 may use monies from the State Public School Fund in 2006-2007 only to pay for the
12 additional costs associated with an increased number of registration fees for students
13 enrolling in distance education courses.

14
15 **DEPARTMENT OF PUBLIC INSTRUCTION LEGACY SYSTEM MIGRATION
16 AND UPGRADE**

17 **SECTION 7.19.** Nonrecurring funds in the amount of two million dollars
18 (\$2,000,000) are placed in a reserve in the Department of Public Instruction for Legacy
19 System Migration and Update. The department must obtain approval from the Chief
20 Information Officer and the State Budget Director prior to the expenditure of funds for
21 this project. Funds in the reserve may be carried forward to fiscal year 2007-2008 to
22 complete the project. Unexpended funds will revert to the General Fund June 30, 2008.

23
24 **SCHOOL CONNECTIVITY**

25 **SECTION 7.20.** A nonrecurring appropriation of four million dollars
26 (\$4,000,000) shall support the NC Education Network and expand the number of the
27 State's K-12 public schools to use technology as an instructional tool to prepare students
28 for the demands of the 21st century workforce. Funding shall be placed in reserve in the
29 Department of Public Instruction. The State Board of Education and the Department of
30 Public Instruction, in collaboration with ITS, shall work with pilot districts to provide
31 "last mile connectivity" and infuse technology into schools' instructional efforts.
32 Funding for support, network operations, security, and other appropriate expenditures
33 shall be managed out of the appropriation.

34
35 **CONVERT 100 TEACHING FELLOWS SCHOLARSHIP LOANS FOR
36 PROSPECTIVE MATHEMATICS AND SCIENCE TEACHERS**

37 **SECTION 7.21.(a)** Beginning in the 2007-2008 fiscal year, 100 of the 500
38 teaching fellows scholarship loans as established in G.S. 115C-363.23A shall be
39 changed from four-year scholarship loans to two-year scholarship loans for North
40 Carolina college juniors who intend to obtain licensure in middle school or high school
41 mathematics or science.

42 **SECTION 7.21.(b)** G.S. 115C-363.23A reads as rewritten:
43 "**§ 115C-363.23A. Teaching Fellows Program established; administration.**

1 (a) A Teaching Fellows Program shall be administered by the North Carolina
2 Teaching Fellows Commission. The Teaching Fellows Program shall be used to provide
3 a four-year scholarship loan of six thousand five hundred dollars (\$6,500) per year to
4 North Carolina high school seniors interested in preparing to teach in the public schools
5 of the State. Beginning July 1, 2007, the Teaching Fellows Program shall be used to
6 provide 100 two-year scholarship loans of six thousand five hundred dollars (\$6,500)
7 per year to North Carolina college juniors who intend to obtain licensure in middle
8 school or high school mathematics or science. The Commission shall adopt very
9 stringent standards, including minimum grade point average and scholastic aptitude test
10 scores, for awarding these scholarship loans to ensure that only the best high school
11 seniors receive them.

12 (b) The Commission shall administer the program in cooperation with teacher
13 training institutions selected by the Commission. Teaching Fellows should be exposed
14 to a range of extra-curricular activities while in college. These activities should be
15 geared to instilling a strong motivation not only to remain in teaching but to provide
16 leadership for tomorrow's schools.

17 (c) The Commission shall form regional review committees to assist it in
18 identifying the best high school seniors or college juniors for the program. The
19 Commission and the review committees shall make an effort to identify and encourage
20 minority students and students who may not otherwise consider a career in teaching to
21 enter the program.

22 (d) All scholarship loans shall be evidenced by notes made payable to the
23 Commission that shall bear interest at the rate of ten percent (10%) per year beginning
24 September 1 after completion of the program, or immediately after termination of the
25 scholarship loan, whichever is earlier. The scholarship loan may be terminated by the
26 recipient withdrawing from school or by the recipient not meeting the standards set by
27 the Commission.

28 (e) The Commission shall forgive the four-year loan if, within seven years after
29 graduation, the recipient teaches for four years and forgive the two-year loan if the
30 recipient teaches for three years at a North Carolina public school or at a school
31 operated by the United States government in North Carolina. The Commission shall
32 also forgive the four-year loan if, within seven years after graduation, the recipient
33 teaches for three consecutive years and forgive the two-year loan if the recipient teaches
34 for two years, unless the recipient takes an approved leave of absence, at a North
35 Carolina public school in a local school administrative unit that, at the time the recipient
36 accepts employment with the unit, is a low-performing school system identified in
37 accordance with Article 6A of this Chapter or is on warning status as defined by the
38 State Board of Education. The Commission shall also forgive the four-year loan and the
39 two-year loan if it finds that it is impossible for the recipient to teach ~~for four years~~,
40 within seven years after graduation, at a North Carolina public school or at a school
41 operated by the United States government in North Carolina, because of the death or
42 permanent disability of the recipient."
43

1 **PUBLIC SCHOOL BUILDING CAPITAL FUND – SMALL COUNTY**
2 **MINIMUM GUARANTEE**

3 **SECTION 7.22.(a)** G.S. 115C-546.2(a) reads as rewritten:

4 "(a) Monies in the Fund shall be allocated to the counties on a per average daily
5 membership basis according to the average daily membership for the budget year as
6 determined and certified by the State Board of Education. Interest earned on funds
7 allocated to each county shall be allocated to that county. It is provided, however, any
8 county defined as low-wealth and eligible for funds under subsection (d) of this section
9 shall receive an additional allocation per annum equal to the remainder of five hundred
10 thousand dollars (\$500,000) less the funds provided under subsection (d) of this section.
11 It is further provided that subsection (c) of this section does not apply to this additional
12 allocation."

13 **SECTION 7.22.(b)** The State Board of Education may use monies within
14 the Public School Building Capital Fund to establish an engineer position in the
15 Division of School Planning.

16
17 **TRANSFER MORE AT FOUR PROGRAM AND OFFICE OF SCHOOL**
18 **READINESS TO THE DEPARTMENT OF PUBLIC INSTRUCTION**

19 **SECTION 7.23.(a)** The More at Four program and the Office of School
20 Readiness are transferred from the Office of the Governor to the Department of Public
21 Instruction effective July 1, 2006. This transfer shall have all of the elements of a Type
22 I transfer, as defined in G.S. 143A-6. The Office of School Readiness will provide
23 oversight to the More at Four program and other related early childhood and
24 prekindergarten education experiences. An Executive Director for the Office of School
25 Readiness will be appointed by the State Board of Education.

26 **SECTION 7.23.(b)** Section 10.67(a) of S.L. 2005-276 is repealed.

27 **SECTION 7.23.(c)** Section 10.67(b) of S.L. 2005-276 reads as rewritten:

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

- 38 (1) A process and system for identifying children at risk of academic
39 failure.
- 40 (2) A process and system for identifying children who are not being
41 served ~~first priority~~ in formal early education programs, such as child
42 care, public or private preschools, Head Start, Early Head Start, early
43 intervention programs, or other such programs, who demonstrate

1 educational needs, and who are eligible to enter kindergarten the next
2 school year, as well as children who are underserved.

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

42 **SECTION 7.23.(d)** Section 10.67(c) of S.L. 2005-276 reads as rewritten:

43 "**SECTION 10.67.(c)** ~~The Department of Health and Human Services~~ Department
44 of Public Instruction shall implement a plan to expand ~~plan for expansion of the~~ "More

1 at Four" program standards within existing resources to include four- and five-star-rated
2 centers and schools serving four-year-olds and develop guidelines for these programs.
3 ~~The Department shall analyze guidelines for use of the "More at Four" funds, State~~
4 ~~subsidy funds, and Smart Start subsidy funds and devise a complementary plan for~~
5 ~~administration of funds for all four-year-old classrooms. The "NC Prekindergarten~~
6 ~~Program Standards" initiative shall recognize four- and five-star-rated centers that~~
7 ~~choose to apply and meet equivalent "More at Four" program standards as high quality~~
8 ~~pre-k classrooms. Classrooms meeting these standards shall, have at a minimum,~~
9 ~~receive curricula and access to training and workshops for "More at Four" programs.~~
10 ~~Whenever expansion slots are available, these classrooms shall have first priority to~~
11 ~~receive them, and be considered along with other "More at Four" programs for~~
12 ~~T.E.A.C.H. funding. The Department shall ensure that no individual receives funding~~
13 ~~from more than one source for the same purpose or activity during the same funding~~
14 ~~period. For purposes of this subsection, sources shall include T.E.A.C.H., W.A.G.E.\$.,~~
15 ~~and T.E.A.C.H. Health Insurance programs for individual recipients.~~

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

21 **SECTION 7.23.(e)** Section 10.67(d) of S.L. 2005-276 reads as rewritten:

22 **"SECTION 10.67.(d)** ~~The Department of Health and Human Services, the~~
23 ~~Department of Public Instruction, and the Task Force shall submit a report by February~~
24 ~~1, 2006~~ The Department of Public Instruction shall submit a report by February 1, 2007,
25 to the Joint Legislative Commission on Governmental Operations, the Joint Legislative
26 Education Oversight Committee, the Senate Appropriations Committee on ~~Health and~~
27 ~~Human Services Education~~, the House of Representatives Appropriations Subcommittee
28 on ~~Health and Human Services Education~~, and the Fiscal Research Division. This final
29 report shall include the following:

- 30 (1) The number of children participating in the program.
- 31 (2) The number of children participating in the program who have never
32 been served in other early education programs, such as child care,
33 public or private preschool, Head Start, Early Head Start, or early
34 intervention programs.
- 35 (3) The expected expenditures for the programs and the source of the local
36 match for each grantee.
- 37 (4) The location of program sites and the corresponding number of
38 children participating in the program at each site.
- 39 ~~(5) Activities involving Child Find in counties.~~
- 40 ~~(6)~~(5) A comprehensive cost analysis of the program, including the cost per
41 child served by the program.
- 42 ~~(7)~~(6) The plan for expansion of "More at Four" through existing resources
43 status of the NC Prekindergarten initiatives as outlined in this
44 section."

1 **SECTION 7.23.(f)** Section 10.67(e) of S.L. 2005-276 reads as rewritten:

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

8 **SECTION 7.23.(g)** Section 10.67(f) of S.L. 2005-276 reads as rewritten:

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

14 **SECTION 7.23.(h)** Section 10.67(g) of S.L. 2005-276 is repealed.

15 **SECTION 7.23.(i)** G.S. 115C-242(1) reads as rewritten:

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

39
40 **PROHIBIT USE OF STATE FUNDS FOR LOBBYING EXPENSES**

41 **SECTION 7.24.** State funds appropriated by this act for local school
42 administrative units shall not be used for the payment of dues to organizations that
43 conduct lobbying or legislative advocacy.
44

AMEND CIVIL PENALTY AND FORFEITURE FUND AVAILABILITY

SECTION 7.25.(a) Section 6.37(a) of S. L. 2005-276 reads as rewritten:

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

	FY 2005-2006	FY 2006-2007
Department of Revenue	\$ 80,000,000	\$ 85,000,000 <u>63,000,000</u>
Department of Transportation	\$ 15,000,000	\$ 15,000,000
Employment Security Commission	\$ 3,000,000	\$ 3,000,000
Department of Insurance	\$ 3,000,000	\$ 3,000,000 <u>1,000,000</u>
University of North Carolina	\$ 5,000,000	\$ 5,000,000 <u>3,500,000</u>
Other Agencies	\$ 14,500,000	\$ 14,500,000 <u>10,000,000</u>
Total Funds Available	\$ 120,500,000	\$ 125,500,000 <u>95,500,000</u>

SECTION 7.25.(b) Section 6.37(b) of S.L. 2005-276 reads as rewritten:

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

	2005-2006	2006-2007
School Technology Fund	\$ 18,000,000	\$ 18,000,000
State Public School Fund	\$ 102,500,000	\$ 107,500,000 <u>77,500,000</u>
Total Appropriation	\$ 120,500,000	\$ 125,500,000 <u>95,500,000</u>

SECTION 7.25. (c) G.S. 115C-457.2, as amended by Section 6.37(v) of S.L. 2005-276 reads as rewritten:

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

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

SECTION 7.26. The State Board of Education may use up to five hundred thousand dollars (\$500,000) from the State Public School Fund to support the Senior Project Initiative. These funds shall be used for training for LEA staff and teachers to implement this graduation requirement which was approved by the State Board of Education in 2004.

1
2 **PART VIII. COMMUNITY COLLEGES**

3
4 **USE OF FUNDS FOR THE COLLEGES INFORMATION SYSTEM PROJECT**

5 **SECTION 8.1.(a)** Funds appropriated to the Community Colleges System
6 Office for the College Information System Project shall not revert at the end of the
7 2005-2006 fiscal year but shall remain available until expended.

8 **SECTION 8.1.(b)** Notwithstanding G.S. 143-23, the Community Colleges
9 System Office may, subject to the approval of the Office of State Budget and
10 Management and in consultation with the Office of Information Technology Services,
11 use funds appropriated in this act for the College Information System Project to create
12 positions or incur expenditures necessary to transfer the maintenance and administration
13 of the College Information System Project from the vendor to the System Office.

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

17 **SECTION 8.1.(d)** Subsection (a) of this section becomes effective June 30,
18 2006.

19
20 **CARRYFORWARD FOR EQUIPMENT**

21 **SECTION 8.2.(a)** Subject to the approval of the Office of State Budget and
22 Management and cash availability, the North Carolina Community Colleges System
23 Office may carry forward an amount not to exceed ten million dollars (\$10,000,000) of
24 the operating funds that were not reverted in fiscal year 2005-2006 to be reallocated to
25 the State Board of Community Colleges' Equipment Reserve Fund. These funds shall
26 be distributed to colleges consistent with G.S. 115D-31.

27 **SECTION 8.2.(b)** This section becomes effective June 30, 2006.

28
29 **SALARIES OF COMMUNITY COLLEGE FACULTY AND PROFESSIONAL**
30 **STAFF**

31 **SECTION 8.3.(a)** Funds appropriated in this act for salary increases shall be
32 used to increase faculty and professional staff salaries by an average of four percent
33 (4%). These increases are in addition to other salary increases provided for in this act
34 and shall be calculated on the average salaries prior to the issuance of the compensation
35 increase. Colleges may provide additional increases from funds available.

36 **SECTION 8.3.(b)** The State Board of Community Colleges shall adopt rules
37 to ensure that these funds are used only to move faculty and professional staff salaries to
38 the respective national averages. These funds shall not be transferred by the State Board
39 or used for any other budget purpose by the community colleges.

40
41 **USE OF NEW AND EXPANDING INDUSTRY TRAINING PROGRAM FUNDS**
42 **FOR CUSTOMIZED INDUSTRY TRAINING**

43 **SECTION 8.4.** Notwithstanding any other provision of law, the State Board
44 of Community Colleges may use funds appropriated to it for the New and Expanding

1 Industry Training Program to operate programs under the Customized Industry Training
2 Program.

4 **UNC-NCCCS 2+2 E-LEARNING INITIATIVE FUNDS**

5 **SECTION 8.5.(a)** Funds appropriated in this act to The University of North
6 Carolina and the North Carolina Community College System for the UNC-NCCCS 2+2
7 E-Learning Initiative shall be used to fund further development of online courses for
8 2+2 programs. Based on a mutually agreed upon decision by the State Board of
9 Education Chairman, the President of the Community Colleges, and the President of
10 The University of North Carolina as to the areas of greatest need, to include
11 mathematics and science teacher licensure fields, funds are available to support joint
12 technology development, systems to track student progress and articulation between a
13 North Carolina community college and a University of North Carolina campus, and
14 develop technology needed to support online courses and 2+2 programs.

15 **SECTION 8.5.(b)** The University of North Carolina and Community
16 Colleges System Office shall report by September 1, 2006, and annually thereafter, to
17 the Joint Legislative Education Oversight Committee, the Office of State Budget and
18 Management, and the Fiscal Research Division of the General Assembly on the
19 implementation of the UNC-NCCCS 2+2 E-Learning Initiative. This report shall
20 include:

- 21 (1) The courses and programs within the 2+2 E-Learning Initiative;
- 22 (2) The total number of prospective teachers that have taken or are taking
23 part in this initiative to date broken down by the current academic
24 period and each of the previous academic periods since the program's
25 inception;
- 26 (3) The total number of teachers currently in the State's classroom, by
27 local school administrative unit, who have taken part in this initiative;
- 28 (4) The change in the number of teachers available to schools since the
29 program's inception;
- 30 (5) The qualitative data from students, teachers, local school
31 administrative unit personnel, university personnel, and community
32 college personnel as to the impact of this initiative on our State's
33 teaching pool; and
- 34 (6) An explanation of the expenditures and collaborative programs
35 between the NC Community College System and The University of
36 North Carolina, including recommendations for improvement.

38 **NC COMMUNITY COLLEGE SYSTEM MAY USE STATE FUNDS IN LIEU** 39 **OF FEDERAL FUNDS DUE TO FEDERAL MANDATES**

40 **SECTION 8.6.(a)** Changes in Guidelines Governing the Use of Federal
41 Funds. – If the Congress of the United States or the granting federal agency changes the
42 eligibility or guidelines governing grant monies awarded to the North Carolina
43 Community College System, the Community Colleges System Office shall adjust its
44 budget accordingly. In allocating an increase in federal funds, the Community Colleges

1 System Office shall not propose funding for new programs or activities not approved as
2 a condition of the grant award. In allocating a decrease in federal funds, the Department
3 shall not eliminate the funding for a program or activity appropriated in this act unless it
4 is related to the State administration or is mandated by the granting federal agency.

5 **SECTION 8.6.(b)** Prior to making any budget adjustments due to changes in
6 federal fund availability, the proposed allocation must be approved by the Office of
7 State Budget and Management, and a report shall be submitted to the Joint Legislative
8 Commission on Governmental Operations for review prior to implementing the
9 changes. All budget adjustments shall be reported immediately to the Office of State
10 Budget and Management, the Joint Legislative Commission on Governmental
11 Operations, and the Fiscal Research Division of the General Assembly.

12 **SECTION 8.6.(c)** Notwithstanding G.S. 143-23, the Community Colleges
13 System Office may use State literacy funds to fund the State administration of the GED
14 office. Federal funds previously used to support the State administration functions shall
15 be reallocated to the colleges.

16 17 **REPORT ON THE NCCCS BIONETWORK**

18 **SECTION 8.7.** The Community Colleges System Office shall report by
19 November 1, 2006, to the Joint Legislative Education Oversight Committee, the Office
20 of State Budget and Management, and the Fiscal Research Division on the
21 implementation of the NCCCS BioNetwork. This report shall include an explanation of
22 the BioNetwork's activities, accomplishments, and expenditures.

23 24 **DISTRIBUTION OF ENROLLMENT RESERVE FUND**

25 **SECTION 8.8.(a)** Funds appropriated to the North Carolina Community
26 College System for the Enrollment Reserve Fund shall be used to assist colleges that
27 experience high enrollment growth in the Fall Semester. Funds shall be distributed to
28 colleges in which enrollment growth in curriculum full-time-equivalent (FTE) in the
29 Fall Semester exceeds five percent (5%) over the previous year.

30 **SECTION 8.8.(b)** The State Board of Community Colleges shall approve
31 any allocation of funds occurring under subsection (a) of this section and may adopt
32 additional rules governing the distribution of these funds.

33 34 **COMMUNITY COLLEGE DISTANCE LEARNING SOFTWARE MUST BE 35 COMPATIBLE WITH K-12 AND UNC DISTANCE LEARNING SOFTWARE**

36 **SECTION 8.9.(a)** Funds are appropriated in this act to the Community
37 Colleges System Office for the purchase and development of a Course Management
38 System and Learning Object Repository common to all community colleges. This
39 software shall be compatible and able to be integrated with course management and
40 distance learning software adopted by The University of North Carolina and the State
41 Board of Education.

42 **SECTION 8.9.(b)** The Office of Information Technology Services shall
43 approve any software purchases and ensure compatibility pursuant to subsection (a) of
44 this section.

1
2 **NEW EQUIPMENT FUNDS SHALL BE DIRECTED TOWARDS PROGRAMS**
3 **TO REDUCE WAITING LISTS**

4 **SECTION 8.10.** The eleven million dollars (\$11,000,000) appropriated in
5 this act to the North Carolina Community College System for the purchase of new or
6 replacement equipment at the community colleges shall be directed first, to the
7 maximum extent feasible, towards the purchase of new or replacement equipment for
8 those programs with waiting lists, including allied health programs. The State Board of
9 Community Colleges must approve the allocation of these funds.

10
11 **STUDY OF NEW AND EXPANDING INDUSTRY TRAINING**

12 **SECTION 8.11.** The Office of State Budget and Management shall conduct
13 a study to analyze and evaluate the New and Expanding Industry Training program of
14 the North Carolina Community College System. This study shall examine the
15 companies served, the number of times each company has been served, the number of
16 jobs created, the length of time the company has remained in North Carolina after
17 receiving New and Expanding Industry Training funds, and whether the company has
18 maintained employment levels at the same level promised when training was received.
19 The findings of the study shall be reported to the Joint Legislative Education Oversight
20 Committee no later than April 1, 2007.

21
22 **VIRTUAL LEARNING COMMUNITY CURRICULUM DEVELOPMENT**
23 **CENTERS**

24 **SECTION 8.12.** Of the Virtual Learning Community development centers
25 created in this act, the three curriculum development centers shall focus first on
26 developing courses included in the program of study for teacher licensure and allied
27 health programs.

28
29 **PART IX. UNIVERSITIES**

30
31 **UNC-NCCCS 2+2 E-LEARNING INITIATIVE**

32 **SECTION 9.1.(a)** Funds appropriated in this act to The University of North
33 Carolina and the North Carolina Community College System for the UNC-NCCCS 2+2
34 E-Learning Initiative shall be used to fund further development of online courses for
35 2+2 programs. Based on a mutually agreed upon decision by the State Board of
36 Education Chairman, the President of the Community Colleges, and the President of
37 The University of North Carolina as to the areas of greatest need, to include
38 mathematics and science teacher licensure fields, funds are available to support joint
39 technology development, systems to track student progress and articulation between a
40 North Carolina community college and a University of North Carolina constituent
41 institution, and develop technology needed to support online courses and 2+2 programs.

42 **SECTION 9.1.(b)** The University of North Carolina and Community
43 Colleges System Office shall report by September 1, 2006, and annually thereafter, to
44 the Joint Legislative Education Oversight Committee, the Office of State Budget and

1 Management, and the Fiscal Research Division of the General Assembly on the
2 implementation of the UNC-NCCCS 2+2 E-Learning Initiative. This report shall
3 include:

- 4 (1) The courses and programs within the 2+2 E-Learning Initiative;
- 5 (2) The total number of prospective teachers that have taken or are taking
6 part in this initiative to date broken down by the current academic
7 period and each of the previous academic periods since the program's
8 inception;
- 9 (3) The total number of teachers currently in the State's classroom, by
10 local school administrative unit, who have taken part in this initiative;
- 11 (4) The change in the number of teachers available to schools since the
12 program's inception;
- 13 (5) The qualitative data from students, teachers, local school
14 administrative unit personnel, university personnel, and community
15 college personnel as to the impact of this initiative on our State's
16 teaching pool; and
- 17 (6) An explanation of the expenditures and collaborative programs
18 between the North Carolina Community College System and The
19 University of North Carolina, including recommendations for
20 improvement.

21
22 **ENROLLMENT GROWTH FUND/ENCOURAGE PARTNERSHIPS FOR NEW**
23 **2 + 2 PROGRAMS**

24 **SECTION 9.2.** The University of North Carolina Board of Governors' Task
25 Force on Meeting Teacher Supply and Demand called for the President to develop a
26 plan for enrollment growth in the University system's teacher education programs to
27 respond to the State's shortage of teachers. In a presentation to the Joint Legislative
28 Education Oversight Committee and to the Board of Governors, a commitment was
29 made to increase the number of teacher education graduates. The University of North
30 Carolina General Administration shall obtain plans from each constituent institution as
31 to how they will maintain their current enrollment in the teacher education programs
32 and achieve their growth targets to ensure that such increases in those programs occur.
33 Plans may include using enrollment growth funds for targeted admissions, enhanced
34 student support, and advising, recruiting, increases in faculty in necessary instructional
35 areas that lead to certification, and other methods the General Administration believes
36 will achieve those results. The University of North Carolina General Administration
37 shall report back to the Office of State Budget and Management and the Joint
38 Legislative Education Oversight Committee no later than December 30, 2006, on each
39 constituent institution's plan. No later than March 31, 2007, the University of North
40 Carolina General Administration shall submit a report on progress towards meeting this
41 priority for the 2007-2008 academic year, based on each constituent institution's current
42 students in the education programs, and the students who have been accepted for the
43 2007-2008 fiscal year who are enrolling in the education programs. The report shall also
44 explain the distribution of enrollment growth funds by specific initiative.

1
2 **DESTINY LAB AT THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL**
3 **HILL**

4 **SECTION 9.3.** Of the funds appropriated in this act to the Board of
5 Governors of The University of North Carolina, the sum of two million dollars
6 (\$2,000,000) shall be used for the DESTINY Lab program at the University of North
7 Carolina at Chapel Hill. Specifically, this appropriation shall be used for the purchase
8 of an additional mobile DESTINY Lab and the personnel and nonpersonnel costs
9 needed to provide statewide access to DESTINY's resources and curricula to help meet
10 the current demand.

11
12 **INITIATIVE TO IMPROVE THE MANAGEMENT AND LEADERSHIP**
13 **SKILLS OF THE PRINCIPALS IN HIGH NEED SCHOOLS (PRINCIPALS'**
14 **EXECUTIVE PROGRAM)**

15 **SECTION 9.4.** Of the funds appropriated to the Board of Governors of The
16 University of North Carolina, the sum of two hundred fifty thousand dollars (\$250,000)
17 shall be used for the Principals' Executive Program to enhance and link its Instructional
18 Leadership Reform Program to provide focused support to eligible high schools based
19 on criteria set by the State Board of Education. PEP shall provide a customized
20 professional development program and a coaching/mentor component that provides
21 assistance at the school level. Important components of this overall initiative are teacher
22 recruitment and retention in responding to the Teacher Working Conditions Survey and
23 data-driven decision making.

24
25 **NORTH CAROLINA TEACHER ACADEMY TRAINING OF 21ST CENTURY**
26 **LITERACY COACHES**

27 **SECTION 9.5.** Of the funds appropriated to the Board of Governors of The
28 University of North Carolina, one million nine hundred thousand dollars (\$1,900,000)
29 shall be used by the North Carolina Teacher Academy (NCTA), a part of the Center for
30 School Leadership Development of the University of North Carolina General
31 Administration, to provide training to 21st Century Literacy coaches to provide
32 in-service professional development to a wide demographic of schools, as determined
33 by the State Board of Education, all containing an eighth grade.

34 The NCTA will train the Literacy coaches to be able to deliver professional
35 development to teachers in their assigned schools in the following areas:

- 36 (1) Basic Literacy
- 37 (2) Technological Literacy
- 38 (3) Visual Literacy
- 39 (4) Informational Literacy
- 40 (5) Higher Order Thinking
- 41 (6) Cultural Competency
- 42 (7) Self Direction

43 The NCTA will also provide an online professional development network for
44 additional training opportunities for the Literacy coaches.

NURSE SCHOLARS PROGRAM EXPANSION

SECTION 9.6. G.S. 90-171.61(b) reads as rewritten:

"(b) The Nursing Scholars Program shall be used to provide ~~the following:~~ scholarship loans up to an amount of six thousand five hundred dollars (\$6,500) awarded at the discretion of the Nursing Scholars Commission.

- (1) ~~A four year scholarship loan in the amount of per year, per recipient, to North Carolina high school seniors or other persons interested in preparing to become a registered nurse through a baccalaureate degree program.~~
- (2) ~~A two year scholarship loan in the amount of three thousand dollars (\$3,000) per year, per recipient, to persons interested in preparing to be a registered nurse through an associate degree nursing program or a diploma nursing program.~~
- (3) ~~A two year scholarship loan in the amount of three thousand dollars (\$3,000) per year, per recipient, for two years of baccalaureate nursing study for college juniors or community college graduates interested in preparing to be a registered nurse.~~
- (4) ~~A two year scholarship loan of three thousand dollars (\$3,000) per year, per recipient, for two years of baccalaureate study in nursing for registered nurses who do not hold a baccalaureate degree in nursing.~~
- (5) ~~A two year scholarship loan of six thousand dollars (\$6,000) per year, per recipient, for two years of study leading to a master of science in nursing degree for people already holding a baccalaureate degree in nursing.~~

~~In addition to the scholarship loans awarded pursuant to subdivisions (1) through (5) of this subsection, the Commission may award pro rata scholarship loans to recipients enrolled at least half time in study leading to a master of science in nursing degree who already hold a baccalaureate degree in nursing and to recipients enrolled at least half time in study leading to a baccalaureate degree in nursing who already are licensed as registered nurses. In awarding all scholarship loans, the Commission shall give priority to full time students over shall prorate the scholarship loan amount for eligible part-time students. The State Education Assistance Authority shall adopt specific rules to regulate scholarship loans to part-time master of science in nursing students and part time baccalaureate degree students.~~

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

GRADUATE NURSE SCHOLARSHIP PROGRAM FOR FACULTY PRODUCTION

1 **SECTION 9.7.** Article 9H of Chapter 90 of the General Statutes is amended
2 by adding the following new sections to read:

3 **"§ 90-171.95. Graduate Nurse Scholarship Program for Faculty Production**
4 **established; administration.**

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

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

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

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

21 The State Education Assistance Authority shall adopt specific rules to regulate these
22 scholarship loans.

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

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

42 (d) The Commission shall develop and administer the Graduate Nurse
43 Scholarship Program for Faculty Production in cooperation with nursing schools at
44 institutions approved by the Commission and the North Carolina Board of Nursing. The

1 Graduate Nurse Scholarship Program for Faculty Production shall provide for
2 participants to be exposed to a range of extracurricular activities while in school, which
3 activities shall be aimed at instilling in students a strong motivation to remain in the
4 practice of nursing education and to provide leadership for the nursing profession.

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

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

17 **"§ 90-171.96. Terms of loans; receipt and disbursement of funds.**

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

24 (b) The State Education Assistance Authority shall forgive the loan if, within
25 seven years after graduation from a nursing education program, the recipient teaches in
26 a public nursing education program in a public educational institution in North Carolina
27 for one year for every year a scholarship loan was provided. If the recipient repays the
28 scholarship loan by cash payments, all indebtedness shall be repaid within 10 years. The
29 Authority may provide for accelerated repayment and for less than full-time
30 employment options to encourage the practice of nursing education in either geographic
31 or nursing specialty shortage areas. The Authority shall adopt specific rules to designate
32 these geographic areas and these nursing specialty shortage areas, upon
33 recommendations of the North Carolina Center for Nursing. The North Carolina Center
34 for Nursing shall base its recommendations on objective information provided by
35 interested groups or agencies and upon objective information collected by the Center.
36 The Authority may forgive the scholarship loan if it determines that it is impossible for
37 the recipient to teach in a public nursing program in North Carolina for a sufficient time
38 to repay the loan because of the death or permanent disability of the recipient within 10
39 years following graduation or termination of enrollment in a nursing education program.

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

INFORMATION TECHNOLOGY

SECTION 9.8. Of the funds appropriated to the Board of Governors of The University of North Carolina for constituent institution level information technology, two million four hundred thousand dollars (\$2,400,000) is to be distributed to institutions according to policy determined by the Board of Governors. The Board is encouraged to develop a policy with consideration for the constituent institutions that are implementing the Banner Information System. Each constituent institution is strongly encouraged, where applicable, to use its portion of these funds for Banner related costs including but not limited to:

- (1) Temporary employees to relieve current employees to allow for Banner system training;
- (2) Consultants and/or trainers to assist the constituent institution with troubleshooting once the constituent institution goes live on any of the Banner modules; and
- (3) Report writers to be able to create automatic reports in common formats.

Each constituent institution is also encouraged to use these funds toward preparation for disaster recovery.

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

SECTION 9.9. Notwithstanding G.S. 143-23, for the 2006-2007 fiscal year, the General Administration of The University of North Carolina and the State Educational Assistance Authority shall, with the approval of the Office of State Budget and Management, reorganize budget code 16012, UNC Board of Governors Related Educational Programs, so that the budget reflects and segregates each specific program individually. The Office of State Budget and Management shall work with The University of North Carolina General Administration and the State Educational Assistance Authority to ensure that each program represented in code 16012 is identified and budgeted separately.

TRANSFERS OF APPROPRIATION

SECTION 9.10. G.S. 116-30.2.(a) reads as rewritten:

"(a) All General Fund appropriations made by the General Assembly for continuing operations of a special responsibility constituent institution of The University of North Carolina shall be made in the form of a single sum to each budget code of the institution for each year of the fiscal period for which the appropriations are being made. Notwithstanding G.S. 143-23(a1), G.S. 143-23(a2), and G.S. 120-76(8), each special responsibility constituent institution may expend monies from the overhead receipts special fund budget code and the General Fund monies so appropriated to it in the manner deemed by the Chancellor to be calculated to maintain and advance the programs and services of the institutions, consistent with the directives and policies of the Board of Governors. Special responsibility constituent institutions may transfer

1 appropriations between budget codes. These transfers shall be considered certified even
2 if as a result of agreements between special responsibility constituent institutions. The
3 preparation, presentation, and review of General Fund budget requests of special
4 responsibility constituent institutions shall be conducted in the same manner as are
5 requests of other constituent institutions. The quarterly allotment procedure established
6 pursuant to G.S. 143-17 shall apply to the General Fund appropriations made for the
7 current operations of each special responsibility constituent institution. All General
8 Fund monies so appropriated to each special responsibility constituent institution shall
9 be recorded, reported, and audited in the same manner as are General Fund
10 appropriations to other constituent institutions."

11
12 **NORTH CAROLINA AGRICULTURAL AND TECHNICAL STATE**
13 **UNIVERSITY FUNDS**

14 **SECTION 9.11.** Of the funds appropriated by this act to the Board of
15 Governors of The University of North Carolina for the 2006-2007 fiscal year the sum of
16 one million three hundred thousand dollars (\$1,300,000) shall be allocated to North
17 Carolina Agricultural and Technical State University for agricultural and research
18 extension programs.

19
20 **UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES**

21 **SECTION 9.12.(a)** The Director of the Budget shall transfer to the Board of
22 Governors of The University of North Carolina sufficient funds from the Reserve for
23 Compensation Increase, created in this act for fiscal year 2006-2007, to provide an
24 annual average salary increase of four percent (4%), including funds for the employer's
25 retirement and social security contributions, commencing July 1, 2006, for all
26 employees of The University of North Carolina, as well as employees other than
27 teachers of the North Carolina School of Science and Mathematics, supported by State
28 funds and whose salaries are exempt from the State Personnel Act (EPA). These funds
29 shall be allocated to individuals according to the rules adopted by the Board of
30 Governors or the Board of Trustees of the North Carolina School of Science and
31 Mathematics, as appropriate, and may not be used for any purpose other than for salary
32 increases and necessary employer contributions provided by this section.

33 **SECTION 9.12.(b)** The Director of the Budget shall transfer to the Board of
34 Governors of The University of North Carolina sufficient funds from the Reserve for
35 Compensation Increase, created in this act for fiscal year 2006-2007, to provide an
36 annual average salary increase of eight percent (8%), including funds for the employer's
37 retirement and social security contributions, commencing July 1, 2006, for all teaching
38 employees of the North Carolina School of Science and Mathematics, supported by
39 State funds and whose salaries are exempt from the State Personnel Act (EPA). These
40 funds shall be allocated to individuals according to the rules adopted by the Board of
41 Trustees of the North Carolina School of Science and Mathematics, as appropriate, and
42 may not be used for any purpose other than for salary increases and necessary employer
43 contributions provided by this section.

1 **NORTH CAROLINA IN THE WORLD PROJECT**

2 **SECTION 9.13.** In collaboration with the State Board of Education and the
3 NC Department of Commerce, the NC Center for International Understanding shall
4 develop a plan to ensure that public K-12 international education efforts such as teacher
5 and student exchanges, curriculum development, and other initiatives for students,
6 teachers, and administrators are focused on key countries and regions of strategic
7 economic interest to North Carolina. The NC Center for International Understanding
8 shall report to the Office of State Budget and Management and the Joint Legislative
9 Education Oversight Committee on the activities and accomplishments of the two
10 hundred thousand dollar (\$200,000) recurring appropriation for North Carolina in the
11 World Project no later than March 31, 2007.

12
13 **DISTANCE EDUCATION PROFESSIONAL DEVELOPMENT FOR MATH**
14 **AND SCIENCE**

15 **SECTION 9.14.** The Board of Governors of The University of North
16 Carolina shall work with the Center for School Leadership Development constituent
17 programs, the State Board of Education, and the constituent institutions of ECU, ECSU,
18 and UNCW to develop a multicampus distance education professional development
19 initiative focused on support for mathematics and science teachers and to make the
20 initiative results available to school districts throughout the State. The Board of
21 Governors shall report to the Joint Legislative Education Oversight Committee on the
22 activities and accomplishments of the partnership no later than March 31, 2007.

23
24 **PROSPECTIVE TEACHER SCHOLARSHIP LOAN**

25 **SECTION 9.15.** There is appropriated one million dollars (\$1,000,000) for
26 an additional 400 scholarship loans of two thousand five hundred dollars (\$2,500) each
27 from the Prospective Teacher Scholarship Loan Fund. Priority for the 400 additional
28 scholarship/loans shall be given to students seeking licensure in middle and high school
29 mathematics and science and students participating in a 2+2 program between
30 constituent institutions in The University of North Carolina and the NC Community
31 College System.

32
33 **PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

34
35 **BLOCK GRANT CHANGES TO FUND LEGISLATIVE SALARY**
36 **ADJUSTMENTS**

37 **SECTION 10.1.** The Department of Health and Human Services with the
38 approval of the Office of State Budget and Management may change the budgeted
39 allocations to Block Grants administered by the Department of Health and Human
40 Services to establish funding for adjustments in salary and related benefits authorized by
41 the General Assembly for positions that are fully or partially funded by the block grant
42 allocations.

43
44 **COUNTY GRANTS TO IMPROVE TANF WORK PARTICIPATION RATES**

1 **SECTION 10.2.** Of the funds budgeted in the TANF block grant, twelve
2 million five hundred thousand dollars (\$12,500,000) shall be used for Work First
3 demonstration grants for the county social service offices. These funds shall be
4 allocated during State fiscal years 2006-2007, 2007-2008 and 2008-2009. The
5 Department of Health and Human Services, Division of Social Services, in conjunction
6 with the County Departments of Social Service, shall use this money to support
7 demonstration grants. The demonstration grants will be awarded to those counties
8 whose proposals meet all the established requirements and demonstrate a need for
9 additional funding to improve their work participation rates. The division will also
10 establish two time-limited positions to manage the grant award process and document
11 all efforts.

12 There shall be no supplanting of local funds with these block grant funds.
13 Counties shall maintain their current level of effort and funding for Work First efforts.

14 **SOCIAL SERVICES BLOCK GRANT**

15 **SECTION 10.3.** Section 5.1(g) of S.L. 2005-276 reads as rewritten:

16 **"SECTION 5.1.(g)** Social Services Block Grant funds appropriated to the North
17 Carolina Inter-Agency Council for Coordinating Homeless Programs and to the North
18 Carolina Housing Coalition are exempt from the provisions of 10A NCAC
19 71R.0201.(3)."
20

21 **INCREASE HEALTH CARE ACCESS FOR UNINSURED**

22 **SECTION 10.4.(a)** The Secretary of the Department of Health and Human
23 Services shall develop and execute a plan to expand health care access for uninsured
24 North Carolinians through the use of public/private partnerships, federal flexibility and
25 resources, and through promotion of charity care. The goals of the plan are to:

- 26 (1) Aid small businesses that want to provide health care coverage;
- 27 (2) Expand health care coverage for the working uninsured;
- 28 (3) Secure all available federal funds to support the project; and
- 29 (4) Promote charity care by health care providers.

30 **SECTION 10.4.(b)** In developing the plan, the Secretary shall:

- 31 (1) Consider previous studies on increased access to health care and
32 covering the uninsured to determine their feasibility;
- 33 (2) Draw on the experience of other states that have successfully increased
34 access to health care and covered the uninsured;
- 35 (3) Take all appropriate steps to secure federal funding available through
36 1115 Demonstration Waivers and other federal waivers to cover the
37 uninsured;
- 38 (4) Employ options such as those available through the Deficit Reduction
39 Act of 2005 (DEFRA) to adjust Medicaid eligibility and benefits to
40 cover the uninsured;
- 41 (5) Consider the use of existing funding that might be used to leverage
42 additional federal matching funds including certified public
43

1 expenditures (CPE), and appropriate federal Disproportionate Share
2 Hospital Program (DSH) funds;

3 (6) Pursue an agreement with the Centers for Medicare and Medicaid
4 Services (CMS) to develop a methodology for investing Medicare
5 savings realized from the expansion of the scope of Community Care
6 of North Carolina Program to help fund the plan; and

7 (7) Determine in conjunction with the Office of State Budget and
8 Management the fiscal impact of the plan for a five-year period.

9 **SECTION 10.4.(c)** Of the funds appropriated in this act to the Department
10 of Health and Human Services, Division of Medical Assistance, up to two hundred
11 thousand dollars (\$200,000) for the 2006-2007 fiscal year may be used to support the
12 development of the plan. The plan shall be completed by January 1, 2007.

13 14 **CERTAIN AUDIT REQUIREMENTS MODIFIED**

15 **SECTION 10.5.** G.S. 143B-139.4.(b) reads as rewritten:

16 "**§ 143B-139.4. Department of Health and Human Services; authority to assist
17 private nonprofit organizations.**

18 (a) The Secretary of the Department of Health and Human Services may allow
19 employees of the Department or provide other appropriate services to assist any private
20 nonprofit organization which works directly with services or programs of the
21 Department and whose sole purpose is to support the services and programs of the
22 Department. Except as provided in G.S. 143B-164.18, a Department employee shall be
23 allowed to work with an organization no more than 20 hours in any one month. These
24 services are not subject to the provisions of Chapter 150B of the General Statutes.

25 (b) The board of directors of each private, nonprofit organization shall secure and
26 pay for the services of the State Auditor's Office or employ a certified public accountant
27 to conduct an annual audit of the financial accounts of the organization. The board of
28 directors shall transmit to the Secretary of the Department a copy of the annual financial
29 audit report of the private nonprofit organization. The Secretary of the Department has
30 the authority to waive audits or require an alternative service from a certified public
31 accountant for organizations which exhibit special circumstances and are not the
32 recipient of State funding.

33 (c) Notwithstanding the limitations of subsection (a) of this section, the Secretary
34 of the Department of Health and Human Services may assign employees of the Office
35 of Rural Health and Resource Development to serve as in-kind match to nonprofit
36 organizations working to establish health care programs that will improve health care
37 access while controlling costs."

38 39 **RATE SETTING FOR CHILD CARING INSTITUTIONS**

40 **SECTION 10.6.** G.S. 110-93.1 is repealed.

41 42 **MEDICAID RESERVE FUND TRANSFER**

43 **SECTION 10.7.** Of the funds transferred to the Department of Health and
44 Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of five

1 million four thousand five hundred four dollars (\$5,004,504) for the 2006-2007 fiscal
2 year shall be allocated as prescribed by G.S. 143-23.2(b) for the implementation of the
3 Medicaid Management Information System (MMIS).

4
5 **REGULATORY CHANGES TO IMPROVE QUALITY AND SAFETY IN**
6 **HOME CARE SERVICES, MENTAL HEALTH FACILITIES, ADULT CARE**
7 **HOMES, AND CERTAIN HOSPITAL FACILITIES**

8 **SECTION 10.8.** Section 10.40(p), S.L. 2005-276 reads as rewritten:

9 **"SECTION 10.40.(p)** The Department's Division of Aging and Adult Services shall
10 develop a Quality Improvement Consultation Program for Adult Care Homes. The
11 purpose of the Program is to promote better care and improve quality of life in a safe
12 environment for residents in adult care homes through consultation and assistance with
13 adult care home providers. The county departments of social services shall be
14 responsible for implementation of the Program with all adult care homes located in the
15 respective county, based on a timetable for statewide implementation.

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

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

24 The report will address the following topics:

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

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

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

18 LOCAL PARTNERSHIPS AND PRIVACY OF PERSONNEL RECORDS

19 SECTION 10.9. G.S. 143B-168.14 reads as rewritten:

20 "§ 143B-168.14. Local partnerships; conditions.

21 In order to receive State funds, the following conditions shall be met:

- 22 (1) Each local partnership shall develop a comprehensive, collaborative,
23 long-range plan of services to children and families in the
24 service-delivery area. No existing local, private, nonprofit 501(c)(3)
25 organization, other than one established on or after July 1, 1993, and
26 that meets the guidelines for local partnerships as established under
27 this Part, shall be eligible to apply to serve as the local partnership for
28 the purpose of this Part. The Board of the North Carolina Partnership
29 may authorize exceptions to this eligibility requirement.
- 30 (2) Each local partnership shall agree to adopt procedures for its
31 operations that are comparable to those of Article 33C of Chapter 143
32 of the General Statutes, the Open Meetings Law, and Chapter 132 of
33 the General Statutes, the Public Records Law, and provide for
34 enforcement by the Department. Such procedures may provide for the
35 confidentiality of personnel files that are comparable to Article 7 of
36 Chapter 126 of the General Statutes.
- 37 (3) Each local partnership shall adopt procedures to ensure that all
38 personnel who provide services to young children and their families
39 under this Part know and understand their responsibility to report
40 suspected child abuse, neglect, or dependency, as defined in
41 G.S. 7B-101.
- 42 (4) Each local partnership shall participate in the uniform, standard fiscal
43 accountability plan developed and adopted by the North Carolina
44 Partnership.

1 (b) Each local partnership shall be subject to audit and review by the State
2 Auditor under Article 5A of Chapter 147 of the General Statutes. The State Auditor
3 shall conduct annual financial and compliance audits of local partnerships that are rated
4 "needs improvement" in performance assessments authorized in
5 G.S. 143B-168.12(a)(7). Local partnerships that are rated "superior" or "satisfactory" in
6 performance assessments authorized in G.S. 143B-168.12(a)(7) shall undergo biennial
7 financial and compliance audits by the State Auditor."
8

9 NORTH CAROLINA PARTNERSHIP FOR CHILDREN AND PRIVACY OF 10 PERSONNEL RECORDS

11 **SECTION 10.10.** G.S. 143B-168.12(b) reads as rewritten:

12 "(b) The North Carolina Partnership shall be subject to audit and review by the
13 State Auditor under Article 5A of Chapter 147 of the General Statutes. The State
14 Auditor shall conduct annual financial and compliance audits of the North Carolina
15 Partnership. Such procedures may provide for the confidentiality of personnel files that
16 are comparable to Article 7 of Chapter 126 of the General Statutes."
17

18 CHILD CARE FUNDS MATCHING REQUIREMENT

19 **SECTION 10.11.** Section 10.60 of S.L. 2005-276 reads as rewritten:

20 "**SECTION 10.60.** No local matching funds may be required by the Department of
21 Health and Human Services as a condition of any locality's receiving its initial
22 allocation of any State child care funds appropriated by this act unless federal law
23 requires a match. This shall not prohibit any locality from spending local funds for child
24 care services. Additional funds above twenty-five thousand dollars (\$25,000) that are
25 reallocated by the Department to local purchasing agencies beyond their initial
26 allocation shall require a twenty-five percent (25%) local match in order to receive the
27 reallocated funds. Matching requirements do not apply when funds are allocated as a
28 result of a disaster as defined in G.S. 166A-4(1)."
29

30 CHILD CARE ALLOCATION FORMULA

31 **SECTION 10.12.** Section 10.61(c) of S.L. 2005-276 reads as rewritten:

32 "**SECTION 10.61.(c)** Notwithstanding subsection (a) of this section, the
33 Department of Health and Human Services shall allocate up to twenty-two million
34 dollars (\$22,000,000) in federal block grant funds and State funds appropriated for
35 fiscal years ~~2004-2005~~ 2005-2006 and ~~2005-2006~~ 2006-2007 for child care services.
36 These funds shall be allocated to prevent termination of child care services."
37

38 PRIVATE WELL WATER TESTING

39 **SECTION 10.13.** G.S. 130A-5 is amended by adding a new subdivision to
40 read:

41 "(16) To charge a fee of forty dollars (\$40.00) for analyzing Private Well
42 Water samples sent to the State Laboratory of Public Health by local
43 health departments. In July 2007, and each succeeding July, the fee
44 shall be recomputed by the Director of the State Laboratory of Public

1 Health by analyzing the previous year's testing at the State Laboratory
2 of Public Health, and the total cost of the Private Well Water testing
3 minus State appropriations that support this effort. The fee amount
4 determined in July 2007 and succeeding months of July shall be
5 effective during that current State fiscal year. This fee shall be in
6 addition to the charge for the Private Well Water panel test kit."

7 8 **MEDICAID TRANSFER OF ASSETS**

9 **SECTION 10.14.(a)** G.S. 108A-58 is repealed.

10 **SECTION 10.14.(b)** Part 6 of Article 2 of Chapter 108A of the General
11 Statutes is amended by adding the following new section to read:

12 **"§ 108A-58.1. Ineligibility for medical assistance based on transferring assets for**
13 **less than fair market value.**

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

20 (b) Lookback date. –

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

23 (2) Notwithstanding subdivision (1), the lookback date with respect to the
24 medical services specified in subdivision (d)(2) is the date specified in
25 42 U.S.C. § 1396p(c)(1)(B) or February 1, 2003, whichever is later.

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

28 (d) Medical services.–

29 (1) In the case of an institutionalized individual, the transfer of assets
30 penalty applies with respect to nursing facility services, a level of care
31 in any institution equivalent to that of nursing facility services, and to
32 home or community-based services furnished under the State's
33 Community Alternatives Program waiver pursuant to 42 U.S.C. §
34 1396n(c) or (d).

35 (2) In the case of a noninstitutionalized individual, the transfer of assets
36 penalty applies with respect to home health services and personal care
37 services as defined in 42 U.S.C. § 1396d(a)(7) and (24) and, to the
38 extent permitted by federal law, such other long-term care services
39 specified by rules adopted by the Department of Health and Human
40 Services pursuant to subsection (k) of this section.

41 (e) Assets. – Assets are the income and resources of an individual or the
42 individual's spouse (including the individual's or spouse's home) as defined in 42 U.S.C.
43 § 1396p(e) and 42 U.S.C. § 1396p(c)(1)(G), (I), and (J).

44 (f) Fair market value and uncompensated value. –

- 1 (1) The fair market value of an asset is the value (minus any valid and
2 legally enforceable liens, mortgages, and encumbrances against the
3 asset) that would have been received if the asset had been sold for
4 good and valuable consideration at the prevailing market price at the
5 time the asset was transferred. In the case of real or personal property
6 that is taxable under Subchapter II of Chapter 105 of the General
7 Statutes, there is a rebuttable presumption that the fair market value of
8 the property is its most recent value as ascertained under Subchapter II
9 of Chapter 105 of the General Statutes (minus any valid and legally
10 enforceable liens, mortgages, and encumbrances against the property).
- 11 (2) The uncompensated value of an asset is its fair market value minus the
12 amount of good and valuable consideration received in exchange for
13 the asset's transfer.
- 14 (g) Individual. – An individual is a person who applies for or is receiving medical
15 assistance under this Part regardless of whether the person was, at the time an asset was
16 transferred, a Medicaid applicant or recipient. The term "individual" also includes an
17 individual's legal representative, anyone acting at the individual's direction or request,
18 and any person, agency, or court acting lawfully on behalf of the individual.
- 19 (h) Institutionalized and noninstitutionalized individuals. –
- 20 (1) An institutionalized individual is an individual who meets the criteria
21 set forth in 42 U.S.C. § 1396p(f)(3), regardless of whether the
22 individual was institutionalized at the time an asset was transferred.
- 23 (2) A noninstitutionalized individual is any individual who (i) is not an
24 institutionalized individual, (ii) is an aged, blind, or disabled person
25 who is categorically or medically needy pursuant to 42 C.F.R. §
26 435.120 or a qualified Medicare beneficiary as defined in 42 U.S.C. §
27 1396d(p)(1), and (iii) is not eligible for medical assistance under this
28 Part based on his or her eligibility for an optional State supplement
29 pursuant to 42 C.F.R. § 435.130.
- 30 (i) Exceptions. –
- 31 (1) This section does not apply if an individual establishes by the greater
32 weight of the evidence that the transfer was exclusively for some
33 purpose other than establishing or retaining eligibility for medical
34 assistance under this Part.
- 35 (2) This section does not apply to any transfer specified in 42 U.S.C. §
36 1396p(c)(2)(A), (B), (C)(i), or (C)(iii).
- 37 (j) Hardship waiver. – The Department of Health and Human Services shall
38 waive a transfer of assets penalty that has been imposed or is imposable under this
39 section if the Department determines that imposition of the penalty would create an
40 undue hardship.
- 41 (k) Rules and compliance with federal law. –
- 42 (1) This section shall be interpreted and administered consistently with
43 governing federal law, including 42 U.S.C. § 1396p(c).

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

5 (3) The Department of Health and Human Services shall provide for a
6 hardship waiver process in accordance with 42 U.S.C. §
7 1396p(c)(2)(D).

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

12 **SECTION 10.14.(c)** This section is effective when it becomes law. This
13 section does not affect the validity of any Medicaid transfer of assets penalty that was
14 validly imposed before the date this act becomes law under prior federal or State law or
15 rules.

16 17 **REQUIRED DATA SHARING BY PRIVATE HEALTH INSURERS**

18 **SECTION 10.15.** Part 1 of Article 50 of Chapter 58 of the General Statutes
19 is amended by adding the following new section to read:

20 **"§ 58-50-46. Insurers to provide certain information to Department of Health and**
21 **Human Services.**

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

23 (1) 'Department' means the Department of Health and Human Services.

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

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

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

35 (b) Notwithstanding any other provision of law, every insurer issuing a health
36 benefit plan shall provide, in a timely manner and at no cost, to the Department of
37 Health and Human Services, upon its request, information, including automated data
38 matches conducted under the direction of the Department of Health and Human
39 Services, Division of Medical Assistance, as necessary to (i) identify individuals
40 covered under the insurer's health benefit plans who are also recipients of medical
41 assistance; (ii) determine the period during which the individual or his or her spouses or
42 their dependents may be or may have been covered by the health benefit plan; and (iii)
43 determine the nature of the coverage. To facilitate the Division in obtaining this and
44 other related information, every insurer shall:

- 1 (1) Cooperate with the Division to determine whether a named individual
2 who is a recipient of medical assistance may be covered under the
3 insurer's health benefit plan and eligible to receive benefits under the
4 health benefit plan for services provided under the State Medical
5 Assistance Plan;
- 6 (2) Accept the Division's authorization for the provision of medical
7 services on behalf of the recipient of medical assistance as the insurer's
8 authorization for the provision of the services;
- 9 (3) Respond to the request for information within 30 working days after
10 receipt of written proof of loss or claim for payment for health care
11 services provided to a recipient of medical assistance who is covered
12 by the insurer's health benefit plan."

13 **STUDY OF MEDICAID PROVIDER RATE INCREASES**

14 **SECTION 10.16.(a)** The Secretary of the Department of Health and Human
15 Services shall study and develop a proposal for an equitable standard for providing
16 inflationary increases and other cost related increases to service providers in the
17 Medicaid Program. The Department shall seek the assistance of external consultants
18 and other appropriate financial experts to validate any methodologies used in the
19 development of the standard.
20

21 **SECTION 10.16.(b)** Of the funds appropriated in this act to the Department
22 of Health and Human Services, Division of Medical Assistance, up to one hundred
23 thousand dollars (\$100,000) for the 2006-2007 fiscal year shall be used to support the
24 study.
25

26 **MEDICAID**

27 **SECTION 10.17.(a)** Sub-subdivision b. of Subdivision (22) of Subsection
28 10.11.(a) of S.L. 2005-276 reads as rewritten:

29 "b. For children eligible for EPSDT services provided by:

- 30 1. Licensed or certified psychologists, licensed clinical
31 social workers, certified clinical nurse specialists in
32 psychiatric mental health advanced practice, nurse
33 practitioners certified as clinical nurse specialists in
34 psychiatric mental health advanced practice, licensed
35 psychological associates, licensed professional
36 counselors, licensed marriage and family therapists,
37 licensed ~~certified~~ clinical addictions specialists, and
38 licensed ~~certified~~ clinical supervisors, when
39 Medicaid-eligible children are referred by the
40 Community Care of North Carolina primary care
41 physician, a Medicaid-enrolled psychiatrist, or the area
42 mental health program or local management entity, and
- 43 2. Institutional providers of residential services as defined
44 by the Division of Mental Health, Developmental

Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) for children and Psychiatric Residential Treatment Facility services that meet federal and State requirements as defined by the Department."

SECTION 10.17.(b) Subsection 10.11.(d) of S.L. 2005-276 reads as rewritten:

SECTION 10.11.(d) Eligibility. – Eligibility for Medicaid shall be determined in accordance with the following:

Medicaid and Work First Family Assistance, Income Eligibility Standards. – The maximum net family annual income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:

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

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

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

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

SECTION 10.17.(c) Subsection 10.11.(g) of S.L. 2005-276 reads as rewritten:

"**SECTION 10.11.(g)** Dental Coverage Limits. – Dental services shall be provided on a restricted basis in accordance with criteria ~~rules~~ adopted by the Department to implement this subsection."

1 **SECTION 10.17.(d)** Subsection 10.11(t) of S.L. 2005-276 reads as
2 rewritten:

3 "**SECTION 10.11.(t)** Except as otherwise provided in State law, the Department
4 shall apply transfer of asset laws in accordance with 42 U.S.C. 1396p(c). This act is
5 effective when it becomes law and does not affect the validity of any Medicaid transfer
6 of assets penalty that was validly imposed prior to the date this act becomes law under
7 prior federal or state law or rules. For the purposes of determining eligibility for
8 Medical Assistance, the Department of Health and Human Services may apply federal
9 transfer of assets policies, as described in Title XIX, section 1917(e) of the Social
10 Security Act, including the attachment of liens, to (i) life estates purchased by or on
11 behalf of the recipient, other than life estates excluded from countable resources under
12 this section, and (ii) to real property excluded as "income producing",
13 tenancy in common, or as nonhomesite property made "income producing" under Title
14 XIX, section 1902(r)(2) of the Social Security Act. The transfer of assets policy shall
15 apply only to an institutionalized individual or the individual's spouse as defined in Title
16 XIX, section 1917(e) of the Social Security Act. The Department shall exclude from
17 countable resources any life estate in real property that is in the recipient's home, is
18 measured by the recipient's life, and is the result of the transfer of a remainder interest.

19 Federal transfer of assets policies applied to "income producing" real property under
20 Title XIX, section 1902(r)(2) of the Social Security Act shall become effective not
21 earlier than October 1, 2001. Federal transfer of assets policies and attachment of liens
22 applied to real property excluded as tenancy in common, or as nonhomesite property
23 made "income producing" in accordance with this subsection shall become effective not
24 earlier than November 1, 2002. Federal transfer of assets policies applied to life estates
25 in accordance with this subsection shall become effective not earlier than October 1,
26 2005."

27 **SECTION 10.17.(e)** Subsection 10.11(z) of S.L. 2005-276 reads as
28 rewritten:

29 "**SECTION 10.11(z)** G.S. 108A-55.1 reads as rewritten:
30 **"§ 108A-55.1. Medicare enrollment required.**

31 The Department shall require State Medical Assistance (Medicaid) Program
32 recipients who qualify for Medicare to enroll in all Medicare Parts for which they are
33 qualified, in accordance with Title XIX of the Social Security Act, in order to pay
34 medical expenditures that qualify for payment under Medicare Parts A, B, C and D
35 Part B. Enrollment in Part D shall not be required if the recipient has creditable drug
36 coverage as defined in federal law. Failure to enroll in Medicare shall result in
37 ineligibilitynonpayment of these expenditures under the State Medical Assistance
38 (Medicaid) Program. A provider may seek payment for services from Medicaid
39 enrolleespersons who are otherwise eligible for Medicaid, but made ineligible for
40 failure to enroll in Medicare Parts A, B, C, and D when eligible.who are eligible for but
41 not enrolled in Medicare Part B. A provider may also seek payment for services from
42 Medicaid enrollees who are enrolled in Medicare but do not use or refuse to use
43 Medicare to pay for Medicaid services."

MEDICAID ESTATE RECOVERY TO INCLUDE LIENS ON REAL PROPERTY

SECTION 10.18. G.S. 108A-70.5, 108A-70.6, 108A-70.7, 108A-70.8, and 108A-70.9 are repealed.

HEALTH CARE FACILITY LICENSURE FEE UPPER LIMIT

SECTION 10.19. G.S. 131E-267 is amended as follows:
"§ 131E-267. Fees for departmental review of health care facility construction projects.

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

Institutional Project	Project Fee
Hospitals	\$300.00 plus \$0.20/square foot of project space
Nursing Homes	\$250.00 plus \$0.16/square foot of project space
Ambulatory Surgical Facility	\$200.00 plus \$0.16/square foot of project space
Psychiatric Hospital	\$200.00 plus \$0.16/square foot of project space
Adult Care Home	\$175.00 plus \$0.10/square foot of project space

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

FACILITY LICENSURE FEES

SECTION 10.20. G.S. 122C-23(h) is amended as follows:
 "(h) The Department shall charge facilities licensed under this Chapter ~~that have licensed beds~~ a nonrefundable annual base license fee plus a nonrefundable annual per-bed fee as follows:

Type of Facility	Number of Beds	Base Fee	Per-Bed Fee
<u>Facilities (with no beds)</u>	<u>0</u>	<u>\$175.00</u>	<u>\$0</u>
Facilities (non-ICF/MR):	6 or fewer beds	\$250.00	\$0
	More than 6 beds	\$350.00	\$12.50
ICF/MR Only:	6 or fewer beds	\$650.00	\$0
	More than 6 beds	\$650.00	\$12.50"

PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

PLANT CONSERVATION PROGRAM FUNDS

SECTION 11.1. From funds that are deposited with the State Treasurer pursuant to G.S. 146-30 to the credit of the Department of Agriculture and Consumer Services in a capital improvement account, the sum of thirty thousand dollars (\$30,000) shall be transferred to the Department of Agriculture and Consumer Services to be used by the Department in the plant conservation program under Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land such as land appraisals, land surveys, title searches, and environmental studies and for management of plant conservation program preserves owned by the Department.

PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**CONSERVATION RESERVE ENHANCEMENT PROGRAM**

SECTION 12.1. Of the funds appropriated to the Department of Environment and Natural Resources, Division of Soil and Water Conservation, for the Conservation Reserve Enhancement Program for acquiring conservation easements and leases and for contracts for the 2006-2007 State fiscal year, one million seven hundred twenty-three thousand eight hundred dollars (\$1,723,800) shall not revert, but shall remain available until expended.

WATER QUALITY FEE CHANGES

SECTION 12.2. G. S. 143-215.3D reads as rewritten:

"§ 143-215.3D. Fee schedule for water quality permits.

- (a) Annual fees for discharge and nondischarge permits under G.S. 143-215.1. –
- (1) Major Individual NPDES Permits. – The annual fee for an individual permit for a point source discharge of 1,000,000 or more gallons per day, a publicly owned treatment works (POTW) that administers a POTW pretreatment program, as defined in 40 Code of Federal Regulations § 403.3 (1 July 1996 Edition), or an industrial waste treatment works that has a high toxic pollutant potential shall be ~~two thousand eight hundred sixty five dollars (\$2,865)~~ three thousand four hundred twenty-five dollars (\$3,425).
 - (2) Minor Individual NPDES Permits. – The annual fee for an individual permit for a point source discharge other than a point source discharge to which subdivision (1) of this subsection applies shall be seven hundred fifteen dollars (\$715.00).
 - (3) Single-Family Residence. – The annual fee for a certificate of coverage under a general permit for a point source discharge or an individual nondischarge permit from a single-family residence shall be fifty dollars (\$50.00).
 - (4) Stormwater and Wastewater Discharge General Permits. – The annual fee for a certificate of coverage under a general permit for a point

1 source discharge of stormwater or wastewater shall be ~~eighty dollars~~
2 ~~(\$80.00)~~, one hundred twenty dollars (\$120.00)."

3 4 **ANIMAL WASTE FEE CHANGES**

5 **SECTION 12.3.** G.S. 143-215.10G reads as rewritten:

6 **"§ 143-215.10G. Fees for animal waste management systems.**

7 (a) The Department shall charge an annual permit fee to an animal operation that
8 is subject to a permit under G.S. 143-215.10C for an animal waste management system
9 according to the following schedule:

- 10 (1) For a system with a design capacity of 38,500 or more and less than
11 100,000 pounds steady state live weight, ~~fifty dollars (\$50.00)~~, one
12 hundred dollars (\$100.00).
- 13 (2) For a system with a design capacity of 100,000 or more and less than
14 800,000 pounds steady state live weight, ~~one hundred fifty dollars~~
15 ~~(\$150.00)~~, three hundred dollars (\$300.00).
- 16 (3) For a system with a design capacity of 800,000 pounds or more steady
17 state live weight, ~~three hundred dollars (\$300.00)~~, six hundred dollars
18 (\$600.00)."

19 20 **HAZARDOUS WASTE FEE CHANGES**

21 **SECTION 12.4.** G.S. 130A-294.1 reads as rewritten:

22 **"§ 130A-294.1. Fees applicable to generators and transporters of hazardous waste,**
23 **and to hazardous waste storage, treatment, and disposal facilities.**

24 (a) It is the intent of the General Assembly that the fee system established by this
25 section is solely to provide funding in addition to federal and State appropriations to
26 support the State's hazardous waste management program.

27 (b) Funds collected pursuant to this section shall be used for personnel and other
28 resources necessary to:

- 29 (1) Provide a high level of technical assistance and waste minimization
30 effort for the hazardous waste management program;
- 31 (2) Provide timely review of permit applications;
- 32 (3) Insure that permit decisions are made on a sound technical basis and
33 that permit decisions incorporate all conditions necessary to
34 accomplish the purposes of this Part;
- 35 (4) Improve monitoring and compliance of the hazardous waste
36 management program;
- 37 (5) Increase the frequency of inspections;
- 38 (6) Provide chemical, biological, toxicological, and analytical support for
39 the hazardous waste management program; and
- 40 (7) Provide resources for emergency response to imminent hazards
41 associated with the hazardous waste management program.

42 (c) It is the intent of the General Assembly that the total funds collected per year
43 pursuant to this section not exceed thirty percent (30%) of the total funds budgeted from

1 all sources for the hazardous waste management program. This subsection shall not be
2 construed to limit the obligation of any person to pay any fee imposed by this section.

3 (d) The Hazardous Waste Management Account is established as a nonreverting
4 account within the Department. All fees collected under this section shall be credited to
5 the Account and shall be used for the purposes listed in subsection (b).

6 (e) A person who generates either one kilogram or more of any acute hazardous
7 waste as listed in 40 C.F.R. § 261.30(d) or § 261.33(e) as revised 1 July 1987, or 1000
8 kilograms or more of hazardous waste, in any calendar month during the year beginning
9 1 July and ending 30 June shall pay an annual fee of ~~one thousand dollars (\$1,000)~~. one
10 thousand two hundred fifty dollars (\$1,250).

11 (f) A person who generates 100 kilograms or more of hazardous waste in any
12 calendar month during the year beginning 1 July and ending 30 June but less than 1000
13 kilograms of hazardous waste in each calendar month during that year shall pay an
14 annual fee of ~~one hundred twenty five dollars (\$125.00)~~. one hundred fifty dollars
15 (\$150.00).

16 (g) A person who generates one kilogram or more of acute hazardous waste or
17 1000 kilograms or more of hazardous waste in any calendar month during the calendar
18 year shall pay, in addition to any fee under subsections (e) and (f) of this section, a
19 tonnage fee of fifty cents (\$0.50) per ton or any part thereof of hazardous waste
20 generated during that year up to a maximum of 25,000 tons.

21 (h) A person who generates less than one kilogram of acute hazardous waste and
22 less than 100 kilograms of hazardous waste in each calendar month during the year
23 beginning 1 July and ending 30 June shall not be liable for payment of a fee under
24 subsections (e) and (f) of this section for that year.

25 (i) Hazardous waste generated as a result of any type of remedial action or by
26 collection by a local government of hazardous waste from households shall not be
27 subject to a tonnage fee under subsections (g) and (l) of this section.

28 (j) A person who transports hazardous waste shall pay an annual fee of ~~six~~
29 ~~hundred dollars (\$600.00)~~. seven hundred dollars (\$700.00).

30 (k) A storage, treatment, or disposal facility shall pay an annual activity fee of
31 ~~one thousand two hundred dollars (\$1,200)~~ one thousand four hundred dollars (\$1,400)
32 for each activity.

33 (l) A commercial hazardous waste storage, treatment, or disposal facility shall
34 pay annually, in addition to the fees applicable to all hazardous waste storage, treatment,
35 or disposal facilities, a single tonnage charge of one dollar and seventy-five cents
36 (\$1.75) per ton or any part thereof of hazardous waste stored, treated, or disposed of at
37 the facility. A manufacturing facility that receives hazardous waste generated from the
38 use of a product typical of its manufacturing process for the purpose of recycling is
39 exempt from this tonnage charge. A facility must have a permit issued under this Article
40 which includes the recycling activity and specifies the type and amount of waste
41 allowed to be received from off-site for recycling.

42 (m) An applicant for a permit for a hazardous waste storage, treatment, or
43 disposal facility that proposes to operate as a commercial facility shall pay an
44 application fee for each proposed activity as follows:

- 1 (1) Storage facility \$10,000;
- 2 (2) Treatment facility \$15,000;
- 3 (3) Disposal facility \$25,000.

4 (n) The Commission may adopt rules setting fees for modifications to permits.
5 Such fees shall not exceed fifty percent (50%) of the application fee.

6 (o) Annual fees established under this section are due no later than 31 July for the
7 fiscal year beginning 1 July in the same year. Tonnage fees established under this
8 section are due no later than 31 July for the previous calendar year.

9 (p) The Department shall make an annual report to the General Assembly and its
10 Fiscal Research Division on the cost of the hazardous waste management program. The
11 report shall include, but is not limited to, beginning fund balance, fees collected under
12 this section, anticipated revenue from all sources, total expenditures (by activities and
13 categories) for the hazardous waste management program, ending fund balance, any
14 recommended adjustments in the annual and tonnage fees which may be necessary to
15 assure the continued availability of funds sufficient to pay the State's share of the cost of
16 the hazardous waste management program, and any other information requested by the
17 General Assembly. In recommending adjustments in annual and tonnage fees, the
18 Department may propose fees for hazardous waste generators, and for hazardous waste
19 treatment facilities which treat waste generated on-site, which are designed to encourage
20 reductions in the volume or quantity and toxicity of hazardous waste."

21 22 **PART XIII. DEPARTMENT OF COMMERCE**

23 24 **EMPLOYMENT SECURITY FUNDS**

25 **SECTION 13.1.(a)** Funds from the Employment Security Commission
26 Reserve Fund shall be available to the Employment Security Commission to use as
27 collateral to secure federal funds and to pay the administrative costs associated with the
28 collection of the Employment Security Commission Reserve Fund surcharge. The total
29 administrative costs paid with funds from the Reserve shall not exceed the total
30 administrative costs paid in fiscal year 2005-2006.

31 **SECTION 13.1.(b)** There is appropriated from the Employment Security
32 Commission Reserve Fund to the Employment Security Commission of North Carolina
33 the sum of six million three hundred thousand dollars (\$6,300,000) for the 2006-2007
34 fiscal year to be used for the following purposes:

- 35 (1) \$6,000,000 for the operation and support of local offices.
- 36 (2) \$200,000 for the State Occupational Information Coordinating
37 Committee to develop and operate an interagency system to track
38 former participants in State education and training programs.
- 39 (3) \$100,000 to maintain compliance with Chapter 96 of the General
40 Statutes, which directs the Commission to employ the Common
41 Follow-Up Management Information System to evaluate the
42 effectiveness of the State's job training, education, and placement
43 programs.

ONE NORTH CAROLINA FUND

SECTION 13.2. 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 2006-2007 fiscal year.

RURAL ECONOMIC DEVELOPMENT CENTER

SECTION 13.3. Notwithstanding any other provision of law, the North Carolina Rural Economic Development Center shall provide up to two hundred fifty-five thousand dollars (\$255,000) to the Yadkin-Pee Dee Lakes Project for the Central Park of North Carolina from its appropriation for economic development projects.

PART XIV. DEPARTMENT OF LABOR**REPEAL FEE FOR MINE SAFETY EDUCATION/TRAINING PROGRAMS**

SECTION 14.1. G.S. 74-24.16(d) is repealed.

PART XV. OFFICE OF ADMINISTRATIVE HEARINGS**NC REGISTER CHANGES**

SECTION 15.1. G.S. 150B-21.17 reads as rewritten:

"§ 150B-21.17. North Carolina Register.

(a) Content. – The Codifier of Rules must publish the North Carolina Register. The North Carolina Register must be published at least two times a month and must contain the following:

- (1) Temporary rules entered in the North Carolina Administrative Code.
- (1a) The text of proposed rules, and the text of permanent rules approved by the Commission.
- (1b) Emergency rules entered into the North Carolina Administrative Code.
- (2) Notices of receipt of a petition for municipal incorporation, as required by G.S. 120-165.
- (3) Executive orders of the Governor.
- (4) Final decision letters from the United States Attorney General concerning changes in laws that affect voting in a jurisdiction subject to section 5 of the Voting Rights Act of 1965, as required by G.S. 120-30.9H.
- (5) Orders of the Tax Review Board issued under G.S. 105-241.2.
- (6) Other information the Codifier determines to be helpful to the public.

(b) Form. – When an agency publishes notice in the North Carolina Register of the proposed text of a new rule, the Codifier of Rules must publish the complete text of the proposed new rule. In publishing the text of a proposed new rule, the Codifier must indicate the rule is new by underlining the proposed text of the rule.

1 When an agency publishes notice in the North Carolina Register of the proposed text
2 of an amendment to an existing rule, the Codifier must publish the complete text of the
3 rule that is being amended unless the Codifier determines that publication of the
4 complete text of the rule being amended is not necessary to enable the reader to
5 understand the proposed amendment. In publishing the text of a proposed amendment to
6 a rule, the Codifier must indicate deleted text with overstrikes and added text with
7 underlines.

8 When an agency publishes notice in the North Carolina Register of the proposed
9 repeal of an existing rule, the Codifier must publish the complete text of the rule the
10 agency proposes to repeal unless the Codifier determines that publication of the
11 complete text is impractical. In publishing the text of a rule the agency proposes to
12 repeal, the Codifier must indicate the rule is to be repealed.

13 (c) The Codifier may authorize and license the private indexing, marketing,
14 sales, reproduction, and distribution of the Register."

15 16 **PART XVI. OFFICE OF STATE CONTROLLER**

17 18 **NEW PAYROLL DEDUCTION SLOTS**

19 **SECTION 16.1.** Pending the implementation of the State's Human
20 Resources/Payroll infrastructure, a temporary suspension of new payroll deduction slots
21 is authorized. The State Controller may, at his discretion, elect to authorize a new
22 payroll deduction slot if it is deemed to be in the immediate best interest of the State's
23 employees.

24 25 **PROPOSED LEGISLATIVE CHANGES PERTAINING TO CREDIT CARDS**

26 **SECTION 16.2.(a)** G.S. 66-58.12 reads as rewritten:

27 "**§ 66-58.12. Agencies may provide access to services through electronic and digital**
28 **transactions; fees authorized.**

29 (a) Public agencies are encouraged to maximize citizen and business access to
30 their services through the use of electronic and digital transactions. A public agency
31 may determine, through program and transaction analysis, which of its services may be
32 made available to the public through electronic means, including the Internet. The
33 agency shall identify any inhibitors to electronic transactions between the agency and
34 the public, including legal, policy, financial, or privacy concerns and specific inhibitors
35 unique to the agency or type of transaction. An agency shall not provide a transaction
36 through the Internet that is impractical, unreasonable, or not permitted by laws
37 pertaining to privacy or security.

38 (b) An agency may charge a convenience fee to cover ~~its~~ all or a portion of the
39 costs of permitting a person to complete a transaction through the World Wide Web or
40 other means of electronic access, including the cost of electronic payments pursuant to
41 G.S. 147-86.22(b). ~~The fee may be applied on a per transaction basis and may be~~
42 ~~calculated either as a flat fee or a percentage fee, as determined under an agreement~~
43 ~~between a person and a public agency.~~ The convenience fee shall be levied in
44 accordance with applicable payment card industry standards, consistent with policies

1 promulgated by the State Controller pursuant to G.S. 147-86.22(b). The convenience fee
2 may be collected by the agency or by its third party agent.

3 (c) The fee imposed under subsection (b) of this section must be approved by the
4 Office of State Budget and Management, in consultation with the State Chief
5 Information Officer and the Joint Legislative Commission on Governmental Operations.
6 The revenue derived from the fee must be credited to a nonreverting agency reserve
7 account. The funds in the account may be expended only for the e-commerce initiatives
8 from which the funds were collected and only if the e-commerce initiative has been
9 approved and projects approved by the State Chief Information Officer, in consultation
10 with the Joint Legislative Oversight Committee on Information Technology. For
11 purposes of this subsection, the term "public agencies" does not include a county, unit,
12 special district, or other political subdivision of government.

13 (d) This section does not apply to the Judicial Department."

14 **SECTION 16.2.(b)** G.S. 147-86.22(b) reads as rewritten:

15 "(b) Electronic Payment. – Notwithstanding the provisions of G.S. 147-86.20 and
16 G.S. 147-86.21, this subsection applies to debts owed a community college, a local
17 school administrative unit, an area mental health, developmental disabilities, and
18 substance abuse authority, and the Administrative Office of the Courts, and to debts
19 payable to or through the office of a clerk of superior court or a magistrate, as well as to
20 debts owed to other State agencies as defined in G.S. 147-86.20.

21 The State Controller shall establish policies that allow accounts receivable to be
22 payable under certain conditions by electronic payment. These policies shall be
23 established with the concurrence of the State Treasurer. In addition, any policies that
24 apply to debts payable to or through the office of a clerk of superior court or a
25 magistrate shall be established with the concurrence of the Administrative Officer of the
26 Courts. The Administrative Officer of the Courts may also establish policies otherwise
27 authorized by law that apply to these debts as long as those policies are not inconsistent
28 with the Controller's policies.

29 ~~A condition of payment by electronic payment is receipt by the appropriate State~~
30 ~~agency of the full amount of the account receivable owed to the State agency. A debtor~~
31 ~~who pays by electronic payment may be required to pay any fee or charge associated~~
32 ~~with the use of electronic payment. Fees associated with processing electronic payments~~
33 ~~may be paid out of the General Fund and Highway Fund if the payment of the fee by the~~
34 ~~State is economically beneficial to the State and the payment of the fee by the State has~~
35 ~~been approved by the State Controller and State Treasurer.~~

36 ~~The State Controller and State Treasurer shall consult with the Joint Legislative~~
37 ~~Commission on Governmental Operations before establishing policies that allow~~
38 ~~accounts receivable to be payable by electronic payment and before authorizing fees~~
39 ~~associated with electronic payment to be paid out of the General Fund and Highway~~
40 ~~Fund. A State agency must also consult with the Joint Legislative Commission on~~
41 ~~Governmental Operations before implementing any program to accept payment under~~
42 ~~the policies established pursuant to this subsection.~~

43 Costs associated with the use of electronic payments shall be paid by an agency from
44 either receipts-supported or appropriated funds, as approved by the Office of State

1 Budget and Management. Any convenience fees levied and collected pursuant to
2 G.S. 66-58.12 shall only be utilized to pay the costs specified therein. This provision
3 shall not prohibit an agency from absorbing a portion or all the costs associated with
4 accepting electronic payments if deemed economical to either the agency or the State's
5 cash management program, or if deemed appropriate to provide the convenience to the
6 payor.

7 A payment of an account receivable that is made by electronic payment and is not
8 honored by the issuer of the card or the financial institution offering electronic funds
9 transfer does not relieve the debtor of the obligation to pay the account receivable."

10 **SECTION 16.2.(c)** G.S. 159-32.1 reads as rewritten:

11 "**§ 159-32.1. Electronic payment.**

12 A unit of local government, public hospital, or public authority may, in lieu of
13 payment by cash or check, accept payment by electronic payment as defined in
14 G.S. 147-86.20 for any tax, assessment, rate, fee, charge, rent, interest, penalty, or other
15 receivable owed to it. A unit of local government, public hospital, or public authority
16 may pay any negotiated discount, processing fee, transaction fee, or other charge
17 imposed by a credit card, charge card, or debit card company, or by a third-party
18 merchant bank, as a condition of contracting for the unit's or the authority's acceptance
19 of electronic payment. A unit of local government, public hospital, or public authority
20 may impose the fee or charge as a ~~surecharge-convenience fee~~ on the amount paid by the
21 person using electronic ~~payment-payment~~, provided the fee is levied in accordance with
22 applicable payment card industry standards, consistent with either policies promulgated
23 by the State Controller pursuant to G.S. 147-86.22(b) or with other policies promulgated
24 by the governing board, as applicable."

25 **SECTION 16.2.(d)** G.S. 105-357(b) reads as rewritten:

26 "(b) Acceptance of Checks and Electronic Payment. – The tax collector may
27 accept checks and electronic payments, as defined in G.S. 147-86.20, in payment of
28 taxes, as authorized by G.S. 159-32.1. Acceptance of a check or electronic payment is at
29 the tax collector's own risk. A tax collector who accepts electronic payment of taxes
30 may add a convenience fee to each electronic payment transaction to offset the service
31 charge the taxing unit pays for electronic ~~payment-service~~. service, provided the fee is
32 levied in accordance with applicable payment card industry standards, consistent with
33 policies promulgated by the State Controller pursuant to G.S. 147-86.22(b) or with other
34 policies promulgated by the governing board, as applicable. A tax collector who accepts
35 electronic payment or check in payment of taxes may issue the tax receipt immediately
36 or withhold the receipt until the check has been collected or the electronic payment
37 invoice has been honored by the issuer.

38 If a tax collector accepts a check or an electronic payment and issues a tax receipt
39 and the check is returned unpaid (without negligence on the part of the tax collector in
40 presenting the check for payment) or the electronic payment invoice is not honored by
41 the issuer, the taxes for which the check or electronic payment was given shall be
42 deemed unpaid; the tax collector shall immediately correct the copy of the tax receipt
43 and other appropriate records to show the fact of nonpayment, and shall give written
44 notice by certified or registered mail to the person to whom the tax receipt was issued to

1 return it to the tax collector. After correcting the records to show the fact of
2 nonpayment, the tax collector shall proceed to collect the taxes by the use of any
3 remedies allowed for the collection of taxes or by bringing a civil action on the check or
4 electronic payment."

5 **SECTION 16.2.(e)** G.S. 14-113.24 reads as rewritten:

6 "**§ 14-113.24. Credit, charge, or debit card numbers on receipts.**

7 (a) For purposes of this section, the word "person" means the person that owns or
8 leases the cash register or other machine or device that electronically prints receipts of
9 credit, charge, or debit card transactions.

10 (b) Except as provided in this section, no person that accepts credit, charge, or
11 debit cards for the transaction of business shall print more than five the last four digits
12 of the credit, charge, or debit card account number or print the expiration date upon any
13 receipt with the intent to provide the receipt to the cardholder at the point of sale. This
14 section applies to a person who employs a cash register or other machine or device that
15 electronically prints receipts for credit, charge, or debit card transactions. This section
16 does not apply to a person whose sole means of recording a credit, charge, or debit card
17 number for the transaction of business is by handwriting or by an imprint or copy of the
18 credit, charge, or debit card."

19 **PART XVII. UTILITIES COMMISSION**

20 **REGULATORY FEE FOR UTILITIES COMMISSION**

21
22 **SECTION 17.1.(a)** The percentage rate to be used in calculating the public
23 utility regulatory fee under G.S. 62-302(b)(2) is twelve-hundredths of one percent
24 (0.12%) for each public utility's North Carolina jurisdictional revenues earned during
25 each quarter that begins on or after July 1, 2006.

26
27 **SECTION 17.1.(b)** The electric membership corporation regulatory fee
28 imposed under G.S. 62-302(b1) for the 2006-2007 fiscal year is two hundred thousand
29 dollars (\$200,000).

30 **SECTION 17.1.(c)** This section becomes effective July 1, 2006.

31 **PART XVIII. INFORMATION TECHNOLOGY**

32 **ESTABLISH INFORMATION TECHNOLOGY INNOVATION FUND**

33
34 **SECTION 18.1.(a)** There is established an Information Technology
35 Innovation Fund in the Office of State Budget and Management. This Fund will
36 support technology projects that:

- 37
38 (1) Implement a legislative mandate, increase safety of staff and citizens,
39 or improve the overall efficiency of a business process demonstrated
40 through cost savings or future cost avoidance.
- 41 (2) Facilitate consolidation of information technology services in State
42 agencies and/or an enterprise approach across agencies.
- 43 (3) Improve customer service to the public.

1 Projects must complete a detailed analysis and clearly demonstrate that
2 benefits are greater than costs.

3 **SECTION 18.1.(b)** A review board comprised of the State Budget Officer,
4 the State CIO, and the State Controller will review agency requests to evaluate their
5 validity, costs and benefits, and overall return to the State. The Office of State Budget
6 and Management, in consultation with Information Technology Services, shall establish
7 the timeline, criteria, and review process by which department requests will be
8 evaluated.

9 **SECTION 18.1.(c)** The review board shall consult with the Joint Committee
10 on Information Technology prior to transferring monies from the Fund.

11 **SECTION 18.1.(d)** Funds will be provided to departments from the
12 Information Technology Innovation Fund during the implementation period only. Any
13 remaining funds shall revert to the Information Technology Innovation Fund for
14 reprioritization and allocation at the end of project implementation.

15 **GEOGRAPHICAL INFORMATION SYSTEMS STUDY**

16 **SECTION 18.2.(a)** The Office of State Budget and Management (OSBM)
17 shall conduct a study to identify the utilization of Geographical Information Systems
18 (GIS) in State agencies. The study shall identify the purpose for which each system
19 exists, any duplication of effort across agencies, actual staffing for each system,
20 the data used and developed for the systems, the organizational location of each system, and the
21 hardware and software inventories associated with each system. As a result of the
22 study, OSBM should make recommendations on the governance, organization, and
23 staffing of GIS in and across State agencies. The findings of this study shall be reported
24 to the Joint Committee on Information Technology by March 1, 2007.

25 **SECTION 18.2.(b)** This section does not apply to The University of North
26 Carolina and to the Judicial Branch.

27 **PART XIX. CRIME CONTROL AND PUBLIC SAFETY**

28 **ESTABLISH DISASTER RELIEF RESERVE**

29 **SECTION 19.1.(a)** G.S. 166A-6.01(2) reads as rewritten:

30 **"(2)** Public assistance. – State disaster assistance in the form of public
31 assistance grants may be made available to eligible entities located
32 within the disaster area on the following terms and conditions:

33 a. Eligible entities shall meet the following qualifications:

- 34 1. The eligible entity suffers a minimum of ten thousand
35 dollars (\$10,000) in uninsurable losses;
- 36 2. The eligible entity suffers uninsurable losses in an
37 amount equal to or exceeding ~~one half percent (0.5%)~~
38 one percent (1.0 %) of the annual operating budget;
- 39 3. For a state of disaster proclaimed pursuant to
40 G.S. 166A-6(a) after the deadline established by the
41 Federal Emergency Management Agency pursuant to the
42
43
44

Disaster Mitigation Act of 2002, P.L. 106-390, the eligible entity shall have a hazard mitigation plan approved pursuant to the Stafford Act; and

4. For a state of disaster proclaimed pursuant to G.S. 166A-6(a) after August 1, 2002, the eligible entity shall be participating in the National Flood Insurance Program in order to receive public assistance for flooding damage.

b. Eligible entities shall be required to provide non-State matching funds equal to twenty-five percent (25%) of the eligible costs of the public assistance grant."

SECTION 19.1.(b) G.S. 166A-5 is amended by adding a new subdivision to

read:

"(4) Disaster Relief Reserve. – There is established a Disaster Relief Reserve as a restricted reserve in the General Fund. The Governor may access these funds to (i) initially prepare for, and respond to, an emergency, (ii) contribute to the required nonfederal cost share for federal emergency and disaster assistance programs, and (iii) implement State disaster assistance programs as authorized in Chapter 166A of the General Statutes. The Governor shall report to the Joint Legislative Commission on Governmental Operations on any expenditures from the Disaster Relief Reserve no later than 30 days after making the expenditure. The report shall include a description of the emergency and type of action taken."

HOUSING ASSISTANCE FUNDS

SECTION 19.2. Section 5.1(c) of S.L. 2005-1 reads as rewritten:

"**SECTION 5.1.(c)** The Department of Crime Control and Public Safety shall modify the Crisis Housing Assistance Fund (CHAF) to provide money to persons who do not qualify for CHAF assistance solely because they failed to apply for federal assistance through FEMA or the Small Business Administration's (SBA) Real Property Disaster loan program."

HOPE MILLS DAM

SECTION 19.3. Of the funds appropriated in this act to the Reserve for Disaster Expenses, the sum of two million one hundred seventeen thousand one hundred thirty-nine dollars (\$2,117,139) shall be allocated to the town of Hope Mills in the 2006-2007 fiscal year for additional costs associated with repairing the dam, roadway, and bridge from flooding in 2003.

PART XX. SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES

1 **SECTION 20.1(a)** Effective July 1, 2006, G.S. 147-11(a) is rewritten to
2 read:

3 "(a) The salary of the Governor shall be one hundred twenty-eight thousand seven
4 hundred seventy-two dollars (\$128,772) annually, payable monthly."

5 **SECTION 20.1(b)** Effective July 1, 2006, the annual salaries for the
6 members of the Council of State, payable monthly, for the 2006-2007 fiscal year are:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$113,650
Attorney General	113,650
Secretary of State	113,650
State Treasurer	113,650
State Auditor	113,650
Superintendent of Public Instruction	113,650
Agriculture Commissioner	113,650
Insurance Commissioner	113,650
Labor Commissioner	113,650

18
19 **NONELECTED DEPARTMENT HEADS/SALARY INCREASES**

20 **SECTION 20.2.** In accordance with G.S. 143B-9, the maximum annual
21 salaries, payable monthly, for the nonelected heads of the principal State departments
22 for the 2006-2007 fiscal year are:

<u>Nonelected Department Heads</u>	<u>Annual Salary</u>
Secretary of Administration	\$111,036
Secretary of Correction	111,036
Secretary of Crime Control and Public Safety	111,036
Secretary of Cultural Resources	111,036
Secretary of Commerce	111,036
Secretary of Environment and Natural Resources	111,036
Secretary of Health and Human Services	111,036
Secretary of Juvenile Justice and Delinquency Prevention	111,036
Secretary of Revenue	111,036
Secretary of Transportation	111,036

35
36 **CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES**

37 **SECTION 20.3.** The annual salaries, payable monthly, for the 2006-2007
38 fiscal year for the following executive branch officials are:

<u>Executive Branch Officials</u>	<u>Annual Salary</u>
Chairman, Alcoholic Beverage Control Commission	\$101,062
State Controller	141,437
Commissioner of Motor Vehicles	101,062
Commissioner of Banks	113,650

1	Chairman, Employment Security Commission	138,487
2	State Personnel Director	111,036
3	Chairman, Parole Commission	92,282
4	Members of the Parole Commission	42,598
5	Chairman, Utilities Commission	126,569
6	Members of the Utilities Commission	113,650
7	Executive Director, Agency for Public Telecommunications	85,198
8	Director, Museum of Art	103,556
9	Executive Director, North Carolina Agricultural	
10	Finance Authority	98,370
11	State Chief Information Officer	141,352

JUDICIAL BRANCH OFFICIALS/SALARY INCREASES

SECTION 20.4.(a) The annual salaries, payable monthly, for specified Judicial Branch officials for the 2006-2007 fiscal year are:

	<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
17	Chief Justice, Supreme Court	\$128,772
18	Associate Justice, Supreme Court	125,406
19	Chief Judge, Court of Appeals	122,271
20	Judge, Court of Appeals	120,181
21	Judge, Senior Regular Resident Superior Court	116,916
22	Judge, Superior Court	113,650
23	Chief Judge, District Court	103,200
24	Judge, District Court	99,935
25	Administrative Officer of the Courts	116,916
26	Assistant Administrative Officer of the Courts	106,791

SECTION 20.4.(b) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district do not exceed sixty-five thousand four hundred forty-seven dollars (\$65,447), and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-four thousand two hundred dollars (\$34,200), effective July 1, 2006.

SECTION 20.4.(c) Effective July 1, 2006, the annual salaries of permanent, full-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by four percent (4%).

SECTION 20.4.(d) Effective July 1, 2006, the annual salaries of permanent, part-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by pro rata amounts of four percent (4%).

CLERK OF SUPERIOR COURT/SALARY INCREASES

SECTION 20.5. Effective July 1, 2006, G.S. 7A-101(a) is rewritten to read:

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

Population	Annual Salary
Less than 100,000	\$76,016
100,000 to 149,999	85,302
150,000 to 249,999	94,590
250,000 and above	103,879.

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

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

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

ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES

SECTION 20.6. Effective July 1, 2006, G.S. 7A-102(c1) is rewritten to

read:

"(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	\$29,500
Maximum	50,522

Deputy Clerks	Annual Salary
Minimum	\$25,392
Maximum	39,295."

MAGISTRATES' SALARY INCREASES

SECTION 20.7.(a) Effective July 1, 2006, G.S. 7A-171.1(a) is rewritten to

read:

"(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	\$29,889
Step 1	32,630
Step 2	35,613
Step 3	38,868
Step 4	42,434
Step 5	46,452
Step 6	50,957.

(2) A part-time magistrate is a magistrate who is assigned to work an average of less than 40 hours of work a week during the term, except that no magistrate shall be assigned an average of less than 10 hours of work a week during the term. A part-time magistrate is included, in accordance with G.S. 7A-170, under the provisions of G.S. 135-1(10) and G.S. 135-40.2(a). The Administrative Officer of the Courts designates whether a magistrate is a part-time magistrate. A part-time magistrate shall receive an annual salary based on the following formula: The average number of hours a week that a part-time magistrate is assigned work during the term shall be multiplied by the annual salary payable to a full-time magistrate who has the same number of years of service prior to the beginning of that term as does the part-time magistrate, and the product of that multiplication shall be divided by the number 40. The quotient shall be the annual salary payable to that part-time magistrate.

(3) Notwithstanding any other provision of this subsection, a magistrate who is licensed to practice law in North Carolina or any other state shall receive the annual salary provided in the table in subdivision (1) of this subsection for Step 4."

SECTION 20.7.(b) Effective July 1, 2006, G.S. 7A-171.1(a1) is rewritten to

read:

"(a1) Notwithstanding subsection (a) of this section, the following salary provisions apply to individuals who were serving as magistrates on June 30, 1994:

(1) The salaries of magistrates who on June 30, 1994, were paid at a salary level of less than five years of service under the table in effect that date shall be as follows:

Less than 1 year of service	\$24,102
1 or more but less than 3 years of service	25,209
3 or more but less than 5 years of service	27,435.

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a).

(2) The salaries of magistrates who on June 30, 1994, were paid at a salary level of five or more years of service shall be based on the rates set out in subsection (a) as follows:

Salary Level on June 30, 1994	Salary Level on July 1, 1994
5 or more but less than 7 years of service	Entry Rate
7 or more but less than 9 years of service	Step 1
9 or more but less than 11 years of service	Step 2
11 or more years of service	Step 3

Thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

(3) The salaries of magistrates who are licensed to practice law in North Carolina shall be adjusted to the annual salary provided in the table in subsection (a) as Step 4, and, thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

(4) The salaries of "part-time magistrates" shall be set under the formula set out in subdivision (2) of subsection (a) but according to the rates set out in this subsection."

GENERAL ASSEMBLY PRINCIPAL CLERKS/SALARY INCREASES

SECTION 20.8. Effective July 1, 2006, G.S. 120-37(c) is rewritten to read:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ninety-six thousand seventeen dollars (\$96,017) payable monthly. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and Advisory Budget Commission and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SERGEANTS-AT-ARMS AND READING CLERKS

SECTION 20.9. Effective July 1, 2006, G.S. 120-37(b) is rewritten to read:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of three hundred forty dollars (\$340.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their

1 homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the
2 General Assembly and at such time prior to the convening of, and subsequent to
3 adjournment or recess of, sessions as may be authorized by the Legislative Services
4 Commission. The reading clerks shall serve during sessions only."

6 **LEGISLATIVE EMPLOYEES**

7 **SECTION 20.10.** Effective July 1, 2006, the Legislative Services Officer
8 shall increase the salaries of nonelected employees of the General Assembly in effect
9 for fiscal year 2005-2006 by four percent (4%). Nothing in this act limits any of the
10 provisions of G.S. 120-32.

12 **COMMUNITY COLLEGE PERSONNEL/SALARY INCREASES**

13 **SECTION 20.11.** The Director of the Budget shall transfer from the Reserve
14 for Compensation Increases, created in this act for fiscal year 2006-2007, funds to the
15 North Carolina Community Colleges System Office necessary to provide an annual
16 salary increase of four percent (4%), including funds for the employer's retirement and
17 social security contributions, commencing July 1, 2006, for all community college
18 employees supported by State funds.

20 **UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA COMPENSATION**

21 **SECTION 20.12.(a)** The Director of the Budget shall transfer to the Board
22 of Governors of The University of North Carolina sufficient funds from the Reserve for
23 Compensation Increases, created in this act for fiscal year 2006-2007, to provide an
24 annual salary increase of four percent (4%), including funds for the employer's
25 retirement and social security contributions, commencing July 1, 2006, for all
26 employees of The University of North Carolina, as well as employees other than
27 teachers of the North Carolina School of Science and Mathematics, supported by State
28 funds and whose salaries are exempt from the State Personnel Act (EPA). The
29 percentage annual salary increase of four percent (4%) authorized by this section shall
30 be made on an aggregated average basis, and these funds shall be allocated according to
31 the rules adopted by the Board of Governors of The University of North Carolina or the
32 Board of Trustees of the North Carolina School of Science and Mathematics, as
33 appropriate, and may not be used for any purpose other than for salary increases and
34 necessary employer contributions provided by this section.

35 **SECTION 20.12.(b)** The Director of the Budget shall transfer to the Board
36 of Governors of The University of North Carolina sufficient funds from the Reserve for
37 Compensation Increases, created in this act for fiscal year 2006-2007, to provide an
38 average annual salary increase of four percent (4%), including funds for the employer's
39 retirement and social security contributions, commencing July 1, 2006, for all teaching
40 employees of the North Carolina School of Science and Mathematics, supported by
41 State funds and whose salaries are exempt from the State Personnel Act (EPA). These
42 funds shall be allocated to individuals according to the rules adopted by the Board of
43 Trustees of the North Carolina School of Science and Mathematics and may not be used

1 for any purpose other than for salary increases and necessary employer contributions
2 provided by this section.

3 4 **MOST STATE EMPLOYEES/SALARY INCREASES**

5 **SECTION 20.13.(a)** The salaries in effect June 30, 2006, of all permanent
6 full-time State employees whose salaries are set in accordance with the State Personnel
7 Act and who are paid from the General Fund or the Highway Fund shall be increased,
8 effective July 1, 2006, by four percent (4%), unless otherwise provided by this act.

9 **SECTION 20.13.(b)** Except as otherwise provided in this act, the fiscal year
10 2006-2007 salaries for permanent full-time State officials and persons in exempt
11 positions that are recommended by the Governor or the Governor and the Advisory
12 Budget Commission and set by the General Assembly shall be increased by four percent
13 (4%), effective July 1, 2006, unless otherwise provided by this act.

14 **SECTION 20.13.(c)** The salaries in effect for fiscal year 2006-2007 for all
15 permanent part-time State employees shall be increased, effective July 1, 2006, by pro
16 rata amounts of four percent (4%).

17 **SECTION 20.13.(d)** The Director of the Budget may allocate out of special
18 operating funds or from other sources of the employing agency, except tax revenues,
19 sufficient funds to allow a salary increase, effective July 1, 2006, in accordance with
20 subsection (a), (b), or (c) of this section, including funds for the employer's retirement
21 and social security contributions, for the permanent full-time and part-time employees
22 of the agency, provided the employing agency elects to make available the necessary
23 funds.

24 **SECTION 20.13.(e)** Within regular Executive Budget Act procedures as
25 limited by this act, all State agencies and departments may increase on an equitable
26 basis the rate of pay of temporary and permanent hourly State employees, subject to
27 availability of funds in the particular agency or department, by pro rata amounts of four
28 percent (4%) increase provided for permanent full-time employees covered by the
29 provisions of subsection (a) of this section, commencing July 1, 2006.

30 31 **ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES**

32 **SECTION 20.14.(a)** Salaries and related benefits for positions that are
33 funded partially from the General Fund or Highway Fund and partially from sources
34 other than the General Fund or Highway Fund shall be increased from the General Fund
35 or Highway Fund appropriation only to the extent of the proportionate part of the
36 salaries paid from the General Fund or Highway Fund.

37 **SECTION 20.14.(b)** The granting of the salary increases under this act does
38 not affect the status of eligibility for salary increments for which employees may be
39 eligible unless otherwise required by this act.

40 **SECTION 20.14.(c)** The salary increases provided in this act are to be
41 effective July 1, 2006, and do not apply to persons separated from State service due to
42 resignation, dismissal, reduction in force, death, or retirement, or whose last workday is
43 prior to July 1, 2006.

1 Payroll checks issued to employees after July 1, 2006, which represent
2 payment of services provided prior to July 1, 2006, shall not be eligible for salary
3 increases provided for in this act. This subsection shall apply to all employees, subject
4 to or exempt from the State Personnel Act, paid from State funds, including public
5 schools, community colleges, and The University of North Carolina.

6 **SECTION 20.14.(d)** The Director of the Budget shall transfer from the
7 Reserve for Compensation Increases in this act for fiscal year 2006-2007 all funds
8 necessary for the salary increases provided by this act, including funds for the
9 employer's retirement and social security contributions.

10 **SECTION 20.14.(e)** Nothing in this act authorizes the transfer of funds
11 between the General Fund and the Highway Fund for salary increases.

12 **SECTION 20.14.(f)** Permanent full-time employees who work a nine-, ten-,
13 or eleven-month work year schedule shall receive the four percent (4%) annual increase
14 provided by this act.

15 **SALARY ADJUSTMENT FUND**

16 **SECTION 20.15.(a)** Any remaining appropriations in the Reserve for
17 Compensation Increases authorized for employee salary increases not required for that
18 purpose may be used to supplement the Salary Adjustment Fund.

19 **SECTION 20.15.(b)** The purpose of the Salary Adjustment Fund is to
20 provide salary adjustments for job groups in response to changes in labor market rates to
21 assist the State in recruiting and retaining employees. Funds appropriated or otherwise
22 transferred to the Salary Adjustment Fund by this act or any other provision of law may
23 be used for the following purposes:

- 24 (1) Salary range revisions, special minimum wage rates, and
25 career-banding adjustments to provide competitive salary rates for
26 affected job groups.
- 27 (2) Reallocation of positions to higher-level job groups to compensate
28 employees for more difficult duties.
- 29 (3) In-range adjustments in order to recognize job change, establish
30 equitable salary relationships, or to respond to market conditions.

31 Funds shall only be used for salary adjustments that are in compliance with State
32 Personnel Commission policies.

33 **SECTION 20.15.(c)** The Director of the Budget shall consult with the Joint
34 Legislative Commission on Governmental Operations prior to transferring any salary
35 adjustment funds for any State agency.

36 **SECTION 20.15.(d)** The Director of the Budget may transfer to General
37 Fund budget codes from the General Fund Salary Adjustment Fund and may transfer to
38 Highway Fund budget codes from the Highway Fund Salary Adjustment Fund amounts
39 required to support salary adjustments authorized by this section.

40 **SECTION 20.15.(e)** The Judicial Department is eligible for the funding
41 authorized in subsection (a) of this section.
42

1 **SECTION 20.15.(f)** Employees subject to the State Personnel Act in The
2 University of North Carolina System are eligible to receive funds for career-banding
3 adjustments as authorized in subdivision (1) of subsection (b) of this section.
4

5 **STATE AGENCY TEACHERS' COMPENSATION**

6 **SECTION 20.16.** Funds in the Reserve for Compensation Increases shall be
7 used for experience step increases for employees of schools operated by the Department
8 of Health and Human Services, the Department of Correction, or the Department of
9 Juvenile Justice and Delinquency Prevention, who are paid on the Teacher Salary
10 Schedule or the School-Based Administrator Salary Schedule.
11

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

16 **SECTION 20.17.(a)** G.S. 135-5 is amended by adding a new subsection to
17 read:

18 "(nnn) From and after July 1, 2006, the retirement allowance to or on account of
19 beneficiaries whose retirement commenced on or before July 1, 2005, shall be increased
20 by three and seven-tenths percent (3.7%) of the allowance payable on June 1, 2006, in
21 accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2006, the retirement
22 allowance to or on account of beneficiaries whose retirement commenced after July 1,
23 2005, but before June 30, 2006, shall be increased by a prorated amount of three and
24 seven-tenths percent (3.7%) of the allowance payable as determined by the Board of
25 Trustees based upon the number of months that a retirement allowance was paid
26 between July 1, 2005, and June 30, 2006."

27 **SECTION 20.17.(b)** G.S. 135-65 is amended by adding a new subsection to
28 read:

29 "(z) From and after July 1, 2006, the retirement allowance to or on account of
30 beneficiaries whose retirement commenced on or before July 1, 2005, shall be increased
31 by three and seven-tenths percent (3.7%) of the allowance payable on June 1, 2006.
32 Furthermore, from and after July 1, 2006, the retirement allowance to or on account of
33 beneficiaries whose retirement commenced after July 1, 2005, but before June 30, 2006,
34 shall be increased by a prorated amount of three and seven-tenths percent (3.7%) of the
35 allowance payable as determined by the Board of Trustees based upon the number of
36 months that a retirement allowance was paid between July 1, 2005, and June 30, 2006."

37 **SECTION 20.17.(c)** G.S. 120-4.22A is amended by adding a new subsection
38 to read:

39 "(t) In accordance with subsection (a) of this section, from and after July 1, 2006,
40 the retirement allowance to or on account of beneficiaries whose retirement commenced
41 on or before January 1, 2006, shall be increased by three and seven-tenths percent
42 (3.7%) of the allowance payable on June 1, 2006. Furthermore, from and after July 1,
43 2006, the retirement allowance to or on account of beneficiaries whose retirement
44 commenced after January 1, 2006, but before June 30, 2006, shall be increased by a

1 prorated amount of three and seven-tenths percent (3.7%) of the allowance payable as
 2 determined by the Board of Trustees based upon the number of months that a retirement
 3 allowance was paid between January 1, 2006, and June 30, 2006."

4 **SECTION 20.17.(d)** G.S. 128-27 is amended by adding a new subsection to
 5 read:

6 "(ggg) From and after July 1, 2006, the retirement allowance to or on account of
 7 beneficiaries whose retirement commenced on or before July 1, 2005, shall be increased
 8 by three and seven-tenths percent (3.7%) of the allowance payable on June 1, 2006, in
 9 accordance with subsection (k) of this section. Furthermore, from and after July 1, 2006,
 10 the retirement allowance to or on account of beneficiaries whose retirement commenced
 11 after July 1, 2005, but before June 30, 2006, shall be increased by a prorated amount of
 12 three and seven-tenths percent (3.7%) of the allowance payable as determined by the
 13 Board of Trustees based upon the number of months that a retirement allowance was
 14 paid between July 1, 2005, and June 30, 2006."

15
 16 **PART XXI. CAPITAL PROVISIONS**

17
 18 **GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION**

19 **SECTION 21.1.** The appropriations made by the 2005 General Assembly
 20 for capital improvements are for constructing, repairing, or renovating State buildings,
 21 utilities, and other capital facilities, for acquiring sites for them where necessary, and
 22 acquiring buildings and land for State government purposes.

23
 24 **CAPITAL APPROPRIATIONS/GENERAL FUND**

25 **SECTION 21.2.** There is appropriated from the General Fund for the
 26 2006-2007 fiscal year the following amount for capital improvements:

Capital Improvements – General Fund	2006-2007
Department of Administration	
Asheville and Kinston Veterans Affairs Nursing Homes	\$ 8,773,300
Department of Agriculture	
Constable Lab Renovation	537,500
Expansion/Renovation to Rollins Laboratory – planning and design	1,250,000
NCDA & CS Oxford Complex Planning and Design	1,000,000
State Ports Authority	
Port of Wilmington Container Cranes	7,500,000
Commerce	
Wanchese Industrial Park Office Addition	519,500
Correction	
Gatehouse/Security Drives at Morrison Correctional Institution	2,986,200

1		
2	Department of Crime Control and Public Safety	
3	Emergency Operations Center and Access Road	8,500,000
4	Marion Transportation Center – parking	222,700
5		
6	Department of Cultural Resources	
7	Horne Creek Visitors Center	378,700
8	Museum of Art Expansion	40,000,000
9		
10	Department of Environment and Natural Resources	
11	Division of Water Quality Laboratory – Modular Office Building	257,100
12	Forest Resources District 9 Headquarters Complex	2,164,500
13	North Carolina Zoo- Children's Discovery Center	1,500,000
14	North Carolina Zoo- Exhibit Storage Building	452,800
15	New DENR Office Building	50,005,300
16	Water Resources Development Projects	18,500,000
17	Chimney Rock Tract, Hickorynut Gorge State Park Expansion	15,000,000
18	Museum of Natural Sciences – Nature Resource Center	10,000,000
19		
20	Information Technology Services	
21	New Backup Data Center – Planning, Design and Construction	24,841,300
22		
23	Department of Juvenile Justice and Delinquency Prevention	
24	Safety/Security Fixtures and Furnishings for new	
25	Youth Development Centers	500,000
26		
27	University of North Carolina System – Board of Governors	
28	North Carolina Center for the Advancement of Teaching –	
29	Ocracoke Island Station Renovation Phase III,	
30	Furnishing and Equipment	737,000
31		
32	North Carolina State University Engineering Complex III	61,000,000
33		
34	University of North Carolina at Wilmington School of Nursing	27,000,000
35		
36	University of North Carolina at Charlotte –	
37	Center City Classroom Building	45,827,400
38		
39	TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$ 329,453,300
40	WATER RESOURCES DEVELOPMENT PROJECT FUNDS	

41 **SECTION 21.3.(a)** The Department of Environment and Natural Resources
42 shall allocate the funds appropriated in this act for water resources development projects
43 to the following projects whose costs are as indicated:

44	Name of Project	2006-2007
----	------------------------	------------------

1	(1)	Wilmington Harbor Deepening *	\$ 5,275,000
2	(2)	Morehead City Harbor Sand Management	1,200,000
3	(3)	Manteo (Shallowbag) Bay Channel Maintenance*	-
4	(4)	Wilmington Harbor Maintenance Dredging*	-
5	(5)	Morehead City Harbor Maintenance Dredging**	0
6	(6)	Carolina Beach Renourishment	1,125,000
7	(7)	Carolina Beach Renourishment (Kure Beach)	681,000
8	(8)	Brunswick County Beaches Study**	0
9	(9)	Ocean Isle Beach Renourishment (Brunswick County)	435,000
10	(10)	Beaufort Harbor Maintenance Dredging	300,000
11	(11)	B. Everett Jordan Reservoir Water Supply Storage	100,000
12	(12)	Aquatic Weed Control – Lake Gaston and Statewide	400,000
13	(13)	Waterway Connecting Pamlico Sound to Beaufort Harbor (Carteret)	400,000
14	(14)	John H. Kerr Reservoir Operations Evaluation	188,000
15	(15)	Currituck Sound Water Management Study	386,000
16	(16)	Surf City / North Topsail Beach Protection Study*	-
17	(17)	West Onslow Beach (Topsail) Study (Pender County)	85,000
18	(18)	Hurricane Steam Restoration – Western NC (Phase II)	2,000,000
19	(19)	Hurricane Isabel Emergency Management Stream Cleanup (Phase III)	850,000
20	(20)	Bogue Banks Shore Protection Study (Carteret County)*	-
21	(21)	Neuse River Basin Study	280,000
22	(22)	Beach and Inlet Management Study	500,000
23	(23)	Dredging Contingency Fund***	2,295,000
24	(24)	State – Local Projects	2,000,000

25
26 **TOTALS** **\$ 18,500,000**

- 27 * State share will include additional funds allocated in prior fiscal years
28 ** All funds are from federal and/or local share
29 *** For dredging shallow draft navigation channels and inlets to offset reduced
30 federal funding

31 **SECTION 21.3.(b)** Where the actual costs are different from the estimated
32 costs under subsection (a) of this section, the Department may adjust the allocations
33 among projects as needed. If any projects funded under subsection (a) of this section are
34 delayed and the budgeted State funds cannot be used during the 2006-2007 fiscal year,
35 or if the projects funded under subsection (a) of this section are accomplished at a lower
36 cost, the Department may use the resulting fund availability to fund any of the
37 following:

- 38 (1) U.S. Army Corps of Engineers project feasibility studies.
39 (2) U.S. Army Corps of Engineers projects whose schedules have
40 advanced and require State-matching funds in fiscal year 2006-2007.
41 (3) State-local water resources development projects.

42 Funds not expended or encumbered for these purposes shall revert to the General Fund
43 at the end of the 2007-2008 fiscal year.

1 **SECTION 21.3.(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 **RESEARCH BUILDING ON THE JOINT MILLENNIAL CAMPUS OF NORTH**
 16 **CAROLINA AGRICULTURAL AND TECHNICAL STATE UNIVERSITY AND**
 17 **THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO; NURSING**
 18 **AND ALLIED HEALTH BUILDING AT THE UNIVERSITY OF NORTH**
 19 **CAROLINA AT PEMBROKE; CENTER FOR DESIGN INNOVATION IN THE**
 20 **PIEDMONT-TRIAD RESEARCH PARK**

21 **SECTION 21.4.(a)** Section 1.1 of S.L. 2004-179 reads as rewritten:

22 **"SECTION 1.1.** In accordance with G.S. 142-83, this section authorizes the
 23 issuance or incurrence of special indebtedness in the following maximum aggregate
 24 principal amounts to finance the costs of the following projects. The table below
 25 provides the maximum principal amounts. The first column is the aggregate maximum
 26 principal amount. The second column is the maximum portion of this amount that can
 27 be issued or incurred before July 1, 2005. The State, with the prior approval of the State
 28 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
 29 General Statutes is authorized to issue or incur special indebtedness in order to provide
 30 funds to the State to be used, together with other available funds, to pay the cost of these
 31 projects.

32 Aggregate	33 Maximum before	34 Project
35 Maximum	36 7/1/05	
37 \$180,000,000	38 \$110,000,000	39 Acquiring, constructing, and equipping a new 40 cancer rehabilitation and treatment center, a 41 nearby physicians' office building, and a 42 walkway between the two, all to be located at the University of North Carolina Hospitals at Chapel Hill.
60,000,000	30,000,000	Acquiring, constructing, and equipping the North Carolina Cardiovascular Diseases Institute at East Carolina University.

1	35,000,000	25,000,000	Acquiring, constructing, and equipping a
2			Bioinformatics Center at the University of
3			North Carolina at Charlotte.
4	28,000,000	25,000,000	Acquiring, constructing, and equipping a
5			stand-alone facility to house the new
6			Pharmacy School program to be located at
7			Elizabeth City State University, and interim
8			temporary facilities to house the program
9			during construction of the facility.
10	35,000,000	25,000,000	Acquiring, constructing, and equipping a
11			Center for Health Promotion and Partnerships
12			at the University of North Carolina at
13			Asheville.
14	10,000,000	10,000,000	Land acquisition, site preparation,
15			engineering, architectural, and other
16			consulting services, and construction for the
17			Southeastern North Carolina Nursing
18			Education and Research Center at Fayetteville
19			State University.
20	10,000,000	10,000,000	Land acquisition, site <u>Site preparation, and</u>
21			engineering, architectural, and other
22			consulting services <u>services, and construction</u>
23			of a research building on the <u>for facilities for</u>
24			development of the <u>joint Millennial Campus of</u>
25			<u>North Carolina Agricultural and Technical</u>
26			<u>State University and the University of North</u>
27			<u>Carolina at Greensboro.</u>
28	10,000,000	10,000,000	Land acquisition, site preparation, and
29			engineering, architectural, and other
30			consulting services <u>and construction for an</u>
31			Optometry School facility <u>a Nursing and</u>
32			<u>Allied Health Building</u> at the University of
33			North Carolina at Pembroke.
34	10,000,000	10,000,000	To Western Carolina University for land
35			acquisition, site preparation, and engineering,
36			architectural, and other consulting services for
37			Western Carolina University and the Mountain
38			Area Health Education Consortium for the
39			North Carolina Center for Health and Aging to
40			be operated as a consortium among Western
41			Carolina University, the University of North
42			Carolina at Asheville, and the Mountain Area
43			Health Education Consortium

1	10,000,000	10,000,000	Property acquisition in Piedmont Triad
2			Research Park for Winston-Salem State
3			University programming related to
4			biotechnology education and research; and
5			land Land acquisition, site preparation, and
6			engineering, architectural, and other
7			consulting services <u>services, and construction</u>
8			<u>of for a Center for Design Innovation in the</u>
9			<u>Piedmont Triad Research Park to be operated</u>
10			jointly by Winston-Salem State University and
11			the North Carolina School of the Arts.
12	TOTAL:		
13	\$388,000,000	\$265,000,000"	

THE NORTH CAROLINA CENTER FOR HEALTH AND AGING

SECTION 21.4.(b) If The University of North Carolina – Board of Governors approves the request of Western Carolina University to revise the project description of the North Carolina Center for Health and Aging at its board meeting of May 12, 2006, the ninth project listed in Section 1.1 of S.L. 2004-179 reads as rewritten:

21			
22	"10,000,000	10,000,000	To Western Carolina University for land
23			acquisition, site preparation, and engineering,
24			architectural, and other consulting services
25			<u>services, and construction of a building for</u>
26			<u>Western Carolina University and the Mountain</u>
27			<u>Area Health Education Consortium for the</u>
28			<u>North Carolina Center for Health and Aging to</u>
29			<u>be operated as a consortium among Western</u>
30			<u>Carolina University, the University of North</u>
31			<u>Carolina at Asheville, and the Mountain Area</u>
32			<u>Health Education Consortium. <u>Additional</u></u>
33			<u>funding for this project will be provided by the</u>
34			<u>Mountain Area Health Education</u>
35			<u>Consortium."</u>

REPAIR AND RENOVATION RESERVE ALLOCATION

SECTION 21.5. Of the funds in the Reserve for Repairs and Renovations for the 2006-2007 fiscal year, forty-six percent (46%) shall be allocated to the Board of Governors of The University of North Carolina for repairs and renovations pursuant to G.S. 143-15.3A, in accordance with guidelines developed in The University of North Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as approved by the Board of Governors of The University of North Carolina, and fifty-four

1 percent (54%) shall be allocated to the Office of State Budget and Management for
 2 repairs and renovations pursuant to G.S. 143-15.3A.

3 The Board of Governors and the Office of State Budget and Management
 4 shall consult with the Joint Legislative Commission on Governmental Operations prior
 5 to the allocation or reallocation of these funds.

6
 7 **STATE PUBLIC HEALTH LABORATORY AND OFFICE OF CHIEF**
 8 **MEDICAL EXAMINER – DEPARTMENT OF HEALTH AND HUMAN**
 9 **SERVICES; REGIONAL MEDICAL CENTER AND MENTAL HEALTH**
 10 **CENTER AT CENTRAL PRISON – DEPARTMENT OF CORRECTION**

11 **SECTION 21.6.(a)** In accordance with G.S. 142-83, this section authorizes
 12 the issuance or incurrence of special indebtedness in the following maximum aggregate
 13 principal amounts to finance the costs of the following projects. The table below
 14 provides the maximum principal amounts. The first column is the aggregate maximum
 15 principal amount. The second column is the maximum portion of this amount that can
 16 be issued or incurred before July 1, 2007.

17	18 Aggregate	19 Maximum	20 Project
21	22 Maximum	23 before 7/1/07	
24	\$101,000,000	\$15,000,000	Acquiring, constructing, and equipping a new 204,000 square foot facility to house the State Laboratory of Public Health and Office of the Chief Medical Examiner.
25	144,000,000	20,000,000	Acquiring, constructing, and equipping a new 473,000 square foot facility for the Department of Correction's Regional Medical Center and Mental Health Center and infrastructure improvements to sustain the facility at the North Carolina Central Prison in Raleigh.
26	TOTAL:		
27	\$245,000,000	\$35,000,000	

28
 29 **SECTION 21.6.(b)** Authorization of Financing Contracts. – The State, with
 30 the prior approval of the State Treasurer and the Council of State, as provided in Article
 31 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special
 32 indebtedness in order to provide funds to the State to be used, together with other
 33 available funds, to pay the cost of these projects.

34 **PART XXII: TAX PROVISIONS**

35 **ADOPTION TAX CREDIT**

36 **SECTION 22.1.** Part 2 of Article 4 of Chapter 105 of the General Statutes is
 37 amended by adding a new section to read:
 38
 39
 40
 41
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 43
 44

1 **"§ 105-151.30. Credit for adoption expenses.**

2 (a) Credit. – An individual who is allowed a federal adoption tax credit under
3 section 23 of the Code for the taxable year is allowed a credit against the tax imposed
4 by this Part in an amount equal to fifty percent (50%) of the amount of the federal
5 adoption tax credit claimed effective as of January 1, 2006.

6 (b) Limitations. – A nonresident or part-year resident who claims the credit
7 allowed by this section shall reduce the amount of the credit by multiplying it by the
8 fraction calculated under G.S. 105-134.5(b) or (c), as appropriate. The credit allowed
9 under this section may not exceed the amount of tax imposed by this Part for the taxable
10 year reduced by the sum of all credits allowed, except payments of tax made by or on
11 behalf of the taxpayer."

12
13 **ELIMINATE SALES TAX ON RESEARCH AND DEVELOPMENT**
14 **EQUIPMENT/INSTALL PRIVILEGE TAX OF ONE PERCENT OR EIGHTY**
15 **DOLLARS**

16 **SECTION 22.2.(a)** G.S. 105-164.3 is amended by adding a new subdivision
17 to read:

18 "(33a) Research and development equipment. – Equipment used by a
19 taxpayer to perform experimental or laboratory activity that has as its
20 ultimate goal one or more of the following:

- 21 a. The development of new manufactured products.
22 b. The improvement of existing manufactured products.
23 c. The development of new uses for existing manufactured
24 products.
25 d. The development or improvement of methods for producing
26 manufactured products.

27 The term does not include equipment used for testing or inspection for
28 quality control purposes, efficiency surveys, management studies,
29 consumer surveys or other market research, advertising or promotional
30 activities, or research in connection with literacy, historical, or similar
31 projects."

32 **SECTION 22.2.(b)** G.S. 105-164.13 is amended by adding a new
33 subdivision to read:

34 "(54) Research and development equipment that is subject to tax under
35 Article 5F of this Chapter."

36 **SECTION 22.2.(c)** G.S. 105-187.51(a) is amended by adding a new
37 subdivision to read:

38 "(4) A qualified taxpayer who purchases research and development
39 equipment for storage, use, or consumption in this State. A qualified
40 taxpayer is a taxpayer whose primary business is as a research and
41 development company in the physical, engineering, and life sciences,
42 as defined by NAICS. The term 'NAICS' has the same meaning as
43 defined in G.S. 105-129.2."

44 **SECTION 22.2.(d)** This section becomes effective January 1, 2007.

1
2 **SALES TAX CHANGES-CUT STATE SALES TAX BY ONE-QUARTER CENT**
3 **EFFECTIVE OCTOBER 1, 2006**

4 **SECTION 22.3.(a)** G.S. 105-164.4(a) reads as rewritten:

5 "(a) A privilege tax is imposed on a retailer at the following percentage rates of
6 the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is
7 ~~four percent and one-half (4.5%).~~ four and one-quarter percent (4.25%)."

8 **SECTION 22.3.(b)** Section 34.13(c) of S.L. 2001-424, as amended by
9 Section 38.1 of S.L. 2003-284 and Section 9.1 of S.L. 2005-144 and Section 33.1 of
10 S.L. 2005-276, reads as rewritten:

11 "**SECTION 34.13.(c)** This section becomes effective October 16, 2001, and applies
12 to sales made on or after that date. This section is repealed effective for sales made on
13 or after ~~July 1, 2007.~~ October 1, 2006. This section does not affect the rights or
14 liabilities of the State, a taxpayer, or another person arising under a statute amended or
15 repealed by this section before the effective date of its amendment or repeal; nor does it
16 affect the right to any refund or credit of a tax that accrued under the amended or
17 repealed statute before the effective date of its amendment or repeal."
18

19 **SALES TAX REFUND FOR COMPONENT PARTS**

20 **SECTION 22.4.(a)** G.S. 105-164.3 reads as rewritten:

21 "**§ 105-164.3. Definitions.**

22 The following definitions apply in this Article:

23 ...

24 (30a) Professional motorsports racing team. – A racing team that satisfies all
25 of the following conditions:

26 a. The team is operated for profit.

27 b. A majority of the revenues of the team is derived from
28 sponsorship of the racing team and prize money.

29 c. The team competes in at least sixty-six percent (66%) of the
30 races sponsored in a single season by a motorsports sanctioning
31 body.

32 (30b) Prosthetic device. – A replacement, corrective, or supporting device
33 worn on or in the body that meets one of the conditions of this
34 subdivision. The term includes repair and replacement parts for the
35 device.

36 a. Artificially replaces a missing portion of the body.

37 b. Prevents or corrects a physical deformity or malfunction.

38 c. Supports a weak or deformed portion of the body.

39 ..."

40 **SECTION 22.4.(b)** G.S. 105-164.14(l) reads as rewritten:

41 "(l) Aviation Fuel for Motorsports Events. – A professional motorsports racing
42 team or a motorsports sanctioning body is allowed a refund of the sales and use tax paid
43 by it in this State on aviation fuel that is used to travel to or from a motorsports event in
44 this State, to travel to a motorsports event in another state from a location in this State,

1 or to travel to this State from a motorsports event in another state. For the purposes of
2 this subsection, a "motorsports event" includes a motorsports race, a motorsports sponsor
3 event, and motor sports testing. A request for a refund must be in writing and must
4 include any information and documentation the Secretary requires. A request for a
5 refund is due within six months after the end of the State's fiscal year. Refunds applied
6 for after the due date are barred. This subsection is repealed for purchases made on or
7 after January 1, 2007."

8 **SECTION 22.4.(c)** G.S. 105-164.14 is amended by adding a new subsection
9 to read:

10 "(m) Professional Motor Racing Vehicles. – A professional motorsports racing
11 team is allowed a refund of the sales and use tax paid by it in this State on tangible
12 personal property, other than tires or accessories, that comprises any part of a
13 professional motor racing vehicle. For the purposes of this subsection, 'accessories'
14 includes instrumentation, telemetry, consumables, and paint. A request for a refund
15 must be in writing and must include any information and documentation the Secretary
16 requires. A request for a refund is due within six months after the end of the State's
17 fiscal year. Refunds applied for after the due date are barred."

18 **SECTION 22.4.(d)** Section 62 of S.L. 2005-435 reads as rewritten:

19 **"SECTION 62.** This part becomes effective January 1, 2005, and applies to
20 purchases made on or after that date. ~~This part~~ Section 61 is repealed effective for
21 purchases made on or after January 1, 2007. This part does not affect the rights or
22 liabilities of the State, a taxpayer, or another person arising under a statute amended or
23 repealed by this part before the effective date of its amendment or repeal; nor does it
24 affect the right to any refund or credit of a tax that accrued under the amended or
25 repealed statute before the effective date of its amendment or repeal."

26 **SECTION 22.4.(e)** This act becomes effective January 1, 2006, and applies
27 to purchases made on or after that date. This act does not affect the rights or liabilities
28 of the State, a taxpayer, or another person arising under a statute amended or repealed
29 by this act before the effective date of its amendment or repeal; nor does it affect the
30 right to any refund or credit of a tax that accrued under the amended or repealed statute
31 before the effective date of its amendment or repeal.

32 **PART XXIII. MISCELLANEOUS PROVISIONS**

33 **EXECUTIVE BUDGET ACT APPLIES**

34
35 **SECTION 23.1.** The provisions of the Executive Budget Act, Chapter 143,
36 Article 1 of the General Statutes, are reenacted and shall remain in full force and effect
37 and are incorporated in this act by reference.
38

39 **MOST TEXT APPLIES ONLY TO THE 2005-2007 FISCAL BIENNIUM**

40 **SECTION 23.2.** Except for statutory changes or other provisions that clearly
41 indicate an intention to have effects beyond the 2006-2007 fiscal year, the textual
42 provisions of this act apply only to funds appropriated for, and activities occurring
43 during, the 2006-2007 fiscal year.
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EFFECT OF HEADINGS

SECTION 23.3. The headings to the parts and sections of this act are a convenience to the reader and are for reference only. The headings do not expand, limit, or define the text of this act, except for effective dates referring to a Part.

SEVERABILITY CLAUSE

SECTION 23.4. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

EFFECTIVE DATE

SECTION 23.5. Except as otherwise provided, this act becomes effective July 1, 2006.