

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

**S**

**3**

**SENATE BILL 1741**  
**Second Edition Engrossed 5/23/06**  
**Third Edition Engrossed 5/25/06**

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

---

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

---

Referred to:   Appropriations/Base Budget.

---

May 22, 2006

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

The General Assembly of North Carolina enacts:

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

**INTRODUCTION**

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

**TITLE OF ACT**

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

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

**CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

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

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

4  
 5 **Current Operations – General Fund**

**FY 2006-2007**

6  
 7 **EDUCATION**

8		
9	Community Colleges System Office	\$ 43,124,642
10		
11	Department of Public Instruction	129,758,427
12		
13	University of North Carolina – Board of Governors	
14	Appalachian State University	2,189
15	East Carolina University	
16	Academic Affairs	(1,589,622)
17	Health Affairs	0
18	Elizabeth City State University	(28,887)
19	Fayetteville State University	42,675
20	NC Agricultural and Technical University	(223,690)
21	North Carolina Central University	(312)
22	North Carolina School of the Arts	29,159
23	North Carolina State University	
24	Academic Affairs	(3,908,353)
25	Agricultural Extension	0
26	Agricultural Research	65,287
27	University of North Carolina at Asheville	(569,398)
28	University of North Carolina at Chapel Hill	
29	Academic Affairs	(846,370)
30	Health Affairs	(795,501)
31	Area Health Education Centers	0
32	University of North Carolina at Charlotte	(471,439)
33	University of North Carolina at Greensboro	(1,138)
34	University of North Carolina at Pembroke	(299,992)
35	University of North Carolina at Wilmington	(100,910)
36	Western Carolina University	(735,491)
37	Winston-Salem State University	0
38	General Administration	0
39	University Institutional Programs	140,629,097
40	Related Educational Programs	0
41	North Carolina School of Science and Mathematics	52,250
42	UNC Hospitals at Chapel Hill	0
43	<b>Total</b>	<b>\$ 131,249,554</b>

44  
 45 **HEALTH AND HUMAN SERVICES**

46		
47	Department of Health and Human Services	
48	Office of the Secretary	\$ (65,275,120)
49	Division of Aging	3,000,000
50	Division of Blind Services/Deaf/HH	75,000
51	Division of Child Development	35,465,513
52	Division of Education Services	828,548
53	Division of Facility Services	0
54	Division of Medical Assistance	(149,850,000)
55	Division of Mental Health	77,589,934

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

1	Office of State Budget and Management	409,938
2	OSBM – Reserve for Special Appropriations	1,353,253
3	Housing Finance Agency	17,750,000
4		
5	Department of Insurance	
6	Insurance	142,057
7	Insurance – Volunteer Safety Workers' Compensation	0
8		
9	Office of Lieutenant Governor	88,433
10		
11	Department of Revenue	1,108,392
12		
13	Department of Secretary of State	553,067
14		
15	Department of State Treasurer	
16	State Treasurer	281,784
17	State Treasurer – Retirement for Fire and Rescue Squad Workers	514,000
18		
19	<b>TRANSPORTATION</b>	
20		
21	Department of Transportation	\$ 0
22		
23	<b>RESERVES, ADJUSTMENTS, AND DEBT SERVICE</b>	
24		
25	Reserve for Compensation Increases	\$ 692,188,373
26		
27	Reserve for Teachers' and State Employees' Retirement Rate Adjustment	27,107,200
28		
29	Retirement System Payback	30,000,000
30		
31	Information Technology Fund	42,087,229
32		
33	Reserve for Heating and Cooling Assistance	10,000,000
34		
35	Reserve for Legal Expenses	1,065,710
36		
37	Trust Fund for MH, DD, SAS, and Bridge Funding Needs	5,000,000
38		
39	Establish State Emergency Response Fund	20,000,000
40		
41	Debt Service	
42	General Debt Service	(50,000,000)
43	Federal Reimbursement	0
44		
45	<b>TOTAL CURRENT OPERATIONS – GENERAL FUND</b>	<b>\$ 1,170,935,691</b>
46		
47	<b>GENERAL FUND AVAILABILITY STATEMENT</b>	
48	<b>SECTION 2.2.(a)</b> Section 2.2(a) of S.L. 2005-276 is repealed. The General	
49	Fund availability used in adjusting the 2006-2007 budget is shown below:	
50		<b>FY 2006-2007</b>
51	Unappropriated Balance from FY 2005-2006	\$ 113,386,988
52	Less: HB 1868 Emergency Appropriation for	
53	Department of Correction	(15,000,000)
54	Projected Reversions from FY 2005-2006	125,000,000
55	Projected Over Collections from FY 2005-2006	1,072,100,000

1	<b>Year End Unreserved Credit Balance before Earmarkings</b>	<b>\$ 1,295,486,988</b>
2		
3	Less: Credit to Savings Reserve Account	\$ (323,871,747)
4	Less: Credit to Repairs and Renovations Reserve Account	(225,000,000)
5	<b>Revised Year End Unreserved Credit Balance</b>	<b>\$ 746,615,241</b>
6		
7	<b>Revenues Based on Existing Tax Structure</b>	<b>\$ 16,951,416,000</b>
8		
9	<b>Nontax Revenues</b>	
10	Investment Income	\$ 78,700,000
11	Judicial Fees	168,605,271
12	Disproportionate Share	100,000,000
13	Insurance	51,543,813
14	Other Nontax Revenues	455,382,930
15	<b>Subtotal Nontax Revenues</b>	<b>\$ 854,232,014</b>
16		
17	<b>Total General Fund Availability</b>	<b>\$ 18,552,263,255</b>
18		
19	<b>Adjustments to Availability: 2006 Session</b>	
20	Adjustment to Baseline Revenue Forecast	\$ 698,864,995
21	Reduce Sales Tax from 4.5% to 4.25% – January 1, 2007	(118,000,000)
22	Reduce Top Personal Income Tax Rate to 8.0% – January 1, 2007	(28,600,000)
23	Reserve for Other Tax Reductions	(55,100,000)
24	Reserve for Highway Fund Hold Harmless	(17,600,000)
25	Reserve for Highway Trust Fund Hold Harmless	(5,700,000)
26	Redirect Portion of Alcohol Excise Tax to Mental Health Trust Fund	(9,390,000)
27	Redirect Court of Justice Fee for Legal Service Programs	(1,000,000)
28	Reduce Transfer from Highway Trust Fund	(195,176,407)
29		
30	<b>Subtotal Adjustments to Availability: 2006 Session</b>	<b>\$ 268,298,588</b>
31		
32	<b>Revised General Fund Availability for the 2006-2007 Fiscal Year</b>	<b>\$ 18,820,561,843</b>
33		
34	<b>Less: Total General Fund Appropriations</b>	
35	2006-2007 Fiscal Year	(18,820,561,843)
36		
37	<b>Unappropriated Balance Remaining</b>	<b>\$ 0</b>
38		

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

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

46 **SECTION 2.2.(d)** Section 2.2(e) of S.L. 2005-276 is repealed effective June  
47 30, 2006.

48 This subsection becomes effective June 30, 2006

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

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

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

4           **SECTION 2.2.(g)** The State Treasurer shall transfer funds reserved to hold  
 5 harmless the Highway Fund and the Highway Trust Fund from the General Fund to the  
 6 Highway Fund and the Highway Trust Fund only if the variable wholesale component  
 7 of the motor fuel excise tax rate in G.S. 105-449.80 would, without the imposition of  
 8 the cap imposed by Section 24.3 of this act, exceed twelve and four-tenths cents (12.4¢)  
 9 a gallon. A transfer required under this subsection must be made on a monthly basis.  
 10 The amount to be transferred from the General Fund to the Highway Fund is the  
 11 difference between the amount of motor fuel excise tax revenue allocated to the  
 12 Highway Fund under G.S. 105-449.125 for a month and the amount that would have  
 13 been allocated to it if the variable wholesale component were not capped at twelve and  
 14 four-tenths cents (12.4¢) a gallon. The total amount transferred to the Highway Fund  
 15 under this subsection during fiscal year 2006-2007 may not exceed seventeen million  
 16 six hundred thousand dollars (\$17,600,000). The amount to be transferred from the  
 17 General Fund to the Highway Trust Fund is the difference between the amount of motor  
 18 fuel excise tax revenue allocated to the Highway Trust Fund under G.S. 105-449.125 for  
 19 a month and the amount that would have been allocated to it if the variable wholesale  
 20 component were not capped at twelve and four-tenths cents (12.4¢) a gallon. The total  
 21 amount transferred to the Highway Trust Fund under this subsection during fiscal year  
 22 2006-2007 may not exceed five million seven hundred thousand dollars (\$5,700,000).

23  
 24 **PART III. CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND**

25  
 26 **CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND**

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

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

1 **TOTAL** **\$254,831,071**

2  
3 **HIGHWAY FUND AVAILABILITY STATEMENT**

4 **SECTION 3.2.** The Highway Fund availability used in developing the  
5 2005-2007 biennial budget is shown below:

6  
7 **Highway Fund Availability Statement** **2006-2007**

8  
9 Beginning Credit Balance 0

10 Estimated Revenue 1,767,140,000

11 Estimated Reversions 26,600,000

12  
13 Total Highway Fund Availability \$ 1,793,740,000

14  
15 **PART IV. HIGHWAY TRUST FUND APPROPRIATIONS**

16  
17 **HIGHWAY TRUST FUND APPROPRIATIONS**

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

23  
24 **Current Operations – Highway Trust Fund** **2006-2007**

25  
26 Intrastate System 97,860,379

27 Urban Loops 39,570,662

28 Aid to Municipalities 10,267,836

29 Secondary Roads 8,987,310

30 Program Administration 3,180,220

31 Transfer to General Fund (195,176,407)

32  
33 **GRAND TOTAL CURRENT OPERATIONS**  
34 **AND EXPANSION** **(\$35,310,000)**

35  
36 **PART V. BLOCK GRANTS**

37  
38 **DHHS BLOCK GRANTS**

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

41  
42 **TEMPORARY ASSISTANCE TO NEEDY FAMILIES**  
43 **(TANF) BLOCK GRANT**

44  
45 **Local Program Expenditures**

46  
47 **Division of Social Services**

48  
49 01. Work First Family Assistance (Cash Assistance) \$114,625,680

50  
51 02. Work First County Block Grants 94,653,315

52  
53 03. County Demonstration Grants 19,598,322

54  
55 04. Child Protective Services – Child Welfare

1	Workers for Local DSS	12,452,391
2		
3	05. Work First – Boys and Girls Clubs	1,500,000
4		
5	06. Work First – After-School Services for	
6	At-Risk Children	2,249,642
7		
8	07. Work First – After-School Programs for	
9	At-Risk Youth in Middle Schools	500,000
10		
11	08. Adoption Services – Special Children's	
12	Adoption Fund	3,000,000
13		
14	09. Family Violence Prevention	2,200,000
15		
16	10. Foster Care	2,000,000
17		
18	Division of Child Development	
19		
20	11. Subsidized Child Care Program	36,563,266
21		
22	DHHS Administration	
23		
24	12. Division of Social Services	586,931
25		
26	13. Office of the Secretary	65,836
27		
28	14. Office of the Secretary/DIRM – TANF	
29	Automation Projects	592,500
30		
31	15. Office of the Secretary/DIRM – NC FAST	
32	Implementation	1,800,000
33		
34	Transfers to Other Block Grants	
35		
36	Division of Child Development	
37		
38	16. Transfer to the Child Care and	
39	Development Fund	81,292,880
40		
41	Division of Social Services	
42		
43	17. Transfer to Social Services Block Grant for	
44	Department of Juvenile Justice and Delinquency	
45	Prevention – Support Our Students	2,749,642
46		
47	18. Transfer to Social Services Block Grant for Child	
48	Protective Services – Child Welfare Training in	
49	Counties	2,550,000
50		
51	19. Transfer to Social Services Block Grant for	
52	Maternity Homes	838,000
53		
54	20. Transfer to Social Services Block Grant for Teen	
55	Pregnancy Prevention Initiatives	2,500,000



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

1	13. Subsidized Child Care Program	3,150,000
2		
3	Division of Vocational Rehabilitation	
4		
5	14. Vocational Rehabilitation Services – Easter Seal	
6	Society/UCP	188,263
7		
8	Office of the Secretary – Office of Economic Opportunity	
9		
10	15. Elderly Supplemental Grant Program	41,302
11		
12	Division of Public Health	
13		
14	16. Teen Pregnancy Prevention Initiatives	2,500,000
15	(Transfer from TANF)	
16		
17	DHHS Program Expenditures	
18		
19	Division of Aging and Adult Services	
20		
21	17. UNC-CARES Training Contract	247,920
22		
23	Division of Services for the Blind	
24		
25	18. Independent Living Program	3,314,114
26		
27	Division of Facility Services	
28		
29	19. Adult Care Licensure Program	411,897
30		
31	20. Mental Health Licensure and Certification Program	205,668
32		
33	DHHS Administration	
34		
35	21. Division of Aging and Adult Services	630,636
36		
37	22. Division of Social Services	869,058
38		
39	23. Office of the Secretary/Controller's Office	123,059
40		
41	24. Office of the Secretary/DIRM	82,009
42		
43	25. Division of Child Development	15,000
44		
45	26. Division of Mental Health, Developmental	
46	Disabilities, and Substance Abuse Services	18,098
47		
48	27. Division of Facility Services	62,986
49		
50	28. Office of the Secretary-NC Inter-Agency Council	
51	For Coordinating Homeless Programs	250,000
52		
53	29. Office of the Secretary-Housing Coalition	100,000
54		
55	Transfers to Other State Agencies	

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

1	Disabilities, and Substance Abuse Services	7,146
2		
3	10. Office of the Secretary/DIRM	245,395
4		
5	11. Office of the Secretary/Controller's Office	11,211
6		
7	12. Office of the Secretary/Office of Economic	
8	Opportunity – Weatherization	257,185
9		
10	13. Office of the Secretary/Office of Economic	
11	Opportunity – HARRP	119,955
12		
13	Transfers to Other State Agencies	
14		
15	14. Department of Administration –	
16	N.C. State Commission of Indian Affairs	58,455
17		
18	TOTAL LOW-INCOME ENERGY BLOCK GRANT	\$ 66,800,448
19		
20	CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
21		
22	Local Program Expenditures	
23		
24	Division of Child Development	
25		
26	01. Subsidized Child Care Services	\$165,102,685
27		
28	02. Subsidized Child Care Services	
29	(TANF to CCDF)	81,292,880
30		
31	DHHS Program Expenditures	
32		
33	Division of Child Development	
34		
35	03. Quality and Availability Initiatives	34,951,707
36		
37	Local Administrations	
38		
39	Division of Child Development	
40		
41	04. Administrative Expenses (Non-Direct Subsidy	
42	Services Support)	1,849,000
43		
44	DHHS Administration	
45		
46	05. DCD Administrative Expenses	6,028,354
47		
48	TOTAL CHILD CARE AND DEVELOPMENT FUND	
49	BLOCK GRANT	\$289,224,626
50		
51	MENTAL HEALTH SERVICES BLOCK GRANT	
52		
53	Local Program Expenditures	
54		
55	01. Mental Health Services – Adult	\$ 7,184,481

1			
2	02.	Mental Health Services – Child	3,921,991
3			
4	03.	Comprehensive Treatment Service	
5		Program	1,500,000
6			
7		Local Administration	
8			
9	04.	Division of Mental Health	100,000
10			
11		TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	\$ 12,706,472
12			
13		SUBSTANCE ABUSE PREVENTION	
14		AND TREATMENT BLOCK GRANT	
15			
16		Local Program Expenditures	
17			
18	01.	Substance Abuse Services – Adult	\$ 20,537,390
19			
20	02.	Substance Abuse Treatment Alternative for	
21		Women	8,069,524
22			
23	03.	Substance Abuse – HIV and IV Drug	4,816,378
24			
25	04.	Substance Abuse Prevention – Child	5,835,701
26			
27	05.	Substance Abuse Services – Child	4,940,500
28			
29	06.	Substance Abuse Strengthening Families –	
30		Prevention	851,156
31			
32		Division of Public Health	
33			
34	07.	Risk Reduction Projects	383,980
35			
36	08.	Aid-to-Counties	209,576
37			
38	09.	Maternal Health	37,779
39			
40		DHHS Administration	
41			
42	10.	Division of Mental Health	500,000
43			
44		TOTAL SUBSTANCE ABUSE PREVENTION	
45		AND TREATMENT BLOCK GRANT	\$ 46,181,984
46			
47		MATERNAL AND CHILD HEALTH BLOCK GRANT	
48			
49		Local Program Expenditures	
50			
51		Division of Public Health	
52			
53	01.	Healthy Mothers/Healthy Children	9,359,236
54			
55	02.	Children's Health Services	4,114,216

1		
2	03. Healthy Beginnings	404,559
3		
4	04. Maternal Health	397,761
5		
6	05. Teen Pregnancy Prevention Initiatives	85,710
7		
8	DHHS Program Expenditures	
9		
10	Division of Public Health	
11		
12	06. Children's Health Services	3,149,826
13		
14	07. Maternal Health	185,488
15		
16	08. State Center for Health Statistics	29,432
17		
18	09. Local Technical Assistance & Training	47,424
19		
20	10. Injury and Violence Prevention	149,438
21		
22	11. Office of Minority Health	98,236
23		
24	12. Special Supplemental Nutrition Program	
25	for Women, Infants, and Children (WIC)	22,856
26		
27	13. Immunization Program – Vaccine Distribution	414,175
28		
29	DHHS Administration	
30		
31	14. Division of Public Health Administration	550,681
32		
33	TOTAL MATERNAL AND CHILD	
34	HEALTH BLOCK GRANT	\$ 19,009,038
35		
36	PREVENTIVE HEALTH SERVICES BLOCK GRANT	
37		
38	Local Program Expenditures	
39		
40	01. NC Statewide Health Promotion	\$1,755,653
41		
42	02. Services to Rape Victims	197,112
43		
44	03. HIV/STD Prevention and Community Planning	
45	(Transfer from Social Services Block Grant)	145,819
46		
47	DHHS Program Expenditures	
48		
49	04. NC Statewide Health Promotion	431,444
50		
51	05. Oral Health	114,251
52		
53	06. Osteoporosis Program	67,593
54		
55	DHHS Administration	

1		
2	07. Division of Public Health	109,211
3		
4	TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	\$2,821,083
5		
6	COMMUNITY SERVICES BLOCK GRANT	
7		
8	Local Program Expenditures	
9		
10	Office of Economic Opportunity – Community Services Block Grant	
11		
12	01. Community Action Agencies	\$ 15,071,666
13		
14	02. Limited Purpose Agencies	823,261
15		
16	DHHS Administration	
17		
18	03. Office of Economic Opportunity	823,261
19		
20	TOTAL COMMUNITY SERVICES BLOCK GRANT	\$ 16,718,188
21		

## GENERAL PROVISIONS

22 **SECTION 5.1.(b)** Information to Be Included in Block Grant Plans. – The  
 23 Department of Health and Human Services shall submit a separate plan for each Block  
 24 Grant received and administered by the Department, and each plan shall include the  
 25 following:  
 26

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

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

48 If the Congress of the United States decreases the federal fund availability for  
 49 any of the Block Grants administered by the Department of Health and Human Services  
 50 from the amounts appropriated in this section, the Department shall reduce State  
 51 administration by at least the percentage of the reduction in federal funds. After  
 52 determining the State administration, the remaining reductions shall be allocated  
 53 proportionately across the program and activity appropriations identified for that Block  
 54 Grant in this section. In allocating a decrease in federal fund availability, the

1 Department shall not eliminate the funding for a program or activity appropriated in this  
2 section unless it is related to the State administration.

3 Prior to allocating the change in federal fund availability, the proposed  
4 allocation must be approved by the Office of State Budget and Management. If the  
5 Department adjusts the allocation of any Block Grant due to changes in federal fund  
6 availability, then a report shall be made to the Joint Legislative Commission on  
7 Governmental Operations, the House of Representatives Appropriations Subcommittee  
8 on Health and Human Services, the Senate Appropriations Committee on Health and  
9 Human Services, and the Fiscal Research Division.

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

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

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

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

### 31 32 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT** 33 **(TANF)**

34 **SECTION 5.1.(f)** The sum of five hundred eighty-six thousand nine hundred  
35 thirty-one dollars (\$586,931) appropriated in this section in the TANF Block Grant to  
36 the Department of Health and Human Services, Division of Social Services, for the  
37 2006-2007 fiscal year shall be used to support administration of TANF-funded  
38 programs.

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

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



1 the county plans and shall provide consultation and technical assistance to the  
2 departments of social services and local domestic violence shelter programs, if needed.

3 The Division of Social Services shall allocate these funds to county  
4 departments of social services according to the following formula: (i) each county shall  
5 receive a base allocation of five thousand dollars (\$5,000); and (ii) each county shall  
6 receive an allocation of the remaining funds based on the county's proportion of the  
7 statewide total of the Work First caseload as of July 1, 2006, and the county's proportion  
8 of the statewide total of the individuals receiving domestic violence services from  
9 programs funded by the Council for Women as of July 1, 2006. The Division of Social  
10 Services may reallocate unspent funds to counties that submit a written request for  
11 additional funds.

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

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

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

45 **SECTION 5.1.(k)** The sum of one million eight hundred thousand dollars  
46 (\$1,800,000) in this section appropriated to the Department of Health and Human  
47 Services in the TANF Block Grant for the 2006-2007 fiscal year shall be used to  
48 implement N.C. FAST (North Carolina Families Accessing Services through  
49 Technology). The N.C. FAST Program involves the entire automation initiative through  
50 which families access services and local departments of social services deliver benefits,  
51 supervised by the Department of Health and Human Services, Divisions of Social  
52 Services, Aging and Adult Services, Medical Assistance, and Child Development. The  
53 statewide automated initiative shall be implemented in compliance with federal  
54 regulations in order to ensure federal financial participation in the project. The  
55 Department of Health and Human Services shall report on its compliance with this

1 subsection to the House of Representatives Appropriations Subcommittee on Health and  
2 Human Services, the Senate Appropriations Committee on Health and Human Services,  
3 and the Fiscal Research Division no later than January 1, 2007.

4 **SECTION 5.1.(l)** The sum of five hundred thousand dollars (\$500,000)  
5 appropriated in this section to the Department of Health and Human Services, Division  
6 of Social Services, in the TANF Block Grant for the 2006-2007 fiscal year shall be used  
7 to expand after-school programs for at-risk children attending middle school. The  
8 Department shall develop and implement a grant program to award funds to  
9 community-based programs demonstrating the capacity to reach children at risk of teen  
10 pregnancy, school dropout, and gang participation. These funds shall not be used for  
11 training or administration at the State level. All funds shall be distributed to  
12 community-based programs, focusing on those communities where similar programs do  
13 not exist in middle schools.

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

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

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

#### 34 **SOCIAL SERVICES BLOCK GRANT**

35 **SECTION 5.1.(o)** Social Services Block Grant funds appropriated to the  
36 North Carolina Inter-Agency Council for Coordinating Homeless Programs and the  
37 North Carolina Housing Coalition are exempt from the provisions of 10A NCAC  
38 71R.0201(3).

39 **SECTION 5.1.(p)** The sum of two million seven hundred forty-nine  
40 thousand six hundred forty-two dollars (\$2,749,642) appropriated in this section in the  
41 Social Services Block Grant to the Department of Health and Human Services and  
42 transferred to the Department of Juvenile Justice and Delinquency Prevention for the  
43 2006-2007 fiscal year shall be used to support the existing Support Our Students  
44 Program, including gang prevention, and to expand the Program statewide, focusing on  
45 low-income communities in unserved areas. These funds shall not be used for  
46 administration of the Program.

47 **SECTION 5.1.(q)** The sum of two million five hundred fifty thousand  
48 dollars (\$2,550,000) appropriated in this section in the Social Services Block Grant to  
49 the Department of Health and Human Services, Division of Social Services, for the  
50 2006-2007 fiscal year shall be used to support various child welfare training projects as  
51 follows:  
52

- 53 (1) Provide a regional training center in southeastern North Carolina.
- 54 (2) Support the Masters Degree in Social Work/Baccalaureate Degree in  
55 Social Work Collaborative.

1 (3) Provide training for residential child care facilities.

2 (4) Provide for various other child welfare training initiatives.

3 **SECTION 5.1.(r)** The sum of eight hundred thirty-eight thousand dollars  
4 (\$838,000) appropriated in this section in the Social Services Block Grant to the  
5 Department of Health and Human Services for the 2006-2007 fiscal year shall be used  
6 to purchase services at maternity homes throughout the State.

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

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

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

### 28 **LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM**

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

### 37 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

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

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

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

### 50 **MENTAL HEALTH BLOCK GRANT**

51 **SECTION 5.1.(z)** The sum of one million five hundred thousand dollars  
52 (\$1,500,000) appropriated in this section in the Mental Health Block Grant to the  
53

1 Department of Health and Human Services, Division of Mental Health, Developmental  
 2 Disabilities, and Substance Abuse Services, for the 2006-2007 fiscal year, and the sum  
 3 of four hundred twenty-two thousand three dollars (\$422,003) appropriated in this  
 4 section in the Social Services Block Grant to the Department of Health and Human  
 5 Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to  
 6 continue a Comprehensive Treatment Services Program for Children in accordance with  
 7 Section 10.25 of S.L. 2005-276.

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

#### 13 14 **MATERNAL AND CHILD HEALTH BLOCK GRANT**

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

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

#### 26 27 **NER BLOCK GRANTS**

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

#### 30 31 **COMMUNITY DEVELOPMENT BLOCK GRANT**

32	01. State Administration	\$ 1,000,000
33		
34	02. Urgent Needs and Contingency	1,000,000
35		
36	03. Scattered Site Housing	13,200,000
37		
38	04. Economic Development	8,710,000
39		
40	05. Community Revitalization	13,500,000
41		
42	06. State Technical Assistance	450,000
43		
44	07. Housing Development	2,000,000
45		
46	08. Infrastructure	5,140,000
47		

48  
49 **TOTAL COMMUNITY DEVELOPMENT**  
 50 **BLOCK GRANT – 2007 Program Year** \$ 45,000,000

51  
52 **SECTION 5.2.(b)** Decreases in Federal Fund Availability. – If federal funds  
 53 are reduced below the amounts specified above after the effective date of this act, then  
 54 every program in each of these federal block grants shall be reduced by the same  
 55 percentage as the reduction in federal funds.

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

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

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

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

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

## 54           **PART VI. GENERAL PROVISIONS**

**CONTINGENCY AND EMERGENCY FUND ALLOCATIONS**

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

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

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

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

**AUTHORIZATION TO ESTABLISH RECEIPT-SUPPORTED POSITIONS**

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

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

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

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

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

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

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

**STATE EMERGENCY RESPONSE ACCOUNT**

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

2           "(b) Disaster Assistance Programs – Type I Disaster. – In the event that a Type I  
3 disaster is proclaimed, the Governor may make State funds available for disaster  
4 assistance in the disaster area in the form of individual assistance and public assistance  
5 as provided in this subsection.

6                    (2) Public assistance. – State disaster assistance in the form of public  
7 assistance grants may be made available to eligible entities located  
8 within the disaster area on the following terms and conditions:

9           a. Eligible entities shall meet the following qualifications:

- 10           1. The eligible entity suffers a minimum of ten thousand  
11           dollars (\$10,000) in uninsurable losses;
- 12           2. The eligible entity suffers uninsurable losses in an  
13           amount equal to or exceeding ~~one half percent (0.5%)~~  
14           one percent (1%) of the annual operating budget;
- 15           3. For a state of disaster proclaimed pursuant to  
16           G.S. 166A-6(a) after the deadline established by the  
17           Federal Emergency Management Agency pursuant to the  
18           Disaster Mitigation Act of 2002, P.L. 106-390, the  
19           eligible entity shall have a hazard mitigation plan  
20           approved pursuant to the Stafford Act; and
- 21           4. For a state of disaster proclaimed pursuant to  
22           G.S. 166A-6(a) after August 1, 2002, the eligible entity  
23           shall be participating in the National Flood Insurance  
24           Program in order to receive public assistance for  
25           flooding damage.

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

29           c. An eligible entity that receives a public assistance grant  
30           pursuant to this subsection may use the grant for the following  
31           purposes only:

- 32           1. Debris clearance.
- 33           2. Emergency protective measures.
- 34           3. Roads and bridges.
- 35           4. Crisis counseling.
- 36           5. Assistance with public transportation needs."

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

39           "**§ 166A-6.02. State Emergency Response Account.**

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

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

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

53           All other types of disaster assistance authorized by G.S. 166A-6 shall  
54           continue to be financed by the funds made available under G.S. 166A-6.01.  
55

(c) Reporting Requirement. – The Governor shall report to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Appropriations Committees of the Senate and House of Representatives on any expenditures from the State Emergency Response Account no later than 30 days after making the expenditure. The report shall include a description of the emergency and type of action taken."

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

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

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

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

**INFORMATION TECHNOLOGY FUND AVAILABILITY STATEMENT**

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

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

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

**INFORMATION TECHNOLOGY APPROPRIATIONS**

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

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

<b>Office of Information Technology Services</b>	<b>FY 2005-2006</b>	<b>FY 2006-2007</b>
To establish two project management assistant positions and one enterprise licensing position and to purchase and maintain asset management software and enterprise licenses.	\$1,600,000	\$1,400,000
To continue existing activities including project management assistance, security, asset management, legal support, and legacy system assessment.	\$5,100,000	\$3,300,000
To provide services previously supported by cross subsidies in the rate structure, including State portal maintenance, security services, enterprise identity management, and office operations.	\$6,300,000	\$5,800,000
To facilitate consolidation of information		



1 technology services in State agencies. \$500,000  
 2 To establish two attorneys to assist Information  
 3 Technology Services (ITS) with complex  
 4 information technology procurements. \$298,826  
 5

6 **Office of State Controller**

7 ~~To initiate replacement of the State's personnel~~  
 8 ~~and payroll systems consistent with the analysis~~  
 9 ~~and findings of the Statewide Business Infra-~~  
 10 ~~structure study~~ \$20,875,000 \$2,525,000

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

17 To provide funding to integrate and deploy  
 18 the following data warehousing projects as  
 19 part of BEACON/SBIP:  
 20 (i) Department of Revenue: Guest Worker  
 21 Compliance Project.  
 22 (ii) Office of State Personnel:  
 23 Workforce Planning Project.  
 24 (iii) Office of the State Auditor:  
 25 Business Intelligence Software  
 26 and Data Warehousing Project. \$1,000,000  
 27

28 ~~**Total Appropriation**~~ ~~\$34,375,000~~ ~~\$13,025,000~~  
 29 Total Appropriation \$34,375,000 \$56,112,229  
 30

31 Funds appropriated under this section are subject to the reporting requirement set out in  
 32 G.S. 147-33.72H."  
 33

34 **REVIEW OF INFORMATION TECHNOLOGY CONTRACTS**

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

36 "**§ 147-33.103. Attorney General contract assistance; — rule-making**  
 37 **authority; assistance; use of private counsel.**

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

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

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

46 The State Chief Information Officer may use funds from the Information  
 47 Technology Fund, which is established in G.S. 147-33.72H, for this purpose."  
 48

49 **AMEND CIVIL PENALTY AND FORFEITURE FUND AVAILABILITY**

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

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

	FY 2005-2006	FY 2006-2007
54 Department of Revenue	\$ 80,000,000	\$ 85,000,000
55		<u>63,000,000</u>

1	Department of Transportation	\$ 15,000,000	\$ 15,000,000
2	Employment Security Commission	\$ 3,000,000	\$ 3,000,000
3	Department of Insurance	\$ 3,000,000	\$ <del>3,000,000</del> 1,000,000
4	University of North Carolina	\$ 5,000,000	\$ <del>5,000,000</del> 3,500,000
5	Other Agencies	\$ 14,500,000	\$ <del>14,500,000</del> 10,000,000
6	Total Funds Available	\$ 120,500,000	\$ <del>125,500,000</del> 95,500,000"

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

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

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

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

16 **"§ 115C-457.2. Remittance of moneys to the Fund.**

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

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

36  
 37 **FUNDS FOR ENROLLMENT INCREASES**

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

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

46  
 47 **HOUSING ASSISTANCE FUNDS**

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

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

1 assistance if it is determined that they would have failed to qualify for assistance under  
 2 the SBA Real Property disaster loan criteria and that they otherwise meet the criteria for  
 3 CHAF."  
 4

## 5 PART VII. PUBLIC SCHOOLS

### 6 TEACHER SALARY SCHEDULES

7 **SECTION 7.1.(a)** Effective for the 2006-2007 school year, the Director of  
 8 the Budget shall transfer from the Reserve for Experience Step Salary Increase for  
 9 Teachers and Principals in Public Schools funds necessary to implement the teacher  
 10 salary schedules set out in subsection (b) of this section and for longevity in accordance  
 11 with subsection (c) of this section, including funds for the employer's retirement and  
 12 social security contributions for all teachers whose salaries are supported from the  
 13 State's General Fund.  
 14

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

17 **SECTION 7.1.(b)** The following monthly salary schedules shall apply for  
 18 the 2006-2007 fiscal year to certified personnel of the public schools who are classified  
 19 as teachers. The schedule contains 30 steps with each step corresponding to one year of  
 20 teaching experience.  
 21

#### 22 2006-2007 Monthly Salary Schedule 23 "A" Teachers

24 Years Of Experience	"A" Teachers	NBPTS Certification
25 0	\$2,851	N/A
26 1	\$2,893	N/A
27 2	\$2,937	N/A
28 3	\$3,093	\$3,464
29 4	\$3,233	\$3,621
30 5	\$3,367	\$3,771
31 6	\$3,496	\$3,916
32 7	\$3,600	\$4,032
33 8	\$3,648	\$4,086
34 9	\$3,697	\$4,141
35 10	\$3,747	\$4,197
36 11	\$3,796	\$4,252
37 12	\$3,847	\$4,309
38 13	\$3,898	\$4,366
39 14	\$3,951	\$4,425
40 15	\$4,005	\$4,486
41 16	\$4,060	\$4,547
42 17	\$4,115	\$4,609
43 18	\$4,174	\$4,675
44 19	\$4,232	\$4,740
45 20	\$4,290	\$4,805
46 21	\$4,352	\$4,874
47 22	\$4,413	\$4,943
48 23	\$4,479	\$5,016
49 24	\$4,543	\$5,088
50 25	\$4,608	\$5,161
51 26	\$4,674	\$5,235
52 27	\$4,742	\$5,311
53 28	\$4,813	\$5,391

1	29+	\$4,884	\$5,470
2			
3	2006-2007 Monthly Salary Schedule		
4	"M" Teachers		
5			
6	Years Of Experience	"M" Teachers	NBPTS Certification
7			
8	0	\$3,136	N/A
9	1	\$3,182	N/A
10	2	\$3,231	N/A
11	3	\$3,402	\$3,810
12	4	\$3,556	\$3,983
13	5	\$3,704	\$4,148
14	6	\$3,846	\$4,308
15	7	\$3,960	\$4,435
16	8	\$4,013	\$4,495
17	9	\$4,067	\$4,555
18	10	\$4,122	\$4,617
19	11	\$4,176	\$4,677
20	12	\$4,232	\$4,740
21	13	\$4,288	\$4,803
22	14	\$4,346	\$4,868
23	15	\$4,406	\$4,935
24	16	\$4,466	\$5,002
25	17	\$4,527	\$5,070
26	18	\$4,591	\$5,142
27	19	\$4,655	\$5,214
28	20	\$4,719	\$5,285
29	21	\$4,787	\$5,361
30	22	\$4,854	\$5,436
31	23	\$4,927	\$5,518
32	24	\$4,997	\$5,597
33	25	\$5,069	\$5,677
34	26	\$5,141	\$5,758
35	27	\$5,216	\$5,842
36	28	\$5,294	\$5,929
37	29+	\$5,372	\$6,017

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

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

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

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

**SECTION 7.1.(f)** Speech pathologists who are certified as speech pathologists at the 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 certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to the compensation provided for speech pathologists and audiologists.

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

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

**SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE**

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

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

2006-2007						
Principal and Assistant Principal Salary Schedules						
Classification						
Yrs. of Exp	Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)	
0-4	\$3,592					
5	\$3,741					
6	\$3,884					
7	\$4,000					
8	\$4,053	\$4,053				
9	\$4,108	\$4,108				
10	\$4,163	\$4,163	\$4,218			
11	\$4,218	\$4,218	\$4,274			

1	12	\$4,274	\$4,274	\$4,331	\$4,389	
2	13	\$4,331	\$4,331	\$4,389	\$4,450	\$4,511
3	14	\$4,389	\$4,389	\$4,450	\$4,511	\$4,572
4	15	\$4,450	\$4,450	\$4,511	\$4,572	\$4,637
5	16	\$4,511	\$4,511	\$4,572	\$4,637	\$4,702
6	17	\$4,572	\$4,572	\$4,637	\$4,702	\$4,766
7	18	\$4,637	\$4,637	\$4,702	\$4,766	\$4,835
8	19	\$4,702	\$4,702	\$4,766	\$4,835	\$4,903
9	20	\$4,766	\$4,766	\$4,835	\$4,903	\$4,976
10	21	\$4,835	\$4,835	\$4,903	\$4,976	\$5,047
11	22	\$4,903	\$4,903	\$4,976	\$5,047	\$5,120
12	23	\$4,976	\$4,976	\$5,047	\$5,120	\$5,192
13	24	\$5,047	\$5,047	\$5,120	\$5,192	\$5,268
14	25	\$5,120	\$5,120	\$5,192	\$5,268	\$5,347
15	26	\$5,192	\$5,192	\$5,268	\$5,347	\$5,426
16	27	\$5,268	\$5,268	\$5,347	\$5,426	\$5,535
17	28	\$5,347	\$5,347	\$5,426	\$5,535	\$5,646
18	29	\$5,426	\$5,426	\$5,535	\$5,646	\$5,759
19	30	\$5,535	\$5,535	\$5,646	\$5,759	\$5,874
20	31	\$5,646	\$5,646	\$5,759	\$5,874	\$5,991
21	32		\$5,759	\$5,874	\$5,991	\$6,111
22	33			\$5,991	\$6,111	\$6,233
23	34			\$6,111	\$6,233	\$6,358
24	35				\$6,358	\$6,485
25	36				\$6,485	\$6,615
26	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

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

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

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

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

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

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

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

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

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

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

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

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

19  
 20 **CENTRAL OFFICE SALARIES**

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

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

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

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

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

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

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

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



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

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

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

#### 13 14 **NONCERTIFIED PERSONNEL SALARY AND FAIR MINIMUM PAY**

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

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

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

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

#### 35 36 **BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY** 37 **SCHEDULES**

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

#### 47 48 **FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION**

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

- 54 (1) Incentive awards in schools that achieve higher than expected  
55 improvements may be up to:

- 1 a. One thousand five hundred dollars (\$1,500) for each teacher  
2 and for certified personnel; and  
3 b. Five hundred dollars (\$500.00) for each teacher assistant.  
4 (2) Incentive awards in schools that meet the expected improvements may  
5 be up to:  
6 a. Seven hundred fifty dollars (\$750.00) for each teacher and for  
7 certified personnel; and  
8 b. Three hundred seventy-five dollars (\$375.00) for each teacher  
9 assistant.

10 **SECTION 7.6.(b)** The State Board of Education may use funds appropriated  
11 to the State Public School Fund to provide assistance to low-performing schools.  
12

### 13 **CHILDREN WITH DISABILITIES**

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

21 The dollar amounts allocated under this section for children with disabilities  
22 shall also adjust in accordance with legislative salary increments, retirement rate  
23 adjustments, and health benefit adjustments for personnel who serve children with  
24 disabilities.  
25

### 26 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

27 **SECTION 7.8.** The State Board of Education shall allocate funds for  
28 academically or intellectually gifted children on the basis of nine hundred sixty-one  
29 dollars and sixty cents (\$961.60) per child. A local school administrative unit shall  
30 receive funds for a maximum of four percent (4%) of its 2006-2007 allocated average  
31 daily membership, regardless of the number of children identified as academically or  
32 intellectually gifted in the unit. The State Board shall allocate funds for no more than  
33 57,419 children for the 2006-2007 school year.

34 The dollar amounts allocated under this section for academically or  
35 intellectually gifted children shall also adjust in accordance with legislative salary  
36 increments, retirement rate adjustments, and health benefit adjustments for personnel  
37 who serve academically or intellectually gifted children.  
38

### 39 **DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING**

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

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

- 45 (1) Local education agencies (LEAs) in counties with wealth greater than  
46 ninety percent (90%) of the statewide average shall receive one  
47 teaching position per 20.5 DSSF population;  
48 (2) LEAs in counties with wealth not less than eighty percent (80%) and  
49 not greater than ninety percent (90%) of the statewide average shall  
50 receive one teaching position per 20 DSSF population;  
51 (3) LEAs in counties with wealth less than eighty percent (80%) of the  
52 statewide average shall receive one teaching position per 19.5 DSSF  
53 population;

1           (4) LEAs receiving DSSF funds in 2005-2006 shall receive one teaching  
2           position per 16 DSSF population. These LEAs shall receive no less  
3           than the DSSF amount allotted in 2005-2006.

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

## 6 7 **LEARN AND EARN HIGH SCHOOLS**

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

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

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

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

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

## 27 28 **NC WISE POSITIONS**

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

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

## 37 38 **LITERACY COACHES**

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

53          **SECTION 7.13.(b)** National Board for Professional Teaching Standards  
54 (NBPTS) certified teachers serving in these positions shall be exempt from the

1 requirements in G.S.115C-296.2(b)(2)d. and shall remain on the NBPTS teacher salary  
2 schedule.

3  
4 **EXPAND LEA ACCESS TO EDUCATION VALUE ADDED ASSESSMENT**  
5 **SYSTEM (EVAAS)**

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

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

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

17  
18 **CLARIFY DEFINITION: PUBLIC SCHOOL CAPITAL FUNDS**

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

20 "a. "Effective county tax rate" means the actual county tax ~~rate~~  
21 rate, including any countywide supplemental taxes levied for  
22 the benefit of public schools, multiplied by a three-year  
23 weighted average of the most recent annual sales assessment  
24 ratio studies."  
25

26 **NORTH CAROLINA VIRTUAL PUBLIC SCHOOL**

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

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

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

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

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

53 **SECTION 7.16.(e)** Any funds appropriated in this act for the NCVPS  
54 program that are not expended in fiscal year 2006-2007 shall be carried forward for

1 expenditure in fiscal year 2007-2008. Any such funds that remain unexpended on June  
2 30, 2008, shall revert to the General Fund.

#### 3 4 **DISTANCE EDUCATION**

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

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

#### 12 13 **TRANSFER MORE AT FOUR PROGRAM AND OFFICE OF SCHOOL 14 READINESS TO THE DEPARTMENT OF PUBLIC INSTRUCTION**

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

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

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

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

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

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

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

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

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

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

51 **"SECTION 10.67.(d)** ~~The Department of Health and Human Services, the~~  
 52 ~~Department of Public Instruction, and the Task Force shall submit a report by February~~  
 53 ~~1, 2006~~ The Department of Public Instruction shall submit a report by February 1, 2007,  
 54 to the Joint Legislative Commission on Governmental Operations, the Joint Legislative  
 55 Education Oversight Committee, the Senate Appropriations Committee on Health and

1 ~~Human Services Education~~, the House of Representatives Appropriations Subcommittee  
 2 on ~~Health and Human Services Education~~, and the Fiscal Research Division. This final  
 3 report shall include the following:

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

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

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

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

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

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

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

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

1 administrative unit as a result of the State or the unit's duty to provide  
2 such children with a free appropriate public education."

#### 4 ADMINISTRATIVE FUNDING FOR TEACHING FELLOWS PROGRAM

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

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

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

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

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

#### 30 REFUND OF LOCAL SALES AND USE TAXES TO A LOCAL SCHOOL 31 ADMINISTRATIVE UNIT

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

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

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

54 "SECTION 7.51.(c) Subsection (b) of this section becomes effective July 1, 2006.  
55 Notwithstanding the provisions of G.S. 105-164.44H, for the 2006-2007 fiscal year, the



1 amount transferred to the State Public School Fund each quarter shall equal one-fourth  
2 of the amount refunded under G.S. 105-164.14(c)(2b) and (2c) during the 2005-2006  
3 fiscal year for State sales and use taxes only plus or minus the percentage of that amount  
4 by which the total collection of State sales and use tax increased or decreased during the  
5 preceding fiscal year. The remainder of this section becomes effective July 1, 2005, and  
6 applies to sales made on or after that date."

7 **SECTION 7.20.(c)** This section becomes effective July 1, 2005, and applies  
8 to sales made on or after that date.  
9

## 10 **SALARY SUPPLEMENT FOR MATH AND SCIENCE TEACHERS PILOT** 11 **PROGRAM**

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

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

- 25 (1) Middle grades mathematics,
- 26 (2) Middle grades science,
- 27 (3) Mathematics (9-12),
- 28 (4) Science (9-12),
- 29 (5) Earth science (9-12),
- 30 (6) Biology (9-12),
- 31 (7) Physics (9-12), and
- 32 (8) Chemistry (9-12).

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

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

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

46 **SECTION 7.21.(d)** The State Board of Education shall report to the Joint  
47 Legislative Education Oversight Committee on the design of the pilot program prior to  
48 implementation. The State Board of Education shall report to the Joint Legislative  
49 Education Oversight Committee on the implementation of the pilot program by January  
50 15, 2007.  
51

## 52 **PART VIII. COMMUNITY COLLEGES**

### 53 **SALARIES OF COMMUNITY COLLEGE FACULTY AND PROFESSIONAL** 54 **STAFF** 55

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

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

Education Level	Minimum Salary <u>2006-2007</u>
Vocational Diploma/Certificate or Less	\$31,728
Associate Degree or Equivalent	\$32,195
Bachelors Degree	\$34,220
Masters Degree or Education Specialist	\$36,016
Doctoral Degree	\$38,607

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

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

16  
 17 **USE OF FUNDS APPROPRIATED FOR ISOTHERMAL COMMUNITY**  
 18 **COLLEGE**

19           **SECTION 8.2.** Funds appropriated for composite testing at Isothermal  
 20 Community College and not used for that purpose may be used to purchase equipment  
 21 for the Lifelong Learning Center located at Isothermal Community College.  
 22

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

24           **SECTION 8.3.(a)** Funds appropriated to the Community Colleges System  
 25 Office for the College Information System Project shall not revert at the end of the  
 26 2005-2006 fiscal year but shall remain available until expended.

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

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

38           **SECTION 8.3.(d)** Subsection (a) of this section becomes effective June 30,  
 39 2006.  
 40

41 **CARRYFORWARD FOR EQUIPMENT**

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

48           **SECTION 8.4.(b)** This section becomes effective June 30, 2006.  
 49

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

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

**REPORT ON THE NCCCS BIONETWORK**

**SECTION 8.6.** The Community Colleges System Office shall report by November 1, 2006, to the Joint Legislative Education Oversight Committee, the Office of State Budget and Management, and the Fiscal Research Division on the implementation of the NCCCS BioNetwork. This report shall include an explanation of the BioNetwork's activities, accomplishments, and expenditures.

**STUDY OF NEW AND EXPANDING INDUSTRY TRAINING**

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

**MATCHING REQUIREMENT FOR BOND FUNDS**

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

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

- (1) The State Board of Community Colleges shall generate, by October 1, ~~2006,2007~~, a priority ranking of legitimate community college capital improvement needs using a formula based on objective meaningful factors relevant to capital needs, including actual and projected enrollment, space requirements, current capacity, construction costs, and any other factors the State Board considers relevant.
- (2) The State Board of Community Colleges shall provide the State Treasurer a projected allocation of the proceeds in the special account in accordance with this priority ranking, except that:
  - a. No projected allocation shall be made for a community college that the Board certified in accordance with this subsection had failed to meet a matching requirement.
  - b. No more than four million dollars (\$4,000,000) shall be allocated to a single community college.
  - c. Funds shall not be allocated for more than one project per community college.
- (3) The proceeds of grants made from bond proceeds in the special account shall be allocated and expended for paying the cost of community college capital improvements in accordance with this allocation by the State Board of Community Colleges, to the extent and as provided in this act. The Director of the Budget is empowered, when the Director of the Budget determines it is in the best interest of the State and the North Carolina Community College System to do so, and if the cost of a particular project is less than the projected

1 allocation, to use the excess funds to increase the size of that project or  
2 increase the size of any other project itemized in this section, or to  
3 increase the amount allocated to a particular community college within  
4 the aggregate amount of funds available under this section. The  
5 Director of the Budget shall consult with the Advisory Budget  
6 Commission and the Joint Legislative Commission on Governmental  
7 Operations before making these changes."  
8

## 9 COMMUNITY COLLEGE LOW-WEALTH FUNDING

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

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

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

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

27 SECTION 8.9.(b) This section becomes effective June 30, 2006.  
28

## 29 PART IX. UNIVERSITIES

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

31 SECTION 9.1. The University of North Carolina and Community Colleges  
32 System Office shall report by September 1, 2006, to the Joint Legislative Education  
33 Oversight Committee, the Office of State Budget and Management, and the Fiscal  
34 Research Division of the General Assembly on the implementation of the UNC-NCCCS  
35 2+2 E-Learning Initiative. This report shall include:

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

## 54 TEACHER EDUCATION PROGRAM ENROLLMENT PLANS

1           **SECTION 9.2.** The University of North Carolina Board of Governors' Task  
2 Force on Meeting Teacher Supply and Demand called for the President to develop a  
3 plan for enrollment growth in the University System's teacher education programs to  
4 respond to the State's shortage of teachers. In a presentation to the Joint Legislative  
5 Education Oversight Committee and to the Board of Governors, a commitment was  
6 made to increase the number of teacher education graduates. The University of North  
7 Carolina General Administration shall obtain plans from each constituent institution as  
8 to how they will maintain their current enrollment in the teacher education programs  
9 and achieve their growth targets to ensure such increases in those programs occur. Plans  
10 may include using enrollment growth funds for targeted admissions, enhanced student  
11 support, and advising, recruiting, increases in faculty in necessary instructional areas  
12 that lead to certification, and other methods General Administration believes will  
13 achieve those results. The University of North Carolina General Administration shall  
14 report back to the Office of State Budget and Management and the Joint Legislative  
15 Education Oversight Committee no later than December 30, 2006, on each constituent  
16 institution's plan. No later than March 31, 2007, The University of North Carolina  
17 General Administration shall submit a report on progress towards meeting this priority  
18 for the 2007-2008 academic year, based on each constituent institution's current  
19 students in the education programs, and the students who have been accepted for the  
20 2007-2008 fiscal year who are enrolling in the education programs. The report shall also  
21 explain the distribution of enrollment growth funds by specific initiative.  
22

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

24           **SECTION 9.3.** In collaboration with the State Board of Education and the  
25 NC Department of Commerce, the NC Center for International Understanding shall  
26 develop a plan to ensure that public K-12 international education efforts such as teacher  
27 and student exchanges, curriculum development, and other initiatives for students,  
28 teachers, and administrators are focused on key countries and regions of strategic  
29 economic interest to North Carolina. The NC Center for International Understanding  
30 shall report to the Office of State Budget and Management and the Joint Legislative  
31 Education Oversight Committee on the activities and accomplishments of the two  
32 hundred thousand dollar (\$200,000) nonrecurring appropriation for North Carolina in  
33 the World Project no later than March 31, 2007.  
34

### 35 **STUDY THE FEASIBILITY OF ADDING NORTH CAROLINA WESLEYAN** 36 **COLLEGE TO UNC SYSTEM**

37           **SECTION 9.4.(a)** The Board of Governors of The University of North  
38 Carolina shall study the feasibility of making North Carolina Wesleyan College a  
39 constituent institution of The University of North Carolina. The study shall include all  
40 of the following:

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

- 1 salaries, benefits, total faculty and staff levels, total projected student  
 2 enrollment, facility needs, and tuition rates shall be taken into account.
- 3 (3) Facility Needs. – The Board of Governors shall consider what  
 4 additional facility needs there may be, taking into account the  
 5 proposed mission of the campus. Examples of those needs may be lab  
 6 facility upgrades, new buildings to house an expanded student  
 7 population, and associated infrastructure expansion.
- 8 (4) Asset Transfer. – The Board of Governors shall obtain legal and  
 9 financial analyses to determine if there are any restrictions attached to  
 10 any of the College's assets (title to property, gifts to endowment, assets  
 11 purchased with restricted grant funds, etc.) that would prohibit the  
 12 transfer of the assets to the State. If there are restrictions, then the  
 13 analyses shall also include the steps necessary to lift the restrictions  
 14 and the costs of obtaining a clear title.
- 15 (5) Liability Analysis. – The Board of Governors shall also obtain a legal  
 16 analysis to determine whether there are pending liabilities against the  
 17 campus or reasonably foreseeable future liabilities against the campus.  
 18 If there are such liabilities, the legal analysis shall also address the  
 19 action needed to avoid transfer of any liability to the State.
- 20 (6) Transition of Current Students/Programs. – The Board of Governors  
 21 shall consider how best to handle the transition of the currently  
 22 enrolled student population, both on and off campus, into continuing  
 23 or new curriculum programs during the conversion period.
- 24 (7) Personnel. – The Board of Governors shall assess the employment  
 25 status of current personnel to determine what, if any, contractual and  
 26 other employment issues may arise in the conversion.
- 27 (8) Legislative Action. – The Board of Governors shall determine the  
 28 legislative action and statutory amendments needed to authorize and  
 29 implement the conversion.

30 **SECTION 9.4.(b)** Of the funds available to the Board of Governors of The  
 31 University of North Carolina, the sum of fifty thousand dollars (\$50,000) for the  
 32 2006-2007 fiscal year shall be used to conduct the study required by this act.

### 33 34 **NORTH CAROLINA PROGRESS BOARD**

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

#### 36 **"§ 143B-372.1. North Carolina Progress Board.**

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

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

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

54 ~~(c) The Governor or the Governor's designee shall be chair of the North Carolina~~  
 55 ~~Progress Board. The Governor Progress Board shall appoint-elect a vice chair chair~~

1 from among the membership of the ~~North Carolina Progress Board~~ to serve at the  
2 pleasure of the ~~Governor Progress Board~~. The ~~North Carolina Progress Board~~ may elect  
3 ~~such other~~ any officers as it sees fit.

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

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

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

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

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

36 **"§ 143B-372.3. Staff.**

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

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

49 (c) Repealed by Session Laws 1999-237, s. 10.12(a)."  
50

51 **GRADUATE NURSE SCHOLARSHIP PROGRAM FOR FACULTY**  
52 **PRODUCTION**

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

1 **"§ 90-171.95. Graduate Nurse Scholarship Program for Faculty Production**  
2 **established; administration.**

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

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

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

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

19 The State Education Assistance Authority shall adopt specific rules to regulate these  
20 scholarship loans.

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

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

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

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

52 (f) Upon the naming of recipients of loans from the Graduate Nurse Scholarship  
53 Program for Faculty Production, the Commission shall inform the State Education  
54 Assistance Authority (SEAA) of its decisions. The SEAA shall perform all of the  
55 administrative functions necessary to implement this Article, which functions shall



1 include: rulemaking, dissemination of information to the public, distribution and receipt  
2 of applications for scholarship loans, and the functions necessary for the execution,  
3 payment, and enforcement of promissory notes required under this Article.

4 **"§ 90-171.96. Terms of loans; receipt and disbursement of funds.**

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

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

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

32  
33 **MANAGEMENT FLEXIBILITY TO REORGANIZE BUDGET CODE 16012**  
34 **UNC BOARD OF GOVERNORS RELATED EDUCATIONAL PROGRAMS**

35 **SECTION 9.7.** Notwithstanding G.S. 143-23, for the 2006-2007 fiscal year,  
36 the General Administration of The University of North Carolina and the State  
37 Educational Assistance Authority shall, with the approval of the Office of State Budget  
38 and Management, reorganize budget code 16012, UNC Board of Governors Related  
39 Educational Programs, so that the budget reflects and segregates each specific program  
40 individually. The Office of State Budget and Management shall work with The  
41 University of North Carolina General Administration and the State Educational  
42 Assistance Authority to ensure that each program represented in code 16012 is  
43 identified and budgeted separately.  
44

45 **TRANSFERS OF APPROPRIATION**

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

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

1 the Board of Governors. Special responsibility constituent institutions may transfer  
 2 appropriations between budget codes. These transfers shall be considered certified even  
 3 if as a result of agreements between special responsibility constituent institutions. The  
 4 preparation, presentation, and review of General Fund budget requests of special  
 5 responsibility constituent institutions shall be conducted in the same manner as are  
 6 requests of other constituent institutions. The quarterly allotment procedure established  
 7 pursuant to G.S. 143-17 shall apply to the General Fund appropriations made for the  
 8 current operations of each special responsibility constituent institution. All General  
 9 Fund monies so appropriated to each special responsibility constituent institution shall  
 10 be recorded, reported, and audited in the same manner as are General Fund  
 11 appropriations to other constituent institutions."  
 12

### 13 NURSING SCHOLARS PROGRAM MODIFICATION

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

#### 15 "**§ 90-171.61. Nursing Scholars Program established; administration.**

16 (a) There is established the Nursing Scholars Program. The North Carolina  
 17 Nursing Scholars Commission shall determine selection criteria, methods of selection,  
 18 and shall select recipients of scholarship loans made under the Nursing Scholars  
 19 Program.

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

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

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

54 Within current funds available or with any additional funds provided by the General  
 55 Assembly for this purpose, the Commission may set aside slots for scholarship loans

1 prescribed by ~~subdivisions (1) and (2)~~ subdivision (1) of this subsection to enable  
2 licensed practical nurses to become registered nurses. The State Education Assistance  
3 Authority shall adopt specific rules to regulate these scholarship loans.

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

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

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

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

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

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

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

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

45 **"SECTION 9.9.(a)** The current Board of Governors' Dental Scholarship Program,  
46 under the purview of the Board of Governors of The University of North Carolina, shall  
47 make any awards to students admitted after July 1, 2005, as scholarship loan awards.  
48 The Board of Governors' Dental Scholarship Program is administered by the Board of  
49 Governors of The University of North Carolina. The Board of Governors' Dental  
50 Scholarship Program shall be used to provide a four-year scholarship loan of relevant  
51 tuition and fees, mandatory medical insurance, required laptop computers for first-year  
52 students, required dental equipment, and an annual payment of five thousand dollars  
53 (\$5,000) per year to students who have been accepted for admission to the School of  
54 Dentistry at the University of North Carolina at Chapel Hill. The Board may adopt  
55

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

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

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

53 **SECTION 9.10.(c)** This section is effective when it becomes law and  
54 applies to all scholarship loans issued after July 1, 2005.  
55

1 NC SCHOOL OF SCIENCE AND MATH/HIGH SCHOOL CONSTITUENT  
2 INSTITUTION

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

4 "§ 116-2. Definitions.

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

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

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

29 "§ 116-4. Constituent institutions of the University of North Carolina.

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

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

43 "§ 116-12. Property and obligations.

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

1 Carolina Agricultural and Technical State University, North Carolina Central  
2 University, North Carolina School of the Arts, Pembroke State University, redesignated  
3 effective July 1, 1996, as the "University of North Carolina at Pembroke", Western  
4 Carolina University and Winston-Salem State University, as said obligations may exist  
5 immediately prior to July 1, 1972, shall be, and the same hereby are, effective July 1,  
6 1972, transferred to and assumed by the Board of Governors of the University of North  
7 Carolina. Any property, real or personal, held immediately prior to July 1, 1972, by a  
8 board of trustees of a constituent institution for the benefit of that institution or by the  
9 University of North Carolina for the benefit of any one or more of its six institutions,  
10 shall from and after July 1, 1972, be kept separate and distinct from other property held  
11 by the Board of Governors, shall continue to be held for the benefit of the institution or  
12 institutions that were previously the beneficiaries and shall continue to be held subject  
13 to the provisions of the respective instruments, grants or other means or process by  
14 which any property right was acquired. All property of whatsoever kind and all rights  
15 and privileges held by the Board of Trustees of the North Carolina School of Science  
16 and Mathematics, as said property, rights and privileges may exist immediately prior to  
17 July 1, 2007, shall be and hereby are, effective July 1, 2007, transferred to and vested in  
18 the Board of Governors of The University of North Carolina. All obligations of  
19 whatsoever kind of the Board of Trustees of the North Carolina School of Science and  
20 Mathematics as said obligations may exist immediately prior to July 1, 2007, shall be,  
21 and the same hereby are, effective July 1, 2007, transferred to and assumed by the  
22 Board of Governors of The University of North Carolina. In case a conflict arises as to  
23 which property, rights or privileges were held for the beneficial interest of a particular  
24 institution, or as to the extent to which such property, rights or privileges were so held,  
25 the Board of Governors shall determine the issue, and the determination of the Board  
26 shall constitute final administrative action. Nothing in this Article shall be deemed to  
27 increase or diminish the income, other revenue or specific property which is pledged, or  
28 otherwise hypothecated, for the security or liquidation of any obligations, it being the  
29 intent that the Board of Governors shall assume said obligations without thereby either  
30 enlarging or diminishing the rights of the holders thereof."

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

32 **"§ 116-17. Purchase of annuity or retirement income contracts for faculty**  
33 **members, officers and employees.**

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

1 governing boards of the various institutions of higher learning and on forms prepared by  
2 said governing boards. Notwithstanding any other provision of this section or law, the  
3 amount by which the salary of any faculty member, administrative officer or employee  
4 is reduced pursuant to this section shall not be excluded, but shall be included, in  
5 computing and making payroll deductions for social security and retirement system  
6 purposes, and in computing and providing matching funds for retirement system  
7 purposes.

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

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

14 **"§ 116-30.2. Appropriations to special responsibility constituent institutions and to**  
15 **~~the North Carolina School of Science and Mathematics institutions.~~"**

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

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

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

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

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

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

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

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

39 **"§ 116-143. State-supported institutions of higher education required to charge**  
40 **tuition and fees.**

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

48 In the event that said students are unable to pay the cost of tuition and required  
49 academic fees as the same may become due, in cash, the said several boards of trustees  
50 are hereby authorized and empowered, in their discretion, to accept the obligation of the  
51 student or students together with such collateral or security as they may deem necessary  
52 and proper, it being the purpose of this Article that all students in State institutions of  
53 higher learning shall be required to pay tuition, and that free tuition is hereby abolished.  
54 Notwithstanding this section, neither the Board of Governors of The University of  
55 North Carolina nor its Board of Trustees shall impose any tuition or mandatory fee at

1 the North Carolina School of Science and Mathematics without the approval of the  
2 General Assembly.

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

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

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

19 **"§ 116-230.1. Policy.**

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

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

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

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

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

32 **"§ 116-232. Purposes.**

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

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

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

47 ..."

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

49 **"§ 116-234. Board of Trustees; meetings; rules of procedure; officers.**

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

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



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

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

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

10 "**§ 116-235. Board of Trustees; additional powers and duties.**"

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

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

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

16 "~~(a)~~(a1) Academic Program. –

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

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

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

25 "(b) Students. –

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

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

adopted by the Board of Trustees, including regulations concerning lawful and unlawful absences, permissible excuses for temporary absences, maintenance of attendance records, and attendance counseling.

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

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

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

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

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

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

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

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

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

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

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

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

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

1           **SECTION 9.11.(aa)** The catch line of G.S. 135-5.1 reads as rewritten:  
2   "**§ 135-5.1. Optional retirement program for ~~State institutions of higher~~**  
3   **~~education.~~The University of North Carolina.**"

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

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

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

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

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

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

## 43 44 **EXPAND TUITION WAIVER PROGRAM FOR UNC FACULTY & STAFF**

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

46   "**§ 116-143. State-supported institutions of higher education required to charge**  
47   **tuition and fees.**

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

1 (b) In the event that said students are unable to pay the cost of tuition and  
2 required academic fees as the same may become due, in cash, the said several boards of  
3 trustees are hereby authorized and empowered, in their discretion, to accept the  
4 obligation of the student or students together with such collateral or security as they  
5 may deem necessary and proper, it being the purpose of this Article that all students in  
6 State institutions of higher learning shall be required to pay tuition, and that free tuition  
7 is hereby abolished.

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

14 (d) Notwithstanding the above provision relating to the abolition of free tuition,  
15 the Board of Governors of the University of North Carolina may, in its discretion,  
16 provide regulations under which a full-time faculty member of the rank of full-time  
17 instructor or above, and any full-time staff member of the University of North Carolina  
18 may during the period of normal employment enroll for not more than ~~one course~~ three  
19 courses per semester-year in the University of North Carolina free of charge for tuition,  
20 provided such enrollment does not interfere with normal employment obligations and  
21 further provided that such enrollments are not counted for the purpose of receiving  
22 general fund appropriations."  
23

## 24 TUITION AND CONTRACTUAL GRANTS FOR TEACHING/NURSING

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

26 "§ 116-19. Contracts with private institutions to aid North Carolina  
27 students; students and licensure students; reporting requirement.

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

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

1 amount of the scholarships that are awarded under G.S. 116-19 to students and licensure  
2 students enrolled in off-campus programs. An "off-campus program" is any program  
3 offered for degree credit away from the institution's main permanent campus.

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

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

8 **"§ 116-20. Scholarship and contract terms; base period.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 27

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

#### 29

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

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

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

34 ...

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

39 ..."

#### 40

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

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

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

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

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

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

54 ...

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

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

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

**MEDICAID**

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

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

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

**SECTION 10.11.(b) Policy. –**

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



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

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

10 (3) Fraud and abuse. –

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

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

32 (4) Medical policy. –

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

45 **Services and payment bases – Mandatory**

46 (1) Hospital inpatient.

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

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

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

- 10 (4) Physicians, certified nurse midwife services, nurse practitioners. – Fee  
11 schedules as development by the Department of Health and Human  
12 Services.  
13 (5) Community Alternative Program, EPSDT Screens. – Payments in  
14 accordance with rate schedule developed by the Department of Health  
15 and Human Services.  
16 (6) Home health and related services, durable medical equipment. –  
17 Payments according to reimbursement plans developed by the  
18 Department of Health and Human Services.  
19 (7) Hearing aids. – Wholesale cost plus dispensing fee to provider.  
20 (8) Rural health clinical services. – Provider-based, reasonable cost;  
21 non-provider-based, single-cost reimbursement rate per clinic visit.  
22 (9) Family planning. – Negotiated rate for local health departments. For  
23 other providers see specific services, e.g. hospitals, physicians.  
24 (10) Independent laboratory and X-ray services. – Uniform fee schedules as  
25 developed by the Department of Health and Human Services.  
26 (11) Ambulatory surgical centers.

27 **Services and payment bases – Optional**

- 28 (12) Private duty nursing, clinic services, prepaid health plans.  
29 (13) Intermediate care facilities for the mentally retarded.  
30 (14) Chiropractors, podiatrists, optometrists, dentists.  
31 (15) Limitations on Dental Coverage. – Dental services shall be provided  
32 on a restricted basis in accordance with criteria adopted by the  
33 Department to implement this subsection.  
34 (16) Medicare Buy-In. – Social Security Administration premium.  
35 (17) Ambulance services. – Uniform fee schedules as developed by the  
36 Department of Health and Human Services. Public ambulance  
37 providers will be reimbursed at cost.  
38 (18) Optical supplies. – Payment for materials is made to a contractor in  
39 accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing  
40 providers are negotiated fees established by the State agency based on  
41 industry charges.  
42 (19) Medicare crossover claims. – The Department shall apply Medicaid  
43 medical policy to Medicare claims for dually eligible recipients. The  
44 Department shall pay an amount up to the actual coinsurance or  
45 deductible or both, in accordance with the State Plan, as approved by  
46 the Department of Health and Human Services.  
47 (20) Physical therapy and speech therapy. – Services limited to  
48 EPSDT-eligible children. Payments are to be made only to qualified  
49 providers at rates negotiated by the Department of Health and Human  
50 Services. Physical therapy (including occupational therapy) and speech  
51 therapy services are subject to prior approval and utilization review.  
52 (21) Personal care services.  
53 (22) Case management services. – Reimbursement in accordance with the  
54 availability of funds to be transferred within the Department of Health  
55 and Human Services.

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

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

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

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

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

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

- 35 1. Licensed or certified psychologists, licensed clinical  
36 social workers, certified clinical nurse specialists in  
37 psychiatric mental health advanced practice, nurse  
38 practitioners certified as clinical nurse specialists in  
39 psychiatric mental health advanced practice, licensed  
40 psychological associates, licensed professional  
41 counselors, licensed marriage and family therapists,  
42 certified clinical addictions specialists, and certified  
43 clinical supervisors, when Medicaid-eligible children are  
44 referred by the Community Care of North Carolina  
45 primary care physician, a Medicaid-enrolled psychiatrist,  
46 or the area mental health program or local management  
47 entity, and
- 48 2. Institutional providers of residential services as defined  
49 by the Division of Mental Health, Developmental  
50 Disabilities, and Substance Abuse Services and approved  
51 by the Centers for Medicare and Medicaid Services  
52 (CMS) for children and Psychiatric Residential  
53 Treatment Facility services that meet federal and State  
54 requirements as defined by the Department.

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

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

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

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

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

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

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

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

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

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

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

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



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

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

27           ~~Services and payment bases:~~

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

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

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

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

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

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

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

1 health plan to make direct third party reimbursements or  
2 payments to any service provider, practitioner, or licensee.

3 e. ~~The Department of Health and Human Services shall not enroll  
4 licensed psychological associates, licensed professional  
5 counselors, licensed marriage and family therapists, certified  
6 clinical addiction specialists, and certified clinical supervisors  
7 until all of the following conditions have been met:~~

8 1. ~~The fiscal impact of payments to these qualified  
9 providers has been projected;~~

10 2. ~~Funding for any projected requirements in excess of  
11 budgeted Division of Medical Assistance funding has  
12 been identified from within State funds appropriated to  
13 the Department of Health and Human Services, Division  
14 of Mental Health, Developmental Disabilities, and  
15 Substance Abuse Services to support area mental health  
16 programs or county programs, or identified from other  
17 sources; and~~

18 3. ~~Approval has been obtained from the Office of State  
19 Budget and Management to transfer these State or other  
20 source funds from the Division of Mental Health,  
21 Developmental Disabilities, and Substance Abuse  
22 Services to the Division of Medical Assistance. Upon  
23 approval and implementation, the Department of Health  
24 and Human Services shall, on a quarterly basis, provide a  
25 status report to the Office of State Budget and  
26 Management and the Fiscal Research Division.~~

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

35 (23) ~~Medically necessary prosthetics or orthotics. — Reimbursement in  
36 accordance with the State Plan approved by the Department of Health  
37 and Human Services, except that in order to be eligible for  
38 reimbursement, providers must be Board certified not later than July 1,  
39 2005. Medically necessary prosthetics and orthotics are subject to prior  
40 approval and utilization review.~~

41 (24) ~~Health insurance premiums. — Payments to be made in accordance  
42 with the State Plan adopted by the Department of Health and Human  
43 Services consistent with federal regulations.~~

44 (25) ~~Medical care/other remedial care. — Services not covered elsewhere in  
45 this section include related services in schools; health professional  
46 services provided outside the clinic setting to meet maternal and infant  
47 health goals; and services to meet federal EPSDT mandates. Services  
48 addressed by this subdivision are limited to those prescribed in the  
49 State Plan as established by the Department of Health and Human  
50 Services.~~

51 (26) ~~Pregnancy related services. — Covered services for pregnant women  
52 shall include nutritional counseling, psychosocial counseling, and  
53 predelivery and postpartum home visits by maternity care coordinators  
54 and public health nurses.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

## 53 54 PROCEDURES FOR CHANGES TO DHHS MEDICAL POLICY

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

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

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

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

33  
 34 **TRANSFER OF ASSETS REWRITE**

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

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

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

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

46           (b) Lookback date. –

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

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

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

54           (d) Medical services. –

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

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

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

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

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

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

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

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

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

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

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

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

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

## 33 **MEDICAID RESERVE FUND TRANSFER**

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

41 **SECTION 10.7.(b)** Of the funds transferred to the Department of Health and  
 42 Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of five  
 43 million four thousand five hundred four dollars (\$5,004,504) for the 2006-2007 fiscal  
 44 year shall be allocated as prescribed by G.S. 143-23.2(b) for the implementation of the  
 45 Medicaid Management Information System (MMIS).  
 46

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

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

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

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

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

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

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

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

12       (b) Health insurers, and pharmacy benefit managers regulated as third-party  
13 administrators under Article 56 of Chapter 58 of the General Statutes, shall provide,  
14 with respect to individuals who are eligible for, or are provided, medical assistance,  
15 upon request of the Division, information to determine during what period the  
16 individual or the individual's spouse or dependents may be (or may have been) covered  
17 by a health insurer and the nature of the coverage that is or was provided by the health  
18 insurer (including the name, address, and identifying number of the plan) in a manner  
19 prescribed by the Division. Notwithstanding any other provision of law, every insurer  
20 issuing a health benefit plan shall provide, not more frequently than twelve times in a  
21 year and at no cost, to the Department of Health and Human Services, upon its request,  
22 information, including automated data matches conducted under the direction of the  
23 Department of Health and Human Services, Division of Medical Assistance, as  
24 necessary to (i) identify individuals covered under the insurer's health benefit plans who  
25 are also recipients of medical assistance; (ii) determine the period during which the  
26 individual or the individual's spouses or the individual's dependents may be or may have  
27 been covered by the health benefit plan; and (iii) determine the nature of the coverage.  
28 To facilitate the Division in obtaining this and other related information, every health  
29 insurer shall:

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

35           (2) Respond to the request for information within 90 working days after  
36 receipt of written proof of loss or claim for payment for health care  
37 services provided to a recipient of medical assistance who is covered  
38 by the insurer's health benefit plan.

39           (3) Accept the Division's right of recovery and the assignment to the  
40 Division of any right of an individual or other entity to payment from  
41 the party for an item or service for which payment has been made  
42 under the State Medical Assistance Plan.

43           (4) Respond to any inquiry by the Division regarding a claim for payment  
44 for any health care item or service that is submitted not later than three  
45 years after the date of the provision of the health care item or service.

46           (5) Agree not to deny a claim submitted by the Division solely on the  
47 basis of the date of submission of the claim, the type of format of the  
48 claim form, or a failure to present property documentation at the  
49 point-of-sale that is the basis of the claim, if:

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

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

1       (c) An insurer that complies with this section shall not be liable on that account  
2 in any civil or criminal actions or proceedings."  
3

#### 4 **TICKET TO WORK EFFECTIVE DATE CHANGE**

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

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

12       **SECTION 10.9.(b)** The Department of Health and Human Services shall  
13 study and develop a plan for the implementation of the Ticket to Work Program. The  
14 Department shall report to the Senate Appropriations Committee on Health and Human  
15 Services, the House of Representatives Appropriations Subcommittee on Health and  
16 Human Services, and the Fiscal Research Division not later than March 1, 2007, on the  
17 results of its study. The report shall include what system changes need to be made to  
18 implement the Ticket to Work Program, how soon the changes can be made, and an  
19 analysis of the five-year fiscal impact of the Program.  
20

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

22       **SECTION 10.10.** Pursuant to authority under Section 1917(b) of the Social  
23 Security Act (42 USC 1396p(c)), as amended by Public Law 109-171 effective January  
24 1, 2007, there is established in the Department of Health and Human Services the North  
25 Carolina Long-Term Care Partnership Program. The purpose of the Program is to  
26 reduce future Medicaid costs for long-term care by delaying or eliminating dependence  
27 on Medicaid. The Program shall be administered by the Department of Health and  
28 Human Services with the assistance of the Commissioner of Insurance. The  
29 Department shall structure and administer the Program in accordance with applicable  
30 federal law and guidelines for qualified State long-term care partnerships. The  
31 Program, including the treatment of assets for Medicaid eligibility and estate recovery,  
32 notwithstanding statutory provisions on treatment of assets and estate recovery to the  
33 contrary, shall offer incentives to individuals to insure against the substantial costs of  
34 providing for their long-term care needs. The Long-Term Care Partnership Program  
35 becomes effective on the effective date of the approved State Plan amendment.  
36

#### 37 **STUDY MEDICAID PROVIDER RATE INCREASES**

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

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

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

**INCREASE HEALTH CARE ACCESS FOR UNINSURED PERSONS**

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

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

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

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

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

**HEALTH INFORMATION SYSTEMS (HIS) FUNDS**

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

**SECTION 10.13.(b)** The Department of Health and Human Services, Division of Public Health, shall report on the use of these funds to the House of Representatives Appropriations Subcommittee on Health and Human Services, the



1 Senate Appropriations Committee on Health and Human Services, and the Fiscal  
2 Research Division not later than March 1, 2007.

#### 3 4 **REPEAL VISION CARE PROGRAM**

5 **SECTION 10.14.** Section 10.59F of S.L. 2005-276 (as amended by Section  
6 20 of S.L. 2005-345), G.S. 130A-440.1, and Part 34 of Article 3 of Chapter 143B of the  
7 General Statutes are repealed.

#### 8 9 **EARLY INTERVENTION SERVICES REPORT**

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

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

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

#### 33 34 **COMMUNITY HEALTH CENTER CHANGES**

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

36 **"SECTION 10.9.(a)** Of the funds appropriated in this act for Community Health  
37 Grants, the sum of two million dollars (\$2,000,000) in recurring funds for the  
38 2005-2006 fiscal year, and the sum of two million dollars (\$2,000,000) in recurring  
39 funds for the 2006-2007 fiscal year shall be used for federally qualified health centers,  
40 for those health centers that meet the criteria for federally qualified health centers, and  
41 for State-designated rural health centers and public health departments and other clinics  
42 to:

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

54 Grant funds may not be used to enhance or increase compensation or other benefits  
55 of personnel, administrators, directors, consultants, or any other parties. Grant funds

1 may not be used to supplant federal funds traditionally received by federally qualified  
2 community health centers and may not be used to finance or satisfy any existing debt.  
3 The Department of Health and Human Services shall distribute funds on the basis of the  
4 availability of other funds for the agency, and also on the basis of incidence of poverty  
5 or percentage of indigent clients served. Grant applicants must provide after-hours  
6 access in order to qualify for grant funds. The Department shall give preference to those  
7 grant applicants demonstrating collaboration with the applicant's community hospital."  
8

## 9 EDUCATION ON PREVENTION OF PRETERM BIRTHS

10 SECTION 10.17. Of the funds appropriated in this act to the Department of  
11 Health and Human Services, Division of Public Health, the sum of one hundred fifty  
12 thousand dollars (\$150,000) for the 2006-2007 fiscal year shall be used to provide  
13 education to women on the benefits of progesterone for those who have had preterm  
14 births and to purchase medication for eligible minority and low-income women until the  
15 medication becomes readily available through the Medicaid Program. The Division of  
16 Public Health shall evaluate the impact of the use of these funds and shall share the  
17 outcomes of the evaluation with the Division of Medical Assistance, the Senate  
18 Appropriations Committee on Health and Human Services, the House of  
19 Representatives Appropriations Subcommittee on Health and Human Services, and the  
20 Fiscal Research Division.  
21

## 22 COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES 23 INITIATIVE

24 SECTION 10.18. Of funds appropriated in this act to the Department of  
25 Health and Human Services for the 2006-2007 fiscal year, the sum of two million  
26 dollars (\$2,000,000) shall be allocated for the Community-Focused Eliminating Health  
27 Disparities Initiative (CFEHDI) to provide grants-in-aid to local public health  
28 departments, American Indian tribes, and faith-based and community-based  
29 organizations to close the gap in the health status of African-Americans,  
30 Hispanics/Latinos, and American Indians as compared to white persons. These grants  
31 shall focus on the use of preventive measures to support health lifestyles. The areas of  
32 focus on health status shall be infant mortality, HIV-AIDS and sexually transmitted  
33 infections, cancer, diabetes, and homicides and motor vehicle deaths. These funds shall  
34 also be used to support one FTE in the Department of Health and Human Services to  
35 monitor, track, and evaluate grantees' progress in meeting performance-based standards  
36 and outcomes established by the Department.  
37

## 38 AUTHORIZE ONE NEW POSITION FOR HEALTHY CAROLINIANS 39 INITIATIVE

40 SECTION 10.18A. The Department of Health and Human Services,  
41 Division of Public Health, may use funds appropriated for the 2006-2007 fiscal year to  
42 support one new position for the Healthy Carolinians Initiative.  
43

## 44 CLARIFICATION OF CERTAIN AUDIT REQUIREMENTS

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

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

1 of funds or use of State employee services or other State services. The board of directors  
 2 of each private, nonprofit organization with an annual income of five hundred thousand  
 3 dollars (\$500,000) or more shall secure and pay for the services of the State Auditor's  
 4 Office or employ a certified public accountant to conduct an annual audit of the  
 5 financial accounts of the organization. The board of directors shall transmit to the  
 6 Secretary of the Department a copy of the annual financial audit report of the private  
 7 nonprofit organization. Nothing in this subsection shall be construed to relieve the  
 8 private, nonprofit organization from other applicable reporting requirements established  
 9 by law."

10  
 11 **AIDS DRUG ASSISTANCE PROGRAM**

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

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

27  
 28 **TECHNICAL CORRECTION TO LICENSURE FEE LIMITS**

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

30 **"§ 131E-267. Fees for departmental review of health care facility construction**  
 31 **projects.**

32 The Department of Health and Human Services shall charge a fee for the review of  
 33 each health care facility construction project to ensure that project plans and  
 34 construction are in compliance with State law. The fee shall be charged on a one-time,  
 35 per-project basis, as follows, and shall not exceed ~~twelve thousand five hundred dollars~~  
 36 ~~(\$12,500)~~ twenty-five thousand dollars (\$25,000) for any single project:

37  
 38 **Institutional Project**

**Project Fee**

39 Hospitals	\$ 300.00 plus \$0.20/square foot of project space
40 Nursing Homes	\$ 250.00 plus \$0.16/square foot of project space
41 Ambulatory Surgical Facility	\$ 200.00 plus \$0.16/square foot of project space
42 Psychiatric Hospital	\$ 200.00 plus \$0.16/square foot of project space
43 Adult Care Home	
44 7 or more beds	\$ 175.00 plus \$0.10/square foot of project space

45  
 46 **Residential Project**

**Project Fee**

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

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

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

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

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

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

**SECTION 10.24.** The Advocacy and Customer Service Section of the

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

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

**SECTION 10.25.(a)** Notwithstanding G.S. 143-23, an area authority or a

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

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

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

**AREA AUTHORITY AND COUNTY PROGRAM CRISIS REGIONS**

**SECTION 10.26.(a)** Using funds appropriated in this act to the Department

of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, and allocated to area authorities and county programs for this purpose, area authorities and county programs shall organize themselves into no more than 21 crisis regions based upon the existing Geriatric Specialty team configurations or other approved regions. These funds shall be allocated to each area authority or county programs on a per capita basis. The funds may be used for operational start-up, capital, or subsidies related to developing a continuum of crisis services. No more than three percent (3%) may be spent for administrative costs. The area authorities and county program within a crisis region shall work together to identify gaps in their ability to provide a continuum of crisis services for all consumers

1 and use the funds allocated to them to develop and implement a plan to address those  
2 needs. At a minimum, the plan must address the development over time of the following  
3 components: 24-hour crisis telephone lines, walk-in crisis services, mobile crisis  
4 outreach, crisis respite/residential services, crisis stabilization units, 23-hour beds,  
5 facility-based crisis, in-patient crisis and transportation. Options for voluntary  
6 admissions to a secured facility must include at least one service appropriate to address  
7 the mental health, developmental disability, and substance abuse needs of adults, and  
8 the mental health, developmental disability, and substance abuse needs of children.  
9 Options for involuntary commitment to a secured facility must include at least one  
10 option in addition to admission to a State facility.

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

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

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

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

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

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

- 51 (1) The Secretary has received a request from a phase-one local  
52 management entity to substitute for a physician or eligible  
53 psychologist, a licensed clinical social worker, a masters level  
54 psychiatric nurse, or a masters level certified clinical addictions  
55

1 specialist to conduct the initial (first-level) examinations of individuals  
2 meeting the criteria of G.S. 122C-261(a) or G.S. 122C-281(a). The  
3 waiver shall be implemented on a pilot-program basis. The request  
4 from the local management entity shall be submitted as part of the  
5 entity's local business plan and shall specifically describe:

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

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

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

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

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

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

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

52 (7) The Department shall assure that staff performing the duties are  
53 trained and privileged to perform the functions identified in the waiver.  
54 The Department shall involve stakeholders including, but not limited  
55 to, the North Carolina Psychiatric Association, The North Carolina

1 Nurses Association, National Association of Social Workers, The  
2 North Carolina Substance Abuse Professional Certification Board,  
3 North Carolina Psychological Association, The North Carolina Society  
4 for Clinical Social Work, and the North Carolina Medical Society in  
5 developing required staff competencies.

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

9 **SECTION 2.** This act becomes effective July 1, 2003, and expires ~~July 1,~~  
10 ~~2006.~~October 1, 2007."

11  
12 **CHANGES TO THE STATE PLAN FOR MENTAL HEALTH,  
13 DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES**

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

15 "**§ 122C-102. State Plan for Mental Health, Developmental Disabilities, and  
16 Substance Abuse Services; system performance measures.**

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

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

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

- 1 (11) A business plan to demonstrate efficient and effective resource  
2 management of the mental health, developmental disabilities, and  
3 substance abuse services system, including strategies for  
4 accountability for non-Medicaid and Medicaid services.  
5 (12) Strategies and schedules for implementing a phased in plan to  
6 eliminate disparities in the allocation of State funding across county  
7 programs and area authorities by January 1, 2007, including methods  
8 to identify service gaps and to ensure equitable use of State funds to  
9 fill those gaps among all counties.

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

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

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

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

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



1 programs assume that function beginning July 1, 2007, and the  
 2 remainder to assume the function no later than July 1, 2009.

3 d. Implement other uniform procedures for the management  
 4 functions of area authorities and county programs.

5 (4) Provide technical assistance and oversight to private service providers,  
 6 area authorities, and county programs to ensure that best practices and  
 7 new services are being delivered with fidelity to the service definition  
 8 model.

9 (5) Provide ongoing and focused technical assistance to area authorities  
 10 and county programs in the implementation of their administrative and  
 11 management functions and the establishment and operation of  
 12 community-based programs. The Secretary shall include in the State  
 13 Plan a mechanism for monitoring the Department's success in  
 14 implementing this duty and the progress of area authorities and county  
 15 programs in achieving these functions.

16 (6) Assist the Division with implementing standard forms, contracts,  
 17 processes, and procedures to be used by all area authorities and county  
 18 programs with other public and private service providers. These  
 19 processes and procedures shall include standardized denial codes and a  
 20 standard policy regarding the coordination of benefits. The  
 21 independent consultant shall consult with area authorities and county  
 22 programs regarding the development of these forms, contracts,  
 23 processes, and procedures. Any document or process developed under  
 24 this subdivision shall place an obligation upon providers to transmit to  
 25 area authorities and county programs timely client information and  
 26 outcome data. The independent consultant shall also recommend  
 27 language regarding what constitutes a clean claim for purposes of  
 28 billing. When implementing this subdivision, the independent  
 29 consultant shall balance the need for area authorities and county  
 30 programs to exercise discretion in the discharge of their management  
 31 responsibilities with the need of private service providers for a uniform  
 32 system of doing business with public entities. The independent  
 33 consultant shall also (i) identify other areas of standardization that may  
 34 be implemented without undermining the authority of area authorities  
 35 and county programs, and (ii) identify and eliminate processes and  
 36 procedures that are duplicative or result in unnecessary paperwork.  
 37

38 **FACILITY LICENSURE REQUIREMENTS FOR OUTPATIENT SUBSTANCE**  
 39 **ABUSE SERVICES CONSISTENT WITH FACILITY LICENSURE**  
 40 **REQUIREMENTS FOR OUTPATIENT MENTAL HEALTH AND**  
 41 **DEVELOPMENTAL DISABILITY SERVICES**

42 **SECTION 10.29.** G.S. 122C-3(14) reads as rewritten:

43 **"§ 122C-3. Definitions.**

44 As used in this Chapter, unless another meaning is specified or the context clearly  
 45 requires otherwise, the following terms have the meanings specified:

46  
 47 (14) "Facility" means any person at one location whose primary purpose is  
 48 to provide services for the care, treatment, habilitation, or  
 49 rehabilitation of the mentally ill, the developmentally disabled, or  
 50 substance abusers, and includes:

51 a. An "area facility", which is a facility that is operated by or  
 52 under contract with the area authority or county program. For  
 53 the purposes of this subparagraph, a contract is a contract,  
 54 memorandum of understanding, or other written agreement  
 55 whereby the facility agrees to provide services to one or more

clients of the area authority or county program. Area facilities may also be licensable facilities in accordance with Article 2 of this Chapter. A State facility is not an area facility;

- b. A "licensable facility", which is a facility that provides services to individuals who are mentally ill, developmentally disabled, or substance abusers for one or more minors or for two or more adults. ~~When the services offered are provided to individuals who are mentally ill or developmentally disabled, these~~ These services shall be day services offered to the same individual for a period of three hours or more during a 24-hour period, or residential services provided for 24 consecutive hours or more. ~~When the services offered are provided to individuals who are substance abusers, these services shall include all outpatient services, day services offered to the same individual for a period of three hours or more during a 24 hour period, or residential services provided for 24 consecutive hours or more.~~ Facilities for individuals who are substance abusers include chemical dependency facilities;
- c. A "private facility", which is a facility that is either a licensable facility or a special unit of a general hospital or a part of either in which the specific service provided is not covered under the terms of a contract with an area authority;
- d. The psychiatric service of the University of North Carolina Hospitals at Chapel Hill;
- e. A "residential facility", which is a 24-hour facility that is not a hospital, including a group home;
- f. A "State facility", which is a facility that is operated by the Secretary;
- g. A "24-hour facility", which is a facility that provides a structured living environment and services for a period of 24 consecutive hours or more and includes hospitals that are facilities under this Chapter; and
- h. A Veterans Administration facility or part thereof that provides services for the care, treatment, habilitation, or rehabilitation of the mentally ill, the developmentally disabled, or substance abusers."

### **INDEDPENDENT- AND SUPPORTIVE-LIVING APARTMENTS INITIATIVE**

**SECTION 10.30.** The independent and supportive living apartments for persons with disabilities constructed from funds appropriated in this act for that purpose shall be affordable to persons with incomes at the Supplemental Security Income (SSI) level. If the North Carolina Housing Finance Agency is able to finance the apartments for less than the amount appropriated under this section, any remaining funds, as well as any interest earned on the amount appropriated, may be used to finance additional apartments, group homes, and transitional housing for individuals with disabilities.

### **LME FINANCIAL REPORTS TO COUNTY REVIEWED BY COUNTY FINANCE OFFICERS**

**SECTION 10.31.(a)** G.S. 122C-117(c) reads as rewritten:

"(c) Within 30 days of the end of each quarter of the fiscal year, the area director and finance officer of the area authority shall provide to each member of the board of county commissioners the quarterly report of the area authority. The quarterly report shall also be presented to the county finance officer for review and comment. The clerk to the board of commissioners shall notify the area director and finance officer if it has not received the quarterly report required by this subsection. This information shall be

1 presented in a format prescribed by the county. At least twice a year, this information  
2 shall be presented in person and shall be read into the minutes of the meeting at which it  
3 is presented. In addition, the area director or finance officer of the area authority shall  
4 provide to the board of county commissioners ad hoc reports as requested by the board  
5 of county commissioners."

6 **SECTION 10.31.(b)** Article 23 of Chapter 153A of the General Statutes is  
7 amended by adding the following new section to read:

8 **"§ 153A-453. Quarterly reports of Mental Health, Developmental Disabilities, and**  
9 **Substance Abuse Services area authority or county program.**

10 Quarterly reports by the area director and finance officer of Mental Health,  
11 Developmental Disabilities, and Substance Abuse Services area authorities or county  
12 programs shall be submitted to the county finance officer as provided under  
13 G.S. 122C-117(c)."

#### 14 15 **LOCAL MANAGEMENT ENTITY ADMINISTRATIVE FUNCTIONS**

16 **SECTION 10.32.** The Department of Health and Human Services shall  
17 recalculate local management entity (LME) systems management allocations for fiscal  
18 year 2006-2007 to include funds for each LME to implement 24-hour, seven days a  
19 week screening, triage, and referral, and to review, monitor, and comment on all  
20 person-centered plans. The Department shall allocate funds appropriated in this act for  
21 this purpose to LMEs to implement the functions described in this section.

#### 22 23 **PORTION OF PROCEEDS FROM ALCOHOL EXCISE TAX DEPOSITED TO** 24 **TRUST FUND FOR MENTAL HEALTH, DEVELOPMENTAL** 25 **DISABILITIES, AND SUBSTANCE ABUSE SERVICES AND BRIDGE** 26 **FUNDING NEEDS**

27 **SECTION 10.33.(a)** Part 4 of Article 2C of Chapter 105 of the General  
28 Statutes is amended by adding a new section to read:

29 **"§ 105-113.82A. Distribution to the Trust Fund for Mental Health, Developmental**  
30 **Disabilities, and Substance Abuse Services and Bridge Funding Needs.**

31 After setting aside funds for the distributions required by G.S. 105-113.81A and  
32 G.S. 105-113.82, the Secretary shall on a monthly basis distribute to the Trust Fund for  
33 Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge  
34 Funding Needs, established under G.S. 143-15.3D, five percent (5%) of the net  
35 proceeds of the amount of excise taxes collected under this Article on malt beverages,  
36 unfortified wine, fortified wine, and spirituous liquor."

37 **SECTION 10.33.(b)** This section becomes effective July 1, 2006, and  
38 applies to taxes collected on or after that date.

#### 39 40 **DISTRIBUTION OF MENTAL HEALTH AND SUBSTANCE ABUSE** 41 **SERVICES FUNDS**

42 **SECTION 10.33A.** Funds appropriated in this act for mental health services  
43 and substance abuse services shall be allocated to local management entities such that  
44 each local management entity receives a percentage of the total allocation that is equal  
45 to that local management entity's percentage of the State's total population that is below  
46 the federal poverty level.

#### 47 48 **DEPARTMENT'S DUTY TO PROVIDE TECHNICAL ASSISTANCE TO AREA** 49 **AUTHORITIES AND COUNTY PROGRAMS**

50 **SECTION 10.33B.** G.S. 122C-112.1(a)(9) reads as rewritten:

51 **"§ 122C-112.1. Powers and duties of the Secretary.**

52 (a) The Secretary shall do all of the following:

53  
54 ~~"(9) Assist~~ Provide ongoing and focused technical assistance to area  
55 authorities and county programs in the implementation of their

1 administrative and management functions and the establishment and  
 2 operation of community-based programs. The Secretary shall include  
 3 in the State Plan a mechanism for monitoring the Department's success  
 4 in implementing this duty and the progress of area authorities and  
 5 county programs in achieving these functions."  
 6

## 7 **STRENGTHEN LOCAL MANAGEMENT ENTITIES**

8 **SECTION 10.33C.(a)** G.S. 122C-3 is amended by adding the following new  
 9 subdivision to read:

### 10 **"§ 122C-3. Definitions.**

11 ~~As used in this Chapter, unless another meaning is specified or the context clearly~~  
 12 ~~requires otherwise, the following terms have the meanings specified:~~The following  
 13 definitions apply in this Chapter:  
 14

15 (20b) "Local management entity" or "LME" means an area authority, county  
 16 program, or consolidated human services agency."

17 **SECTION 10.33C.(b)** G.S. 122C-111 reads as rewritten:

### 18 **"§ 122C-111. Administration.**

19 The Secretary shall administer and enforce the provisions of this Chapter and the  
 20 rules of the Commission and shall operate State facilities. An area director or program  
 21 director shall (i) manage the public mental health, developmental disabilities, and  
 22 substance abuse system for administer the programs of the area authority or county  
 23 program, as applicable, program according to the local business plan, and (ii) enforce  
 24 applicable State laws, rules of the Commission, and rules of the Secretary. The  
 25 Secretary in cooperation with area and county program directors and State facility  
 26 directors shall provide for the coordination of public services between area authorities,  
 27 county programs, and State facilities. The area authority or county program shall  
 28 monitor the provision of mental health, developmental disability, and substance abuse  
 29 services for compliance with the law, which monitoring shall not supersede or duplicate  
 30 the regulatory authority or functions of agencies of the Department."

31 **SECTION 10.33C.(c)** G.S. 122C-115.2(a) reads as rewritten:

### 32 **"§ 122C-115.2. ~~Business—~~ LME business plan required; content, process,** 33 **certification.**

34 (a) Every county, through an area authority or county program, shall provide for  
 35 the development, review, and approval of a-an LME business plan for the management  
 36 and delivery of mental health, developmental disabilities, and substance abuse services.  
 37 ~~A-An LME business plan shall provide detailed information on how the area authority~~  
 38 ~~or county program will meet State standards, laws, and rules for ensuring quality mental~~  
 39 ~~health, developmental disabilities, and substance abuse services, including outcome~~  
 40 ~~measures for evaluating program effectiveness. The business plan shall be in effect for~~  
 41 ~~at least three State fiscal years."~~

42 **SECTION 10.33C.(d)** Article 4 of Chapter 122C is amended by adding a  
 43 new section to read:

### 44 **"§ 122C-115.4. Responsibilities of local management entities.**

45 (a) Local management entities are responsible for the administration and  
 46 management of the public system of mental health, developmental disabilities, and  
 47 substance abuse services at the community level. An LME plans, develops, implements,  
 48 and monitors services within a specified geographic area for both insured and uninsured  
 49 individuals.

50 (b) The core functions of an LME include all of the following:

51 (1) Access for all citizens to core services through the implementation of a  
 52 24-hour a day, seven-day a week screening, triage, and referral process  
 53 and a uniform portal of entry into care.

54 (2) Provider endorsement, monitoring, technical assistance, and capacity  
 55 development. An LME may remove as a choice a provider who fails to

1 meet defined quality criteria or fails to provide data required for  
2 monitoring client outcomes.

3 (3) Utilization review and determination of the appropriate level and  
4 intensity of services for all State-funded services, authorization of  
5 recipients of services under a Medicaid waiver, review and approval of  
6 all person-centered plans, utilization management for all services, care  
7 coordination, quality management, and authorization of State  
8 psychiatric hospital and other State facility bed days.

9 (4) Community collaboration and consumer affairs including assurance of  
10 rights, appeals, establishment of, and support for an effective  
11 consumer and family advisory committee.

12 (5) Financial management and accountability including information  
13 management for the delivery of publicly funded services for mental  
14 illness, developmental disabilities, and substance abuse.

15 (c) An area authority or county program may contract with any public or private  
16 entity for the implementation of some or all of the LME responsibilities articulated  
17 under this section. A consolidated human services agency may contract with any public  
18 or private entity for the implementation of some or all of the LME responsibilities  
19 subject to the requirements of G.S. 122C-127. The Secretary may remove one or more  
20 of the responsibilities enumerated under subsection (b) of this section only after the  
21 Secretary has made an individualized finding that a particular area authority or county  
22 program is not providing minimally adequate services under G.S. 122C-124.1 or is in  
23 imminent danger of failing financially under G.S. 122C-125. The notice and procedural  
24 requirements of G.S. 122C-124.1 and G.S. 122C-125 shall apply to the findings."

25 **SECTION 10.33C.(e)** G.S. 122C-118.1 reads as rewritten:

26 **"§ 122C-118.1. Structure of area board.**

27 (a) An area board shall have no fewer than 11 and no more than 25 members. In  
28 a single-county area authority, the members shall be appointed by the board of county  
29 commissioners. Except as otherwise provided, in areas consisting of more than one  
30 county, each board of county commissioners within the area shall appoint one  
31 commissioner as a member of the area board. These members shall appoint the other  
32 members. The boards of county commissioners within the multicounty area shall have  
33 the option to appoint the members of the area board in a manner other than as required  
34 under this section by adopting a resolution to that effect. The boards of county  
35 commissioners in a multicounty area authority shall indicate in the business plan each  
36 board's method of appointment of the area board members in accordance with  
37 G.S. 122C-115.2(b). These appointments shall take into account sufficient citizen  
38 participation, ~~equitable~~ representation of the disability groups, and equitable  
39 representation of participating counties. Individuals appointed to the board shall include  
40 an individual with financial ~~expertise or expertise~~, a county finance officer, an  
41 individual with expertise in management or business, and an individual representing the  
42 interests of children. A member of the board may be removed with or without cause by  
43 the initial appointing authority. Vacancies on the board shall be filled by the initial  
44 appointing authority before the end of the term of the vacated seat or within 90 days of  
45 the vacancy, whichever occurs first, and the appointments shall be for the remainder of  
46 the unexpired term.

47 (b) ~~At least~~ Not more than fifty percent (50%) of the members of the area board  
48 shall represent the following:

49 (1) A physician licensed under Chapter 90 of the General Statutes to  
50 practice medicine in North Carolina who, when possible, is certified as  
51 having completed a residency in psychiatry.

52 (2) A clinical professional from the fields of mental health, developmental  
53 disabilities, or substance abuse.

1 (3) ~~A~~ At least one family member or ~~an~~ individual from a citizens'  
2 ~~organizations~~ organization composed primarily of consumers or their  
3 family members, representing the interests of individuals:

- 4 a. With mental illness; ~~and~~  
5 b. In recovery from addiction; ~~and~~ or  
6 c. With developmental disabilities.

7 (4) ~~Openly~~ At least one openly declared ~~consumers;~~ consumer:

- 8 a. With mental illness; ~~and~~  
9 b. With developmental ~~disabilities;~~ and disabilities; or  
10 c. In recovery from addiction.

11 (c) The board of county commissioners may elect to appoint a member of the  
12 area authority board to fill concurrently more than one category of membership if the  
13 member has the qualifications or attributes of more than one category of membership.

14 (d) Any member of an area board who is a county commissioner serves on the  
15 board in an ex officio capacity. The terms of county commissioners on an area board are  
16 concurrent with their terms as county commissioners. The terms of the other members  
17 on the area board shall be for ~~four~~ three years, except that upon the initial formation of  
18 an area board ~~one fourth~~ one third shall be appointed for one year, ~~one fourth~~ one third  
19 for two years, ~~one fourth~~ for three years, and all remaining members for ~~four~~ three  
20 years. Members ~~other than county commissioners~~ shall not be appointed for more than  
21 two consecutive terms. Board members serving as of July 1, 2006, may remain on the  
22 board for one additional term.

23 (e) Upon request, the board shall provide information pertaining to the  
24 membership of the board that is a public record under Chapter 132 of the General  
25 Statutes."

26 **SECTION 10.33C.(f)** G.S. 122C-115.1(g) reads as rewritten:

27 "(g) In a single-county program, an advisory committee shall be appointed by the  
28 board of county commissioners and shall report to the county manager. The  
29 appointments shall take into account sufficient citizen participation, equitable  
30 representation of the disability groups, and equitable representation of participating  
31 counties. ~~At least fifty percent (50%) of the~~ The membership shall conform to the  
32 requirements in G.S. 122C-118.1(b)(1)-(4). G.S. 122C-118.1. In a multicounty program,  
33 the advisory committee shall be appointed in accordance with the terms of the interlocal  
34 agreement."

35 **SECTION 10.33C.(g)** G.S. 153A-149(c)(22) reads as rewritten:

36 "(c) Each county may levy property taxes for one or more of the purposes listed in  
37 this subsection up to a combined rate of one dollar and fifty cents (\$1.50) on the one  
38 hundred dollars (\$100.00) appraised value of property subject to taxation. Authorized  
39 purposes subject to the rate limitation are:

- 40 ..  
41 (22) Mental Health. – To provide for the county's share of the cost of  
42 maintaining and administering services offered ~~by~~ by, to, or through  
43 the area mental health, developmental disabilities, and substance abuse  
44 ~~authority.~~ authority or the county program for mental health,  
45 developmental disabilities, and substance abuse services."

46 **SECTION 10.33C.(h)** G.S. 153A-247 reads as rewritten:

47 **"§ 153A-247. Provision for public health and mental health.**

48 A county may provide for and regulate the public health ~~pursuant to~~ under Chapter  
49 130A of the General Statutes and any other law authorizing local public health activities  
50 and may provide mental health, ~~mental retardation,~~ health, developmental disabilities,  
51 and substance abuse ~~programs pursuant to Chapter 122C of the General~~  
52 Statutes.

53 **SECTION 10.33C.(i)** G.S. 122C-141 is amended by adding a new  
54 subsection to read:

1       "(d) A county may be a qualified public provider and may, under Article 20 of  
2 Chapter 160A of the General Statutes, enter into an interlocal agreement with one or  
3 more other counties to operate as a qualified public provider."

4       **SECTION 10.33C.(j)** G.S. 122C-112.1(a) reads as rewritten:

5       "**§ 122C-112.1. Powers and duties of the Secretary.**

6       (a) The Secretary shall do all of the following:

- 7       (1) Oversee development of the State Plan for Mental Health,  
8       Developmental Disabilities, and Substance Abuse Services.
- 9       (2) Enforce the provisions of this Chapter and the rules of the Commission  
10       and the Secretary.
- 11       (3) Establish a process and criteria for the submission, review, and  
12       approval or disapproval of LME business plans submitted by area  
13       authorities and counties for the management and provision of mental  
14       health, developmental disabilities, and substance abuse services.
- 15       (4) Adopt rules specifying the content and format of LME business plans.
- 16       (5) Review business plans and, upon approval of the LME business plan,  
17       certify the submitting area authority or county program to provide  
18       mental health, developmental disabilities, and substance abuse  
19       services-services in the applicable catchment area.
- 20       (6) Establish comprehensive, cohesive oversight and monitoring  
21       procedures and processes to ensure continuous compliance by area  
22       authorities, county programs, and all providers of public services with  
23       State and federal policy, law, and standards. Procedures shall include  
24       performance measures and report cards for each area authority and  
25       county program.
- 26       (7) Conduct regularly scheduled monitoring and oversight of area  
27       authority, county programs, and all providers of public services.  
28       Monitoring and oversight shall include compliance with the program  
29       business plan, core administrative functions, and fiscal and  
30       administrative practices and shall also address outcome measures,  
31       consumer satisfaction, client rights complaints, and adherence to best  
32       practices.
- 33       (8) Make findings and recommendations based on information and data  
34       collected pursuant to subdivision (7) of this subsection and submit  
35       these findings and recommendations to the applicable area authority  
36       board, county program director, board of county commissioners,  
37       providers of public services, and to the Local Consumer Advocacy  
38       Office.
- 39       (9) Assist area authorities and county programs in the establishment and  
40       operation of community-based programs.
- 41       (10) Operate State facilities and adopt rules pertaining to their operation.
- 42       (11) Develop a unified system of services provided ~~in area, county, and at~~  
43       the community level, by State facilities, and by providers enrolled or  
44       under a contract with the State-State and an area authority or county  
45       program.
- 46       (12) Adopt rules governing the expenditure of all funds for mental health,  
47       developmental disabilities, and substance abuse programs and services.
- 48       (13) Adopt rules to implement the appeal procedure authorized by  
49       G.S. 122C-151.2.
- 50       (14) Adopt rules for the implementation of the uniform portal process.
- 51       (15) Except as provided in G.S. 122C-26(4), adopt rules establishing  
52       procedures for waiver of rules adopted by the Secretary under this  
53       Chapter.
- 54       (16) Notify the clerks of superior court of changes in the designation of  
55       State facility regions and of facilities designated under G.S. 122C-252.

- 1 (17) Promote public awareness and understanding of mental health, mental  
2 illness, developmental disabilities, and substance abuse.
- 3 (18) Administer and enforce rules that are conditions of participation for  
4 federal or State financial aid.
- 5 (19) Carry out G.S. 122C-361.
- 6 (20) Monitor the fiscal and administrative practices of area authorities and  
7 county programs to ensure that the programs are accountable to the  
8 State for the management and use of federal and State funds allocated  
9 for mental health, developmental disabilities, and substance abuse  
10 services. The Secretary shall ensure maximum accountability by area  
11 authorities and county programs for rate-setting methodologies,  
12 reimbursement procedures, billing procedures, provider contracting  
13 procedures, record keeping, documentation, and other matters  
14 pertaining to financial management and fiscal accountability. The  
15 Secretary shall further ensure that the practices are consistent with  
16 professionally accepted accounting and management principles.
- 17 (21) Provide technical assistance, including conflict resolution, to counties  
18 in the development and implementation of area authority and county  
19 program business plans and other matters, as requested by the county.
- 20 (22) Develop a methodology to be used for calculating county resources to  
21 reflect cash and in-kind contributions of the county.
- 22 (23) Adopt rules establishing program evaluation and management of  
23 mental health, developmental disabilities, and substance abuse  
24 services.
- 25 (24) Adopt rules regarding the requirements of the federal government for  
26 grants-in-aid for mental health, developmental disabilities, or  
27 substance abuse programs which may be made available to area  
28 authorities or county programs or the State. This section shall be  
29 liberally construed in order that the State and its citizens may benefit  
30 from the grants-in-aid.
- 31 (25) Adopt rules for determining minimally adequate services for purposes  
32 of G.S. 122C-124.1 and G.S. 122C-125.
- 33 (26) Establish a process for approving area authorities and county programs  
34 to provide services directly in accordance with G.S. 122C-141.
- 35 (27) Sponsor training opportunities in the fields of mental health,  
36 developmental disabilities, and substance abuse.
- 37 (28) Enforce the protection of the rights of clients served by State facilities,  
38 area authorities, county programs, and providers of public services.
- 39 (29) Adopt rules for the enforcement of the protection of the rights of  
40 clients being served by State facilities, area authorities, county  
41 programs, and providers of public services.
- 42 (30) Prior to requesting approval to close a State facility under  
43 G.S. 122C-181(b):
- 44 a. Notify the Joint Legislative Commission on Governmental  
45 Operations, the Joint Legislative Committee on Mental Health,  
46 Developmental Disabilities, and Substance Abuse Services, and  
47 members of the General Assembly who represent catchment  
48 areas affected by the closure; and
- 49 b. Present a plan for the closure to the members of the Joint  
50 Legislative Committee on Mental Health, Developmental  
51 Disabilities, and Substance Abuse Services, the House of  
52 Representatives Appropriations Subcommittee on Health and  
53 Human Services, and the Senate Appropriations Committee on  
54 Health and Human Services for their review, advice, and  
55 recommendations. The plan shall address specifically how



1 patients will be cared for after closure, how support services to  
2 community-based agencies and outreach services will be  
3 continued, and the impact on remaining State facilities. In  
4 implementing the plan, the Secretary shall take into  
5 consideration the comments and recommendations of the  
6 committees to which the plan is presented under this  
7 subdivision.

- 8 (31) Ensure that the State Plan for Mental Health, Developmental  
9 Disabilities, and Substance Abuse Services"

10  
11 **CONSUMER AND FAMILY ADVISORY COMMITTEES ESTABLISHED BY**  
12 **AREA AUTHORITIES AND COUNTY PROGRAMS**

13 **SECTION 10.33D.** Article 4 of Chapter 122C is amended by adding a new  
14 Part to read:

15 "Part 4A. Consumer and Family Advisory Committees.

16 **"§ 122C-170. Local Consumer and Family Advisory Committees.**

17 (a) Area authorities and county programs shall establish committees made up of  
18 consumers and family members to be known as Consumer and Family Advisory  
19 Committees (CFACS). A local CFAC shall be a self-governing and a self-directed  
20 organization that advises the area authority or county program in its catchment area on  
21 the planning and management of the local public mental health, developmental  
22 disabilities, and substance abuse services system.

23 Each CFAC shall adopt bylaws to govern the selection and appointment of its  
24 members, their terms of service, the number of members, and other procedural matters.  
25 At the request of either the CFAC or the governing board of the area authority or county  
26 program, the CFAC and the governing board shall execute an agreement that identifies  
27 the roles and responsibilities of each party, channels of communication between the  
28 parties, and a process for resolving disputes between the parties.

29 (b) Each of the disability groups shall be equally represented on the CFAC, and  
30 the CFAC shall reflect as closely as possible the racial and ethnic composition of the  
31 catchment area. The terms of members shall be three years, and no member may serve  
32 more than two consecutive terms. The CFAC shall be composed exclusively of:

33 (1) Adult consumers of mental health, developmental disabilities, and  
34 substance abuse services;

35 (2) Parents of minor children who are consumers of mental health,  
36 developmental disabilities, and substance abuse services; and

37 (3) Parents of adult children who are severely developmentally disabled.

38 (c) The CFAC shall undertake all of the following:

39 (1) Review, comment on, and monitor the implementation of the local  
40 business plan.

41 (2) Identify service gaps and underserved populations.

42 (3) Make recommendations regarding the service array and monitor the  
43 development of additional services.

44 (4) Review and comment on the area authority or county program budget.

45 (5) Participate in all quality improvement measures and performance  
46 indicators.

47 (6) Submit to the State Consumer and Advisory Committee findings and  
48 recommendations regarding ways to improve the delivery of mental  
49 health, developmental disabilities, and substance abuse services.

50 (d) The director of the area authority or county program shall provide sufficient  
51 staff to assist the CFAC in implementing its duties under subsection (c) of this section.  
52 The assistance shall include data for the identification of service gaps and underserved  
53 populations, training to review and comment on business plans and budgets, procedures  
54 to allow participation in quality monitoring, and technical advice on rules of procedure  
55 and applicable laws.

1 **"§ 122C-171. State Consumer and Family Advisory Committee.**

2 (a) There is established the State Consumer and Advisory Committee (State  
3 CAFC). The State CFAC shall be shall be a self-governing and self-directed  
4 organization that advises the Department and the General Assembly on the planning and  
5 management of the State's public mental health, developmental disabilities, and  
6 substance abuse services system.

7 (b) The State CFAC shall be composed of 21 members. The members shall be  
8 composed exclusively of adult consumers of mental health, developmental disabilities,  
9 and substance abuse services; parents of minor children who are consumers of mental  
10 health, developmental disabilities, and substance abuse services; and parents of adult  
11 children who are severely developmentally disabled. The terms of members shall be  
12 three years, and no member may serve more than two consecutive terms. Vacancies  
13 shall be filled by the appointing authority. The members shall be appointed as follows:

14 (1) Nine by the Secretary. The Secretary's appointments shall reflect each  
15 of the disability groups. The terms shall be staggered so that terms of  
16 three of the appointees expire each year.

17 (2) Three by the General Assembly upon the recommendations of the  
18 President Pro Tempore of the Senate, one each of whom shall come  
19 from the three State regions for institutional services (Eastern Region,  
20 Central Region, and Western Region). The terms of the appointees  
21 shall be staggered so that the term of one appointee expires every year.

22 (3) Three by the General Assembly upon the recommendations of the  
23 Speaker of the House of Representatives, one each of whom shall  
24 come from the three State regions for institutional services (Eastern  
25 Region, Central Region, and Western Region). The terms of the  
26 appointees shall be staggered so that the term of one appointee expires  
27 every year.

28 (4) Three by the Council of Community Programs, one each of whom  
29 shall come from the three State regions for institutional services  
30 (Eastern Region, Central Region, and Western Region). The terms of  
31 the appointees shall be staggered so that the term of one appointee  
32 expires every year.

33 (5) Three by the North Carolina Association of County Commissioners,  
34 one each of whom shall come from the three State regions for  
35 institutional services (Eastern Region, Central Region, and Western  
36 Region). The terms of the appointees shall be staggered so that the  
37 term of one appointee expires every year.

38 (c) The State CFAC shall undertake all of the following:

39 (1) Review, comment on, and monitor the implementation of the State  
40 Plan for Mental Health, Developmental Disabilities, and Substance  
41 Abuse Services.

42 (2) Identify service gaps and underserved populations.

43 (3) Make recommendations regarding the service array and monitor the  
44 development of additional services.

45 (4) Review and comment on the State budget for mental health,  
46 developmental disabilities, and substance abuse services.

47 (5) Participate in all quality improvement measures and performance  
48 indicators.

49 (6) Receive the findings and recommendations by local CFACs regarding  
50 ways to improve the delivery of mental health, developmental  
51 disabilities, and substance abuse services.

52 (7) Provide technical assistance to local CFACs in implementing their  
53 duties.

54 (d) The Secretary shall provide sufficient staff to assist the State CFAC in  
55 implementing its duties under subsection (c) of this section. The assistance shall include

1 data for the identification of service gaps and underserved populations, training to  
2 review and comment on the State Plan and departmental budget, procedures to allow  
3 participation in quality monitoring, and technical advice on rules of procedure and  
4 applicable laws.

5 (e) State CFAC members shall receive the per diem and allowances prescribed  
6 by G.S. 138-5 for State boards and commissions."

## 8 **STRENGTHEN MH/DD/SA PRIVATE PROVIDERS**

9 **SECTION 10.33E.** G.S. 122C-142(a) reads as rewritten:

### 10 **"§ 122C-142. Contract for services.**

11 (a) When the area authority contracts with persons for the provision of services,  
12 ~~the area authority~~ it shall use the standard contract adopted by the Secretary and shall  
13 assure that these contracted services meet the requirements of applicable State statutes  
14 and the rules of the Commission and the Secretary. However, an area authority or  
15 county program may amend the contract to comply with any court-imposed duty or  
16 responsibility. Terms of the standard contract shall require the area authority to monitor  
17 the contract to assure that rules and State statutes are met. It shall also place an  
18 obligation upon the entity providing services to provide to the area authority timely data  
19 regarding the clients being served, the services provided, and the client outcomes. The  
20 Secretary ~~may~~ shall also monitor contracted services to assure that rules and State  
21 statutes are met."  
22

## 23 **STRENGTHEN ROLE OF JOINT LEGISLATIVE COMMISSION ON** 24 **MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND** 25 **SUBSTANCE ABUSE SERVICES**

26 **SECTION 10.33F.(a)** Article 27 of Chapter 120 is amended by adding a new  
27 section to read:

### 28 **"§ 120-244. Committee authority.**

29 The Committee may obtain information and data from all State officers, agents,  
30 agencies, and departments, while in discharge of its duties, under G.S. 120-19, as if it  
31 were a committee of the General Assembly. The provisions of G.S. 120-19.1 through  
32 G.S. 120-19.4 shall apply to the proceedings of the Committee as if it were a committee  
33 of the General Assembly. Any cost of providing information to the Committee not  
34 covered by G.S. 120-19.3 may be reimbursed by the Committee from funds  
35 appropriated to it for its continuing study."

36 **SECTION 10.33F.(b)** Article 23 of Chapter 120 of the General Statutes is  
37 repealed.

38 **SECTION 10.33F.(c)** The Joint Legislative Oversight Committee on Mental  
39 Health, Developmental Disabilities, and Substance Abuse Services (LOC) shall study  
40 the following issues and report its findings and recommendations to the 2007 Regular  
41 Session of the 2007 General Assembly:

- 42 (1) Mechanisms to allow area authorities and county programs to purchase  
43 bed days from the State psychiatric hospitals. The LOC shall consider  
44 options for holding area authorities and county programs accountable  
45 for their use of State psychiatric institutions, provide incentives to  
46 increase community capacity, and options for ensuring the State  
47 institutions have a sufficient funding stream to ensure quality care to  
48 patients and a stable and well-qualified workforce.
- 49 (2) Whether implementation of a Medicaid 1915(b) waiver on a statewide  
50 or expanded local basis would strengthen the ability of area authorities  
51 and county programs to manage the mental health, developmental  
52 disabilities, and substance abuse system. As part of the study, the LOC  
53 shall examine the impact of the waiver on Piedmont Behavioral  
54 Health's ability to implement its management functions including  
55 utilization management for Medicaid services, consumer satisfaction,

- 1 provider monitoring, use of best practices, and any other matters the  
2 LOC determines are relevant. If the LOC determines that a Medicaid  
3 1915(b) waiver would improve the management capacity of area  
4 authorities and county programs, it shall also examine whether it  
5 would be more appropriate to seek a statewide waiver or whether it  
6 would be both possible and advisable for additional area authorities  
7 and county programs to seek individual waivers.  
8 (3) Whether G.S. 122C-147.1 should be amended to modify or repeal the  
9 provisions that place funds appropriated by the General Assembly into  
10 broad age and disability categories."  
11

## 12 CHILD CARE ALLOCATION FORMULA

13 **SECTION 10.34.** Section 10.61(c) of S.L. 2005-276 reads as rewritten:

14 "**SECTION 10.61.(c)** Notwithstanding subsection (a) of this section, the  
15 Department of Health and Human Services shall allocate up to twenty-two million  
16 dollars (\$22,000,000) in federal block grant funds and State funds appropriated for  
17 fiscal years ~~2004-2005~~2005-2006 and ~~2005-2006~~2006-2007 for child care services.  
18 These funds shall be allocated to prevent termination of child care services."  
19

## 20 CHILD CARE SUBSIDY RATES

21 **SECTION 10.35.** Section 10.62(e) of S.L. 2005-276 reads as rewritten:

22 "**SECTION 10.62.(e)** A market rate shall be calculated for child care centers and  
23 homes at each rated license level for each county and for each age group or age category  
24 of enrollees and shall be representative of fees charged to ~~unsubsidized privately paying~~  
25 parents for each age group of enrollees within the county. The Division of Child  
26 Development shall also calculate a statewide rate and regional market rates for each  
27 rated license level for each age category."  
28

## 29 PART XI. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

### 30 CONSERVATION RESERVE ENHANCEMENT PROGRAM

31 **SECTION 11.1.** Funds appropriated to the Department of Environment and  
32 Natural Resources for the 2006-2007 fiscal year for the Division of Soil and Water  
33 Conservation for the Conservation Reserve Enhancement Program for acquiring  
34 conservation easements and leases or for contracts under the Program shall not revert,  
35 but shall remain available for these purposes.  
36

### 37 AQUARIUM FUNDS

38 **SECTION 11.2.** Of the funds appropriated in this act to the Department of  
39 Environment and Natural Resources, the sum of two million five hundred thousand  
40 dollars (\$2,500,000) for the 2006-2007 fiscal year shall be for the Division of  
41 Aquariums for the operations of the Division of Aquariums of the Department of  
42 Environment and Natural Resources. These funds are in addition to the funding the  
43 Division of Aquariums receives from departmental receipts, and the Department of  
44 Environment and Natural Resources may use these funds to shift funding for operations  
45 of the Division from receipt-support to General Fund support.  
46

### 47 GRASSROOTS SCIENCE PROGRAM

48 **SECTION 11.3.** Section 12.5 of S.L. 2005-276, as amended by Section 23  
49 of S.L. 2005-345, reads as rewritten:

50 "**SECTION 12.5.(a)** Of the funds appropriated in this act to the Department of  
51 Environment and Natural Resources for the Grassroots Science Program, the sum of  
52 three million one hundred ninety-seven thousand seven hundred sixty-two dollars  
53 (\$3,197,762) for the 2005-2006 fiscal year and the sum of three million eight hundred  
54

1 sixty-three thousand seven hundred dollars (\$3,863,700) for the 2006-2007 fiscal year is  
 2 allocated as grants-in-aid for each fiscal year as follows:

	2005-2006	<u>2006-2007</u>
3		
4		
5	\$59,057	<u>\$62,593</u>
6	\$161,007	<u>\$195,926</u>
7	\$112,174	<u>\$126,878</u>
8	\$133,429	<u>\$181,452</u>
9		<u>\$65,424</u>
10		
11	\$74,545	<u>\$82,856</u>
12	\$662,865	<u>\$845,882</u>
13	\$50,000	<u>\$51,094</u>
14	\$50,000	
15		
16	\$80,742	<u>\$92,389</u>
17		
18	\$56,422	<u>\$58,079</u>
19	\$135,076	<u>\$142,558</u>
20		
21		
22	\$134,499	<u>\$194,079</u>
23	\$79,268	<u>\$83,826</u>
24	\$86,034	<u>\$95,505</u>
25	\$50,000	<u>\$92,676</u>
26	\$74,192	<u>\$80,207</u>
27		
28	\$186,354	<u>\$218,069</u>
29		
30	\$379,826	<u>\$432,752</u>
31		
32	\$50,000	<u>\$50,117</u>
33	\$72,254	<u>\$74,928</u>
34		
35	\$229,547	<u>\$264,353</u>
36		
37	\$146,499	<u>\$177,886</u>
38	\$112,879	<u>\$123,079</u>
39	\$71,093	<u>\$71,093</u>
40		
41	Total	<u>\$3,197,762</u> <u>\$3,863,700</u>

42 **SECTION 12.5.(b)** No later than March 1, 2006, the Department of Environment  
 43 and Natural Resources shall report to the Fiscal Research Division all of the following  
 44 information for each museum that receives funds under this section:

- 45 (1) The operating budget for the 2004-2005 fiscal year.
- 46 (2) The operating budget for the 2005-2006 fiscal year.
- 47 (3) The total attendance at the museum during the 2005 calendar year.

48 **SECTION 12.5.(c)** No later than March 1, 2007, the Department of Environment  
 49 and Natural Resources shall report to the Fiscal Research Division all of the following  
 50 information for each museum that receives funds under this section:

- 51 (1) The operating budget for the 2005-2006 fiscal year.
- 52 (2) The operating budget for the 2006-2007 fiscal year.
- 53 (3) The total attendance at the museum during the 2006 calendar year."

54 **MORATORIUM IMPOSED ON NEW LANDFILLS**

1           **SECTION 11.4.(a)** Definitions. – The definitions set forth in G.S. 130A-290  
2 apply throughout this section.

3           **SECTION 11.4.(b)** Moratorium Established. – There is hereby established a  
4 moratorium on consideration of applications for a permit and on the issuance of permits  
5 for new landfills in the State. The purposes of this moratorium are to allow the State to  
6 study solid waste disposal issues in order to protect public health and the environment.  
7 The Department of Environment and Natural Resources shall not consider a permit  
8 application nor issue a permit for a new landfill for the disposal of construction or  
9 demolition waste, municipal solid waste, or industrial solid waste for a period beginning  
10 on 1 July 2006 and ending on 1 January 2008.

11           **SECTION 11.4.(c)** Exceptions. – The moratorium established by subsection  
12 (b) of this section shall not prohibit consideration of an application for or issuance of:

- 13           (1) A modification of a permit for an existing permitted landfill.
- 14           (2) A permit to expand an existing permitted landfill if the proposed  
15 facility boundary will provide no more than five years of disposal  
16 capacity.
- 17           (3) A modification of a permit to reflect a transfer of ownership of an  
18 existing permitted landfill.
- 19           (4) A modification of a permit to provide for a substantial change to the  
20 waste stream described in a permit in effect as of 1 May 2006 for an  
21 existing landfill.
- 22           (5) A permit for a sanitary landfill used only to dispose of waste generated  
23 by a coal-fired generating unit that is owned or operated by an  
24 investor-owned utility subject to the requirements of  
25 G.S. 143-215.107D.
- 26           (6) A permit for a sanitary landfill determined to be necessary by the  
27 Secretary in order to respond to an imminent hazard to public health or  
28 a natural disaster.

29           **SECTION 11.4.(d)** Study. – The Environmental Review Commission, with  
30 the assistance of the Division of Waste Management of the Department of Environment  
31 and Natural Resources, shall study issues related to solid waste. The Commission shall  
32 specifically study measures concerning:

- 33           (1) Financial responsibility requirements for solid waste landfills,  
34 including the application of requirements to limited liability companies  
35 and other business entity structures of applicants seeking solid waste  
36 landfill permits.
- 37           (2) Application of franchise requirements and local government approval  
38 for solid waste landfill permits, including adequacy of public notice  
39 and comment, community studies, and site designations prior to local  
40 government approval.
- 41           (3) Siting, design, and operational requirements for landfills for the  
42 disposal of construction or demolition waste, municipal solid waste, or  
43 industrial solid waste that are proposed in areas susceptible to flooding  
44 from natural disasters, areas with high water tables, and other  
45 environmentally sensitive areas.
- 46           (4) Traffic considerations for proposed landfills.
- 47           (5) Regulatory oversight and staffing for permitting and compliance of  
48 solid waste landfills, and inspection of waste containers on barges,  
49 railways, and trucks.
- 50           (6) Compliance with statutory prohibitions on disposal of certain types of  
51 solid waste and measures to prevent disposal of hazardous waste in  
52 solid waste and construction and demolition landfills.
- 53           (7) Ways to reduce the amount of solid waste disposed of within North  
54 Carolina landfills, including statewide tipping fees, bans on the  
55 disposal of certain types of waste in landfills, more aggressive

1 recycling requirements, and enhanced regulatory requirements for  
2 landfills and other solid waste management facilities.

3 **SECTION 11.4.(e)** Subcommittee. – In order to facilitate the conduct of this  
4 study, the Cochairs of the Environmental Review Commission may establish a  
5 subcommittee of the Commission. The subcommittee of the Commission may include  
6 nonlegislative members who have special knowledge, interest, or expertise in various  
7 aspects of solid waste management, appointed in consultation with the President Pro  
8 Tempore of the Senate and the Speaker of the House of Representatives.

9 **SECTION 11.4.(f)** Report. – The Commission shall report its findings,  
10 together with any recommended legislation, to the 2007 Regular Session of the 2007  
11 General Assembly upon its convening.

12 **SECTION 11.4.(g)** This section is effective when this act becomes law.  
13

## 14 **PART XII. DEPARTMENT OF COMMERCE**

### 15 **EMPLOYMENT SECURITY FUNDS**

16 **SECTION 12.1.** Section 13.4 of S.L. 2005-276 reads as rewritten:

17 **"SECTION 13.4.(a)** Funds from the Employment Security Commission Reserve  
18 Fund shall be available to the Employment Security Commission to use as collateral to  
19 secure federal funds and to pay the administrative costs associated with the collection of  
20 the Employment Security Commission Reserve Fund surcharge. The total  
21 administrative costs paid with funds from the Reserve shall not exceed the total  
22 administrative costs paid in fiscal year ~~2004-2005-2005-2006~~.

23 **SECTION 13.4.(b)** There is appropriated from the Employment Security  
24 Commission Reserve Fund to the Employment Security Commission of North Carolina  
25 the sum of six million three hundred thousand dollars (\$6,300,000) for the  
26 ~~2005-2006~~2006-2007 fiscal year to be used for the following purposes:

- 27
- 28 (1) Six million dollars (\$6,000,000) for the operation and support of local  
29 offices.
  - 30 (2) Two hundred thousand dollars (\$200,000) for the State Occupational  
31 Information Coordinating Committee to develop and operate an  
32 interagency system to track former participants in State education and  
33 training programs.
  - 34 (3) One hundred thousand dollars (\$100,000) to maintain compliance with  
35 Chapter 96 of the General Statutes, which directs the Commission to  
36 employ the Common Follow-Up Management Information System to  
37 evaluate the effectiveness of the State's job training, education, and  
38 placement programs."  
39

### 40 **ONE NORTH CAROLINA FUND**

41 **SECTION 12.2.** Section 13.6(a) of S.L. 2005-276 reads as rewritten:

42 **"SECTION 13.6.(a)** Of the funds appropriated in this act to the One North Carolina  
43 Fund, the Department of Commerce may use up to three hundred thousand dollars  
44 (\$300,000) to cover its expenses in administering the One North Carolina Fund and  
45 other economic development incentive grant programs in the ~~2005-2006~~2006-2007  
46 fiscal year."  
47

### 48 **EXTEND E-NC AUTHORITY SUNSET/E-NC AUTHORITY FUNDS AND** 49 **REPORTING REQUIREMENTS**

50 **SECTION 12.3.(a)** Section 4 of S.L. 2003-425 reads as rewritten:

51 **"SECTION 4.** Sections 1 and 2 of this act become effective December 31, 2003,  
52 with the e-NC Authority hereby designated as the successor entity of the Rural Internet  
53 Access Authority that will dissolve on that date, as provided by Section 5 of S.L.  
54 2000-149. The remainder of this act is effective when it becomes law. The e-NC  
55 Authority created in this act is dissolved effective ~~December 31, 2006~~. December 31,

1 ~~2008. This act is repealed effective December 31, 2006.~~ December 31, 2008. Part 2F of  
2 Article 10 of Chapter 143B of the General Statutes and G.S. 120-123(77), as enacted by  
3 this act, are repealed effective ~~December 31, 2006.~~ December 31, 2008."

4 **SECTION 12.3.(b)** Section 13.12 of S.L. 2005-276 reads as rewritten:

5 **"SECTION 13.12.(a)** Of the funds appropriated in this act to the Rural Economic  
6 Development Center, Inc., the sum of twenty million dollars (\$20,000,000) for the  
7 2005-2006 fiscal year and the sum of ~~twenty million dollars (\$20,000,000)~~ nineteen  
8 million five hundred thousand dollars (\$19,500,000) for the 2006-2007 fiscal year shall  
9 be allocated as follows:

- 10 (1) To continue the North Carolina Infrastructure Program. The purpose of  
11 the Program is to provide grants to local governments to construct  
12 critical water and wastewater facilities and to provide other  
13 infrastructure needs, including technology needs, to sites where these  
14 facilities will generate private job-creating investment. At least fifteen  
15 million dollars (\$15,000,000) of the funds appropriated in this act for  
16 each year of the biennium must be used to provide grants under this  
17 Program.
- 18 (2) To provide matching grants to local governments in distressed areas  
19 and equity investments in public-private ventures that will  
20 productively reuse vacant buildings and properties, with priority given  
21 to towns or communities with populations of less than 5,000.
- 22 (3) To provide economic development research and demonstration grants.

23  
24 **SECTION 13.12.(f)** Of the funds appropriated in this act to the Rural Economic  
25 Development Center, Inc., and allocated in subsection (a) of this section, the sum of five  
26 hundred thousand dollars (\$500,000) for the 2005-2006 fiscal year ~~and the sum of five~~  
27 ~~hundred thousand dollars (\$500,000) for the 2006-2007 fiscal year~~ shall be allocated to  
28 the e-NC Authority.

29 The e-NC Authority may contract with other State agencies, The University of North  
30 Carolina, the North Carolina Community College System, and nonprofit organizations  
31 to assist with program development and the evaluation of program activities.

32 The e-NC Authority shall report to the 2006 General Assembly on the following:

- 33 (1) The activities necessary to be undertaken in distressed urban areas of  
34 the State to enhance the capability of citizens and businesses residing  
35 in these areas to access the high-speed Internet.
- 36 (2) An implementation plan for the training of citizens and businesses in  
37 distressed urban areas.
- 38 (3) The technology and digital literacy training necessary to assist citizens  
39 and existing businesses to create new technology-based enterprises in  
40 these communities and to use the Internet to enhance the productivity  
41 of their businesses.

42 The e-NC Authority shall, by January 31, 2006, and quarterly thereafter, report to  
43 the Joint Legislative Commission on Governmental Operations on program  
44 development and the evaluation of program activities."

45 **SECTION 12.3.(c)** Of the funds appropriated in this act to the Department  
46 of Commerce, the sum of five hundred thousand dollars (\$500,000) shall be allocated to  
47 the e-NC Authority.

48 The e-NC Authority may contract with other State agencies, The University  
49 of North Carolina, the North Carolina Community College System, and nonprofit  
50 organizations to assist with program development and the evaluation of program  
51 activities.

52 The e-NC Authority shall report to the 2007 General Assembly on the  
53 following:



- 1 (1) The activities necessary to be undertaken in distressed urban areas of
- 2 the State to enhance the capability of citizens and businesses residing
- 3 in these areas to access high-speed Internet.
- 4 (2) An implementation plan for the training of citizens and businesses in
- 5 distressed urban areas.
- 6 (3) The technology and digital literacy training necessary to assist citizens
- 7 and existing businesses to create new technology-based enterprises in
- 8 these communities and to use the Internet to enhance the productivity
- 9 of their businesses.

10 The e-NC Authority shall, by September 30, 2006, and quarterly thereafter,  
11 report to the Joint Legislative Commission on Governmental Operations on program  
12 development and the evaluation of program activities.

#### 13 **COUNCIL OF GOVERNMENT FUNDS/ELECTRONIC TRANSFER**

14 **SECTION 12.4.** Section 13.2(c) of S.L. 2005-276 reads as rewritten:

15 "**SECTION 13.2.(c)** Funds appropriated by this section shall be paid by electronic  
16 transfer in two equal installments, the first no later than ~~September 1, 2005,~~September  
17 1, 2006, and the second subsequent to acceptable submission of the annual report due to  
18 the Joint Legislative Commission on Governmental Operations and the Fiscal Research  
19 Division by ~~January 15, 2006,~~January 15, 2007, as specified in subdivision (e)(2) of this  
20 section."  
21

#### 22 **ADVANCED VEHICLE RESEARCH CENTER REPORTING** 23 **REQUIREMENTS/FUNDS SHALL NOT REVERT**

24 **SECTION 12.5.(a)** Section 13.8A(d) of S.L. 2005-276 reads as rewritten:

25 "**SECTION 13.8A.(d)** By ~~December 31, 2005,~~December 31, 2006, and ~~April 30,~~  
26 ~~2006,~~April 30, 2007, the Center shall report to the Governor, the Joint Legislative  
27 Commission on Governmental Operations, and the Fiscal Research Division the  
28 following information: (i) fiscal year ~~2005-2006~~2006-2007 projects, objectives, and  
29 accomplishments; and (ii) fiscal year ~~2005-2006~~2006-2007 itemized expenditures and  
30 fund sources. The ~~April 30, 2006,~~April 30, 2007, report shall also contain the following:  
31 (i) fiscal year ~~2006-2007~~2007-2008 planned projects, objectives, and accomplishments;  
32 and (ii) fiscal year ~~2006-2007~~2007-2008 estimated expenditures and fund sources."  
33

34 **SECTION 12.5.(b)** Funds appropriated to the Advanced Vehicle Research  
35 Center Reserve for the 2005-2006 fiscal year for the Advanced Vehicle Research Center  
36 of North Carolina, Inc., that are unexpended and unencumbered as of June 30, 2006,  
37 shall not revert to the General Fund on June 30, 2006, but shall remain available in the  
38 Reserve.

39 **SECTION 12.5.(c)** Subsection (b) of this section becomes effective June 30,  
40 2006.

#### 41 **WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS**

42 **SECTION 12.6.** Section 13.1 of S.L. 2005-276 reads as rewritten:

43 "**SECTION 13.1.(a)** Funds appropriated to the Department of Commerce for the  
44 ~~2004-2005~~2005-2006 fiscal year for the Wanchese Seafood Industrial Park that are  
45 unexpended and unencumbered as of ~~June 30, 2005,~~June 30, 2006, shall not revert to  
46 the General Fund on ~~June 30, 2005,~~June 30, 2006, but shall remain available to the  
47 Department to be expended by the Wanchese Seafood Industrial Park for operations,  
48 maintenance, repair, and capital improvements in accordance with Article 23C of  
49 Chapter 113 of the General Statutes.

50 **SECTION 13.1.(b)** Funds appropriated to the Department of Commerce for the  
51 ~~2004-2005~~2005-2006 fiscal year for the Oregon Inlet Project that are unexpended and  
52 unencumbered as of ~~June 30, 2005,~~June 30, 2006, shall not revert to the General Fund  
53 on ~~June 30, 2005,~~June 30, 2006.

54 **SECTION 13.1.(c)** This section becomes effective ~~June 30, 2005,~~June 30, 2006."  
55

**DEPARTMENT OF COMMERCE/REPORT ON AGRIBUSINESS FUNDS**

**SECTION 12.7.(a)** The Department of Commerce (Department) shall report on all funds available for companies or organizations designed to promote agribusiness in North Carolina. The report shall include the following: (i) information on all Department economic incentive funds, including Commerce State Aid funds; and (ii) information on the number of agribusinesses and organizations that applied for State funds through the Department or other organizations, including the number of requests for funds, the amount of funds requested, and whether the requests were awarded or denied.

**SECTION 12.7.(b)** In the report, the Department shall make recommendations for the development of economic incentive programs designed specifically for agribusinesses. The report shall include a plan to implement the programs recommended and the estimated cost of the programs. In determining the estimated cost of the programs, the Department shall consider and include all sources of funding, including federal, State, local, and grant funds.

**SECTION 12.7.(c)** The Department shall collaborate with the Department of Agriculture and Consumer Services, the Rural Economic Development Center, Inc., and the University System, in preparing the report.

**SECTION 12.7.(d)** The Department shall submit the report to the House Appropriations Committee on Environment, Health, and Natural Resources, the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division no later than May 1, 2007.

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

**SECTION 13.1.** G.S. 74-24.16(d) is repealed.

**PART XIV. JUDICIAL DEPARTMENT****COLLECTION OF WORTHLESS CHECK FUNDS**

**SECTION 14.1.** Notwithstanding the provisions of G.S. 7A-308(c), the Judicial Department may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2006, for the purchase or repair of office or information technology equipment during the 2006-2007 fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the Joint Legislative Commission on Governmental Operations and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on the equipment to be purchased or repaired and the reasons for the purchases.

**GRANT FUNDS**

**SECTION 14.2.** The Judicial Department may use up to the sum of one million two hundred fifty thousand dollars (\$1,250,000) from funds available to the Department to provide the State match needed in order to receive grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

**PROVIDE ADDITIONAL ASSISTANT DISTRICT ATTORNEYS**

**SECTION 14.3.(a)** G.S. 7A-60(a1) reads as rewritten:

"(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties and the number of full-time assistant district attorneys set forth in the following table:

	Prosecutorial District	Counties	No. of Full-Time Asst. District Attorneys
1			
2	1	Camden, Chowan, Currituck,	<del>10</del> <u>11</u>
3		Dare, Gates, Pasquotank,	
4		Perquimans	
5	2	Beaufort, Hyde, Martin,	<del>6</del> <u>7</u>
6		Tyrrell, Washington	
7	3A	Pitt	<del>9</del> <u>11</u>
8	3B	Carteret, Craven, Pamlico	<del>10</del> <u>11</u>
9	4	Duplin, Jones, Onslow,	<del>14</del> <u>16</u>
10		Sampson	
11	5	New Hanover, Pender	<del>14</del> <u>16</u>
12	6A	Halifax	<del>4</del> <u>5</u>
13	6B	Bertie, Hertford,	<del>4</del> <u>5</u>
14		Northampton	
15	7	Edgecombe, Nash, Wilson	<del>16</del> <u>18</u>
16	8	Greene, Lenoir, Wayne	<del>11</del> <u>13</u>
17	9	Franklin, Granville,	<del>11</del> <u>12</u>
18		Vance, Warren	
19	9A	Person, Caswell	<del>4</del> <u>5</u>
20	10	Wake	<del>31</del> <u>38</u>
21	11	Harnett, Johnston, Lee	<del>14</del> <u>16</u>
22	12	Cumberland	<del>18</del> <u>21</u>
23	13	Bladen, Brunswick, Columbus	<del>11</del> <u>12</u>
24	14	Durham	<del>13</del> <u>15</u>
25	15A	Alamance	<del>8</del> <u>10</u>
26	15B	Orange, Chatham	<del>7</del> <u>9</u>
27	16A	Scotland, Hoke	<del>5</del> <u>6</u>
28	16B	Robeson	<del>10</del> <u>13</u>
29	17A	Rockingham	<del>5</del> <u>6</u>
30	17B	Stokes, Surry	<del>5</del> <u>7</u>
31	18	Guilford	<del>27</del> <u>30</u>
32	19A	Cabarrus	<del>6</del> <u>8</u>
33	19B	Montgomery, Moore, Randolph	<del>11</del> <u>12</u>
34	19C	Rowan	<del>5</del> <u>7</u>
35	20A	Anson, Richmond,	<del>8</del> <u>10</u>
36		Stanly	
37	20B	Union	<del>7</del> <u>8</u>
38	21	Forsyth	<del>17</del> <u>20</u>
39	22	Alexander, Davidson, Davie,	<del>16</del> <u>20</u>
40		Iredell	
41	23	Alleghany, Ashe, Wilkes,	<del>5</del> <u>7</u>
42		Yadkin	
43	24	Avery, Madison, Mitchell,	<del>4</del> <u>6</u>
44		Watauga, Yancey	
45	25	Burke, Caldwell, Catawba	<del>15</del> <u>18</u>
46	26	Mecklenburg	<del>36</del> <u>49</u>
47	27A	Gaston	<del>12</del> <u>14</u>
48	27B	Cleveland,	<del>9</del> <u>10</u>
49		Lincoln	
50	28	Buncombe	<del>11</del> <u>13</u>
51	29A	McDowell, Rutherford	<del>5</del> <u>6</u>
52	29B	Henderson, Polk, Transylvania	<del>6</del> <u>7</u>
53	30	Cherokee, Clay, Graham,	<del>9</del> <u>11</u>
54			
55			

Haywood, Jackson, Macon,  
Swain."

**SECTION 14.3.(b)** This section becomes effective January 1, 2007.

**ADDITIONAL DISTRICT COURT JUDGESHIPS**

**SECTION 14.4.(a)** G.S. 7A-133(a) reads as rewritten:

"(a) Each district court district shall have the numbers of judges as set forth in the following table:

District	Judges	County
1	5	Camden Chowan Currituck Dare Gates Pasquotank Perquimans
2	4	Martin Beaufort Tyrrell Hyde Washington
3A	<del>5</del> <u>6</u>	Pitt
3B	<del>5</del> <u>6</u>	Craven Pamlico Carteret
4	8	Sampson Duplin Jones Onslow
5	8	New Hanover Pender
6A	<del>2</del> <u>3</u>	Halifax
6B	3	Northampton Bertie Hertford
7	7	Nash Edgecombe Wilson
8	6	Wayne Greene Lenoir
9	4	Granville (part of Vance see subsection (b)) Franklin
9A	2	Person Caswell
9B	2	Warren (part of Vance see subsection (b))
10	<del>15</del> <u>17</u>	Wake
11	8	Harnett Johnston
12	9	Lee Cumberland

1	13	6	Bladen
2			Brunswick
3			Columbus
4	14	<del>6</del> <u>7</u>	Durham
5	15A	4	Alamance
6	15B	<del>4</del> <u>5</u>	Orange
7			Chatham
8	16A	3	Scotland
9			Hoke
10	16B	5	Robeson
11	17A	2	Rockingham
12	17B	4	Stokes
13			Surry
14	18	<del>12</del> <u>13</u>	Guilford
15	19A	4	Cabarrus
16	19B	<del>6</del> <u>7</u>	Montgomery
17			Moore
18			Randolph
19	19C	<del>4</del> <u>5</u>	Rowan
20	20A	4	Stanly
21			Anson
22			Richmond
23	20B	3	Union
24	21	9	Forsyth
25	22	9	Alexander
26			Davidson
27			Davie
28			Iredell
29	23	4	Alleghany
30			Ashe
31			Wilkes
32			Yadkin
33	24	4	Avery
34			Madison
35			Mitchell
36			Watauga
37			Yancey
38	25	<del>8</del> <u>9</u>	Burke
39			Caldwell
40			Catawba
41	26	<del>17</del> <u>18</u>	Mecklenburg
42	27A	<del>6</del> <u>7</u>	Gaston
43	27B	<del>4</del> <u>5</u>	Cleveland
44			Lincoln
45	28	<del>6</del> <u>7</u>	Buncombe
46	29A	3	McDowell
47			Rutherford
48	29B	4	Henderson
49			Polk
50			Transylvania
51	30	<del>5</del> <u>6</u>	Cherokee
52			Clay
53			Graham
54			Haywood
55			Jackson

Macon  
Swain."

**SECTION 14.4.(b)** The Governor shall appoint the additional district court judges for Districts 3A, 3B, 6A, 10, 14, 15B, 18, 19B, 19C, 25, 26, 27A, 27B, 28, and 30 authorized by this act, and those judges' successors shall be elected in the 2008 election for four-year terms commencing on January 1, 2009.

**SECTION 14.4.(c)** This section becomes effective January 15, 2007, except as to any district court district subject to Section 5 of the Voting Rights Act of 1965, it becomes effective January 15, 2007 or the date upon which subsection (a) of this section is approved under Section 5 of the Voting Rights Act of 1965, whichever is later.

**PROVIDE ADDITIONAL MAGISTRATES/ELIMINATE MAXIMUM ALLOCATION OF MAGISTRATES**

**SECTION 14.5.** G.S. 7A-133(c) reads as rewritten:

"(c) Each county shall have the numbers of magistrates and additional seats of district court, as set forth in the following table:

County	Magistrates Min.—Max.	Additional Seats of Court
Camden	1 3	
Chowan	2 3	
Currituck	1 4	
Dare	3 8	
Gates	2 3	
Pasquotank	3 5	
Perquimans	2 4	
Martin	4 8	
Beaufort	4 8	
Tyrrell	1 3	
Hyde	2 4	
Washington	3 4	
Pitt	10 <del>12</del>	Farmville Ayden Havelock
Craven	7 10	
Pamlico	2 4	
Carteret	<del>5</del> 6 8	
Sampson	6 8	
Duplin	8 <del>11</del>	
Jones	2 3	
Onslow	8 14	
New Hanover	6 <del>11</del>	
Pender	4 6	
Halifax	9 14	Roanoke Rapids, Scotland Neck
Northampton	5 7	
Bertie	4 6	
Hertford	5 7	
Nash	7 10	Rocky Mount Rocky Mount
Edgecombe	4 7	
Wilson	4 7	
Wayne	5 <del>12</del>	Mount Olive
Greene	<del>2</del> 3 4	
Lenoir	4 10	La Grange

1	Granville	3	7	
2	Vance	3	<del>6</del>	
3	Warren	3	<del>5</del>	
4	Franklin	3	<del>7</del>	
5	Person	3	<del>4</del>	
6	Caswell	2	<del>5</del>	
7	Wake	12	<del>21</del>	Apex, Wendell, Fuquay- Varina, Wake Forest
8				
9				
10				
11				
12	Harnett	7	<del>11</del>	Dunn
13	Johnston	10	<del>12</del>	Benson, Clayton, Selma
14				
15				
16	Lee	4	<del>6</del>	
17	Cumberland	10	<del>19</del>	
18	Bladen	4	<del>6</del>	
19	Brunswick	4	<del>9</del>	
20	Columbus	6	<del>10</del>	Tabor City
21	Durham	8	<del>13</del>	
22	Alamance	<del>7</del> <u>8</u>	<del>11</del>	Burlington
23	Orange	4	<del>11</del>	Chapel Hill
24	Chatham	3	<del>9</del>	Siler City
25	Scotland	3	<del>5</del>	
26	Hoke	4	<del>5</del>	
27	Robeson	<del>8</del> <u>9</u>	<del>16</del>	Fairmont, Maxton, Pembroke, Red Springs, Rowland, St. Pauls
28				Reidsville, Eden, Madison
29				
30				
31				
32				
33	Rockingham	4	<del>9</del>	
34				
35				
36	Stokes	2	<del>5</del>	
37	Surry	5	<del>9</del>	Mt. Airy
38	Guilford	20	<del>27</del>	High Point
39	Cabarrus	5	<del>9</del>	Kannapolis
40	Montgomery	<del>2</del> <u>3</u>	<del>4</del>	
41	Randolph	5	<del>10</del>	Liberty
42	Rowan	5	<del>10</del>	
43	Stanly	5	<del>6</del>	
44	Union	4	<del>7</del>	
45	Anson	4	<del>6</del>	
46	Richmond	5	<del>6</del>	Hamlet
47	Moore	5	<del>8</del>	Southern Pines
48				Kernersville
49	Forsyth	3	<del>15</del>	
50	Alexander	2	<del>4</del>	
51	Davidson	7	<del>10</del>	Thomasville
52	Davie	2	<del>4</del>	
53	Iredell	4	<del>9</del>	Mooresville
54	Alleghany	1	<del>2</del>	
55	Ashe	3	<del>4</del>	

1	Wilkes	4	6	
2	Yadkin	3	5	
3	Avery	3	5	
4	Madison	4	5	
5	Mitchell	3	4	
6	Watauga	4	6	
7	Yancey	2	4	
8	Burke	4	7	
9	Caldwell	4	7	
10	Catawba	6	10	Hickory
11	Mecklenburg	15	28	
12	Gaston	<del>11</del> 12	<del>22</del>	
13	Cleveland	5	8	
14	Lincoln	4	7	
15	Buncombe	6	15	
16	Henderson	4	7	
17	McDowell	3	6	
18	Polk	3	4	
19	Rutherford	6	8	
20	Transylvania	2	4	
21	Cherokee	3	4	
22	Clay	1	2	
23	Graham	2	3	
24	Haywood	5	7	Canton
25	Jackson	3	5	
26	Macon	3	5	
27	Swain	2	4."	

**INCREASE THE PORTION OF THE GENERAL COURT OF JUSTICE COURT FEE USED FOR LEGAL SERVICES PROGRAMS**

**SECTION 14.6.(a)** G.S. 7A-304(a)(4) reads as rewritten:

"(4) For support of the General Court of Justice, the sum of eighty-five dollars and fifty cents (\$85.50) in the district court, including cases before a magistrate, and the sum of ninety-two dollars and fifty cents (\$92.50) in the superior court, to be remitted to the State Treasurer. For a person convicted of a felony in superior court who has made a first appearance in district court, both the district court and superior court fees shall be assessed. The State Treasurer shall remit the sum of ~~one dollar and five cents (\$1.05)~~ two dollars and five cents (\$2.05) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and ninety-five cents (\$.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19."

**SECTION 14.6.(b)** G.S. 7A-305(a)(2) reads as rewritten:

"(2) For support of the General Court of Justice, the sum of seventy-nine dollars (\$79.00) in the superior court, except that if a case is assigned to a special superior court judge as a complex business case under G.S. 7A-45.3, an additional two hundred dollars (\$200.00) shall be paid upon its assignment, and the sum of sixty-four dollars (\$64.00) in the district court except that if the case is assigned to a magistrate the sum shall be fifty-three dollars (\$53.00). Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of ~~one dollar and five cents (\$1.05)~~ two dollars and five cents (\$2.05) of each fee collected under this



1 subdivision to the North Carolina State Bar for the provision of  
2 services described in G.S. 7A-474.4, and ninety-five cents (\$.95) of  
3 each fee collected under this subdivision to the North Carolina State  
4 Bar for the provision of services described in G.S. 7A-474.19."

5 **SECTION 14.6.(c)** G.S. 7A-306(a)(2) reads as rewritten:

6 "(2) For support of the General Court of Justice the sum of forty dollars  
7 (\$40.00). In addition, in proceedings involving land, except boundary  
8 disputes, if the fair market value of the land involved is over one  
9 hundred dollars (\$100.00), there shall be an additional sum of thirty  
10 cents (30¢) per one hundred dollars (\$100.00) of value, or major  
11 fraction thereof, not to exceed a maximum additional sum of two  
12 hundred dollars (\$200.00). Fair market value is determined by the sale  
13 price if there is a sale, the appraiser's valuation if there is no sale, or  
14 the appraised value from the property tax records if there is neither a  
15 sale nor an appraiser's valuation. Sums collected under this subdivision  
16 shall be remitted to the State Treasurer. The State Treasurer shall remit  
17 the sum of ~~one dollar and five cents (\$1.05)~~ two dollars and five cents  
18 (\$2.05) of each forty-dollar (\$40.00) General Court of Justice fee  
19 collected under this subdivision to the North Carolina State Bar for the  
20 provision of services described in G.S. 7A-474.4."

21 **SECTION 14.6.(d)** G.S. 7A-307(a)(2) reads as rewritten:

22 "(2) For support of the General Court of Justice, the sum of forty dollars  
23 (\$40.00), plus an additional forty cents (40¢) per one hundred dollars  
24 (\$100.00), or major fraction thereof, of the gross estate, not to exceed  
25 six thousand dollars (\$6,000). Gross estate shall include the fair market  
26 value of all personalty when received, and all proceeds from the sale of  
27 realty coming into the hands of the fiduciary, but shall not include the  
28 value of realty. In collections of personal property by affidavit, the fee  
29 based on the gross estate shall be computed from the information in  
30 the final affidavit of collection made pursuant to G.S. 28A-25-3 and  
31 shall be paid when that affidavit is filed. In all other cases, this fee  
32 shall be computed from the information reported in the inventory and  
33 shall be paid when the inventory is filed with the clerk. If additional  
34 gross estate, including income, comes into the hands of the fiduciary  
35 after the filing of the inventory, the fee for such additional value shall  
36 be assessed and paid upon the filing of any account or report  
37 disclosing such additional value. For each filing the minimum fee shall  
38 be fifteen dollars (\$15.00). Sums collected under this subdivision shall  
39 be remitted to the State Treasurer. The State Treasurer shall remit the  
40 sum of ~~one dollar and five cents (\$1.05)~~ two dollars and five cents  
41 (\$2.05) of each forty-dollar (\$40.00) General Court of Justice fee  
42 collected under this subdivision to the North Carolina State Bar for the  
43 provision of services described in G.S. 7A-474.4."

44 **SECTION 14.6.(e)** This section becomes effective July 1, 2006, and applies  
45 to fees assessed or collected on or after that date.

#### 46 **COLLECTION OF OFFENDER FINES AND FEES ASSESSED BY THE** 47 **GENERAL COURT OF JUSTICE**

48 **SECTION 14.7.** Article 28 of Chapter 7A of the General Statutes is  
49 amended by adding a new section to read:

50 **"§ 7A-321. Collection of offender fines and fees assessed by the court.**

51 **(a) The Judicial Department may, in lieu of payment by cash or check, accept**  
52 **payment by credit card, charge card, or debit card for the fines and fees owed to the**  
53 **Court by offenders. The Department may pay any negotiated discount, processing fee,**  
54 **transaction fee, or other charge imposed by a credit card, charge card, or debit card**  
55

1 company, or by a third-party merchant bank, as a condition of contracting for the  
2 Department's acceptance of electronic payment. The Department may impose the fee or  
3 charge as a surcharge on the amount paid by the offender using electronic payment.

4 (b) In attempting to collect the fines and fees owed by offenders to the Judicial  
5 Department, the Department may:

6 (1) Refer an offender who owes the court for fines and fees to a reputable  
7 credit counseling agency for the purpose of assisting the offender in  
8 restructuring the debt, with the Department designated as the lead or  
9 primary creditor.

10 (2) Assess additional collection fees if an amount due remains unpaid after  
11 the time period allotted by the Department.

12 (3) Assign debt, in the form of fines and fees owed to the Department, to a  
13 collection agency after internal collection efforts have failed.

14 (4) Report the delinquency to agencies that assemble or evaluate credit  
15 information.

16 (5) Intercept tax refunds under Chapter 105A of the General Statutes, the  
17 Setoff Debt Collection Act."

## 18 19 **JURY FEE WAIVER PROGRAM**

20 **SECTION 14.8.(a)** G.S. 7A-312 reads as rewritten:

21 **"§ 7A-312. Uniform fees for jurors; meals.**

22 (a) A juror in the General Court of Justice including a petit juror, or a coroner's  
23 juror, but excluding a grand juror, shall receive twelve dollars (\$12.00) per day, except  
24 that if any person serves as a juror for more than five days in any 24-month period, the  
25 juror shall receive thirty dollars (\$30.00) per day for each day of service in excess of  
26 five days. A grand juror shall receive twelve dollars (\$12.00) per day. However, any  
27 juror may waive payment of the per diem fees provided for in this section. A juror  
28 waiving the fee may designate that the fee be used for any of various services provided  
29 in that district, as designated by the senior resident superior court judge in accordance  
30 with the provisions of subsection (b) of this section. A juror required to remain  
31 overnight at the site of the trial shall be furnished adequate accommodations and  
32 subsistence. If required by the presiding judge to remain in a body during the trial of a  
33 case, meals shall be furnished the jurors during the period of sequestration. Jurors from  
34 out of the county summoned to sit on a special venire shall receive mileage at the same  
35 rate as State employees.

36 (b) The senior resident superior court judge in each district may provide jurors  
37 with a choice of various services in that district to which they may designate their  
38 waived juror fees. The services designated by the senior resident superior court judge  
39 shall be human services provided either by a government agency or a charitable  
40 nonprofit corporation and may include drug treatment court client services, courthouse  
41 self-help centers, and courthouse child care centers. The choice may also include the  
42 Crime Victims Compensation Fund and designation to a fund for the establishment of a  
43 service not yet available in that district to be provided by a governmental agency or a  
44 charitable nonprofit corporation. If the senior resident superior court judge elects not to  
45 provide jurors with a choice of human services to designate their waived fees to, or if  
46 jurors elect not to designate the fees to a particular service, the waived fees shall  
47 represent cost savings to the Judicial Department."

48 **SECTION 14.8.(b)** This section becomes effective July 1, 2006, and applies  
49 to jury service that begins on or after that date.

## 50 51 **ESTABLISH INTERMEDIATE DEFERRED PROSECUTION FOR THE DRUG** 52 **TREATMENT COURT PROGRAM**

53 **SECTION 14.9.(a)** Section 14.22 of S.L. 2005-276 is repealed.

54 **SECTION 14.9.(b)** G.S. 15A-1341(a2) reads as rewritten:

1       "(a2) Deferred Prosecution for Purpose of Drug Treatment Court Program. – A  
2 defendant eligible for a Drug Treatment Court Program pursuant to Article 62 of  
3 Chapter 7A of the General Statutes may be placed on probation if the court finds that  
4 prosecution has been deferred by the prosecutor, with the approval of the court,  
5 pursuant to a written agreement with the defendant, for the purpose of allowing the  
6 defendant to participate in and successfully complete the Drug Treatment Court  
7 Program. A defendant who would be eligible for deferred prosecution but for a prior  
8 criminal conviction may participate in the Drug Treatment Court Program by executing  
9 a local drug treatment court contract, by being placed on supervised probation, and by  
10 submitting to any of the following additional conditions the court may require:

- 11       (1) Special probation as defined in G.S. 15A-1351(a);
- 12       (2) Assignment to a residential program;
- 13       (3) House arrest with electronic monitoring;
- 14       (4) Intensive probation; or
- 15       (5) Assignment to a day-reporting center."

16       **SECTION 14.9.(c)** G.S. 7A-796 reads as rewritten:

17       **"§ 7A-796. Local drug treatment court management committee.**

18       Each judicial district choosing to establish a drug treatment court shall form a local  
19 drug treatment court management committee, which shall be comprised to assure  
20 representation appropriate to the type or types of drug treatment court operations to be  
21 conducted in the district and shall consist of persons appointed by the senior resident  
22 superior court judge with the concurrence of the chief district court judge and the  
23 district attorney for that district, chosen from the following list:

- 24       (1) A judge of the superior court;
- 25       (2) A judge of the district court;
- 26       (3) A district attorney or assistant district attorney;
- 27       (4) A public defender or assistant public defender in judicial districts  
28 served by a public defender;
- 29       (5) An attorney representing a county department of social services within  
30 the district;
- 31       (6) A representative of the guardian ad litem;
- 32       (7) A member of the private criminal defense bar;
- 33       (8) A member of the private bar who represents respondents in department  
34 of social services juvenile matters;
- 35       (9) A clerk of superior court;
- 36       (10) The trial court administrator in judicial districts served by a trial court  
37 administrator;
- 38       (11) The director or member of the child welfare services division of a  
39 county department of social services within the district;
- 40       (12) The chief juvenile court counselor for the district;
- 41       (13) A probation officer;
- 42       (14) A local law enforcement officer;
- 43       (15) A representative of the local school administrative unit;
- 44       (16) A representative of the local community college;
- 45       (17) A representative of the treatment providers;
- 46       (18) A representative of the area mental health program;
- 47       (19) The local program director provided for in G.S. 7A-798; and
- 48       (20) Any other persons selected by the local management committee.

49       The local drug treatment court management committee shall develop local  
50 guidelines and ~~procedures, not inconsistent with the State guidelines, procedures~~ that  
51 are necessary for the operation and evaluation of the local drug treatment ~~court~~ courts  
52 in accordance with the National Drug Court Institute's "Ten Key Components" for drug  
53 treatment courts and in consultation with the Director of the Administrative Office of  
54 the Courts and the Drug Treatment Court Advisory Committee.

1 The senior resident superior court judge and the chief district court judge shall have  
2 hiring and appointment authority over drug treatment court personnel and over policy  
3 issues, and they shall consult with the local management committee concerning the  
4 local drug treatment court policies and procedures."

5 **SECTION 14.9.(d)** G.S. 7A-797 reads as rewritten:

6 **"§ 7A-797. Eligible population; drug treatment court ~~procedures.~~ procedures;**  
7 **funding.**

8 (a) The Director of the Administrative Office of the Courts, in conjunction with  
9 the State Drug Treatment Court Advisory ~~Committee,~~ Committee and local drug  
10 treatment court management committees, shall develop criteria for eligibility and other  
11 procedural and substantive guidelines for drug treatment court ~~operation-operation in~~  
12 accordance with the National Drug Court Institute's "Ten Key Components" for drug  
13 treatment courts.

14 (b) Limitations imposed by the Division of Mental Health, Developmental  
15 Disabilities, and Substance Abuse Services on other public funds spent for substance  
16 abuse treatment shall not apply to treatment provided for Drug Treatment Court  
17 Programs."

## 18 PERMANENCY MEDIATION

19 **SECTION 14.10.(a)** Article 2 of Chapter 7B of the General Statutes is  
20 amended by adding a new section to read:

21 **"§ 7B-202. Permanency Mediation.**

22 (a) The Administrative Office of the Courts shall establish a Permanency  
23 Mediation Program to provide statewide and uniform services to resolve issues in cases  
24 under this Subchapter in which a juvenile is alleged or has been adjudicated to be  
25 abused, neglected, or dependent, or in which a petition or motion to terminate a parent's  
26 rights has been filed. Participants in the mediation shall include the parties and their  
27 attorneys, including the guardian ad litem and attorney advocate for the child; provided,  
28 the court may allow mediation to proceed without the participation of a parent whose  
29 identity is unknown, a party who was served and has not made an appearance, or a  
30 parent, guardian, or custodian who has not been served despite a diligent attempt to  
31 serve the person. Upon a finding of good cause, the court may allow mediation to  
32 proceed without the participation of a parent who is unable to participate due to  
33 incarceration, illness, or some other cause. Others may participate by agreement of the  
34 parties, their attorneys, and the mediator, or by order of the court.

35 (b) The Administrative Office of the Courts shall establish in phases a statewide  
36 Permanency Mediation Program consisting of local district programs to be established  
37 in all judicial districts of the State. The Director of the Administrative Office of the  
38 Courts is authorized to approve contractual agreements for such services as executed by  
39 order of the Chief District Court Judge of a district court district, such contracts to be  
40 exempt from competitive bidding procedures under Chapter 143 of the General Statutes.  
41 The Administrative Office of the Courts shall promulgate policies and regulations  
42 necessary and appropriate for the administration of the program. Any funds  
43 appropriated by the General Assembly for the establishment and maintenance of  
44 permanency mediation programs under this Article shall be administered by the  
45 Administrative Office of the Courts.

46 (c) Mediation proceedings shall be held in private and shall be confidential.  
47 Except as provided otherwise in this section, all verbal or written communications from  
48 participants in the mediation to the mediator or between or among the participants in the  
49 presence of the mediator are absolutely privileged and inadmissible in court.

50 (d) Neither the mediator nor any party or other person involved in mediation  
51 sessions under this section shall be competent to testify to communications made during  
52 or in furtherance of such mediation sessions; provided, there is no confidentiality or  
53 privilege as to communications made in furtherance of a crime or fraud. Nothing in this  
54 subsection shall be construed as permitting an individual to obtain immunity from  
55

1 prosecution for criminal conduct or as excusing an individual from the reporting  
2 requirements of Article 3 of Chapter 7B of the General Statutes or G.S. 108A-102.

3 (e) Any agreement reached by the parties as a result of the mediation, whether  
4 referred to as a "placement agreement," "case plan," or some similar name, shall be  
5 reduced to writing, signed by each party, and submitted to the court as soon as  
6 practicable. Unless the court finds good reason not to, the court shall incorporate the  
7 agreement in a court order, and the agreement shall become enforceable as a court  
8 order. If some or all of the issues referred to mediation are not resolved by mediation,  
9 the mediator shall report that fact to the court."

10 **SECTION 14.10.(b)** The Administrative Office of the Courts may use funds  
11 available in the 2006-2007 fiscal year to implement the provisions of this section.  
12

### 13 COURT INTERPRETERS

14 **SECTION 14.11.(a)** G.S. 7A-314(f) reads as rewritten:

15 "(f) In a criminal case when a person who any case in which the Judicial  
16 Department is bearing the costs of representation for a party and that party or a witness  
17 for that party does not speak or understand the English language is an indigent  
18 defendant, a witness for an indigent defendant, or a witness for the State language, and  
19 the court appoints a foreign language interpreter to assist that defendant or witness in  
20 the case, party or witness, the reasonable fee for the interpreter's services, as set by the  
21 court, are is payable from funds appropriated to the Administrative Office of the Courts.  
22 Judicial Department. The appointment and payment shall be made in accordance with  
23 G.S. 7A-343(9b)."

24 **SECTION 14.11.(b)** G.S. 7A-343 is amended by adding a new subdivision  
25 to read:

26 "(9b) Prescribe, in consultation with the Office of Indigent Defense  
27 Services, policies and procedures for the appointment and payment of foreign language  
28 interpreters in those cases specified in G.S. 7A-314(f). These policies and procedures  
29 shall be applied uniformly throughout the General Court of Justice. After consultation  
30 with the Joint Legislative Commission on Governmental Operations, the Director may  
31 also convert contractual foreign language interpreter positions to permanent State  
32 positions when the Director determines that it is more cost-effective to do so."

33 **SECTION 14.11.(c)** G.S. 7A-450(a) reads as rewritten:

34 "(a) An indigent person is a person who is financially unable to secure legal  
35 representation and to provide all other necessary expenses of representation in an action  
36 or proceeding enumerated in this Subchapter. An A sign language interpreter is a  
37 necessary expense as defined in Chapter 8B of the General Statutes for a deaf person  
38 who is entitled to counsel under this subsection. A foreign language interpreter is a  
39 necessary expense for a party entitled to counsel under this subsection who does not  
40 speak or understand the English language."

41 **SECTION 14.11.(d)** G.S. 8C-1, Evidence Rule 604, reads as rewritten:

#### 42 **"Rule 604. Interpreters.**

43 An interpreter is subject to the provisions of these rules relating to qualification as an  
44 expert and the administration of an oath or affirmation that he will make a true  
45 ~~translation-interpretation.~~ Interpreters provided under G.S. 7A-314(f) shall be appointed  
46 and compensated in accordance with G.S. 7A-343(9b)."  
47

### 48 MONITORING OF COMMUNITY MEDIATION CENTERS

49 **SECTION 14.12.** G.S. 7A-38.6(a) reads as rewritten:

50 "(a) All community mediation centers currently receiving State funds shall report  
51 annually to the Mediation Network of North Carolina on the program's funding and  
52 activities, including:

- 53 (1) Types of dispute settlement services provided;
- 54 (2) Clients receiving each type of dispute settlement service;

- 1 (3) Number and type of referrals received, cases actually mediated
- 2 (identified by docket number), cases resolved in mediation, and total
- 3 clients served in the cases mediated;
- 4 (4) Total program funding and funding sources;
- 5 (5) Itemization of the use of funds, including operating expenses and
- 6 personnel;
- 7 (6) Itemization of the use of State funds appropriated to the center;
- 8 (7) Level of volunteer activity; and
- 9 (8) Identification of future service demands and budget requirements.

10 The Mediation Network of North Carolina shall compile and summarize the  
11 information provided pursuant to this subsection and shall provide the information to  
12 the Chairs of the House of Representatives and Senate Appropriations Committees and  
13 the Chairs of the House of Representatives and Senate Appropriations Subcommittees  
14 on Justice and Public Safety by February 1 of each year.

15 The Mediation Network of North Carolina shall also submit a copy of its report to  
16 the Administrative Office of the Courts. The receipt and review of this report by the  
17 Administrative Office of the Courts shall satisfy any program monitoring, evaluation,  
18 and contracting requirements imposed on the Administrative Office of the Courts by  
19 G.S. 143-6.2 and any rules adopted under that section."

## 20 21 **COMMUNITY MEDIATION CENTER FUNDING**

22 **SECTION 14.13.** G.S. 7A-38.6(e) reads as rewritten:

23 "(e) Each community mediation center receiving State funds for six or more years  
24 shall document that at least ~~fifty percent (50%)~~ twenty-five percent (25%) of total  
25 funding comes from non-State sources."

## 26 27 **INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS**

28 **SECTION 14.14.** The Office of Indigent Defense Services may use a sum  
29 up to fifty thousand dollars (\$50,000) from funds available to provide the State  
30 matching funds needed to receive grant funds. Prior to using funds for this purpose, the  
31 Office shall report to the Chairs of the Senate and House of Representatives  
32 Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative  
33 Commission on Governmental Operations on the grants to be matched using these  
34 funds.

## 35 36 **OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS**

37 **SECTION 14.15.** Section 14.11 of S.L. 2005-276 reads as rewritten:

38 **"SECTION 14.11.** The Judicial Department, Office of Indigent Defense Services,  
39 may use ~~up to the sum of one million sixty nine thousand six hundred forty five dollars~~  
40 ~~(\$1,069,645) in appropriated funds during the 2005-2006 fiscal year and up to the sum~~  
41 ~~of one million twenty three thousand one hundred thirty five dollars (\$1,023,135)~~ two  
42 million one hundred eighteen thousand five hundred eighty dollars (\$2,118,580) in  
43 appropriated funds during the 2006-2007 fiscal year for the expansion of existing  
44 offices currently providing legal services to the indigent population under the oversight  
45 of the Office of Indigent Defense Services by creating up to ~~40~~20 new attorney  
46 positions and ~~five~~10 new support staff positions. These funds may be used for salaries,  
47 benefits, equipment, and related expenses. Prior to using funds for this purpose, the  
48 Office of Indigent Defense Services shall report to the Chairs of the House and the  
49 Senate Appropriations Subcommittees on Justice and Public Safety on the proposed  
50 expansion."

## 51 52 **PART XV. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY** 53 **PREVENTION**

## 54 55 **REPORTS ON CERTAIN PROGRAMS**

1           **SECTION 15.1.** Section 16.3 of S.L. 2005-276 reads as rewritten:

2           **"SECTION 16.3.(a)** Project Challenge North Carolina, Inc., shall report to the  
3 Chairs of the Senate and House of Representatives Appropriations Subcommittees on  
4 Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and  
5 Juvenile Justice Oversight Committee by April 1 each year on the operation and the  
6 effectiveness of its program in providing alternative dispositions and services to  
7 juveniles who have been adjudicated delinquent or undisciplined. The report shall  
8 include information on:

- 9           (1) The source of referrals for juveniles.
- 10          (2) The types of offenses committed by juveniles participating in the  
11 program.
- 12          (3) The amount of time those juveniles spend in the program.
- 13          (4) The number of juveniles who successfully complete the program.
- 14          (5) The number of juveniles who commit additional offenses after  
15 completing the program.
- 16          (6) The program's budget and expenditures, including all funding sources.

17           **SECTION 16.3.(b)** The Juvenile Assessment Center shall report to the Chairs of  
18 the Senate and House of Representatives Appropriations Subcommittees on Justice and  
19 Public Safety and the Joint Legislative Corrections, Crime Control, and Juvenile Justice  
20 Oversight Committee on the effectiveness of the Center by April 1 each year. The report  
21 shall include information on the number of juveniles served and an evaluation of the  
22 effectiveness of juvenile assessment plans and services provided as a result of these  
23 plans. In addition, the report shall include information on the Center's budget and  
24 expenditures, including all funding sources.

25           **SECTION 16.3.(c)** Communities in Schools shall report to the Chairs of the Senate  
26 and House of Representatives Appropriations Subcommittees on Justice and Public  
27 Safety, ~~the Joint Legislative Commission on Governmental Operations,~~ the Joint  
28 Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, and  
29 the Joint Legislative Education Oversight Committee by April 1 each year on the  
30 operation and effectiveness of its program. The report shall include information on:

- 31          (1) The number of children served.
- 32          (2) The number of volunteers used.
- 33          (3) The impact on children who have received services from Communities  
34 in Schools.
- 35          (4) The program's budget and expenditures, including all funding  
36 sources."

## 37 38 **STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

39           **SECTION 15.2.** Section 16.5 of S.L. 2005-276 reads as rewritten:

40           **"SECTION 16.5.** Funds appropriated in this act to the Department of Juvenile  
41 Justice and Delinquency Prevention for the ~~2005-2006-2006-2007~~ fiscal year may be  
42 used as matching funds for the Juvenile Accountability Incentive Block Grants. If North  
43 Carolina receives Juvenile Accountability Incentive Block Grants, or a notice of funds  
44 to be awarded, the Office of State Budget and Management and the Governor's Crime  
45 Commission shall consult with the Department of Juvenile Justice and Delinquency  
46 Prevention regarding the criteria for awarding federal funds. The Office of State Budget  
47 and Management, the Governor's Crime Commission, and the Department of Juvenile  
48 Justice and Delinquency Prevention shall report to the Appropriations Committees of  
49 the Senate and House of Representatives and the Joint Legislative Commission on  
50 Governmental Operations prior to allocation of the federal funds. The report shall  
51 identify the amount of funds to be received for the ~~2005-2006-~~ 2006-2007 fiscal year,  
52 the amount of funds anticipated for the ~~2006-2007-~~ 2007-2008 fiscal year, and the  
53 allocation of funds by program and purpose."  
54

**1 WAIVER OF REVISED LICENSING STANDARDS FOR JUVENILE  
2 FACILITIES**

3 **SECTION 15.3.** Notwithstanding any other provision of law, the  
4 Department of Juvenile Justice and Delinquency Prevention shall operate the seven  
5 wilderness camping programs in conjunction with Eckerd Youth Alternatives, Inc.,  
6 pursuant to the mental health licensing standards of the Department of Health and  
7 Human Services, Division of Social Services, effective on July 1, 2006, until January 1,  
8 2008. Revisions or amendments to the State mental health licensing standards that  
9 become effective after July 1, 2006, shall not apply to the seven Eckerd wilderness  
10 camping programs from July 1, 2006, to July 1, 2008.

**11  
12 ANNUAL EVALUATION OF COMMUNITY PROGRAMS**

13 **SECTION 15.4.** Section 16.4 of S.L. 2005-276 reads as rewritten:

14 **"SECTION 16.4.** The Department of Juvenile Justice and Delinquency Prevention  
15 shall conduct an evaluation of the Eckerd and Camp Woodson wilderness camp  
16 programs, the teen court programs, the program that grants funds to the local  
17 organizations of the Boys and Girls Clubs established pursuant to Section 21.10 of S.L.  
18 1999-237, the Save Our Students program, the Governor's One-on-One Programs, and  
19 multipurpose group homes. The teen court report shall include statistical information on  
20 the number of juveniles served, the number and type of offenses considered by teen  
21 courts, referral sources for teen courts, and the number of juveniles that become  
22 court-involved after participation in teen courts. The report on the Boys and Girls Clubs  
23 program shall include information on:

- 24 (1) The expenditure of State appropriations on the program;
- 25 (2) The operations and the effectiveness of the program; and
- 26 (3) The number of juveniles served under the program.

27 In conducting the evaluation of each of these programs, the Department shall  
28 consider whether participation in each program results in a reduction of court  
29 involvement among juveniles. The Department shall also identify whether the programs  
30 are achieving the goals and objectives of the Juvenile Justice Act, S.L. 1998-202. The  
31 Department shall report the results of the evaluation to the Joint Corrections, Crime  
32 Control, and Juvenile Justice Oversight Committee, the Chairs of the House of  
33 Representatives and Senate Appropriations Committees-Committees, and the Chairs of  
34 the Subcommittees on Justice and Public Safety of the House of Representatives and  
35 Senate Appropriations Committees by March 1 of each year."

**36  
37 ALTERNATIVES TO JUVENILE COMMITMENT/JUVENILE CRIME  
38 PREVENTION COUNCILS**

39 **SECTION 15.5.** Section 16.11 of S.L. 2005-276 reads as rewritten:

40 **"SECTION 16.11.(a)** Of the funds appropriated in this act to the Department of  
41 Juvenile Justice and Delinquency Prevention, the sum of two hundred fifty thousand  
42 dollars (\$250,000) shall be used to expand Juvenile Crime Prevention Councils  
43 demonstration projects designed to reduce commitments to youth development centers.  
44 Specifically, the funds shall be awarded to Juvenile Crime Prevention Councils to  
45 provide residential and/or community-based intensive services to juveniles who have  
46 been adjudicated delinquent with a level 2 or 3 disposition or who are reentering the  
47 community after serving time in a youth development center. The Department shall  
48 develop a competitive grant award process to allocate the funds to county Juvenile  
49 Crime Prevention Councils. The programs must initiate services to the targeted  
50 population no later than March 1, 2006. On June 30, 2006, any funds not awarded for  
51 demonstration projects pursuant to this section by the Department shall revert to the  
52 General Fund. The Department may award up to four grants to Juvenile Crime  
53 Prevention Councils, and no individual grant may exceed one hundred thousand dollars  
54 (\$100,000).



1       **SECTION 16.11.(b)** The Department of Juvenile Justice and Delinquency  
2 Prevention shall report to the Joint Legislative Corrections, Crime Control, and Juvenile  
3 Justice Oversight Committee no later than March 1, 2006, on the implementation and  
4 award process. The report shall provide a detailed description of the services to be  
5 provided by each program, the number and types of juveniles to be served, and the  
6 amount awarded to each program.

7       **SECTION 16.11.(c)** The Department of Juvenile Justice and Delinquency  
8 Prevention shall report to the Senate and House of Representatives Appropriations  
9 Subcommittees on Justice and Public Safety no later than March 1, 2006, and annually  
10 thereafter, on the results of the alternatives to commitment demonstration programs  
11 funded by Section 16.7 of S.L. 2004-124. The 2007 report and all annual reports  
12 thereafter shall also include projects funded by this section for the 2005-2006 fiscal  
13 year. Specifically, the report shall provide a detailed description of each of the  
14 demonstration programs, including the numbers of juveniles served, their adjudication  
15 status at the time of service, the services/treatments provided, the length of service, the  
16 total cost per juvenile, and the six- and 12-month recidivism rates for the juveniles after  
17 the termination of program services.

18       **SECTION 16.11.(d)** The requirements of this section apply to all future allocations  
19 by the Department of Juvenile Justice and Delinquency Prevention of the funds  
20 appropriated to the Department by Section 16.11 of S.L. 2005-276 and Section 16.7 of  
21 S.L. 2004-124."

## 22 23 **REPORTS ON YOUTH DEVELOPMENT CENTERS**

24       **SECTION 15.6.(a)** Section 16.6 of S.L. 2005-276 reads as rewritten:

25       **"SECTION 16.6.(a)** The Department of Juvenile Justice and Delinquency  
26 Prevention shall report December 31, 2005, and quarterly thereafter during the  
27 2005-2007 biennium to the Chairs of the Senate and House of Representatives  
28 Appropriations Subcommittees on Justice and Public Safety and to the Joint  
29 Corrections, Crime Control, and Juvenile Justice Oversight Committee on the treatment  
30 staffing model being piloted at Samarkand and Stonewall Jackson Youth Development  
31 Centers. The report shall include a list of total positions at each facility by job class,  
32 whether the position is vacant or filled, whether positions were filled from internal  
33 employees or new employees, and the training and certification status of each position.  
34 The report shall also describe the nature of the treatment program, the criteria for  
35 evaluating the program, and how the program is performing in comparison to these  
36 criteria. The report shall also describe the training approach to be used to train staff in  
37 using treatment methods in youth development centers and provide information on  
38 current staff training and staff training planned for the next quarter. The Department  
39 shall also develop indicators for evaluating staff performance once the model has been  
40 implemented.

41       **SECTION 16.6.(b)** The Department of Juvenile Justice and Delinquency  
42 Prevention shall report December 31, 2005, and quarterly thereafter during the  
43 2005-2007 biennium to the Chairs of the Senate and House of Representatives  
44 Appropriations Subcommittees on Justice and Public Safety and the Joint Corrections,  
45 Crime Control, and Juvenile Justice Oversight Committee on the implementation of the  
46 treatment staffing model at Dobbs, Dillon, and Juvenile Evaluation Center Youth  
47 Development Centers. The Department shall identify the number of positions  
48 reallocated to the new treatment job classes and the source of funding for those  
49 positions.

50       **SECTION 16.6.(c)** The Department of Juvenile Justice and Delinquency  
51 Prevention shall report to the Chairs of the Senate and House of Representatives  
52 Appropriations Subcommittees on Justice and Public Safety and the Joint Corrections,  
53 Crime Control, and Juvenile Justice Oversight Committee by November 10, 2006, on  
54 the final recommended staffing plan for youth development centers for the 2007-2008  
55 fiscal year. The report shall include:

- 1           (1) The latest results of the evaluation of the pilot treatment staffing  
2 models at the Samarkand and Stonewall Jackson Youth Development  
3 Centers and the progress in implementing the model at other youth  
4 development centers.
- 5           (2) The total recommended staffing by position classification for each  
6 youth development center. Staffing by shift shall be provided for each  
7 housing unit as well as justification for the level and type of staff on  
8 each shift.
- 9           (3) The total cost and cost per bed for each youth development center to  
10 implement the staffing model.
- 11           (4) The primary basis for the number of staff at each youth development  
12 center by classification.
- 13           (5) An identification of other states that have implemented a treatment  
14 based staffing model, how the staffing patterns compare to the  
15 Department of Juvenile Justice and Delinquency Prevention proposal,  
16 and any research on the benefits and outcomes of using the treatment  
17 based approach in these states."

18           **SECTION 15.6.(b)** It is the intent of the General Assembly to consider  
19 appropriating funds for new treatment positions at youth development centers only  
20 when the report required by subsection (a) of this section is received by the Chairs of  
21 the Senate and House of Representatives Appropriations Subcommittees on Justice and  
22 Public Safety.

## 23 24 **PART XVI. DEPARTMENT OF CORRECTION**

### 25 26 **INMATE COSTS/MEDICAL BUDGET FOR PRESCRIPTION DRUGS AND** 27 **INMATE LAUNDRY SERVICES**

28           **SECTION 16.1.** Section 17.6 of S.L. 2005-276 reads as rewritten:

29           **"SECTION 17.6.(a)** If the cost of providing ~~food~~ and health care to inmates housed  
30 in the Division of Prisons is anticipated to exceed the continuation budget amounts  
31 provided for that purpose in this act, the Department of Correction shall report the  
32 reasons for the anticipated cost increase and the source of funds the Department intends  
33 to use to cover those additional needs to the Joint Legislative Commission on  
34 Governmental Operations, the Chairs of the Senate and House of Representatives  
35 Appropriations Committees, and the Chairs of the Senate and House of Representatives  
36 Appropriations Subcommittees on Justice and Public Safety.

37           **SECTION 17.6.(b)** Notwithstanding the provisions of G.S. 143-23(a2), the  
38 Department of Correction may use funds available during the ~~2005-2006 fiscal year~~  
39 2005-2007 biennium for the purchase of prescription drugs for inmates if expenditures  
40 are projected to exceed the Department's inmate medical continuation budget for  
41 prescription drugs. The Department shall consult with the Joint Legislative Commission  
42 on Governmental Operations prior to exceeding the continuation budget amount.

43           **SECTION 17.6.(c)** Notwithstanding the provisions of G.S. 143-23(a2), the  
44 Department of Correction may use funds available during the ~~2005-2006 fiscal year~~  
45 2005-2007 biennium for the purchase of ~~clothing~~ and laundry services for inmates if  
46 expenditures are projected to exceed the Department's budget for clothing and laundry  
47 services. The Department shall consult with the Joint Legislative Commission on  
48 Governmental Operations prior to exceeding the continuation budget amount."

### 49 50 **CONVERSION OF CONTRACTED MEDICAL POSITIONS**

51           **SECTION 16.2.** Section 17.7 of S.L. 2005-276 reads as rewritten:

52           **"SECTION 17.7.(a)** The Department of Correction may convert contract medical  
53 positions to permanent State medical positions if the Department can document that the  
54 total savings generated will exceed the total cost of the new positions for each facility.

1 Where practical, the Department shall convert contract positions to permanent positions  
2 by using existing vacancies in medical positions.

3 **SECTION 17.7.(b)** The Department of Correction shall report by ~~April 1, 2006,~~  
4 April of each year to the Joint Legislative Commission on Governmental Operations  
5 and the Chairs of the Senate and House of Representatives Appropriations  
6 Subcommittees on Justice and Public Safety on all conversions made pursuant to this  
7 section, by type of position and location, and on the savings generated at each  
8 correctional facility."  
9

#### 10 **COMPUTER/DATA PROCESSING SERVICES FUNDS**

11 **SECTION 16.3.** Section 17.10. of S.L. 2005-276 reads as rewritten:

12 "SECTION 17.10. Notwithstanding the provisions of G.S. 143-23(a2), the  
13 Department of Correction may use funds available during the ~~2005-2006 fiscal year~~  
14 2005-2007 biennium for expenses for computer/data processing services if expenditures  
15 exceed the Department's continuation budget amount for those services. The  
16 Department shall report to the Joint Legislative Commission on Governmental  
17 Operations prior to exceeding the continuation budget amount."  
18

#### 19 **REPORTS ON NONPROFIT PROGRAMS**

20 **SECTION 16.4.** Section 17.22 of Session Laws 2005-276 reads as rewritten:

21 "SECTION 17.22.(a) Funds appropriated in this act to the Department of  
22 Correction to support the programs of Harriet's House may be used for program  
23 operating costs, the purchase of equipment, and the rental of real property to serve  
24 women released from prison with children in their custody. Harriet's House shall report  
25 by February 1 of each year to the ~~Joint Legislative Commission on Governmental~~  
26 Operations Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight  
27 Committee on the expenditure of State appropriations and on the effectiveness of the  
28 program, including information on the number of clients served, the number of clients  
29 who successfully complete the Harriet's House program, and the number of clients who  
30 have been rearrested within three years of successfully completing the program. The  
31 report shall provide financial and program data for the complete fiscal year prior to the  
32 year in which the report is submitted. The financial report shall identify all funding  
33 sources and amounts.

34 **SECTION 17.22.(b)** Summit House shall report by February 1 of each year to the  
35 ~~Joint Legislative Commission on Governmental Operations~~ Joint Legislative  
36 Corrections, Crime Control, and Juvenile Justice Oversight Committee on the  
37 expenditure of State appropriations and on the effectiveness of the program, including  
38 information on the number of clients served, the number of clients who have had their  
39 probation revoked, the number of clients who successfully complete the program while  
40 housed at Summit House, Inc., and the number of clients who have been rearrested  
41 within three years of successfully completing the program. The report shall provide  
42 financial and program data for the complete fiscal year prior to the year in which the  
43 report is submitted. The financial report shall identify all funding sources and amounts.

44 **SECTION 17.22.(c)** Women at Risk shall report by February 1 of each year to the  
45 ~~Joint Legislative Commission on Governmental Operations~~ Joint Legislative  
46 Corrections, Crime Control, and Juvenile Justice Oversight Committee on the  
47 expenditure of State funds and on the effectiveness of the program, including  
48 information on the number of clients served, the number of clients who have had their  
49 probation revoked, the number of clients who have successfully completed the program,  
50 and the number of clients who have been rearrested within three years of successfully  
51 completing the program. The report shall provide financial and program data for the  
52 complete fiscal year prior to the year in which the report is submitted. The financial  
53 report shall identify all funding sources and amounts."  
54

#### 55 **PAROLE ELIGIBILITY REPORT**

1           **SECTION 16.5.** Section 17.28 of S.L. 2005-276 reads as rewritten:

2           **"SECTION 17.28.(a)** The Post-Release Supervision and Parole Commission shall,  
3 with the assistance of the North Carolina Sentencing and Policy Advisory Commission  
4 and the Department of Correction, analyze the amount of time each parole-eligible  
5 inmate has served compared to the time served by offenders under Structured  
6 Sentencing for comparable crimes. The Commission shall determine if the person has  
7 served more time in custody than the person would have served if sentenced to the  
8 maximum sentence under the provisions of Article 81B of Chapter 15A of the General  
9 Statutes. The "maximum sentence", for the purposes of this section, shall be calculated  
10 as set forth in subsection (b) of this section.

11           **SECTION 17.28.(b)** For the purposes of this section, the following rules apply for  
12 the calculation of the maximum sentence:

- 13           (1) The offense upon which the person was convicted shall be classified as  
14 the same felony class as the offense would have been classified if  
15 committed after the effective date of Article 81B of Chapter 15A of  
16 the General Statutes.  
17           (2) The minimum sentence shall be the maximum number of months in  
18 the presumptive range of minimum durations in Prior Record Level VI  
19 of G.S. 15A-1340.17(c) for the felony class determined under  
20 subdivision (1) of this subsection. The maximum sentence shall be  
21 calculated using G.S. 15A-1340.17(d), (e), or (e1).  
22           (3) If a person is serving sentences for two or more offenses that are  
23 concurrent in any respect, then the offense with the greater  
24 classification shall be used to determine a single maximum sentence  
25 for the concurrent offenses. The fact that the person has been  
26 convicted of multiple offenses may be considered by the Commission  
27 in making its determinations under subsection (a) of this section.

28           **SECTION 17.28.(c)** The Commission shall report to the Joint Legislative  
29 Corrections, Crime Control, and Juvenile Justice Oversight Committee ~~on the results of~~  
30 ~~its analysis by October 1, 2005, and to the Chairs of the Senate and House of~~  
31 Representatives Appropriations Committees, and the Chairs of the Senate and House of  
32 Representatives Appropriations Subcommittees on Justice and Public Safety by April 1,  
33 2007. The report shall include the following: the class of the offense for which each  
34 parole-eligible inmate was convicted and whether an inmate had multiple criminal  
35 convictions. The Commission shall reinstate the parole review process for each  
36 offender who has served more time than that person would have under Structured  
37 Sentencing as provided by subsections (a) and (b) of this section.

38           The Commission shall also report by February 1, 2006, regarding on the number of  
39 parole-eligible inmates reconsidered in compliance with this section and the number  
40 who were actually paroled."  
41

## 42 **PRETRIAL SERVICES PROGRAM**

43           **SECTION 16.6.** Of funds appropriated from the General Fund to the  
44 Department of Correction the sum of four hundred thousand dollars (\$400,000) for the  
45 2006-2007 fiscal year shall be used for the Pretrial Services Program. These funds will  
46 be managed by the Criminal Justice Partnership Program and will be allocated on a  
47 matching basis according to the following priorities:

- 48           (1) Counties that received State funds through the Criminal Justice  
49 Partnership Program to operate pretrial services programs in the  
50 2005-2006 fiscal year.  
51           (2) Counties that do not currently have a pretrial services program, but  
52 would like to start one.  
53           (3) Counties that currently operate pretrial services programs but did not  
54 receive State funds to operate during the 2005-2006 fiscal year.  
55

**GPS MONITORING OF MOST SERIOUS SEX OFFENDERS**

**SECTION 16.7.(a)** Article 27A of Chapter 14 of the General Statutes is amended by adding a new Part to read:

"Part 5. Sex Offender Monitoring.

**"§ 14-208.33. Establishment of program; creation of guidelines; duties.**

(a) The Department of Correction shall establish a sex offender monitoring program that uses a continuous satellite-based monitoring system and shall create guidelines to govern the program. The program shall be designed to monitor two categories of offenders as follows:

(1) Any offender who is convicted of a reportable conviction as defined by G.S. 14-208.6(4) and who is required to register under Part 3 of Article 27A of Chapter 14 of the General Statutes because the defendant is classified as a sexually violent predator, is a recidivist, or was convicted of an aggravated offense as those terms are defined in G.S. 14-208.6. An offender in this category who is ordered by the court to submit to satellite-based monitoring is subject to that requirement for the person's natural life, unless the requirement is terminated pursuant to G.S. 14-208.36.

(2) Any offender who satisfies all of the following criteria: (i) is convicted of a reportable conviction as defined by G.S. 14-208.6(4), (ii) is required to register under Part 2 of Article 27A of Chapter 14 of the General Statutes, (iii) has committed an offense involving the physical, mental, or sexual abuse of a minor, and (iv) based on the Department's risk assessment program requires the highest possible level of supervision and monitoring. An offender in this category who is ordered by the court to submit to satellite-based monitoring is subject to that requirement only for the period of time ordered by the court and is not subject to a requirement of lifetime satellite-based monitoring.

(b) In developing the guidelines for the program, the Department shall require that any offender who is enrolled in the satellite-based program submit to an active continuous satellite-based monitoring program, unless an active program will not work as provided by this section. If the Department determines that an active program will not work as provided by this section, then the Department shall require that the defendant submit to a passive continuous satellite-based program that works within the technological or geographical limitations.

(c) The satellite-based monitoring program shall use a system that provides all of the following:

(1) Time-correlated and continuous tracking of the geographic location of the subject using a global positioning system based on satellite and other location tracking technology.

(2) Reporting of subject's violations of prescriptive and proscriptive schedule or location requirements. Frequency of reporting may range from once a day (passive) to near real-time (active).

(d) The Department may contract with a single vendor for the hardware services needed to monitor subject offenders and correlate their movements to reported crime incidents. The contract may provide for services necessary to implement or facilitate any of the provisions of this Part.

**"§ 14-208.34. Enrollment in satellite-based monitoring programs mandatory; length of enrollment.**

(a) Any person described by G.S. 14-208.33(a)(1) shall enroll in a satellite-based monitoring program with the Division of Community Corrections office in the county where the person resides. The person shall remain enrolled in the satellite-based monitoring program for the registration period imposed under G.S. 14-208.23 which is

1 the person's life, unless the requirement to enroll in the satellite-based monitoring  
2 program is terminated pursuant to G.S. 14-208.35.

3 (b) Any person described by G.S. 14-208.33(a)(2) who is ordered by the court to  
4 enroll in a satellite-based monitoring program shall do so with the Division of  
5 Community Corrections office in the county where the person resides. The person shall  
6 remain enrolled in the satellite-based monitoring program for the period of time ordered  
7 by the court.

8 **"§ 14-208.35. Lifetime registration offenders required to submit to satellite-based**  
9 **monitoring for life and to continue on unsupervised probation upon**  
10 **completion of sentence.**

11 Notwithstanding any other provision of law, when the court sentences an offender  
12 who is in the category described by G.S. 14-208.33(a)(1) for a reportable conviction as  
13 defined by G.S. 14-208.6(4), and orders the offender to enroll in a satellite-based  
14 monitoring program, the court shall also order that the offender, upon completion of the  
15 offender's sentence and any term of parole, post-release supervision, intermediate  
16 punishment, or supervised probation that follows the sentence, continue to be enrolled  
17 in the satellite-based monitoring program for the offender's life and be placed on  
18 unsupervised probation unless the requirement that the person enroll in a satellite-based  
19 monitoring program is terminated pursuant to G.S. 14-208.36.

20 **"§ 14-208.36. Request for termination of satellite-based monitoring requirement.**

21 (a) An offender described by G.S. 14-308.33(a)(1) who is required to submit to  
22 satellite-based monitoring for the offender's life may file a request for termination of  
23 monitoring requirement with the Post-Release Supervision and Parole Commission. The  
24 request to terminate the satellite-based monitoring requirement and to terminate the  
25 accompanying requirement of unsupervised probation may not be submitted until at  
26 least one year after the offender: (i) has served his or her sentence for the offense for  
27 which the satellite-based monitoring requirement was imposed, and (ii) has also  
28 completed any period of probation, parole, or post-release supervision imposed as part  
29 of the sentence.

30 (b) Upon receipt of the request for termination, the Commission shall review  
31 documentation contained in the offender's file and the statewide registry to determine  
32 whether the person has complied with the provisions of this Article. In addition, the  
33 Commission shall conduct fingerprint-based state and federal criminal history record  
34 checks to determine whether the person has been convicted of any additional reportable  
35 convictions.

36 (c) If it is determined that the person has not received any additional reportable  
37 convictions during the period of satellite-based monitoring and the person has  
38 substantially complied with the provisions of this Article, the Commission may  
39 terminate the monitoring requirement if the Commission finds that the person is not  
40 likely to pose a threat to the safety of others.

41 (d) If it is determined that the person has received any additional reportable  
42 convictions during the period of satellite-based monitoring or has not substantially  
43 complied with the provisions of this Article, the Commission shall not order the  
44 termination of the monitoring requirement.

45 (e) The Commission shall not consider any request to terminate a monitoring  
46 requirement except as provided by this section. The Commission has no authority to  
47 consider or terminate a monitoring requirement for an offender described in  
48 G.S. 14-208.33(a)(2).

49 **"§ 14-208.37. Failure to enroll; tampering with device.**

50 (a) Any person required to enroll in a satellite-based monitoring program who  
51 fails to enroll shall be guilty of a Class E felony.

52 (b) Any person who intentionally tampers with, removes, or vandalizes a device  
53 issued pursuant to a satellite-based monitoring program to a person duly enrolled in the  
54 program shall be guilty of a Class C felony.

55 **"§ 14-208.38. Fees.**

1       (a) There shall be a onetime fee of ninety dollars (\$90.00) assessed to each  
2 person required to enroll pursuant to this Part. The court may exempt a person from  
3 paying the fee only for good cause and upon motion of the person placed on  
4 satellite-based monitoring. The court may require that the fee be paid in advance or in a  
5 lump sum or sums, and a probation officer may require payment by those methods if the  
6 officer is authorized by subsection (c) of this section to determine the payment schedule.  
7 This fee is intended to offset only the costs associated with the time-correlated tracking  
8 of the geographic location of subjects using the location tracking crime correlation  
9 system.

10       (b) The fee shall be payable to the clerk of superior court, and the fees shall be  
11 remitted quarterly to the Department.

12       (c) If a person placed on supervised probation, parole, or post-release supervision  
13 is required as a condition of that probation, parole, or post-release supervision to pay  
14 any moneys to the clerk of superior court, the court may delegate to a probation officer  
15 the responsibility to determine the payment schedule."

16       **SECTION 16.7.(b)** G.S. 15A-1343(b2) reads as rewritten:

17       "(b2) Special Conditions of Probation for Sex Offenders and Persons Convicted of  
18 Offenses Involving Physical, Mental, or Sexual Abuse of a Minor. – As special  
19 conditions of probation, a defendant who has been convicted of an offense which is a  
20 reportable conviction as defined in G.S. 14-208.6(4), or which involves the physical,  
21 mental, or sexual abuse of a minor, must:

- 22       (1) Register as required by G.S. 14-208.7 if the offense is a reportable  
23 conviction as defined by G.S. 14-208.6(4).
- 24       (2) Participate in such evaluation and treatment as is necessary to  
25 complete a prescribed course of psychiatric, psychological, or other  
26 rehabilitative treatment as ordered by the court.
- 27       (3) Not communicate with, be in the presence of, or found in or on the  
28 premises of the victim of the offense.
- 29       (4) Not reside in a household with any minor child if the offense is one in  
30 which there is evidence of sexual abuse of a minor.
- 31       (5) Not reside in a household with any minor child if the offense is one in  
32 which there is evidence of physical or mental abuse of a minor, unless  
33 the court expressly finds that it is unlikely that the defendant's harmful  
34 or abusive conduct will recur and that it would be in the minor child's  
35 best interest to allow the probationer to reside in the same household  
36 with a minor child.
- 37       (6) Satisfy any other conditions determined by the court to be reasonably  
38 related to his rehabilitation.
- 39       (7) Submit to satellite-based monitoring pursuant to Part 5 of Article 27A  
40 of Chapter 14 of the General Statutes, if the defendant is described by  
41 G.S. 14-208.33(a)(1).
- 42       (8) Submit to electronic monitoring pursuant to Part 5 of Article 27A of  
43 Chapter 14 of the General Statutes, if the defendant is in the category  
44 described by G.S. 14-208.33(a)(2), and the Department of Correction,  
45 based on the Department's risk assessment program, recommends that  
46 the defendant submit to the highest possible level of supervision and  
47 monitoring.

48       Defendants subject to the provisions of this subsection shall not be placed on  
49 unsupervised probation."

50       **SECTION 16.7.(c)** G.S. 15A-1343.2 is amended by adding a new subsection  
51 to read:

52       "(f1) Mandatory Condition of Satellite-Based Monitoring For Some Sex Offenders.  
53 – Notwithstanding any other provision of this section, the court shall impose  
54 satellite-based monitoring pursuant to Part 5 of Article 27A of Chapter 14 of the

1 General Statutes as a condition of probation on any offender who is described by  
2 G.S. 14-208.33(a)(1)."

3 **SECTION 16.7.(d)** G.S. 15A-1343.2(f) is amended by adding a new  
4 subdivision to read:

5 "(5) Submit to electronic monitoring pursuant to Part 5 of Article 27A of  
6 Chapter 14 of the General Statutes, if the defendant is described by  
7 G.S. 14-208.33(a)(2)."

8 **SECTION 16.7.(e)** G.S. 15A-1344 is amended by adding a new subsection  
9 to read:

10 "(e2) Mandatory Satellite-Based Monitoring Required for Extension of Probation  
11 in Response to Violation by Certain Sex Offenders. – If a defendant who is in the  
12 category described by G.S. 14-208.33(a)(1) violates probation and if the court extends  
13 the probation as a result of the violation, then the court shall order satellite-based  
14 monitoring pursuant to Part 5 of Article 27A of Chapter 14 of the General Statutes as a  
15 condition of the extended probation."

16 **SECTION 16.7.(f)** G.S. 15A-1368.2 is amended by adding a new subsection  
17 to read:

18 "(c1) Notwithstanding subsection (c) of this section, a person required to submit to  
19 satellite-based monitoring pursuant to G.S. 15A-1368.4(b1)(6) shall continue to  
20 participate in satellite-based monitoring beyond the period of post-release supervision  
21 until the Commission releases the person from that requirement pursuant to  
22 G.S. 15A-1368.4A."

23 **SECTION 16.7.(g)** G.S. 15A-1368.4 (b1) reads as rewritten:

24 "(b1) Additional Required Conditions for Sex Offenders and Persons Convicted of  
25 Offenses Involving Physical, Mental, or Sexual Abuse of a Minor. –

26 In addition to the required condition set forth in subsection (b) of this section, for a  
27 supervisee who has been convicted of an offense which is a reportable conviction as  
28 defined in G.S. 14-208.6(4), or which involves the physical, mental, or sexual abuse of a  
29 minor, controlling conditions, violations of which may result in revocation of  
30 post-release supervision, are:

- 31 (1) Register as required by G.S. 14-208.7 if the offense is a reportable  
32 conviction as defined by G.S. 14-208.6(4).
- 33 (2) Participate in such evaluation and treatment as is necessary to  
34 complete a prescribed course of psychiatric, psychological, or other  
35 rehabilitative treatment as ordered by the Commission.
- 36 (3) Not communicate with, be in the presence of, or found in or on the  
37 premises of the victim of the offense.
- 38 (4) Not reside in a household with any minor child if the offense is one in  
39 which there is evidence of sexual abuse of a minor.
- 40 (5) Not reside in a household with any minor child if the offense is one in  
41 which there is evidence of physical or mental abuse of a minor, unless  
42 a court of competent jurisdiction expressly finds that it is unlikely that  
43 the defendant's harmful or abusive conduct will recur and that it would  
44 be in the child's best interest to allow the supervisee to reside in the  
45 same household with a minor child.
- 46 (6) Failure to submit to satellite-based monitoring pursuant to Part 5 of  
47 Article 27A of Chapter 14 of the General Statutes, if the offense is a  
48 reportable conviction as defined by G.S. 14-208.6(4) and the  
49 supervisee is in the category described by G.S. 14-208.33(a)(1).
- 50 (7) Failure to submit to satellite-based monitoring pursuant to Part 5 of  
51 Article 27A of Chapter 14 of the General Statutes, if the offense is a  
52 reportable conviction as defined by G.S. 14-208.6(4) and the  
53 supervisee is in the category described by G.S. 14-208.33(a)(2)."

54 **SECTION 16.7.(h)** G.S. 15A-1374 is amended by adding a new subsection  
55 to read:



1       "(b1) Mandatory Satellite-Based Monitoring Required as Condition of Parole for  
2 Certain Offenders. – If a parolee is in a category described by G.S. 14-208.33(a)(1), the  
3 Commission must require as a condition of parole that the parolee submit to  
4 satellite-based monitoring pursuant to Part 5 of Article 27A of Chapter 14 of the  
5 General Statutes. If a parolee is in a category described by G.S. 14-208.33(a)(2), the  
6 Commission may require as a condition of parole that the parolee submit to  
7 satellite-based monitoring pursuant to Part 5 of Article 27A of Chapter 14 of the  
8 General Statutes."

9       **SECTION 16.7.(i)** G.S. 143B-266 is amended by adding a new subsection  
10 to read:

11       "(e) The Commission may accept and review requests from persons placed on  
12 probation, parole, or post-release supervision to terminate a mandatory condition of  
13 satellite-based monitoring as provided by G.S. 14-208.35. The Commission may grant  
14 or deny those requests in compliance with G.S.14-208.35."

15       **SECTION 16.7.(j)** The Department of Correction shall have the program  
16 enacted by subsection (a) of this section established by January 1, 2007.

17       **SECTION 16.7.(k)** This section is effective when it becomes law and  
18 applies to offenses committed on or after that date. This section also applies to any  
19 person sentenced to intermediate punishment on or after that date and to any person  
20 released from prison by parole or post-release supervision on or after that date. This  
21 section also applies to any person who completes his or her sentence on or after the  
22 effective date of this section who is not on post-release supervision or parole. However,  
23 the requirement to enroll in a satellite-based program is not mandatory until January 1,  
24 2007, when the program is established.

## 25 26 **PART XVII. DEPARTMENT OF ADMINISTRATION**

### 27 28 **EXAMINE FEASIBILITY OF COMBINING FUNDING SOURCES/NC** 29 **COUNCIL FOR WOMEN AND DOMESTIC VIOLENCE COMMISSION**

30       **SECTION 17.1.** The North Carolina Council for Women and the Domestic  
31 Violence Commission, within the Department of Administration, shall examine the  
32 feasibility of combining the funding sources to distribute domestic violence grants and  
33 sexual assault grants. The North Carolina Council for Women and the Domestic  
34 Violence Commission shall report their findings to the Joint Legislative Commission on  
35 Governmental Operations by February 1, 2007.

## 36 37 **PART XVIII. OFFICE OF ADMINISTRATIVE HEARINGS**

### 38 39 **CODIFIER'S AUTHORITY OVER THE REGISTER**

40       **SECTION 18.1.** G.S. 150B-21.17 reads as rewritten:

41       "**§ 150B-21.17. North Carolina Register.**

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

- 45       (1) Temporary rules entered in the North Carolina Administrative Code.
- 46       (1a) The text of proposed rules and the text of permanent rules approved by  
47       the Commission.
- 48       (1b) Emergency rules entered into the North Carolina Administrative Code.
- 49       (2) Notices of receipt of a petition for municipal incorporation, as required  
50       by G.S. 120-165.
- 51       (3) Executive orders of the Governor.
- 52       (4) Final decision letters from the United States Attorney General  
53       concerning changes in laws that affect voting in a jurisdiction subject  
54       to section 5 of the Voting Rights Act of 1965, as required by  
55       G.S. 120-30.9H.

1 (5) Orders of the Tax Review Board issued under G.S. 105-241.2.

2 (6) Other information the Codifier determines to be helpful to the public.

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

7 When an agency publishes notice in the North Carolina Register of the proposed text  
8 of an amendment to an existing rule, the Codifier must publish the complete text of the  
9 rule that is being amended unless the Codifier determines that publication of the  
10 complete text of the rule being amended is not necessary to enable the reader to  
11 understand the proposed amendment. In publishing the text of a proposed amendment to  
12 a rule, the Codifier must indicate deleted text with overstrikes and added text with  
13 underlines.

14 When an agency publishes notice in the North Carolina Register of the proposed  
15 repeal of an existing rule, the Codifier must publish the complete text of the rule the  
16 agency proposes to repeal unless the Codifier determines that publication of the  
17 complete text is impractical. In publishing the text of a rule the agency proposes to  
18 repeal, the Codifier must indicate the rule is to be repealed.

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

## 21 22 **PART XIX. DEPARTMENT OF REVENUE**

### 23 24 **EXTENDED DOR CALL CENTER FEE USE**

25 **SECTION 19.1.** Section 22.6(a) of S.L. 2002-126, as amended by Section  
26 23.1 of S.L. 2003-284, as amended by Section 23.1 of S.L. 2004-124, reads as rewritten:

27 "**SECTION 22.6.(a)** There is appropriated from the collection assistance fee  
28 account created in G.S. 105-243.1 to the Department of Revenue the sum of one million  
29 six hundred twenty-two thousand eight hundred ninety-six dollars (\$1,622,896) for the  
30 2003-2004 fiscal year and the sum of two million one hundred fifty-four thousand five  
31 hundred ninety-three dollars (\$2,154,593) for the 2004-2005 fiscal year to pay for the  
32 costs of establishing and equipping a central taxpayer telecommunications service  
33 center for collections and assistance and for the costs associated with aligning local field  
34 offices with the new center. Of the funds appropriated in this subsection, the sum of  
35 three million dollars (\$3,000,000) that was designated for the 2003-2005 biennium to  
36 pay for the costs of establishing and equipping a central taxpayer telecommunications  
37 service center does not revert at the end of the 2004-2005 fiscal year but remains  
38 available until June 30, ~~2006~~, 2007, for operating costs of the service center."

### 39 40 **REVISED MAXIMUMS FOR COLLECTION ASSISTANCE FEES**

41 **SECTION 19.2.** G.S. 105-243.1(e) reads as rewritten:

42 "(e) Use. – The fee is a receipt of the Department and must be applied to the costs  
43 of collecting overdue tax debts. The proceeds of the fee must be credited to a special  
44 account within the Department and may be expended only as provided in this  
45 subsection. The proceeds of the fee may not be used for any purpose that is not directly  
46 and primarily related to collecting overdue tax debts. The Department may apply the  
47 proceeds of the fee for the purposes listed in this subsection. The remaining proceeds of  
48 the fee may be spent only pursuant to appropriation by the General Assembly. The fee  
49 proceeds do not revert but remain in the special account until spent for the costs of  
50 collecting overdue tax debts. The Department and the Office of State Budget and  
51 Management must account for all expenditures using accounting procedures that clearly  
52 distinguish costs allocable to collecting overdue tax debts from costs allocable to other  
53 purposes and must demonstrate that none of the fee proceeds are used for any purpose  
54 other than collecting overdue tax debts.

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

- 1 (1) To pay contractors for collecting overdue tax debts under subsection  
2 (b) of this section.
- 3 (2) To pay the fee the United States Department of the Treasury charges  
4 for setoff to recover tax owed to North Carolina.
- 5 (3) To pay for taxpayer locator services, not to exceed ~~one hundred~~  
6 ~~thousand dollars (\$100,000)~~ one hundred forty-one thousand dollars  
7 (\$141,000) a year.
- 8 (4) To pay for postage or other delivery charges for correspondence  
9 directly and primarily relating to collecting overdue tax ~~debts.~~  
10 debts, not to exceed three hundred fifty-three thousand dollars (\$353,000) a  
11 year.
- 12 (5) To pay for operating expenses for Project Collection Tax and the  
13 Taxpayer Assistance Call Center.
- 14 (6) To pay for expenses of the Examination and Collection Division  
15 directly and primarily relating to collecting overdue tax debts."  
16

### 17 CONSOLIDATE TAX PROJECTS REPORTS

18 **SECTION 19.3.(a)** G.S. 105-243.1(f) reads as rewritten:

19 "(f) Reports. – The report of Department activities required by G.S. 105-256  
20 contains information on the Department's efforts to collect tax debts and its use of the  
21 proceeds of the collection assistance fee. ~~Department must report semiannually to the~~  
22 ~~Joint Legislative Commission on Governmental Operations and to the Revenue Laws~~  
23 ~~Study Committee on its efforts to collect tax debts. Each report must include a~~  
24 ~~breakdown of the amount and age of tax debts collected by collection agencies on~~  
25 ~~contract, the amount and age of tax debts collected by the Department through warning~~  
26 ~~letters, and the amount and age of tax debts otherwise collected by Department~~  
27 ~~personnel. The report must itemize collections by type of tax. Each report must also~~  
28 ~~include a long term collection plan, a timeline for implementing each step of the plan, a~~  
29 ~~summary of steps taken since the last report and their results, and any other data~~  
30 ~~requested by the Commission or the Committee.~~

31 ~~The Department must report by April 1, 2006, and annually thereafter, to the~~  
32 ~~Revenue Laws Study Committee and the Fiscal Research Division of the General~~  
33 ~~Assembly on the use of the fee proceeds for collecting overdue tax debts."~~

34 **SECTION 19.3.(b)** G.S. 105-256(a) reads as rewritten:

35 "(a) Reports. – The Secretary shall prepare and publish the following:

36  
37 (6) On an annual basis, a report on the quality of services provided to  
38 ~~taxpayers, including telephone and~~ taxpayers through the Taxpayer  
39 Assistance Call Center, walk-in assistance ~~assistance,~~ and taxpayer  
40 education. The report must be submitted to the Joint Legislative  
41 Commission on Governmental Operations.

42  
43 (8) By January 1 and July 1 of each year, a semiannual report on the  
44 Department's activities listed in this subdivision. The report must be  
45 submitted to the Joint Legislative Commission on Governmental  
46 Operations and to the Revenue Laws Study Committee.

47 a. Its efforts to increase compliance with the tax laws. The report  
48 must describe the Department's existing initiatives in this area  
49 as of July 1, 2006, and must estimate, by tax type and amount,  
50 the revenue expected in the fiscal year by the initiative. The  
51 report must describe any new initiative implemented since July  
52 1, 2006, and estimate, by tax type and amount, the revenue  
53 expected in the fiscal year by the initiative.

54 b. Its efforts to identify and address fraud and other abuses of the  
55 voluntary tax compliance system that result in unreported and

1           underreported tax. The report must describe the Department's  
2           long-term plan for achieving greater voluntary compliance and  
3           must summarize the steps taken since the last report and their  
4           results.

5           c.   Its efforts to collect tax debts. The report must include a  
6           breakdown of the amount and age of tax debts collected through  
7           warning letters and by other means, must itemize collections by  
8           type of tax, must describe the Department's long-term collection  
9           plan, and must summarize the steps taken since the last report  
10           and their results.

11           d.   Its use of the proceeds of the collection assistance fee imposed  
12           by G.S. 105-243.1.

13           **SECTION 19.3.(c)** The first report required under G.S. 105-256(a)(8), as  
14 enacted by this section, is due by January 1, 2007.

15  
16           **PAYMENT OF USUB PENALTIES TO CIVIL PENALTY AND FORFEITURE**  
17           **FUND**

18           **SECTION 19.4.** Notwithstanding G.S. 143-18, the Department of Revenue  
19 shall be allowed to expend up to two million four hundred thirty-four thousand two  
20 hundred seventy dollars and seventy-one cents (\$2,434,270.71) of unencumbered  
21 maintenance appropriations as of June 30, 2006, for the purpose of paying the Civil  
22 Penalty and Forfeiture Fund. The amount to be expended represents Unauthorized  
23 Substance Tax penalty collections that were paid to local law enforcement agencies for  
24 the period of July 1, 2005, through December 31, 2005. The source of the  
25 unencumbered funds shall come entirely from the Department of Revenue. If  
26 unencumbered funds are not sufficient at June 30, 2006, the Department shall use  
27 anticipated unencumbered funds as of July 1, 2006. The Department shall reduce  
28 succeeding distributions to a law enforcement agency under G.S. 105-113.113 by the  
29 amount that was improperly distributed to that agency.

30  
31           **PART XX. DEPARTMENT OF THE STATE TREASURER**

32  
33           **CONSOLIDATE PUBLIC EMPLOYEE RETIREMENT PROGRAMS IN**  
34           **SINGLE AGENCY**

35           **SECTION 20.1.** G.S. 143B-426.24 reads as rewritten:

36           **"§ 143B-426.24. Board of Trustees of the North Carolina Public Employee**  
37           **Deferred Compensation Plan.**

38           (a) The Governor may, by Executive Order, establish a Board of Trustees of the  
39 North Carolina Public Employee Deferred Compensation Plan, which when established  
40 shall be constituted an agency of the State of North Carolina within the Department of  
41 ~~Administration~~ State Treasurer. The Board shall create, establish, implement, coordinate  
42 and administer a Deferred Compensation Plan for employees of the State, any county or  
43 municipality, the North Carolina Community College System, and any political  
44 subdivision of the State. Until so established, the Board heretofore established pursuant  
45 to Executive Order XII dated November 12, 1974, shall continue in effect. Likewise, the  
46 Plan heretofore established shall continue until a new plan is established.

47           (b) The Board shall consist of seven voting members, as follows:

- 48           (1) Three persons shall be appointed by the Governor who shall have  
49           experience with taxation, finance and investments, one of whom shall  
50           be a State employee;
- 51           (2) One member shall be appointed by the General Assembly upon  
52           recommendation of the Speaker of the House of Representatives under  
53           G.S. 120-121;

1 (3) One member shall be appointed by the General Assembly upon  
2 recommendation of the President Pro Tempore of the Senate under  
3 G.S. 120-121;

4 (4) ~~The State Treasurer, Secretary of Administration,~~ ex officio; and

5 (5) ~~The Secretary of Administration, State Treasurer,~~ ex officio, chairman.

6 (c) General Assembly appointments shall serve two year terms. A member shall  
7 continue to serve until his successor is duly appointed but a holdover under this  
8 provision does not affect the expiration date of the succeeding term. No member of the  
9 Board may serve more than three consecutive two year terms.

10 (d) In case of a vacancy on the Board before the expiration of a member's term, a  
11 successor shall be appointed within 30 days of the vacancy for the remainder of the  
12 unexpired term by the appropriate official pursuant to subsection (b). Vacancies in  
13 legislative appointments shall be filled under G.S. 120-122.

14 (e) Other than ex officio members, members appointed by the Governor shall  
15 serve at his pleasure.

16 (f) Any ex officio member may designate in writing, filed with the Board, any  
17 employee of his department to act at any meeting of the Board from which the member  
18 is absent, to the same extent that the member could act if present in person at such  
19 meeting.

20 (g) It shall be the duty of the Board when established to review all contracts,  
21 agreements or arrangements then in force relating to G.S. 147-9.2 and Executive Order  
22 XII to include, but not be limited to, such contracts, agreements or arrangements  
23 pertaining to the administrative services and the investment of deferred funds under the  
24 Plan for the purpose of recommending continuation of or changes to such contracts,  
25 agreements or arrangements.

26 (h) It shall be the duty of the Board to devise a uniform Deferred Compensation  
27 Plan for teachers and employees, which shall include a reasonable number of options to  
28 the teacher or employee, for the investment of deferred funds, among which may be life  
29 insurance, fixed or variable annuities and retirement income contracts, regulated  
30 investment trusts, pooled investment funds managed by the Board or its designee, or  
31 other forms of investment approved by the Board, always in such form as will assure the  
32 desired tax treatment of such funds. The Board may alter, revise and modify the Plan  
33 from time to time to improve the Plan or to conform to and comply with requirements of  
34 State and federal laws and regulations relating to the deferral of compensation of  
35 teachers and public employees generally.

36 (h1) Notwithstanding any other law, an employee of any county or municipality,  
37 an employee of the North Carolina Community College System, or an employee of any  
38 political subdivision of the State may participate in any 457 Plan adopted by the State,  
39 with the consent of the Board and with the consent of the proper governing authority of  
40 such county, municipality, community college, or political subdivision of the State  
41 where such employee is employed.

42 (i) The Board is authorized to delegate the performance of such of its  
43 administrative duties as it deems appropriate including coordination, administration, and  
44 marketing of the Plan to teachers and employees. Prior to entering into any contract  
45 with respect to such administrative duties, it shall seek bids, hold public hearings and in  
46 general take such steps as are calculated by the Board to obtain competent, efficient and  
47 worthy services for the performance of such administrative duties.

48 (j) The Board may acquire investment vehicles from any company duly  
49 authorized to conduct such business in this State or may establish, alter, amend and  
50 modify, to the extent it deems necessary or desirable, a trust for the purpose of  
51 facilitating the administration, investment and maintenance of assets acquired by the  
52 investment of deferred funds. All assets of the Plan, including all deferred amounts,  
53 property and rights purchased with deferred amounts, and all income attributed thereto  
54 shall be held in trust for the exclusive benefit of the Plan participants and their  
55 beneficiaries.

1 (k) Members of the Board, who are not officers or employees of the State, shall  
2 receive per diem and necessary travel and subsistence in accordance with the provisions  
3 of G.S. 138-5, funded as provided in subsection (m) hereof.

4 (l) All clerical and other services and personnel required by the Board shall be  
5 supplied by the ~~Secretary of Administration~~, Department of State Treasurer, funded as  
6 provided in subsection (m) hereof.

7 (m) Investment of deferred funds shall not be unreasonably delayed, and in no  
8 case shall the investment of deferred funds be delayed more than 30 days. The Board  
9 may accumulate such funds pending investment, and the interest earned on such funds  
10 pending investment shall be available to and may be spent in the discretion of the Board  
11 only for the reasonable and necessary expenses of the Board. The ~~Secretary of~~  
12 ~~Administration~~ State Treasurer is authorized to prescribe guidelines for the expenditure  
13 of such funds by the Board. From time to time as the Board may direct, funds not  
14 required for such expenses may be used to defray administrative expenses and fees  
15 which would otherwise be required to be borne by teachers and employees who are then  
16 participating in the Plan.

17 (n) A majority of the Board shall constitute a quorum for the transaction of  
18 business.

19 (o) It is intended that the provisions of this Part shall be liberally construed to  
20 accomplish the purposes provided for herein."  
21

## 22 **PART XX – A. GENERAL ASSEMBLY**

### 23 **GOVERNMENT PERFORMANCE AUDIT**

24 **SECTION 20A.1(a).** The General Assembly shall contract for a  
25 performance audit of the executive branch of State government, including The  
26 University System. The goals of the audit are to evaluate the efficiency and  
27 effectiveness of State government and The University System and to identify specific  
28 ways to make improvements. The audits may examine entire departments, agencies, or  
29 institutions, or similar programs in several departments. The results of the audits shall  
30 be reported on or before February 1, 2008.

31 The performance audit shall include an examination of the efficiency and  
32 effectiveness of major management policies, practices, and functions, including the  
33 following areas:

- 34
- 35 (1) Planning, budgeting, and program evaluation policies and practices,  
36 including an analysis of the compliance of the executive branch and  
37 The University System with existing planning requirements, such as  
38 the Capital Improvement Planning Act, Article 1B of Chapter 143 of  
39 the General Statutes.
  - 40 (2) Personnel systems operations and management.
  - 41 (3) State purchasing operations and management.
  - 42 (4) Information technology and telecommunications systems policy,  
43 organization, and management.
  - 44 (5) Review of duplications and related or overlapping services or activities  
45 for the purpose of coordinating and streamlining programs to achieve  
46 consistent and clear objectives.

47 **SECTION 20A.1(b)** Of the funds appropriated to the General Assembly for  
48 the 2006-2007 fiscal year, the sum of up to one million dollars (\$1,000,000) shall be  
49 used to contract for the audit required by this section. These funds shall not revert at the  
50 end of the 2006-2007 fiscal year but shall remain available for expenditure in the  
51 2007-2008 fiscal year for the performance audit required by this act.  
52

## 53 **PART XXI. DEPARTMENT OF TRANSPORTATION**

### 54 **TRANSPORTATION OF WOOD RESIDUALS**

55

1           **SECTION 21.1.** G.S. 20-118(c)(15) reads as rewritten:  
 2           "(c) Exceptions. – The following exceptions apply to G.S. 20-118(b) and  
 3 20-118(e).

- 4           ...
- 5           (15) Subsections (b) and (e) of this section do not apply to a vehicle or  
 6 vehicle combination that meets all of the conditions below, but all  
 7 other enforcement provisions of this Article remain applicable:
- 8           a. Is hauling wood residuals, including wood chips, sawdust,  
 9 mulch, or tree bark, ~~bark~~, bark from any site; or is transporting bulk  
 10 soil, bulk rock, sand, sand rock, or asphalt millings from a site  
 11 that does not have a certified scale for weighing the vehicle.
- 12           b. Does not operate on an interstate highway, a posted light-traffic  
 13 road, or a posted bridge.
- 14           c. Does not exceed a maximum gross weight 4,000 pounds in  
 15 excess of what is allowed in subsection (b) of this section.
- 16           d. Does not exceed a single-axle weight of more than 22,000  
 17 pounds and a tandem-axle weight of more than 42,000 pounds.  
 18           ..."

#### 19 20 **ONLINE DEALER REGISTRATION FUNDS**

21           **SECTION 21.2.(a)** Notwithstanding the provisions of Section 28.22(b) of  
 22 S.L. 2005-276, for fiscal year 2006-2007, the Division of Motor Vehicles is prohibited  
 23 from spending any funds appropriated to it for Online Dealer Registration  
 24 enhancements.

25           **SECTION 21.2.(b)** This section becomes effective June 30, 2006.

#### 26 27 **TRANSPORTATION IMPROVEMENT PLAN PILOT**

28           **SECTION 21.3.** The Department of Transportation may enter into  
 29 agreements with units of local government for the purpose of expediting transportation  
 30 projects currently programmed in the Transportation Improvement Plan.

31           The agreements affected by this section shall be between the Department of  
 32 Transportation and units of local government. The agreements may authorize units of  
 33 local government to construct projects scheduled in the Transportation Improvement  
 34 Plan more than two years from the date of the agreement. The units of local government  
 35 shall fund one hundred percent (100%) of the project at current prices. In a future year,  
 36 when the project is funded from State and federal sources, the units of local government  
 37 shall be reimbursed an appropriate share of the funds, at the future programmed project  
 38 funding amount, as identified and scheduled in the Transportation Improvement Plan.

39           The Department of Transportation shall report to the Joint Legislative  
 40 Transportation Oversight Committee by December 1, 2006, on any agreements executed  
 41 with units of local government pursuant to this section.  
 42

#### 43 **CASH FLOW HIGHWAY FUNDS AND HIGHWAY TRUST FUND** 44 **APPROPRIATIONS**

45           **SECTION 21.4.(a)** The General Assembly authorizes and certifies  
 46 anticipated revenues of the Highway Fund as follows:

47	For Fiscal Year 2007-2008	\$1,798.0 million
48	For Fiscal Year 2008-2009	\$1,836.2 million
49	For Fiscal Year 2009-2010	\$1,859.2 million
50	For Fiscal Year 2010-2011	\$1,872.6 million

51           **SECTION 21.4.(b)** The General Assembly authorizes and certifies  
 52 anticipated revenues of the Highway Trust Fund as follows:

53	For Fiscal Year 2007-2008	\$1,128.9 million
54	For Fiscal Year 2008-2009	\$1,167.8 million
55	For Fiscal Year 2009-2010	\$1,203.0 million

For Fiscal Year 2010-2011

\$1,235.0 million

**DEPARTMENT OF TRANSPORTATION TO PROVIDE REAL-TIME ACCESS TO ALL WEIGH-IN-MOTION DATA PRODUCED AND TRANSMITTED FROM WEIGH-IN-MOTION SITES THROUGHOUT THE STATE AND PROVIDE PERIODIC SUMMARIES OF DATA COLLECTED AT EXISTING DOT WEIGH-IN-MOTION SITES**

**SECTION 21.5.(a)** The Department of Transportation shall provide the State Highway Patrol real-time access to all real-time data collection efforts at all existing weigh-in-motion sites by October 1, 2006, to include but not limited to:

- (1) Install wireless access points at each site to allow the State Highway Patrol to station troopers at or near the weigh-in-motion site, capture data on a computer with software and technology capable of receiving the real-time data as it is captured by the weigh-in-motion site, and then take appropriate enforcement action.
- (2) Provide periodic summaries of collected data to assist in monitoring overweight vehicle travel volumes, habits, routes, and date and time information.
- (3) Acquire any necessary software to allow the State Highway Patrol to interface with the existing systems at all weigh-in-motion sites throughout the State.
- (4) Provide access to any new facilities constructed on DOT rights-of-way that collect, monitor, seize, or capture any data related to violations of weight, length, or height restrictions.

**SECTION 21.5.(b)** The State Highway Patrol shall report the effectiveness of the access to weigh-in-motion sites, the collected data, and use of these sites as a vehicle weight screening technology to increase the effectiveness of Motor Carrier Enforcement activities to the Joint Legislative Transportation Oversight Committee by October 1, 2006.

**FUNDS FOR ECONOMIC DEVELOPMENT, SPOT SAFETY, AND TRANSPORTATION IMPROVEMENT PROGRAM PROJECTS**

**SECTION 21.6.** Of the funds appropriated by this act to the Department of Transportation in fiscal year 2006-2007, twenty-eight million dollars (\$28,000,000) shall be allocated equally among the 14 Highway Divisions for economic development transportation projects recommended by the member of the Board of Transportation representing the Division in which the project is to be constructed in consultation with the Division Engineer and approved by the Board of Transportation. Funds in each Division not needed for economic development projects shall be used on spot safety needs to enhance safety, reduce congestion, improve traffic flow, reduce accidents, and for system preservation. Any remaining funds in each Division shall be used on Transportation Improvement Program projects. The Secretary of Transportation shall not prevent or delay the implementation of any projects approved by the Board of Transportation pursuant to this section.

**CHANGE SUNSET OF OPEN CONTAINER LAW**

**SECTION 21.7.** Section 21 of S.L. 2000-155, as amended by Section 1 of S.L. 2002-25, reads as rewritten:

"**SECTION 21.** Section 4 of this act is effective September 1, 2000, and expires September 30, ~~2006~~2010. Sections 19 and 20 of this act are effective when those sections become law. The remainder of this act becomes effective September 1, 2000, and applies to offenses committed on or after that date."

**MAINTENANCE OF PERMANENT WEIGH STATIONS**

**SECTION 21.8.** G.S. 20-183.9 reads as rewritten:



1 **"§ 20-183.9. Establishment and maintenance of permanent weigh stations.**

2 The Department of Crime Control and Public Safety is hereby authorized,  
3 empowered and directed to ~~equip, operate, and maintain~~ equip and operate permanent  
4 weigh stations equipped to weigh vehicles using the streets and highways of this State to  
5 determine whether such vehicles are being operated in accordance with legislative  
6 enactments relating to weights of vehicles and their loads. The permanent weigh  
7 stations shall be established at such locations on the streets and highways in this State as  
8 will enable them to be used most advantageously in determining the weight of vehicles  
9 and their loads. The Department of Transportation shall be responsible for the  
10 maintenance and upkeep of all permanent weigh stations established pursuant to this  
11 section."  
12

13 **VIPER RADIO PROGRAM**

14 **SECTION 21.9.** The State Highway Patrol shall issue a request for a  
15 proposal for the maintenance of the Voice Interoperability Plan for Emergency  
16 Responders (VIPER). The bid shall be for the current system in place and shall not  
17 include installation of the system.

18 The Criminal Justice Information Network (CJIN) shall prepare a cost  
19 allocation plan for the continued building and operation of the VIPER system that shall  
20 include proposed shared costs for installation and use by all State government users,  
21 including, but not limited to the Department of Health and Human Services, the State  
22 Emergency Management Division, the Wildlife Resources Commission, the State  
23 Bureau of Investigation, the State Highway Patrol, and Alcohol Law Enforcement.

24 The CJIN shall report to the Legislative Transportation Oversight Committee,  
25 the Chairs of both the Appropriations Subcommittees for Transportation and Justice and  
26 Public Safety, and the Fiscal Research Division by October 1, 2006.  
27

28 **ACCESS ROADS FOR ECONOMIC DEVELOPMENT**

29 **SECTION 21.10.** Of funds appropriated to the Department of  
30 Transportation, the Department shall use up to the sum of one million seven hundred  
31 thousand dollars (\$1,700,000) from the maintenance funds account for construction of  
32 access roads in municipalities that have populations greater than 500,000 persons,  
33 according to the most recent decennial federal census, to encourage economic  
34 development of undeveloped lands. The Department of Transportation may contract  
35 with an approved developer to construct an access road and reimburse the developer  
36 from the appropriate funds.  
37

38 **CONFORM SEAT BELT LAW TO FEDERAL LAW TO PREVENT A LOSS OF**  
39 **FEDERAL HIGHWAY FUNDS**

40 **SECTION 21.11.** G.S. 20-135.2A.(c) reads as rewritten:

41 "(c) This section shall not apply to any of the following:

- 42 (1) A driver or occupant of a noncommercial motor vehicle with a medical  
43 or physical condition that prevents appropriate restraint by a safety belt  
44 or with a professionally certified mental phobia against the wearing of  
45 vehicle restraints;
- 46 (2) A motor vehicle operated by a rural letter carrier of the United States  
47 Postal Service while performing duties as a rural letter carrier and a  
48 motor vehicle operated by a newspaper delivery person while actually  
49 engaged in delivery of newspapers along the person's specified route;
- 50 (3) A driver or passenger frequently stopping and leaving the vehicle or  
51 delivering property from the vehicle if the speed of the vehicle  
52 between stops does not exceed 20 miles per hour;
- 53 (4) Any vehicle registered and licensed as a property-carrying vehicle in  
54 accordance with G.S. 20-88, while being used for agricultural ~~or~~  
55 commercial purposes; purposes in intrastate commerce; or

- 1 (5) A motor vehicle not required to be equipped with seat safety belts  
2 under federal law."  
3

4 **UTILIZATION OF SMALL BUSINESS ENTERPRISES IN DEPARTMENT**  
5 **PROJECTS OR THE USE OF FULLY OPERATED RENTAL EQUIPMENT**

6 **SECTION 21.12.** From funds available to the Department of Transportation,  
7 a goal of fifty million dollars (\$50,000,000) per year is established for the utilization of  
8 small business enterprises through contracts or the use of fully operated rental  
9 equipment.

10  
11 **CONSOLIDATION OF RURAL FUNDING PROGRAMS BY THE**  
12 **DEPARTMENT OF TRANSPORTATION'S PUBLIC TRANSPORTATION**  
13 **DIVISION**

14 **SECTION 21.13.** The Department of Transportation, Public Transportation  
15 Division, may consolidate its rural funding programs into one large rural capital and  
16 operating program for funding of rural and small urban public transportation systems.  
17 The Division shall have flexibility to realign funding based on actual needs of  
18 transportation systems and for leveraging additional federal funds. The programs  
19 affected by the consolidation include: Rural Capital Program, Rural Intercity Program,  
20 Rural General Public, Rural Facility Program, Elderly and Disabled Transportation  
21 Assistance Program, Rural Technology Program, and Work First/Employment  
22 Transportation Program.

23 The Division shall submit a report on its funding allocation no later than  
24 October 31, 2006, to the Chairs of the Appropriations Subcommittee for Transportation  
25 and the Fiscal Research Division.  
26

27 **FUNDS FOR STORMWATER PROJECTS**

28 **SECTION 21.14.** Of funds available to the Department of Transportation,  
29 fifteen million dollars (\$15,000,000) shall be transferred during the 2006-2007 fiscal  
30 year to the Department of Environment and Natural Resources for a stormwater pilot  
31 project to clean up State-maintained ocean outfalls and associated outlets through new  
32 and innovative technologies and filtering mechanisms.  
33

34 **ALLOWABLE LOADS IN AGRICULTURAL TRANSPORTING**

35 **SECTION 21.15.** G.S. 20-51(6) reads as rewritten:

- 36 "(6) Any trailer or semitrailer attached to and drawn by a properly licensed  
37 motor vehicle when used by a farmer, his tenant, agent, or employee in  
38 transporting unginning cotton, peanuts, soybeans, corn, hay, tobacco,  
39 silage, cucumbers, ~~potatoes, potatoes,~~ all vegetables, fruits, greenhouse  
40 and nursery plants and flowers, Christmas trees, fertilizers or  
41 chemicals purchased or owned by the farmer or tenant for personal use  
42 in implementing husbandry, irrigation pipes, loaders, or equipment  
43 owned by the farmer or tenant from place to place on the same farm,  
44 from one farm to another, from farm to gin, from farm to dryer, or  
45 from farm to market, and when not operated on a for-hire basis. The  
46 term "transporting" as used herein shall include the actual hauling of  
47 said products and all unloaded travel in connection therewith."  
48

49 **AN ACT TO PROMOTE PRESERVATION OF THE INTERSTATE HIGHWAY**  
50 **SYSTEM**

51 **SECTION 21.16.** In order to promote the preservation of the Interstate  
52 Highway System and to more effectively utilize existing Federal Highway Funds for  
53 Interstate Maintenance and Preservation, the Department of Transportation shall  
54 annually allocate, of the funds available from the Interstate Maintenance Federal Funds  
55 authorization, thirty million dollars (\$30,000,000) to the 14 Highway Divisions for

1 Interstate resurfacing and preventive maintenance activities specifically for the purposes  
 2 of pavement preservation, improving ride quality, and extending the life of the Interstate  
 3 System.

4 These funds shall be distributed to each Highway Division according to the  
 5 percentage of lane-miles of Interstate Highways within that division and deducting from  
 6 that lane-mileage, projects awarded the previous fiscal year for pavement rehabilitation,  
 7 not including Division awarded projects for preventive maintenance.

8 If during any fiscal year, the Board of Transportation authorizes the transfer  
 9 of Interstate Maintenance Funds to other federal funding types, the amount of funds  
 10 distributed to the 14 Highway Divisions by this act shall be concurrently increased by  
 11 an amount equal to the transfer of Interstate Maintenance Funds.

12  
 13 **DEVELOP AND IMPLEMENT A PLAN TO PLANT TREES AND OTHER**  
 14 **VEGETATION ON THE RIGHT-OF-WAYS OF THE STATE'S ROADS AND**  
 15 **HIGHWAYS AND TO PROVIDE FUNDING FOR THAT PLAN.**

16 **SECTION 21.17.(a)** The Department of Environment and Natural  
 17 Resources, in collaboration with the Departments of Transportation and Correction shall  
 18 develop and implement a plan to plant the maximum number of trees and other natural  
 19 and native vegetation feasible along State roads and highways in the right-of-way of the  
 20 Department of Transportation. The Department of Environment and Natural Resources  
 21 shall report to the Legislative Oversight Commission on Governmental Operations and  
 22 the Fiscal Research Division by January 1, 2007, on the number of trees and the amount  
 23 of native vegetation planted pursuant to this section.

24 **SECTION 21.17.(b)** Of the funds available to the Department of  
 25 Transportation, the Department shall transfer twenty-five thousand dollars (\$25,000) to  
 26 the Department of Environment and Natural Resources during the 2006-2007 fiscal year  
 27 to implement this section.

28  
 29 **PART XXII. SALARIES AND EMPLOYEE BENEFITS**

30  
 31 **GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES**

32 **SECTION 22.1.(a)** Effective July 1, 2006, G.S. 147-11(a) reads as  
 33 rewritten:

34 "(a) The salary of the Governor shall be ~~one hundred twenty three thousand eight~~  
 35 ~~hundred nineteen dollars (\$123,819)~~ one hundred thirty thousand ten dollars (\$130,010)  
 36 annually, payable monthly."

37 **SECTION 22.1.(b)** Section 29.1(b) of S.L. 2005-276 reads as rewritten:

38 "**SECTION 29.1.(b)** Effective ~~July 1, 2005,~~ July 1, 2006, the annual salaries for the  
 39 members of the Council of State, payable monthly, for the ~~2005-2006 and 2006-2007~~  
 40 fiscal years-year are:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	<del>\$109,279</del> <u>114,743</u>
Attorney General	<del>109,279</del> <u>114,743</u>
Secretary of State	<del>109,279</del> <u>114,743</u>
State Treasurer	<del>109,279</del> <u>114,743</u>
State Auditor	<del>109,279</del> <u>114,743</u>
Superintendent of Public Instruction	<del>109,279</del> <u>114,743</u>
Agriculture Commissioner	<del>109,279</del> <u>114,743</u>
Insurance Commissioner	<del>109,279</del> <u>114,743</u>
Labor Commissioner	<del>109,279</del> <u>114,743</u> "

51  
 52  
 53 **NONELECTED DEPARTMENT HEADS/SALARY INCREASES**

54 **SECTION 22.2.** Section 29.2 of S.L. 2005-276 reads as rewritten:

1 "SECTION 29.2. In accordance with G.S. 143B-9, the maximum annual salaries,  
2 payable monthly, for the nonelected heads of the principal State departments for the  
3 ~~2005-2006 and 2006-2007~~ fiscal ~~years-year~~ are:

<u>Nonelected Department Heads</u>	<u>Annual Salary</u>
Secretary of Administration	<del>\$106,765</del> <u>112,103</u>
Secretary of Correction	<del>106,765</del> <u>112,103</u>
Secretary of Crime Control and Public Safety	<del>106,765</del> <u>112,103</u>
Secretary of Cultural Resources	<del>106,765</del> <u>112,103</u>
Secretary of Commerce	<del>106,765</del> <u>112,103</u>
Secretary of Environment and Natural Resources	<del>106,765</del> <u>112,103</u>
Secretary of Health and Human Services	<del>106,765</del> <u>112,103</u>
Secretary of Juvenile Justice and Delinquency	<del>106,765</del> <u>112,103</u>
Secretary of Revenue	<del>106,765</del> <u>112,103</u>
Secretary of Transportation	<del>106,765</del> <u>112,103</u> "

### **CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES**

17 **SECTION 22.3.** Section 29.3 of Section of S.L. 2005-276 reads as rewritten:

18 "SECTION 29.3. The annual salaries, payable monthly, for the ~~2005-2006 and~~  
19 ~~2006-2007~~ fiscal ~~years-year~~ for the following executive branch officials are:

<u>Executive Branch Officials</u>	<u>Annual Salary</u>
Chairman, Alcoholic Beverage Control Commission	<del>\$97,175</del> <u>102,034</u>
State Controller	<del>135,997</del> <u>142,797</u>
Commissioner of Motor Vehicles	<del>97,175</del> <u>102,034</u>
Commissioner of Banks	<del>109,279</del> <u>114,743</u>
Chairman, Employment Security Commission	<del>133,161</del>
State Personnel Director	<del>106,765</del> <u>112,103</u>
Chairman, Parole Commission	<del>88,733</del> <u>93,170</u>
Members of the Parole Commission	<del>40,960</del> <u>43,008</u>
Chairman, Utilities Commission	<del>121,701</del> <u>127,786</u>
Members of the Utilities Commission	<del>109,279</del> <u>114,743</u>
Executive Director, Agency for Public Telecommunications	<del>81,921</del> <u>86,017</u>
Director, Museum of Art	<del>99,573</del> <u>104,552</u>
Executive Director, North Carolina Agricultural Finance Authority	<del>94,587</del> <u>99,316</u>
State Chief Information Officer	<del>135,915</del> <u>142,711"</u>

### **JUDICIAL BRANCH OFFICIALS/SALARY INCREASES**

40 **SECTION 22.4.** Section 29.4 of S.L. 2005-276 reads as rewritten:

41 "SECTION 29.4.(a) The annual salaries, payable monthly, for specified Judicial  
42 Branch officials for the ~~2005-2006 and 2006-2007~~ fiscal ~~years-year~~ are:

<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
Chief Justice, Supreme Court	<del>\$123,819</del> <u>130,010</u>
Associate Justice, Supreme Court	<del>120,583</del> <u>126,612</u>
Chief Judge, Court of Appeals	<del>117,568</del> <u>123,446</u>
Judge, Court of Appeals	<del>115,559</del> <u>121,337</u>
Judge, Senior Regular Resident Superior Court	<del>112,419</del> <u>118,040</u>
Judge, Superior Court	<del>109,279</del> <u>114,743</u>
Chief Judge, District Court	<del>99,231</del> <u>104,193</u>
Judge, District Court	<del>96,091</del> <u>100,896</u>
Administrative Officer of the Courts	<del>112,419</del> <u>118,040</u>
Assistant Administrative Officer of the Courts	<del>102,684</del> <u>107,818"</u>

1           **SECTION 29.4.(b)** The district attorney or public defender of a judicial  
 2 district, with the approval of the Administrative Officer of the Courts or the  
 3 Commission on Indigent Defense Services, respectively, shall set the salaries of  
 4 assistant district attorneys or assistant public defenders, respectively, in that district such  
 5 that the average salaries of assistant district attorneys or assistant public defenders in  
 6 that district do not exceed ~~sixty-two thousand nine hundred thirty dollars (\$62,930),~~  
 7 sixty-six thousand seventy-seven dollars (\$66,077), and the minimum salary of any  
 8 assistant district attorney or assistant public defender is at least ~~thirty-two thousand~~  
 9 ~~eight hundred eighty-five dollars (\$32,885),~~ thirty-four thousand five hundred  
 10 twenty-nine dollars (\$34,529) effective July 1, 2005. July 1, 2006.

11           **SECTION 29.4.(c)** Effective July 1, 2005, the annual salaries of permanent,  
 12 full-time employees of the Judicial Department whose salaries are not itemized in this  
 13 act shall be increased by the greater of eight hundred fifty dollars (\$850.00) or two  
 14 percent (2%). Effective July 1, 2006, the annual salaries of permanent full-time  
 15 employees of the Judicial Department whose salaries are not itemized in this act shall be  
 16 increased by five percent (5%).

17           **SECTION 29.4.(d)** Effective July 1, 2005, the annual salaries of permanent,  
 18 part-time employees of the Judicial Department whose salaries are not itemized in this  
 19 act shall be increased by pro rata amounts of eight hundred fifty dollars (\$850.00) or  
 20 two percent (2%), whichever is greater. Effective July 1, 2006 the annual salaries of  
 21 permanent, part-time employees of the Judicial Department whose salaries are not  
 22 itemized in this act shall be increased by five percent (5%)."

23  
 24 **CLERK OF SUPERIOR COURT/SALARY INCREASES**

25           **SECTION 22.5.** Effective July 1, 2006, G.S. 7A-101(a) reads as rewritten:

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

Population	Annual Salary
Less than 100,000	<del>\$73,092</del> <u>\$76,747</u>
100,000 to 149,999	<del>82,021</del> <u>86,122</u>
150,000 to 249,999	<del>90,952</del> <u>95,500</u>
250,000 and above	<del>99,884</del> <u>104,878.</u>

35           The salary schedule in this subsection is intended to represent the following  
 36 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%.

42           When a county changes from one population group to another, the salary of the clerk  
 43 shall be changed, on July 1 of the fiscal year for which the change is reported, to the  
 44 salary appropriate for the new population group, except that the salary of an incumbent  
 45 clerk shall not be decreased by any change in population group during his continuance  
 46 in office."  
 47

48 **ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES**

49           **SECTION 22.6.** Effective July 1, 2006, G.S. 7A-102(c1) reads as rewritten:

50           "(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time  
 51 deputy clerk serving as head bookkeeper per county, shall be paid an annual salary  
 52 subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	<del>\$28,365</del> <u>\$29,783</u>
Maximum	<del>48,579</del> <u>51,008</u>

Deputy Clerks	Annual Salary
Minimum	<del>\$24,415</del> \$25,636
Maximum	<del>37,784</del> <u>39,673.</u> "

**MAGISTRATES' SALARY INCREASES**

**SECTION 22.7.(a)** Effective July 1, 2006, G.S. 7A-171.1(a) reads as rewritten:

"(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

- (1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

**Table of Salaries of Full-Time Magistrates**

Step Level	Annual Salary
Entry Rate	<del>\$28,739</del> \$30,176
Step 1	<del>31,375</del> <u>32,944</u>
Step 2	<del>34,243</del> <u>35,955</u>
Step 3	<del>37,373</del> <u>39,242</u>
Step 4	<del>40,802</del> <u>42,842</u>
Step 5	<del>44,665</del> <u>46,898</u>
Step 6	<del>48,997</del> <u>51,447.</u>

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

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

**SECTION 22.7.(b)** Effective July 1, 2006, G.S. 7A-171.1(a1) reads as rewritten:

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

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

Less than 1 year of service	\$23,175	\$24,334
1 or more but less than 3 years of service	<del>24,239</del>	<u>25,451</u>
3 or more but less than 5 years of service	<del>26,380</del>	<u>27,699</u>

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

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

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

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

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

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

**GENERAL ASSEMBLY PRINCIPAL CLERKS/SALARY INCREASES**

**SECTION 22.8.** Effective July 1, 2006, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~ninety two thousand three hundred twenty four dollars (\$92,324)~~ ninety-six thousand nine hundred forty dollars (\$96,940) payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and Advisory Budget Commission and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

**SERGEANTS-AT-ARMS AND READING CLERKS**

**SECTION 22.9.** Effective July 1, 2006, G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~three hundred twenty seven dollars (\$327.00)~~ three hundred forty-three dollars (\$343.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

**LEGISLATIVE EMPLOYEES**

1           **SECTION 22.10.** Effective July 1, 2006, the Legislative Services Officer  
2 shall increase the salaries of nonelected employees of the General Assembly in effect  
3 for fiscal year 2005-2006 by five percent (5%). Nothing in this act limits any of the  
4 provisions of G.S. 120-32.

## 5 6 **COMMUNITY COLLEGE PERSONNEL/SALARY INCREASES**

7           **SECTION 22.11.** Section 29.11 of S.L. 2005-276 reads as rewritten:

8           **"SECTION 29.11.** The Director of the Budget shall transfer from the Reserve for  
9 Compensation Increases, created in this act for fiscal years 2005-2006 and 2006-2007,  
10 funds to the North Carolina Community Colleges System Office necessary to provide an  
11 annual salary increase of the greater of eight hundred fifty dollars (\$850.00) or two  
12 percent (2%), including funds for the employer's retirement and social security  
13 contributions, commencing July 1, 2005, for all community college employees  
14 supported by State funds. The Director of the Budget shall transfer from the Reserve for  
15 Compensation Increases, created in this act for fiscal year 2006-2007, funds to the  
16 North Carolina Community Colleges System Office necessary to provide:

17           (1) An annual salary increase for faculty and professional staff of six  
18 percent (6%), plus a one-time two percent (2%) bonus, including funds  
19 for the employer's retirement and social security contributions,  
20 commencing July 1, 2006, for all community college employees  
21 supported by State funds. The one-time two percent (2%) bonus  
22 authorized by this section shall be made in accordance with rules  
23 adopted by the State Board of Community Colleges.

24           (2) An annual increase of five percent (5%), including funds for  
25 employer's retirement and social security contributions, commencing  
26 July 1, 2006, for all other community college employees supported by  
27 State funds."  
28

## 29 **UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA COMPENSATION**

30           **SECTION 22.12.** Section 29.12 of S.L. 2005-276 reads as rewritten:

31           **"SECTION 29.12.(a)** ~~The~~ For the 2005-2006 fiscal year, the Director of the Budget  
32 shall transfer to the Board of Governors of The University of North Carolina sufficient  
33 funds from the Reserve for Compensation Increases, created in this act for fiscal years  
34 2005-2006 and 2006-2007, to provide an annual salary increase of the greater of eight  
35 hundred fifty dollars (\$850.00) or two percent (2%), including funds for the employer's  
36 retirement and social security contributions, commencing July 1, 2005, for all  
37 employees of The University of North Carolina, as well as employees other than  
38 teachers of the North Carolina School of Science and Mathematics, supported by State  
39 funds and whose salaries are exempt from the State Personnel Act (EPA). The flat  
40 dollar increase of eight hundred fifty dollars (\$850.00) shall be made to all employees  
41 whose annual salary is less than or equal to forty-two thousand five hundred dollars  
42 (\$42,500). The percentage annual salary increase of two percent (2%) authorized by this  
43 section shall be made on an aggregated average basis, and these funds shall be allocated  
44 to individuals whose annual salary is greater than forty-two thousand five hundred  
45 dollars (\$42,500), according to the rules adopted by the Board of Governors of The  
46 University of North Carolina or the Board of Trustees of the North Carolina School of  
47 Science and Mathematics, as appropriate, and may not be used for any purpose other  
48 than for salary increases and necessary employer contributions provided by this section.

49           **SECTION 29.12(a1)** For the 2006-2007 fiscal year, the Director of the Budget  
50 shall transfer to the Board of Governors of The University of North Carolina sufficient  
51 funds from the Reserve for Compensation Increases, created in this act for fiscal year  
52 2006-2007, to provide an annual salary increase of six percent (6%), plus a one-time  
53 two percent bonus (2%), including funds for the employer's retirement and social  
54 security contributions, commencing July 1, 2006, for all employees of The University of  
55 North Carolina, as well as employees other than teachers of the North Carolina School



1 of Science and Mathematics, supported by State funds and whose salaries are exempt  
2 from the State Personnel Act (EPA). The percentage annual salary increase of six  
3 percent (6%), plus the one-time two percent (2%) bonus, authorized by this section shall  
4 be made on an aggregated average basis, according to the rules adopted by the Board of  
5 Governors of The University of North Carolina or the Board of Trustees of the North  
6 Carolina School of Science and Mathematics, as appropriate, and may not be used for  
7 any purpose other than for salary increases and necessary employer contributions  
8 provided by this section.

9 **SECTION 29.12.(b)** The Director of the Budget shall transfer to the Board of  
10 Governors of The University of North Carolina sufficient funds from the Reserve for  
11 Compensation Increases, created in this act for fiscal years 2005-2006 and 2006-2007,  
12 to provide an average annual salary increase of two and twenty-four hundredths percent  
13 (2.24%), including funds for the employer's retirement and social security contributions,  
14 commencing July 1, 2005, for all teaching employees of the North Carolina School of  
15 Science and Mathematics, supported by State funds and whose salaries are exempt from  
16 the State Personnel Act (EPA). These funds shall be allocated to individuals according  
17 to the rules adopted by the Board of Trustees of the North Carolina School of Science  
18 and Mathematics and may not be used for any purpose other than for salary increases  
19 and necessary employer contributions provided by this section.

20 **SECTION 29.12.(b1)** The Director of the Budget shall transfer to the Board of  
21 Governors of The University of North Carolina sufficient funds from the Reserve for  
22 Compensation Increases, created in this act for fiscal year 2006-2007, to provide an  
23 average annual salary increase of eight percent (8%), but at least an annual increase of  
24 two thousand two hundred fifty dollars (\$2,250) including funds for the employer's  
25 retirement and social security contributions, commencing July 1, 2006, for all teaching  
26 employees of the North Carolina School of Science and Mathematics, supported by  
27 State funds and whose salaries are exempt from the State Personnel Act (EPA). These  
28 funds shall be allocated to individuals according to the rules adopted by the Board of  
29 Trustees of the North Carolina School of Science and Mathematics and may not be used  
30 for any purpose other than for salary increases and necessary employer contributions  
31 provided by this section."

### 32 33 **MOST STATE EMPLOYEES/SALARY INCREASES**

34 **SECTION 22.13.** Section 29.13 of S.L. 2005-276 reads as rewritten:

35 **"SECTION 29.13.(a)** The salaries in effect June 30, 2005, of all permanent  
36 full-time State employees whose salaries are set in accordance with the State Personnel  
37 Act and who are paid from the General Fund or the Highway Fund shall be increased,  
38 effective July 1, 2005, by the greater of eight hundred fifty dollars (\$850.00) or two  
39 percent (2%), unless otherwise provided by this act. Effective July 1, 2006, the salaries  
40 in effect June 30, 2006, of all permanent full-time State employees whose salaries are  
41 set in accordance with the State Personnel Act, and who are paid from the General Fund  
42 or Highway Funds shall be increased by five percent (5%).

43 **SECTION 29.13.(b)** Except as otherwise provided in this act, the fiscal year  
44 2005-2006 salaries for permanent full-time State officials and persons in exempt  
45 positions that are recommended by the Governor or the Governor and the Advisory  
46 Budget Commission and set by the General Assembly shall be increased by the greater  
47 of eight hundred fifty dollars (\$850.00) or two percent (2%), effective July 1, 2005,  
48 unless otherwise provided by this act. Effective July 1, 2006, the compensation of  
49 permanent full-time State officials and persons in exempt positions that are  
50 recommended by the Governor or the Governor and the Advisory Budget Commission  
51 and set by the General Assembly shall be increased by five percent (5%).

52 **SECTION 29.13.(c)** The salaries in effect for fiscal year 2005-2006 for all  
53 permanent part-time State employees shall be increased, effective July 1, 2005, by pro  
54 rata amounts of eight hundred fifty dollars (\$850.00) or two percent (2%), whichever is

1 greater. Effective July 1, 2006, the salaries of all permanent part-time State employees  
2 shall be increased by five percent (5%).

3 **SECTION 29.13.(d)** The Director of the Budget may allocate out of special  
4 operating funds or from other sources of the employing agency, except tax revenues,  
5 sufficient funds to allow ~~a salary increase, effective July 1, 2005, salary increases,~~ in  
6 accordance with subsection (a), (b), or (c) of this section, including funds for the  
7 employer's retirement and social security contributions, for the permanent full-time and  
8 part-time employees of the agency, provided the employing agency elects to make  
9 available the necessary funds.

10 **SECTION 29.13.(e)** ~~Within~~ For the 2005-2006 fiscal year, within regular  
11 Executive Budget Act procedures as limited by this act, all State agencies and  
12 departments may increase on an equitable basis the rate of pay of temporary and  
13 permanent hourly State employees, subject to availability of funds in the particular  
14 agency or department, by pro rata amounts of the greater of the eight hundred fifty  
15 dollar (\$850.00) or two percent (2%) increase provided for permanent full-time  
16 employees covered by the provisions of subsection (a) of this section, commencing July  
17 1, 2005. For the 2006-2007 fiscal year, within regular Executive Budget Act procedures  
18 as limited by this act, all State agencies and departments may increase on an equitable  
19 basis the rate of pay of temporary and permanent hourly State employees, subject to  
20 availability of funds in the particular agency or department, by the five percent (5%)  
21 increase provided for permanent full-time employees covered by the provisions of  
22 subsection (a) of this section, commencing July 1, 2006."

## 23 24 ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES

25 **SECTION 22.14.** Section 29.14 of S.L. 2005-276 reads as rewritten:

26 **"SECTION 29.14.(a)** Salaries and related benefits for positions that are funded  
27 partially from the General Fund or Highway Fund and partially from sources other than  
28 the General Fund or Highway Fund shall be increased from the General Fund or  
29 Highway Fund appropriation only to the extent of the proportionate part of the salaries  
30 paid from the General Fund or Highway Fund.

31 **SECTION 29.14.(b)** The granting of the salary increases under this act does not  
32 affect the status of eligibility for salary increments for which employees may be eligible  
33 unless otherwise required by this act.

34 **SECTION 29.14.(c)** The fiscal year 2005-2006 salary increases provided in this act  
35 are to be effective July 1, 2005, and do not apply to persons separated from State service  
36 due to resignation, dismissal, reduction in force, death, or retirement, or whose last  
37 workday is prior to July 1, 2005. The fiscal year 2006-2007 salary increases provided in  
38 this act are to be effective July 1, 2006, and do not apply to persons separated from  
39 State service due to resignation, dismissal, reduction in force, death, or retirement, or  
40 whose last workday is prior to July 1, 2006.

41 Payroll checks issued to employees after July 1, 2005, which represent payment of  
42 services provided prior to July 1, 2005, these increases shall not be eligible for salary  
43 increases provided for in this act. This subsection shall apply to all employees, subject  
44 to or exempt from the State Personnel Act, paid from State funds, including public  
45 schools, community colleges, and The University of North Carolina.

46 **SECTION 29.14.(d)** The Director of the Budget shall transfer from the Reserve for  
47 Compensation Increases in this act for fiscal year 2005-2006 and fiscal year 2006-2007  
48 all funds necessary for the salary increases provided by this act, including funds for the  
49 employer's retirement and social security contributions.

50 **SECTION 29.14.(e)** Nothing in this act authorizes the transfer of funds between the  
51 General Fund and the Highway Fund for salary increases.

52 **SECTION 29.14.(f)** ~~Permanent~~ For the 2005-2006 fiscal year, permanent full-time  
53 employees who work a nine-, ten-, or eleven-month work year schedule shall receive  
54 the eight hundred fifty dollars (\$850.00) or two percent (2%) annual increase provided  
55 by this act, whichever is greater. For the 2006-2007 fiscal year, permanent full-time

1 employees who work a nine-, ten-, or eleven-month work year schedule shall receive  
2 the five percent (5%) annual increase provided by this act."

#### 3 4 **SALARY ADJUSTMENT FUND**

5 **SECTION 22.15.** Section 29.15(b) of S.L. 2005-276 reads as rewritten:

6 "**SECTION 29.15.(b)** Funds appropriated or otherwise transferred to the Salary  
7 Adjustment Fund by this act or any other provision of law shall be used to fund agency  
8 requests for the following purposes:

- 9 (1) Salary range revisions—revisions, including special minimum rate  
10 adjustments, to provide competitive salary rates for affected job  
11 classifications in response to changes in labor market salary rates as  
12 documented through data collection and analysis according to accepted  
13 human resource professional practices and standards.  
14 (2) Reallocation of positions to higher-level job classifications to  
15 compensate employees for more difficult duties at competitive salary  
16 rates as documented through data collection and analysis according to  
17 accepted human resource professional practices and standards.

18 The terms 'salary range revision' and 'reallocation' as used in this section shall  
19 conform to the definitions of those terms as previously contained in the State Personnel  
20 Manual and adopted by the State Personnel Commission effective immediately prior to  
21 November 1, 2005. Priority funding—Funding shall be given only to those salary range  
22 revisions previously approved by the State Personnel Commission and reallocations  
23 previously approved by the Office of State Personnel or designee, designee prior to  
24 January 1, 2006, and shall not be used for other purposes including, but not limited to,  
25 in-range adjustments, career banding adjustments (whether by grade to band transfer  
26 adjustments, career progression adjustments, or other similar methods), geographic  
27 differentials, or other adjustments as these terms may be defined by State Personnel  
28 Policy."

#### 29 30 **DIVISION OF WATER QUALITY SALARY INCREASES**

31 **SECTION 22.16.** The Department of Environment and Natural Resources is  
32 authorized to, and shall, provide to the employees of the Division of Water Quality an  
33 increase in annual salary of ten percent (10%). This increase shall be calculated and  
34 awarded after any across-the-board salary increases authorized by this act.  
35

#### 36 **SALARY-RELATED CONTRIBUTIONS/EMPLOYER**

37 **SECTION 22.17.** Section 29.24(c) of S.L. 2005-276 reads as rewritten:

38 "**SECTION 29.24.(c)** Effective July 1, 2006, the State's employer contribution rates  
39 budgeted for retirement and related benefits as percentage of covered salaries for the  
40 2006-2007 fiscal year are: (i) ~~six and eighty two hundredths percent (6.82%)~~ seven and  
41 fourteen hundredths percent (7.14%) – Teachers and State Employees; (ii) ~~eleven and~~  
42 ~~eighty two hundredths percent (11.82%)~~ twelve and fourteen hundredths percent  
43 (12.14%) – State Law Enforcement Officers; (iii) eleven and sixteen hundredths percent  
44 (11.16%) – University Employees' Optional Retirement System; (iv) eleven and sixteen  
45 hundredths percent (11.16%) – Community College Optional Retirement Program; (v)  
46 sixteen and thirty-nine hundredths percent (16.39%) – Consolidated Judicial Retirement  
47 System; and (vi) three and eight-tenths percent (3.8%) – Legislative Retirement System.  
48 Each of the foregoing contribution rates includes three and eight-tenths percent (3.8%)  
49 for hospital and medical benefits. The rate for Teachers and State Employees, State Law  
50 Enforcement Officers, Community College Optional Retirement Program, and for the  
51 University Employees' Optional Retirement Program includes fifty-two hundredths  
52 percent (0.52%) for the Disability Income Plan. The rates for Teachers and State  
53 Employees and State Law Enforcement Officers include sixteen hundredths percent  
54 (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers  
55 includes five percent (5%) for Supplemental Retirement Income."

1  
2 **PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE**  
3 **TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE**  
4 **JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE**  
5 **RETIREMENT SYSTEM**

6 **SECTION 22.18.(a).** G.S. 135-5 is amended by adding a new subsection to  
7 read:

8 "(ooo) From and after July 1, 2006, the retirement allowance to or on account of  
9 beneficiaries whose retirement commenced on or before July 1, 2005, shall be increased  
10 by three percent (3%) of the allowance payable on June 1, 2006, in accordance with  
11 G.S. 135-5(o). Furthermore, from and after July 1, 2006, the retirement allowance to or  
12 on account of beneficiaries whose retirement commenced after July 1, 2005, but before  
13 June 30, 2006, shall be increased by a prorated amount of three percent (3%) of the  
14 allowance payable as determined by the Board of Trustees based upon the number of  
15 months that a retirement allowance was paid between July 1, 2005, and June 30, 2006."

16 **SECTION 22.18.(b)** G.S. 120-4.22A is amended by adding a new  
17 subsection to read:

18 "(u) In accordance with subsection (a) of this section, from and after July 1, 2006,  
19 the retirement allowance to or on account of beneficiaries whose retirement commenced  
20 on or before January 1, 2006, shall be increased by three percent (3%) of the allowance  
21 payable on June 1, 2006. Furthermore, from and after July 1, 2006, the retirement  
22 allowance to or on account of beneficiaries whose retirement commenced after January  
23 1, 2006, but before June 30, 2006, shall be increased by a prorated amount of three  
24 percent (3%) of the allowance payable as determined by the Board of Trustees based  
25 upon the number of months that a retirement allowance was paid between January 1,  
26 2006, and June 30, 2006."

27 **SECTION 22.18.(c)** G.S. 135-65 is amended by adding a new subsection to  
28 read:

29 "(aa) 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 percent (3%) of the allowance payable on June 1, 2006. Furthermore, from and  
32 after July 1, 2006, the retirement allowance to or on account of beneficiaries whose  
33 retirement commenced after July 1, 2005, but before June 30, 2006, shall be increased  
34 by a prorated amount of three percent (3%) of the allowance payable as determined by  
35 the Board of Trustees based upon the number of months that a retirement allowance was  
36 paid between July 1, 2005, and June 30, 2006."

37  
38 **INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S**  
39 **AND RESCUE SQUAD WORKERS' PENSION FUND**

40 **SECTION 22.19.** G.S. 58-86-55 reads as rewritten:

41 **"§ 58-86-55. Monthly pensions upon retirement.**

42 Any member who has served 20 years as an "eligible fireman" or "eligible rescue  
43 squad worker" in the State of North Carolina, as provided in G.S. 58-86-25 and  
44 G.S. 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly  
45 pension from this fund. The monthly pension shall be in the amount of ~~one hundred~~  
46 ~~sixty three dollars (\$163.00)~~ one hundred sixty-five dollars (\$165.00) per month. Any  
47 retired fireman receiving a pension shall, effective ~~July 1, 2005,~~ July 1, 2006, receive a  
48 pension of ~~one hundred sixty three dollars (\$163.00)~~ one hundred sixty-five dollars  
49 (\$165.00) per month.

50 Members shall pay ten dollars (\$10.00) per month as required by G.S. 58-86-35 and  
51 G.S. 58-86-40 for a period of no longer than 20 years. No "eligible rescue squad  
52 member" shall receive a pension prior to July 1, 1983. No member shall be entitled to a  
53 pension hereunder until the member's official duties as a fireman or rescue squad  
54 worker for which the member is paid compensation shall have been terminated and the

1 member shall have retired as such according to standards or rules fixed by the board of  
2 trustees.

3 A member who is totally and permanently disabled while in the discharge of the  
4 member's official duties as a result of bodily injuries sustained or as a result of extreme  
5 exercise or extreme activity experienced in the course and scope of those official duties  
6 and who leaves the fire or rescue squad service because of this disability shall be  
7 entitled to be paid from the fund a monthly benefit in an amount of ~~one hundred~~  
8 ~~sixty three dollars (\$163.00)~~ one hundred sixty-five dollars (\$165.00) per month  
9 beginning the first month after the member's fifty-fifth birthday. All applications for  
10 disability are subject to the approval of the board who may appoint physicians to  
11 examine and evaluate the disabled member prior to approval of the application, and  
12 annually thereafter. Any disabled member shall not be required to make the monthly  
13 payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

14 A member who is totally and permanently disabled for any cause, other than line of  
15 duty, who leaves the fire or rescue squad service because of this disability and who has  
16 at least 10 years of service with the pension fund, may be permitted to continue making  
17 a monthly contribution of ten dollars (\$10.00) to the fund until the member has made  
18 contributions for a total of 240 months. The member shall upon attaining the age of 55  
19 years be entitled to receive a pension as provided by this section. All applications for  
20 disability are subject to the approval of the board who may appoint physicians to  
21 examine and evaluate the disabled member prior to approval of the application and  
22 annually thereafter.

23 A member who, because his residence is annexed by a city under Part 2 or Part 3 of  
24 Article 4 of Chapter 160A of the General Statutes, or whose department is closed  
25 because of an annexation by a city under Part 2 or Part 3 of Article 4 of Chapter 160A  
26 of the General Statutes, or whose volunteer department is taken over by a city or county,  
27 and because of such annexation or takeover is unable to perform as a fireman or rescue  
28 squad worker of any status, and if the member has at least 10 years of service with the  
29 pension fund, may be permitted to continue making a monthly contribution of ten  
30 dollars (\$10.00) to the fund until the member has made contributions for a total of 240  
31 months. The member upon attaining the age of 55 years and completion of such  
32 contributions shall be entitled to receive a pension as provided by this section. Any  
33 application to make monthly contributions under this section shall be subject to a  
34 finding of eligibility by the Board of Trustees upon application of the member.

35 The pensions provided shall be in addition to all other pensions or benefits under any  
36 other statutes of the State of North Carolina or the United States, notwithstanding any  
37 exclusionary provisions of other pensions or retirement systems provided by law."  
38

39 **INCREASE THE MAXIMUM MONTHLY PENSION BENEFITS FOR**  
40 **RETIRED MEMBERS OF THE NORTH CAROLINA NATIONAL GUARD**

41 **SECTION 22.20.** G.S. 127A-40(a) reads as rewritten:

42 "(a) Every member and former member of the North Carolina national guard who  
43 meets the requirements hereinafter set forth shall receive, commencing at age 60, a  
44 pension of ~~seventy five dollars (\$75.00)~~ eighty dollars (\$80.00) per month for 20 years'  
45 creditable military service with an additional ~~seven dollars and fifty cents (\$7.50)~~ eight  
46 dollars (\$8.00) per month for each additional year of such service; provided, however,  
47 that the total pension shall not exceed ~~one hundred fifty dollars (\$150.00)~~ one hundred  
48 sixty dollars (\$160.00) per month. The requirements for such pension are that each  
49 member shall:

- 50 (1) Have served and qualified for at least 20 years' creditable military  
51 service, including national guard, reserve and active duty, under the  
52 same requirement specified for entitlement to retired pay for  
53 nonregular service under Chapter 67, Title 10, United States Code.
- 54 (2) Have at least 15 years of the aforementioned service as a member of  
55 the North Carolina national guard.

(3) Have received an honorable discharge from the North Carolina national guard."

**PART XXIII. CAPITAL APPROPRIATIONS.**

**CAPITAL APPROPRIATIONS/GENERAL FUND**

**SECTION 23.1.** There is appropriated from the General Fund for the 2006-2007 fiscal year the following amounts for capital improvements:

<b>Capital Improvements – General Fund</b>	<b>2006-2007</b>
Department of Agriculture and Consumer Services	
Rollins Laboratory – Bio Security Level 2 Lab Conversion	\$250,000
Department of Crime Control and Public Safety	
Emergency Management Operations Center	8,500,000
Department of Environment and Natural Resources	
Hickory Nut Gorge Expansion	15,000,000
Water Resources Development Projects	20,000,000
Office of the Governor	
Information Technology Services – State Data Center	24,841,300
University of North Carolina System	
University of North Carolina at Wilmington – School of Nursing	27,000,000
North Carolina State University – Engineering Complex III	61,000,000
University of North Carolina at Charlotte – Center City Classroom Building	45,827,400
Winston Salem State University – Center for Design Innovation	3,500,000
University of North Carolina at Chapel Hill – Genomics Science Building Design and Construction Preparation	35,000,000
UNC Hospitals at Chapel Hill – Master Facilities Plan	3,000,000
Western Carolina University – New School of Health and Gerontological Sciences Building Planning Funds	2,402,661
Dental Schools Planning Funds	7,000,000
<b>TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND</b>	<b>\$253,321,361</b>

**WATER RESOURCES DEVELOPMENT PROJECT FUNDS**

**SECTION 23.2.(a)** The Department of Environment and Natural Resources shall allocate the funds appropriated in this act for water resources development projects to the following projects whose costs are as indicated:

<b>Name of Project</b>	<b>2006-2007</b>
(1) Wilmington Harbor Deepening	\$ 5,275,000

1	(2)	Morehead City Harbor Sand Management	1,200,000
2	(3)	Manteo (Shallowbag) Bay Channel Maintenance	-
3	(4)	Wilmington Harbor Maintenance Dredging	-
4	(5)	Morehead City Harbor Maintenance Dredging	0
5	(6)	Carolina Beach Renourishment	1,125,000
6	(7)	Carolina Beach Renourishment (Kure Beach)	681,000
7	(8)	Brunswick County Beaches Study	0
8	(9)	Ocean Isle Beach Renourishment (Brunswick County)	435,000
9	(10)	Beaufort Harbor Maintenance Dredging	300,000
10	(11)	B. Everett Jordan Reservoir Water Supply Storage	100,000
11	(12)	Aquatic Weed Control – Lake Gaston and Statewide	400,000
12	(13)	Waterway Connecting Pamlico Sound to Beaufort Harbor (Carteret)	400,000
13	(14)	John H. Kerr Reservoir Operations Evaluation	188,000
14	(15)	Currituck Sound Water Management Study	386,000
15	(16)	Surf City / North Topsail Beach Protection Study	-
16	(17)	West Onslow Beach (Topsail) Study (Pender County)	85,000
17	(18)	Hurricane Steam Restoration – Western NC (Phase II)	2,000,000
18	(19)	Hurricane Isabel Emergency Management	
19		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	3,500,000
25		<b>TOTALS</b>	<b>\$ 20,000,000</b>

26 **SECTION 23.2.(b)** Where the actual costs are different from the estimated  
 27 costs under subsection (a) of this section, the Department may adjust the allocations  
 28 among projects as needed. If any projects funded under subsection (a) of this section are  
 29 delayed and the budgeted State funds cannot be used during the 2006-2007 fiscal year,  
 30 or if the projects funded under subsection (a) of this section are accomplished at a lower  
 31 cost, the Department may use the resulting fund availability to fund any of the  
 32 following:

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

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

39 **SECTION 23.2.(c)** The Department shall make semiannual reports on the  
 40 use of these funds to the Joint Legislative Commission on Governmental Operations,  
 41 the Fiscal Research Division, and the Office of State Budget and Management. Each  
 42 report shall include all of the following:

- 43 (1) All projects listed in this section.
- 44 (2) The estimated cost of each project.
- 45 (3) The date that work on each project began or is expected to begin.
- 46 (4) The date that work on each project was completed or is expected to be  
 47 completed.
- 48 (5) The actual cost of each project.

49 The semiannual reports shall also show those projects advanced in schedule,  
 50 those projects delayed in schedule, and an estimate of the amount of funds expected to  
 51 revert to the General Fund.

## 52 **REPAIRS AND RENOVATIONS RESERVE ALLOCATION**

53 **SECTION 23.3.** Of the funds in the Reserve for Repairs and Renovations  
 54 for the 2006-2007 fiscal year, forty-six percent (46%) shall be allocated to the Board of  
 55

1 Governors of The University of North Carolina for repairs and renovations pursuant to  
2 G.S. 143-15.3A, in accordance with guidelines developed in The University of North  
3 Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as  
4 approved by the Board of Governors of The University of North Carolina, and fifty-four  
5 percent (54%) shall be allocated to the Office of State Budget and Management for  
6 repairs and renovations pursuant to G.S. 143-15.3A.

7 Notwithstanding G.S. 143-15.3A, the Board of Governors may allocate funds  
8 for the repair and renovation of facilities not supported from the General Fund if the  
9 Board determines that sufficient funds are not available from other sources and that  
10 conditions warrant General Fund assistance. Any such finding shall be included in the  
11 Board's submission to the Joint Legislative Commission on Governmental Operations  
12 on the proposed allocation of funds.

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

16  
17 **INCLUDE IN THE SIX-YEAR CAPITAL IMPROVEMENT PLAN THE**  
18 **RECOMMENDED FUNDING SOURCES FOR THE PROJECTS PROPOSED**

19 **SECTION 23.4.** G.S. 143-34.45 reads as rewritten:

20 **"§ 143-34.45. Six-year capital improvement plan.**

21 (a) The State capital improvement plan shall address the long-term capital  
22 improvement needs of all State government agencies and shall incorporate all capital  
23 projects, however financed, proposed to meet those needs, except that transportation  
24 infrastructure projects shall be excluded. On or before December 31 of each  
25 even-numbered year, the Director of the Budget shall prepare and transmit to the  
26 General Assembly a six-year capital improvement plan. When preparing the plan, the  
27 Director of the Budget shall consider the capital improvement needs estimates  
28 submitted by State agencies as required in G.S. 143-34.44. The plan shall be prepared in  
29 two parts.

30 (b) The first part of the capital improvement plan shall set forth repair and  
31 renovations requirements that, in the judgment of the Director of the Budget, must be  
32 met to protect and preserve existing capital improvement facilities. ~~General Fund~~  
33 ~~expenditure levels anticipated in this part of the plan shall be consistent with the~~  
34 ~~formula establishing the repair and renovation reserve in G.S. 143-15.3A.~~ The plan shall  
35 identify individual projects in priority order by State agency and shall specify the  
36 proposed means of financing.

37 (c) The second part of the capital improvement plan shall set forth an integrated  
38 schedule for land acquisition, new construction, or rehabilitation of existing facilities  
39 that, in the judgment of the Director of the Budget, should be initiated within each year  
40 of the six-year planning period. ~~The plan shall contain an estimated schedule for each~~  
41 ~~project, along with estimates of planning, design, and construction cost.~~ The plan shall  
42 contain all of the following for each project:

- 43 (1) An estimate of land acquisition and construction or rehabilitation  
44 costs.  
45 (2) The proposed means of financing the project. Where the means of  
46 financing would involve direct or indirect debt service obligations, the  
47 plan shall include a schedule of those obligations.  
48 (3) An estimated schedule for the completion of the project."  
49

50 **USE OF EXISTING PLANS FOR STATE CONSTRUCTION**

51 **SECTION 23.5.(a)** G.S. 143-31.1 reads as rewritten:

52 **"§ 143-31.1. ~~Study~~ Use of existing plans for State construction projects; study and**  
53 **review of plans and specifications for building, improvement, etc.,**  
54 **projects.**



1       (a) All State agencies shall use existing plans and specifications for construction  
2 projects, where feasible. Prior to designing a project, State agencies shall consult with  
3 the Department of Administration on the availability of appropriate existing plans and  
4 specifications and the feasibility of using them for a project.

5       ~~(b) It shall be the duty and responsibility of the~~The Director of the Budget ~~to~~  
6 shall determine whether buildings, repairs, alterations, additions or improvements to  
7 physical properties for which appropriations of State funds are made have been  
8 designed for the specific purpose for which such appropriations are made, that such  
9 projects have been designed giving proper consideration to economy in first cost, in  
10 maintenance cost, in materials and type of construction. Architectural features shall be  
11 selected which give proper consideration to economy in design. The Director of the  
12 Budget shall have prepared a complete study and review of all plans and specifications  
13 for such projects and bids on same will not be received until the results of such study  
14 and review have been incorporated in such plans and specifications, and until economic  
15 conditions of the construction industry are considered by the Office of State Budget and  
16 Management to be favorable to the letting of construction contracts. The Director of the  
17 Budget may, when he considers it in the best interest of the State to do so, terminate  
18 design contracts when it is documented that the designer has failed to perform the  
19 conditions enumerated in the contract.

20       Notwithstanding G.S. 143-135, the Director of the Budget may authorize the  
21 Department of Health and Human Services and the Department of Correction to use  
22 funds necessary for projects that correct deficiencies, improve living conditions, or  
23 renovate unneeded patient space for State office space."

24       **SECTION 23.5.(b)** G.S. 116-31.11(a) reads as rewritten:

25       "(a) Notwithstanding G.S. 143-341(3) and G.S. 143-135.1, the Board shall, with  
26 respect to the design, construction, or renovation of buildings, utilities, and other  
27 property developments of The University of North Carolina requiring the estimated  
28 expenditure of public money of two million dollars (\$2,000,000) or less:

- 29       (1) Conduct the fee negotiations for all design contracts and supervise the  
30       letting of all construction and design contracts.
- 31       (2) Develop procedures governing the responsibilities of The University  
32       of North Carolina and its affiliated and constituent institutions to  
33       perform the duties of the Department of Administration and the  
34       Director or Office of State Construction under G.S. 133-1.1(d) and  
35       G.S. 143-341(3).
- 36       (3) Develop procedures and reasonable limitations governing the use of  
37       open-end design agreements, subject to G.S. 143-64.34 and the  
38       approval of the State Building Commission.
- 39       (4) Use existing plans and specifications for construction projects, where  
40 feasible. Prior to designing a project, the Board shall consult with the  
41 Department of Administration on the availability of existing plans and  
42 specifications and the feasibility of using them for a project."

43       **SECTION 23.5.(c)** This section applies to construction projects on which  
44 design is begun after that date.

## 45 46 **USE OF RECEIPTS OF THE AQUARIUMS**

47       **SECTION 23.6.** Notwithstanding any other provision of law and pursuant to  
48 G.S. 143B-289.44, the Department of Environment and Natural Resources shall use  
49 funds available in the North Carolina Aquariums Fund to pay the debt service related to  
50 the construction of a one million gallon aquarium tank at the aquarium on Roanoke  
51 Island, a one million gallon tank at the Fort Fisher aquarium, and improvements to  
52 Jennette's pier in Nags Head and the Emerald Isle pier.

## 53 54 **TIMBER SALES RECEIPTS FOR CAPITAL IMPROVEMENTS AT** 55 **AGRICULTURAL RESEARCH STATIONS AND FARMS**

1           **SECTION 23.7.** Section 11.2 of S.L. 2005-276 reads as rewritten:

2           **"SECTION 11.2.** The sum of one million thirty-three thousand one hundred dollars  
3 (\$1,033,100) shall be transferred from the Department of Agriculture and Consumer  
4 Services' timber sales capital improvement account in the Department of Agriculture  
5 and Consumer Services as such funds become available ~~during the 2005-2006 fiscal~~  
6 year, during the 2006-2007 fiscal year and used by the Department for the following  
7 capital improvements projects at agricultural research stations and research farms:

- 8           (1) \$378,000 for improvements at the swine facility at the Cherry  
9           Research Farm.  
10           (2) \$285,500 for renovation of dairy facilities at the Cherry Research  
11           Farm.  
12           (3) \$369,600 for land acquisition and development at the Tidewater  
13           Research Station."  
14

#### 15 **TIMBER SALES RECEIPTS FOR LAND ACQUISITION AT PIEDMONT** 16 **RESEARCH STATION**

17           **SECTION 23.8.** The sum of one million seven hundred thousand dollars  
18 (\$1,700,000) shall be transferred from the Department of Agriculture and Consumer  
19 Services' timber sales capital improvement account in the Department of Agriculture  
20 and Consumer Services as such funds become available during the 2006-2007 fiscal  
21 year and shall be used by the Department for land acquisition at the Piedmont Research  
22 Station in Rowan County.  
23

#### 24 **PLANT CONSERVATION PROGRAM FUNDS**

25           **SECTION 23.9.** Section 11.3 of S.L. 2005-276 reads as rewritten:

26           **"SECTION 11.3.** From funds ~~received from the sale of timber~~ that are deposited  
27 with the State Treasurer pursuant to G.S. 146-30 to the credit of the Department of  
28 Agriculture and Consumer Services in a capital improvement account, the sum of  
29 ~~twenty thousand dollars (\$20,000)~~thirty thousand dollars (\$30,000) for the 2006-2007  
30 fiscal year shall be transferred to the Department of Agriculture and Consumer Services  
31 to be used by the Department for its plant conservation program under Article 19B of  
32 Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such  
33 as land appraisals, land surveys, title searches, and environmental ~~studies~~studies and for  
34 the management of plant conservation program preserves owned by the Department."  
35

#### 36 **PART XXIV. TAX REDUCTIONS**

##### 37 **REDUCE SALES TAX RATE EARLY**

38           **SECTION 24.1.(a)** Section 34.13(c) of S.L. 2001-424, as amended by  
39 Section 38.1 of S.L. 2003-284, Section 9.1 of S.L. 2005-144, and Section 33.1 of S.L.  
40 2005-276, reads as rewritten:

41           **"SECTION 34.13.(c)** This section becomes effective October 16, 2001, and applies  
42 to sales made on or after that date. ~~This section is repealed effective for sales made on~~  
43 ~~or after July 1, 2007.~~ This section does not affect the rights or liabilities of the State, a  
44 taxpayer, or another person arising under a statute amended or repealed by this section  
45 before the effective date of its amendment or repeal; nor does it affect the right to any  
46 refund or credit of a tax that accrued under the amended or repealed statute before the  
47 effective date of its amendment or repeal."  
48

49           **SECTION 24.1.(b)** G.S. 105-164.4(a), as amended by subsection (a) of this  
50 section, reads as rewritten:

51           "(a) A privilege tax is imposed on a retailer at the following percentage rates of  
52 the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is  
53 four and ~~one-half percent (4 1/2%)~~one-quarter percent (4.25%).  
54           ..."

1           **SECTION 24.1.(c)** G.S. 105-164.4(a), as amended by subsections (a) and  
 2 (b) of this section, reads as rewritten:

3           "(a) A privilege tax is imposed on a retailer at the following percentage rates of  
 4 the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is  
 5 four ~~and one-quarter percent (4.25%)~~ percent (4%).  
 6           ..."

7           **SECTION 24.1.(d)** G.S. 105-164.44F (a) reads as rewritten:

8           "(a) Amount. – The Secretary must distribute to the cities part of the taxes  
 9 imposed by G.S. 105-164.4(a)(4c) on telecommunications service. The Secretary must  
 10 make the distribution within 75 days after the end of each calendar quarter. The amount  
 11 the Secretary must distribute is ~~eighteen and three one-hundredths percent (18.03%)~~  
 12 eighteen and seventy one-hundredths percent (18.70%) of the net proceeds of the taxes  
 13 collected during the quarter, minus two million six hundred twenty thousand nine  
 14 hundred forty-eight dollars (\$2,620,948). This deduction is one-fourth of the annual  
 15 amount by which the distribution to cities of the gross receipts franchise tax on  
 16 telephone companies, imposed by former G.S. 105-120, was required to be reduced  
 17 beginning in fiscal year 1995-96 as a result of the "freeze deduction." The Secretary  
 18 must distribute the specified percentage of the proceeds, less the "freeze deduction"  
 19 among the cities in accordance with this section."

20           **SECTION 24.1.(e)** G.S. 105-164.44F(a), as amended by subsection (d) of  
 21 this section, reads as rewritten:

22           "(a) Amount. – The Secretary must distribute to the cities part of the taxes  
 23 imposed by G.S. 105-164.4(a)(4c) on telecommunications service. The Secretary must  
 24 make the distribution within 75 days after the end of each calendar quarter. The amount  
 25 the Secretary must distribute is ~~eighteen and seventy one-hundredths percent~~  
 26 ~~(18.70%)~~ nineteen and forty-two one-hundredths percent (19.42%) of the net proceeds of  
 27 the taxes collected during the quarter, minus two million six hundred twenty thousand  
 28 nine hundred forty-eight dollars (\$2,620,948). This deduction is one-fourth of the  
 29 annual amount by which the distribution to cities of the gross receipts franchise tax on  
 30 telephone companies, imposed by former G.S. 105-120, was required to be reduced  
 31 beginning in fiscal year 1995-96 as a result of the "freeze deduction." The Secretary  
 32 must distribute the specified percentage of the proceeds, less the "freeze deduction"  
 33 among the cities in accordance with this section."

34           **SECTION 24.1.(f)** Subsection (b) of this section becomes effective January  
 35 1, 2007, and applies to sales made on or after that date. Subsection (d) of this section  
 36 becomes effective January 1, 2007, and applies to taxes collected on or after that date.  
 37 Subsection (c) of this section becomes effective July 1, 2007, and applies to sales made  
 38 on or after that date. Subsection (e) of this section becomes effective July 1, 2007, and  
 39 applies to taxes collected on or after that date. The remainder of this section is effective  
 40 when it becomes law.

41  
 42 **REDUCE INCOME TAX RATE APPLICABLE TO MOST SMALL**  
 43 **BUSINESSES EARLY**

44           **SECTION 24.2.(a)** Section 39.1 of S.L. 2003-284, as amended by Section  
 45 36.1(a) of S.L. 2005-276, is repealed.

46           **SECTION 24.2.(b)** G.S. 105-134.2(a), as amended by subsection (a) of this  
 47 section, reads as rewritten:

48           "(a) A tax is imposed upon the North Carolina taxable income of every individual.  
 49 The tax shall be levied, collected, and paid annually and shall be computed at the  
 50 following percentages of the taxpayer's North Carolina taxable income.

- 51           (1) For married individuals who file a joint return under G.S. 105-152 and  
 52 for surviving spouses, as defined in section 2(a) of the Code:  
 53

Over	Up To	Rate
0	\$21,250	6%

1	\$21,250	\$100,000	7%
2	\$100,000	\$200,000	7.75%
3	\$200,000	NA	<del>8.25%</del> 8%

(2) For heads of households, as defined in section 2(b) of the Code:

	Over	Up To	Rate
7	0	\$17,000	6%
8	\$17,000	\$80,000	7%
9	\$80,000	\$160,000	7.75%
10	\$160,000	NA	<del>8.25%</del> 8%

(3) For unmarried individuals other than surviving spouses and heads of households:

	Over	Up To	Rate
16	0	\$12,750	6%
17	\$12,750	\$60,000	7%
18	\$60,000	\$120,000	7.75%
19	\$120,000	NA	<del>8.25%</del> 8%

(4) For married individuals who do not file a joint return under G.S. 105-152:

	Over	Up To	Rate
25	0	\$10,625	6%
26	\$10,625	\$50,000	7%
27	\$50,000	\$100,000	7.75%
28	\$100,000	NA	<del>8.25%</del> 8%

**SECTION 24.2.(c)** G.S. 105-134.2(a), as amended by subsections (a) and

(b) of this section, reads as rewritten:

"(a) A tax is imposed upon the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually and shall be computed at the following percentages of the taxpayer's North Carolina taxable income.

(1) For married individuals who file a joint return under G.S. 105-152 and for surviving spouses, as defined in section 2(a) of the Code:

	Over	Up To	Rate
38	0	\$21,250	6%
39	\$21,250	\$100,000	7%
40	\$100,000	<del>\$200,000</del> NA	7.75%
41	\$200,000	NA	8%

(2) For heads of households, as defined in section 2(b) of the Code:

	Over	Up To	Rate
46	0	\$17,000	6%
47	\$17,000	\$80,000	7%
48	\$80,000	<del>\$160,000</del> NA	7.75%
49	\$160,000	NA	8%

(3) For unmarried individuals other than surviving spouses and heads of households:

	Over	Up To	Rate
--	------	-------	------

1	0	\$12,750	6%
2	\$12,750	\$60,000	7%
3	\$60,000	\$120,000 <del>NA</del>	7.75%
4	\$120,000	NA	8%

(4) For married individuals who do not file a joint return under G.S. 105-152:

	Over	Up To	Rate
9	0	\$10,625	6%
10	\$10,625	\$50,000	7%
11	\$50,000	\$100,000 <del>NA</del>	7.75%
12	\$100,000	NA	8%".

**SECTION 24.2.(d)** Subsection (b) of this section is effective for taxable years beginning on or after January 1, 2007. Subsection (c) of this section is effective for taxable years beginning on or after January 1, 2008. The remainder of this section is effective when it becomes law.

**CAP THE VARIABLE WHOLESALE COMPONENT OF THE MOTOR FUEL TAX RATE AT ITS CURRENT RATE FOR ONE YEAR.**

**SECTION 24.3(a).** Notwithstanding G.S. 105-449.80(a), for the period July 1, 2006, through June 30, 2007, the variable wholesale component of the motor fuel excise tax rate may not exceed twelve and four-tenths cents (12.4¢) a gallon.

**PART XXV. MINIMUM WAGE INCREASE**

**INCREASE MINIMUM WAGE**

**SECTION 25.1.(a)** G.S. 95-25.3(a) reads as rewritten:

"(a) Every employer shall pay to each employee who in any workweek performs any work, wages of at least ~~the minimum wage set forth in paragraph 1 of section 6(a) of the Fair Labor Standards Act, 29 U.S.C. 206(a)(1), as that wage may change from time to time, six dollars and fifteen cents (\$6.15) per hour,~~ except as otherwise provided in this section."

**SECTION 25.1.(b)** This section becomes effective September 1, 2006.

**PART XXVI. SET REGULATORY FEES**

**SET UTILITIES REGULATORY FEE**

**SECTION 26.1.(a)** The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is twelve-hundredths of one percent (0.12%) for each public utility's North Carolina jurisdictional revenues earned during each quarter that begins on or after July 1, 2006.

**SECTION 26.1.(b)** The electric membership corporation regulatory fee imposed under G.S. 62-302(b1) for the 2006-2007 fiscal year is two hundred thousand dollars (\$200,000).

**SET INSURANCE REGULATORY FEE**

**SECTION 26.2.** The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is five and one-half percent (5.5%) for the 2006 calendar year.

**PART XXVII. SPECIAL INDEBTEDNESS PROJECTS**

**HOSPITAL AND MUSEUM SPECIAL INDEBTEDNESS**

1           **SECTION 27.1.(a)** In accordance with G.S. 142-83, this subsection  
 2 authorizes the issuance or incurrence of special indebtedness in the following maximum  
 3 aggregate principal amounts to finance the costs of the following projects. The table  
 4 below provides the maximum principal amounts. The State, with the prior approval of  
 5 the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of  
 6 the General Statutes, is authorized to issue or incur special indebtedness in order to  
 7 provide funds to the State to be used, together with other available funds, to pay the cost  
 8 of these projects. Each project is listed below in its order of priority.

<b>Aggregate Maximum</b>	<b>Project</b>
\$20,000,000	Completing the construction and equipping of the Central Regional Psychiatric Hospital for the Department of Health and Human Services.
\$145,500,000	Acquiring, constructing, and equipping a new Eastern Regional Psychiatric Hospital for the Department of Health and Human Services.
\$40,000,000	Acquiring, constructing, and equipping an expansion for the North Carolina Museum of Art, but not including the acquisition of additional land.
<b>TOTAL:</b> \$205,500,000	

25           **SECTION 27.1.(b)** In accordance with G.S. 142-83, this subsection  
 26 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate  
 27 principal amount of one hundred sixty-two million eight hundred thousand dollars  
 28 (\$162,800,000) to finance the capital facility costs of a new Western Regional  
 29 Psychiatric Hospital for the Department of Health and Human Services. 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 costs of acquiring, constructing, and equipping the project  
 34 described in this subsection. The special indebtedness authorized by this subsection  
 35 may not be issued before July 1, 2008, unless the State Treasurer makes a specific  
 36 written finding that an earlier issuance date is in the best interests of the State.

37           **SECTION 27.1.(c)** This section is effective when it becomes law.

## 38           **PART XXVIII. MISCELLANEOUS PROVISIONS**

### 39           **EXECUTIVE BUDGET ACT APPLIES**

40           **SECTION 28.1.** The provisions of the Executive Budget Act, Chapter 143,  
 41 Article 1 of the General Statutes, are reenacted and shall remain in full force and effect  
 42 and are incorporated in this act by reference.

### 43           **COMMITTEE REPORT**

44           **SECTION 28.2.(a)** The Senate Appropriations Committee Report on the  
 45 Continuation, Expansion, and Capital Budgets shall indicate action by the General  
 46 Assembly on this act and shall therefore be used to construe this act, as provided in  
 47 G.S. 143-15 of the Executive Budget Act, and for these purposes shall be considered a  
 48 part of this act and as such shall be printed as a part of the Session Laws.

49           **SECTION 28.2.(b)** The budget enacted by the General Assembly for the  
 50 maintenance of the various departments, institutions, and other spending agencies of the  
 51  
 52  
 53  
 54  
 55

1 State for the 2006-2007 fiscal year is a line-item budget, in accordance with the Budget  
2 Code Structure and the State Accounting System Uniform Chart of Accounts set out in  
3 the Administrative Policies and Procedures Manual of the Office of the State Controller.  
4 This budget includes the appropriations made from all sources including the General  
5 Fund, Highway Fund, special funds, cash balances, federal receipts, and departmental  
6 receipts.

7 The General Assembly amended the requested adjustments to the budgets  
8 submitted to the General Assembly by the Director of the Budget and the Advisory  
9 Budget Commission in accordance with the steps that follow, and the line-item detail in  
10 the budget enacted by the General Assembly may be derived accordingly:

11 (1) The base budget was adjusted in accordance with the base budget cuts  
12 and additions that were set out in the Senate Appropriations  
13 Committee Report on the Continuation, Expansion, and Capital  
14 Budgets.

15 (2) Transfers of funds supporting programs were made in accordance with  
16 the Senate Appropriations Committee Report on the Continuation,  
17 Expansion, and Capital Budgets.

18 **SECTION 28.2.(c)** The budget enacted by the General Assembly shall also  
19 be interpreted in accordance with the special provisions in this act and in accordance  
20 with other appropriate legislation.

21 In the event that there is a conflict between the line-item budget certified by  
22 the Director of the Budget and the budget enacted by the General Assembly, the budget  
23 enacted by the General Assembly shall prevail.  
24

#### 25 **MOST TEXT APPLIES ONLY TO 2006-2007**

26 **SECTION 28.3.** Except for statutory changes or other provisions that clearly  
27 indicate an intention to have effects beyond the 2006-2007 fiscal year, the textual  
28 provisions of this act apply only to funds appropriated for, and activities occurring  
29 during, the 2006-2007 fiscal year.  
30

#### 31 **APPROPRIATIONS LIMITATIONS AND DIRECTIONS APPLY**

32 **SECTION 28.4.(a)** Except where expressly repealed or amended by this act,  
33 the provisions of S.L. 2005-276 and S.L. 2005-345 remain in effect.

34 **SECTION 28.4.(b)** Notwithstanding any modifications by this act in the  
35 amounts appropriated, except where expressly repealed or amended, the limitations and  
36 directions for the 2006-2007 fiscal year in S.L. 2005-276 and S.L. 2005-345 that  
37 applied to appropriations to particular agencies or for particular purposes apply to the  
38 newly enacted appropriations and budget reductions of this act for those same particular  
39 purposes.  
40

#### 41 **EFFECT OF HEADINGS**

42 **SECTION 28.5.** The headings to the parts and sections of this act are a  
43 convenience to the reader and are for reference only. The headings do not expand,  
44 limit, or define the text of this act, except for effective dates referring to a part.  
45

#### 46 **SEVERABILITY CLAUSE**

47 **SECTION 28.6.** If any section or provision of this act is declared  
48 unconstitutional or invalid by the courts, it does not affect the validity of this act as a  
49 whole or any part other than the part so declared to be unconstitutional or invalid.  
50

#### 51 **EFFECTIVE DATE**

52 **SECTION 28.7.** Except as otherwise provided, this act becomes effective  
53 July 1, 2006.