

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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HOUSE BILL 1473
Committee Substitute Favorable 5/8/07

Short Title: 2007 Appropriations Act.

(Public)

Sponsors:

Referred to:

April 16, 2007

A BILL TO BE ENTITLED

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

24 The General Assembly of North Carolina enacts:

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

28
29 **INTRODUCTION**

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

1 State Budget Act, or this act, the savings shall revert to the appropriate fund at the end
2 of each fiscal year.

3
4 **TITLE OF ACT**

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

7
8 **PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

9
10 **CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

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

15		2007-2008	2008-2009
16	Current Operations – General Fund		
17			
18	EDUCATION		
19			
20	Community Colleges System Office	\$ 926,981,160	\$ 895,293,003
21			
22	Department of Public Instruction	7,617,708,906	7,647,217,360
23			
24	University of North Carolina – Board of Governors	42,489,469	42,647,024
25	Appalachian State University	121,088,901	122,546,135
26	East Carolina University		
27	Academic Affairs	199,045,069	205,525,138
28	Health Affairs	48,700,539	48,649,036
29	Elizabeth City State University	31,383,354	32,120,970
30	Fayetteville State University	52,707,308	53,547,957
31	North Carolina Agricultural and		
32	Technical University	89,645,552	90,016,889
33	North Carolina Central University	75,885,006	77,267,483
34	North Carolina School of the Arts	24,391,420	23,729,158
35	North Carolina State University		
36	Academic Affairs	345,923,308	354,659,304
37	Agricultural Extension	42,241,968	42,126,187
38	Agricultural Research	53,406,637	52,144,009
39	University of North Carolina at Asheville	33,294,273	33,724,733
40	University of North Carolina at Chapel Hill		
41	Academic Affairs	264,945,034	270,689,011
42	Health Affairs	188,883,060	194,407,363
43	Area Health Education Centers	47,818,875	47,818,875
44	University of North Carolina at Charlotte	160,339,554	165,594,896
45	University of North Carolina at Greensboro	144,430,129	148,224,622
46	University of North Carolina at Pembroke	52,719,972	54,338,118
47	University of North Carolina at Wilmington	93,986,841	96,392,956
48	Western Carolina University	83,713,910	84,907,386
49	Winston-Salem State University	65,806,656	68,862,020
50	General Administration		
51	University Institutional Programs	86,537,408	78,125,794

1	Related Educational Programs	149,629,645	149,933,562
2	North Carolina School of Science and		
3	Mathematics	16,859,174	17,065,422
4	UNC Hospitals at Chapel Hill	45,673,970	45,673,970
5	Total University of North Carolina –		
6	Board of Governors	\$ 2,561,547,032	\$ 2,600,738,018
7			
8	HEALTH AND HUMAN SERVICES		
9			
10	Department of Health and Human Services		
11	Office of the Secretary	\$ 70,590,972	\$ 60,058,183
12	Division of Aging	35,907,589	35,909,179
13	Division of Blind Services/Deaf/HH	11,390,837	11,434,643
14	Division of Child Development	306,853,499	311,284,207
15	Division of Education Services	38,852,598	38,855,457
16	Division of Facility Services	20,145,706	20,061,228
17	Division of Medical Assistance	2,848,139,818	3,127,704,806
18	Division of Mental Health	721,162,178	730,053,807
19	NC Health Choice	59,391,155	59,391,155
20	Division of Public Health	198,552,872	186,746,071
21	Division of Social Services	214,058,953	215,708,788
22	Division of Vocational Rehabilitation	44,216,797	45,518,365
23	Total Health and Human Services	\$ 4,569,262,974	\$ 4,842,725,889
24			
25	NATURAL AND ECONOMIC RESOURCES		
26			
27	Department of Agriculture and Consumer Services	\$ 69,782,939	\$ 60,997,179
28			
29	Department of Commerce		
30	Commerce	60,363,944	40,289,341
31	Commerce State-Aid	36,350,235	24,200,235
32	NC Biotechnology Center	12,354,692	12,354,692
33	Rural Economic Development Center	43,190,022	24,190,022
34			
35	Department of Environment and Natural Resources	198,450,831	187,713,956
36			
37	DENR Clean Water Management Trust Fund	100,000,000	100,000,000
38			
39	Department of Labor	16,494,758	16,494,951
40			
41	JUSTICE AND PUBLIC SAFETY		
42			
43	Department of Correction	\$ 1,213,791,383	\$ 1,235,605,235
44			
45	Department of Crime Control and Public Safety	51,162,444	41,200,144
46			
47	Judicial Department	414,383,094	416,627,599
48	Judicial Department – Indigent Defense	107,316,301	111,437,472
49			
50	Department of Justice	95,361,752	91,050,997
51			

1	Department of Juvenile Justice and		
2	Delinquency Prevention	158,981,093	165,273,788
3			
4	GENERAL GOVERNMENT		
5			
6	Department of Administration	\$ 66,872,032	\$ 67,390,336
7			
8	Office of Administrative Hearings	3,691,458	3,521,735
9			
10	Department of State Auditor	12,903,026	12,916,479
11			
12	Office of State Controller	20,539,148	20,562,655
13			
14	Department of Cultural Resources		
15	Cultural Resources	73,433,844	69,434,486
16	Roanoke Island Commission	2,020,023	2,020,023
17			
18	State Board of Elections	6,385,722	5,969,618
19			
20	General Assembly	54,738,665	55,940,786
21			
22	Office of the Governor		
23	Office of the Governor	6,236,304	6,274,572
24	Office of State Budget and Management	5,757,493	5,764,198
25	OSBM – Reserve for Special Appropriations	5,938,446	4,938,446
26	Housing Finance Agency	18,608,417	9,608,417
27			
28	Department of Insurance		
29	Insurance	30,922,133	30,936,704
30	Insurance – Volunteer Safety		
31	Workers' Compensation	4,500,000	4,500,000
32			
33	Office of Lieutenant Governor	914,122	915,109
34			
35	Department of Revenue	84,851,963	84,944,343
36			
37	Department of Secretary of State	11,476,990	10,743,041
38			
39	Department of State Treasurer		
40	State Treasurer	9,285,010	9,282,070
41	State Treasurer – Retirement for Fire and		
42	Rescue Squad Workers	9,458,957	9,458,957
43			
44	TRANSPORTATION		
45			
46	Department of Transportation	\$ 0	\$ 0
47			
48	RESERVES, ADJUSTMENTS AND DEBT SERVICE		
49			
50	Reserve for Compensation Increases	\$ 464,932,019	\$ 398,610,500
51			

1	Salary Adjustment Fund: 2007-2009 Biennium	23,688,000	23,688,000
2			
3	Reserve for Teachers' and State Employees'		
4	Retirement Contribution	29,600,000	29,600,000
5			
6	Reserve for Retirement System Payback	45,000,000	0
7			
8	Reserve for State Health Plan	133,978,000	178,637,000
9			
10	Contingency and Emergency Fund	5,000,000	5,000,000
11			
12	Information Technology Fund	25,140,000	2,840,000
13			
14	Reserve for Job Development		
15	Investment Grants (JDIG)	12,400,000	12,400,000
16			
17	Integrated Tax Administration System Replacement	10,000,000	0
18			
19	Energy Efficiency Reserve	10,000,000	0
20			
21	Reserve for Pending Legislation	2,233,213	1,320,324
22			
23	Distinguished Professors Endowment Fund	6,000,000	0
24			
25	One-time Fiscal Relief for Medicaid County Share	60,000,000	0
26			
27	Debt Service		
28	General Debt Service	619,793,004	701,454,348
29	Federal Reimbursement	1,616,380	1,616,380
30			

**TOTAL CURRENT OPERATIONS –
GENERAL FUND**

\$ 20,131,397,929 \$ 20,283,698,408

GENERAL FUND AVAILABILITY STATEMENT

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

	FY 2007-2008	FY 2008-2009
37		
38	Unappropriated Balance Remaining	
39	from Previous Year	\$ 0 \$ 102,945,602
40	Projected Reversions FY 2006-2007	125,000,000 0
41	Projected Overcollections FY 2006-2007	1,135,200,000 0
42	Less Earmarkings of Year End Fund Balance	
43	Savings Reserve Account	(315,050,000) 0
44	Repairs and Renovations Reserve Account	(145,000,000) 0
45	Beginning Unreserved Fund Balance	\$ 800,150,000 \$ 102,945,602
46		
47	Revenues Based on Existing Tax Structure	\$ 18,532,400,000 \$ 19,551,000,000
48		
49	Nontax Revenues	
50	Investment Income	201,600,000 211,100,000
51	Judicial Fees	173,000,000 177,100,000

1	Disproportionate Share	100,000,000	100,000,000
2	Insurance	55,500,000	57,900,000
3	Other Nontax Revenues	140,400,000	154,300,000
4	Tobacco Trust Fund Transfer	10,000,000	0
5	Highway Trust Fund/Use Tax		
6	Reimbursement Transfer	172,500,000	172,500,000
7	Highway Fund Transfer	18,190,000	17,610,000
8	Subtotal Nontax Revenues	\$ 871,190,000	\$ 890,510,000
9			
10	Total General Fund Availability	\$ 20,203,740,000	\$ 20,544,455,602
11			
12	Adjustments to Availability: 2007 Session		
13	Extend 4.25% Sales Tax Rate for 2 Years	258,400,000	285,900,000
14	Extend 8% Upper Income Tax		
15	Bracket for 2 Years	40,800,000	93,700,000
16	IRC Conformity	(56,900,000)	(49,100,000)
17	Health & Human Services/Facility Services Fees	1,705,501	1,642,407
18	Secretary of State Corporate Annual Report Fees	563,016	563,016
19	Earned Income Tax Credit	0	(68,900,000)
20	Long-Term Care Insurance Tax Credit	(7,000,000)	(7,200,000)
21	Adoption Tax Credit	(3,000,000)	(3,000,000)
22	Enhance 529 Plan Deduction (House Bill 1016)	(200,000)	(200,000)
23	Privilege Tax on Software Publishers	(3,700,000)	(4,000,000)
24	Research & Development Credit Enhancement	(400,000)	(800,000)
25	Modify Tax on Property Coverage Contracts	(1,500,000)	(3,100,000)
26	Reserve for Manufacturers' and		
27	Farmers' Energy Tax Provisions	(14,500,000)	(30,100,000)
28	Enhanced Credit for Constructing		
29	Renewable Fuels Facilities	0	(2,250,000)
30	Reserve for Military Tax Relief	(4,000,000)	(4,000,000)
31	Reserve for Work Opportunity Tax Credit	(6,000,000)	(6,000,000)
32	Sales Tax Refund for Aircraft Part Mfgs.	(800,000)	(800,000)
33	Amend Sales Tax Holiday	(600,000)	(600,000)
34	Adjust Transfer from Insurance Regulatory Fund	80,274	56,274
35	Adjust Transfer from Treasurer's Office	66,638	54,638
36	Transfer from Closed Capital Account	3,506,143	
37	Subtotal Adjustments to Availability:		
38	2007 Session	\$ 206,521,572	\$ 201,866,335
39			
40	Revised General Fund Availability	\$ 20,410,261,572	\$ 20,746,321,937
41			
42	Less: General Fund Appropriations	(20,307,915,970)	(20,359,306,633)
43			
44	Unappropriated Balance Remaining	\$ 102,345,602	\$ 387,015,304
45			

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

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

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

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

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

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

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

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

24	25 Current Operations – Highway Fund	26 2007-2008	27 2008-2009
28	Department of Transportation		
29	Administration	\$ 74,037,661	\$ 93,204,187
30	Division of Highways		
31	Administration	32,651,442	32,703,136
32	Construction	175,895,465	140,173,949
33	Maintenance	905,658,411	900,648,052
34	Planning and Research	4,700,000	4,700,000
35	OSHA Program	425,000	425,000
36	Ferry Operations	31,313,921	27,763,921
37	State Aid		
38	Municipalities	93,046,035	93,073,949
39	Public Transportation	73,466,447	96,866,447
40	Airports	21,860,122	19,730,033
41	Railroads	21,951,153	17,101,153
42	Governor's Highway Safety	334,314	335,449
43	Division of Motor Vehicles	103,676,924	119,130,944
44	Other State Agencies	262,132,152	259,796,180
45	Reserves and Transfers	29,290,953	25,927,600
46	TOTAL	\$1,830,440,000	\$1,831,580,000

47 **HIGHWAY FUND AVAILABILITY STATEMENT**

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

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

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

12
13 **HIGHWAY TRUST FUND APPROPRIATIONS**

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

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

27 **GRAND TOTAL CURRENT OPERATIONS**

28 **AND EXPANSION** **\$ 1,125,580,000** **\$ 1,143,060,000**

29
30 **HIGHWAY TRUST FUND AVAILABILITY STATEMENT**

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

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

35
36 **PART V. OTHER AVAILABILITY**

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

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

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

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

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

EDUCATION LOTTERY

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

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

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

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

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

INFORMATION TECHNOLOGY FUND AVAILABILITY AND APPROPRIATION

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

	FY 2007-2008	FY 2008-2009
Receipts from Information Technology Enterprise Fee	\$9,800,000	\$9,800,000
Interest Income	\$100,000	\$100,000
IT Fund Balance June 30, 2007	\$600,000	-
Appropriation from General Fund	\$4,140,000	\$4,140,000
Total Funds Available	\$14,640,000	\$14,040,000

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

PART VI. GENERAL PROVISIONS

APPROPRIATION OF CASH BALANCES AND RECEIPTS

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

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

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

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

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

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

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

6 **EXPENDITURES OF FUNDS IN RESERVES LIMITED**

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

10 **REVISE FREQUENCY OF FEE REPORT**

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

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

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

21 **BUDGET REALIGNMENT**

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

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

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

43 **CONVERSION OF CONTRACTED POSITIONS**

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

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

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

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

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

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

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

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

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

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

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

16 **BEACON DATA INTEGRATION**

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

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

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

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

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

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

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

16 **TWENTY PERCENT COLLECTION ASSISTANCE FEE**

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

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

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

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

50 **ENERGY EFFICIENCY RESERVE**

1 **SECTION 6.10.** Of the funds appropriated in this act, the sum of ten million
2 dollars (\$10,000,000) shall be used to establish the Energy Efficiency Reserve. The
3 Reserve, to be administered by the State Energy Office, in consultation with the State
4 Property Office, shall be used to provide funding for projects designed to make State
5 facilities more energy efficient. Projects eligible for funding through the Energy
6 Efficiency Reserve include:

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

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

27 28 **OFFICE OF INFORMATION TECHNOLOGY SERVICES BUDGET REVIEW**

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

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

37 38 **OFFICE OF INFORMATION TECHNOLOGY SERVICES REVIEW OF** 39 **STATE IT BUDGET SUBMISSIONS**

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

- 45 (1) Identify the purpose of the information technology project or system.
- 46 (2) Identify whether the project or system would result in any duplication
47 of effort across governmental agencies, including State, local, and
48 federal agencies.
- 49 (3) Determine the completeness, timeliness, and accessibility of the data
50 developed and used by the system.
- 51 (4) Estimate the cost and actual staffing for the project or system.

- 1 (5) Ascertain the organizational location of the system as well as the
2 hardware and software inventories associated with the system or
3 project.
- 4 (6) Assess the current and potential benefits that the technology
5 investment would provide to the State.
- 6 (7) Identify any opportunities for the State to leverage federal and local
7 support of the information technology system or project.
- 8 (8) Consider any other information pertinent to the utility, functionality,
9 and cost-effectiveness of the project or system.

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

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

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

23 24 **GEOGRAPHIC INFORMATION SYSTEM (GIS) STUDY**

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

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

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

47 48 **E-COMMERCE LONG-RANGE STRATEGY REPORT**

49 **SECTION 6.14.** The Office of the State Controller shall evaluate the
50 opportunities for efficiencies in State government through the use of electronic
51 commerce as it relates to both disbursement and collection of funds, and shall report the

1 results of that evaluation to the 2008 Regular Session of the 2007 General Assembly.
2 The report shall include all of the following:

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

27 Periodic updates on this activity may be requested by the Joint Legislative
28 Commission on Governmental Operations. The final report is due no later than April 30,
29 2008.

30
31 **UNC DISTINGUISHED PROFESSOR CHALLENGE-GRANT**
32 **INITIATIVE/REDUCE BACKLOG FOR DISTINGUISHED PROFESSOR**
33 **ENDOWMENT TRUST FUND PROFESSORSHIPS**

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

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

49
50 **ONE-TIME FISCAL RELIEF FOR MEDICAID COUNTY SHARE**

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

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

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

19 **SECTION 6.16.(d)** The Division of Medical Assistance shall distribute the
20 one-time assistance for the county share of the nonfederal share of Medicaid
21 expenditures by subtracting one-twelfth of each county's share of the one-time
22 assistance from the county's monthly Medical Assistance payments during fiscal year
23 2007-2008.

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

- 25 (1) "Medical Assistance payments" include Medicare Part D payments.
- 26 (2) Medical Assistance payments in fiscal year 2006-2007 represent the
27 sum of 12 county warrants for Medicaid expenditures from June 2006
28 through May 2007. Medical Assistance payments in fiscal year
29 2007-2008 represent the sum of the 12 warrants for Medicaid
30 expenditures from June 2007 through May 2008.
- 31 (3) "Targeted county" is a county whose Medicaid population in 2006 was
32 twenty-five percent (25%) or greater of that county's total population
33 in 2006.

34 35 **PART VII. PUBLIC SCHOOLS**

36 37 **TEACHER SALARY SCHEDULES**

38 **SECTION 7.1.(a)** Effective for the 2007-2008 school year, the Director of
39 the Budget shall transfer from the Reserve for Experience Step Salary Increase for
40 Teachers and Principals in Public Schools funds necessary to implement the teacher
41 salary schedules set out in subsection (b) of this section and for longevity in accordance
42 with subsection (d) of this section, including funds for the employer's retirement and
43 social security contributions for all teachers whose salaries are supported from the
44 State's General Fund.

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

47 **SECTION 7.1.(b)** The following monthly salary schedules shall apply for
48 the 2007-2008 fiscal year to certified personnel of the public schools who are classified
49 as teachers. The schedule contains 32 steps with each step corresponding to one year of
50 teaching experience.
51

2007-2008 Monthly Salary Schedule			
"A" Teachers			
Years of Experience	"A" Teachers	NBPTS Certification	
1	0	\$2,975	N/A
2	1	\$3,017	N/A
3	2	\$3,061	N/A
4	3	\$3,217	\$3,603
5	4	\$3,357	\$3,760
6	5	\$3,491	\$3,910
7	6	\$3,620	\$4,054
8	7	\$3,724	\$4,171
9	8	\$3,772	\$4,225
10	9	\$3,821	\$4,280
11	10	\$3,871	\$4,336
12	11	\$3,920	\$4,390
13	12	\$3,971	\$4,448
14	13	\$4,022	\$4,505
15	14	\$4,075	\$4,564
16	15	\$4,129	\$4,624
17	16	\$4,184	\$4,686
18	17	\$4,239	\$4,748
19	18	\$4,298	\$4,814
20	19	\$4,356	\$4,879
21	20	\$4,414	\$4,944
22	21	\$4,476	\$5,013
23	22	\$4,537	\$5,081
24	23	\$4,603	\$5,155
25	24	\$4,667	\$5,227
26	25	\$4,732	\$5,300
27	26	\$4,798	\$5,374
28	27	\$4,866	\$5,450
29	28	\$4,937	\$5,529
30	29	\$5,008	\$5,609
31	30	\$5,106	\$5,719
32	31+	\$5,208	\$5,833

2007-2008 Monthly Salary Schedule			
"M" Teachers			
Years of Experience	"M" Teachers	NBPTS Certification	
33	0	\$3,273	N/A
34	1	\$3,319	N/A
35	2	\$3,367	N/A
36	3	\$3,539	\$3,964
37	4	\$3,693	\$4,136
38	5	\$3,840	\$4,301
39	6	\$3,982	\$4,460
40	7	\$4,096	\$4,588
41	8	\$4,149	\$4,647
42	9	\$4,203	\$4,707
43	10	\$4,258	\$4,769
44	11	\$4,312	\$4,829

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

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

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

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

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

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

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

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

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

17 **SECTION 7.1.(i)** Teachers paid on Step 0 of the salary schedule for the
 18 2007-2008 school year shall receive a one-time, lump sum sign-on bonus of two
 19 hundred fifty dollars (\$250.00), payable at the end of the school year.

20
 21 **SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE**

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

26 **SECTION 7.2.(b)** The base salary schedule for school-based administrators
 27 shall apply only to principals and assistant principals. The base salary schedule for the
 28 2007-2008 fiscal year, commencing July 1, 2007, is as follows:

29
 30 2007-2008 Principal and Assistant Principal Salary Schedules

31 Classification

32 Years of Exp	33 Assistant Principal	34 Prin I (0-10)	35 Prin II (11-21)	36 Prin III (22-32)	37 Prin IV (33-43)
38 0-4	\$3,730	-	-	-	-
39 5	\$3,878	-	-	-	-
40 6	\$4,022	-	-	-	-
41 7	\$4,137	-	-	-	-
42 8	\$4,190	\$4,190	-	-	-
43 9	\$4,245	\$4,245	-	-	-
44 10	\$4,301	\$4,301	\$4,355	-	-
45 11	\$4,355	\$4,355	\$4,412	-	-
46 12	\$4,412	\$4,412	\$4,468	\$4,528	-
47 13	\$4,468	\$4,468	\$4,528	\$4,587	\$4,648
48 14	\$4,528	\$4,528	\$4,587	\$4,648	\$4,710
49 15	\$4,587	\$4,587	\$4,648	\$4,710	\$4,775
50 16	\$4,648	\$4,648	\$4,710	\$4,775	\$4,840
51 17	\$4,710	\$4,710	\$4,775	\$4,840	\$4,904
52 18	\$4,775	\$4,775	\$4,840	\$4,904	\$4,973
53 19	\$4,840	\$4,840	\$4,904	\$4,973	\$5,041
54 20	\$4,904	\$4,904	\$4,973	\$5,041	\$5,114
55 21	\$4,973	\$4,973	\$5,041	\$5,114	\$5,185

1	22	\$5,041	\$5,041	\$5,114	\$5,185	\$5,257
2	23	\$5,114	\$5,114	\$5,185	\$5,257	\$5,331
3	24	\$5,185	\$5,185	\$5,257	\$5,331	\$5,407
4	25	\$5,257	\$5,257	\$5,331	\$5,407	\$5,485
5	26	\$5,331	\$5,331	\$5,407	\$5,485	\$5,564
6	27	\$5,407	\$5,407	\$5,485	\$5,564	\$5,675
7	28	\$5,485	\$5,485	\$5,564	\$5,675	\$5,789
8	29	\$5,564	\$5,564	\$5,675	\$5,789	\$5,905
9	30	\$5,675	\$5,675	\$5,789	\$5,905	\$6,023
10	31	\$5,789	\$5,789	\$5,905	\$6,023	\$6,143
11	32	-	\$5,905	\$6,023	\$6,143	\$6,266
12	33	-	-	\$6,143	\$6,266	\$6,391
13	34	-	-	\$6,266	\$6,391	\$6,519
14	35	-	-	-	\$6,519	\$6,649
15	36	-	-	-	\$6,649	\$6,782
16	37	-	-	-	-	\$6,918

2007-2008 Principal and Assistant Principal Salary Schedules

Classification

Years of Exp	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
22	0-14	\$4,775	-	-
23	15	\$4,840	-	-
24	16	\$4,904	\$4,973	-
25	17	\$4,973	\$5,041	\$5,185
26	18	\$5,041	\$5,114	\$5,257
27	19	\$5,114	\$5,185	\$5,331
28	20	\$5,185	\$5,257	\$5,407
29	21	\$5,257	\$5,331	\$5,485
30	22	\$5,331	\$5,407	\$5,564
31	23	\$5,407	\$5,485	\$5,675
32	24	\$5,485	\$5,564	\$5,789
33	25	\$5,564	\$5,675	\$5,905
34	26	\$5,675	\$5,789	\$6,023
35	27	\$5,789	\$5,905	\$6,143
36	28	\$5,905	\$6,023	\$6,266
37	29	\$6,023	\$6,143	\$6,391
38	30	\$6,143	\$6,266	\$6,519
39	31	\$6,266	\$6,391	\$6,649
40	32	\$6,391	\$6,519	\$6,782
41	33	\$6,519	\$6,649	\$6,918
42	34	\$6,649	\$6,782	\$7,056
43	35	\$6,782	\$6,918	\$7,197
44	36	\$6,918	\$7,056	\$7,341
45	37	\$7,056	\$7,197	\$7,488
46	38	\$7,197	\$7,341	\$7,638
47	39	-	\$7,488	\$7,791
48	40	-	\$7,638	\$7,947
49	41	-	-	\$8,106
50				\$8,268

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

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

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

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

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

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

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

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

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

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

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

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

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

17 18 **CENTRAL OFFICE SALARIES**

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

22	School Administrator I	\$3,170	\$5,954
23	School Administrator II	\$3,365	\$6,315
24	School Administrator III	\$3,572	\$6,699
25	School Administrator IV	\$3,716	\$6,966
26	School Administrator V	\$3,865	\$7,248
27	School Administrator VI	\$4,101	\$7,686
28	School Administrator VII	\$4,266	\$7,996

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

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

37	Superintendent I	\$4,527	\$8,482
38	Superintendent II	\$4,806	\$8,994
39	Superintendent III	\$5,099	\$9,543
40	Superintendent IV	\$5,412	\$10,122
41	Superintendent V	\$5,744	\$10,739

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

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

49 **SECTION 7.3.(d)** Superintendents, assistant superintendents, associate
50 superintendents, directors/coordinators, supervisors, and finance officers with
51 certification based on academic preparation at the six-year degree level shall receive a

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

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

10 **SECTION 7.3.(f)** The annual salary increase for all permanent full-time
11 personnel paid from the Central Office Allotment shall be two and one-half percent
12 (2.5%), commencing July 1, 2007. The State Board of Education shall allocate these
13 funds to local school administrative units. The local boards of education shall establish
14 guidelines for providing salary increases to these personnel.

15 16 **NONCERTIFIED PERSONNEL SALARIES**

17 **SECTION 7.4.(a)** The annual salary increase for permanent, full-time
18 noncertified public school employees whose salaries are supported from the State's
19 General Fund shall be two and one-half percent (2.5%), commencing July 1, 2007.

20 **SECTION 7.4.(b)** Local boards of education shall increase the rates of pay
21 for such employees who were employed for all or part of fiscal year 2006-2007 and who
22 continue their employment for fiscal year 2007-2008 by providing an annual salary
23 increase for employees of two and one-half percent (2.5%).

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

26 **SECTION 7.4.(c)** The State Board of Education may adopt salary ranges for
27 noncertified personnel to support increases of two and one-half percent (2.5%) for the
28 2007-2008 fiscal year.

29 30 **BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY** 31 **SCHEDULES**

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

36 37 **USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES**

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

44 **SECTION 7.6.(b)** Use of Funds for Supplemental Funding. – All funds
45 received pursuant to this section shall be used only: (i) to provide instructional
46 positions, instructional support positions, teacher assistant positions, clerical positions,
47 school computer technicians, instructional supplies and equipment, staff development,
48 and textbooks; (ii) for salary supplements for instructional personnel and instructional
49 support personnel; and (iii) to pay an amount not to exceed ten thousand dollars
50 (\$10,000) of the plant operation contract cost charged by the Department of Public
51 Instruction for services.

1 Local boards of education are encouraged to use at least twenty-five percent
2 (25%) of the funds received pursuant to this section to improve the academic
3 performance of children who are performing at Level I or II on either reading or
4 mathematics end-of-grade tests in grades 3-8 and children who are performing at Level
5 I or II on the writing tests in grades 4 and 7. Local boards of education shall report to
6 the State Board of Education on an annual basis on funds used for this purpose, and the
7 State Board shall report this information to the Joint Legislative Education Oversight
8 Committee. These reports shall specify how these funds were targeted and used to
9 implement specific improvement strategies of each local school administrative unit and
10 its schools, such as teacher recruitment, closing the achievement gap, improving student
11 accountability, addressing the needs of at-risk students, and establishing and
12 maintaining safe schools.

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

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

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

1 be used. If property has been revalued the year of the most recent sales
2 assessment ratio study, the sales assessment ratio for the year of
3 revaluation shall be used.

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

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

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

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

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

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

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

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

48 **SECTION 7.6.(h)** Nonsupplant Requirement. – A county in which a local
49 school administrative unit receives funds under this section shall use the funds to
50 supplement local current expense funds and shall not supplant local current expense
51 funds. For the 2007-2009 fiscal biennium, the State Board of Education shall not

1 allocate funds under this section to a county found to have used these funds to supplant
2 local per student current expense funds. The State Board of Education shall make a
3 finding that a county has used these funds to supplant local current expense funds in the
4 prior year, or the year for which the most recent data are available, if:

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

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

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

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

27 **SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

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

- 38 (1) Round all fractions of positions to the next whole position.
39 (2) Provide five and one-half additional regular classroom teachers in
40 counties in which the average daily membership per square mile is
41 greater than four and seven additional regular classroom teachers in
42 counties in which the average daily membership per square mile is
43 four or fewer.
44 (3) Provide additional program enhancement teachers adequate to offer
45 the standard course of study.
46 (4) Change the duty-free period allocation to one teacher assistant per 400
47 average daily membership.
48 (5) Provide a base for the consolidated funds allotment of at least seven
49 hundred seventy-seven thousand one hundred eleven dollars
50 (\$777,111), excluding textbooks for the 2007-2008 fiscal year and a

1 base of at least seven hundred seventy-seven thousand one hundred
2 eleven dollars (\$777,111) for the 2008-2009 fiscal year.

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

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

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

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

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

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

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

- 37 (1) "Average daily membership" means within two percent (2%) of the
38 average daily membership as defined in the North Carolina Public
39 Schools Allotment Policy Manual adopted by the State Board of
40 Education.
41 (2) "County-adjusted property tax base per student" means the total
42 assessed property valuation for each county, adjusted using a weighted
43 average of the three most recent annual sales assessment ratio studies,
44 divided by the total number of students in average daily membership
45 who reside within the county.
46 (2a) "Local current expense funds" means the most recent county current
47 expense appropriations to public schools, as reported by local boards
48 of education in the audit report filed with the Secretary of the Local
49 Government Commission pursuant to G.S. 115C-447.
50 (3) "Sales assessment ratio studies" means sales assessment ratio studies
51 performed by the Department of Revenue under G.S. 105-289(h).

- 1 (4) "State-adjusted property tax base per student" means the sum of all
2 county-adjusted property tax bases divided by the total number of
3 students in average daily membership who reside within the State.
4 (4a) "Supplant" means to decrease local per student current expense
5 appropriations from one fiscal year to the next fiscal year.
6 (5) "Weighted average of the three most recent annual sales assessment
7 ratio studies" means the weighted average of the three most recent
8 annual sales assessment ratio studies in the most recent years for which
9 county current expense appropriations and adjusted property tax
10 valuations are available. If real property in a county has been revalued
11 one year prior to the most recent sales assessment ratio study, a
12 weighted average of the two most recent sales assessment ratios shall
13 be used. If property has been revalued during the year of the most
14 recent sales assessment ratio study, the sales assessment ratio for the
15 year of revaluation shall be used.

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

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

31 **DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING**

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

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

- 46
47 (1) Provide instructional positions or instructional support positions and/or
48 professional development;
49 (2) Provide intensive in-school and/or after-school remediation;
50 (3) Purchase diagnostic software and progress-monitoring tools; and

- 1 (4) Provide funds for teacher bonuses and supplements. The State Board
2 of Education shall set a maximum percentage of the funds that may be
3 used for this purpose.

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

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

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

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

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

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

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

39 **SECTION 7.8.(d)** If a local school administrative unit's wealth increases to a
40 level that adversely affects the unit's DSSF allotment ratio, the DSSF allotment ratio for
41 that unit shall be maintained at the prior year level for one additional fiscal year.
42

43 **STUDENTS WITH LIMITED ENGLISH PROFICIENCY**

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

47 The State Board shall allocate these funds to local school administrative units
48 and to charter schools under a formula that takes into account the average percentage of
49 students in the units or the charters over the past three years who have limited English
50 proficiency. The State Board shall allocate funds to a unit or a charter school only if (i)
51 average daily membership of the unit or the charter school includes at least 20 students

1 with limited English proficiency or (ii) students with limited English proficiency
2 comprise at least two and one-half percent (2.5%) of the average daily membership of
3 the unit or charter school. For the portion of the funds that is allocated on the basis of
4 the number of identified students, the maximum number of identified students for whom
5 a unit or charter school receives funds shall not exceed ten and six-tenths percent
6 (10.6%) of its average daily membership.

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

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

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

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

21 **CHILDREN WITH DISABILITIES**

22 **SECTION 7.10.** The State Board of Education shall allocate funds for
23 children with disabilities on the basis of three thousand one hundred eighty-six dollars
24 and fifty-seven cents (\$3,186.57) per child for a maximum of 172,317 children for the
25 2007-2008 school year. Each local school administrative unit shall receive funds for the
26 lesser of (i) all children who are identified as children with disabilities or (ii) twelve and
27 five-tenths percent (12.5%) of the 2007-2008 allocated average daily membership in the
28 local school administrative unit.

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

33 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

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

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

45 **EXPENDITURE OF FUNDS TO IMPROVE STUDENT ACCOUNTABILITY**

46 **SECTION 7.12.(a)** Funds appropriated for the 2007-2008 and 2008-2009
47 fiscal years for Student Accountability Standards shall be used to assist students to
48 perform at or above grade level in reading and mathematics in grades 3-8 as measured
49
50
51

1 by the State's end-of-grade tests. The State Board of Education shall allocate these funds
2 to local school administrative units based on the number of students who score at Level
3 I or Level II on either reading or mathematics end-of-grade tests in grades 3-8. Funds in
4 the allocation category shall be used to improve the academic performance of (i)
5 students who are performing at Level I or II on either reading or mathematics
6 end-of-grade tests in grades 3-8 or (ii) students who are performing at Level I or II on
7 the writing tests in grades 4 and 7. These funds may also be used to improve the
8 academic performance of students who are performing at Level I or II on the high
9 school end-of-course tests. These funds shall not be transferred to other allocation
10 categories or otherwise used for other purposes. Except as otherwise provided by law,
11 local boards of education may transfer other funds available to them into this allocation
12 category.

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

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

20 These funds shall be allocated to local school administrative units for the
21 2007-2008 fiscal year within 30 days of the date this act becomes law.

22 **SECTION 7.12.(b)** Funds appropriated for Student Accountability
23 Standards shall not revert at the end of each fiscal year but shall remain available for
24 expenditure until August 31 of the subsequent fiscal year.
25

26 LITIGATION RESERVE FUNDS

27 **SECTION 7.13.** The State Board of Education may expend up to two
28 hundred thousand dollars (\$200,000) each year for the 2007-2008 and 2008-2009 fiscal
29 years from unexpended funds for certified employees' salaries to pay expenses related to
30 pending litigation.
31

32 REPLACEMENT SCHOOL BUSES FUNDS

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

- 36 (1) The local board of education shall use the funds only to make the first,
37 second, or third year's payment on a financing contract entered into
38 pursuant to G.S. 115C-528.
- 39 (2) The term of a financing contract entered into under this section shall
40 not exceed three years.
- 41 (3) The local board of education shall purchase the buses only from
42 vendors selected by the State Board of Education and on terms
43 approved by the State Board of Education.
- 44 (4) The Department of Administration, Division of Purchase and Contract,
45 in cooperation with the State Board of Education, shall solicit bids for
46 the direct purchase of school buses and activity buses and shall
47 establish a statewide term contract for use by the State Board of
48 Education. Local boards of education and other agencies shall be
49 eligible to purchase from the statewide term contract. The State Board
50 of Education shall also solicit bids for the financing of school buses.

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

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

5 **SECTION 7.14.(b)** Any term contract for the purchase or lease-purchase of
6 school buses or school activity buses shall not require vendor payment of the electronic
7 procurement transaction fee of the North Carolina E-Procurement Service.
8

9 **DISCREPANCIES BETWEEN ANTICIPATED AND ACTUAL ADM**

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

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

22 The allotments reduced pursuant to this subsection shall include only those
23 allotments that may be increased pursuant to the Allotment Adjustments for ADM
24 Growth provisions of the North Carolina Public Schools Allotment Policy Manual.
25

26 **CHARTER SCHOOL EVALUATION**

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

32 (1) Improve student learning;

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

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

37 (4) Create new professional opportunities for teachers, including the
38 opportunities to be responsible for the learning program at the school
39 site;

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

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

47 **SECTION 7.16.(b)** The State Board of Education shall report the results of
48 its evaluation to the Joint Legislative Education Oversight Committee and the Fiscal
49 Research Division.
50

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

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

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

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

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

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

27 28 **FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION**

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

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

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

50 51 **LEARN AND EARN HIGH SCHOOLS**

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

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

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

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

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

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

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

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

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

46 **NORTH CAROLINA VIRTUAL PUBLIC SCHOOL**

47 **SECTION 7.20.(a)** The North Carolina Virtual Public School (NCVPS)
48 program shall report to the State Board of Education and shall maintain an
49 administrative office at the Department of Public Instruction.
50

1 **SECTION 7.20.(b)** The Director of NCVPS shall continue to ensure that
2 course quality standards are established and met and that all e-learning opportunities
3 offered by State-funded entities to public school students are consolidated under the
4 North Carolina Virtual Public School Program, eliminating course duplication. The
5 Director shall report on the consolidation status and operating plan for the 2007-2008
6 fiscal year to the Joint Legislative Education Oversight Committee, the Office of State
7 Budget and Management, and the Fiscal Research Division no later than January 15,
8 2008. The report shall also address specific collaboration efforts with Learn and Earn.

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

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

18 **SECTION 7.20.(e)** If space is available after public school students are
19 enrolled in virtual courses offered by the North Carolina Virtual Public School, other
20 public school-aged children may take virtual courses upon payment of tuition. The
21 State Board of Education shall set class-size limitations for the courses.

22 The tuition for a course offered by the North Carolina Virtual Public School
23 shall be the average statewide per student instructional cost for all virtual courses
24 offered by the North Carolina Virtual Public School, as determined by the State Board
25 of Education.

26 27 **SMALL RESTRUCTURED HIGH SCHOOLS**

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

36 37 **NC WISE POSITIONS**

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

45 46 **21ST CENTURY LITERACY COACHES**

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

1 by the State Board of Education to receive funds for this purpose. To be selected
2 schools must:

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

6 7 **MORE AT FOUR PROGRAM AND OFFICE OF SCHOOL READINESS**

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

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

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

3 (11) A system of accountability.

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

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

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

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

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

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

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

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

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

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

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

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

ADMINISTRATIVE FUNDING FOR TEACHING FELLOWS PROGRAM

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

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

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

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

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

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

(2) Initiatives to recruit minorities to the Program.

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

NO COST SUMMER SCHOOL OR OTHER REMEDIATION ACTIVITIES

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

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

LEARN AND EARN ONLINE

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

SECTION 7.27.(b) Funds shall be used for course tuition, and only those technology and course fees, and textbooks required for course participation. Funds shall also support a liaison position to be housed at the Department of Public Instruction to coordinate with The University of North Carolina and the North Carolina Community

1 College System, and to communicate course availability and related information to high
2 school administrators, teachers, and counselors.

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

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

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

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

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

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

32 **SCHOOL CONNECTIVITY INITIATIVE**

33 **SECTION 7.28.(a)** Funds in the amount of twelve million dollars
34 (\$12,000,000) are appropriated in this act to support the enhancement of the technology
35 infrastructure for public schools. These funds shall be used for broadband access,
36 equipment, and support services that create, improve, and sustain equity of access for
37 instructional opportunities for public school students and educators.

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

- 44 (1) A business plan with time lines, clearly defined outcomes, and an
45 operational model, including a governance structure, personnel, e-Rate
46 reimbursement, support services to local school administrative units
47 and schools, and budget.
- 48 (2) Assurances that local school administrative units will upgrade internal
49 networks in schools, provide technology tools, and support for teachers
50 and students to use technology to improve teaching and learning.
51

- 1 (3) Assurances of a fair and open bidding and contracting process.
- 2 (4) Technology assessment site survey template.
- 3 (5) Documentation of technology assessments.
- 4 (6) Documentation of how the technology will be used to enhance
- 5 teaching in learning.
- 6 (7) The number, location, and schedule of sites to be served in 2007-2008
- 7 and in 2008-2009.

8 **SECTION 7.28.(c)** The State Board of Education shall report by January 15,
9 2008, on its progress towards achieving the connectivity initiative and annually
10 thereafter to the Joint Legislative Information Technology Oversight Committee, the
11 Joint Legislative Education Oversight Committee, the Office of State Budget
12 Management, the State Information Technology Officer, and the Fiscal Research
13 Division.

14 **REORGANIZATION OF THE DEPARTMENT OF PUBLIC INSTRUCTION**

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

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

20 **LEGISLATIVE STUDY ON EARLY CHILDHOOD PROGRAMS**

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

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

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

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

43 **SECTION 7.30.(c)** The Speaker of the House of Representatives and the
44 President Pro Tempore of the Senate shall each appoint a cochair for the Commission.
45 The Commission may contract for consultant services as provided by G.S. 120-32.02.
46 Upon approval of the Legislative Services Commission, the Legislative Services Officer
47 shall assign professional and clerical staff to assist in the work of the Commission.
48 Clerical staff shall be furnished to the Commission through the offices of the House of
49 Representatives and the Senate Directors of Legislative Assistants. The Commission
50
51

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

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

15 **STUDY OF PUBLIC SCHOOL FUNDING FORMULAS**

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

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

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

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

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

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

47 **SECTION 7.31.(d)** The Committee shall submit a report of its findings and
48 recommendations, including any legislative recommendations, to the 2008 Regular
49 Session of the 2007 General Assembly. The Committee shall terminate upon filing its
50 report.
51

DROPOUT PREVENTION GRANTS

SECTION 7.32.(a) The House Education Subcommittee on Pre-school, Elementary and Secondary Education shall make recommendations to the State Board of Education on guidelines and procedures for determining which local school administrative units or schools shall receive dropout prevention grants, the amount of each grant, eligible uses of the grant funding, how funded projects will be evaluated, and other matters. The State Board shall consider the recommendations of the Subcommittee in developing and adopting its guidelines and procedures on dropout prevention grants.

The grants shall be distributed in time for grantee programs to begin implementation during the 2007-2008 school year.

SECTION 7.32.(b) Of funds appropriated for dropout prevention grants, the State Board of Education may use up to one hundred fifty thousand dollars (\$150,000) to establish up to two positions to support administration of these grants.

SECTION 7.32.(c) The State Board of Education shall report to the Joint Legislative Education Oversight Committee by October 15, 2008, on grants distributed for the 2007-2008 school year.

SCHOOL SAFETY OFFICERS

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

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

...

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

HIGH PRIORITY SCHOOLS

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

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

DISTANCE EDUCATION

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

CHILD NUTRITION OPERATING FUNDS

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

PART VIII. COMMUNITY COLLEGES**USE OF FUNDS FOR THE COLLEGE INFORMATION SYSTEM PROJECT**

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

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

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

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

CARRYFORWARD OF EQUIPMENT FUNDS FOR COMMUNITY COLLEGES

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

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

INSTRUCTIONAL RESOURCE ALLOCATION FORMULA

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

REPORT ON NCCCS DISTANCE LEARNING AND ONLINE CAPABILITIES

SECTION 8.4. The Community Colleges System Office shall report by March 1, 2008, to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management on its efforts regarding distance learning opportunities. This report shall complement the report

1 authorized by the General Assembly in Part 6 of S.L. 2004-179 and shall address the
 2 following:

- 3 (1) The expenditure of funds appropriated in this act for bandwidth at
 4 community colleges, including a description of each community
 5 college's current bandwidth capacity;
- 6 (2) A five-year history of the number of courses offered and number of
 7 FTE students served through distance learning;
- 8 (3) Results from student and instructor evaluations of distance learning
 9 courses;
- 10 (4) Current and anticipated future joint efforts between the North Carolina
 11 Community College System and The University of North Carolina and
 12 North Carolina private colleges, regarding distance learning; and
- 13 (5) Analysis of necessary changes or enhancements to improve the sharing
 14 of distance learning and online opportunities with The University of
 15 North Carolina and the Department of Public Instruction.

16
 17 **COMMUNITY COLLEGE FACULTY SALARY PLAN**

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

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

- 25 (1) Vocational Diploma/Certificate or Less. – This education level
 26 includes faculty members who are high school graduates, have
 27 vocational diplomas, or have completed one year of college.
- 28 (2) Associate Degree or Equivalent. – This education level includes
 29 faculty members who have an associate degree or have completed two
 30 or more years of college but have no degree.
- 31 (3) Bachelor's Degree.
- 32 (4) Master's Degree or Education Specialist.
- 33 (5) Doctoral Degree.

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

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

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

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

46 **SECTION 8.5.(d)**

- 47 (1) It is the intent of the General Assembly to encourage community
 48 colleges to make faculty salaries a priority and to reward colleges that
 49 have taken steps to achieve the national average, therefore:
 - 50 a. If the average faculty salary at a community college is one
 51 hundred percent (100%) or more of the national average

1 community college faculty salary, the college may transfer up
2 to eight percent (8%) of the State funds allocated to it for
3 faculty salaries.

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

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

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

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

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

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

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

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

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

6 7 **SUSPEND APPROVAL OF NEW MULTICAMPUS CENTERS**

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

16 17 **COMMUNITY COLLEGE CONNECTIVITY FUNDS**

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

23 24 **STUDY OF BASIC SKILLS FORMULA**

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

34 35 **REALIGNMENT OF STATE AID ALLOCATIONS**

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

41 42 **COMMUNITY COLLEGES FACILITIES AND EQUIPMENT FUNDS**

43 **SECTION 8.10.(a)** Funds appropriated to the Community College Facilities
44 and Equipment Fund shall be used to award grants to community colleges for facility
45 and equipment needs. The Community Colleges System Office, in consultation with the
46 State Board of Community Colleges, shall develop a competitive grant application
47 process and guidelines for facility or equipment needs. The State Board of Community
48 Colleges shall award grants on the merit of the applications received. Priority shall be
49 given to projects in low-wealth counties, to projects that have a high potential for
50 promoting economic growth in economically depressed areas, and to projects at colleges
51 that did not receive a grant during the 2006-2007 fiscal year. Also, projects shall be

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

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

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

12 13 **PART IX. UNIVERSITIES**

14 15 **NC SCHOOL OF SCIENCE AND MATHEMATICS ENROLLMENT GROWTH** 16 **FORMULA**

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

25 26 **REPORTING ON UNC FACULTY WORKLOAD**

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

- 31 (1) The faculty workload data for each constituent institution of The
32 University of North Carolina compared to The University of North
33 Carolina enrollment model.
- 34 (2) The University of North Carolina faculty workload average as
35 compared to The University of North Carolina enrollment model
36 student credit hours per instructional position.
- 37 (3) The faculty workload of regional and peer institutions as compared to
38 each constituent institution faculty average and to The University of
39 North Carolina faculty workload average.

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

44 45 **USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS**

46 **SECTION 9.3.(a)** There is appropriated from the Escheat Fund income to
47 the Board of Governors of The University of North Carolina the sum of seventy-five
48 million six hundred thirty-eight thousand sixteen dollars (\$75,638,016) for the
49 2007-2008 fiscal year and the sum of seventy-five million six hundred thirty-eight
50 thousand sixteen dollars (\$75,638,016) for the 2008-2009 fiscal year. There is
51 appropriated from the Escheat Fund income to the State Board of Community Colleges

1 the sum of thirteen million nine hundred eighty-one thousand two hundred two dollars
2 (\$13,981,202) for the 2007-2008 fiscal year and the sum of thirteen million nine
3 hundred eighty-one thousand two hundred two dollars (\$13,981,202) for the 2008-2009
4 fiscal year. There is appropriated from the Escheat Fund income to the Department of
5 Administration, Division of Veterans Affairs, the sum of six million two hundred
6 twenty-eight thousand six hundred thirty-three dollars (\$6,228,633) for the 2007-2008
7 fiscal year and the sum of six million five hundred twenty thousand nine hundred
8 sixty-four dollars (\$6,520,964) for the 2008-2009 fiscal year. The funds appropriated by
9 this subsection shall be allocated by the State Educational Assistance Authority for
10 need-based student financial aid in accordance with G.S. 116B-7.

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

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

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

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

44 **BOARD OF GOVERNORS' MEDICAL SCHOLARSHIPS**

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

47 **"§ 116-40.9. Board of Governors' Medical Scholarship Loan Program.**

48 **(a) Administration of Medical Scholarship Loan Program. – The Board of**
49 **Governors' Medical Scholarship Loan Program was established by the Board of**
50 **Governors of The University of North Carolina. The Board of Governors' Medical**
51

1 Scholarship Loan Program operates under the purview of the Board of Governors and is
2 administered by the Board of Governors.

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

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

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

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

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

34 **BOARD OF GOVERNORS' DENTAL SCHOLARSHIPS**

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

37 **"§ 116-40.10. Board of Governors' Dental Scholarship Loan Program.**

38 (a) Administration of Dental Scholarship Program. – The Board of Governors'
39 Dental Scholarship Loan Program was established by the Board of Governors of The
40 University of North Carolina. The Board of Governors' Dental Scholarship Loan
41 Program operates under the purview of the Board of Governors and is administered by
42 the Board of Governors.

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

49 (c) Criteria for Awarding Scholarship Loans. – The Board of Governors may
50 adopt standards, including minimum grade point average and scholastic aptitude test
51

1 scores, for awarding these scholarship loans to ensure that only the most qualified
2 students receive them. The Board of Governors shall make an effort to identify and
3 encourage minority and economically disadvantaged youth to enter the program.

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

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

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

23 24 **GRADUATE NURSE SCHOLARSHIP LOANS FOR FULL-TIME NURSING** 25 **FACULTY IN THE NC COMMUNITY COLLEGE SYSTEM**

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

27 **"§ 90-171.100. Graduate Nurse Scholarship Program for Faculty Production**
28 **established; administration.**

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

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

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

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

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

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

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

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

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

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

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

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

43 "(b) The State Education Assistance Authority shall forgive the loan if, within
44 seven years after graduation from a nursing education program, the recipient teaches in
45 a public or private nursing education program in a public or private educational
46 institution in North Carolina for one year for every year a scholarship loan was
47 ~~provided.~~ provided; unless the recipient was a nursing faculty member of a community
48 college. In those circumstances, the State Education Assistance Authority shall forgive
49 the loan if, within seven years after graduation from a nursing education program, the
50 recipient teaches in a community college nursing education program in North Carolina
51 for one year for every year a scholarship loan was provided. If the recipient repays the

1 scholarship loan by cash payments, all indebtedness shall be repaid within 10 years. The
2 Authority may provide for accelerated repayment and for less than full-time
3 employment options to encourage the practice of nursing education in either geographic
4 or nursing specialty shortage areas. The Authority shall adopt specific rules to designate
5 these geographic areas and these nursing specialty shortage areas, upon
6 recommendations of the North Carolina Center for Nursing. The North Carolina Center
7 for Nursing shall base its recommendations on objective information provided by
8 interested groups or agencies and upon objective information collected by the Center.
9 The Authority may forgive the scholarship loan if it determines that it is impossible for
10 the recipient to teach in a public or private nursing ~~program-program~~, or in a community
11 college nursing program if that was a condition of the scholarship loan, in North
12 Carolina for a sufficient time to repay the loan because of the death or permanent
13 disability of the recipient within 10 years following graduation or termination of
14 enrollment in a nursing education program."
15

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

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

20 **"§ 116-209.26. Education Access Rewards North Carolina Scholars Fund.**

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

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

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

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

- 42 (1) The student must qualify as a legal resident of North Carolina and as a
43 resident for tuition purposes in accordance with G.S. 116-143.1.
44 (2) Within seven months of the fiscal year in which the grant is to be
45 disbursed, the student must have:
46 a. Graduated from a North Carolina high school;
47 b. Received a General Education Development (GED) Certificate
48 from a North Carolina institution; or
49 c. Completed a high school education in a home school setting
50 meeting the qualifications and requirements under
51 G.S. 115C-564.

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

43 **SECTION 9.7.(b)** There is appropriated from the Escheat Fund to the State
44 Education Assistance Authority the sum of twenty-five million dollars (\$25,000,000)
45 for the 2007-2008 fiscal year and the sum of fifty million dollars (\$50,000,000) for the
46 2008-2009 fiscal year to implement this section. Notwithstanding subsection (a) of this
47 section, no grant shall be disbursed to an eligible student under G.S. 116-209.26, as
48 enacted by this act, before July 1, 2008.

49
50 **MANAGEMENT FLEXIBILITY TO REORGANIZE BUDGET CODE 16012**
51 **UNC BOARD OF GOVERNORS RELATED EDUCATIONAL PROGRAMS**

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

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

14 15 **FUTURE TEACHERS OF NC SCHOLARSHIP LOAN PROGRAM**

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

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

27 28 **PRINCIPALS' EXECUTIVE PROGRAM**

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

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

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

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

49 50 **REPEAL NORTH CAROLINA PROGRESS BOARD**

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

3
4 **REVERT MOTORSPORTS CAPITAL ACCOUNT**

5 **SECTION 9.12.** Effective June 30, 2007, the unencumbered balance of the
6 funds appropriated to the NC Motor Sports Testing and Research Complex in Section
7 32.1 of S.L. 2004-124, as amended by Section 3 of S.L. 2004-184, shall revert to the
8 General Fund.

9
10 **LEGISLATIVE TUITION GRANT FOR PART-TIME STUDENTS**

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

12 **"§ 116-21.2. Legislative tuition grants to aid students and licensure students**
13 **attending private institutions of higher education.**

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

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

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

43 (c) ~~Except as provided in subsection (a1) of this section, in~~ In the event a
44 full-time student on whose behalf a grant has been paid in accordance with subsection
45 (a) of this section or a full-time licensure student on whose behalf a grant has been paid
46 in accordance with subsection (a1) of this section is not enrolled and carrying a
47 minimum academic load as of the tenth classroom day following the beginning of the
48 school term for which the grant was paid, the institution shall refund the full amount of
49 the grant to the State Education Assistance Authority. If a part-time student on whose
50 behalf a prorated grant has been paid in accordance with subsection (a) of this section or
51 a part-time licensure student on whose behalf a prorated grant has been paid in

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

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

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

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

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

26 **"§ 116-43.5. State grants to aid eligible students attending certain private**
27 **institutions of higher education; administrative procedure.**

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

- 29 (1) "Institution" means a nonprofit educational institution with a main
30 permanent campus located in this State that satisfies all of the
31 following:
 - 32 a. Is not owned or operated by the State of North Carolina or by
33 an agency or political subdivision of the State or by any
34 combination thereof.
 - 35 b. Is accredited by the Southern Association of Colleges and
36 Schools under the standards of the College Delegate Assembly
37 of the Association.
 - 38 c. Awards a postsecondary degree as defined in G.S. 116-15.
 - 39 d. Its students are not eligible for a similar State grant under
40 another State program.

41 (1a) "Licensure student" means a person who:

- 42 a. Has a bachelor's degree;
- 43 b. Is enrolled either full-time or less than full-time in a program
44 intended to result in licensure in teaching or nursing;
- 45 c. Attends an institution located in the State; and
- 46 d. Qualifies as a resident of North Carolina in accordance with
47 definitions of residency that may from time to time be adopted
48 by the Board of Governors of The University of North Carolina
49 and published in the residency manual of the Board.

50 (2) "Main permanent campus" means a campus that is owned by the
51 institution that provides permanent on-premises housing, food

1 services, and classrooms with full-time faculty members and
2 administration that engage in postsecondary degree activity as defined
3 in G.S. 116-15.

- 4 (3) "Student" means a person enrolled in and attending an institution
5 located in the State (i) who qualifies as a resident of North Carolina in
6 accordance with definitions of residency that may from time to time be
7 adopted by the Board of Governors of The University of North
8 Carolina and published in the residency manual of the Board, and (ii)
9 who has not received a bachelors degree, or qualified therefor, and
10 who is otherwise classified as an undergraduate under such regulations
11 as the Board of Governors of The University of North Carolina may
12 promulgate. Qualification for in-State tuition under G.S. 116-143.3
13 makes a person a "student" as defined in this subdivision.

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

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

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

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

- 45 (1) Each ~~eligible~~ full-time student or full-time licensure student eligible
46 for a full grant under this section shall receive a pro rata share of funds
47 for the full grant then available for the appropriate academic year
48 within the fiscal period covered by the current appropriation.
49 (2) Each part-time student or part-time licensure student eligible for a
50 prorated grant under this section shall receive a pro rata share of the
51 funds for the prorated grant then available for the appropriate

1 academic year within the fiscal period covered by the current
2 appropriation.

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

4 (f) A State grant authorized by this act shall be reduced by twenty-five percent
5 (25%) for any individual student who has completed 140 semester credit hours or the
6 equivalent of 140 semester credit hours.

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

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

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

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

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

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

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

29 **PHYSICIAN SERVICES**

30 **SECTION 10.1.** With the approval of the Office of State Budget and
31 Management, the Department of Health and Human Services may use funds
32 appropriated in this act for across-the-board salary increases and performance pay to
33 offset similar increases in the costs of contracting with private and independent
34 universities for the provision of physician services to clients in facilities operated by the
35 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.
36 This offsetting shall be done in the same manner as is currently done with the
37 constituent institutions of The University of North Carolina.
38
39

40 **LIABILITY INSURANCE**

41 **SECTION 10.2.(a)** The Secretary of the Department of Health and Human
42 Services, the Secretary of the Department of Environment and Natural Resources, and
43 the Secretary of the Department of Correction may provide medical liability coverage
44 not to exceed one million dollars (\$1,000,000) per incident on behalf of employees of
45 the Departments licensed to practice medicine or dentistry, on behalf of all licensed
46 physicians who are faculty members of The University of North Carolina who work on
47 contract for the Division of Mental Health, Developmental Disabilities, and Substance
48 Abuse Services for incidents that occur in Division programs, and on behalf of
49 physicians in all residency training programs from The University of North Carolina
50 who are in training at institutions operated by the Department of Health and Human
51

1 Services. This coverage may include commercial insurance or self-insurance and shall
2 cover these individuals for their acts or omissions only while they are engaged in
3 providing medical and dental services pursuant to their State employment or training.

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

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

18 19 **FUNDS FOR JIM "CATFISH" HUNTER CHAPTER OF THE ALS** 20 **ASSOCIATION**

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

24 25 **DHHS PAYROLL DEDUCTION FOR CHILD CARE SERVICES**

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

31 32 **NONMEDICAID REIMBURSEMENT CHANGES**

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

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

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

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

3	DSB Medical Eye Care	125% FPL
4	DSB Independent Living <55	125% FPL
5	DSB Independent Living 55>	200% FPL
6		
7	DVR Independent Living <55	125% FPL
8	DVR Independent Living 55>	125% FPL
9		

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

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

25	<u>Income</u>	<u>State Participation</u>	<u>Client Participation</u>
26	(% of poverty)		
27	0-150%	100%	0%
28	151-200%	75%	25%
29	201-250%	50%	50%
30	251-300%	25%	75%
31	300% and over	0%	100%

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

35
 36 **COMMUNITY HEALTH CENTER CHANGES**

37 **SECTION 10.6.(a)** Of the funds appropriated in this act for Community
 38 Health Grants, the sum of seven million dollars (\$7,000,000) in recurring funds for the
 39 2007-2008 fiscal year and the sum of seven million dollars (\$7,000,000) for the
 40 2008-2009 fiscal year shall be allocated to federally qualified health centers and those
 41 health centers that meet the criteria for federally qualified health centers,
 42 State-designated rural health centers, free clinics, public health departments,
 43 school-based health centers, and other nonprofit organizations that provide primary and
 44 preventative medical services to uninsured or medically indigent patients to:

- 45 (1) Increase access to preventative and primary care services by uninsured
 46 or medically indigent patients in existing or new health center
 47 locations;
- 48 (2) Establish community health center services in counties where no such
 49 services exist;
- 50 (3) Create new services or augment existing services provided to
 51 uninsured or medically indigent patients, including primary care and

1 preventative medical services, dental services, pharmacy, and
2 behavioral health; and

- 3 (4) Increase capacity necessary to serve the uninsured by enhancing or
4 replacing facilities, equipment, or technologies.

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

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

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

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

31 **FUNDS TO ASSIST RURAL HOSPITALS**

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

- 38 (1) Capital and operational needs of small rural hospitals. The Office of
39 Rural Health and Community Care shall convene an advisory group to
40 establish criteria for distribution of these funds. The criteria shall
41 include the number of indigent patients served, the number of
42 Medicaid recipients served, the per capita income of the area served by
43 the hospital, and the financial needs of the hospital; and
44 (2) Pilot demonstration programs that address issues critical to the
45 long-term survivability of rural hospitals such as: development of
46 regional care networks for mental health services; restructuring of
47 emergency department and outpatient services; and disease-focused
48 regional referral and care networks. The Office of Rural Health and
49 Community Care shall convene an advisory group to establish criteria
50

1 for the pilot demonstration projects, distribution of funds, and
2 monitoring and evaluation of the pilot projects.

3 The Office of Rural Health and Community Care shall report on the
4 allocation of funds appropriated under this section to the Senate Appropriations
5 Committee on Health and Human Services, the House of Representatives
6 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
7 Division not later than March 1, 2008.

8 9 **TRANSFER SHIP FUNDS TO DEPARTMENT OF INSURANCE**

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

17 18 **COLLABORATION AMONG DEPARTMENTS OF ADMINISTRATION, 19 HEALTH AND HUMAN SERVICES, JUVENILE JUSTICE AND 20 DELINQUENCY PREVENTION, AND PUBLIC INSTRUCTION ON 21 SCHOOL-BASED CHILD AND FAMILY TEAM INITIATIVE**

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

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

- 36 a. The development of a strong infrastructure of interagency
37 collaboration;
38 b. One child, one team, one plan;
39 c. Individualized strengths-based care;
40 d. Accountability;
41 e. Cultural competence;
42 f. Children at risk of school failure or out-of-home placement may
43 enter the system through any participating agency;
44 g. Services shall be specified, delivered, and monitored through a
45 unified Child and Family Plan that is outcome-oriented and
46 evaluation-based;
47 h. Services shall be the most efficient in terms of cost and
48 effectiveness and shall be delivered in the most natural settings
49 possible;
50 i. Out-of-home placements for children shall be a last resort and
51 shall include concrete plans to bring the children back to a

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

- 1 b. The local management entity shall take the lead role for those
- 2 children and their families whose primary unmet needs are
- 3 related to mental health, substance abuse, or developmental
- 4 disabilities and who meet the criteria for the target population
- 5 established by the Division of Mental Health, Developmental
- 6 Disabilities, and Substance Abuse Services.
- 7 c. The local department of public health shall take the lead role for
- 8 those children and their families whose primary unmet needs
- 9 are health-related.
- 10 d. Local departments of social services shall take the lead for
- 11 those children and their families whose primary unmet needs
- 12 are related to child welfare, abuse, or neglect.
- 13 e. The chief district court counselor shall take the lead for those
- 14 children and their families whose primary unmet needs are
- 15 related to juvenile justice issues.
- 16 A representative from each named or otherwise identified publicly
- 17 supported children's agency shall participate as a member of the Team
- 18 as needed. Team members shall coordinate, monitor, and assure the
- 19 successful implementation of a unified Child and Family Plan.
- 20 (4) Reporting requirements. – School-Based Child and Family Team
- 21 Leaders shall provide data to the Council for inclusion in their report
- 22 to the North Carolina General Assembly. The report shall include the
- 23 following:
- 24 a. The number of and other demographic information on children
- 25 screened and assigned to a team and a description of the
- 26 services needed by and provided to these children;
- 27 b. The number of and information about children assigned to a
- 28 team who are placed in programs or facilities outside the child's
- 29 home or outside the child's county and the average length of
- 30 stay in residential treatment;
- 31 c. The amount and source of funds expended to implement the
- 32 Initiative;
- 33 d. Information on how families and consumers are involved in
- 34 decision making throughout service planning, delivery, and
- 35 monitoring;
- 36 e. Other information as required by the Council to evaluate
- 37 success in local programs and ensure appropriate outcomes; and
- 38 f. Recommendations on needed improvements.
- 39 (5) Local advisory committee. – In each county with a participating
- 40 school, the superintendent of the local LEA shall either identify an
- 41 existing cross agency collaborative or council, or shall form a new
- 42 group, to serve as a local advisory committee to work with the
- 43 Initiative. Newly formed committees shall be chaired by the
- 44 superintendent and one other member of the committee to be elected
- 45 by the committee. The local advisory committee shall include the
- 46 directors of the county departments of social services and health, the
- 47 directors of the local management entity, the chief district court judge,
- 48 the chief district court counselor, and representatives of other agencies
- 49 providing services to children, as designated by the Committee. The
- 50 members of the Committee shall meet as needed to monitor and

1 support the successful implementation of the School-Based Child and
2 Family Team Initiative.

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

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

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

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

18 (3) Membership. – The Superintendent of Public Instruction and the
19 Secretary of Health and Human Services shall serve as cochairs of the
20 Council. Council membership shall include the Secretary of the
21 Department of Juvenile Justice and Delinquency Prevention, the
22 Chairman of the State Board of Education, the Director of the
23 Administrative Office of the Courts, and other members as appointed
24 by the Governor.

25 (4) The Council shall:

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

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

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

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

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

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

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

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

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

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

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

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

19
20 **COMPREHENSIVE TREATMENT SERVICES PROGRAM/ESTABLISHMENT**
21 **OF TASK FORCE ON THE COORDINATION OF CHILDREN'S SERVICES**

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

- 34 (1) Behavioral health screening for all children at risk of
35 institutionalization or other out-of-home placement.
- 36 (2) Appropriate and medically necessary nonresidential and residential
37 services for deaf children.
- 38 (3) Appropriate and medically necessary nonresidential and residential
39 treatment services, including placements for sexually aggressive youth.
- 40 (4) Appropriate and medically necessary nonresidential and residential
41 treatment services, including placements for youth needing substance
42 abuse treatment services and children with serious emotional
43 disturbances.
- 44 (5) Multidisciplinary case management services, as needed.
- 45 (6) A system of utilization review specific to the nature and design of the
46 Program.
- 47 (7) Mechanisms to ensure that children are not placed in department of
48 social services custody for the purpose of obtaining mental health
49 residential treatment services.
- 50 (8) Mechanisms to maximize current State and local funds and to expand
51 use of Medicaid funds to accomplish the intent of this Program.

- 1 (9) Other appropriate components to accomplish the Program's purpose.
2 (10) The Secretary of the Department of Health and Human Services may
3 enter into contracts with residential service providers.
4 (11) A system of identifying and tracking children placed outside of the
5 family unit in group homes, therapeutic foster care home settings, and
6 other out-of-home placements.
7 (12) The development of a strong infrastructure of interagency
8 collaboration.
9 (13) Individualized strengths-based care.

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

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

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

45 **SECTION 10.10.(d)** The Department shall not allocate funds appropriated
46 for Program services until a Memorandum of Agreement has been executed between the
47 Department of Health and Human Services, the Department of Public Instruction, and
48 other affected State agencies. The Memorandum of Agreement shall address
49 specifically the roles and responsibilities of the various departmental divisions and
50 affected State agencies involved in the administration, financing, care, and placement of
51 children at risk of institutionalization or other out-of-home placement. The Department

1 shall not allocate funds appropriated in this act for the Program until the Memoranda of
2 Agreement between local departments of social services, area mental health programs,
3 local education agencies, the Administrative Office of the Courts, and the Department
4 of Juvenile Justice and Delinquency Prevention, as appropriate, are executed to
5 effectuate the purpose of the Program. The Memoranda of Agreement shall address
6 issues pertinent to local implementation of the Program, including provision for the
7 immediate availability of student records to a local school administrative unit receiving
8 a child placed in a residential setting outside the child's home county.

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

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

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

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

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

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

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

46 "Article 24.

47 "The Legislative Study Commission on Children and Youth.

48 **"§ 120-215. Commission created; purpose.**

49 There is created the Legislative Study Commission on Children and Youth. The
50 purpose of the Commission is to study and evaluate the system of delivery of services to
51 children and youth and to make recommendations to improve service delivery to meet

1 present and future needs of the children and youth of this State. This study shall be a
2 continuing one and the evaluation ongoing.

3 **"§ 120-216. Commission duties.**

4 The Commission shall have the following duties:

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

43 **"§ 120-217. Commission membership; terms; compensation.**

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

- 45 (1) Eleven members appointed by the Speaker of the House of
46 Representatives, among them:
- 47 a. ~~Four~~ Five shall be members of the House of Representatives at
48 the time of their appointment, of whom at least one shall also
49 serve on the House of Representatives Appropriations
50 Subcommittee on Health and Human Services, one of whom
51 also serves on the Joint Legislative Education Oversight

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

- 1 c. The Secretary of Administration, or the Secretary's designee,
2 and
3 d. The Director of the Administrative Office of the Courts, or the
4 Director's designee.

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

9 (c) Commission members shall receive no salary as a result of serving on the
10 Commission and the Task Force on the Coordination of Children's Services but shall
11 receive necessary subsistence and travel expenses in accordance with G.S. 120-3.1,
12 138-5, and 138-6, as applicable.

13 **"§ 120-218. Commission meetings; public hearings; staff.**

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

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

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

29 **"§ 120-219. Commission reports.**

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

33 **"§ 120-220. Commission authority.**

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

38 **"§ 120-221. Task Force on the Coordination of Children's Services.**

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

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

- 44 a. The Commission member who serves on the House of
45 Representatives Appropriations Subcommittee on Health and
46 Human Services, and the Commission member who is a
47 member of the House of Representatives and who also serves
48 on the Legislative Oversight Committee on Mental Health,
49 Developmental Disabilities, and Substance Abuse Services,
50 b. The Commission member who is a local health director,

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

- 1 states that have implemented a system of care as a statewide policy
2 initiative, and the extent to which a system of care is cost-effective.
3 (3) The Task Force shall also examine the following principles that are
4 associated with a system of care and determine whether to recommend
5 the adoption of a State policy that reflects these principles:
6 a. Services for children should promote success, safety, and
7 permanence.
8 b. Services should be child- and family-centered, giving priority to
9 keeping children with their families, in their home, school, and
10 community.
11 c. Services should actively promote early identification and
12 intervention.
13 d. Services should be designed to protect the rights of children.
14 e. Services shall be integrated and comprehensive, addressing the
15 child's physical, educational, social, and emotional needs
16 through a single child and family team.
17 f. Services shall be outcomes-accountable and tied to a unified
18 child and family plan.
19 g. Agency resources and services shall be shared and coordinated.
20 h. Services shall be provided as close to home as appropriate in
21 the least restrictive setting consistent with what is known to be
22 effective.
23 i. Services shall be culturally competent.
24 j. Services shall address the unique strengths, needs, and potential
25 of each child and family, and shall be sufficiently flexible to
26 meet highly individualized child and family needs.
27 k. Management of the child-serving system is a responsibility
28 shared among all public and private child-serving agencies that
29 should be held collectively accountable for outcomes.
30 (4) In reviewing principles relating to a system of care, the Task Force
31 shall determine whether they articulate goals that are measurable and if
32 not, determine whether they could be modified to reflect measurable
33 goals.
34 (5) Study any other issues the Task Force determines would improve
35 coordination and collaboration among child-serving agencies.

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

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

1 **SECTION 10.10.(k)** The Department shall report on April 1, 2008, and
2 April 1, 2009, on the implementation of subsections (a) through (h) of this section. The
3 reports required under this subsection shall be made to the House of Representatives
4 Appropriations Subcommittee on Health and Human Services, the Senate
5 Appropriations Committee on Health and Human Services, the Joint Legislative
6 Oversight Committee on Mental Health, Developmental Disabilities, and Substance
7 Abuse Services, and the Fiscal Research Division.
8

9 **SENIOR CENTER OUTREACH**

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

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

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

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

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

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

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

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

25 **SECTION 10.11.(c)** State funding shall not exceed seventy-five percent
26 (75%) of reimbursable costs.
27

28 **QUALITY IMPROVEMENT CONSULTATION PROGRAM FOR ADULT 29 CARE HOMES**

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

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

41 The Program will address the following topics:

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

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

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

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

- 1 (5) Utilization of quality improvement plans for adult care homes that
2 identify and resolve issues that adversely affect quality of care and
3 services to residents. The plans include agreed upon time frames for
4 completion of improvements and identification of needed resources;
- 5 (6) Training required to equip county departments of social services' staff
6 to implement the Program;
- 7 (7) A distinction of roles between the regulatory role of the Department's
8 Division of Facility Services and the quality improvement consultation
9 and monitoring responsibilities of the county departments of social
10 services; and
- 11 (8) Identification of staffing and other resources needed to implement the
12 Program.

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

27 28 STATE-COUNTY SPECIAL ASSISTANCE

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

35 **SECTION 10.13.(b)** Effective January 1, 2008, the maximum monthly rate
36 for residents in adult care home facilities shall be one thousand one hundred forty-eight
37 dollars (\$1,148) per month per resident unless adjusted by the Department in
38 accordance with subsection (d) of this section.

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

43 **SECTION 10.13.(d)** Notwithstanding any other provision of this section, the
44 Department of Health and Human Services shall review activities and costs related to
45 the provision of care in adult care homes and shall determine what costs may be
46 considered to properly maximize allowable reimbursement available through Medicaid
47 personal care services for adult care homes (ACH-PCS) under federal law. As
48 determined, and with any necessary approval from the Centers for Medicare and
49 Medicaid Services (CMS), and the approval of the Office of State Budget and
50 Management, the Department may transfer necessary funds from the State-County
51 Special Assistance program within the Division of Social Services to the Division of

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

22 **SECTION 10.13.(e)** Effective July 1, 2007, the Department of Health and
23 Human Services shall recommend rates for State-County Special Assistance and for
24 Adult Care Home Personal Care Services. The Department may recommend rates
25 appropriate cost methodology and cost reports submitted by adult care homes that
26 receive State-County Special Assistance funds and shall ensure that cost reporting is
27 done for State-County Special Assistance and Adult Care Home Personal Care Services
28 to the same standards as apply to other residential service providers.
29

30 SPECIAL ASSISTANCE IN-HOME

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

33 **"§ 108A-47.1. Special Assistance in-home payments.**

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

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

4
 5 **CHILD CARE SUBSIDY RATES**

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

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

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

12
 13
 14
 15
 16 **SECTION 10.15.(c)** Payments for the purchase of child care services for
 17 low-income children shall be in accordance with the following requirements:

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

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

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

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

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

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

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

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

- 22 (1) The child for whom a child care subsidy is sought is receiving child
23 protective services or foster care services.
- 24 (2) The child for whom a child care subsidy is sought is developmentally
25 delayed or at risk of being developmentally delayed.
- 26 (3) The child for whom a child care subsidy is sought is a citizen of the
27 United States.

28 **CHILD CARE ALLOCATION FORMULA**

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

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

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

46 **SECTION 10.16.(c)** Notwithstanding subsection (a) of this section, the
47 Department of Health and Human Services shall allocate up to twelve million dollars
48 (\$12,000,000) in federal block grant funds and State funds appropriated for fiscal years
49 2007-2008 and 2008-2009 for child care services. These funds shall be allocated to
50 prevent termination of child care services. Funds appropriated for specific purposes,
51

1 including market rate adjustments, may also be allocated by the Department separately
2 from the allocation formula described in subsection (a) of this section.

3 4 **CHILD CARE FUNDS MATCHING REQUIREMENT**

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

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

21 22 **CHILD CARE REVOLVING LOAN**

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

29 30 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES** 31 **ENHANCEMENTS**

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

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

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

50 **SECTION 10.19.(c)** The North Carolina Partnership for Children, Inc., and
51 all local partnerships shall, in the aggregate, be required to match no less than fifty

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

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

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

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

46 **SECTION 10.19.(e)** The Department of Health and Human Services and the
47 North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds
48 for Early Childhood Education and Development Initiatives for State fiscal years
49 2007-2008 and 2008-2009 shall be administered and distributed in the following
50 manner:

1 (1) Capital expenditures are prohibited for fiscal years 2007-2008 and
2 2008-2009. For the purposes of this section, "capital expenditures"
3 means expenditures for capital improvements as defined in
4 G.S. 143-34.40.

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

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

14 **SECTION 10.19.(g)** For fiscal years 2007-2008 and 2008-2009, the local
15 partnerships shall spend an amount for child care subsidies that provides at least
16 fifty-two million dollars (\$52,000,000) for the TANF maintenance of effort requirement
17 and the Child Care Development Fund and Block Grant match requirement.
18

19 **EVALUATION OF EDUCATIONAL SERVICES TO STUDENTS WITH** 20 **HEARING AND VISUAL IMPAIRMENTS**

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

24 (1) Collaborate in an evaluation of the State's entire service delivery
25 model for deaf and blind students, including special needs of the
26 students resulting from additional disabilities other than hearing and
27 visual impairments, the training needs of professional staff, access to
28 assistive technology, and curriculum content.

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

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

36 **SECTION 10.20.(b)** The Department of Health and Human Services and the
37 Department of Public Instruction shall report their findings and recommendations to the
38 General Assembly by April 1, 2008.
39

40 **EARLY INTERVENTION SERVICES REPORT**

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

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

49 (2) Services provided: the number and types of evaluation services,
50 treatment services, and other services provided and whether the service

1 was provided by an employee of a children's developmental services
2 agency or a private provider.

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

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

16
17 **COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES**
18 **INITIATIVE**

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

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

- 35 (1) Which community programs and local health departments received
36 CFEHDI grants.
37 (2) What amount of funding did each program or local health department
38 receive.
39 (3) Which of the minority populations were served by the programs or
40 local health departments.
41 (4) Which counties were served by the programs or local health
42 departments.
43 (5) What activities were planned and implemented by the programs or
44 local health departments to fulfill the community focus of the CFEHDI
45 program.

46 The report shall also contain a comprehensive evaluation of all grantees with
47 regard to fulfilling the goals of the program, assessing the difference the funded
48 activities have made in the community, and addressing and mitigating the health
49 disparities identified in the Racial and Ethnic Health Disparities in North Carolina,
50 Report Card 2006. In addition, the Department shall solicit from the grantees their
51 observations and recommendations on ways the CFEHDI program can best accomplish

1 its goals. The Department shall submit the report not later than March 1, 2008, to the
2 House of Representatives Appropriations Subcommittee on Health and Human
3 Services, the Senate Appropriations Committee on Health and Human Services, and the
4 Fiscal Research Division.

5 6 **FUNDS FOR SCHOOL NURSES**

7 **SECTION 10.23.(a)** Of the funds appropriated in this act to the Department
8 of Health and Human Services, the sum of four million dollars (\$4,000,000) for the
9 2007-2008 fiscal year and the sum of four million dollars (\$4,000,000) for the
10 2008-2009 fiscal year shall be used for the school nurse initiative. All funds
11 appropriated or allocated for school nurses shall be used to supplement and not supplant
12 other State, local, or federal funds appropriated or allocated for this purpose.
13 Communities shall maintain their current level of effort and funding for school nurses.
14 These funds shall not be used for funding nurses for State agencies. All funds shall be
15 used for direct services.

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

18 19 **PUBLIC HEALTH FUNDS TO AID COUNTIES**

20 **SECTION 10.24.** Of the funds appropriated in this act to the Department of
21 Health and Human Services, Division of Public Health, the sum of four million dollars
22 (\$4,000,000) for the 2007-2008 fiscal year and the sum of four million dollars
23 (\$4,000,000) for the 2008-2009 fiscal year shall be allocated as noncategorical General
24 Aid to County funds to improve the delivery of the 10 essential public health services in
25 all counties. These funds shall not be used to supplant existing State, federal, county, or
26 other funds allocated for this purpose.

27 28 **HEALTH PROMOTION AND DISEASE PREVENTION INVENTORY AND** 29 **PLAN**

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

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

- 46 (1) Rate of infant mortality.
- 47 (2) Rate of adolescent pregnancy.
- 48 (3) Rates of cancer, heart disease, and diabetes.
- 49 (4) Number of persons without health insurance.
- 50 (5) Median income.
- 51 (6) Percent of county population enrolled in Medicaid.

1 (7) Percent of the population that is minority.

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

6
7 **AIDS DRUG ASSISTANCE PROGRAM**

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

17
18 **HIV AND HEPATITIS-C PREVENTION PROGRAM**

19 **SECTION 10.27.** Funds appropriated in this act to the Department of Health
20 and Human Services, Division of Public Health, for HIV prevention may also be used
21 by the State Health Director and local health departments to implement three
22 community-based harm reduction programs as part of a comprehensive Hepatitis C and
23 HIV disease prevention program. These funds shall be used to support these programs
24 in providing access to sterile syringes, case management services, outreach,
25 transportation, referrals for housing and medical care, and other services that will
26 further the purpose of HIV and Hepatitis-C prevention.

27
28 **CHILD SUPPORT PROGRAM/ENHANCED STANDARDS**

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

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

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

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

FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS

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

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

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

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

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

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

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

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

CHILD CARING INSTITUTIONS

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

SPECIAL CHILDREN ADOPTION FUND

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

SECTION 10.31.(b) Of the total funds appropriated for the Special Children Adoption Fund each year, twenty percent (20%) of the total funds available shall be reserved for payment to participating private adoption agencies. If the funds reserved in

1 this subsection for payments to private agencies have not been spent on or before March
2 31, 2008, the Division of Social Services may reallocate those funds, in accordance with
3 this section, to other participating adoption agencies.

4 **SECTION 10.31.(c)** The Division of Social Services shall monitor the total
5 expenditures in the Special Children Adoption Fund and redistribute unspent funds to
6 ensure that the funds are used according to the guidelines established in subsection (a)
7 of this section. The Division shall implement strategies to ensure that funds that have
8 historically reverted for this program are used for the intended purpose.
9

10 **LIMITATION ON STATE ABORTION FUND**

11 **SECTION 10.32.** The limitations on funding of the performance of abortion
12 established in Section 23.27 of Chapter 324 of the 1995 Session Laws, as amended by
13 Section 23.8A of Chapter 507 of the 1995 Session Laws, apply to the 2007-2008 and
14 2008-2009 fiscal years.
15

16 **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND** 17 **PERFORMANCE ENHANCEMENTS**

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

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

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

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

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

1 Services, the Senate Appropriations Committee on Health and Human Services, and the
2 Fiscal Research Division.

3
4 **CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM/USE OF**
5 **ESCHEAT FUND**

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

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

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

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

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

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

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

42
43 **TANF BENEFIT IMPLEMENTATION**

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

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

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

11 12 **MEDICAID**

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

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

46 **SECTION 10.36.(b)** Policy. –

- 47 (1) Volume purchase plans and single source procurement. – The
48 Department of Health and Human Services, Division of Medical
49 Assistance, may, subject to the approval of a change in the State
50 Medicaid Plan, contract for services, medical equipment, supplies, and
51 appliances by implementation of volume purchase plans, single source

procurement, or other contracting processes in order to improve cost containment.

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

(3) Fraud and abuse. – The Division of Medical Assistance, Department of Health and Human Services, shall provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.

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

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

(1) Medicaid and Work First Family Assistance.

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

	CATEGORICALLY NEEDY – WFFA*		MEDICALLY NEEDY
	Standard of Need & Families and Children Income Level		Families and Children & AA, AB, AD* Income Level
Family Size		WFFA* Payment Level	
1	\$4,344	\$2,172	\$2,900
2	5,664	2,832	3,800
3	6,528	3,264	4,400
4	7,128	3,564	4,800

1	5	7,776	3,888	5,200
2	6	8,376	4,188	5,600
3	8	9,256	4,680	6,300

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

b. The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need. These standards may be changed with the approval of the Director of the Budget with the advice of the Advisory Budget Commission.

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

d. Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

(2) For the following Medicaid eligibility classifications for which the federal poverty guidelines are used as income limits for eligibility determinations, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines. The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to the following:

a. All elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines.

b. Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines and without regard to resources. Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy.

c. Infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.

d. Children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.

e. Children aged six through 18 with family incomes equal to or less than the federal poverty guidelines and without regard to resources.

f. Family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines and without regard to resources.

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

(4) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to "independent foster

care adolescents", ages 18, 19, and 20, as defined in Section 1904(w)(1) of the Social Security Act [42 U.S.C. 1396d(w)(1)], without regard to the adolescent's assets, resources, or income levels.

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

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

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

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

- (1) Hospital inpatient.
- (2) Hospital outpatient. – Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.
- (3) Nursing facilities. – Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program. Residents of nursing facilities who are eligible for Medicare coverage of nursing facility services must be placed in a Medicare-certified bed. Medicaid shall cover facility services only after the appropriate services have been billed to Medicare.
- (4) Physicians, certified nurse midwife services, certified registered nurse anesthetists, nurse practitioners. – Fee schedules as developed by the Department of Health and Human Services.
- (5) Community Alternative Program, EPSDT Screens. – Payments in accordance with rate schedule developed by the Department of Health and Human Services.
- (6) Home health and related services, durable medical equipment. – Payments according to reimbursement plans developed by the Department of Health and Human Services.
- (7) Hearing aids. – Wholesale cost plus dispensing fee to provider.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

40 **MEDICAID COST-CONTAINMENT ACTIVITIES**

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

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

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

18 19 **COUNTY MEDICAID COST-SHARE**

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

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

28 29 **DISPOSITION OF DISPROPORTIONATE SHARE RECEIPTS**

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

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

41 42 **MEDICAID SPECIAL FUND TRANSFER**

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

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

5
6 **IMPLEMENT ELECTRONIC QUALITY PRESCRIPTION MANAGEMENT**
7 **PROGRAM**

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

16
17 **DELAY EFFECTIVE DATE OF CHANGES TO MEDICAID ESTATE**
18 **RECOVERY PLAN**

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

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

25 **TICKET TO WORK EFFECTIVE DATE CHANGE**

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

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

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

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

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

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

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

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

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

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

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

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

42
43 **NC HEALTH CHOICE ENROLLMENT**

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

47
48 **NC KIDS' CARE**

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

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

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

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

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

- 21 (1) Excluded benefits:
 - 22 a. Maternity.
 - 23 b. Skilled nursing facility.
 - 24 c. Personal care services.
- 25 (2) Capped benefits:
 - 26 a. Inpatient physical health benefits are limited to two hundred
27 fifty thousand dollars (\$250,000) per eligible child.
 - 28 b. Inpatient behavioral health benefits are limited to ten thousand
29 dollars (\$10,000) per eligible child.
 - 30 c. Inpatient behavioral health benefits are limited to 20 inpatient
31 days.
 - 32 d. Outpatient physical, occupational, and speech therapy are
33 limited to 25 visits annually.
 - 34 e. Outpatient behavioral health benefits are limited to 20 visits
35 annually.
 - 36 f. Primary care and special care physician visits are limited to five
37 annually, except that:
 - 38 1. Additional specialty physician visits are allowed if
39 approved by a primary care physician enrolled in
40 Community Care of North Carolina; and
 - 41 2. Additional wellness visits are allowed according to a
42 predetermined schedule.
 - 43 g. Prescriptions are limited to six per month, but this limit is
44 waived if the child is participating in a Community Care of
45 North Carolina case or disease management program.
 - 46 h. Durable medical equipment and supplies are limited to five
47 hundred dollars (\$500.00) with prior approval by CCNC, except
48 there is no limit on diabetic supplies.

49 **SECTION 10.48.(d)** Community Care of North Carolina. – The Department
50 of Health and Human Services shall provide services to children enrolled in the NC
51 Kids' Care program through Community Care of North Carolina and shall pay

1 Community Care of North Carolina providers for these services as allowed under
2 Medicaid.

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

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

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

11 a. The average premium charged for a child between two hundred
12 percent (200%) and three hundred percent (300%) FPL shall not
13 be more than twenty-four dollars (\$24.00) PM/PM; and

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

17 (3) Coinsurance of twenty percent (20%) shall apply to the following
18 benefits:

19 a. Inpatient physical health;

20 b. Outpatient physical health;

21 c. Surgery;

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

23 e. Emergency room;

24 f. Inpatient behavioral health;

25 g. Laboratory and radiology;

26 h. Durable medical supplies; and

27 i. Ambulance services.

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

30 (4) Co-Payments. – NC Kids' Care shall require enrollees to pay a
31 co-payment for the following services offered:

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

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

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

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

40 e. Prescription drugs, as follows:

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

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

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

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

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

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

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

8
9 **BUILD COMMUNITY INFRASTRUCTURE FOR MENTAL HEALTH,
10 DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES**

11
12 **INCREASE AVAILABILITY OF SUBSTANCE ABUSE TREATMENT.**

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

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

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

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

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

39 **SECTION 10.49.(e1)** Of the funds appropriated in this act to the Department
40 of Health and Human Services, Division of Mental Health, Developmental Disabilities,
41 and Substance Abuse Services, the sum of four million dollars (\$4,000,000) for the
42 2007-2008 fiscal year and the sum of four million dollars (\$4,000,000) for the
43 2008-2009 fiscal year shall be allocated as follows:

- 44 (1) \$2,000,000 in each fiscal year shall be used to provide substance abuse
45 services for adult offenders and shall include increasing the number of
46 TASC case managers; and
- 47 (2) \$2,000,000 in each fiscal year to provide treatment for existing pre-
48 and post-plea Adult Treatment Courts within the targeted populations
49 for mental health, developmental disabilities, and substance abuse
50 services as defined in G.S. 122C-3(38).

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

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

8 (1) TASC to improve offender access to substance abuse treatment and
9 match evidence-based interventions to individual needs at each stage
10 of substance abuse treatment. Special emphasis should be placed on
11 intermediate punishment offenders, community punishment offenders
12 at risk for revocation, and DOC releasees who have completed
13 substance abuse treatment while in custody.

14 (2) The local drug treatment court team and shall select a treatment
15 provider that meets all provider qualification requirements and the
16 drug treatment court's needs. A single treatment provider may be
17 chosen for non-Medicaid-eligible participants only. A single provider
18 may be chosen who can work with all of the non-Medicaid-eligible
19 drug treatment court participants in a single group. During the 52-week
20 Drug Treatment Court program, participants shall receive an array of
21 treatment and after-care services that meets the participant's level of
22 need, including step-down services that support continued recovery.

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

- 30 (1) A statewide standardized evidence-based screening instrument to be
31 used when offenders are booked.
32 (2) A designated LME employee who is responsible for screening the
33 daily jail booking log for known mental health consumers.
34 (3) Protocols for effective communication between the LME and the jail
35 staff including collaborative development of medication management
36 protocols between the jail staff and the mental health providers.
37 (4) Training to help detention officers recognize signals of mental illness.
38

39 **ADDITIONAL HOUSING ASSISTANCE.**

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

49 **SECTION 10.49.(h)** The Department of Health and Human Services and the
50 North Carolina Housing Finance Agency shall work together to develop a plan for the
51 most efficient and effective use of State resources in the financing and construction of

1 additional independent- and supportive-living apartments for individuals with mental
2 health, developmental, or substance abuse disabilities. This plan shall address gaps in
3 the housing continuum identified by the study that DHHS will conduct during fiscal
4 year 2006-2007 and fiscal year 2007-2008. DHHS and NCHFA shall report this plan
5 and also the progress of the Housing 400 Initiative to the Joint Legislative Oversight
6 Committee on Mental Health, Developmental Disabilities, and Substance Abuse
7 Services by March 1, 2008. The report shall include a count of the population with
8 mental health, developmental disabilities, and substance abuse disabilities residing in
9 apartments financed with State resources and shall also include the number of
10 apartments projected for completion in the 2007-2008 fiscal year.

11 **SECTION 10.49.(i)** The Department of Health and Human Services shall
12 develop a "Transitional Residential Treatment Program" service definition to provide
13 24-hour residential treatment and rehabilitation for adults who have a pattern of difficult
14 behaviors related to mental illness, which exceeds the capabilities of traditional
15 community residential settings. DHHS shall submit the new service definition to the
16 Centers for Medicare and Medicaid for approval no later than 90 days after the
17 enactment of the Current Operations and Capital Appropriations Act for the 2007-2009
18 biennium.

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

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

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

35 36 **CRISIS AND ACUTE CARE SERVICES.**

37 **SECTION 10.49.(m)** Of the funds appropriated in this act to the Department
38 of Health and Human Services, Division of Mental Health, Developmental Disabilities,
39 and Substance Abuse Services, the sum of four million dollars (\$4,000,000) for the
40 2007-2008 fiscal year and the sum of four million dollars (\$4,000,000) for the
41 2008-2009 fiscal year shall be allocated to LMEs to continue to implement the crisis
42 plans developed under S.L. 2006-66, Section 10.26. DHHS may use up to two hundred
43 fifty thousand dollars (\$250,000) of the funds appropriated under this section to extend
44 its contract with the crisis services consultant authorized under Section 10.26(b) of S.L.
45 2006-66.

46 **SECTION 10.49.(n)** S.L. 2006-66, Section 10.26(d), as amended by Section
47 11 of S.L. 2006-221, reads as rewritten:

48 **"SECTION 10.26.(d)** With the assistance of the consultant, the LMEs within a
49 crisis region shall work together to identify gaps in their ability to provide a continuum
50 of crisis services for all consumers and use the funds allocated to them to develop and
51 implement a plan to address those needs. At a minimum, the plan must address the

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

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

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

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

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

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

33 **SECTION 10.49.(r)** The Department of Health and Human Services shall
34 develop a system for reporting to LMEs information regarding all visits to community
35 hospital emergency departments by individuals who are in crisis due to a mental illness,
36 a developmental disability, or a substance abuse disorder. The system shall be
37 implemented no later than 90 days after the enactment of the Current Operations and
38 Capital Appropriations Act for the 2007-2009 fiscal biennium.

39 **SECTION 10.49.(s1)** Of the funds appropriated in this act to the Department
40 of Health and Human Services, Division of Mental Health, Developmental Disabilities,
41 and Substance Abuse Services (Division), the sum of one million dollars (\$1,000,000)
42 for the 2007-2008 fiscal year and the sum of one million dollars (\$1,000,000) for the
43 2008-2009 fiscal year shall be used to develop a pilot program to reduce State
44 psychiatric hospital use and to increase local services for persons with mental illness.
45 Of these funds, the sum of seven hundred fifty thousand dollars (\$750,000) shall be
46 allocated to LMEs to be used in accordance with subdivision (c)(6) of this section. The
47 Division and a selected LME shall implement a six-month pilot for the 2007-2008 fiscal
48 year, as provided in subsections (b) and (c) of this section. It is the intent of the General
49 Assembly to provide funds to expand the pilot program in the 2008-2009 fiscal year.
50 To this end, the Division shall develop a plan for expanded pilots as provided in
51 subsection (d) of this section.

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

- 10 (1) Calculate the cost of each LME's 2006-2007 use of State psychiatric
11 hospital services based roughly on that hospital's total budget and the
12 percentage of patients at the hospital admitted from the LME's
13 catchment area.
- 14 (2) Calculate a daily rate for hospital usage based on 2006-2007 statewide
15 usage. The daily rate shall be higher for subsequent admissions by the
16 same patient and higher for patients admitted with a primary diagnosis
17 of substance abuse.
- 18 (3) Provide the results from subdivisions (1) and (2) of this subsection to
19 all LMEs not later than September 1, 2007.
- 20 (4) Award pilot participation not later than November 1, 2007, based upon
21 the proposal that projects the largest decrease in use and that the
22 Division believes has the greatest likelihood of succeeding.
- 23 (5) Commence pilot implementation not later than January 1, 2008.

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

- 26 (1) The pilot LME will have a virtual budget account for January 1, 2008,
27 through June 30, 2008, based on one-half of the LME's cost of State
28 psychiatric hospital use during the 2006-2007 fiscal year minus the
29 LME's proposed reduction in hospital use.
- 30 (2) Every bed day used by patients from that LME's catchment area will
31 be debited against that LME's virtual account.
- 32 (3) The cost of bed days will increase by the agreed upon amount for
33 patients who are repeatedly admitted to the hospital.
- 34 (4) The cost of bed days will increase by the agreed upon amount for
35 patients who are admitted with a primary diagnosis of substance abuse.
- 36 (5) The LME shall have one or more representatives on site at the State
37 psychiatric hospital. The LME representatives shall be involved with
38 patient admissions, development of treatment plans, supervision and
39 delivery of treatment, and development and implementation of
40 discharge plans.
- 41 (6) The pilot LME shall have up to seven hundred fifty thousand dollars
42 (\$750,000) to: (i) build community capacity through start-up
43 operations or payment for local services; (ii) pay for the on-site
44 representative at State psychiatric hospitals; and (iii) pay for patient
45 bed days that are in excess of RFP's projected use.
- 46 (7) As of June 30, 2008, any savings to the State realized from the LME's
47 reduced hospital usage, plus any funds remaining in the LME's virtual
48 hospital budget account, will be transferred to the LME to be used to
49 purchase hospital use in the 2008-2009 fiscal year. Any funds
50 remaining from the seven hundred fifty thousand dollar (\$750,000)

1 allocation shall carry over to be used by the LME to pay for services to
2 the mentally ill.

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

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

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

- 22 (1) The Secretary has notified the Joint Legislative Commission on
23 Governmental Operations, the Joint Legislative Oversight Committee
24 on Mental Health, Developmental Disabilities, and Substance Abuse
25 Services, and members of the General Assembly who represent
26 catchment areas affected by the closure.
- 27 (2) The Secretary has presented a plan for the closure of each hospital or
28 unit thereof to the members of the Joint Legislative Oversight
29 Committee on Mental Health, Developmental Disabilities, and
30 Substance Abuse Services (Oversight Committee) for their review,
31 advice, and recommendations. The plan shall address specifically how
32 patients will be cared for after closure, how support services to
33 community-based agencies and outreach services will be continued,
34 and the impact on remaining State facilities. In implementing the plan,
35 the Secretary shall take into consideration the comments and
36 recommendations of the Oversight Committee. Prior to presenting the
37 plan to the Oversight Committee for its review, the Secretary shall
38 provide a copy of the plan to members of the House of Representatives
39 Appropriations Subcommittee on Health and Human Services and the
40 Senate Appropriations Committee on Health and Human Services so
41 that those members who are not members of the Oversight Committee
42 may attend the Oversight Committee presentation to offer comments
43 or recommendations.
- 44 (3) The Central Regional Hospital is operational and patient transfers from
45 Dorothea Dix Hospital and John Umstead Hospital have been
46 completed.

47 **SECTION 10.49.(u)** In keeping with the United States Supreme Court
48 decision in Olmstead v. L.C. & E.W. and State policy to provide appropriate services to
49 clients in the least restrictive and most appropriate environment, the Department of
50 Health and Human Services shall continue to implement a plan for the transition of
51 patients from State psychiatric hospitals to the community or to other long-term care

1 facilities, as appropriate. The goal is to develop mechanisms and identify resources
2 needed to enable patients and their families to receive the necessary services and
3 supports based on the following guiding principles:

- 4 (1) Individuals shall be provided acute psychiatric care in non-State
5 facilities when appropriate.
- 6 (2) Individuals shall be provided acute psychiatric care in State facilities
7 only when non-State facilities are unavailable.
- 8 (3) Individuals shall receive evidence-based psychiatric services and care
9 that are cost-efficient.
- 10 (4) The State shall minimize cost shifting to other State and local facilities
11 or institutions.

12 The Department of Health and Human Services shall conduct an analysis of the
13 individual patient service needs and shall develop and implement an individual
14 transition plan, as appropriate, for patients in each hospital. The State shall ensure that
15 each individual transition plan, as appropriate, shall take into consideration the
16 availability of appropriate alternative placements based on the needs of the patient and
17 within resources available for the mental health, developmental disabilities, and
18 substance abuse services system. In developing each plan, the Department shall consult
19 with the patient and the patient's family or other legal representative.

20 In accordance with the plan established in subsections (a) and (b) of this section, any
21 nonrecurring savings in State appropriations that result from reductions in beds or
22 services shall be placed in the Trust Fund for Mental Health, Developmental
23 Disabilities, and Substance Abuse Services and Bridge Funding Needs. These funds
24 shall be used to facilitate the transition of clients into appropriate community-based
25 services and supports in accordance with G.S. 143C-9-2. Recurring savings realized
26 through implementation of this section shall be retained by the Department of Health
27 and Human Services, Division of Mental Health, Developmental Disabilities, and
28 Substance Abuse Services, (i) for implementation of subsections (a) and (b) of this
29 section and (ii) to support the recurring costs of additional community-based placements
30 from Division facilities in accordance with Olmstead v. L.C. & E.W.

31 The Department of Health and Human Services shall submit reports on the status of
32 implementation of this section to the Joint Legislative Commission on Governmental
33 Operations, the Senate Appropriations Committee on Health and Human Services, the
34 House of Representatives Appropriations Subcommittee on Health and Human
35 Services, the Joint Legislative Oversight Committee on Mental Health, Developmental
36 Disabilities, and Substance Abuse Services, and the Fiscal Research Division. These
37 reports shall be submitted on December 1, 2007, and May 1, 2008.

38 39 **USE OF MENTAL HEALTH TRUST FUNDS.**

40 **SECTION 10.49.(v)** Funds allocated to area programs to be spent on
41 community-based programs that are remaining in the Trust Fund for Mental Health,
42 Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs
43 (Trust Fund) as of June 30, 2007, shall be dispersed to the area programs to be spent
44 according to the purposes for which the funds were allocated. The Department shall
45 limit the LME fund balance to ensure that LMEs fully utilize funds dispersed to the
46 LME for the stated purposes.

47 **SECTION 10.49.(w)** G.S. 143C-9-2 reads as rewritten:

48 **"§ 143C-9-2. Trust Fund for Mental Health, Developmental Disabilities, and** 49 **Substance Abuse Services and Bridge Funding Needs.**

50 (a) The Trust Fund for Mental Health, Developmental Disabilities, and
51 Substance Abuse Services and Bridge Funding Needs is established as an

1 interest-bearing, nonreverting special trust fund in the Office of State Budget and
2 Management. Moneys in the Trust Fund shall be held in trust and used solely to increase
3 community-based services that meet the mental health, developmental disabilities, and
4 substance abuse services needs of the State. The Trust Fund shall be used to supplement
5 and not to supplant or replace existing State and local funding available to meet the
6 mental health, developmental disabilities, and substance abuse services needs of the
7 State.

8 The State Treasurer shall hold the Trust Fund separate and apart from all other
9 moneys, funds, and accounts. The State Treasurer shall be the custodian of the Trust
10 Fund and shall invest its assets in accordance with G.S. 147-69.2 and G.S. 147-69.3.
11 Investment earnings credited to the assets of the Trust Fund shall become part of the
12 Trust Fund. Any balance remaining in the Trust Fund at the end of any fiscal year shall
13 be carried forward in the Trust Fund for the next succeeding fiscal year.

14 Moneys in the Trust Fund shall be expended only in accordance with subsection (b)
15 of this section and in accordance with limitations and directions enacted by the General
16 Assembly.

17 (b) Moneys in the Trust Fund for Mental Health, Developmental Disabilities, and
18 Substance Abuse Services and Bridge Funding Needs shall be allocated to area
19 programs to be used only to:

- 20 (1) Provide start-up funds and operating support for programs and services
21 that provide more appropriate and cost-effective community treatment
22 alternatives for individuals currently residing in the State's mental
23 health, developmental disabilities, and substance abuse services
24 institutions.
- 25 (2) ~~Facilitate the State's compliance with the United States Supreme Court~~
26 ~~decision in *Olmstead v. L.C. and E.W.*~~
- 27 (3) Facilitate reform of the mental health, developmental disabilities, and
28 substance abuse services system and expand and enhance treatment
29 and prevention services in these program areas to remove waiting lists
30 and provide appropriate and safe services for clients.
- 31 (4) Provide bridge funding to maintain appropriate client services during
32 transitional periods as a result of facility closings, including
33 departmental restructuring of services.
- 34 (5) ~~Construct, repair, and renovate State mental health, developmental~~
35 ~~disabilities, and substance abuse services facilities.~~

36 (c) Notwithstanding G.S. 143C-1-2, any nonrecurring savings in State
37 appropriations realized from the closure of any State psychiatric hospitals that are in
38 excess of the cost of operating and maintaining a new State psychiatric hospital shall not
39 revert to the General Fund but shall be placed in the Trust Fund and shall be used for the
40 purposes authorized in this section. Notwithstanding G.S. 143C-1-2, recurring savings
41 realized from the closure of any State psychiatric hospitals shall not revert to the
42 General Fund but shall be credited to the Department of Health and Human Services to
43 be used only for the purposes of subsections (b)(1) ~~(b)(2)~~ and (b)(3) of this section.

44 (d) Beginning July 1, 2007, the Secretary of the Department of Health and
45 Human Services shall report annually to the Fiscal Research Division on the
46 expenditures made during the preceding fiscal year from the Trust Fund. The report
47 shall identify each expenditure by recipient and purpose and shall indicate the authority
48 under subsection (b) of this section for the expenditure."

49 **SECTION 10.49.(x)** Notwithstanding G.S. 143C-9-2, as amended by this
50 act, the Secretary of Health and Human Services may use funds for the 2007-2008 fiscal
51 year from the Trust Fund for Mental Health, Developmental Disabilities, and Substance

1 Abuse Services and Bridge Funding Needs to support up to 66 new positions in the
2 Julian F. Keith Alcohol and Drug Abuse Treatment Center, provided that these funds
3 may be used only if the Julian F. Keith Alcohol and Drug Abuse Treatment Center
4 opens before July 1, 2008.

5
6 **STRENGTHEN THE SERVICES NETWORK.**

7 **SECTION 10.49.(y)** The Department of Health and Human Services shall
8 designate four additional local management entities to receive all State allocations
9 through single stream funding. If DHHS has not made the designations by June 1,
10 2007, then the General Assembly shall make the designations. In addition to the four
11 LMEs designated by the Department, the Piedmont, Smoky Mountain, Guilford, and
12 Mecklenburg LMEs shall continue to receive State allocations through single stream
13 funding.

14 **SECTION 10.49.(z)** The Joint Legislative Oversight Committee for Mental
15 Health, Developmental Disabilities, and Substance Abuse Services shall study the
16 effectiveness of the 1915(b) Medicaid waiver and of those LMEs operating under a
17 waiver.

18 **SECTION 10.49.(aa)** No later than July 1, 2008, the Department of Health
19 and Human Services shall commence the process for three additional local management
20 entities to apply for a 1915(b) Medicaid waiver.

21
22 **FILLING SERVICE GAPS.**

23 **SECTION 10.49.(bb)** Funds appropriated in this act for mental health
24 services and supported employment shall be allocated to local management entities such
25 that each local management entity receives a percentage of the total allocation that is
26 equal to that local management entity's percentage of the State's total population that is
27 below the federal poverty level. Funds appropriated to the Department of Health and
28 Human Services in S.L. 2006-66 for mental health services, substance abuse services,
29 and crisis services as part of the continuation budget shall continue to be allocated by
30 the Department to local management entities such that each local management entity
31 receives a percentage of the total allocation that is equal to that local management
32 entity's percentage of the State's total population that is below the federal poverty level.

33 **SECTION 10.49.(cc)** G.S. 122C-147.1(c) shall apply to the State-funded
34 service of developmental therapies.

35 **SECTION 10.49.(dd)** The Department of Health and Human Services shall
36 develop and apply to the Centers for Medicare and Medicaid Services for additional
37 home and community-based waivers for persons with developmental disabilities. In
38 conjunction with the existing CAP MR/DD waiver, the new waivers will create a tiered
39 system of services. Not later than March 1, 2008, the Department shall report to the
40 Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities,
41 and Substance Abuse Services on the status of the waivers required under this section.

42 **SECTION 10.49.(ee)** The Department shall tier the rates for the service of
43 community supports. The rates shall be based on the level of qualifications of the
44 individuals delivering the services and the types of services being delivered by these
45 individuals.

46
47 **LME ADMINISTRATIVE FUNDING.**

48 **SECTION 10.49.(ff)** The General Assembly finds that counties have
49 budgeted almost one hundred twenty-one million dollars (\$121,000,000) to LMEs to
50 pay for mental health, developmental disabilities, and substance abuse services.
51 However, the General Assembly lacks information regarding the specific services that

1 are purchased with those county funds. The General Assembly also lacks data
2 regarding the incomes of persons receiving mental health, developmental disabilities,
3 and substance abuse services that are paid for by either State or county funds. This lack
4 of data severely limits the General Assembly's ability to determine the distribution of
5 services that are being paid for with public funds, whether persons who are eligible for
6 Medicaid are being enrolled in that program, and whether expanding the State's
7 Medicaid eligibility criteria would impact a significant number of mental health,
8 developmental disabilities, and substance abuse services consumers. Therefore, LMEs
9 shall report to the Division all expenditures from county funds by the LME for services,
10 start-up expenses, and capital and operational expenditures, regardless of the source of
11 the funds and regardless of whether the funds were earned on a payment for service or
12 grant basis. This reporting shall include specific information regarding the expenditure
13 of all funds provided to the LME by the county or counties contained in the LME's
14 catchment area. To the extent possible, the information shall be submitted through the
15 Integrated Payment and Reimbursement System. LMEs shall also gather income data
16 for all individuals receiving services. Notwithstanding G.S. 143C-6-4, Budget
17 Adjustments Authorized, the Department of Health and Human Services shall use funds
18 available to the Department to fully fund the State's contribution for LME system
19 administration.
20

21 **DEVELOPMENTAL CENTER DOWNSIZING**

22 **SECTION 10.50.(a)** In accordance with the Department of Health and
23 Human Services' plan for mental health, developmental disabilities, and substance abuse
24 services system reform, the Department shall ensure that the downsizing of the State's
25 Developmental Centers is based upon individual needs and the availability of
26 community-based services with a targeted goal of four percent (4%) each year. The
27 Department shall implement cost-containment and reduction strategies to ensure the
28 corresponding financial and staff downsizing of each facility. The Department shall
29 manage the client population of the Developmental Centers in order to ensure that
30 placements for ICF-MR level of care shall be made to appropriate community-based
31 settings. Admissions to a State-operated ICF-MR facility is permitted only as a last
32 resort and only upon approval of the Department. The corresponding budgets for each
33 of the Developmental Centers shall be reduced, and positions shall be eliminated as the
34 census of each facility decreases in accordance with the Department's budget reduction
35 formula. At no time shall mental retardation center positions be transferred to other
36 units within a facility or assigned nondirect care activities such as outreach.

37 **SECTION 10.50.(b)** The Department of Health and Human Services shall
38 apply any savings in State appropriations in each year of the 2007-2009 biennium that
39 result from reductions in beds or services as follows:

- 40 (1) The Department shall place nonrecurring savings in the Trust Fund for
41 Mental Health, Developmental Disabilities, and Substance Abuse
42 Services and Bridge Funding Needs and use the savings to facilitate
43 the transition of clients into appropriate community-based services and
44 support in accordance with G.S. 143C-9-2;
- 45 (2) The Department of Health and Human Services, Division of Mental
46 Health, Developmental Disabilities, and Substance Abuse Services,
47 shall retain recurring savings realized through implementation of this
48 section to support the recurring costs of additional community-based
49 placements from Division facilities in accordance with Olmstead v.
50 L.C. & E.W. In determining the savings in this section, savings shall
51 include all savings realized from the downsizing of the Developmental

1 Centers, including the savings in direct State appropriations in the
2 budgets of the Developmental Centers; and

- 3 (3) The Department of Health and Human Services, Division of Medical
4 Assistance, shall transfer any recurring Medicaid savings resulting
5 from the downsizing of State-operated Developmental Centers from
6 the ICF-MR line in Medicaid to support Medicaid services to assist in
7 continued community service opportunities for people with
8 developmental disabilities.

9 **SECTION 10.50.(c)** Consistent with the requirements of this section, the
10 Secretary of Health and Human Services shall update the existing plan to ensure that
11 there are sufficient developmental disability/mental retardation regional centers to
12 correspond with service catchment areas. The plan shall address:

- 13 (1) Methods of funding for community services necessitated by
14 downsizing;
15 (2) How many State-operated beds and non-State-operated beds are
16 needed to serve the population; and
17 (3) Alternative uses for facilities.

18 Not later than April 1, 2008, the Department shall provide an updated report
19 on the development of the plan, and not later than April 1, 2009, shall report the final
20 plan, including recommendations for legislative action, to the House of Representatives
21 Appropriations Subcommittee on Health and Human Services, the Senate
22 Appropriations Committee on Health and Human Services, and the Fiscal Research
23 Division.

24 **SECTION 10.50.(d)** The Department of Health and Human Services shall
25 provide an updated report on its progress in complying with this section to the Senate
26 Appropriations Committee on Health and Human Services, the House of
27 Representatives Appropriations Subcommittee on Health and Human Services, and the
28 Fiscal Research Division. The Department shall submit the progress report no later than
29 January 15, 2008, and submit a final report no later than May 1, 2009.

30
31 **DHHS POLICIES AND PROCEDURES IN DELIVERING COMMUNITY**
32 **MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND**
33 **SUBSTANCE ABUSE SERVICES**

34 **SECTION 10.51.(a)** The Department of Health and Human Services,
35 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services,
36 shall in cooperation with area mental health authorities and county programs, identify
37 and eliminate administrative and fiscal barriers created by existing State and local
38 policies and procedures in the delivery of community-based mental health,
39 developmental disabilities, and substance abuse services provided through the area
40 programs and county programs, including services provided through the Comprehensive
41 Treatment Services Program for Children and services delivered to multiply diagnosed
42 adults. The Department shall implement changes in policies and procedures in order to
43 facilitate all of the following:

- 44 (1) The provision of services to adults and children as defined in the
45 Mental Health System Reform State Plan as priority or targeted
46 populations.
47 (2) The provision of services to children not deemed eligible for the
48 Comprehensive Treatment Services Program for Children, but who
49 would otherwise be in need of medically necessary treatment services
50 to prevent out-of-home placement.

- 1 (3) The provision of services in the community to adults remaining in and
2 being placed in State institutions addressed in Olmstead v. L.C.

3 **SECTION 10.51.(b)** The Department shall rework the revised system of
4 allocating State and federal funds to area mental health authorities and county programs
5 to better reflect projected needs, including the impact of system reform efforts rather
6 than historical allocation practices and spending patterns. The reworked allocation shall
7 include the following:

- 8 (1) For each LME, the current allocation by source and age/disability
9 category, and the newly proposed allocation by source and
10 age/disability category;
11 (2) A clear formula for how the new allocations are derived with a
12 detailed methodology for how the formula was created; and
13 (3) A plan for moving to the new formula.

14 The Department shall submit the reworked language to the House of
15 Representatives Appropriations Subcommittee on Health and Human Services, the
16 Senate Appropriations Committee on Health and Human Services, and the Fiscal
17 Research Division not later than October 1, 2007, for review. The Department shall
18 implement the system only after review and approval by the 2007 General Assembly,
19 Regular Session 2008.

20 **SECTION 10.51.(c)** Area mental health, developmental disabilities, and
21 substance abuse services authorities and county programs shall use all funds
22 appropriated for and necessary to provide mental health, developmental disabilities, and
23 substance abuse services to meet the need for these services. If excess funds are
24 available after expending appropriated funds to fully meet service needs, one-half of
25 these excess funds shall not revert to the General Fund but shall be transferred to the
26 Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse
27 Services and Bridge Funding Needs, except that one-half of the funds appropriated for
28 the Comprehensive Treatment Services Program for Children that are unexpended and
29 unencumbered shall not revert to the General Fund but shall be carried forward and used
30 only for services for children and adolescents.

31 The Department, in consultation with the area mental health authorities and
32 county programs, shall report to the House of Representatives Appropriations
33 Subcommittee on Health and Human Services, the Senate Appropriations Committee on
34 Health and Human Services, and the Joint Legislative Oversight Committee on Mental
35 Health, Developmental Disabilities, and Substance Abuse Services on the progress in
36 implementing these changes. The report shall be submitted on October 1, 2007, and
37 February 1, 2008.

38 **SERVICES TO MULTIPLY DIAGNOSED ADULTS**

39 **SECTION 10.52.(a)** In order to ensure that multiply diagnosed adults are
40 appropriately served by the mental health, developmental disabilities, and substance
41 abuse services system, the Department of Health and Human Services, Division of
42 Mental Health, Developmental Disabilities, and Substance Abuse Services, shall do the
43 following with respect to services provided to these adults:

- 44 (1) Implement the following guiding principles for the provision of
45 services:
46 a. Service delivery system must be outcome-oriented and
47 evaluation-based.
48 b. Services should be delivered as close as possible to the
49 consumer's home.
50

- 1 c. Services selected should be those that are most efficient in
2 terms of cost and effectiveness.
3 d. Services should not be provided solely for the convenience of
4 the provider or the client.
5 e. Families and consumers should be involved in decision making
6 throughout treatment planning and delivery.
7 (2) Provide those treatment services that are medically necessary.
8 (3) Implement utilization review of services provided.

9 **SECTION 10.52.(b)** The Department of Health and Human Services shall
10 implement all of the following cost-reduction strategies:

- 11 (1) Preauthorization for all services except emergency services.
12 (2) Criteria for determining medical necessity.
13 (3) Clinically appropriate services.

14 **SECTION 10.52.(c)** No State funds shall be used for the purchase of
15 single-family or other residential dwellings to house multiply diagnosed adults.

16 **SECTION 10.52.(d)** The Department shall report on implementation of this
17 section on May 1, 2008, and again on May 1, 2009, to the Senate Appropriations
18 Committee on Health and Human Services, the House of Representatives
19 Appropriations Subcommittee on Health and Human Services, the Joint Legislative
20 Oversight Committee on Mental Health, Developmental Disabilities, and Substance
21 Abuse Services, and the Fiscal Research Division.

22
23 **DEPARTMENTAL FLEXIBILITY IN SCHEDULING THE TRANSFER OF**
24 **POSITIONS PERTAINING TO THE CLOSURE OF DOROTHEA DIX AND**
25 **JOHN UMSTEAD HOSPITALS AND THE OPENING OF CENTRAL**
26 **REGIONAL HOSPITAL**

27 **SECTION 10.53.** The Department of Health and Human Services may
28 schedule the transfer of positions relating to the closure of Dorothea Dix Hospital and
29 John Umstead Hospital and the opening of Central Regional Hospital in accordance
30 with appropriations and reductions in funding enacted in this act in a manner that is
31 timely and with minimal disruption in services. The Department may not transfer more
32 positions than are authorized in the House of Representatives Appropriations
33 Committee Report on Health and Human Services, referenced in this act, for the closure
34 of Dorothea Dix Hospital and John Umstead Hospital, the opening of Central Regional
35 Hospital, the transfer of Whitaker School and R. J. Blackley ADATC to Central
36 Regional Hospital, and the transfer of Dorothea Dix Hospital Forensic Unit beds to
37 Broughton Hospital.

38
39 **FUNDS FOR HEALTH CARE PERSONNEL REGISTRY POSITIONS**
40 **CONTINGENCY**

41 **SECTION 10.54.** Funds appropriated in this act to the Department of Health
42 and Human Services, Division of Facility Services, for the 2007-2008 fiscal year and
43 the 2008-2009 fiscal year for positions and related costs to expand the Health Care
44 Personnel Registry are contingent upon enactment of House Bill 95, 2007 Regular
45 Session, by the 2007 General Assembly.

46
47 **DHHS BLOCK GRANTS**

48 **SECTION 10.55.(a)** Appropriations from federal block grant funds are
49 made for the fiscal year ending June 30, 2008, according to the following schedule:

50
51 **TEMPORARY ASSISTANCE TO NEEDY FAMILIES**

1	(TANF) BLOCK GRANT	
2		
3	Local Program Expenditures	
4		
5	Division of Social Services	
6		
7	01. Work First Family Assistance (Cash Assistance)	\$95,807,234
8		
9	02. Work First County Block Grants	94,653,315
10		
11	03. Child Protective Services – Child Welfare	
12	Workers for Local DSS	14,452,391
13		
14	04. Work First – Boys and Girls Clubs	1,500,000
15		
16	05. Work First – After-School Services for	
17	At-Risk Children	2,249,642
18		
19	06. Work First – After-School Programs for	
20	At-Risk Youth in Middle Schools	500,000
21		
22	07. Work First – Connect, Inc.	550,000
23		
24	08. Adoption Services – Special Children's	
25	Adoption Fund	3,000,000
26		
27	09. Family Violence Prevention	2,200,000
28		
29	Division of Child Development	
30		
31	10. Subsidized Child Care Program	48,563,266
32		
33	DHHS Administration	
34		
35	11. Division of Social Services	762,626
36		
37	12. Office of the Secretary	65,836
38		
39	13. Office of the Secretary/DIRM – TANF	
40	Automation Projects	592,500
41		
42	14. Office of the Secretary/DIRM – NC FAST	
43	Implementation	1,800,000
44		
45	Transfers to Other Block Grants	
46		
47	Division of Child Development	
48		
49	15. Transfer to the Child Care and	
50	Development Fund	81,292,880
51		

1	Division of Social Services	
2		
3	16. Transfer to Social Services Block Grant for	
4	Department of Juvenile Justice and Delinquency	
5	Prevention – Support Our Students	2,749,642
6		
7	17. Transfer to Social Services Block Grant for Child	
8	Protective Services – Child Welfare Training in	
9	Counties	2,550,000
10		
11	18. Transfer to Social Services Block Grant for	
12	Maternity Homes	838,000
13		
14	19. Transfer to Social Services Block Grant for Teen	
15	Pregnancy Prevention Initiatives	2,500,000
16		
17	20. Transfer to Social Services Block Grant for County	
18	Departments of Social Services for Children's Services	4,500,000
19		
20	21. Transfer to Social Services Block Grant for	
21	Foster Care Services	1,181,907
22		
23	TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES	
24	(TANF) BLOCK GRANT	\$362,309,239
25		
26	SOCIAL SERVICES BLOCK GRANT	
27		
28	Local Program Expenditures	
29		
30	Divisions of Social Services and Aging and Adult Services	
31		
32	01. County Departments of Social Services	\$ 28,868,189
33	(Transfer from TANF – \$4,500,000)	
34		
35	02. State In-Home Services Fund	2,101,113
36		
37	03. State Adult Day Care Fund	2,155,301
38		
39	04. Child Protective Services/CPS Investigative	
40	Services-Child Medical Evaluation Program	238,321
41		
42	05. Foster Care Services	2,649,662
43	(Transfer from TANF – \$1,181,907)	
44		
45	06. Foster Care Maintenance Payments	2,636,587
46		
47	07. Child Protective Services-Child Welfare Training	
48	for Counties	2,550,000
49	(Transfer from TANF)	
50		
51	08. Maternity Homes	838,000

1	(Transfer from TANF)	
2		
3	Division of Aging and Adult Services	
4		
5	09. Home and Community Care Block Grant (HCCBG)	1,834,077
6		
7	Division of Mental Health, Developmental Disabilities, and Substance	
8	Abuse Services	
9		
10	10. Mental Health Services Program	422,003
11		
12	11. Developmental Disabilities Services Program	5,000,000
13		
14	12. Mental Health Services-Adult and	
15	Child/Developmental Disabilities Program/	
16	Substance Abuse Services-Adult	3,234,601
17		
18	Division of Child Development	
19		
20	13. Subsidized Child Care Program	3,195,000
21		
22	Division of Vocational Rehabilitation	
23		
24	14. Vocational Rehabilitation Services – Easter Seal	
25	Society/UCP	188,263
26		
27	Office of the Secretary – Office of Economic Opportunity	
28		
29	15. Elderly Supplemental Grant Program	41,302
30		
31	Division of Public Health	
32		
33	16. Teen Pregnancy Prevention Initiatives	2,500,000
34	(Transfer from TANF)	
35		
36	DHHS Program Expenditures	
37		
38	Division of Aging and Adult Services	
39		
40	17. UNC-CARES Training Contract	247,920
41		
42	Division of Services for the Blind	
43		
44	18. Independent Living Program	3,480,133
45		
46	Division of Facility Services	
47		
48	19. Adult Care Licensure Program	411,897
49		
50	20. Mental Health Licensure and Certification Program	205,668
51		

1	DHHS Administration	
2		
3	21.	Division of Aging and Adult Services 658,036
4		
5	22.	Division of Social Services 869,058
6		
7	23.	Office of the Secretary/Controller's Office 126,155
8		
9	24.	Office of the Secretary/DIRM 82,009
10		
11	25.	Division of Child Development 15,000
12		
13	26.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services 28,860
14		
15		
16	27.	Division of Facility Services 159,218
17		
18	28.	Office of the Secretary-NC Inter-Agency Council For Coordinating Homeless Programs 250,000
19		
20		
21	29.	Office of the Secretary-Housing Coalition 100,000
22		
23	30.	Office of the Secretary 46,819
24		
25	Transfers to Other State Agencies	
26		
27	Department of Administration	
28		
29	31.	NC Commission of Indian Affairs In-Home Services for the Elderly 203,198
30		
31		
32	Department of Juvenile Justice and Delinquency Prevention	
33		
34	32.	Support Our Students 2,749,642
35		(Transfer from TANF)
36		
37	Transfers to Other Block Grants	
38		
39	Division of Public Health	
40		
41	33.	Transfer to Preventive Health Services Block Grant for HIV/STD Prevention and Community Planning 145,819
42		
43		
44	TOTAL SOCIAL SERVICES BLOCK GRANT \$ 68,232,489	
45		
46	LOW-INCOME ENERGY BLOCK GRANT	
47		
48	Local Program Expenditures	
49		
50	Division of Social Services	
51		

1	01.	Low-Income Energy Assistance Program (LIHEAP)	\$ 17,315,919
2			
3	02.	Crisis Intervention Program (CIP)	12,904,706
4			
5		Office of the Secretary – Office of Economic Opportunity	
6			
7	03.	Weatherization Program	5,578,702
8			
9	04.	Heating Air Repair & Replacement Program (HARRP)	2,602,008
10			
11		Local Administration	
12			
13		Division of Social Services	
14			
15	05.	County DSS Administration	2,215,016
16			
17		Office of the Secretary – Office of Economic Opportunity	
18			
19	06.	Local Residential Energy Efficiency Service	
20		Providers – Weatherization	262,837
21			
22	07.	Local Residential Energy Efficiency Service	
23		Providers – HARRP	122,591
24			
25		DHHS Administration	
26			
27	08.	Division of Social Services	215,000
28			
29	09.	Division of Mental Health, Developmental	
30		Disabilities, and Substance Abuse Services	7,389
31			
32	10.	Office of the Secretary/DIRM	245,395
33			
34	11.	Office of the Secretary/Controller's Office	11,211
35			
36	12.	Office of the Secretary/Office of Economic	
37		Opportunity – Weatherization	262,837
38			
39	13.	Office of the Secretary/Office of Economic	
40		Opportunity – HARRP	122,591
41			
42		Transfers to Other State Agencies	
43			
44	14.	Department of Administration –	
45		N.C. State Commission of Indian Affairs	59,740
46			
47		TOTAL LOW-INCOME ENERGY BLOCK GRANT	\$ 41,925,942
48			
49		CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
50			
51		Local Program Expenditures	

1		
2	Division of Child Development	
3		
4	01. Subsidized Child Care Services	\$163,231,913
5		
6	02. Subsidized Child Care Services	
7	(TANF to CCDF)	81,292,880
8		
9	DHHS Program Expenditures	
10		
11	Division of Child Development	
12		
13	03. Quality and Availability Initiatives	31,463,419
14		
15	Local Administrations	
16		
17	Division of Child Development	
18		
19	04. Administrative Expenses (Nondirect Subsidy	
20	Services Support)	1,849,000
21		
22	DHHS Administration	
23		
24	05. DCD Administrative Expenses	6,028,354
25		
26	TOTAL CHILD CARE AND DEVELOPMENT FUND	
27	BLOCK GRANT	\$283,916,162
28		
29	MENTAL HEALTH SERVICES BLOCK GRANT	
30		
31	Local Program Expenditures	
32		
33	01. Mental Health Services – Adult	\$ 5,654,932
34		
35	02. Mental Health Services – Child	3,921,991
36		
37	03. Comprehensive Treatment Service	
38	Program	1,500,000
39		
40	Local Administration	
41		
42	04. Division of Mental Health	100,000
43		
44	TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	\$ 11,176,923
45		
46	SUBSTANCE ABUSE PREVENTION	
47	AND TREATMENT BLOCK GRANT	
48		
49	Local Program Expenditures	
50		
51	01. Substance Abuse Services – Adult	\$ 20,287,390

1		
2	02.	Substance Abuse Treatment Alternative for
3		Women
4		8,069,524
5	03.	Substance Abuse – HIV and IV Drug
6		4,816,378
7	04.	Substance Abuse Prevention – Child
8		5,835,701
9	05.	Substance Abuse Services – Child
10		4,940,500
11	06.	Substance Abuse Strengthening Families –
12		Prevention
13		851,156
14		Division of Public Health
15		
16	07.	Risk Reduction Projects
17		633,980
18	08.	Aid-to-Counties
19		209,576
20	09.	Maternal Health
21		37,779
22		DHHS Administration
23		
24	10.	Division of Mental Health
25		500,000
26		TOTAL SUBSTANCE ABUSE PREVENTION
27		AND TREATMENT BLOCK GRANT
28		\$ 46,181,984
29		MATERNAL AND CHILD HEALTH BLOCK GRANT
30		
31		Local Program Expenditures
32		
33		Division of Public Health
34		
35	01.	Children's Health Services
36		6,657,275
37	02.	Family Planning
38		4,078,338
39	03.	Maternal Health
40		3,441,129
41	04.	Teen Pregnancy Prevention Initiatives
42		85,710
43	05.	Oral Health
44		35,951
45		DHHS Program Expenditures
46		
47		Division of Public Health
48		
49	06.	Children's Health Services
50		2,444,445
51	07.	Maternal Health
		106,927

1		
2	08. State Center for Health Statistics	33,134
3		
4	09. Local Technical Assistance & Training	17,318
5		
6	10. Injury and Violence Prevention	142,850
7		
8	11. Office of Minority Health	37,068
9		
10	12. Immunization Program – Vaccine Distribution	310,667
11		
12	DHHS Administration	
13		
14	13. Division of Public Health Administration	600,586
15		
16	TOTAL MATERNAL AND CHILD	
17	HEALTH BLOCK GRANT	\$ 17,991,398
18		
19	PREVENTIVE HEALTH SERVICES BLOCK GRANT	
20		
21	Local Program Expenditures	
22		
23	01. NC Statewide Health Promotion	\$1,755,653
24		
25	02. Services to Rape Victims	197,112
26		
27	03. HIV/STD Prevention and Community Planning	
28	(Transfer from Social Services Block Grant)	145,819
29		
30	DHHS Program Expenditures	
31		
32	04. NC Statewide Health Promotion	718,451
33		
34	05. Oral Health	70,000
35		
36	DHHS Administration	
37		
38	06. Division of Public Health	163,806
39		
40	TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	\$3,070,841
41		
42	COMMUNITY SERVICES BLOCK GRANT	
43		
44	Local Program Expenditures	
45		
46	Office of Economic Opportunity – Community Services Block Grant	
47		
48	01. Community Action Agencies	\$ 15,071,666
49		
50	02. Limited Purpose Agencies	823,136
51		

1 DHHS Administration

2
3 03. Office of Economic Opportunity

823,136

4
5 TOTAL COMMUNITY SERVICES BLOCK GRANT

\$ 16,717,938

6
7 **GENERAL PROVISIONS**

8 **SECTION 10.55.(b)** Information to Be Included in Block Grant Plans. –
9 The Department of Health and Human Services shall submit a separate plan for each
10 Block Grant received and administered by the Department, and each plan shall include
11 the following:

- 12 (1) A delineation of the proposed allocations by program or activity,
13 including State and federal match requirements.
14 (2) A delineation of the proposed State and local administrative
15 expenditures.
16 (3) An identification of all new positions to be established through the
17 Block Grant, including permanent, temporary, and time-limited
18 positions.
19 (4) A comparison of the proposed allocations by program or activity with
20 two prior years' program and activity budgets and two prior years'
21 actual program or activity expenditures.
22 (5) A projection of current year expenditures by program or activity.
23 (6) A projection of federal Block Grant funds available, including unspent
24 federal funds from the current and prior fiscal years.

25 **SECTION 10.55.(c)** Changes in Federal Fund Availability. – If the Congress
26 of the United States increases the federal fund availability for any of the Block Grants
27 administered by the Department of Health and Human Services from the amounts
28 appropriated in this section, the Department shall allocate the increase proportionally
29 across the program and activity appropriations identified for that Block Grant in this
30 section. In allocating an increase in federal fund availability, the Department shall not
31 propose funding for new programs or activities not appropriated in this section or
32 increase State administrative expenditures.

33 If the Congress of the United States decreases the federal fund availability for
34 any of the Block Grants administered by the Department of Health and Human Services
35 from the amounts appropriated in this section, the Department shall reduce State
36 administration by at least the percentage of the reduction in federal funds. After
37 determining the State administration, the remaining reductions shall be allocated
38 proportionately across the program and activity appropriations identified for that Block
39 Grant in this section. In allocating a decrease in federal fund availability, the
40 Department shall not eliminate the funding for a program or activity appropriated in this
41 section unless it is related to the State administration.

42 Prior to allocating the change in federal fund availability, the proposed
43 allocation must be approved by the Office of State Budget and Management. If the
44 Department adjusts the allocation of any Block Grant due to changes in federal fund
45 availability, then a report shall be made to the Joint Legislative Commission on
46 Governmental Operations, the House of Representatives Appropriations Subcommittee
47 on Health and Human Services, the Senate Appropriations Committee on Health and
48 Human Services, and the Fiscal Research Division.

49 **SECTION 10.55.(d)** All changes to the budgeted allocations to the Block
50 Grants administered by the Department of Health and Human Services that are not
51 specifically addressed in this section shall be approved by the Office of State Budget

1 and Management, and a report shall be submitted to the Joint Legislative Commission
2 on Governmental Operations for review prior to implementing the changes. All changes
3 to the budgeted allocations to the Block Grant shall be reported immediately to the
4 House of Representatives Appropriations Subcommittee on Health and Human
5 Services, the Senate Appropriations Committee on Health and Human Services, and the
6 Fiscal Research Division. This subsection does not apply to Block Grant changes
7 caused by legislative salary increases and benefit adjustments.
8

9 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT**
10 **(TANF)**

11 **SECTION 10.55.(e)** The sum of seven hundred sixty-two thousand six
12 hundred twenty-six dollars (\$762,626) appropriated in this section in the TANF Block
13 Grant to the Department of Health and Human Services, Division of Social Services, for
14 the 2007-2008 fiscal year shall be used to support administration of TANF-funded
15 programs.

16 **SECTION 10.55.(f)** The sum of two million two hundred thousand dollars
17 (\$2,200,000) appropriated under this section in the TANF Block Grant to the
18 Department of Health and Human Services, Division of Social Services, for the
19 2007-2008 fiscal year shall be used to provide domestic violence services to Work First
20 recipients. These funds shall be used to provide domestic violence counseling, support,
21 and other direct services to clients. These funds shall not be used to establish new
22 domestic violence shelters or to facilitate lobbying efforts. The Division of Social
23 Services may use up to seventy-five thousand dollars (\$75,000) in TANF funds to
24 support one administrative position within the Division of Social Services to implement
25 this subsection.

26 Each county department of social services and the local domestic violence
27 shelter program serving the county shall jointly develop a plan for utilizing these funds.
28 The plan shall include the services to be provided and the manner in which the services
29 shall be delivered. The county plan shall be signed by the county social services director
30 or the director's designee and the domestic violence program director or the director's
31 designee and submitted to the Division of Social Services by December 1, 2007. The
32 Division of Social Services, in consultation with the Council for Women, shall review
33 the county plans and shall provide consultation and technical assistance to the
34 departments of social services and local domestic violence shelter programs, if needed.

35 The Division of Social Services shall allocate these funds to county
36 departments of social services according to the following formula: (i) each county shall
37 receive a base allocation of five thousand dollars (\$5,000); and (ii) each county shall
38 receive an allocation of the remaining funds based on the county's proportion of the
39 statewide total of the Work First caseload as of July 1, 2007, and the county's proportion
40 of the statewide total of the individuals receiving domestic violence services from
41 programs funded by the Council for Women as of July 1, 2007. The Division of Social
42 Services may reallocate unspent funds to counties that submit a written request for
43 additional funds.

44 **SECTION 10.55.(g)** The sum of two million two hundred forty-nine
45 thousand six hundred forty-two dollars (\$2,249,642) appropriated in this section in the
46 TANF Block Grant to the Department of Health and Human Services, Division of
47 Social Services, for the 2007-2008 fiscal year shall be used to expand after-school
48 programs and services for at-risk children. The Department shall develop and
49 implement a grant program to award grants to community-based programs that
50 demonstrate the ability to reach children at risk of teen pregnancy, school dropout, and
51 gang participation. The Department shall award grants to community-based

1 organizations that demonstrate the ability to develop and implement linkages with local
2 departments of social services, area mental health programs, schools, and other human
3 services programs in order to provide support services and assistance to the child and
4 family. These funds may be used to fund one position within the Division of Social
5 Services to coordinate at-risk after-school programs and shall not be used for other State
6 administration.

7 **SECTION 10.55.(h)** The sum of fourteen million four hundred fifty-two
8 thousand three hundred ninety-one dollars (\$14,452,391) appropriated in this section to
9 the Department of Health and Human Services, Division of Social Services, in the
10 TANF Block Grant for the 2007-2008 fiscal year for child welfare improvements, shall
11 be allocated to the county departments of social services for hiring or contracting staff
12 to investigate and provide services in Child Protective Services cases; to provide foster
13 care and support services; to recruit, train, license, and support prospective foster and
14 adoptive families; and to provide interstate and postadoption services for eligible
15 families.

16 **SECTION 10.55.(i)** The sum of three million dollars (\$3,000,000)
17 appropriated in this section in the TANF Block Grant to the Department of Health and
18 Human Services, Special Children Adoption Fund, for the 2007-2008 fiscal year shall
19 be used in accordance with Section 10.31 of this act. The Division of Social Services,
20 in consultation with the North Carolina Association of County Directors of Social
21 Services and representatives of licensed private adoption agencies, shall develop
22 guidelines for the awarding of funds to licensed public and private adoption agencies
23 upon the adoption of children described in G.S. 108A-50 and in foster care. Payments
24 received from the Special Children Adoption Fund by participating agencies shall be
25 used exclusively to enhance the adoption services program. No local match shall be
26 required as a condition for receipt of these funds.

27 **SECTION 10.55.(j)** The sum of one million eight hundred thousand dollars
28 (\$1,800,000) in this section appropriated to the Department of Health and Human
29 Services in the TANF Block Grant for the 2007-2008 fiscal year shall be used to
30 implement N.C. FAST (North Carolina Families Accessing Services through
31 Technology). The N.C. FAST Program involves the entire automation initiative through
32 which families access services and local departments of social services deliver benefits,
33 supervised by the Department of Health and Human Services, Divisions of Social
34 Services, Aging and Adult Services, Medical Assistance, and Child Development. The
35 statewide automated initiative shall be implemented in compliance with federal
36 regulations in order to ensure federal financial participation in the project. The
37 Department of Health and Human Services shall report on its compliance with this
38 subsection to the House of Representatives Appropriations Subcommittee on Health and
39 Human Services, the Senate Appropriations Committee on Health and Human Services,
40 and the Fiscal Research Division no later than January 1, 2008.

41 **SECTION 10.55.(k)** The sum of five hundred thousand dollars (\$500,000)
42 appropriated in this section to the Department of Health and Human Services, Division
43 of Social Services, in the TANF Block Grant for the 2007-2008 fiscal year shall be used
44 to expand after-school programs for at-risk children attending middle school. The
45 Department shall develop and implement a grant program to award funds to
46 community-based programs demonstrating the capacity to reach children at risk of teen
47 pregnancy, school dropout, and gang participation. These funds shall not be used for
48 training or administration at the State level. All funds shall be distributed to
49 community-based programs, focusing on those communities where similar programs do
50 not exist in middle schools.

1 **SECTION 10.55.(l)** In implementing the TANF Block Grant, the
2 Department of Health and Human Services shall review policies, programs, and
3 initiatives to ensure that they support men in their role as fathers and strengthen fathers'
4 involvement in their children's lives. The Department shall encourage county
5 departments of social services to ensure their Work First programs emphasize
6 responsible fatherhood and increased participation by noncustodial fathers.

7 **SECTION 10.55.(m)** The sum of five hundred fifty thousand dollars
8 (\$550,000) appropriated in this section to the Department of Health and Human
9 Services in the TANF Block Grant for the 2007-2008 fiscal year shall be transferred to
10 Connect, Inc. Connect, Inc., shall report on the number of people served and the
11 services received as a result of the receipt of funds. The report shall contain expenditure
12 data, including the amount of funds used for administration and direct training. The
13 report shall also include the number of people who have been employed as a direct
14 result of services provided by Connect, Inc., including the length of employment in the
15 new position. The Department of Health and Human Services shall evaluate the
16 program and ensure that services provided are not duplicative of local employment
17 security commissions in the nine counties served by Connect, Inc. The evaluation report
18 shall be submitted to the House of Representatives Appropriations Subcommittee on
19 Health and Human Services, the Senate Appropriations Committee on Health and
20 Human Services, and the Fiscal Research Division no later than May 1, 2008.

21 **SECTION 10.55.(n)** The sum of one million five hundred thousand dollars
22 (\$1,500,000) appropriated in this section to the Department of Health and Human
23 Services in the TANF Block Grant for Boys and Girls Clubs for the 2007-2008 fiscal
24 year shall be used to make grants for approved programs. The Department of Health and
25 Human Services, in accordance with federal regulations for the use of TANF Block
26 Grant funds, shall administer a grant program to award funds to the Boys and Girls
27 Clubs across the State in order to implement programs that improve the motivation,
28 performance, and self-esteem of youths and to implement other initiatives that would be
29 expected to reduce gang participation, school dropout, and teen pregnancy rates. The
30 Department shall encourage and facilitate collaboration between the Boys and Girls
31 Clubs and Support Our Students, Communities in Schools, and similar programs to
32 submit joint applications for the funds if appropriate.

33 **SECTION 10.55.(o)** The Department of Health and Human Services,
34 Division of Social Services, shall continue implementing county demonstration grants
35 that began in the 2006-2007 fiscal year. The county demonstration grants may be
36 awarded for up to three years with all projects ending no later than the end of fiscal year
37 2009-2010. The purpose of the county demonstration grants is to identify best practices
38 that can be used by counties to improve the work participation rates. The Division of
39 Social Services is authorized to establish two time-limited positions to manage the grant
40 award process and monitor the demonstration projects through fiscal year 2009-2010.

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

44 The Department of Health and Human Services, Division of Social Services,
45 shall report on the status of county demonstration grants implemented pursuant to this
46 subsection to the House of Representatives Appropriations Subcommittee on Health and
47 Human Services, the Senate Appropriations Committee on Health and Human Services,
48 and the Fiscal Research Division no later than February 1, 2008.

49
50 **SOCIAL SERVICES BLOCK GRANT**

1 **SECTION 10.55.(p)** Social Services Block Grant funds appropriated to the
2 North Carolina Inter-Agency Council for Coordinating Homeless Programs and the
3 North Carolina Housing Coalition are exempt from the provisions of 10A NCAC 71R
4 .0201(3).

5 **SECTION 10.55.(q)** The sum of two million seven hundred forty-nine
6 thousand six hundred forty-two dollars (\$2,749,642) appropriated in this section in the
7 Social Services Block Grant to the Department of Health and Human Services and
8 transferred to the Department of Juvenile Justice and Delinquency Prevention for the
9 2007-2008 fiscal year shall be used to support the existing Support Our Students
10 Program, including gang prevention, and to expand the Program statewide, focusing on
11 low-income communities in unserved areas. These funds shall not be used for
12 administration of the Program.

13 **SECTION 10.55.(r)** The sum of two million five hundred fifty thousand
14 dollars (\$2,550,000) appropriated in this section in the Social Services Block Grant to
15 the Department of Health and Human Services, Division of Social Services, for the
16 2007-2008 fiscal year shall be used to support various child welfare training projects as
17 follows:

- 18 (1) Provide a regional training center in southeastern North Carolina.
- 19 (2) Support the Master's Degree in Social Work/Baccalaureate Degree in
20 Social Work Collaborative.
- 21 (3) Provide training for residential child caring facilities.
- 22 (4) Provide for various other child welfare training initiatives.

23 **SECTION 10.55.(s)** The sum of eight hundred thirty-eight thousand dollars
24 (\$838,000) appropriated in this section in the Social Services Block Grant to the
25 Department of Health and Human Services for the 2007-2008 fiscal year shall be used
26 to purchase services at maternity homes throughout the State.

27 **SECTION 10.55.(t)** The sum of two million six hundred forty-nine thousand
28 six hundred sixty-two dollars (\$2,649,662) appropriated in this section in the Social
29 Services Block Grant for child caring agencies for the 2007-2008 fiscal year shall be
30 allocated to the State Private Child Caring Agencies Fund.

31 **SECTION 10.55.(u)** The Department of Health and Human Services is
32 authorized, subject to the approval of the Office of State Budget and Management, to
33 transfer Social Services Block Grant funding allocated for departmental administration
34 between divisions that have received administrative allocations from the Social Services
35 Block Grant.

36 37 **LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM**

38 **SECTION 10.55.(v)** Additional emergency contingency funds received may
39 be allocated for Energy Assistance Payments or Crisis Intervention Payments without
40 prior consultation with the Joint Legislative Commission on Governmental Operations.
41 Additional funds received shall be reported to the Joint Legislative Commission on
42 Governmental Operations and the Fiscal Research Division upon notification of the
43 award. The Department of Health and Human Services shall not allocate funds for any
44 activities, including increasing administration, other than assistance payments, without
45 prior consultation with the Joint Legislative Commission on Governmental Operations.

46 47 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

48 **SECTION 10.55.(w)** The sum of no more than four hundred thousand
49 dollars (\$400,000) appropriated in this section to the Department of Health and Human
50 Services in the Child Care and Development Fund Block Grant for the 2007-2008 fiscal
51 year may be used for the operations of the Medical Child Care Pilot.

1 **SECTION 10.55.(x)** Payment for subsidized child care services provided
2 with federal TANF funds shall comply with all regulations and policies issued by the
3 Division of Child Development for the subsidized child care program.

4 **SECTION 10.55.(y)** If funds appropriated through the Child Care and
5 Development Fund Block Grant for any program cannot be obligated or spent in that
6 program within the obligation or liquidation periods allowed by the federal grants, the
7 Department may move funds to child care subsidies, unless otherwise prohibited by
8 federal requirements of the grant, in order to use the federal funds fully.
9

10 **MENTAL HEALTH BLOCK GRANT**

11 **SECTION 10.55.(z)** The sum of one million five hundred thousand dollars
12 (\$1,500,000) appropriated in this section in the Mental Health Block Grant to the
13 Department of Health and Human Services, Division of Mental Health, Developmental
14 Disabilities, and Substance Abuse Services, for the 2007-2008 fiscal year and the sum
15 of four hundred twenty-two thousand three dollars (\$422,003) appropriated in this
16 section in the Social Services Block Grant to the Department of Health and Human
17 Services, Division of Social Services, for the 2007-2008 fiscal year shall be used to
18 continue a Comprehensive Treatment Services Program for Children in accordance with
19 Section 10.10 of this act.

20 **SECTION 10.55.(aa)** The Department of Health and Human Services shall
21 contract with the University of North Carolina at Chapel Hill for the purpose of
22 providing psychology student stipends in the amount of fifty thousand dollars (\$50,000)
23 for the 2007-2008 fiscal year. Twenty-five thousand dollars (\$25,000) of this contract
24 shall be paid from the Mental Health Block Grant.
25

26 **SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT**

27 **SECTION 10.55.(bb)** Of the funds appropriated for risk reduction projects,
28 the sum of two hundred fifty thousand dollars (\$250,000) shall be used for the Basic
29 Education Resource Treatment Initiative (BERT) for statewide implementation. If
30 substance abuse prevention and treatment carry-forward funds are available, the
31 Department of Health and Human Services shall budget the first two hundred fifty
32 thousand dollars (\$250,000) of these funds to adult substance abusers.
33

34 **MATERNAL AND CHILD HEALTH BLOCK GRANT**

35 **SECTION 10.55.(cc)** If federal funds are received under the Maternal and
36 Child Health Block Grant for abstinence education, pursuant to section 912 of Public
37 Law 104-193 (42 U.S.C. § 710), for the 2007-2008 fiscal year, then those funds shall be
38 transferred to the State Board of Education to be administered by the Department of
39 Public Instruction. The Department of Public Instruction shall use the funds to establish
40 an Abstinence Until Marriage Education Program and shall delegate to one or more
41 persons the responsibility of implementing the program and G.S. 115C-81(e1)(4). The
42 Department of Public Instruction shall carefully and strictly follow federal guidelines in
43 implementing and administering the abstinence education grant funds.

44 **SECTION 10.55.(dd)** The Department of Health and Human Services shall
45 ensure that there will be follow-up testing in the Newborn Screening Program.
46

47 **PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES**

48 **SALE OF TIMBER**

49 **SECTION 11.1.** G.S. 143-64.05(a) reads as rewritten:
50

1 "(a) The State agency for surplus property may assess and collect a service charge
2 for the acquisition, receipt, warehousing, distribution, or transfer of any State surplus
3 property and for the transfer or sale of recyclable material. The service charge
4 authorized by this subsection does not apply to the transfer or sale of timber on land
5 owned by the Wildlife Resources ~~Commission.~~ Commission or the Department of
6 Agriculture and Consumer Services."
7

8 **STUDY EQUINE INDUSTRY IN NORTH CAROLINA**

9 **SECTION 11.2.(a)** The Department of Agriculture and Consumer Services
10 shall conduct a study of the equine industry in North Carolina. In conducting this study,
11 the Department shall assess the numbers, composition, and value of the equine industry
12 in North Carolina, analyze the direct and indirect impact of the industry on the State's
13 economy, and develop a comprehensive plan to maximize the economic opportunities
14 presented by the industry.

15 **SECTION 11.2.(b)** The assessment of the equine industry under subsection
16 (a) of this section shall provide data on both a statewide and countywide basis. The
17 assessment shall include all of the following:

- 18 (1) A census of equines in the State, including numbers, breeds, and
19 disciplines.
- 20 (2) The value of equines in the State.
- 21 (3) The number of equine owners.
- 22 (4) The number of equine operations.
- 23 (5) The size of equine operations.
- 24 (6) The total acreage devoted to equine operations.
- 25 (7) The value of equine-related assets.
- 26 (8) The number of equines and owners participating in various activities
27 within the State.
- 28 (9) An analysis of the economic impact of the existing exhibition
29 facilities, including the Hunt Horse Complex, the Senator Bob Martin
30 Horse Complex, the WNC Agricultural Center, and the Carolina Horse
31 Park.
- 32 (10) An analysis of the programs, contributions, and industry support
33 provided by the North Carolina State University College of Veterinary
34 Medicine and other equine programs, at both private and public
35 education institutions, including the College of Agriculture and Life
36 Sciences at North Carolina State University, Martin Community
37 College, and St. Andrews College.
- 38 (11) An analysis of the economic impact of breeding, training, and other
39 horse operations.
- 40 (12) An analysis of the economic impact of services provided to the equine
41 industry, including farrier, veterinary, design and planning, farm
42 management and consulting, show management, and other services
43 related to equines and equine operations.
- 44 (13) An analysis of the economic impact, including manufacturing,
45 agricultural production and employment, and wholesale and retail
46 sales, of the purchase of equines, feed and grain, hay, tack and other
47 horse equipment, riding clothes, insurance, vehicles and trailers, farm
48 and pasture inputs, capital improvements such as barns, sheds, and
49 fencing, and real estate, including planned equestrian communities.

- 1 (14) An analysis of the economic impact of other recreational uses of
2 equines, including trail riding, camping with horses, therapeutic riding
3 programs, other recreational activities, and equine-related agritourism.
4 (15) An analysis of the impact of the equine industry on State and local
5 governments, including the generation of tax revenues.

6 **SECTION 11.2.(c)** The Department of Agriculture and Consumer Services,
7 in developing a plan to maximize the economic impact of the equine industry under
8 subsection (a) of this section, shall do all of the following:

- 9 (1) Evaluate existing equine-related facilities, programs, and services in
10 the State and make recommendations for enhancing those facilities,
11 programs, and services so as to maximize their economic impact on
12 the State.
13 (2) Identify opportunities for the growth of the equine industry, including
14 the production of feed crops, improved pasture, and high-quality horse
15 hays, attracting industry engaged in the production of horse-related
16 products, equipment, and pharmaceuticals, the addition of exhibition
17 and show facilities, including the development of a world-class
18 equestrian park, and other horse-related programs, activities, and
19 facilities, and evaluate the potential economic contribution to the
20 State's economy of each of these potential undertakings.
21 (3) Evaluate the need to create an equine industry board tasked with the
22 market development, education, publicity, research, and promotion of
23 the North Carolina equine industry and other such measures it deems
24 appropriate to promote the objectives, findings, and recommendations
25 of the equine industry survey and analysis.
26 (4) Evaluate the laws, rules, and policies that impact equine owners and
27 persons engaged in equine activities, including land-use policies,
28 preservation of trails, use of State recreational facilities, and tax credits
29 and make recommendations directed toward making North Carolina
30 more attractive to equine operations and activities.

31 **SECTION 11.2.(d)** The Department of Agriculture and Consumer Services
32 may conduct the assessment or develop the plan under subsection (a) of this section or
33 may contract with another agency of State government, any of the constituent
34 institutions of The University of North Carolina, or a private consultant as it deems
35 necessary and advisable. Prior to developing the plan under subsection (a) of this
36 section, the Department of Agriculture and Consumer Services shall consult with equine
37 industry stakeholders, including the Rural Economic Development Center, Inc. No later
38 than January 15, 2009, the Department of Agriculture and Consumer Services shall
39 complete its work and shall file a report containing the results of the assessment of the
40 equine industry and its plan under subsection (a) of this section with the Chairs of the
41 Joint Legislative Commission on Governmental Operations and the Chairs of the Senate
42 and House Appropriations Committees.

43
44 **TOBACCO TRUST ACCOUNT INTERCEPT TO SUPPORT CERTAIN**
45 **GENERAL FUND APPROPRIATIONS**

46 **SECTION 11.3.** Notwithstanding G.S. 143C-9-3, of the funds credited to the
47 Tobacco Trust Account from the Master Settlement Agreement pursuant to Section 6(2)
48 of S.L. 1999-2 during the 2007-2009 fiscal biennium, the sum of ten million dollars
49 (\$10,000,000) for the 2007-2008 fiscal year shall be transferred from the Department of
50 Agriculture and Consumer Services, Budget Code 23703 (Tobacco Trust Account) to
51 the State Controller to be deposited in Non-tax Budget Code 19978 (Intra State

1 Transfers) to support General Fund appropriations by the 2007 General Assembly to
2 provide funding as follows:

- 3 (1) Eight million five hundred thousand dollars (\$8,500,000) to the North
4 Carolina Agricultural Development and Farmland Preservation Trust
5 Fund established in G.S. 106-744;
- 6 (2) One million dollars (\$1,000,000) to the One North Carolina Fund
7 established in G.S. 143B-437.71; and
- 8 (3) Five hundred thousand dollars (\$500,000) to the Bernard Allen
9 Memorial Emergency Drinking Water Fund established in G.S. 87-98.

10
11 **PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL**
12 **RESOURCES**

13
14 **COMMERCIAL AND NONCOMMERCIAL LEAKING PETROLEUM**
15 **UNDERGROUND STORAGE TANK PROGRAM ADMINISTRATIVE**
16 **COSTS**

17 **SECTION 12.1.(a)** G.S. 143-215.94B is amended by adding a new
18 subsection to read:

19 "(g) The Commercial Fund may be used to support the administrative functions of
20 the program for underground storage tanks under this Part and Part 2B of this Article up
21 to the amounts allowed by law, which amounts may be changed from time to time. In
22 the case of a legislated increase or decrease in salaries and benefits, the administrative
23 allowance existing at the time of the increase or decrease shall be correspondingly
24 increased or decreased an amount equal to the legislated increase or decrease in salaries
25 and benefits."

26 **SECTION 12.1.(b)** G.S. 143-215.94D is amended by adding a new
27 subsection to read:

28 "(g) The Noncommercial Fund may be used to support the administrative
29 functions of the program for underground storage tanks under this Part and Part 2B of
30 this Article up to the amounts allowed by law, which amounts may be changed from
31 time to time. In the case of a legislated increase or decrease in salaries and benefits, the
32 administrative allowance existing at the time of the increase or decrease shall be
33 correspondingly increased or decreased an amount equal to the legislated increase or
34 decrease in salaries and benefits."

35
36 **BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND**

37 **SECTION 12.2.(a)** G.S. 87-98 reads as rewritten:

38 "**§ 87-98. Bernard Allen Memorial Emergency Drinking Water Fund.**

39 (a) The Bernard Allen Memorial Emergency Drinking Water Fund is established
40 within—under the control and direction of the Department. The Fund shall be a
41 nonreverting, interest-bearing fund consisting of monies appropriated by the General
42 Assembly or made available to the Fund from any other source and investment interest
43 credited to the Fund.

44 (b) The Fund may be used to pay for notification, to the extent practicable, of
45 persons aged 18 and older who reside in any dwelling unit, and the senior official in
46 charge of any business, at which drinking water is supplied from a private drinking
47 water well or improved spring that is located within 1,500 feet of, and at risk from,
48 known groundwater contamination. The senior official in charge of the business shall
49 take reasonable measures to notify all employees of the business of the groundwater
50 contamination, including posting a notice of the contamination in a form and at a
51 location that is readily accessible to the employees of the business. ~~The funds~~ Fund may

1 also be used to ~~cover~~ pay the costs of testing by the Department of private drinking
2 water wells and improved springs for suspected contamination up to once every three
3 years upon request by a person who uses the well for ~~contamination~~ and for the
4 temporary or permanent provision of alternative drinking water supplies to persons
5 whose drinking water well or improved spring is contaminated.

6 (c) The Department shall disburse monies from the Fund based on financial need
7 and on the risk to public health posed by groundwater contamination and shall give
8 priority to the provision of services under this section to instances when an alternative
9 source of funds is not available. ~~The funds~~ Fund shall not be used for remediation of
10 groundwater contamination. Nothing in this section expands, contracts, or modifies the
11 obligation of responsible parties under Article 9 or 10 of Chapter 130A of the General
12 Statutes, this Article, or Article 21A of this Chapter to assess contamination, identify
13 receptors, or remediate groundwater or soil contamination. The Fund shall not be used
14 to provide alternative water supply to households with incomes greater than two
15 hundred percent (200%) of the current poverty level. The Fund shall not be used to
16 provide alternative drinking water supplies unless the concentration of one or more
17 contaminants in the private drinking water well or improved spring exceeds the
18 Maximum Contaminant Level, or the federal drinking water action level as defined in
19 40 Code of Federal Regulations § 141.1 through § 141.571 (1 July 2006) and 40 Code
20 of Federal Regulations § 143.3 (1 July 2006). The Fund shall not be used to provide
21 temporary water supplies in any calendar quarter until all needs for permanent
22 replacement water supplies that have been identified in that calendar quarter have been
23 met through hookups to public water supplies, repair, or replacement of contaminated
24 wells. In disbursing monies from the Fund, preference shall be given to providing
25 permanent replacement water supplies by connection to public water supplies and repair
26 or replacement of contaminated wells over the provision of temporary water supplies.

27 (d) The Department shall establish criteria by which the Department is to
28 evaluate applications and disburse ~~funds~~ monies from this Fund and may adopt any
29 rules necessary to implement this section.

30 (e) The Department, in consultation with the Commission for Health Services
31 and local health departments, shall report no later than 1 October of each year to the
32 Environmental Review Commission, the House of Representatives and Senate
33 Appropriations Subcommittees on Natural and Economic Resources, and the Fiscal
34 Research Division of the General Assembly on the implementation of this section. The
35 report shall include the purpose and amount of all expenditures from the Fund during
36 the prior fiscal year, a discussion of the benefits and deficiencies realized as a result of
37 the section, and may also include recommendations for any legislative action."

38 **SECTION 12.2.(b)** The first report required by G.S. 87-98(e), as enacted by
39 subsection (a) of this section, shall be submitted on or before 1 October 2008.

40 **RECEIPTS CREDITED TO NORTH CAROLINA AQUARIUMS FUND**

41 **SECTION 12.3.** G.S. 143B-289.44 reads as rewritten:

42 "**§ 143B-289.44. North Carolina Aquariums; fees; fund.**

43 (a) Fees. – The Secretary of Environment and Natural Resources may adopt a
44 schedule of uniform entrance fees for the North Carolina Aquariums.

45 (b) Fund. – The North Carolina Aquariums Fund is hereby created as a special
46 and nonreverting fund. The North Carolina Aquariums Fund shall be used for repair,
47 renovation, expansion, maintenance, educational exhibit construction, and operational
48 expenses at existing aquariums, to pay the debt service and lease payments related to the
49 financing of expansions of aquariums, including other relevant satellite areas, and to
50 match private funds that are raised for these purposes.
51

1 (c) Disposition of ~~Fees.~~Fees and Other Receipts. – All entrance fee receipts and
 2 all receipts received by any aquarium for a special event or activity held at the aquarium
 3 shall be credited to the North Carolina Aquariums Fund.

4 (d) Report. – The Division of North Carolina Aquariums shall submit to the Joint
 5 Legislative Commission on Governmental Operations, the House and Senate
 6 Appropriations Subcommittees on Natural and Economic Resources, and the Fiscal
 7 Research Division by September 30 of each year a report on the North Carolina
 8 Aquariums Fund that shall include the source and amounts of all funds credited to the
 9 Fund and the purpose and amount of all expenditures from the Fund during the prior
 10 fiscal year."
 11

12 **NEW LEASE PURCHASE/INSTALLMENT CONTRACTS FOR FORESTRY**
 13 **EQUIPMENT**

14 **SECTION 12.4.** Prior to the Division of Forest Resources of the Department
 15 of Environment and Natural Resources entering into either a new lease purchase
 16 contract for the purchase of forestry equipment or a new installment contract for the
 17 purchase of forestry equipment, the Division of Forest Resources shall submit a detailed
 18 list of the forestry equipment to be purchased under the contract to the Joint Legislative
 19 Commission on Governmental Operations and the Fiscal Research Division. Prior to the
 20 Department of Administration entering into either a new lease purchase contract for the
 21 purchase of forestry equipment or a new installment contract for the purchase of
 22 forestry equipment on behalf of the Division of Forest Resources, the Department of
 23 Administration shall submit a detailed list of the forestry equipment to be purchased
 24 under the contract to the Joint Legislative Commission on Governmental Operations
 25 and the Fiscal Research Division. If a list is modified after it is submitted under this
 26 section, the modified list shall be submitted to the Joint Legislative Commission on
 27 Governmental Operations and the Fiscal Research Division prior to entering into the
 28 contract.
 29

30 **GRASSROOTS SCIENCE PROGRAM**

31 **SECTION 12.5.(a)** Of the funds appropriated in this act to the Department
 32 of Environment and Natural Resources for the Grassroots Science Program, the sum of
 33 three million one hundred ninety-seven thousand seven hundred sixty-three dollars
 34 (\$3,197,763) for the 2007-2008 fiscal year is allocated as grants-in-aid for each fiscal
 35 year as follows:

	2007-2008
36	
37	
38	\$55,865
39	\$137,493
40	\$98,472
41	\$157,908
42	\$60,695
43	\$72,992
44	\$705,437
45	\$50,000
46	\$79,202
47	
48	\$55,008
49	\$121,824
50	
51	

1	Science Center, Inc.	\$132,950
2	Highlands Nature Center	\$67,843
3	Imagination Station	\$84,561
4	Kidsenses	\$82,000
5	Museum of Coastal Carolina	\$72,063
6	Natural Science Center of Greensboro	\$163,921
7	North Carolina Museum of Life	
8	and Science	\$326,615
9	Port Discover	\$50,000
10	Rocky Mount Children's Museum	\$97,694
11	Schiele Museum of Natural History	\$201,274
12	Sci Works Science Center and	
13	Environmental Park of Forsyth County	\$133,161
14	Western North Carolina Nature Center	\$97,351
15	Wilmington Children's Museum	\$93,434
16		
17	Total	\$3,197,763

18 **SECTION 12.5.(b)** No later than March 1, 2008, the Department of
 19 Environment and Natural Resources shall report to the Fiscal Research Division all of
 20 the following information for each museum that receives funds under this section:

- 21 (1) The operating budget for the 2006-2007 fiscal year.
- 22 (2) The operating budget for the 2007-2008 fiscal year.
- 23 (3) The total attendance at the museum during the 2007 calendar year.

24 **SECTION 12.5.(c)** As a condition for qualifying to receive funding under
 25 this section, all of the following documentation shall be submitted for each museum
 26 under this section to the Department of Environment and Natural Resources for fiscal
 27 years ending between July 1, 2005, and June 30, 2006, and only those costs that are
 28 properly documented under this subsection are allowed by the Department in
 29 calculating the distribution of funds under this section:

- 30 (1) Each museum under this section shall submit its IRS (Internal Revenue
 31 Service) Form 990 to show its annual operating expenses, its annual
 32 report, and a reconciliation that explains any differences between
 33 expenses as shown on the IRS Form 990 and the annual report.
- 34 (2) Each friends association of a museum under this section shall submit
 35 its IRS Form 990 to show its reported expenses for the museum, its
 36 annual report, and a reconciliation that explains any differences
 37 between expenses as shown on the IRS Form 990 and the annual
 38 report, unless the association does not have both an IRS Form 990 and
 39 an annual report available, in which case, it shall submit either an IRS
 40 Form 990 or an annual report.
- 41 (3) The chief financial Officer of each county or municipal government
 42 that provides funds for the benefit of the museum shall submit a
 43 detailed signed statement of documented costs spent for the benefit of
 44 the museum that includes documentation of the name, address, title,
 45 and telephone number of the person making the assertion that the
 46 museum receives funds from the county or municipality for the benefit
 47 of the museum.
- 48 (4) The chief financial Officer of each county or municipal government or
 49 each friends association that provides indirect or allocable costs that
 50 are not directly charged to a museum under this section but that benefit
 51 the museum shall submit in the form of a detailed statement

1 enumerating each cost by type and amount that is verified by the
2 financial officer responsible for the completion of the documentation
3 and that includes the name, address, title, and telephone number of the
4 person making the assertion that the county, municipality, or
5 association provides indirect or allocable costs to the museum.

6 **SECTION 12.5.(d)** As used in subsection (c) of this section, "friends
7 association" means a nonprofit corporation established for the purpose of supporting
8 and assisting a museum that receives funding under this section.
9

10 **BEAVER DAMAGE CONTROL PROGRAM FUNDS**

11 **SECTION 12.6.** Of the funds available to the Wildlife Resources
12 Commission, the sum of five hundred thousand dollars (\$500,000) for the 2007-2008
13 fiscal year and the sum of five hundred thousand dollars (\$500,000) for the 2008-2009
14 fiscal year shall be used to provide the State share necessary to support the beaver
15 damage control program established in G.S. 113-291.10, provided the sum of at least
16 twenty-five thousand dollars (\$25,000) in federal funds is available each fiscal year of
17 the biennium to provide the federal share.
18

19 **CAP WILDLIFE RESOURCES FUND ANNUAL SALES TAX RECEIPTS**

20 **SECTION 12.7.** G.S. 105-164.44B reads as rewritten:

21 "**§ 105-164.44B. Transfer to Wildlife Resources Fund of taxes on hunting and
22 fishing supplies and equipment.**

23 Each fiscal year, the Secretary of Revenue shall transfer at the end of each quarter
24 from the State sales and use tax net collections received by the Department of Revenue
25 under Article 5 of Chapter 105 of the General Statutes to the State Treasurer for the
26 Wildlife Resources Fund, one fourth of the amount transferred the preceding fiscal year
27 plus or minus the percentage of that amount by which the total collection of State sales
28 and use taxes increased or decreased during the preceding fiscal ~~year~~year, not to exceed
29 twenty-two million dollars (\$22,000,000)."
30

31 **RETAIN EARNINGS OF PARKS AND RECREATION TRUST FUND**

32 **SECTION 12.8.** G.S. 113-44.15(a) reads as rewritten:

33 "(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the
34 State Treasurer's Office. The Trust Fund shall be a nonreverting special revenue fund
35 consisting of gifts and grants to the Trust Fund, monies credited to the Trust Fund
36 pursuant to G.S. 105-228.30(b), and other monies appropriated to the Trust Fund by the
37 General Assembly. Investment earnings credited to the assets of the Fund shall become
38 part of the Fund."
39

40 **PART XIII. DEPARTMENT OF COMMERCE**

41 **ONE NORTH CAROLINA FUND**

42 **SECTION 13.1.** Of the funds appropriated in this act to the One North
43 Carolina Fund, the Department of Commerce may use up to three hundred thousand
44 dollars (\$300,000) to cover its expenses in administering the One North Carolina Fund
45 and other economic development incentive grant programs in the 2007-2008 fiscal year.
46
47

48 **NC GREEN BUSINESS FUND**

49 **SECTION 13.2.(a)** Article 10 of Chapter 143B of the General Statutes is
50 amended by adding a new Part to read:

51 "Part 2B. NC Green Business Fund.

"§ 143B-437.4. NC Green Business Fund established as a revolving loan fund.

(a) Establishment. – The NC Green Business Fund is established as a revolving loan fund in the Department of Commerce, and the Department shall be responsible for administering the Fund.

(b) Purposes. – Moneys in the NC Green Business Fund shall be allocated pursuant to this subsection. The Department of Commerce shall make no-interest loans from the Fund to private business with less than 100 employees, nonprofit organizations, local governments, and State agencies to encourage the expansion of small- to medium-size businesses with less than 100 employees to help grow a green economy in the State. Moneys in the NC Green Business Fund shall be used for projects that will focus on the following three priority areas:

- (1) To encourage the development of the biofuels industry in the State. The Department of Commerce shall make no-interest loans available to maximize development, production, distribution, retail infrastructure, and consumer purchase of biofuels in North Carolina, including workforce development.
- (2) To encourage the development of the green building industry in the State. The Department of Commerce shall make no-interest loans available to grow a market for installation, certification, building material distribution, energy audits, and marketing and sales of green building in North Carolina, including workforce development.
- (3) To attract and leverage private-sector investments and entrepreneurial growth in additional clean technology and renewable energy products and businesses, including workforce development.

"§ 143B-437.5. Green Business Fund Advisory Committee.

The Department of Commerce may establish an advisory committee to assist in the development of the specific selection criteria and the loan-making process of the NC Green Business Fund.

"§ 143B-437.6. Agreements required.

Funds may be disbursed from the NC Green Business Fund only in accordance with agreements entered into between the Department of Commerce and an eligible loan recipient. Each agreement must contain the following provisions:

- (1) A description of the acceptable uses of loan proceeds. The agreement may limit the use of funds to specific purposes or may allow the funds to be used for any lawful purposes.
- (2) A provision allowing the Department of Commerce to inspect all reasonable records of the business that may be used to confirm compliance with the agreement or with the requirements of this Part.
- (3) A provision establishing the method for determining compliance with the agreement.
- (4) A provision establishing a schedule for disbursement of loan funds under the agreement.
- (5) A provision establishing a schedule for the repayment of the loan under the agreement.
- (6) A provision requiring repayment of loan funds if a business subsequently fails to comply with the terms of the agreement.
- (7) Any other provision the State finds necessary to ensure the proper use of State funds.

"§ 143B-437.7. Program guidelines.

The Department of Commerce shall develop guidelines related to the administration of the NC Green Business Fund and to the selection of projects to receive no-interest

1 loans from the Fund, including project evaluation measures. At least 20 days before the
2 effective date of any guidelines or nontechnical amendments to guidelines, the
3 Department of Commerce must publish the proposed guidelines on the Department's
4 Web site and provide notice to persons who have requested notice of proposed
5 guidelines. In addition, the Department must accept oral and written comments on the
6 proposed guidelines during the 15 business days beginning on the first day that the
7 Department has completed these notifications. For the purpose of this section, a
8 technical amendment is either of the following:

- 9 (1) An amendment that corrects a spelling or grammatical error.
- 10 (2) An amendment that makes a clarification based on public comment
11 and could have been anticipated by the public notice that immediately
12 preceded the public comment.

13 **"§ 143B-437.8. Reports.**

14 The Department of Commerce shall conduct an annual audit review of each NC
15 Green Business Fund loan recipient to assess project quality assurance. The Department
16 of Commerce shall publish a report on the use of funds in the NC Green Business Fund
17 at the end of each fiscal year. The report shall contain information on the commitment,
18 disbursement, and use of funds allocated under the NC Green Business Fund. The report
19 shall also include the Department of Commerce's audit review of the NC Green
20 Business Fund loan recipients. The report is due no later than September 1 and must be
21 submitted to the following:

- 22 (1) The Joint Legislative Commission on Governmental Operations.
- 23 (2) The chairs of the House of Representatives and Senate Finance
24 Committees.
- 25 (3) The chairs of the House of Representatives and Senate Appropriations
26 Committees.
- 27 (4) The Fiscal Research Division of the General Assembly.

28 **"§§ 143B-437.9 through 143B-437.11: Reserved for future codification purposes."**

29 **SECTION 13.2.(b)** G.S. 147-68(d1) reads as rewritten:

30 "(d1) The Treasurer shall report to the Joint Legislative Commission on
31 Governmental Operations, ~~to the Chairman, Appropriations Base Budget Committee~~
32 ~~and the Chairman, Appropriations Expansion Budget Committee of the House of~~
33 ~~Representatives, and to the Chairman, Committee on Appropriations and the Chairman,~~
34 ~~Committee on Base Budget of the Senate~~the chairs of the House of Representatives and
35 Senate Appropriations Committees, the chairs of the House of Representatives and
36 Senate Finance Committees, and the Fiscal Research Division of the General Assembly,
37 on a quarterly basis, concerning all investments and deposits made by and through his
38 office. The report shall include a listing of all investments with or on behalf of the State
39 or any of its agencies or institutions and shall include the particular agency or
40 institution, fund, rate of return, duration of the investment, and the amount of deposit on
41 all noninterest bearing accounts. The first report is due 90 days after July 1, 1982, and
42 shall include all investments and deposits made during the 1981-82 fiscal year and all
43 investments made during the first quarter of the 1982-83 fiscal year; thereafter, reports
44 shall be made on a quarterly basis including all investments and deposits made during
45 that reporting period. The report shall include a specific listing of all investments made
46 with certified green managers and companies and funds that support sustainable
47 practices, including the names of the companies, managers, and funds, the amount
48 invested, and the State's return on investment."

49
50 **EXECUTIVE AIRCRAFT/USES**

1 **SECTION 13.3.** Part 2 of Article 10 of Chapter 143B is amended by adding
2 a new section to read:

3 **"§ 143B-437.011. Executive aircraft used for economic development; other uses.**

4 The use of executive aircraft by the Department of Commerce for economic
5 development purposes shall take precedence over all other uses. The Department of
6 Commerce shall annually review the rates charged for the use of executive aircraft and
7 shall adjust the rates, as necessary, to account for upgraded aircraft and inflationary
8 increases in operating costs, including jet fuel prices. If executive aircraft is not being
9 used for economic development purposes, priority of use shall be given first to the
10 Governor, second to the Council of State, and third to other State officials traveling on
11 State business. If executive aircraft is used to attend athletic events or for any other
12 purpose related to collegiate athletics, the rate charged shall be equal to the direct cost
13 of operating the aircraft as established by the aircraft's manufacturer, adjusted for
14 inflation."

15
16 **EMPLOYMENT SECURITY COMMISSION FUNDS**

17 **SECTION 13.4.(a)** Funds from the Employment Security Commission
18 Reserve Fund shall be available to the Employment Security Commission of North
19 Carolina to use as collateral to secure federal funds and to pay the administrative costs
20 associated with the collection of the Employment Security Commission Reserve Fund
21 surcharge. The total administrative costs paid with funds from the Reserve in the
22 2007-2008 fiscal year shall not exceed two million five hundred thousand dollars
23 (\$2,500,000).

24 **SECTION 13.4.(b)** There is appropriated from the Employment Security
25 Commission Reserve Fund to the Employment Security Commission of North Carolina
26 the sum of seven million three hundred thousand dollars (\$7,300,000) for the 2007-2008
27 fiscal year to be used for the following purposes:

- 28 (1) Seven million dollars (\$7,000,000) for the operation and support of
29 local 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 **SECTION 13.4.(c)** There is appropriated from the Employment Security
40 Commission Reserve Fund to the Employment Security Commission of North Carolina
41 an amount not to exceed two million five hundred thousand dollars (\$2,500,000) for the
42 2007-2008 fiscal year to fund State initiatives not currently funded through federal
43 grants.

44 **SECTION 13.4.(d)** There is appropriated from the Employment Security
45 Commission Reserve Fund to the Employment Security Commission of North Carolina
46 an amount not to exceed three hundred fifty thousand dollars (\$350,000) for the
47 2007-2008 fiscal year to allow the Commission to continue to work with Connect, Inc.,
48 to provide dislocated workers with assistance in obtaining health care benefits, receiving
49 vocational training, and securing employment.

50 **SECTION 13.4.(e)** This section becomes effective July 1, 2007.

51

1 **NORTH CAROLINA CENTER FOR AUTOMOTIVE RESEARCH/FUNDS**
2 **SHALL NOT REVERT**

3 **SECTION 13.5.(a)** Funds appropriated to the North Carolina Center for
4 Automotive Research, Inc., (Center) for the 2005-2006 fiscal year and for the
5 2006-2007 fiscal year that are unexpended and unencumbered as of June 30, 2007, shall
6 not revert to the General Fund on June 30, 2007, but shall remain available at the
7 Department of Commerce.

8 **SECTION 13.5.(b)** Of the funds appropriated to the North Carolina Center
9 for Automotive Research for the 2005-2006 fiscal year and for the 2006-2007 fiscal
10 year, the Department of Commerce, with approval from the Office of State Budget and
11 Management, may, subject to the provisions of subsection (c) of this section, allocate
12 the remaining appropriated funds to the Center when the Office of State Budget and
13 Management, in consultation with the Department of Commerce, determines the Center
14 has completed goals and projects consistent with the Center's business plan. The goals
15 and projects shall include the following:

- 16 (1) The Center has obtained legal title to the property on which the Center
17 will be built.
- 18 (2) The Center has determined and provided for the critical infrastructure
19 needed to support the Center.
- 20 (3) The Center has entered into a contract for the use and operation of a
21 testing facility that will create new private sector jobs in Tier 1 or Tier
22 2 counties.

23 **SECTION 13.5.(c)** No funds shall be released by the Office of State Budget
24 and Management under subsection (b) of this section until a board of directors for the
25 Center consisting of no fewer than five members representing five different
26 organizations is appointed and operating.

27 **SECTION 13.5.(d)** The Center shall file with the Department of Commerce
28 a copy of the Center's policy addressing conflicts of interest that may arise involving the
29 Center's management employees and members of the Center's board of directors or
30 other governing body before funds may be allocated to the Center. The policy shall
31 address situations in which any of the Center's management employees and members of
32 the board of directors or other governing body may directly or indirectly benefit, except
33 as Center employees or members of the board or other governing body, from the
34 Center's disbursing of State funds and shall include actions to be taken by the Center or
35 the employee or member, or both, to avoid conflicts of interest and the appearance of
36 impropriety.

37 **SECTION 13.5.(e)** By December 31, 2007, and April 30, 2008, the Center
38 shall report to the Governor, the Joint Legislative Commission on Governmental
39 Operations, and the Fiscal Research Division the following information: (i) fiscal year
40 2007-2008 projects, objectives, and accomplishments; and (ii) fiscal year 2007-2008
41 itemized expenditures and fund sources. The April 30, 2008, report shall also contain
42 the following information: (i) fiscal year 2008-2009 planned projects, objectives, and
43 accomplishments; and (ii) fiscal year 2008-2009 estimated expenditures and fund
44 sources.

45 **SECTION 13.5.(f)** The Center shall also provide to the Governor, the Joint
46 Legislative Commission on Governmental Operations, and the Fiscal Research Division
47 a copy of the Center's annual audited financial statement within 30 days of issuance of
48 the statement and a copy of the Center's IRS Form 990.

49 **SECTION 13.5.(g)** The Center shall provide a report containing detailed
50 budget information to the Office of State Budget and Management in the same manner
51 as State departments and agencies in preparation for biennium budget requests. The

1 Center shall provide specific salary information upon the written request of the chairs of
2 the Joint Legislative Commission on Governmental Operations and the chairs of the
3 House Appropriations Committee on Natural and Economic Resources and the Senate
4 Appropriations Committee on Natural and Economic Resources.
5

6 COUNCIL OF GOVERNMENT FUNDS

7 **SECTION 13.6.(a)** Of the funds appropriated in this act to the Department
8 of Commerce, eight hundred thirty-two thousand one hundred fifty dollars (\$832,150)
9 for the 2007-2008 fiscal year and eight hundred thirty-two thousand one hundred fifty
10 dollars (\$832,150) for the 2008-2009 fiscal year shall only be used as provided by this
11 section. Each regional council of government or lead regional organization is allocated
12 up to forty-eight thousand nine hundred fifty dollars (\$48,950) for the 2007-2008 and
13 the 2008-2009 fiscal years.

14 **SECTION 13.6.(b)** A regional council of government may use funds
15 appropriated by this section only to assist local governments in grant applications,
16 economic development, community development, support of local industrial
17 development activities, and other activities as deemed appropriate by the member
18 governments.

19 **SECTION 13.6.(c)** Funds appropriated by this section shall be paid by
20 electronic transfer in two equal installments, the first no later than September 1, 2007,
21 and the second subsequent to acceptable submission of the annual report due to the Joint
22 Legislative Commission on Governmental Operations and the Fiscal Research Division
23 by January 15, 2008, as specified in subdivision (e)(1) of this section.

24 **SECTION 13.6.(d)** Funds appropriated by this section shall not be used for
25 payment of dues or assessments by the member governments and shall not supplant
26 funds appropriated by the member governments.

27 **SECTION 13.6.(e)** Each council of government or lead regional
28 organization shall do the following:

- 29 (1) By January 15, 2008, and more frequently as requested, report to the
30 Joint Legislative Commission on Governmental Operations and the
31 Fiscal Research Division the following information:
32 a. State fiscal year 2006-2007 program activities, objectives, and
33 accomplishments;
34 b. State fiscal year 2006-2007 itemized expenditures and fund
35 sources;
36 c. State fiscal year 2007-2008 planned activities, objectives, and
37 accomplishments, including actual results through December
38 31, 2007; and
39 d. State fiscal year 2007-2008 estimated itemized expenditures
40 and fund sources, including actual expenditures and fund
41 sources, through December 31, 2007.
- 42 (2) By January 15, 2009, and more frequently as requested, report to the
43 Joint Legislative Commission on Governmental Operations and the
44 Fiscal Research Division the following information:
45 a. State fiscal year 2007-2008 program activities, objectives, and
46 accomplishments;
47 b. State fiscal year 2007-2008 itemized expenditures and fund
48 sources;
49 c. State fiscal year 2008-2009 planned activities, objectives, and
50 accomplishments, including actual results through December
51 31, 2008; and

- 1 d. State fiscal year 2008-2009 estimated itemized expenditures
2 and fund sources, including actual expenditures and fund
3 sources, through December 31, 2008.
- 4 (3) Provide to the Fiscal Research Division a copy of the organization's
5 annual audited financial statement within 30 days of issuance of the
6 statement.

7
8 **REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS**

9 **SECTION 13.7.(a)** Funds appropriated in this act to the Department of
10 Commerce for regional economic development commissions shall be allocated to the
11 following commissions in accordance with subsection (b) of this section: Western North
12 Carolina Regional Economic Development Commission, Research Triangle Regional
13 Commission, Southeastern North Carolina Regional Economic Development
14 Commission, Piedmont Triad Partnership, Northeastern North Carolina Regional
15 Economic Development Commission, North Carolina's Eastern Region Economic
16 Development Partnership, and Carolinas Partnership, Inc.

17 **SECTION 13.7.(b)** Funds appropriated pursuant to subsection (a) of this
18 section shall be allocated to each regional economic development commission as
19 follows:

- 20 (1) First, the Department shall establish each Commission's allocation by
21 determining the sum of allocations to each county that is a member of
22 that Commission. Each county's allocation shall be determined by
23 dividing the county's enterprise factor by the sum of the enterprise
24 factors for eligible counties and multiplying the resulting percentage
25 by the amount of the appropriation. As used in this subdivision, the
26 term "enterprise factor" means a county's enterprise factor as
27 calculated under G.S. 143B-437.08; and
- 28 (2) Next, the Department shall subtract from funds allocated to the North
29 Carolina's Eastern Region Economic Development Partnership the
30 sum of three hundred thirty thousand seven hundred fifty dollars
31 (\$330,750) in the 2007-2008 fiscal year and three hundred thirty
32 thousand seven hundred fifty dollars (\$330,750) in the 2008-2009
33 fiscal year, which sum represents: (i) the total interest earnings in the
34 prior fiscal year on the estimated balance of seven million five hundred
35 thousand dollars (\$7,500,000) appropriated to the Global TransPark
36 Development Zone in Section 6 of Chapter 561 of the 1993 Session
37 Laws; and (ii) the total interest earnings in the prior fiscal year on
38 loans made from the seven million five hundred thousand dollars
39 (\$7,500,000) appropriated to the Global TransPark Development Zone
40 in Section 6 of Chapter 561 of the 1993 Session Laws; and
- 41 (3) Next, the Department shall redistribute the sum of three hundred thirty
42 thousand seven hundred fifty dollars (\$330,750) in the 2007-2008
43 fiscal year and three hundred thirty thousand seven hundred fifty
44 dollars (\$330,750) in the 2008-2009 fiscal year to the seven regional
45 economic development commissions named in subsection (a) of this
46 section. Each commission's share of this redistribution shall be
47 determined according to the enterprise factor formula set out in
48 subdivision (1) of this subsection. This redistribution shall be in
49 addition to each commission's allocation determined under subdivision
50 (1) of this subsection.
- 51

REGIONAL ECONOMIC DEVELOPMENT COMMISSION REPORTS

SECTION 13.8.(a) By February 15 of each fiscal year, the seven regional economic development commissions shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

- (1) The preceding fiscal year's program activities, objectives, and accomplishments.
- (2) The preceding fiscal year's itemized expenditures and fund sources.
- (3) Demonstration of how the commission's regional economic development and marketing strategy aligns with the State's overall economic development and marketing strategies.
- (4) To the extent they are involved in promotion activities such as trade shows, visits to prospects and consultants, advertising and media placement, the commissions shall demonstrate how they have generated qualified leads.

SECTION 13.8.(b) Each of the commissions shall provide to the Fiscal Research Division a copy of their annual audited financial statement within 30 days of issuance of the statement.

SECTION 13.8.(c) The reporting requirements for regional economic development commissions, as provided in subsection (a) of this section, shall be reviewed annually by the North Carolina Partnership for Economic Development, and recommendations for changes to the reporting requirements shall be made to the Fiscal Research Division, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives.

SECTION 13.8.(d) Regional economic development commissions shall receive quarterly allocations of the funds appropriated in this act to the Department of Commerce for regional economic development commissions.

SECTION 13.8.(e) Regional economic development commissions shall remain in the Department of Commerce's Budget Code 14601 with other State-aided nonprofit entities.

KERR-TAR REGIONAL ECONOMIC DEVELOPMENT CORPORATION/REPORTING REQUIREMENTS

SECTION 13.9. The Kerr-Tar Regional Economic Development Corporation shall do the following:

- (1) By January 15, 2008, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
 - a. State fiscal year 2006-2007 program activities, objectives, and accomplishments;
 - b. State fiscal year 2006-2007 itemized expenditures and fund sources;
 - c. State fiscal year 2007-2008 planned activities, objectives, and accomplishments including actual results through December 31, 2007; and
 - d. State fiscal year 2007-2008 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2007.
- (2) By January 15, 2009, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

- 1 a. State fiscal year 2007-2008 program activities, objectives, and
2 accomplishments;
3 b. State fiscal year 2007-2008 itemized expenditures and fund
4 sources;
5 c. State fiscal year 2008-2009 planned activities, objectives, and
6 accomplishments including actual results through December 31,
7 2008; and
8 d. State fiscal year 2008-2009 estimated itemized expenditures
9 and fund sources including actual expenditures and fund
10 sources through December 31, 2008.
11 (3) Provide to the Fiscal Research Division a copy of the corporation's
12 annual audited financial statement within 30 days of issuance of the
13 statement.
14

15 BIOTECHNOLOGY CENTER

16 **SECTION 13.10.(a)** The North Carolina Biotechnology Center shall
17 recapture funds spent in support of successful research and development efforts in the
18 for-profit private sector.

19 **SECTION 13.10.(b)** The North Carolina Biotechnology Center shall
20 provide funding for biotechnology, biomedical, and related bioscience applications
21 under its Business and Science Technology Programs.

- 22 **SECTION 13.10.(c)** The North Carolina Biotechnology Center shall:
23 (1) By January 15, 2008, and more frequently as requested, report to the
24 Joint Legislative Commission on Governmental Operations and the
25 Fiscal Research Division the following information:
26 a. State fiscal year 2006-2007 program activities, objectives, and
27 accomplishments;
28 b. State fiscal year 2006-2007 itemized expenditures and fund
29 sources;
30 c. State fiscal year 2007-2008 planned activities, objectives, and
31 accomplishments, including actual results through December
32 31, 2007; and
33 d. State fiscal year 2007-2008 estimated itemized expenditures
34 and fund sources, including actual expenditures and fund
35 sources through December 31, 2007.
36 (2) By January 15, 2009, and more frequently as requested, report to the
37 Joint Legislative Commission on Governmental Operations and the
38 Fiscal Research Division the following information:
39 a. State fiscal year 2007-2008 program activities, objectives, and
40 accomplishments;
41 b. State fiscal year 2007-2008 itemized expenditures and fund
42 sources;
43 c. State fiscal year 2008-2009 planned activities, objectives, and
44 accomplishments, including actual results through December
45 31, 2008; and
46 d. State fiscal year 2008-2009 estimated itemized expenditures
47 and fund sources, including actual expenditures and fund
48 sources through December 31, 2008.
49 (3) Provide to the Fiscal Research Division a copy of the organization's
50 annual audited financial statement within 30 days of issuance of the
51 statement.

1 **SECTION 13.10.(d)** The North Carolina Biotechnology Center shall
2 provide a report containing detailed budget, personnel, and salary information to the
3 Office of State Budget and Management and to the Fiscal Research Division in the same
4 manner as State departments and agencies in preparation for biennium budget requests.
5

6 **NONPROFIT REPORTING REQUIREMENTS**

7 **SECTION 13.11.(a)** The N.C. Institute for Minority Economic
8 Development, Inc., Land Loss Prevention Project, North Carolina Minority Support
9 Center, North Carolina Community Development Initiative, Inc., North Carolina
10 Association of Community Development Corporations, Inc., Coalition of Farm and
11 Rural Families, and Partnership for the Sounds, Inc., shall do the following:

- 12 (1) By January 15, 2008, and more frequently as requested, report to the
13 Joint Legislative Commission on Governmental Operations and the
14 Fiscal Research Division the following information:
15 a. State fiscal year 2006-2007 program activities, objectives, and
16 accomplishments;
17 b. State fiscal year 2006-2007 itemized expenditures and fund
18 sources;
19 c. State fiscal year 2007-2008 planned activities, objectives, and
20 accomplishments including actual results through December 31,
21 2007; and
22 d. State fiscal year 2007-2008 estimated itemized expenditures
23 and fund sources including actual expenditures and fund
24 sources through December 31, 2007.
25 (2) By January 15, 2009, and more frequently as requested, report to the
26 Joint Legislative Commission on Governmental Operations and the
27 Fiscal Research Division the following information:
28 a. State fiscal year 2007-2008 program activities, objectives, and
29 accomplishments;
30 b. State fiscal year 2007-2008 itemized expenditures and fund
31 sources;
32 c. State fiscal year 2008-2009 planned activities, objectives, and
33 accomplishments including actual results through December 31,
34 2008; and
35 d. State fiscal year 2008-2009 estimated itemized expenditures
36 and fund sources including actual expenditures and fund
37 sources through December 31, 2008.
38 (3) Provide to the Fiscal Research Division a copy of the organization's
39 annual audited financial statement within 30 days of issuance of the
40 statement.

41 **SECTION 13.11.(b)** No funds appropriated under this act shall be released
42 to a nonprofit organization listed in subsection (a) of this section until the organization
43 has satisfied the reporting requirement for January 15, 2007. Fourth quarter allotments
44 shall not be released to any nonprofit organization that does not satisfy the reporting
45 requirements by January 15, 2008, or January 15, 2009.
46

47 **RURAL ECONOMIC DEVELOPMENT CENTER**

48 **SECTION 13.12.(a)** Of the funds appropriated in this act to the Rural
49 Economic Development Center, Inc., the sum of one million nine hundred thirteen
50 thousand one hundred twelve dollars (\$1,913,112) for the 2007-2008 fiscal year and the

1 sum of one million nine hundred thirteen thousand one hundred twelve dollars
 2 (\$1,913,112) for the 2008-2009 fiscal year shall be allocated as follows:

	2007-2008	2008-2009
3		
4	\$370,000	\$370,000
5		
6		
7	444,399	444,399
8		
9	604,298	604,298
10		
11		
12	87,137	87,137
13		
14	138,278	138,278
15		
16	125,000	125,000
17	144,000	144,000.

18 **SECTION 13.12.(b)** The Rural Economic Development Center, Inc., shall
 19 provide a report containing detailed budget, personnel, and salary information to the
 20 Office of State Budget and Management in the same manner as State departments and
 21 agencies in preparation for biennium budget requests.

22 **SECTION 13.12.(c)** For purposes of this section, the term "community
 23 development corporation" means a nonprofit corporation:

- 24 (1) Chartered pursuant to Chapter 55A of the General Statutes;
- 25 (2) Tax-exempt pursuant to section 501(c)(3) of the Internal Revenue
 26 Code of 1986;
- 27 (3) Whose primary mission is to develop and improve low-income
 28 communities and neighborhoods through economic and related
 29 development;
- 30 (4) Whose activities and decisions are initiated, managed, and controlled
 31 by the constituents of those local communities; and
- 32 (5) Whose primary function is to act as deal maker and packager of
 33 projects and activities that will increase their constituencies'
 34 opportunities to become owners, managers, and producers of small
 35 businesses, affordable housing, and jobs designed to produce positive
 36 cash flow and curb blight in the targeted community.

37 **SECTION 13.12.(d)** Of the funds appropriated in this act to the Rural
 38 Economic Development Center, Inc., the sum of two million six hundred sixty-five
 39 thousand nine hundred ten dollars (\$2,665,910) for the 2007-2008 fiscal year and the
 40 sum of two million six hundred sixty-five thousand nine hundred ten dollars
 41 (\$2,665,910) for the 2008-2009 fiscal year shall be allocated as follows:

- 42 (1) \$1,297,410 in each fiscal year for community development grants to
 43 support development projects and activities within the State's minority
 44 communities. Any new or previously funded community development
 45 corporation as defined in this section is eligible to apply for funds. The
 46 Rural Economic Development Center, Inc., shall establish
 47 performance-based criteria for determining which community
 48 development corporation will receive a grant and the grant amount.
 49 The Rural Economic Development Center, Inc., shall allocate these
 50 funds as follows:

- 1 a. \$1,247,410 for direct grants to local community development
- 2 corporations to support operations and project activities.
- 3 b. \$50,000 in each fiscal year to the Rural Economic Development
- 4 Center, Inc., to be used to cover expenses in administering this
- 5 section.
- 6 (2) \$195,000 in each fiscal year to the Microenterprise Loan Program to
- 7 support the loan fund and operations of the Program; and
- 8 (3) \$983,000 in each fiscal year shall be used for a program to provide
- 9 supplemental funding for matching requirements for projects and
- 10 activities authorized under this subsection. The Center shall allocate
- 11 these funds as follows:
- 12 a. \$675,000 in each fiscal year to make grants to local
- 13 governments and nonprofit corporations to provide funds
- 14 necessary to match federal grants or other grants for:
- 15 1. Necessary economic development projects and activities
- 16 in economically distressed areas;
- 17 2. Necessary water and sewer projects and activities in
- 18 economically distressed communities to address health
- 19 or environmental quality problems except that funds
- 20 shall not be expended for the repair or replacement of
- 21 low-pressure-pipe wastewater systems. If a grant is
- 22 awarded under this sub-subdivision, then the grant shall
- 23 be matched on a dollar-for-dollar basis in the amount of
- 24 the grant awarded; or
- 25 3. Projects that demonstrate alternative water and waste
- 26 management processes for local governments. Special
- 27 consideration should be given to cost-effectiveness,
- 28 efficacy, management efficiency, and the ability of the
- 29 demonstration project to be replicated.
- 30 b. \$208,000 in each fiscal year to make grants to local
- 31 governments and nonprofit corporations to provide funds
- 32 necessary to match federal grants or other grants related to
- 33 water, sewer, or business development projects.
- 34 c. \$100,000 in each fiscal year to support the update of the
- 35 statewide water and sewer database and to support the
- 36 development of a statewide water management plan.
- 37 (4) \$190,500 in each fiscal year for the Agricultural Advancement
- 38 Consortium. These funds shall be placed in a reserve and allocated as
- 39 follows:
- 40 a. \$75,000 in each fiscal year for operating expenses associated
- 41 with the Consortium; and
- 42 b. \$115,500 in each fiscal year for research initiatives funded by
- 43 the Consortium.

The Consortium shall facilitate discussions among interested parties and shall develop recommendations to improve the State's economic development through farming and agricultural interests.

The grant recipients in this subsection shall be selected on the basis of need.

SECTION 13.12.(e) Of the funds allocated to Research and Demonstration Grants for fiscal year 2007-2008 in subsection (a) of this section, the sum of twenty-five thousand dollars (\$25,000) shall be allocated to The Cooper Help Center for the planning and development of a neighborhood grocery and laundry center in an

1 economically distressed inner-city community, and the sum of one hundred fifty
2 thousand dollars (\$150,000) shall be allocated to EBC-ATOM (A Total Outreach
3 Ministry) Project for the development and implementation of a stabilization plan for
4 targeted deteriorating neighborhoods in Nash and Halifax Counties.

5 **SECTION 13.12.(f)** The Rural Economic Development Center, Inc., shall:

6 (1) By January 15, 2008, and more frequently as requested, report to the
7 Joint Legislative Commission on Governmental Operations and the
8 Fiscal Research Division the following information:

- 9 a. State fiscal year 2006-2007 program activities, objectives, and
10 accomplishments;
11 b. State fiscal year 2006-2007 itemized expenditures and fund
12 sources;
13 c. State fiscal year 2007-2008 planned activities, objectives, and
14 accomplishments, including actual results through December
15 31, 2007; and
16 d. State fiscal year 2007-2008 estimated itemized expenditures
17 and fund sources, including actual expenditures and fund
18 sources through December 31, 2007.

19 (2) By January 15, 2009, and more frequently as requested, report to the
20 Joint Legislative Commission on Governmental Operations and the
21 Fiscal Research Division the following information:

- 22 a. State fiscal year 2007-2008 program activities, objectives, and
23 accomplishments;
24 b. State fiscal year 2007-2008 itemized expenditures and fund
25 sources;
26 c. State fiscal year 2008-2009 planned activities, objectives, and
27 accomplishments, including actual results through December
28 31, 2008; and
29 d. State fiscal year 2008-2009 estimated itemized expenditures
30 and fund sources, including actual expenditures and fund
31 sources through December 31, 2008.

32 (3) Provide to the Fiscal Research Division a copy of each grant
33 recipient's annual audited financial statement within 30 days of
34 issuance of the statement.

35 **SECTION 13.12.(g)** No funds appropriated under this act shall be released
36 to a community development corporation, as defined in this section, unless the
37 corporation can demonstrate that there are no outstanding or proposed assessments or
38 other collection actions against the corporation for any State or federal taxes, including
39 related penalties, interest, and fees.

40 41 **RURAL ECONOMIC DEVELOPMENT CENTER/INFRASTRUCTURE** 42 **PROGRAM**

43 **SECTION 13.13.(a)** Of the funds appropriated in this act to the Rural
44 Economic Development Center, Inc., the sum of nineteen million five hundred thousand
45 dollars (\$19,500,000) for the 2007-2008 fiscal year and the sum of nineteen million five
46 hundred thousand dollars (\$19,500,000) for the 2008-2009 fiscal year shall be allocated
47 as follows:

- 48 (1) To continue the North Carolina Infrastructure Program. The purpose of
49 the Program is to provide grants to local governments to construct
50 critical water and wastewater facilities and to provide other
51 infrastructure needs, including technology needs, to sites where these

1 facilities will generate private job-creating investment. At least fifteen
2 million dollars (\$15,000,000) of the funds appropriated in this act for
3 each year of the biennium must be used to provide grants under this
4 Program.

5 (2) To provide matching grants to local governments in distressed areas
6 and equity investments in public-private ventures that will
7 productively reuse vacant buildings and properties, with priority given
8 to towns or communities with populations of less than 5,000.

9 (3) To provide economic development research and demonstration grants.

10 **SECTION 13.13.(b)** The funds appropriated in this act to the Rural
11 Economic Development Center, Inc., shall be recurring funds.

12 **SECTION 13.13.(c)** The Rural Economic Development Center, Inc., may
13 contract with other State agencies, constituent institutions of The University of North
14 Carolina, and colleges within the North Carolina Community College System for certain
15 aspects of the North Carolina Infrastructure Program, including design of Program
16 guidelines and evaluation of Program results.

17 **SECTION 13.13.(d)** During each year of the 2007-2009 biennium, the Rural
18 Economic Development Center, Inc., may use up to two percent (2%) of the funds
19 appropriated in this act to cover its expenses in administering the North Carolina
20 Economic Infrastructure Program.

21 **SECTION 13.13.(e)** No later than January 15 of each year, the Rural
22 Economic Development Center, Inc., shall submit an annual report to the Joint
23 Legislative Commission on Governmental Operations concerning the progress of the
24 North Carolina Economic Infrastructure Program.

25 26 **RURAL ECONOMIC DEVELOPMENT CENTER FUNDS**

27 **SECTION 13.14.(a)** Of the funds appropriated in this act to the North
28 Carolina Rural Economic Development Center, Inc. (Rural Center), the sum of nineteen
29 million dollars (\$19,000,000) for the 2007-2008 fiscal year shall be used to expand the
30 North Carolina Rural Economic Infrastructure Fund with targeted priority to severely
31 distressed rural areas.

32 **SECTION 13.14.(b)** The Rural Center shall use the funds appropriated in
33 this act to establish and implement the Rural Economic Transition Program. This
34 program shall provide grants and equity investments to carry out transformative
35 economic development and agricultural enhancement projects that will generate jobs
36 and expand business activity.

37 **SECTION 13.14.(c)** Units of local government and nonprofit organizations
38 in rural areas are eligible for grants, with priority to applicants in development tier one
39 areas as defined in G.S. 143B-437.08.

40 **SECTION 13.14.(d)** Priority for grant funds shall be given to economic
41 development projects that satisfy one or more of the following criteria:

- 42 (1) It is located in a county or census area with a persistently high poverty
43 rate of at least one hundred fifty percent (150%) of the State's poverty
44 rate according to the most recent decennial census.
- 45 (2) It is located in a community that has experienced a sudden and severe
46 economic downturn as reflected in numbers of business closings,
47 layoffs, and unemployment rate during the previous 12 months.
- 48 (3) It is located in a small town with a population under 10,000, an
49 agrarian growth zone as defined in G.S. 143B-437.10, or an urban
50 progress zone as defined in G.S. 143B-437.09.

- 1 (4) It is identified in community-based strategic planning efforts and
2 coordinated with other economic development and
3 community-building initiatives, such as the North Carolina Rural
4 Economic Development Center Small Town Economic Prosperity
5 Program, the North Carolina Department of Commerce 21st Century
6 Communities Program, the North Carolina Department of Commerce
7 Main Street Program, and federally funded Comprehensive Economic
8 Development Strategies.
- 9 (5) It is supportive of strategies to expand entrepreneurial small business
10 activity based on the natural, cultural, or historical assets of the
11 community.
- 12 (6) It has the ability to demonstrate benefits to small farm business
13 diversifying into value-added production and marketing, and it
14 increases opportunities in food and beverage manufacturing and
15 distribution for small farm entrepreneurs.

16 **SECTION 13.14.(e)** Eligible units of local government and nonprofit
17 organizations are not required to match grants received under this section, but shall
18 demonstrate the commitment of other funds to the project.

19 **SECTION 13.14.(f)** Up to twenty percent (20%) of the funds appropriated in
20 this section may be used for equity investments and loans through the Rural Venture
21 Fund to private business ventures that will substantially transform and improve the
22 economic status of rural areas, with priority to businesses locating or expanding in
23 development tier one areas as defined in G.S. 143B-437.08.

24 **SECTION 13.14.(g)** The Rural Center may use a portion of the funds
25 appropriated under this section, not to exceed four percent (4%), for administration of
26 the programs created by this section.

27 **SECTION 13.14.(h)** The Rural Center may contract with other State
28 agencies and branches of The University of North Carolina for certain aspects of the
29 programs created under this section, including the design of program guidelines and
30 evaluation of program results.

31 **SECTION 13.14.(i)** The Rural Center shall report to the Joint Legislative
32 Commission on Governmental Operations on a quarterly basis concerning the progress
33 of the programs created under this section. The first report is due no later than February
34 15, 2008.

35 **SECTION 13.14.(j)** This section becomes effective July 1, 2007.

36 37 **OPPORTUNITIES INDUSTRIALIZATION CENTER FUNDS**

38 **SECTION 13.15.(a)** Of the funds appropriated in this act to the Rural
39 Economic Development Center, Inc., the sum of three hundred sixty-one thousand
40 dollars (\$361,000) for the 2007-2008 fiscal year and the sum of three hundred sixty-one
41 thousand dollars (\$361,000) for the 2008-2009 fiscal year shall be equally distributed
42 among the certified Opportunities Industrialization Centers for ongoing job training
43 programs.

44 **SECTION 13.15.(b)** For each of the Opportunities Industrialization Centers
45 receiving funds pursuant to subsection (a) of this section, the Rural Economic
46 Development Center, Inc., shall:

- 47 (1) By January 15, 2008, and more frequently as requested, report to the
48 Joint Legislative Commission on Governmental Operations and the
49 Fiscal Research Division the following information:
50 a. State fiscal year 2006-2007 program activities, objectives, and
51 accomplishments;

- 1 b. State fiscal year 2006-2007 itemized expenditures and fund
2 sources;
3 c. State fiscal year 2007-2008 planned activities, objectives, and
4 accomplishments, including actual results through December
5 31, 2007; and
6 d. State fiscal year 2007-2008 estimated itemized expenditures
7 and fund sources, including actual expenditures and fund
8 sources through December 31, 2007.
- 9 (2) By January 15, 2009, and more frequently as requested, report to the
10 Joint Legislative Commission on Governmental Operations and the
11 Fiscal Research Division the following information:
12 a. State fiscal year 2007-2008 program activities, objectives, and
13 accomplishments;
14 b. State fiscal year 2007-2008 itemized expenditures and fund
15 sources;
16 c. State fiscal year 2008-2009 planned activities, objectives, and
17 accomplishments, including actual results through December
18 31, 2008; and
19 d. State fiscal year 2008-2009 estimated itemized expenditures
20 and fund sources, including actual expenditures and fund
21 sources through December 31, 2008.
- 22 (3) Notwithstanding G.S. 143-6.1(d), file annually with the State Auditor
23 a financial statement in the form and on the schedule prescribed by the
24 State Auditor. The financial statements must be audited in accordance
25 with standards prescribed by the State Auditor to assure that State
26 funds are used for the purposes provided by law.
- 27 (4) Provide to the Fiscal Research Division a copy of the annual audited
28 financial statement required in subdivision (3) of this subsection within
29 30 days of issuance of the statement.

30 **SECTION 13.15.(c)** No funds appropriated under this act shall be released
31 to an Opportunities Industrialization Center (hereinafter Center) listed in subsection (a)
32 of this section if the Center has any overdue tax debts, as that term is defined in
33 G.S. 105-243.1, at the federal or State level.

34 35 **E-NC AUTHORITY CONTRACTS/ REPORTING REQUIREMENTS**

36 **SECTION 13.16.(a)** The e-NC Authority may contract with other State
37 agencies, The University of North Carolina, the North Carolina Community College
38 System, and nonprofit organizations to assist with program development and the
39 evaluation of program activities.

40 **SECTION 13.16.(b)** The e-NC Authority shall report to the 2008 General
41 Assembly on the following:

- 42 (1) The activities necessary to be undertaken in distressed urban areas of
43 the State to enhance the capability of citizens and businesses residing
44 in these areas to access high-speed Internet.
- 45 (2) An implementation plan for the training of citizens and businesses in
46 distressed urban areas.
- 47 (3) The technology and digital literacy training necessary to assist citizens
48 and existing businesses to create new technology-based enterprises in
49 these communities and to use the Internet to enhance the productivity
50 of their businesses.

1 The e-NC Authority shall, by September 30, 2007, and quarterly thereafter,
2 report to the Joint Legislative Commission on Governmental Operations on program
3 development and the evaluation of program activities.

4
5 **WOW E-COMMUNITY DEVELOPMENT CORPORATION PILOT**
6 **PROGRAM FUNDS**

7 **SECTION 13.17.(a)** Of the funds appropriated to the e-NC Authority for the
8 2007-2008 fiscal year, the sum of two hundred ninety thousand dollars (\$290,000) shall
9 be transferred to WOW e-Community Development Corporation (WOW e-CDC) for the
10 Windows on the World Technology Center to establish and implement a two-year pilot
11 program that will enable the Windows on the World Technology Center to become the
12 northeastern North Carolina regional technology resource center for indigent rural
13 low-wealth communities through direct engagement. These funds shall be used as
14 follows:

- 15 (1) \$150,000 for operating expenses of the Windows on the World
16 Technology Center.
- 17 (2) \$100,000 for the following:
 - 18 a. Developing, maintaining, and hosting municipal Web sites and
19 a northeastern North Carolina portal.
 - 20 b. Expanding public access points and digital literacy classes in
21 the northeastern North Carolina Tier I counties.
 - 22 c. Establishing initiatives in indigent communities to create a
23 sense of urgency concerning digital literacy and information
24 technology.
- 25 (3) \$40,000 for operations of the Internet service provider.

26 These funds shall not revert at the end of each fiscal year but shall remain
27 available until expended for the purposes provided in this subsection.

28 **SECTION 13.17.(b)** No funds shall be released by the Office of State
29 Budget and Management to WOW e-CDC until the Office of the State Auditor finds
30 that the WOW e-CDC is in compliance with all recommendations made by the State
31 Auditor regarding fiscal management and internal controls.

32 **SECTION 13.17.(c)** WOW e-CDC shall file with the Department of
33 Commerce a copy of WOW e-CDC's policy addressing conflicts of interest that may
34 arise involving WOW e-CDC's management employees and members of WOW
35 e-CDC's board of directors or other governing body before funds may be allocated to
36 WOW e-CDC. The policy shall address situations in which any of WOW e-CDC's
37 management employees and members of the board of directors or other governing body
38 may directly or indirectly benefit, except as WOW e-CDC employees or members of the
39 board or other governing body, from WOW e-CDC's disbursing of State funds, and the
40 policy shall include actions to be taken by WOW e-CDC or the employee or member, or
41 both, to avoid conflicts of interest and the appearance of impropriety.

42 **SECTION 13.17.(d)** The e-NC Authority and WOW e-CDC shall conduct a
43 study to determine the best methods to be used to address the shortage of Internet
44 accessibility in rural or economically distressed areas of the State. In conducting the
45 study, the e-NC Authority and WOW e-CDC may consult with other information
46 technology infrastructure stakeholders. The e-NC Authority and WOW e-CDC shall
47 report their findings and recommendations to the Joint Appropriations Subcommittee on
48 Natural and Economic Resources by May 1, 2008.

49 **SECTION 13.17.(e)** By April 30, 2008, WOW e-CDC shall report to the
50 Governor, the Joint Legislative Commission on Governmental Operations, and the
51 Fiscal Research Division the following information: (i) fiscal year 2007-2008 planned

1 projects, objectives, and accomplishments; and (ii) fiscal year 2007-2008 estimated
 2 expenditures and fund sources.

3 **SECTION 13.17.(f)** WOW e-CDC shall also provide to the Governor, the
 4 Joint Legislative Commission on Governmental Operations, and the Fiscal Research
 5 Division a copy of WOW e-CDC's annual audited financial statement within 30 days of
 6 issuance of the statement and a copy of WOW e-CDC's IRS Form 990.

7 **SECTION 13.17.(g)** WOW e-CDC shall provide a report containing detailed
 8 budget information to the Office of State Budget and Management in the same manner
 9 as State departments and agencies in preparation for biennium budget requests. WOW
 10 e-CDC shall provide specific salary information upon the written request of the chairs
 11 of the Joint Legislative Commission on Governmental Operations and the chairs of the
 12 House Appropriations Committee on Natural and Economic Resources and the Senate
 13 Appropriations Committee on Natural and Economic Resources.

14
 15 **NER BLOCK GRANTS**

16 **SECTION 13.18.(a)** Appropriations from federal block grant funds are
 17 made for fiscal year ending June 30, 2008, according to the following schedule:

18
 19 **COMMUNITY DEVELOPMENT BLOCK GRANT**

20			
21	01. State Administration	\$	1,000,000
22			
23	02. Urgent Needs and Contingency		1,000,000
24			
25	03. Scattered Site Housing		13,200,000
26			
27	04. Economic Development		7,710,000
28			
29	05. Small Business/Entrepreneurship		1,000,000
30			
31	06. Community Revitalization		13,500,000
32			
33	07. State Technical Assistance		450,000
34			
35	08. Housing Development		2,000,000
36			
37	09. Infrastructure		5,140,000
38			

39 **TOTAL COMMUNITY DEVELOPMENT**
 40 **BLOCK GRANT – 2008 Program Year** \$ 45,000,000

41
 42 **SECTION 13.18.(b)** Decreases in Federal Fund Availability. – If federal
 43 funds are reduced below the amounts specified above after the effective date of this act,
 44 then every program in each of these federal block grants shall be reduced by the same
 45 percentage as the reduction in federal funds.

46 **SECTION 13.18.(c)** Increases in Federal Fund Availability for Community
 47 Development Block Grant. – Any block grant funds appropriated by the Congress of the
 48 United States in addition to the funds specified in this section shall be expended as
 49 follows: each program category under the Community Development Block Grant shall
 50 be increased by the same percentage as the increase in federal funds.

1 **SECTION 13.18.(d)** Limitations on Community Development Block Grant
2 Funds. – Of the funds appropriated in this section for the Community Development
3 Block Grant, the following shall be allocated in each category for each program year: up
4 to one million dollars (\$1,000,000) may be used for State Administration; not less than
5 one million dollars (\$1,000,000) may be used for Urgent Needs and Contingency; up to
6 thirteen million two hundred thousand dollars (\$13,200,000) may be used for Scattered
7 Site Housing; seven million seven hundred ten thousand dollars (\$7,710,000) may be
8 used for Economic Development; up to one million dollars (\$1,000,000) may be used
9 for Small Business/Entrepreneurship; not less than thirteen million five hundred
10 thousand dollars (\$13,500,000) shall be used for Community Revitalization; up to four
11 hundred fifty thousand dollars (\$450,000) may be used for State Technical Assistance;
12 up to two million dollars (\$2,000,000) may be used for Housing Development; up to
13 five million one hundred forty thousand dollars (\$5,140,000) may be used for
14 Infrastructure. If federal block grant funds are reduced or increased by the Congress of
15 the United States after the effective date of this act, then these reductions or increases
16 shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

17 **SECTION 13.18.(e)** Increase Capacity for Nonprofit Organizations. –
18 Assistance to nonprofit organizations to increase their capacity to carry out
19 CDBG-eligible activities in partnership with units of local government is an eligible
20 activity under any program category in accordance with federal regulations. Capacity
21 building grants may be made from funds available within program categories, program
22 income, or unobligated funds.

23 **SECTION 13.18.(f)** The Department of Commerce will operate a small
24 business/entrepreneurship program in coordination with micro-lending programs and
25 other small business assistance groups in the State. The Department of Commerce shall
26 award up to one million dollars (\$1,000,000) in grants to local governments to provide
27 assistance to low-to-moderate income individuals for small business and
28 entrepreneurship development as a means of achieving economic independence during
29 these times of structural change in North Carolina's economy.

30 **SECTION 13.18.(g)** The Department of Commerce shall consult with the
31 Joint Legislative Commission on Governmental Operations prior to reallocating
32 Community Development Block Grant Funds. Notwithstanding the provisions of this
33 subsection, whenever the Director of the Budget finds that:

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

49
50 **PART XIV. JUDICIAL DEPARTMENT**
51

TRANSFER OF EQUIPMENT AND SUPPLY FUNDS

SECTION 14.1. Funds appropriated to the Judicial Department in the 2007-2009 biennium for equipment and supplies shall be certified in a reserve account. The Administrative Office of the Courts may transfer these funds to the appropriate programs and between programs as the equipment priorities and supply consumptions occur during the operating year. These funds shall not be expended for any other purpose.

GRANT FUNDS

SECTION 14.2. Notwithstanding G.S. 143C-6-9, the Judicial Department may use up to the sum of one million five hundred thousand dollars (\$1,500,000) from funds available to the Department to provide the State match needed in order to receive grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

NORTH CAROLINA STATE BAR FUNDS

SECTION 14.3. Of the funds appropriated in the continuation budget as a grant-in-aid to the North Carolina State Bar for the 2007-2009 biennium, the North Carolina State Bar may in its discretion use up to the sum of five hundred one thousand five hundred dollars (\$501,500) for the 2007-2008 fiscal year and up to the sum of five hundred one thousand five hundred dollars (\$501,500) for the 2008-2009 fiscal year to contract with the Center for Death Penalty Litigation to provide training, consultation, brief banking, and other assistance to attorneys representing indigent capital defendants. The Office of Indigent Defense Services shall report by February 1, 2008, to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the activities funded by the grant-in-aid authorized by this section.

OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS

SECTION 14.4. The Judicial Department, Office of Indigent Defense Services, may use up to the sum of two million one hundred ninety-two thousand three hundred fifty dollars (\$2,192,350) in appropriated funds during the 2007-2008 fiscal year and up to the sum of two million eighty-two thousand five hundred ten dollars (\$2,082,510) in appropriated funds during the 2008-2009 fiscal year for the expansion of existing or new public defender offices currently providing legal services to the indigent population under the oversight of the Office of Indigent Defense Services by creating up to 20 new attorney positions and 10 new support staff positions. These funds may be used for salaries, benefits, equipment, and related expenses. Prior to using funds for this purpose, the Office of Indigent Defense Services shall report to the Chairs of the House of Representatives and the Senate Appropriations Subcommittees on Justice and Public Safety on the proposed expansion.

OFFICE OF INDIGENT DEFENSE SERVICES REPORT

SECTION 14.5. The Office of Indigent Defense Services shall report to the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by March 1 of each year on:

- (1) The volume and cost of cases handled in each district by assigned counsel or public defenders;

- 1 (2) Actions taken by the Office to improve the cost-effectiveness and
2 quality of indigent defense, including the capital case program;
3 (3) Plans for changes in rules, standards, or regulations in the upcoming
4 year; and
5 (4) Any recommended changes in law or funding procedures that would
6 assist the Office in improving the management of funds expended for
7 indigent defense services.
8 (5) The changes in operations implemented in response to the following
9 findings and recommendations contained in the March 2007 State
10 Audit Report:
11 a. Attorney fee payment process lacks adequate controls.
12 b. Attorney fee payment process is inefficient and labor-intensive.
13 c. The Office should automate the attorney fee payment process
14 and require attorneys to register for electronic fund transfer.
15

16 **INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS**

17 **SECTION 14.6.** Notwithstanding G.S. 143C-6-9, the Office of Indigent
18 Defense Services may use the sum of up to fifty thousand dollars (\$50,000) from funds
19 available to provide the State matching funds needed to receive grant funds. Prior to
20 using funds for this purpose, the Office shall report to the Chairs of the House of
21 Representatives and Senate Appropriations Subcommittees on Justice and Public Safety
22 and the Joint Legislative Commission on Governmental Operations on the grants to be
23 matched using these funds.
24

25 **REPORT ON BUSINESS COURTS**

26 **SECTION 14.7.** The Administrative Office of the Courts shall report to the
27 Chairs of the House of Representatives and Senate Appropriations Committees and the
28 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
29 Justice and Public Safety by March 1 of each year on the activities of each North
30 Carolina Business Court site, including the number of new, closed, and pending cases;
31 average age of pending cases, and annual expenditures for the prior fiscal year.
32

33 **COLLECTION OF WORTHLESS CHECK FUNDS**

34 **SECTION 14.8.** Notwithstanding the provisions of G.S. 7A-308(c), the
35 Judicial Department may use any balance remaining in the Collection of Worthless
36 Checks Fund on June 30, 2007, for the purchase or repair of office or information
37 technology equipment during the 2007-2008 fiscal year. Prior to using any funds under
38 this section, the Judicial Department shall report to the Joint Legislative Commission on
39 Governmental Operations and the Chairs of the House of Representatives and Senate
40 Appropriations Subcommittees on Justice and Public Safety on the equipment to be
41 purchased or repaired and the reasons for the purchases.
42

43 **DISPUTE RESOLUTION FEES**

44 **SECTION 14.9.** Notwithstanding the provisions of G.S. 143C-1-2(b),
45 certification and renewal fees collected by the Dispute Resolution Commission are
46 non-reverting and are only to be used at the direction of the Commission.
47

48 **REIMBURSEMENT FOR USE OF PERSONAL VEHICLES**

49 **SECTION 14.10.** Notwithstanding the provisions of G.S. 138-6(a)(1), the
50 Judicial Department, during the 2007-2009 fiscal biennium, may elect to establish a
51 per-mile reimbursement rate for transportation by privately owned vehicles at a rate less

1 than the business standard mileage rate set by the Internal Revenue Service. This rate
 2 may be applied to employees and officials other than judges.

3
 4 **DRUG TREATMENT COURT FUNDS**

5 **SECTION 14.11.** Except as otherwise provided in this act, funds
 6 appropriated to the Judicial Department in this act for the Drug Treatment Court
 7 program shall be used only to provide treatment and case coordination to offenders
 8 sentenced to intermediate punishment and to offenders sentenced to community
 9 punishment who are at risk of revocation.

10
 11 **DRUG TREATMENT FUNDS NEED NOT BE GRANTED**

12 **SECTION 14.12.** Notwithstanding the provisions of G.S. 7A-794 and
 13 G.S. 7A-798, funds appropriated to the Judicial Department for the 2007-2009 fiscal
 14 biennium for drug treatment courts need not be granted but may be budgeted to support
 15 existing and new drug treatment courts in a manner similar to other specialty courts
 16 operating within the Judicial Department.

17
 18 **ADDITIONAL DISTRICT COURT JUDGES**

19 **SECTION 14.13.(a)** G.S. 7A-133(a) reads as rewritten:

20 "(a) Each district court district shall have the numbers of judges as set forth in the
 21 following table:

District	Judges	County
1	5	Camden Chowan Currituck Dare Gates Pasquotank Perquimans
2	4	Martin Beaufort Tyrrell Hyde Washington
3A	5	Pitt
3B	6	Craven Pamlico Carteret
4	8	Sampson Duplin Jones Onslow
5	8	New Hanover Pender
6A	3	Halifax
6B	3	Northampton Bertie Hertford
7	7	Nash Edgecombe

1			Wilson
2	8	6	Wayne
3			Greene
4			Lenoir
5	9	4	Granville
6			(part of Vance
7			see subsection (b))
8			Franklin
9	9A	2	Person
10			Caswell
11	9B	2	Warren
12			(part of Vance
13			see subsection (b))
14	10	16 <u>17</u>	Wake
15	11	9 <u>10</u>	Harnett
16			Johnston
17			Lee
18	12	9	Cumberland
19	13	6	Bladen
20			Brunswick
21			Columbus
22	14	7	Durham
23	15A	4	Alamance
24	15B	5	Orange
25			Chatham
26	16A	3	Scotland
27			Hoke
28	16B	5	Robeson
29	17A	3	Rockingham
30	17B	4	Stokes
31			Surry
32	18	13	Guilford
33	19A	4	Cabarrus
34	19B	7	Montgomery
35			Moore
36			Randolph
37	19C	5	Rowan
38	20A	4	Stanly
39			Anson
40			Richmond
41	20B	1	(part of Union
42			see subsection (b))
43	20C	2	(part of Union
44			see subsection (b))
45	21	9	Forsyth
46	22	9	Alexander
47			Davidson
48			Davie
49			Iredell
50	23	4	Alleghany
51			Ashe

1			Wilkes
2			Yadkin
3	24	4	Avery
4			Madison
5			Mitchell
6			Watauga
7			Yancey
8	25	9	Burke
9			Caldwell
10			Catawba
11	26	18 19	Mecklenburg
12	27A	7	Gaston
13	27B	5	Cleveland
14			Lincoln
15	28	7	Buncombe
16	29A	3	McDowell
17			Rutherford
18	29B	4	Henderson
19			Polk
20			Transylvania
21	30	6	Cherokee
22			Clay
23			Graham
24			Haywood
25			Jackson
26			Macon
27			Swain."

28 **SECTION 14.13.(b)** The Governor shall appoint the additional district court
 29 judges authorized by subsection (a) of this section. Those judges' successors shall be
 30 elected in the 2008 general election for four-year terms commencing January 1, 2009.

31
 32 **ADDITIONAL ASSISTANT DISTRICT ATTORNEYS**

33 **SECTION 14.14.** G.S. 7A-60 is amended by adding a new subsection to
 34 read:

35 "(a2) In addition to the full-time district attorneys set forth in subsection (a1) of this
 36 section, the Administrative Office of the Courts may allocate up to 30 assistant district
 37 attorneys to the various prosecutorial districts based upon caseloads and other criteria to
 38 be determined by the Administrative Office of the Courts."

39
 40 **STUDY AVAILABILITY OF PROSECUTORIAL RESOURCES TO DISTRICT**
 41 **ATTORNEYS AND THE MANAGEMENT AND USE OF THOSE**
 42 **RESOURCES BY DISTRICT ATTORNEYS**

43 **SECTION 14.15.(a)** The Legislative Research Commission shall contract
 44 for an independent study that assesses the availability of prosecutorial resources to the
 45 State's district attorneys and that assesses the use and management of those
 46 prosecutorial resources by the district attorneys, their staffs, and the Conference of
 47 District Attorneys. The study shall address all of the following:

- 48 (1) Current prosecutorial resources. – Resources to be considered include
 49 those available to district attorneys and their legal, administrative,
 50 support, and investigative staff, and the Conference of District
 51 Attorneys. The study shall also consider supplemental assistance and

- 1 resources provided to district attorneys and their staffs through the
2 State or other funding sources.
- 3 (2) Services provided by the State's district attorneys and Conference of
4 District Attorneys and the recipients of those services.
- 5 (3) Funding of prosecutorial services, adequacy of supplies, equipment,
6 and working space, and allocation of prosecutorial resources. – Issues
7 to be considered shall include the following:
- 8 a. Funding, supplies, equipment, and space required to support
9 prosecutorial services at an appropriate level.
- 10 b. Distribution of prosecutorial resources and how that distribution
11 is determined.
- 12 c. Equitable allocation of prosecutorial resources among the
13 geographical areas of the State and between urban and rural
14 areas.
- 15 d. The proportion of prosecution personnel and budget that is
16 devoted to criminal prosecution, as opposed to other functions
17 or mandates.
- 18 e. Whether monies from the General Fund should be used to
19 support positions for the Conference of District Attorneys, or
20 positions for any other conferences that provide prosecutorial
21 resources.
- 22 (4) The current role of the Conference of District Attorneys and district
23 attorneys in assessing the needs of the public with regard to
24 prosecutorial services and providing assistance in meeting those needs.
25 The study shall also assess the current role, responsibilities, and
26 interaction of the Conference of District Attorneys with regard to the
27 General Assembly and the executive branch and whether those roles
28 and responsibilities should be modified.
- 29 (5) Automation. – The study shall document which prosecutorial services
30 are currently automated and the ability of those systems to interact
31 with each other. The study shall also address areas in which
32 automation could improve or increase the efficiency of prosecutorial
33 services.
- 34 (6) Cost management practices of district attorneys and their staffs. –
35 Practices to be reviewed and considered shall include how well district
36 attorneys' offices manage costs associated with a prosecution such as
37 forensics costs, expert witnesses, and witness travel expenses.
- 38 (7) Caseload management. – In the assessment of caseload management,
39 the study shall focus particularly on whether current management
40 techniques used by district attorneys recognize the critical need to
41 prosecute serious crimes in a timely manner and to keep jail
42 populations at a low level; the techniques, if any that have been
43 adopted to achieve those objectives; and the effectiveness of those
44 management techniques. Other issues that shall also be considered
45 include the following:
- 46 a. Mechanisms used by the district attorney to manage the
47 incoming caseloads generally.
- 48 b. The screening process, if any, for assessing cases prior to
49 assignment.
- 50 c. Initiatives implemented by a district attorney, if any, to expedite
51 the resolution of certain categories of cases.

- 1 d. The type of statistics, if any, the district attorney's office keeps
2 and for what purposes.
- 3 e. Performance indicators, if any, used by district attorneys. If
4 performance indicators are not being used, then the study shall
5 assess whether implementation of performance indicators
6 would be helpful in achieving management goals and the types
7 of indicators that may assist with caseload management. If there
8 are performance indicators, then the study shall identify the
9 indicators, how they are developed, the effectiveness of the
10 indicators, and whether additional performance indicators or
11 modification of existing performance indicators would be
12 helpful in achieving management objectives.
- 13 (8) How the current management and use of prosecutorial resources affect
14 the following:
- 15 a. Access to justice.
- 16 b. Day-to-day functioning of the prosecution service.
- 17 c. Case management, including the development of case screening
18 mechanisms and protocols for diversion.
- 19 d. Timely resolution of caseloads.
- 20 e. Reduction of any backlogs that exist and the impact that current
21 management and use of prosecutorial resources has on the jail
22 population.
- 23 f. The capacity to handle specialized or complex crimes.
- 24 g. The effectiveness of district attorneys and their staffs in
25 responding to domestic violence and other crimes of violence.
- 26 h. Services and support provided to victims.
- 27 i. Accountability to the public.
- 28 (9) Any other issue deemed relevant by the Legislative Research
29 Commission.

30 **SECTION 14.15.(b)** The findings and recommendations of the study shall
31 be reported to the Chairs of the House of Representatives and Senate Appropriations
32 Committee, Chairs of the House of Representatives and Senate Appropriations
33 Subcommittees on Justice and Public Safety, and the Fiscal Research Division by
34 March 15, 2008.

35

36 **PART XV. DEPARTMENT OF JUSTICE**

37

38 **STATEWIDE AUTOMATED FINGERPRINT SYSTEM REPLACEMENT**

39 **(SAFIS) REPORTS**

40 **SECTION 15.1.** The Department of Justice shall provide two status reports
41 on the implementation of Phase II of SAFIS to the Chairs of the House of
42 Representatives and Senate Appropriations Subcommittees on Justice and Public Safety
43 and the Joint Legislative Commission on Governmental Operations. The first report
44 shall be provided no later than February 1, 2008, and the second report shall be
45 provided no later than May 1, 2008. Each report shall include all of the following:

- 46 (1) A description of the system.
- 47 (2) A summary of work done with prior year appropriations.
- 48 (3) A list of all sites that are scheduled to receive new equipment.
- 49 (4) A list of sites that have already received new equipment.
- 50 (5) A time line for completion of the project.
- 51 (6) Expenditures for the year to date.

1
2 **PRIVATE PROTECTIVE SERVICES AND ALARM SYSTEMS LICENSING**
3 **BOARDS PAY FOR USE OF STATE FACILITIES AND SERVICES**

4 **SECTION 15.2.** The Private Protective Services and Alarm Systems
5 Licensing Boards shall pay the appropriate State agency for the use of physical facilities
6 and services provided to those Boards by the State.
7

8 **USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE**
9 **LAW ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT**

10 **SECTION 15.3.(a)** Assets transferred to the Departments of Justice,
11 Correction, and Crime Control and Public Safety during the 2007-2009 fiscal biennium
12 pursuant to applicable federal law shall be credited to the budgets of the respective
13 departments and shall result in an increase of law enforcement resources for those
14 departments. The Departments of Justice, Correction, and Crime Control and Public
15 Safety shall report to the Joint Legislative Commission on Governmental Operations
16 upon receipt of the assets and, before using the assets, shall report on the intended use of
17 the assets and the departmental priorities on which the assets may be expended.

18 **SECTION 15.3.(b)** The General Assembly finds that the use of assets
19 transferred pursuant to federal law for new personnel positions, new projects,
20 acquisition of real property, repair of buildings where the repair includes structural
21 change, and construction of or additions to buildings may result in additional expenses
22 for the State in future fiscal periods. Therefore, the Department of Justice, the
23 Department of Correction, and the Department of Crime Control and Public Safety are
24 prohibited from using these assets for such purposes without the prior approval of the
25 General Assembly.

26 **SECTION 15.3.(c)** Nothing in this section prohibits North Carolina law
27 enforcement agencies from receiving funds from the United States Department of
28 Justice, the United States Department of the Treasury, and the United States Department
29 of Health and Human Services.
30

31 **CERTAIN LITIGATION EXPENSES TO BE PAID BY CLIENTS**

32 **SECTION 15.4.** Client departments, agencies, and boards shall reimburse
33 the Department of Justice for reasonable court fees, attorney travel and subsistence
34 costs, and other costs directly related to litigation in which the Department of Justice is
35 representing the department, agency, or board.
36

37 **REIMBURSEMENT FOR UNC BOARD OF GOVERNORS LEGAL**
38 **REPRESENTATION**

39 **SECTION 15.5.** The Department of Justice shall be reimbursed by the
40 Board of Governors of The University of North Carolina for two Attorney III positions
41 to provide legal representation to The University of North Carolina System.
42

43 **NC LEGAL EDUCATION ASSISTANCE FOUNDATION REPORT ON FUNDS**
44 **DISBURSED**

45 **SECTION 15.6.** The North Carolina Legal Education Assistance Foundation
46 shall report by March 1 of each year to the Joint Legislative Commission on
47 Governmental Operations and the Chairs of the House of Representatives and Senate
48 Appropriations Subcommittees on Justice and Public Safety on the expenditure of State
49 funds, the purpose of the expenditures, the number of attorneys receiving funds, the
50 average award amount, the average student loan amount, the number of attorneys on the

1 waiting list, and the average number of years for which attorneys receive loan
2 assistance.

3 4 **PART XVI. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY**

5 6 **ANNUAL EVALUATION OF TARHEEL CHALLENGE PROGRAM**

7 **SECTION 16.1.** The Department of Crime Control and Public Safety shall
8 report to the Chairs of the House of Representatives and Senate Appropriations
9 Committees and the Chairs of the House of Representatives and Senate Appropriations
10 Subcommittees on Justice and Public Safety by March 1 of each year of the biennium
11 on the operations and effectiveness of the National Guard Tarheel Challenge Program.
12 In particular, the Department shall evaluate and report on the Program's effectiveness as
13 an intervention method for preventing juveniles from becoming undisciplined or
14 delinquent and on the Program's role in improving individual skills and employment
15 potential for participants. The report shall also include all of the following:

- 16 (1) The source of referrals for individuals participating in the Program.
- 17 (2) The summary of types of actions or offenses committed by the
18 participants of the Program.
- 19 (3) An analysis outlining the cost of providing services for each
20 participant, including a breakdown of all expenditures related to the
21 administration and operation of the Program and the education and
22 treatment of the Program participants.
- 23 (4) The number of individuals who successfully complete the Program.
- 24 (5) The number of participants who commit offenses after completing the
25 Program.

26 27 **NEW ALE NON-SWORN JOB CLASSIFICATION**

28 **SECTION 16.2.(a)** As recommended by the Fiscal Research Division of the
29 General Assembly in the February 2007 Justification Review, the State Personnel
30 Commission shall develop for review a new non-sworn position classification for the
31 Alcohol Law Enforcement Division of the Department of Crime Control and Public
32 Safety that would supplement the agents that are employed by the Division.

33 **SECTION 16.2.(b)** Prior to the action taken pursuant to subsection (a) of
34 this section, the Office of State Personnel shall review all of the following:

- 35 (1) The Justification Review report.
- 36 (2) Current position descriptions and job classifications.
- 37 (3) Tasks currently performed by ALE field agents in order to determine
38 tasks that could be performed by non-sworn or noncertified personnel.
- 39 (4) Information on other states that use non-sworn staff for inspection,
40 compliance, and education efforts currently performed by North
41 Carolina ALE agents.

42 **SECTION 16.2.(c)** The Office of State Personnel shall report the results of
43 its review in writing to the Joint Legislative Corrections, Crime Control, and Juvenile
44 Justice Oversight Committee and to the State Personnel Commission by February 1,
45 2008. The Office of State Personnel report shall include (i) a detailed description of the
46 new ALE civilian position, including the job classification, a description of all of the
47 duties assigned to the position, and the salary grade for the position, (ii) the estimated
48 number of positions that should be established, and (iii) a time line for further review of
49 the job classification by the State Personnel Commission.

1 **ALTERNATIVE FUNDING SOURCE STUDY FOR LAW ENFORCEMENT**
2 **SUPPORT SERVICES AND THE GEOSPATIAL AND TECHNOLOGY**
3 **MANAGEMENT PROGRAM**

4 **SECTION 16.3.(a)** The Department of Crime Control and Public Safety
5 shall study alternative funding sources for the operating costs of the Law Enforcement
6 Support Services Program. By March 1, 2008, the Department shall report the results of
7 this study to the Joint Legislative Corrections, Crime Control, and Juvenile Justice
8 Oversight Committee and the Chairs of the House of Representatives and Senate
9 Appropriations Subcommittees on Justice and Public Safety. This report shall include
10 information about possible federal grant sources and options for receipt-based funding
11 from State and local agencies.

12 **SECTION 16.3.(b)** The Department of Crime Control and Public Safety
13 shall study alternative funding sources for the Geospatial and Technology Management
14 Program. By March 1, 2008, the Department shall report the results of this study to the
15 Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee
16 and the Chairs of the House of Representatives and Senate Appropriations
17 Subcommittees on Justice and Public Safety. This report shall include information about
18 possible federal grant sources and receipt-based funding options from federal, State, and
19 local agencies as well as private industry.

20
21 **NC NATIONAL GUARD KIDS ON GUARD REPORT**

22 **SECTION 16.4.** The National Guard Kids on Guard program shall report to
23 the Joint Legislative Commission on Governmental Operations and the Chairs of the
24 Joint Appropriations Subcommittee on Justice and Public Safety no later than March 1,
25 2008. The report shall include information on (i) the program's funding, (ii) the
26 program's expenditures, (iii) the number of events completed and planned for the
27 2008-2009 fiscal year, and (iv) the number of children served.

28
29 **USE OF GANG PREVENTION FUNDS**

30 **SECTION 16.5.(a)** Of the funds appropriated in this act to the Department
31 of Crime Control and Public Safety, Governor's Crime Commission, the sum of four
32 million seven hundred sixty thousand one hundred ninety-five dollars (\$4,760,195) for
33 the 2007-2008 fiscal year shall be used to provide grants for street gang violence
34 prevention and intervention programs.

35 **SECTION 16.5.(b)** The Governor's Crime Commission shall develop the
36 criteria for eligibility for these funds. The criteria shall include a matching requirement
37 of twenty-five percent (25%), one-half of which may be in in-kind contributions, and
38 presentation of a written plan for the services to be provided by the funds. Funds shall
39 be available to public and private entities or agencies for juvenile or adult programs that
40 meet the criteria established by the Governor's Crime Commission.

41 **SECTION 16.5.(c)** The Governor's Crime Commission shall report on the
42 uses of these funds no later than April 1, 2008, to the House of Representatives
43 Appropriations Subcommittee on Justice and Public Safety, the Senate Appropriations
44 Subcommittee on Justice and Public Safety, and the Fiscal Research Division.

45
46 **PART XVII. DEPARTMENT OF CORRECTION**

47
48 **MUTUAL AGREEMENT PAROLE PROGRAM**

49 **SECTION 17.1.** The Department of Correction and the Post-Release
50 Supervision and Parole Commission shall report by March 1 of each year to the Chairs
51 of the House of Representatives and Senate Appropriations Subcommittees on Justice

1 and Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile
2 Justice Oversight Committee on the number of inmates enrolled in the program, the
3 number completing the program and being paroled, and the number who enrolled but
4 were terminated from the program. The information should be based on the previous
5 calendar year.

6 7 **INMATE ROAD SQUADS AND LITTER CREWS**

8 **SECTION 17.2.** Of the funds appropriated to the Department of
9 Transportation in this act, the sum of eleven million three hundred thousand dollars
10 (\$11,300,000) per year shall be transferred by the Department to the Department of
11 Correction during the 2007-2008 and 2008-2009 fiscal years for the cost of operating
12 medium custody inmate road squads, as authorized by G.S. 148-26.5, and minimum
13 custody inmate litter crews. This transfer shall be made quarterly in the amount of two
14 million eight hundred twenty-five thousand dollars (\$2,825,000). The Department of
15 Transportation may use funds appropriated in this act to pay an additional amount
16 exceeding the eleven million three hundred thousand dollars (\$11,300,000), but those
17 payments shall be subject to negotiations among the Department of Transportation, the
18 Department of Correction, and the Office of State Budget and Management prior to
19 payment by the Department of Transportation.

20 The Office of State Budget and Management shall conduct a study, in
21 consultation with the Department of Correction and the Department of Transportation,
22 to determine the actual cost and cost/benefit of operating medium custody road squads
23 and minimum custody litter crews. The Office of State Budget and Management shall
24 report the results of this study to the Joint Legislative Corrections, Crime Control, and
25 Juvenile Justice Oversight Committee and to the Joint Legislative Transportation
26 Oversight Committee by March 1, 2008. The study shall include a recommendation on
27 whether or not the amount transferred from the Department of Transportation to the
28 Department of Correction for this work is adequate.

29 30 **ALCOHOL AND CHEMICAL DEPENDENCY PROGRAM REPORT**

31 **SECTION 17.3.(a)** G.S. 143B-262.3. reads as rewritten:

32 **"§ 143B-262.3. Reports to the General Assembly.**

33 (a) The Department of Correction shall report by March 1 of each year to the
34 Chairs of the Senate and House Appropriations Committees and the Chairs of the
35 Senate and House Appropriations Subcommittees in Justice and Public Safety on their
36 efforts to provide effective treatment to offenders with substance abuse problems. The
37 report shall include:

- 38 (1) Details of any new initiatives and expansions or reduction of
39 programs;
- 40 (2) Details on any treatment efforts conducted in conjunction with other
41 departments;
- 42 (3) Utilization of and completion rates for the DART/DWI program,
43 including its a report of the status of the aftercare program;
- 44 (4) ~~Progress in the development on an offender and inmate tracking and~~
45 ~~program evaluation system; and~~
- 46 (5) ~~A report on the number of current inmates with substance abuse~~
47 ~~problems, the numbers currently receiving treatment, and the numbers~~
48 ~~who have completed treatment. As an offender and inmate tracking~~
49 ~~system becomes operational, this report shall also include information~~
50 ~~on the recidivism of inmates who have previously completed substance~~
51 ~~abuse treatment and been released from prison.~~

- 1 (6) Statistical information on the number of current inmates with
2 substance abuse problems that require treatment, the number receiving
3 treatment, the numbers who have completed treatment and a
4 comparison of available treatment slots to actual utilization rates. The
5 report shall include this information for each DOC funded program;
6 and
7 (7) Evaluation of each substance abuse treatment program funded by the
8 Department of Correction. Evaluation measures shall include reduction
9 in alcohol and drug dependency, recidivism, and other measures of the
10 programs' success.

11 ~~(b) The Department shall also report to the Chairs of the Senate and House of~~
12 ~~Representatives Appropriations Subcommittees on Justice and Public Safety by May 1,~~
13 ~~2004, and by February 1 annually beginning in 2005, on the average caseloads of~~
14 ~~Community Service Work Program coordinators, by district, division, and statewide.~~
15 ~~The report shall also include the money collected, the type and value of the work~~
16 ~~performed, and the number of offenders in the Community Service Work Program, by~~
17 ~~type of referral (i.e. parole, supervised probation, unsupervised probation or community~~
18 ~~punishment, DWI, or any other agency referrals)."~~

19 **SECTION 17.3.(b)** During the 2007-2009 fiscal biennium, the Department
20 of Correction evaluation effort shall focus mainly on evaluation of the long-term
21 residential therapeutic communities operated by the Department of Correction through
22 private contract and those operated directly by the Department of Correction. The
23 evaluation component of the March 1, 2008, annual report shall be a status report and
24 provide preliminary information. The final evaluation report shall be included in the
25 March 1, 2009, annual report.

26 27 **INMATE CONSTRUCTION PROGRAM**

28 **SECTION 17.4.** Funding authorized in this act is intended to increase
29 participation in the Inmate Construction Program in order to improve inmate job skills
30 and reduce recidivism. By April 1, 2008, the Department of Correction shall report to
31 the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
32 Committee and the House and Senate Appropriations Subcommittees on Justice and
33 Public Safety on the Inmate Construction Program. The report shall summarize the
34 2007-2008 Inmate Construction Program projects, including a description of each
35 project, the number of inmate workers, and the estimated total cost of the project
36 compared to the cost if the project was conducted without inmate workers. The report
37 shall also estimate the number of inmate workers that will be used in the program
38 during the 2008-2009 fiscal year.

39 40 **FEDERAL GRANT REPORTING**

41 **SECTION 17.5.** The Department of Correction, the Department of Justice,
42 the Department of Crime Control and Public Safety, the Judicial Department, and the
43 Department of Juvenile Justice and Delinquency Prevention shall report by May 1 of
44 each year to the Joint Legislative Commission on Governmental Operations, the Chairs
45 of the House of Representatives and Senate Appropriations Committees, and the Chairs
46 of the House of Representatives and Senate Appropriations Subcommittees on Justice
47 and Public Safety on federal grant funds received or preapproved for receipt by those
48 departments. The report shall include information on the amount of grant funds received
49 or preapproved for receipt by each department, the use of the funds, the State match
50 expended to receive the funds, and the period to be covered by each grant. If the
51 department intends to continue the program beyond the end of the grant period, the

1 department shall report on the proposed method for continuing the funding of the
2 program at the end of the grant period. Each department shall also report on any
3 information it may have indicating that the State will be requested to provide future
4 funding for a program presently supported by a local grant.
5

6 **REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY**
7 **MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE**
8 **SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM**

9 **SECTION 17.6.** Notwithstanding G.S. 143C-6-9, the Department of
10 Correction may use funds available to the Department for the 2007-2009 biennium to
11 pay the sum of forty dollars (\$40.00) per day as reimbursement to counties for the cost
12 of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to
13 the State prison system, as provided in G.S. 148-29. The Department shall report
14 quarterly to the Joint Legislative Commission on Governmental Operations, the Joint
15 Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, the
16 Chairs of the House of Representatives and Senate Appropriations Committees, and the
17 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
18 Justice and Public Safety on the expenditure of funds to reimburse counties for
19 prisoners awaiting transfer and on its progress in reducing the jail backlog.
20

21 **USE OF CLOSED PRISON FACILITIES**

22 **SECTION 17.7.** In conjunction with the closing of prison facilities,
23 including small expensive prison units recommended for consolidation by the
24 Government Performance Audit Committee, the Department of Correction shall consult
25 with the county or municipality in which the unit is located, with the elected State and
26 local officials, and with State agencies about the possibility of converting that unit to
27 other use. The Department may also consult with any private for-profit or nonprofit firm
28 about the possibility of converting the unit to other use. In developing a proposal for
29 future use of each unit, the Department shall give priority to converting the unit to other
30 criminal justice use. Consistent with existing law and the future needs of the
31 Department of Correction, the State may provide for the transfer or the lease of any of
32 these units to counties, municipalities, State agencies, or private firms wishing to
33 convert them to other use. The Department of Correction may also consider converting
34 some of the units recommended for closing from one security custody level to another,
35 where that conversion would be cost-effective. A prison unit under lease to a county
36 pursuant to the provisions of this section for use as a jail is exempt for the period of the
37 lease from any of the minimum standards adopted by the Secretary of Health and
38 Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that
39 would subject the unit to greater standards than those required of a unit of the State
40 prison system.

41 Prior to any transfer or lease of these units, the Department of Correction
42 shall report on the terms of the proposed transfer or lease to the Joint Legislative
43 Commission on Governmental Operations and the Joint Legislative Corrections, Crime
44 Control, and Juvenile Justice Oversight Committee. The Department of Correction shall
45 also provide annual summary reports to the Joint Legislative Commission on
46 Governmental Operations and the Joint Legislative Corrections, Crime Control, and
47 Juvenile Justice Oversight Committee on the conversion of these units to other use and
48 on all leases or transfers entered into pursuant to this section.
49

50 **LIMIT USE OF OPERATIONAL FUNDS**

1 **SECTION 17.8.** Funds appropriated in this act to the Department of
2 Correction for operational costs for additional facilities shall be used for personnel and
3 operating expenses set forth in the budget approved by the General Assembly in this act.
4 These funds shall not be expended for any other purpose, except as provided for in this
5 act, and shall not be expended for additional prison personnel positions until the new
6 facilities are within 120 days of projected completion, except that the Department may
7 establish critical positions prior to 120 days of completion representing no more than
8 twenty percent (20%) of the total estimated number of positions.
9

10 **ENERGY COMMITTED TO OFFENDERS/CONTRACT AND REPORT**

11 **SECTION 17.9.** The Department of Correction may continue to contract
12 with Energy Committed To Offenders, Inc., for the purchase of prison beds for
13 minimum security female inmates during the 2007-2009 biennium. Energy Committed
14 To Offenders, Inc., shall report by February 1 of each year to the Joint Legislative
15 Commission on Governmental Operations on the annual cost per inmate and the average
16 daily inmate population compared to bed capacity using the same methodology as that
17 used by the Department of Correction.
18

19 **INMATE MEDICAL COSTS**

20 **SECTION 17.10.** Notwithstanding the provisions of G.S. 143C-6-9, the
21 Department of Correction may use funds available during the 2007-2009 biennium for
22 the purchase of inmate medical services if expenditures are projected to exceed the
23 Department's inmate medical continuation budget. The Department shall consult with
24 the Joint Legislative Commission on Governmental Operations prior to exceeding the
25 continuation budget amount.
26

27 **PAROLE ELIGIBILITY REPORT**

28 **SECTION 17.11.(a)** The Post-Release Supervision and Parole Commission
29 shall, with the assistance of the North Carolina Sentencing and Policy Advisory
30 Commission and the Department of Correction, analyze the amount of time each inmate
31 who is eligible for parole on or before July 1, 2008, has served compared to the time
32 served by offenders under Structured Sentencing for comparable crimes. The
33 Commission shall determine if the person has served more time in custody than the
34 person would have served if sentenced to the maximum sentence under the provisions
35 of Article 81B of Chapter 15A of the General Statutes. The "maximum sentence", for
36 the purposes of this section, shall be calculated as set forth in subsection (b) of this
37 section.

38 **SECTION 17.11.(b)** For the purposes of this section, the following rules
39 apply for the calculation of the maximum sentence:

- 40 (1) The offense upon which the person was convicted shall be classified as
41 the same felony class as the offense would have been classified if
42 committed after the effective date of Article 81B of Chapter 15A of
43 the General Statutes.
- 44 (2) The minimum sentence shall be the maximum number of months in
45 the presumptive range of minimum durations in Prior Record Level VI
46 of G.S. 15A-1340.17(c) for the felony class determined under
47 subdivision (1) of this subsection. The maximum sentence shall be
48 calculated using G.S. 15A-1340.17(d), (e), or (e1).
- 49 (3) If a person is serving sentences for two or more offenses that are
50 concurrent in any respect, then the offense with the greater
51 classification shall be used to determine a single maximum sentence

1 for the concurrent offenses. The fact that the person has been
2 convicted of multiple offenses may be considered by the Commission
3 in making its determinations under subsection (a) of this section.

4 **SECTION 17.11.(c)** The Commission shall report to the Joint Legislative
5 Corrections, Crime Control, and Juvenile Justice Oversight Committee and to the
6 Chairs of the House of Representatives and Senate Appropriations Committees, and the
7 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
8 Justice and Public Safety by April 1, 2008. The report shall include the following: the
9 class of the offense for which each parole-eligible inmate was convicted and whether an
10 inmate had multiple criminal convictions. The Commission shall reinstate the parole
11 review process for each offender who has served more time than that person would have
12 under Structured Sentencing as provided by subsections (a) and (b) of this section.

13 The Commission shall also report on the number of parole-eligible inmates
14 reconsidered in compliance with this section and the number who were actually paroled.
15

16 **FEDERAL GRANT MATCHING FUNDS**

17 **SECTION 17.12.** Notwithstanding the provisions of G.S. 143C-6-9, the
18 Department of Correction may use up to the sum of one million two hundred thousand
19 dollars (\$1,200,000) during the 2007-2008 fiscal year from funds available to the
20 Department to provide the State match needed in order to receive federal grant funds.
21 Prior to using funds for this purpose, the Department shall report to the Chairs of the
22 House of Representatives and Senate Appropriations Subcommittees on Justice and
23 Public Safety and the Joint Legislative Commission on Governmental Operations on the
24 grants to be matched using these funds.
25

26 **REPORTS ON NONPROFIT PROGRAMS**

27 **SECTION 17.13.(a)** Funds appropriated in this act to the Department of
28 Correction to support the programs of Harriet's House may be used for program
29 operating costs, the purchase of equipment, and the rental of real property to serve
30 women released from prison with children in their custody. Harriet's House shall report
31 by February 1 of each year to the Joint Legislative Corrections, Crime Control, and
32 Juvenile Justice Oversight Committee and the Chairs of the House of Representatives
33 and Senate Appropriations Subcommittees on Justice and Public Safety on the
34 expenditure of State appropriations and on the effectiveness of the program, including
35 information on the number of clients served, the number of clients who successfully
36 complete the Harriet's House program, and the number of clients who have been
37 rearrested within three years of successfully completing the program. The report shall
38 provide financial and program data for the complete fiscal year prior to the year in
39 which the report is submitted. The financial report shall identify all funding sources and
40 amounts.

41 **SECTION 17.13.(b)** Summit House shall report by February 1 of each year
42 to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
43 Committee and the Chairs of the House of Representatives and Senate Appropriations
44 Subcommittees on Justice and Public Safety on the expenditure of State appropriations
45 and on the effectiveness of the program, including information on the number of clients
46 served, the number of clients who have had their probation revoked, the number of
47 clients who successfully complete the program while housed at Summit House, Inc.,
48 and the number of clients who have been rearrested within three years of successfully
49 completing the program. The report shall provide financial and program data for the
50 complete fiscal year prior to the year in which the report is submitted. The financial
51 report shall identify all funding sources and amounts.

1 **SECTION 17.13.(c)** Women at Risk shall report by February 1 of each year
2 to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
3 Committee and the Chairs of the House of Representatives and Senate Appropriations
4 Subcommittees on Justice and Public Safety on the expenditure of State funds and on
5 the effectiveness of the program, including information on the number of clients served,
6 the number of clients who have had their probation revoked, the number of clients who
7 have successfully completed the program, and the number of clients who have been
8 rearrested within three years of successfully completing the program. The report shall
9 provide financial and program data for the complete fiscal year prior to the year in
10 which the report is submitted. The financial report shall identify all funding sources and
11 amounts.

12 **SECTION 17.13.(d)** Our Children's Place shall report by February 1, 2008,
13 to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
14 Committee and the Chairs of the House of Representatives and Senate Appropriations
15 Subcommittees on Justice and Public Safety on the status of the planning, design, and
16 construction of Our Children's Place, the proposed program components and evaluation
17 measures, and on the projected number of inmates and their children to be served. The
18 report shall also provide financial data, including the expenditure of State funds and all
19 funding sources and amounts.

20 **REPORT ON ELECTRONIC MONITORING PROGRAM/USE OF GLOBAL** 21 **POSITIONING SYSTEMS FOR SEX OFFENDERS**

22 **SECTION 17.14.** The Department of Correction shall report by March 1 of
23 each year to the Chairs of the House and Senate Appropriations Committees, the Chairs
24 of the House of Representatives and Senate Appropriations Subcommittees on Justice
25 and Public Safety, and the Joint Legislative Corrections, Crime Control, and Juvenile
26 Justice Oversight Committee on the following:

- 27 (1) The number of sex offenders enrolled on active and passive GPS
28 monitoring.
- 29 (2) The caseloads of probation officers assigned to GPS-monitored sex
30 offenders.
- 31 (3) The number of violations.
- 32 (4) The number of absconders.
- 33 (5) The projected number of offenders to be enrolled by the end of the
34 2007-2008 fiscal year and the end of the 2008-2009 fiscal year.
- 35 (6) The total cost of the program, including a per-offender cost.

36 **CRIMINAL JUSTICE PARTNERSHIP**

37 **SECTION 17.15.(a)** Notwithstanding the provisions of G.S. 143B-273.15
38 specifying that grants to participating counties are for the full fiscal year and that
39 unobligated funds are returned to the State-County Criminal Justice Partnership
40 Account at the end of the grant period, the Department of Correction may reallocate
41 unspent or unclaimed funds distributed to counties participating in the State-County
42 Criminal Justice Partnership Program in an effort to maintain the level of services
43 realized in previous fiscal years.

44 **SECTION 17.15.(b)** The Department of Correction may not deny funds to a
45 county to support both a residential program and a day reporting center if the
46 Department of Correction determines that the county has a demonstrated need and a
47 fully developed plan for each type of sanction.

48 **SECTION 17.15.(c)** The Department of Correction shall report by March 1
49 of each year to the Chairs of the House of Representatives and Senate Appropriations
50
51

1 Committees, the House of Representatives and Senate Appropriations Subcommittees
2 on Justice and Public Safety, and the Joint Legislative Corrections, Crime Control, and
3 Juvenile Justice Oversight Committee on the status of the State-County Criminal Justice
4 Partnership Program. The report shall include the following information:

- 5 (1) The amount of funds carried over from the prior fiscal year;
- 6 (2) The dollar amount and purpose of grants awarded to counties as
7 discretionary grants for the current fiscal year;
- 8 (3) Any counties the Department anticipates will submit requests for new
9 implementation grants;
- 10 (4) An update on efforts to ensure that all counties make use of the
11 electronic reporting system, including the number of counties
12 submitting offender participation data via the system;
- 13 (5) An analysis of offender participation data received, including data on
14 each program's utilization and capacity;
- 15 (6) An analysis of comparable programs prepared by the Division of
16 Research and Planning, Department of Correction, including a
17 comparison of programs in each program type on selected outcome
18 measures developed by the Division of Community Corrections in
19 consultation with the Fiscal Research Division and the Division of
20 Research and Planning, and a summary of the reports prepared by
21 county Criminal Justice Partnerships Advisory Boards;
- 22 (7) An evaluation of whether each sentenced offender program meets
23 program standards developed by the Division of Community
24 Corrections in consultation with the Division of Research and
25 Planning;
- 26 (8) The number of community offenders and intermediate offenders
27 served by each county program;
- 28 (9) The amount of Criminal Justice Partnership funds spent on community
29 offenders and intermediate offenders; and
- 30 (10) A short description of the services and programs provided by each
31 partnership, including who the service providers are and the amount of
32 funds each service provider receives.

33 **SECTION 17.15.(d)** The Research and Planning Division of the Department
34 of Correction shall review national best practice programs for community corrections
35 and recommend whether the type of programs currently being funded should continue to
36 be funded, and whether alternative programs should be funded if a county wants to
37 expand sanction options. The Division shall report on its review by March 1 of each
38 year to the Chairs of the House of Representatives and Senate Appropriations
39 Committees, the House of Representatives and Senate Appropriations Subcommittees
40 on Justice and Public Safety, and the Joint Legislative Corrections, Crime Control, and
41 Juvenile Justice Oversight Committee.

42 **REPORT ON PROBATION AND PAROLE CASELOADS**

43 **SECTION 17.16.(a)** The Department of Correction shall report by March 1
44 of each year to the Chairs of the House of Representatives and Senate Appropriations
45 Subcommittees on Justice and Public Safety and the Joint Legislative Corrections,
46 Crime Control, and Juvenile Justice Oversight Committee on caseload averages for
47 probation and parole officers. The report shall include:

- 48 (1) Data on current caseload averages for Probation Parole Officer I,
49 Probation Parole Officer II, and Probation Parole Officer III positions;
- 50 (2) An analysis of the optimal caseloads for these officer classifications;
- 51

- 1 (3) An assessment of the role of surveillance officers;
- 2 (4) The number and role of paraprofessionals in supervising low-risk
- 3 caseloads;
- 4 (5) An update on the Department's implementation of the
- 5 recommendations contained in the National Institute of Correction
- 6 study conducted on the Division of Community Corrections in 2004;
- 7 (6) The selection of a risk assessment and the resulting distribution of
- 8 offenders among risk levels; and
- 9 (7) Any position reallocations in the previous 12 months, and the reasons
- 10 for and fiscal impact of those reallocations.

11 **SECTION 17.16.(b)** The Department of Correction shall conduct a study of
12 probation/parole officer workload at least biannually. The study shall include analysis of
13 the type of offenders supervised, the distribution of the probation/parole officers' time
14 by type of activity, the caseload carried by the officers, and comparisons to practices in
15 other states. The study shall be used to determine whether the caseload goals established
16 by the Structured Sentencing Act are still appropriate, based on the nature of the
17 offenders supervised and the time required to supervise those offenders.

18 **SECTION 17.16.(c)** The Department of Correction shall report the results of
19 the study and recommendations for any adjustments to caseload goals to the House of
20 Representatives and Senate Appropriations Subcommittees on Justice and Public Safety
21 by January 1, 2009.

22 23 **COMMUNITY SERVICE WORK PROGRAM**

24 **SECTION 17.17.** The Department of Correction shall report to the Chairs of
25 the House of Representatives and Senate Appropriations Subcommittees on Justice and
26 Public Safety by February 1 of each year on the integration of the Community Service
27 Work Program into the Division of Community Corrections, including the Department's
28 ability to monitor the collection of offender payments from unsupervised offenders
29 sentenced to community service. The Department shall also report to the Chairs of the
30 House of Representatives and Senate Appropriations Subcommittees on Justice and
31 Public Safety by February 1 of each year on the average caseloads of Community
32 Service Work Program coordinators, by district, division, and statewide. The report
33 shall also include the money collected, the type and value of the work performed, and
34 the number of offenders in the Community Service Work Program, by type of referral
35 (i.e. parole, supervised probation, unsupervised probation or community punishment,
36 DWI, or any other agency referrals).

37 38 **PART XVIII. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY**

39 **PREVENTION**

40 41 **SUPPORT OUR STUDENTS ADMINISTRATIVE COST LIMITS**

42 **SECTION 18.1.** Of the funds appropriated to the Department of Juvenile
43 Justice and Delinquency Prevention in this act, not more than five hundred thousand
44 dollars (\$500,000) for the 2007-2008 fiscal year and not more than five hundred
45 thousand dollars (\$500,000) for the 2008-2009 fiscal year may be used to administer the
46 Support Our Students (S.O.S.) Program, to provide technical assistance to applicants
47 and to local S.O.S. programs, and to evaluate the local S.O.S. programs. The
48 Department may contract with appropriate public or nonprofit agencies to provide the
49 technical assistance, including training and related services.

50 51 **JCPC GRANT REPORTING AND CERTIFICATION**

1 **SECTION 18.2.(a)** On or before April 1 each year, the Department of
2 Juvenile Justice and Delinquency Prevention shall submit to the Joint Legislative
3 Commission on Governmental Operations and the Appropriations Committees of the
4 Senate and House of Representatives a list of the recipients of the grants awarded, or
5 preapproved for award, from funds appropriated to the Department for local Juvenile
6 Crime Prevention Council grants. The list shall include for each recipient the amount of
7 the grant awarded, the membership of the local committee or council administering the
8 award funds on the local level, and a short description of the local services, programs, or
9 projects that will receive funds. The list shall also identify any programs that received
10 grant funds at one time but for which funding has been eliminated by the Department of
11 Juvenile Justice and Delinquency Prevention. A written copy of the list and other
12 information regarding the projects shall also be sent to the Fiscal Research Division of
13 the General Assembly.

14 **SECTION 18.2.(b)** Each county in which local programs receive Juvenile
15 Crime Prevention Council grant funds from the Department of Juvenile Justice and
16 Delinquency Prevention shall certify annually through its local council to the
17 Department that funds received are not used to duplicate or supplant other programs
18 within the county.

20 **REPORTS ON CERTAIN PROGRAMS**

21 **SECTION 18.3.(a)** Project Challenge North Carolina, Inc., shall report to
22 the Department of Juvenile Justice and Delinquency Prevention and the Chairs of the
23 House of Representatives and Senate Appropriations Subcommittees on Justice and
24 Public Safety by April 1 each year on the operation and the effectiveness of its program
25 in providing alternative dispositions and services to juveniles who have been
26 adjudicated delinquent or undisciplined. The report shall include information on:

- 27 (1) The source of referrals for juveniles.
- 28 (2) The types of offenses committed by juveniles participating in the
29 program.
- 30 (3) The amount of time those juveniles spend in the program.
- 31 (4) The number of juveniles who successfully complete the program.
- 32 (5) The number of juveniles who commit additional offenses after
33 completing the program.
- 34 (6) The program's budget and expenditures, including all funding sources.

35 **SECTION 18.3.(b)** The Juvenile Assessment Center shall report to the
36 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
37 Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and
38 Juvenile Justice Oversight Committee on the effectiveness of the Center by April 1 each
39 year. The report shall include information on the number of juveniles served and an
40 evaluation of the effectiveness of juvenile assessment plans and services provided as a
41 result of these plans. In addition, the report shall include information on the Center's
42 budget and expenditures, including all funding sources.

43 **SECTION 18.3.(c)** Communities in Schools shall report to the Department
44 of Juvenile Justice and Delinquency Prevention, the Chairs of the House of
45 Representatives and Senate Appropriations Subcommittees on Justice and Public Safety,
46 the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
47 Committee, and the Joint Legislative Education Oversight Committee by April 1 each
48 year on the operation and effectiveness of its program. The report shall include
49 information on:

- 50 (1) The number of children served.
- 51 (2) The number of volunteers used.

- 1 (3) The impact on children who have received services from Communities
- 2 in Schools, including graduation rates, dropout rates, suspension and
- 3 expulsion rates, and involvement with the juvenile justice system.
- 4 (4) The program's budget and expenditures, including all funding sources.
- 5

6 ANNUAL EVALUATION OF COMMUNITY PROGRAMS

7 **SECTION 18.4.** The Department of Juvenile Justice and Delinquency
8 Prevention shall conduct an evaluation of the Eckerd and Camp Woodson wilderness
9 camp programs, the teen court programs, the program that grants funds to the local
10 organizations of the Boys and Girls Clubs established pursuant to Section 21.10 of S.L.
11 1999-237, the Support Our Students Program, the Governor's One-on-One Programs,
12 and multipurpose group homes. The teen court report shall include statistical
13 information on the number of juveniles served, the number and type of offenses
14 considered by teen courts, referral sources for teen courts, and the number of juveniles
15 that become court-involved after participation in teen courts. The report on the Boys
16 and Girls Clubs program shall include information on:

- 17 (1) The expenditure of State appropriations on the program;
- 18 (2) The operations and the effectiveness of the program; and
- 19 (3) The number of juveniles served under the program.

20 In conducting the evaluation of each of these programs, the Department shall
21 consider whether participation in each program results in a reduction of court
22 involvement among juveniles. The Department shall also identify whether the programs
23 are achieving the goals and objectives of the Juvenile Justice Reform Act, S.L.
24 1998-202. The Department shall report the results of the evaluation to the Joint
25 Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, the
26 Chairs of the House of Representatives and Senate Appropriations Committees and the
27 Chairs of the Subcommittees on Justice and Public Safety of the House of
28 Representatives and Senate Appropriations Committees by March 1 of each year.

29 STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

30 **SECTION 18.5.** Funds appropriated in this act to the Department of Juvenile
31 Justice and Delinquency Prevention for the 2007-2008 fiscal year may be used as
32 matching funds for the Juvenile Accountability Incentive Block Grants. If North
33 Carolina receives Juvenile Accountability Incentive Block Grants, or a notice of funds
34 to be awarded, the Office of State Budget and Management and the Governor's Crime
35 Commission shall consult with the Department of Juvenile Justice and Delinquency
36 Prevention regarding the criteria for awarding federal funds. The Office of State Budget
37 and Management, the Governor's Crime Commission, and the Department of Juvenile
38 Justice and Delinquency Prevention shall report to the Appropriations Committees of
39 the House of Representatives and Senate and the Joint Legislative Commission on
40 Governmental Operations prior to allocation of the federal funds. The report shall
41 identify the amount of funds to be received for the 2007-2008 fiscal year, the amount of
42 funds anticipated for the 2008-2009 fiscal year, and the allocation of funds by program
43 and purpose.

44 REPORTING ON TREATMENT STAFFING MODEL AT YOUTH 45 DEVELOPMENT CENTERS

46 **SECTION 18.6.** The Department of Juvenile Justice and Delinquency
47 Prevention shall continue quarterly reporting during the 2007-2008 fiscal year to the
48 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
49 Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and
50
51

1 Juvenile Justice Oversight Committee on the implementation of the treatment staffing
2 model at Samarkand and Stonewall Jackson Youth Development Centers, including the
3 latest results of the evaluation of the pilot treatment staffing models at the Centers and
4 the progress in implementing the model at other youth development centers. In the April
5 1, 2008 report, the Department shall include a recommendation on whether the staffing
6 and budget for youth development centers should be maintained at the recommended
7 2007-2008 levels or be modified to reflect the results of the pilot treatment programs.

8 9 **PROGRESS REPORTS ON YOUTH DEVELOPMENT CENTER CAPITAL** 10 **PROJECTS**

11 **SECTION 18.7.(a)** The Department of Juvenile Justice and Delinquency
12 Prevention shall report quarterly during the 2007-2009 fiscal biennium, beginning
13 October 1, 2007, to the Chairs of the House of Representatives and Senate
14 Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative
15 Corrections, Crime Control, and Juvenile Justice Oversight Committee on the
16 Department's progress in the planning, design, and construction of new youth
17 development centers. The report shall include:

- 18 (1) An overall project schedule for each new youth development center
19 showing the original estimated date for construction completion and
20 the original estimated date for occupancy by juvenile offenders,
21 compared to the latest projected dates.
- 22 (2) An explanation of significant delays in the schedule or any potential
23 cost increase.

24 The Office of State Construction and the Capital Improvement Section of the
25 Office of State Budget and Management shall assist the Department of Juvenile Justice
26 and Delinquency Prevention in the preparation of the report required by this section.

27 **SECTION 18.7.(b)** The Department of Juvenile Justice and Delinquency
28 Prevention and Eckerd Family Youth Alternatives, Inc., shall report to the Chairs of the
29 House of Representatives and Senate Appropriations Subcommittees on Justice and
30 Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile
31 Justice Oversight Committee by November 1, 2007, on the nature, scope, and cost of the
32 Eckerd Family Focus on Rehabilitative Treatment (EFFORT) project, which would be
33 located at the Samarkand Youth Development Center and would supplement the
34 traditional youth development centers. The report shall state whether funds from the
35 Repairs and Renovations Reserve Account established in G.S. 143C-4-3 have been
36 approved by the Office of State Budget and Management for this project.

37 38 **STUDY OF STATE DETENTION CENTERS**

39 **SECTION 18.8.** The Department of Juvenile Justice and Delinquency
40 Prevention shall study the nine juvenile detention centers that are operated by the State.
41 For each of the facilities, the review shall include:

- 42 (1) Recent admission trends and projections of future population.
- 43 (2) The offense history and assessed needs of the population.
- 44 (3) Whether staffing levels are appropriate for the number and types of
45 offenders housed in the facility.
- 46 (4) Whether the center has adequate housing capacity.
- 47 (5) Determine the repair and renovation needs and estimate the cost of any
48 repairs or renovations.
- 49 (6) The estimated cost to plan, design, and construct new detention
50 centers, if appropriate.

- 1 (7) Information on security and control of the facility, including assaults,
2 escapes, and infractions.

3 The Department shall report its findings to the Joint Legislative Corrections,
4 Crime Control, and Juvenile Justice Oversight Committee and to the Chairs of the
5 House of Representatives and the Senate Appropriations Subcommittees on Justice and
6 Public Safety no later than March 1, 2008.

7 8 **YOUTH DEVELOPMENT CENTER SCHOLARSHIPS**

9 **SECTION 18.9.** Funds appropriated to the North Carolina Community
10 College Foundation during the 2003-2004 fiscal year in S.L. 2003-284 for community
11 college scholarships for students who have completed their commitment to a Youth
12 Development Center and who have obtained a high school diploma or its equivalent are
13 hereby transferred to the Department of Juvenile Justice and Delinquency Prevention.
14 The Department of Juvenile Justice and Delinquency Prevention shall administer the
15 community college scholarship program described in this section.

16 17 **PART XIX. DEPARTMENT OF ADMINISTRATION**

18 19 **REDESIGNATION OF THE GOVERNOR'S ADVOCACY COUNCIL FOR** 20 **PERSONS WITH DISABILITIES**

21 **SECTION 19.1.** Part 14A of Article 9 of Chapter 143B of the General
22 Statutes is repealed.

23 24 **SEXUAL ASSAULT/RAPE CRISIS CENTER FUNDING**

25 **SECTION 19.2.(a)** The Department of Administration, the Council for
26 Women, and the Domestic Violence Commission shall distribute funds to the North
27 Carolina Coalition Against Sexual Assault and to rape crisis centers. To receive funds,
28 rape crisis centers shall meet the following criteria:

- 29 (1) Operate as a private, nonprofit organization or a local unit of
30 government applying for a rape crisis center that has provided basic
31 services, as defined by the Council for Women and the Domestic
32 Violence Commission, for a one-year period before the date of
33 application;
- 34 (2) Have a mission statement that clearly specifies rape crisis services are
35 provided;
- 36 (3) Act in support of victims of rape or sexual assault by providing
37 assistance to ensure victims' interests are represented in law
38 enforcement and legal proceedings and support and referral services
39 are provided in medical and community settings; and
- 40 (4) Provide a 24-hour crisis hotline.

41 **SECTION 19.2.(b)** Grant funds allocated from the General Fund to the
42 Department of Administration, the Council for Women and the Domestic Violence
43 Commission for rape crisis shall be distributed in two equal shares. The North Carolina
44 Coalition Against Sexual Assault and rape crisis centers whose services are confined to
45 rape crisis and sexual assault services shall be allocated the sum of fifty thousand
46 dollars (\$50,000) in each year of the 2007-2009 biennium. Organizations that contain
47 rape crisis services in addition to domestic violence services or other support services
48 shall receive an equal share of remaining funds in each year of the 2007-2009 biennium.

49 50 **PART XX. OFFICE OF THE STATE CONTROLLER**

51

OVERPAYMENTS AUDIT

SECTION 20.1.(a) During the 2007-2009 biennium, receipts generated by the collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors as required by G.S. 147-86.22(c) are to be deposited in the Special Reserve Account 24172.

SECTION 20.1.(b) For the 2007-2009 biennium, five hundred thousand dollars (\$500,000) of the funds transferred from the Special Reserve Account 24172 shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs.

SECTION 20.1.(c) All funds available in the Special Reserve Account 24172 on July 1 of each year of the 2007-2009 biennium are transferred to the General Fund on that date.

SECTION 20.1.(d) Any unobligated funds in the Special Reserve Account 24172 that are realized above the allowance in subsection (b) of this section are subject to appropriation by the General Assembly in the 2008 Regular Session of the 2007 General Assembly.

SECTION 20.1.(e) The State Controller shall report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into the Special Reserve Account 24172 and the disbursement of that revenue.

PART XXI. DEPARTMENT OF CULTURAL RESOURCES**GRASSROOTS ARTS PROGRAM FUNDING**

SECTION 21.1.(a) G.S. 143B-122 reads as rewritten:

"§ 143B-122. Distribution of funds.

Funds—Of the funds available under the Grassroots Arts Program—Program, twenty percent (20%) of the total shall be distributed among the counties equally, and the remaining eighty percent (80%) shall be distributed among the counties on a per capita basis."

SECTION 21.1.(b) Any funds distributed by the Department of Cultural Resources under the Grassroots Arts Program for the 2000-2001 through 2006-2007 fiscal years are hereby ratified, validated, and confirmed.

PART XXII. OFFICE OF THE GOVERNOR**HOUSING FINANCE AGENCY SHALL CONTINUE AND EXPAND THE NORTH CAROLINA HOME PROTECTION PILOT PROGRAM AND LOAN FUND**

SECTION 22.1.(a) The North Carolina Housing Finance Agency shall continue, develop, implement, and administer a pilot program to assist North Carolina workers who have lost jobs as a result of changing economic conditions in North Carolina when the workers are in need of assistance to avoid losing their homes to foreclosure. The Agency shall do all of the following:

- (1) Develop and administer the North Carolina Home Protection Pilot Program and Loan Fund to ensure that workers in the counties selected for the Pilot have assistance to avoid losing their homes to foreclosure. The Program shall include all counties that had greater than seven percent (7%) average unemployment in the 2006-2007 fiscal year.

- 1 (2) Make loans secured by liens on residential real property located in
2 North Carolina to property owners who are eligible for those loans.
- 3 (3) Develop and administer procedures by which property owners at risk
4 of being foreclosed upon may qualify for assistance.
- 5 (4) Designate, approve, and fund nonprofit counseling agencies in
6 counties participating in the Program to be available to assist the
7 Agency in implementing the provisions of this section, and to provide
8 services such as direct mortgagee negotiations on behalf of
9 unemployed workers, and to process loan applications for the Agency.
- 10 (5) Develop and fund enhanced methods by which workers may be
11 notified of foreclosure mitigation services, may easily contact local
12 nonprofit counseling agencies, and may apply for loans from the
13 Agency.
- 14 (6) No later than April 1, 2008, report to the Chairs of the Appropriations
15 Committees of the Senate and the House of Representatives on the
16 effectiveness of the Program in accomplishing its purposes, and
17 provide any other information the Agency determines is pertinent or
18 that the General Assembly requests.

19 **SECTION 22.1.(b)** As used in this section, the following definitions apply:

- 20 (1) Agency. – The North Carolina Housing Finance Agency.
- 21 (2) Counseling agency. – A nonprofit counseling agency located in North
22 Carolina that is approved by the North Carolina Housing Finance
23 Agency.
- 24 (3) Mortgage. – An obligation evidenced by a security document and
25 secured by a lien upon real property located within North Carolina,
26 including a deed of trust and land sale agreement. Mortgage also
27 means an obligation evidenced by a security lien on real property upon
28 which an owner-occupied mobile home is located.
- 29 (4) Mortgagee. – The owner of a beneficial interest in a mortgage loan, the
30 servicer for the owner of a beneficial interest in a mortgage loan, or the
31 trustee for a securitized trust that holds title to a beneficial interest in a
32 mortgage loan.

33 **SECTION 22.1.(c)** Notwithstanding Chapters 23, 24, and 45 of the General
34 Statutes or any other provision of law, upon the proper filing of an application for loan
35 assistance by a mortgagor under this section, a mortgagee shall not do the following:

- 36 (1) Accelerate the maturity of any mortgage obligation covered under this
37 section.
- 38 (2) Commence or continue any legal action, including mortgage
39 foreclosure pursuant to Chapter 45 of the General Statutes, to recover
40 the mortgage obligation.
- 41 (3) Take possession of any security of the mortgagor for the mortgage
42 obligation.
- 43 (4) Procure or receive a deed in lieu of foreclosure.
- 44 (5) Enter judgment by confession pursuant to a note accompanying a
45 mortgage.
- 46 (6) Proceed to enforce the mortgage obligation pursuant to applicable
47 rules of civil procedure for a period of 120 days following the date of
48 the mortgagor's properly filed application.

49 The provisions of this section shall not apply if the mortgagee receives notice
50 from the Agency that the mortgagor's application has been denied.

1 If a mortgagee acts as proscribed in subdivisions (1) through (6) of this
2 subsection, a mortgagor shall be entitled to injunctive relief without the necessity of
3 providing a bond. This relief shall be in addition to any defenses available under
4 G.S. 45-21.16(d) and any other remedies at law or equity.

5 Upon the Agency's receipt of a properly filed mortgagor's application for loan
6 assistance, the Agency shall mail notice of the application to the mortgagor's mortgagee
7 within five business days of the Agency's receipt of the application. The Agency shall
8 also mail notice of the acceptance or denial of the mortgagor's application to the
9 mortgagee within five days of the Agency's determination. Notice shall be deemed
10 sufficient if sent to the last known address of the mortgagee.

11 **SECTION 22.1.(d) Rule Making.** – Solely with respect to the adoption of
12 procedures for the pilot program by which property owners at risk of being foreclosed
13 upon may qualify for assistance, the Agency is exempt from the requirements of Article
14 2A of Chapter 150B of the General Statutes. Prior to adoption or amendment of
15 procedures, the Agency shall:

- 16 (1) Publish the proposed procedures in the North Carolina Register at least
17 30 days prior to the adoption of the final procedures.
- 18 (2) Accept oral and written comments on the proposed procedures.
- 19 (3) Hold at least one public hearing on the proposed procedures.

20 **SECTION 22.1.(e)** Any funds appropriated under Section 20A.1 of S.L.
21 2004-124 that have not been encumbered shall be used for the expansion of the program
22 to additional counties as provided by this section.

23 **SECTION 22.1.(f)** This section applies only to the 2007-2008 fiscal year.
24

25 **PART XXIII. OFFICE OF STATE BUDGET AND MANAGEMENT**

26 **MILITARY MORALE, RECREATION, AND WELFARE FUNDS**

27 **SECTION 23.1.(a)** There is appropriated from the General Fund to a
28 Reserve for the Military Morale, Recreation, and Welfare Fund in the Office of State
29 Budget and Management the sum of one million dollars (\$1,000,000) in the 2007-2008
30 fiscal year.

31 **SECTION 23.1.(b)** The Office of State Budget and Management shall
32 distribute for the purposes described in this section the amount appropriated by
33 subsection (a) of this section. That amount shall be distributed to each military
34 installation on a per capita basis.

35 **SECTION 23.1.(c)** Funds distributed to a military installation exchange
36 under this section must be deposited in the Military Morale, Recreation, and Welfare
37 Fund for that installation and used only for community services and other expenditures
38 to improve quality of life programs for military members and their families in North
39 Carolina.
40

41 **LICENSING BOARD REPORTING REQUIREMENT**

42 **SECTION 23.2.** G.S. 93B-2(b) reads as rewritten:

43 "(b) Each occupational licensing board shall file with the Secretary of State, the
44 Attorney General, the Office of State Budget and Management, and the Joint Legislative
45 Administrative Procedure Oversight Committee a financial report that includes the
46 source and amount of all funds credited to the occupational licensing board and the
47 purpose and amount of all funds disbursed by the occupational licensing board during
48 the previous 12-month period."
49
50

STUDY OF THE WORKERS' COMPENSATION PROGRAM IN STATE AGENCIES

SECTION 23.3. The Office of State Budget and Management, in consultation with the Office of State Personnel and the Office of State Controller, shall conduct a study of the Workers' Compensation Program in State agencies and institutions to determine if the third-party administration of the program continues to be the most effective mode of administration; to determine if the current method of funding is still the most effective method; to determine whether excess coverage policies are needed; and to identify any other operational inefficiencies in program operations that might exist. The Office of State Budget and Management shall submit a final report outlining the related findings and recommendations for improvements to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by March 1, 2008.

PART XXIV. DEPARTMENT OF REVENUE**WHITE GOODS DISPOSAL TAX PROGRAM**

SECTION 24.1. G.S. 105-187.24 reads as rewritten:

"§ 105-187.24 Use of tax proceeds.

The Secretary shall distribute the taxes collected under this Article, less the Department of Revenue's allowance for administrative expenses, in accordance with this section. The Secretary may retain the Department's cost of collection, not to exceed ~~two hundred twenty five thousand dollars (\$225,000)~~ four hundred twenty-five thousand dollars (\$425,000) a year, as reimbursement to the Department.

Each quarter, the Secretary shall credit eight percent (8%) of the net tax proceeds to the Solid Waste Management Trust Fund and shall credit twenty percent (20%) of the net tax proceeds to the White Goods Management Account. The Secretary shall distribute the remaining seventy-two percent (72%) of the net tax proceeds among the counties on a per capita basis according to the most recent annual population estimates certified to the Secretary by the State Budget Officer. The Department shall not distribute the tax proceeds to a county when notified not to do so by the Department of Environment and Natural Resources under G.S. 130A-309.87. If a county is not entitled to a distribution, the proceeds allocated for that county will be credited to the White Goods Management Account.

A county may use funds distributed to it under this section only as provided in G.S. 130A-309.82. A county that receives funds under this section and that has an interlocal agreement with another unit of local government under which the other unit provides for the disposal of solid waste for the county must transfer the amount received under this section to that other unit. A unit to which funds are transferred is subject to the same restrictions on use of the funds as the county."

SCRAP TIRE DISPOSAL TAX PROGRAM

SECTION 24.2. G.S. 105-187.19(a) reads as rewritten:

"(a) The Secretary shall distribute the taxes collected under this Article, less the allowance to the Department of Revenue for administrative expenses, in accordance with this section. The Secretary may retain the cost of collection by the Department, not to exceed ~~two hundred twenty five thousand dollars (\$225,000)~~ four hundred twenty-five thousand dollars (\$425,000) a year, as reimbursement to the Department."

PART XXV. STATE BOARD OF ELECTIONS

STATE BOARD OF ELECTIONS MOE AND HAVA FUND USE

SECTION 25.1.(a) The State Board of Elections shall use funds in the Maintenance of Effort Reserve as follows:

- (1) \$1,440,000 nonrecurring in fiscal year 2007-2008 for ballot printing for the 2008 first primary.
- (2) \$840,000 nonrecurring in fiscal year 2007-2008 for ballot printing for the 2008 second primary if a federal election is on the ballot.
- (3) \$1,260,000 nonrecurring in fiscal year 2008-2009 for ballot printing for the 2008 general election.
- (4) \$1,500,000 nonrecurring in fiscal year 2007-2008 and \$500,000 nonrecurring in fiscal year 2008-2009 to rebuild the State Elections Information Management System (SEIMS). (See 2007 House Bill 1267.)
- (5) \$100,000 recurring in fiscal year 2007-2008 for the required training for all county boards of elections staff on voting equipment operating procedures.
- (6) \$427,500 recurring in fiscal year 2007-2008 to centralize ballot coding in North Carolina to provide oversight, ensure accuracy of election preparation, and reduce errors with ballot styles.
- (7) \$150,000 recurring in fiscal year 2007-2008 to hire 20 additional election technicians across the State to deal with technical problems that arise on a 2008 Election Day in which a federal election is on the ballot.

SECTION 25.1.(b) The State Board of Elections shall use funds in the Election Fund under G.S. 163-82.28 (HAVA funds) as follows:

- (1) \$2,525,000 nonrecurring in fiscal year 2007-2008 and \$2,525,000 nonrecurring in fiscal year 2008-2009 for maintenance performed on voting equipment.
- (2) \$750,000 nonrecurring in fiscal year 2007-2008 and \$1,750,000 nonrecurring in fiscal year 2008-2009 provided for additional one-stop absentee voting (early voting) sites for the 2008 first primary and general election if a federal election is on the ballot.

PART XXVI. DEPARTMENT OF THE STATE TREASURER**FUNDS FOR AUDITING STATE EMPLOYEE SERVICE RECORDS; NO CONTRACTING FOR CERTAIN FUNCTIONS; PROHIBITION ON USE OF LAPSED SALARIES**

SECTION 26.1.(a) The funds appropriated in this act to the Department of State Treasurer, Retirement Systems Division, for the sum of one million two hundred thousand dollars (\$1,200,000) for the 2007-2008 fiscal year shall be used to contract for the auditing of State employee service records. The Retirement Systems Division shall submit an interim report on the number of State employee service records verified to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division no later than April 30, 2008.

SECTION 26.1.(b) The Department of State Treasurer, Retirement Systems Division, shall not contract for the performance of any of the following functions: research, policy analysis, presentations, organizational development, meeting facilitation, team building, or development of plans or newsletters.

1 **SECTION 26.1.(c)** Notwithstanding the provisions of G.S. 143C-6-9, the
2 Department of State Treasurer, Retirement Systems Division, shall not use lapsed salary
3 savings for any purpose.

4
5 **PART XXVII. DEPARTMENT OF TRANSPORTATION**

6
7 **ONE-STOP SHOPS FOR DRIVERS LICENSES AND REGISTRATION**
8 **PLATES**

9 **SECTION 27.1.** The Department of Transportation, Division of Motor
10 Vehicles, is prohibited from opening drivers license issuance and vehicle registration
11 issuance and renewal One-Stop Shops until the General Assembly has considered and
12 appropriated funds for the purpose of One-Stop Shops.

13 The Department of Transportation shall develop a business plan that
14 thoroughly outlines the operational plans of a combined function center, a detailed
15 budget for each proposed location, and any identified savings gleaned from the
16 combined services. In addition, the Division of Motor Vehicles shall conduct an
17 analysis on the anticipated number of transactions and the impact to independent tag
18 agents in those areas. The report is due to the Joint Legislative Transportation Oversight
19 Committee, the Joint Appropriations Subcommittee for Transportation, and the Fiscal
20 Research Division by March 15, 2008.

21
22 **CASH FLOW HIGHWAY FUNDS AND HIGHWAY TRUST FUND**
23 **APPROPRIATIONS**

24 **SECTION 27.2.(a)** The General Assembly authorizes and certifies
25 anticipated revenues of the Highway Fund as follows:

26 For Fiscal Year 2009-2010	\$1,846.0 million
27 For Fiscal Year 2010-2011	\$1,857.9 million
28 For Fiscal Year 2011-2012	\$1,869.0 million
29 For Fiscal Year 2012-2013	\$1,873.9 million

30 **SECTION 27.2.(b)** The General Assembly authorizes and certifies
31 anticipated revenues of the Highway Trust Fund as follows:

32 For Fiscal Year 2009-2010	\$1,174.4 million
33 For Fiscal Year 2010-2011	\$1,204.9 million
34 For Fiscal Year 2011-2012	\$1,236.4 million
35 For Fiscal Year 2012-2013	\$1,276.1 million

36
37 **FUNDS FOR ECONOMIC DEVELOPMENT, SPOT SAFETY, AND**
38 **TRANSPORTATION IMPROVEMENT PROGRAM PROJECTS**

39 **SECTION 27.3.** Of the funds appropriated by this act to the Department of
40 Transportation in fiscal year 2007-2008, fourteen million dollars (\$14,000,000) shall be
41 allocated equally among the 14 Highway Divisions for economic development
42 transportation projects recommended by the member of the Board of Transportation
43 representing the Division in which the project is to be constructed in consultation with
44 the Division Engineer and approved by the Board of Transportation. Funds in each
45 Division not needed for economic development projects shall be used on spot safety
46 needs to enhance safety, reduce congestion, improve traffic flow, reduce accidents, and
47 for system preservation. Funds not identified for economic development and spot safety
48 projects prior to December 31, 2007, shall be used on Transportation Improvement
49 Program projects. The Secretary of Transportation shall not prevent or delay the
50 implementation of any projects approved by the Board of Transportation pursuant to
51 this section.

1
2 **CONSOLIDATION OF RURAL FUNDING PROGRAMS BY THE**
3 **DEPARTMENT OF TRANSPORTATION'S PUBLIC TRANSPORTATION**
4 **DIVISION**

5 **SECTION 27.4.** The Department of Transportation, Public Transportation
6 Division, may consolidate its rural funding programs for vehicles, technology, and
7 facilities into one large capital program. The Division shall have the flexibility to
8 transfer funding from the consolidated capital program to the operating programs, based
9 on the ability to leverage additional federal funds to meet the capital needs of rural
10 transportation systems. The Department shall report on the use of funds and
11 effectiveness of the provisions of this section to the Joint Appropriations Subcommittee
12 on Transportation and the Fiscal Research Division by March 15, 2008.
13

14 **SMALL CONSTRUCTION AND CONTINGENCY FUNDS**

15 **SECTION 27.5.** Of the funds appropriated in this act to the Department of
16 Transportation:

17 (1) Twenty-one million dollars (\$21,000,000) shall be allocated in each
18 fiscal year for small construction projects recommended by the
19 member of the Board of Transportation representing the Division in
20 which the project is to be constructed in consultation with the Division
21 Engineer and approved by the Board of Transportation. These funds
22 shall be allocated equally in each fiscal year of the biennium among
23 the 14 Highway Divisions for small construction projects.

24 (2) Fifteen million dollars (\$15,000,000) in fiscal year 2007-2008 and
25 fifteen million dollars (\$15,000,000) in fiscal year 2008-2009 shall be
26 used statewide for rural or small urban highway improvements and
27 related transportation enhancements to public roads and public
28 facilities, industrial access roads, and spot safety projects, including
29 pedestrian walkways that enhance highway safety. Projects funded
30 pursuant to this subdivision shall be approved by the Secretary of
31 Transportation.

32 None of these funds used for rural secondary road construction are subject to
33 the county allocation formulas in G.S. 136-44.5(b) and (c).

34 These funds are not subject to G.S. 136-44.7.

35 The Department of Transportation shall report to the members of the General
36 Assembly on projects funded pursuant to this section in each member's district prior to
37 the Board of Transportation's action. The Department shall make a quarterly
38 comprehensive report on the use of these funds to the Joint Legislative Transportation
39 Oversight Committee and the Fiscal Research Division.
40

41 **FUNDS FOR UNSAFE OR OBSOLETE FIELD FACILITIES**

42 **SECTION 27.6.** Of the funds appropriated in this act to the Department of
43 Transportation, the Department may use funds not to exceed seventy-five hundredths of
44 one percent (.75%) for maintenance and construction programs for major repair,
45 renovation, or replacement of its field facilities that fail to meet safety standards or that
46 are obsolete for current or future use. Prior to expending these funds, the Department
47 shall submit its proposed budget for these expenditures to the Senate Appropriations
48 Subcommittee on Transportation, the House of Representatives Appropriations
49 Subcommittee on Transportation, and the Joint Legislative Transportation Oversight
50 Committee each year.
51

MODIFY GLOBAL TRANSPARK DEBT

SECTION 27.7. G.S. 147-69.2(b)(11), as amended by Section 7 of S.L. 2005-144, Section 2 of S.L. 2005-201, and Section 28.17 of S.L. 2005-276 reads as rewritten:

"(b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated in subsection (a) of this section in excess of the amount required to meet the current needs and demands on such funds, selecting from among the following:

...

(11) With respect to assets of the Escheat Fund, obligations of the North Carolina Global TransPark Authority authorized by G.S. 63A-4(a)(22), not to exceed twenty-five million dollars (\$25,000,000), that have a final maturity not later than October 1, ~~2007~~2009. The obligations shall bear interest at the rate set by the State Treasurer. No commitment to purchase obligations may be made pursuant to this subdivision after September 1, 1993, and no obligations may be purchased after September 1, 1994. In the event of a loss to the Escheat Fund by reason of an investment made pursuant to this subdivision, it is the intention of the General Assembly to hold the Escheat Fund harmless from the loss by appropriating to the Escheat Fund funds equivalent to the loss.

If any part of the property owned by the North Carolina Global TransPark Authority now or in the future is divested, proceeds of the divestment shall be used to fulfill any unmet obligations on an investment made pursuant to this subdivision.

...."

DIVISION OF MOTOR VEHICLES REPORT ON REAL ID ACT COMPLIANCE

SECTION 27.8. The Department of Transportation shall report on the expenditure plan for the use of the reserved funds appropriated for the Secure ID and Card Production System. The plan shall include the projected costs associated with the federal government's requirements for complying with P.L. 109-13, the REAL ID Act of 2005. The Department shall report to the Joint Legislative Transportation Oversight Committee and the Joint Appropriations Subcommittee for Transportation by May 1, 2008.

DEPARTMENT OF TRANSPORTATION PRODUCTIVITY PILOT PROGRAMS

SECTION 27.9.(a) The Department of Transportation may continue the productivity pilot programs in the road oil and bridge inspection units implemented under Section 29.3 of S.L. 2003-284. The Department of Transportation may expend up to one-half of one percent (.50%) of the budget allocation for these programs for employee incentive payments to maintain the increased efficiency and productivity under these programs.

SECTION 27.9.(b) The Department of Transportation may continue any additional pilot programs authorized by Section 28.9(b) of S.L. 2005-276 to test incentive pay for employees as a means of increasing and maintaining efficiency and productivity.

Up to one-half of one percent (.50%) of the budget allocation for these programs may be used to provide employee incentive payments.

1 Incentive payments shall be based on quantifiable measures and production
2 schedules determined prior to the implementation of the pilot programs.

3 4 **STUDY DEPARTMENT OF TRANSPORTATION'S BUDGET PROCESS**

5 **SECTION 27.10.(a)** The Joint Legislative Transportation Oversight
6 Committee may study the Department of Transportation's budgeting process. If the
7 Committee undertakes the study of issues related to the Department of Transportation's
8 budgeting process, the Committee shall study all issues related to how the Department
9 prepares its budget, how the Department differentiates between its issued and unused
10 budget authority and its used and unused cash availability for programs administered by
11 the Department, the role of encumbered accounts in the budget process, the cash
12 management system currently in place, and any other issues the Committee deems
13 proper related to the administration of appropriations to the Department.

14 **SECTION 27.10.(b)** The Joint Legislative Transportation Oversight
15 Committee shall report its findings and recommendations, including all legislative
16 proposals, to the 2008 Regular Session of the 2007 General Assembly by April 1, 2008.

17 18 **DIVISION OF MOTOR VEHICLES LICENSE PLATE RECALL PROGRAM**

19 **SECTION 27.11.(a)** Of the funds appropriated from the Highway Fund to
20 the Department of Transportation under this act, the Division of Motor Vehicles may
21 expend the sum of one hundred eighty-three thousand one hundred ninety-nine dollars
22 (\$183,199) for fiscal year 2007-2008 and the sum of ninety-nine thousand dollars
23 (\$99,000) for fiscal year 2008-2009 to recall vehicle license plates. The Division shall
24 develop a schedule by which approximately 94,000 of the oldest license plates are
25 recalled annually for the next five years. Each fiscal year after 2008-2009, the General
26 Assembly intends to appropriate from the Highway Fund to the Department of
27 Transportation the sum of ninety-nine thousand dollars (\$99,000) in recurring funds for
28 the Division to implement a continuous license plate recall program.

29 **SECTION 27.11.(b)** The Division shall report to the Joint Appropriations
30 Subcommittee on Transportation and the Fiscal Research Division no later than May 1,
31 2008, on the progress of the vehicle license plate recall schedule and the implementation
32 of the continuous license plate recall program.

33 34 **PHASE OUT TRANSFERS FROM THE HIGHWAY FUND AND THE** 35 **HIGHWAY TRUST FUND TO THE GENERAL FUND AND OTHER STATE** 36 **AGENCIES**

37 **SECTION 27.12.** It is the intent of the General Assembly to phase out funds
38 transfers from the Highway Fund and the Highway Trust Fund to the General Fund and
39 to other State agencies over a five-year period of time. The funds transfers from the
40 Highway Fund and the Highway Trust Fund to the General Fund and to other State
41 agencies would be reduced to fifty percent (50%) of the current funds transfers,
42 effective July 1, 2009. The funds transfers from the Highway Fund and the Highway
43 Trust Fund to the General Fund and other State agencies would be reduced an additional
44 fifty percent (50%) of the amount being transferred on June 30, 2011, effective July 1,
45 2011. The funds transfers from the Highway Fund and the Highway Trust Fund to the
46 General Fund and other State agencies would be eliminated completely, effective July 1,
47 2013.

48 49 **PART XXIII SALARIES AND BENEFITS**

50 51 **GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES**

1 **SECTION 28.1.(a)** Effective July 1, 2007, G.S. 147-11(a) reads as
 2 rewritten:

3 "(a) The salary of the Governor shall be ~~one hundred thirty thousand six hundred~~
 4 ~~twenty nine dollars (\$130,629)~~ one hundred thirty-three thousand eight hundred
 5 ninety-five dollars (\$133,895) annually, payable monthly."

6 **SECTION 28.1.(b)** Effective July 1, 2007, the annual salaries for the
 7 members of the Council of State, payable monthly, for the 2007-2008 and 2008-2009
 8 fiscal years are:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$118,171
Attorney General	118,171
Secretary of State	118,171
State Treasurer	118,171
State Auditor	118,171
Superintendent of Public Instruction	118,171
Agriculture Commissioner	118,171
Insurance Commissioner	118,171
Labor Commissioner	118,171

20
 21 **NONELECTED DEPARTMENT HEAD/SALARY INCREASES**

22 **SECTION 28.2.** In accordance with G.S. 143B-9, the maximum annual
 23 salaries, payable monthly, for the nonelected heads of the principal State departments
 24 for the 2007-2008 and 2008-2009 fiscal years are:

<u>Nonelected Department Heads</u>	<u>Annual Salary</u>
Secretary of Administration	\$115,453
Secretary of Correction	115,453
Secretary of Crime Control and Public Safety	115,453
Secretary of Cultural Resources	115,453
Secretary of Commerce	115,453
Secretary of Environment, Health, and Natural Resources	115,453
Secretary of Health and Human Services	115,453
Secretary of Juvenile Justice and Delinquency Prevention	115,453
Secretary of Revenue	115,453
Secretary of Transportation	115,453

37
 38 **CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES**

39 **SECTION 28.3.** The annual salaries, payable monthly, for the 2007-2008
 40 and 2008-2009 fiscal years for the following executive branch officials are:

<u>Executive Branch Officials</u>	<u>Annual Salary</u>
Chairman, Alcoholic Beverage Control Commission	\$ 105,083
State Controller	147,064
Commissioner of Motor Vehicles	105,083
Commissioner of Banks	118,171
Chairman, Employment Security Commission	133,161
State Personnel Director	115,453
Chairman, Parole Commission	95,953
Members of the Parole Commission	44,293
Chairman, Utilities Commission	131,605

1	Members of the Utilities Commission	118,171
2	Executive Director, Agency for Public Telecommunications	88,588
3	Director, Museum of Art	107,676
4	Executive Director, North Carolina Agricultural Finance Authority	102,284
5	State Chief Information Officer	146,975
6	Director, Office of Administrative Hearings	103,910

JUDICIAL BRANCH OFFICIALS/SALARY INCREASES

SECTION 28.4.(a) The annual salaries, payable monthly, for specified judicial branch officials for the 2007-2008 and 2008-2009 fiscal years are:

<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
Chief Justice, Supreme Court	\$ 137,160
Associate Justice, Supreme Court	133,576
Chief Judge, Court of Appeals	130,236
Judge, Court of Appeals	128,011
Judge, Senior Regular Resident Superior Court	124,532
Judge, Superior Court	121,053
Chief Judge, District Court	109,923
Judge, District Court	106,445
District Attorney	114,437
Administrative Officer of the Courts	121,567
Assistant Administrative Officer of the Courts	111,040
Public Defender	114,437

SECTION 28.4.(b) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district do not exceed sixty-eight thousand fifty-one dollars (\$68,051) and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-five thousand five hundred sixty-one dollars (\$35,561) effective July 1, 2007.

SECTION 28.4.(c) Effective July 1, 2007, the annual salaries of permanent, full-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by two and one-half percent (2.5%).

SECTION 28.4.(d) Effective July 1, 2007, the annual salaries of permanent, part-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by two and one-half percent (2.5%).

CLERK OF SUPERIOR COURT/SALARY INCREASES

SECTION 28.5. Effective July 1, 2007, G.S. 7A-101(a) reads as rewritten:

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

Population	Annual Salary
Less than 100,000	\$77,112 <u>\$79,040</u>
100,000 to 149,999	86,532 <u>88,695</u>
150,000 to 249,999	95,954 <u>98,353</u>
250,000 and above	105,378 <u>108,012</u>

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

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

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

ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES

SECTION 28.6. Effective July 1, 2007, G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$29,925 <u>\$30,673</u>
Maximum	51,254 <u>52,532</u>
Deputy Clerks	Annual Salary
Minimum	\$25,758 <u>\$26,402</u>
Maximum	39,862. <u>40,859."</u>

MAGISTRATES' SALARY INCREASES

SECTION 28.7.(a) Effective July 1, 2007, G.S. 7A-171.1(a) reads as rewritten:

"(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

- (1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	\$30,320 <u>\$31,078</u>
Step 1	33,101 <u>33,929</u>
Step 2	36,126 <u>37,029</u>
Step 3	39,429 <u>40,415</u>
Step 4	43,046 <u>44,122</u>

- 1 Step 5 47,122 48,300
 2 Step 6 51,692. 52,984.
 3 (2) A part-time magistrate is a magistrate who is assigned to work an
 4 average of less than 40 hours of work a week during the term, except
 5 that no magistrate shall be assigned an average of less than 10 hours of
 6 work a week during the term. A part-time magistrate is included, in
 7 accordance with G.S. 7A-170, under the provisions of G.S. 135-1(10)
 8 and G.S. 135-40.2(a). The Administrative Officer of the Courts
 9 designates whether a magistrate is a part-time magistrate. A part-time
 10 magistrate shall receive an annual salary based on the following
 11 formula: The average number of hours a week that a part-time
 12 magistrate is assigned work during the term shall be multiplied by the
 13 annual salary payable to a full-time magistrate who has the same
 14 number of years of service prior to the beginning of that term as does
 15 the part-time magistrate and the product of that multiplication shall be
 16 divided by the number 40. The quotient shall be the annual salary
 17 payable to that part-time magistrate.
 18 (3) Notwithstanding any other provision of this subsection, a magistrate
 19 who is licensed to practice law in North Carolina or any other state
 20 shall receive the annual salary provided in the Table in subdivision (1)
 21 of this subsection for Step 4."
 22

23 **SECTION 28.7.(b)** Effective July 1, 2007, G.S. 7A-171.1(a1)(1) reads as
 24 rewritten:

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

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

30 Less than 1 year of service	\$24,450	\$25,061
31 1 or more but less than 3 years of service	25,572	<u>26,211</u>
32 3 or more but less than 5 years of service	27,831.	<u>28,527.</u>

33 Upon completion of five years of service, those magistrates shall
 34 receive the salary set as the Entry Rate in the table in subsection (a)."
 35

36 **GENERAL ASSEMBLY PRINCIPAL CLERKS/ SALARY INCREASES**

37 **SECTION 28.8.** Effective July 1, 2007, G.S. 120-37(c) reads as rewritten:

38 "(c) The principal clerks shall be full-time officers. Each principal clerk shall be
 39 entitled to other benefits available to permanent legislative employees and shall be paid
 40 an annual salary of ~~ninety-seven thousand four hundred two dollars (\$97,402)~~
 41 ninety-nine thousand eight hundred thirty-seven dollars (\$99,837) payable monthly.
 42 Each principal clerk shall also receive such additional compensation as approved by the
 43 Speaker of the House of Representatives or the President Pro Tempore of the Senate,
 44 respectively, for additional employment duties beyond those provided by the rules of
 45 their House. The Legislative Services Commission shall review the salary of the
 46 principal clerks prior to submission of the proposed operating budget of the General
 47 Assembly to the Governor and shall make appropriate recommendations for changes in
 48 those salaries. Any changes enacted by the General Assembly shall be by amendment to
 49 this paragraph."
 50

51 **SERGEANT-AT-ARMS AND READING CLERKS/ SALARY INCREASES**

1 **SECTION 28.9.** Effective July 1, 2007, G.S. 120-37(b) reads as rewritten:

2 "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a
3 salary of ~~three hundred forty five dollars (\$345.00)~~ three hundred fifty-four dollars
4 (\$354.00) per week plus subsistence at the same daily rate provided for members of the
5 General Assembly, plus mileage at the rate provided for members of the General
6 Assembly for one round trip only from their homes to Raleigh and return. The
7 sergeants-at-arms shall serve during sessions of the General Assembly and at such time
8 prior to the convening of, and subsequent to adjournment or recess of, sessions as may
9 be authorized by the Legislative Services Commission. The reading clerks shall serve
10 during sessions only."
11

12 **LEGISLATIVE EMPLOYEES/ SALARY INCREASES**

13 **SECTION 28.10.** Effective July 1, 2007, the Legislative Services Officer
14 shall increase the salaries of nonelected employees of the General Assembly in effect
15 for fiscal year 2006-2007 by two and one-half percent (2.5%). Nothing in this act limits
16 any of the provisions of G.S. 120-32.
17

18 **COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES**

19 **SECTION 28.11.(a)** The Director of the Budget shall transfer from the
20 Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and
21 2008-2009, funds to the North Carolina Community Colleges System Office necessary
22 to provide an annual salary increase of two and one-half percent (2.5%) including funds
23 for the employer's retirement and social security contributions, commencing July 1,
24 2007, for all community college employees supported by State funds.

25 **SECTION 28.11.(b)** The Director of the Budget shall transfer from the
26 Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and
27 2008-2009, funds to the North Carolina Community Colleges System Office necessary
28 to provide an additional annual salary increase of two and one-half percent (2.5%), for
29 Community College faculty and professional staff, including funds for the employer's
30 retirement and social security contributions, supported by State funds.
31

32 **UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES**

33 **SECTION 28.12.(a)** The Director of the Budget shall transfer to the Board
34 of Governors of The University of North Carolina sufficient funds from the Reserve for
35 Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009,
36 to provide an annual salary increase of two and one-half percent (2.5%), including funds
37 for the employer's retirement and social security contributions, commencing July 1,
38 2007, for all employees of The University of North Carolina, as well as employees other
39 than teachers of the North Carolina School of Science and Mathematics, supported by
40 State funds and whose salaries are exempt from the State Personnel Act (EPA).

41 **SECTION 28.12.(b)** The Director of the Budget shall transfer to the Board
42 of Governors of The University of North Carolina sufficient funds from the Reserve for
43 Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009,
44 to provide an average annual salary increase of five percent (5%) but at least an annual
45 increase of one thousand two hundred forty dollars (\$1,240), including funds for the
46 employer's retirement and social security contributions, commencing July 1, 2007, for
47 all teaching employees of the North Carolina School of Science and Mathematics,
48 supported by State funds and whose salaries are exempt from the State Personnel Act
49 (EPA). These funds shall be allocated to individuals according to the rules adopted by
50 the Board of Trustees of the North Carolina School of Science and Mathematics and

1 may not be used for any purpose other than for salary increases and necessary employer
2 contributions provided by this section.

3 4 **STATE AGENCY TEACHERS' COMPENSATION**

5 **SECTION 28.13.** Funds in the Reserve for Compensation Increases shall be
6 used for experience step increases for employees of schools operated by the Department
7 of Health and Human Services, the Department of Correction, or the Department of
8 Juvenile Justice and Delinquency Prevention, who are paid on the Teacher Salary
9 Schedule or the School Based Administrator Salary Schedule.

10 11 **MOST STATE EMPLOYEES/SALARY INCREASES**

12 **SECTION 28.14.(a)** The salaries in effect June 30, 2007, of all permanent
13 full-time State employees whose salaries are set in accordance with the State Personnel
14 Act, and who are paid from the General Fund or the Highway Fund, shall be increased,
15 on or after July 1, 2007, unless otherwise provided by this act, by two and one-half
16 percent (2.5%).

17 **SECTION 28.14.(b)** Except as otherwise provided in this act, the fiscal year
18 2007-2008 salaries for permanent full-time State officials and persons in exempt
19 positions that are recommended by the Governor or the Governor and the Advisory
20 Budget Commission and set by the General Assembly shall be increased by two and
21 one-half percent (2.5%), commencing July 1, 2007.

22 **SECTION 28.14.(c)** The salaries in effect for fiscal year 2007-2008 for all
23 permanent part-time State employees shall be increased on and after July 1, 2007, by the
24 two and one-half percent (2.5%) salary increase provided for permanent full-time
25 employees covered under this part.

26 **SECTION 28.14.(d)** The Director of the Budget may allocate out of special
27 operating funds or from other sources of the employing agency, except tax revenues,
28 sufficient funds to allow a salary increase, on and after July 1, 2007, in accordance with
29 subsection (a), (b), or (c) of this section including funds for the employer's retirement
30 and social security contributions, for the permanent full-time and part-time employees
31 of the agency, provided the employing agency elects to make available the necessary
32 funds.

33 **SECTION 28.14.(e)** Within regular State Budget Act procedures as limited
34 by this act, all State agencies and departments may increase on an equitable basis the
35 rate of pay of temporary and permanent hourly State employees, subject to availability
36 of funds in the particular agency or department, by pro rata amounts of the two and
37 one-half percent (2.5%) salary increase provided for permanent full-time employees
38 covered by the provisions of subsection (a) of this section, commencing July 1, 2007.

39 40 **ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES**

41 **SECTION 28.15.(a)** Salaries and related benefits for positions that are
42 funded partially from the General Fund or Highway Fund and partially from sources
43 other than the General Fund or Highway Fund shall be increased from the General Fund
44 or Highway Fund appropriation only to the extent of the proportionate part of the
45 salaries paid from the General Fund or Highway Fund.

46 **SECTION 28.15.(b)** The granting of the salary increases under this act does
47 not affect the status of eligibility for salary increments for which employees may be
48 eligible unless otherwise required by this act.

49 **SECTION 28.15.(c)** The salary increases provided in this act are to be
50 effective July 1, 2007, do not apply to persons separated from State service due to

1 resignation, dismissal, reduction in force, death, or retirement, or whose last workday is
2 prior to July 1, 2007.

3 Payroll checks issued to employees after July 1, 2007, which represent
4 payment of services provided prior to July 1, 2007, shall not be eligible for salary
5 increases provided for in this act. This subsection shall apply to all employees, subject
6 to or exempt from the State Personnel Act, paid from State funds, including public
7 schools, community colleges, and The University of North Carolina.

8 **SECTION 28.15.(d)** The Director of the Budget shall transfer from the
9 Reserve for Compensation Increases in this act for fiscal year 2007-2008 all funds
10 necessary for the salary increases provided by this act, including funds for the
11 employer's retirement and social security contributions.

12 **SECTION 28.15.(e)** Nothing in this act authorizes the transfer of funds
13 between the General Fund and the Highway Fund for salary increases.

14 **SECTION 28.15.(f)** Permanent full-time employees who work a nine-, ten-,
15 or eleven-month work year schedule shall receive the two and one-half percent (2.5%)
16 annual increase provided by this act.

17 **COMPENSATION BONUS FOR FISCAL YEAR 2007-2008**

18 **SECTION 28.16.(a)** Except as provided by subsection (b) of this section,
19 any person (i) whose salary is set pursuant to the State Personnel Act or under this act
20 and (ii) who is employed in a State-funded position on July 1, 2007, shall be awarded a
21 one-time, lump-sum compensation bonus for the 2007-2008 fiscal year in the amount of
22 four hundred dollars (\$400.00). The compensation bonus shall be adjusted pro rata for
23 permanent part-time employees. The Director of the Budget shall transfer sufficient
24 funds from the Reserve for Compensation Increases provided in this act to implement
25 this section. The compensation bonus awarded by this section shall not be administered
26 under G.S. 126-7. The compensation bonus shall be awarded to eligible employees
27 without regard to an employee's placement within the salary range, including employees
28 at the top of the salary range.

29 **SECTION 28.16.(b)** The following persons shall not be eligible for the
30 compensation bonus authorized by this section:

- 31 (1) Any person whose salary is set under Sections 28.1, 28.2, 28.3,
32 28.4.(a), 28.5, or 28.11.(b) of this act.
33 (2) Any public school employee or State employee paid on the Teacher
34 Salary Schedule or the School Based Administrator Salary Schedule.
35

36 **CERTAIN SALARIES SET BY GENERAL ASSEMBLY**

37 **SECTION 28.17.(a)** G.S. 7A-65(a) reads as rewritten:

38 "(a) The annual salary of:

- 39 (1) District attorneys shall be ~~the midpoint amount between the salary of a~~
40 ~~senior resident superior court judge and the salary of a chief district~~
41 ~~court judge, as provided by law, as provided in the Current Operations~~
42 Appropriations Act.
43 (2) Full-time assistant district attorneys shall be as provided in the Current
44 Operations Appropriations Act.
45

46 When traveling on official business, each district attorney and assistant district
47 attorney is entitled to reimbursement for his subsistence and travel expenses to the same
48 extent as State employees generally."

49 **SECTION 28.17.(b)** G.S. 7A-751(a) reads as rewritten:

50 "(a) The head of the Office of Administrative Hearings is the Chief
51 Administrative Law Judge, who shall serve as Director of the Office. The Chief

1 Administrative Law Judge has the powers and duties conferred on that position by this
2 Chapter and the Constitution and laws of this State and may adopt rules to implement
3 the conferred powers and duties.

4 The salary of the Chief Administrative Law Judge shall be ~~the same as that fixed~~
5 ~~from time to time for district court judges.~~ fixed by the General Assembly in the Current
6 Operations Appropriations Act. The salary of a Senior Administrative Law Judge shall
7 be ninety-five percent (95%) of the salary of the Chief Administrative Law Judge.

8 In lieu of merit and other increment raises, the Chief Administrative Law Judge and
9 any Senior Administrative Law Judge shall receive longevity pay on the same basis as is
10 provided to employees of the State who are subject to the State Personnel Act."
11

12 SALARY ADJUSTMENT FUND

13 **SECTION 28.18.(a)** Any remaining appropriations in the General Fund
14 Reserve for Compensation Increases authorized for employee salary increases not
15 required for that purpose may be used to supplement the General Fund Salary
16 Adjustment Fund to support salary adjustments for positions supported by the General
17 Fund. Any remaining appropriations in the Highway Fund Reserves and Transfers
18 authorized for employee salary increases not required for that purpose may be used to
19 supplement the Highway Fund Salary Adjustment Fund to support salary adjustments
20 for positions supported by the Highway Fund.

21 **SECTION 28.18.(b)** Funds appropriated or otherwise transferred to the
22 General Fund Salary Adjustment Fund or to the Highway Fund Salary Adjustment Fund
23 by this act or any other provision of law shall be used to fund agency requests for the
24 following purposes:

- 25 (1) Salary range revisions, special minimum rates, grade to band transfers
26 and geographic site differential adjustments to provide competitive
27 salary rates for affected job classifications/groups in response to
28 changes in labor market rates as documented through data collection
29 and analysis according to accepted human resource professional
30 practices and standards.
- 31 (2) Reallocation of positions to higher level job classifications to
32 compensate employees for more difficult duties at competitive salary
33 rates as documented through data collection and analysis according to
34 accepted human resource professional practices and standards.

35 The terms 'salary range revision' and 'reallocation' as used in this section shall conform
36 to the definitions of those terms as previously contained in the State Personnel Manual
37 and adopted by the State Personnel Commission effective immediately prior to
38 November 1, 2005. Funds shall only be used for salary adjustments that are in
39 compliance with State Personnel Commission policies. Funding shall first be provided
40 to the earliest actions approved on or before July 1, 2007, by the State Personnel
41 Commission or the Office of State Personnel and shall not be used for other purposes
42 including, but not limited to, in-range adjustments, career progression adjustments, or
43 other adjustments as these terms may be defined by State personnel policy.

44 **SECTION 28.18.(c)** The Director of the Budget shall consult with the Joint
45 Legislative Commission on Governmental Operations prior to transferring any salary
46 adjustment funds for any State agency.

47 **SECTION 28.18.(d)** The Director of the Budget may:

- 48 (1) Transfer to General Fund budget codes from the General Fund Salary
49 Adjustment Fund amounts required to support salary adjustments
50 authorized by this section with the oldest of the pending adjustments to
51 be funded first.

- 1 (2) Transfer to Highway Fund budget codes from the Highway Fund
2 Salary Adjustment Fund amounts required to support salary
3 adjustments authorized by this section.

4 **SECTION 28.18.(e)** The Judicial Department is eligible for the funding
5 authorized in subsection (a) of this section.

6 **SECTION 28.18.(f)** Employees subject to the State Personnel Act in The
7 University of North Carolina System are eligible for funding authorized in subsection
8 (a) of this section and for the purposes outlined in subsection (b) of this section.
9

10 **SALARY-RELATED CONTRIBUTIONS/EMPLOYER**

11 **SECTION 28.19.(a)** Required employer salary-related contributions for
12 employees whose salaries are paid from department, office, institution, or agency
13 receipts shall be paid from the same source as the source of the employees' salary. If an
14 employee's salary is paid in part from the General Fund or Highway Fund and in part
15 from department, office, institution, or agency receipts, required employer salary-related
16 contributions may be paid from the General Fund or Highway Fund only to the extent of
17 the proportionate part paid from the General Fund or Highway Fund in support of the
18 salary of the employee, and the remainder of the employer's requirements shall be paid
19 from the source that supplies the remainder of the employee's salary. The requirements
20 of this section as to source of payment are also applicable to payments on behalf of the
21 employee for hospital-medical benefits, longevity pay, unemployment compensation,
22 accumulated leave, workers' compensation, severance pay, separation allowances, and
23 applicable disability income benefits.

24 Notwithstanding any other provision of law, an employer who hires or has
25 hired a retiree as an employee shall enroll the retiree in the active group and pay the cost
26 for the hospital-medical benefits if that retiree is employed in a position that would
27 require the employer to pay hospital-medical benefits if the individual had not been
28 retired.

29 **SECTION 28.19.(b)** Effective July 1, 2007, the State's employer
30 contribution rates budgeted for retirement and related benefits as percentage of covered
31 salaries for the 2007-2008 fiscal year are: (i) seven and ninety-six hundredths percent
32 (7.96%) – Teachers and State Employees; (ii) twelve and ninety-six hundredths percent
33 (12.96%) – State Law Enforcement Officers; (iii) eleven and sixty-six hundredths
34 percent (11.66%) – University Employees' Optional Retirement System; (iv) eleven and
35 sixty-six hundredths percent (11.66%) – Community College Optional Retirement
36 Program; (v) sixteen and eighty-nine hundredths percent (16.89%) – Consolidated
37 Judicial Retirement System; and (vi) four and thirty hundredths percent (4.30%) –
38 Legislative Retirement System. Each of the foregoing contribution rates includes four
39 and thirty hundredths percent (4.30%) for hospital and medical benefits. The rate for
40 Teachers and State Employees, State Law Enforcement Officers, Community College
41 Optional Retirement Program, and for the University Employees' Optional Retirement
42 Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan.
43 The rates for Teachers and State Employees and State Law Enforcement Officers
44 include sixteen-hundredths percent (0.16%) for the Death Benefits Plan. The rate for
45 State Law Enforcement Officers includes five percent (5%) for Supplemental
46 Retirement Income.

47 **SECTION 28.19.(c)** Effective July 1, 2008, the State's employer
48 contribution rates budgeted for retirement and related benefits as percentage of covered
49 salaries for the 2007-2008 fiscal year are: (i) seven and ninety-six hundredths percent
50 (7.96%) – Teachers and State Employees; (ii) twelve and ninety-six hundredths percent
51 (12.96%) – State Law Enforcement Officers; (iii) eleven and sixty-six hundredths

1 percent (11.66%) – University Employees' Optional Retirement System; (iv) eleven and
2 sixty-six hundredths percent (11.66%) – Community College Optional Retirement
3 Program; (v) sixteen and eighty-nine hundredths percent (16.89%) – Consolidated
4 Judicial Retirement System; and (vi) four and thirty hundredths percent (4.30%) –
5 Legislative Retirement System. Each of the foregoing contribution rates includes four
6 and thirty hundredths percent (4.30%) for hospital and medical benefits. The rate for
7 Teachers and State Employees, State Law Enforcement Officers, Community College
8 Optional Retirement Program, and for the University Employees' Optional Retirement
9 Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan.
10 The rates for Teachers and State Employees and State Law Enforcement Officers
11 include sixteen-hundredths percent (0.16%) for the Death Benefits Plan. The rate for
12 State Law Enforcement Officers includes five percent (5%) for Supplemental
13 Retirement Income.

14 **SECTION 28.19.(d)** The maximum annual employer contributions, payable
15 monthly, by the State for each covered employee or retiree for the 2007-2008 fiscal year
16 to the Teachers' and State Employees' Comprehensive Major Medical Plan's Indemnity
17 Plan are: (i) Medicare-eligible employees and retirees – three thousand two hundred
18 sixty-two dollars (\$3,262) and (ii) non-Medicare-eligible employees and retirees – four
19 thousand two hundred eighty-four dollars (\$4,284).

20 **SECTION 28.19.(e)** The maximum annual employer contributions, payable
21 monthly, by the State for each covered employee or retiree for the 2008-2009 fiscal year
22 to the Teachers' and State Employees' Comprehensive Major Medical Plan's Indemnity
23 Plan are: (i) Medicare-eligible employees and retirees – three thousand three hundred
24 seventy-one dollars (\$3,371) and (ii) non-Medicare-eligible employees and retirees –
25 four thousand four hundred twenty-eight dollars (\$4,428).

26 **SECTION 28.19.(f)** The maximum annual employer contributions, payable
27 monthly, by the State for each covered employee or retiree for the 2007-2008 fiscal year
28 to the Teachers' and State Employees' Comprehensive Major Medical Plan's Preferred
29 Provider Options Program are: (i) Medicare-eligible employees and retirees – three
30 thousand one hundred nineteen dollars (\$3,119) and (ii) non-Medicare-eligible
31 employees and retirees – four thousand ninety-seven dollars (\$4,097).

32 **SECTION 28.19.(g)** The maximum annual employer contributions, payable
33 monthly, by the State for each covered employee or retiree for the 2008-2009 fiscal year
34 to the Teachers' and State Employees' Comprehensive Major Medical Plan's Preferred
35 Provider Options Program are: (i) Medicare-eligible employees and retirees – three
36 thousand two hundred ten dollars (\$3,210) and (ii) non-Medicare-eligible employees
37 and retirees – four thousand two hundred seventeen dollars (\$4,217).

38
39 **PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE**
40 **TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE**
41 **JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT**
42 **SYSTEM, AND THE LOCAL GOVERNMENTAL EMPLOYEES'**
43 **RETIREMENT SYSTEM**

44 **SECTION 28.20.(a)** G.S. 135-5 is amended by adding a new subsection to
45 read:

46 "(qqq) From and after July 1, 2007, the retirement allowance to or on account of
47 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased
48 by two percent (2%) of the allowance payable on June 1, 2007, in accordance with
49 G.S. 135-5(o). Furthermore, from and after July 1, 2007, the retirement allowance to or
50 on account of beneficiaries whose retirement commenced after July 1, 2006, but before
51 June 30, 2007, shall be increased by a prorated amount of two percent (2%) of the

1 allowance payable as determined by the Board of Trustees based upon the number of
2 months that a retirement allowance was paid between July 1, 2006, and June 30, 2007."

3 **SECTION 28.20.(b)** G.S. 135-65 is amended by adding a new subsection to
4 read:

5 "(bb) From and after July 1, 2007, the retirement allowance to or on account of
6 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased
7 by two percent (2%) of the allowance payable on June 1, 2007. Furthermore, from and
8 after July 1, 2007, the retirement allowance to or on account of beneficiaries whose
9 retirement commenced after July 1, 2006, but before June 30, 2007, shall be increased
10 by a prorated amount of two percent (2%) of the allowance payable as determined by
11 the Board of Trustees based upon the number of months that a retirement allowance was
12 paid between July 1, 2006, and June 30, 2007."

13 **SECTION 28.20.(c)** G.S. 120-4.22A is amended by adding a new subsection
14 to read:

15 "(v) In accordance with subsection (a) of this section, from and after July 1, 2007,
16 the retirement allowance to or on account of beneficiaries whose retirement commenced
17 on or before January 1, 2007, shall be increased by two percent (2%) of the allowance
18 payable on June 1, 2007. Furthermore, from and after July 1, 2007, the retirement
19 allowance to or on account of beneficiaries whose retirement commenced after January
20 1, 2007, but before June 30, 2007, shall be increased by a prorated amount of two
21 percent (2%) of the allowance payable as determined by the Board of Trustees based
22 upon the number of months that a retirement allowance was paid between January 1,
23 2007, and June 30, 2007."

24 **SECTION 28.20.(d)** G.S. 128-27 is amended by adding a new subsection to
25 read:

26 "(hhh) From and after July 1, 2007, the retirement allowance to or on account of
27 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased
28 by two and two-tenths percent (2.2%) of the allowance payable on June 1, 2007, in
29 accordance with subsection (k) of this section. Furthermore, from and after July 1, 2007,
30 the retirement allowance to or on account of beneficiaries whose retirement commenced
31 after July 1, 2006, but before June 30, 2007, shall be increased by a prorated amount of
32 two and two-tenths percent (2.2%) of the allowance payable as determined by the Board
33 of Trustees based upon the number of months that a retirement allowance was paid
34 between July 1, 2006, and June 30, 2007."

35 36 **INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S** 37 **AND RESCUE SQUAD WORKERS' PENSION FUND**

38 **SECTION 28.21.** G.S. 58-86-55 reads as rewritten:

39 **"§ 58-86-55. Monthly pensions upon retirement.**

40 Any member who has served 20 years as an "eligible fireman" or "eligible rescue
41 squad worker" in the State of North Carolina, as provided in G.S. 58-86-25 and
42 G.S. 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly
43 pension from this fund. The monthly pension shall be in the amount of ~~one hundred~~
44 ~~sixty five dollars (\$165.00)~~ one hundred sixty-seven dollars (\$167.00) per month. Any
45 retired fireman receiving a pension shall, effective ~~July 1, 2006,~~ July 1, 2007, receive a
46 pension of ~~one hundred sixty five dollars (\$165.00)~~ one hundred sixty-seven dollars
47 (\$167.00) per month.

48 Members shall pay ten dollars (\$10.00) per month as required by G.S. 58-86-35 and
49 G.S. 58-86-40 for a period of no longer than 20 years. No "eligible rescue squad
50 member" shall receive a pension prior to July 1, 1983. No member shall be entitled to a
51 pension hereunder until the member's official duties as a fireman or rescue squad

1 worker for which the member is paid compensation shall have been terminated and the
2 member shall have retired as such according to standards or rules fixed by the board of
3 trustees.

4 A member who is totally and permanently disabled while in the discharge of the
5 member's official duties as a result of bodily injuries sustained or as a result of extreme
6 exercise or extreme activity experienced in the course and scope of those official duties
7 and who leaves the fire or rescue squad service because of this disability shall be
8 entitled to be paid from the fund a monthly benefit in an amount of ~~one hundred~~
9 ~~sixty five dollars (\$165.00)~~ one hundred sixty-seven dollars (\$167.00) per month
10 beginning the first month after the member's fifty-fifth birthday. All applications for
11 disability are subject to the approval of the board who may appoint physicians to
12 examine and evaluate the disabled member prior to approval of the application, and
13 annually thereafter. Any disabled member shall not be required to make the monthly
14 payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

15 A member who is totally and permanently disabled for any cause, other than line of
16 duty, who leaves the fire or rescue squad service because of this disability and who has
17 at least 10 years of service with the pension fund, may be permitted to continue making
18 a monthly contribution of ten dollars (\$10.00) to the fund until the member has made
19 contributions for a total of 240 months. The member shall upon attaining the age of 55
20 years be entitled to receive a pension as provided by this section. All applications for
21 disability are subject to the approval of the board who may appoint physicians to
22 examine and evaluate the disabled member prior to approval of the application and
23 annually thereafter.

24 A member who, because his residence is annexed by a city under Part 2 or Part 3 of
25 ~~Article 4~~ Article 4A of Chapter 160A of the General Statutes, or whose department is
26 closed because of an annexation by a city under Part 2 or Part 3 of ~~Article 4~~ Article 4A
27 of Chapter 160A of the General Statutes, or whose volunteer department is taken over
28 by a city or county, and because of such annexation or takeover is unable to perform as
29 a fireman or rescue squad worker of any status, and if the member has at least 10 years
30 of service with the pension fund, may be permitted to continue making a monthly
31 contribution of ten dollars (\$10.00) to the fund until the member has made contributions
32 for a total of 240 months. The member upon attaining the age of 55 years and
33 completion of such contributions shall be entitled to receive a pension as provided by
34 this section. Any application to make monthly contributions under this section shall be
35 subject to a finding of eligibility by the Board of Trustees upon application of the
36 member.

37 The pensions provided shall be in addition to all other pensions or benefits under any
38 other statutes of the State of North Carolina or the United States, notwithstanding any
39 exclusionary provisions of other pensions or retirement systems provided by law."

40 41 **STATE HEALTH PLAN CHANGES**

42 **SECTION 28.22.(a)** The Teachers' and State Employees' Comprehensive
43 Major Medical Plan (Plan) shall provide for an annual open enrollment period in the
44 Indemnity Plan and Optional PPO program for the July 1, 2007, to June 30, 2008, Plan
45 year. Plan member changes to coverage type or selection of benefit coverage under the
46 Indemnity Plan or Optional PPO program during open enrollment shall become
47 effective October 1, 2007. At least 45 days prior to October 1, 2007, the Plan shall
48 provide to all plan members sufficient information on premiums, cost-sharing, and
49 benefits to enable the plan member or other eligible participant to make an enrollment
50 election effective October 1, 2007. As used in this subsection, the term "plan member"

1 includes active employees, retired employees, and other eligible participants with
2 respect to the Indemnity Plan and the optional PPO program.

3 **SECTION 28.22.(b)** G.S. 135-40.1(2) reads as rewritten:

4 "(2) Deductible. – Deductible shall mean an amount of covered expenses
5 during a fiscal year which must be incurred after which benefits
6 (subject to the deductible) becomes payable. The deductible for an
7 employee, retired employee and/or his or her dependents shall be ~~three~~
8 ~~hundred fifty dollars (\$350.00)~~four hundred fifty dollars (\$450.00) for
9 each fiscal year.

10 The deductible applies separately to each covered individual in
11 each fiscal year, subject to an aggregate maximum of ~~one thousand~~
12 ~~fifty dollars (\$1,050)~~one thousand three hundred fifty dollars (\$1,350)
13 per employee and child(ren) or employee and family coverage contract
14 in any fiscal year.

15 If two or more family members are injured in the same accident
16 only one deductible is required for charges related to that accident
17 during the benefit period."

18 **SECTION 28.22.(c)** G.S. 135-40.4 reads as rewritten:

19 **"§ 135-40.4. Benefits in general.**

20 (a) In the event a covered person, as a result of accidental bodily injury, disease
21 or pregnancy, incurs covered expenses, the Plan will pay benefits up to the amounts
22 described in G.S. 135-40.5 through G.S. 135-40.9.

23 The Plan is divided into two parts. The first part includes certain benefits which are
24 not subject to a deductible or coinsurance. The second part is a comprehensive plan and
25 includes those benefits which are subject to both a ~~three hundred fifty dollar (\$350.00)~~
26 ~~four hundred fifty dollar (\$450.00)~~ deductible for each covered individual to an
27 aggregate maximum of ~~one thousand fifty dollars (\$1,050)~~one thousand three hundred
28 fifty dollars (\$1,350) per employee and child(ren) or employee and family coverage
29 contract and coinsurance of 80%/20%. There is a limit on out-of-pocket expenses under
30 the second part.

31 Notwithstanding the provisions of this Article, the Executive Administrator and
32 Board of Trustees of the Teachers' and State Employees' Comprehensive Major Medical
33 Plan may contract with providers of institutional and professional medical care and
34 services to established preferred provider networks. The terms pertaining to
35 reimbursement rates or other terms of consideration of any contract between hospitals,
36 hospital authorities, doctors or other medical providers, an optional program contract
37 authorized under G.S. 135-39.5B(b), or a pharmacy benefit manager and the Plan shall
38 not be a public record under Chapter 132 of the General Statutes for a period of thirty
39 months after the date of the expiration of the contract. Provided, however, nothing in
40 this subsection shall be deemed to prevent or restrict the release of any information
41 made not a public record under this subsection to the State Auditor, the Attorney
42 General, the Director of the State Budget, the Plan's Executive Administrator, and the
43 Committee on Employee Hospital and Medical Benefits solely and exclusively for their
44 use in the furtherance of their duties and responsibilities. The design, adoption, and
45 implementation of the preferred provider contracts and networks are not subject to the
46 requirements of Chapter 143 of the General Statutes, provided that for any hospital
47 preferred provider network all hospitals will have an opportunity to contract with the
48 Plan if they meet the contract requirements. The Executive Administrator and Board of
49 Trustees shall, under the provisions of G.S. 135-39.5(12), pursue such preferred
50 provider contracts on a timely basis and shall make reports as requested to the President
51 of the Senate, the President Pro Tempore of the Senate, the Speaker of the House of

1 Representatives, and the Committee on Employee Hospital and Medical Benefits on its
2 progress in negotiating the preferred provider contracts. The Executive Administrator
3 and Board of Trustees shall implement a refined diagnostic-related grouping or
4 diagnostic-related grouping-based reimbursement system for hospitals as soon as
5 practicable, but no later than January 1, 1995.

6 (b) As used in this section the term "preferred provider contracts or networks"
7 includes, but is not limited to, a refined diagnostic-related grouping or
8 diagnostic-related grouping-based system of reimbursement for hospitals."

9 **SECTION 28.22.(d)** G.S. 135-40.5(g) reads as rewritten:

10 "(g) Prescription Drugs. – The Plan's allowable charges for prescription legend
11 drugs to be used outside of a hospital or skilled nursing facility are to be determined by
12 the Plan's Executive Administrator and Board of Trustees. The Plan will pay allowable
13 charges for each outpatient prescription drug less a copayment to be paid by each
14 covered individual equal to the following amounts: pharmacy charges up to ten dollars
15 (\$10.00) for each generic prescription, ~~twenty five dollars (\$25.00)~~ thirty dollars
16 (\$30.00) for each preferred branded prescription, and forty dollars (\$40.00) for each
17 preferred branded prescription with a generic equivalent drug, and fifty dollars (\$50.00)
18 for each nonpreferred branded or generic prescription.

19 Allowable charges shall not be greater than a pharmacy's usual and customary
20 charge to the general public for a particular prescription. Prescriptions shall be for no
21 more than a 34-day supply for the purposes of the copayments paid by each covered
22 individual. By accepting the copayments and any remaining allowable charges provided
23 by this subsection, pharmacies shall not balance bill an individual covered by the Plan.
24 A prescription legend drug is defined as an article the label of which, under the Federal
25 Food, Drug, and Cosmetic Act, is required to bear the legend: "Caution: Federal Law
26 Prohibits Dispensing Without Prescription." Such articles may not be sold to or
27 purchased by the public without a prescription order. Benefits are provided for insulin
28 even though a prescription is not required. The Plan may use a pharmacy benefit
29 manager to help manage the Plan's outpatient prescription drug coverage. In managing
30 the Plan's outpatient prescription drug benefits, the Plan and its pharmacy benefit
31 manager shall not provide coverage for erectile dysfunction, growth hormone,
32 antiwrinkle, weight loss, and hair growth drugs unless such coverage is medically
33 necessary to the health of the member. The Plan and its pharmacy benefit manager shall
34 not provide coverage for growth hormone and weight loss drugs and antifungal drugs
35 for the treatment of nail fungus and botulinum toxin without approval in advance by the
36 pharmacy benefit manager. Any formulary used by the Plan's Executive Administrator
37 and pharmacy benefit manager shall be an open formulary. Plan members shall not be
38 assessed more than two thousand five hundred dollars (\$2,500) per person per fiscal
39 year in copayments required by this subsection."

40 **SECTION 28.22.(e)** The first paragraph of G.S. 135-40.6 reads as rewritten:

41 "The benefits provided in this section are subject to a deductible of ~~three hundred~~
42 ~~five dollars (\$350.00)~~ four hundred fifty dollars (\$450.00) per covered individual to an
43 aggregate maximum of ~~one thousand fifty dollars (\$1,050)~~ one thousand three hundred
44 fifty dollars (\$1,350) per employee and child(ren) or employee and family coverage
45 contract per fiscal year and are payable on the basis of eighty percent (80%) by the Plan
46 and twenty percent (20%) by the covered individual up to a maximum of two thousand
47 dollars (\$2,000) out-of-pocket per fiscal year. The aggregate maximum out-of-pocket
48 required of individuals covered by this section shall not be more than six thousand
49 dollars (\$6,000) per employee and child(ren) or employee and family coverage contract
50 per fiscal year."

51 **SECTION 28.22.(f)** G.S. 135-40.8(c3) reads as rewritten:

"(c3) Notwithstanding any other provision of this Article, the Plan does not pay for the first ~~fifteen dollars (\$15.00)~~ twenty-five dollars (\$25.00) of allowable charges for each home, office, or skilled nursing facility visit under the provisions of G.S. 135-40.6(7)a. and b., G.S. 135-40.6(4), G.S. 135-40.6(8)i., j., k., n., r., and s., and G.S. 135-40.5(e). The co-payment assessed by this subsection shall be assessed only once per person per provider per day and shall not apply to laboratory, pathology, and radiology services, or to charges for injected medications. The exclusion made under this subsection shall not count toward the deductible nor toward the maximum amount of coinsurance out-of-pocket costs."

RETIREE HEALTH BENEFIT FUND

SECTION 28.23. G.S. 135-7(f) reads as rewritten:

"(f) Retiree Health Benefit Fund. – The Retiree Health Benefit Fund is established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries as provided by this Chapter. The Retiree Health Benefit Fund shall be administered in accordance with the provisions of subsection (a) of this section. Employer contributions to the Fund are irrevocable. The assets of the Fund are dedicated to providing health benefits to retired and disabled employees and their applicable beneficiaries as provided by this Chapter and are not subject to the claims of creditors of the employers making contributions to the Fund. However, Fund assets may be used for reasonable expenses to administer the Fund, including costs to conduct required actuarial valuations of State-supported retired employees' health benefits under other post-employment benefit accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation."

PART XXIX. CAPITAL APPROPRIATIONS.

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 29.1. The appropriations made by the 2007 General Assembly for capital improvements are for constructing, repairing, or renovating State buildings, utilities, and other capital facilities, for acquiring sites for them where necessary, and acquiring buildings and land for State government purposes.

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 29.2.(a) There is appropriated from the General Fund for the 2007-2008 fiscal year the following amount for capital improvements:

Capital Improvements – General Fund	2007-2008
Department of Administration	
NC Court of Appeals Building Renovation	\$10,498,000
Deerfield Cottage Renovation	3,556,000
State Highway Patrol Training Facility Planning Funds	1,721,000
State Capital Visitors Center / Public Plaza / Underground Parking Facility Planning Funds	627,281
Department of Agriculture and Consumer Services	
Veterinary Laboratory System Study and Planning Funds	1,250,000
Western Agricultural Center Facilities – Phase I	5,000,000
Eastern Agricultural Center Facilities	3,000,000

1	Oxford Research Complex	5,000,000
2		
3	Department of Commerce	
4	NC Ports Improvements	7,500,000
5		
6	Department of Correction	
7	Scotland Correctional Institution Minimum Security	
8	Addition Planning Funds	1,033,088
9	Bertie Correctional Institution Medium Security Addition	
10	Planning Funds	1,551,950
11	Lanesboro Correctional Institution Medium Security	
12	Addition Planning Funds	547,839
13	Tabor Correctional Institution Minimum Security Addition	
14	Planning Funds	364,680
15		
16	Department of Crime Control and Public Safety	
17	Gastonia National Guard Armory Rehabilitation	527,100
18	Statewide Department Master Plan – Phase I	280,294
19	Camp Butner Land Buffers – Phase I	117,800
20		
21	Department of Cultural Resources	
22	Charlotte Hawkins Brown Museum Renovations	7,842,200
23	NC Museum of History Chronology Exhibit – Phase I	6,322,900
24	Horne Creek Farm Visitors Center	442,100
25		
26	Department of Natural and Environmental Resources	
27	Division of Water Quality Modular Office	252,200
28	NC Zoo Horticulture Storage Facility	450,000
29	NC Zoo Plains Barns and Paddocks	3,006,000
30	Division of Forestry Resources Ashe County Headquarters	708,000
31	Division of Forestry Resources Buncombe County Headquarters	462,300
32	Water Resources Development Projects	18,563,000
33		
34	Department of Justice	
35	State Bureau of Investigation Garner Road Facilities Addition	1,792,006
36	Western Justice Academy Firing Range	1,974,103
37	State Bureau of Investigation Operations Wing Planning Funds	1,300,000
38		
39	Department of Juvenile Justice and Delinquency Prevention	
40	Dillon Youth Development Center Maintenance Building	375,000
41	Dillon Youth Development Center Mobile Office	200,000
42		
43	Information Technology Services	
44	Secondary Data Center Equipment	7,000,000
45		
46	University of North Carolina System	
47	University of North Carolina at Asheville – Rhoades Hall and	
48	Rhoades Tower Renovation	8,687,000
49		
50	Winston-Salem State University – Hill Hall Rehabilitation	7,385,200
51		

1	Winston-Salem State University – Diggs Gallery Renovation	438,000
2		
3	Winston-Salem State University – Land Acquisition	4,000,000
4		
5	Appalachian State University College of Education	
6	Building Planning Funds	500,000
7		
8	East Carolina University – School of Dentistry Planning Funds	2,500,000
9		
10	Elizabeth City State University – Education Building Planning	
11	Funds	994,000
12		
13	North Carolina Agricultural and Technical University	
14	and University of North Carolina Greensboro – Nanoscience	
15	and Nano-engineering Building Planning Funds	2,485,000
16		
17	North Carolina Central University – School of Nursing	
18	Planning Funds	1,136,000
19		
20	North Carolina School of Science and Math – Discovery	
21	Center Planning Funds	3,337,000
22		
23	University of North Carolina at Chapel Hill – School of Dentistry	
24	Planning Funds	2,500,000
25		
26	University of North Carolina at Charlotte – Research Facilities	
27	Phase II Planning Funds	3,340,000
28		
29	Western Carolina University – School of Health and	
30	Gerontology Planning Funds	600,000
31		
32	Winston-Salem State University – Science and General Office	
33	Building Planning Funds	1,351,000
34		
35	TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$132,518,041

36
37 **SECTION 29.2.(b)** There is appropriated from the General Fund to The
38 University of North Carolina the sum of forty-four million dollars (\$44,000,000) for the
39 2007-2008 fiscal year and the sum of seventy-five million six hundred eight thousand
40 two hundred twenty-five dollars (\$75,608,225) for the 2008-2009 fiscal year for the
41 design and construction of the Genomics Science Building at the University of North
42 Carolina at Chapel Hill.

43
44 **WATER RESOURCES DEVELOPMENT PROJECT FUNDS**

45 **SECTION 29.3.(a)** The Department of Environment and Natural Resources
46 shall allocate the funds appropriated in this act for water resources development projects
47 to the following projects whose costs are as indicated:
48

49	Name of Project	2007-2008
50		
51	(1) Wilmington Harbor Deepening	\$ 4,333,000

1	(2)	Manteo (Shallowbag) Bay	350,000
2	(3)	Wilmington Harbor Maintenance	2,000,000
3	(4)	Bogue Banks Shore Protection Study	125,000
4	(5)	B. Everett Jordan Lake Water Supply Storage	100,000
5	(6)	Princeville Flood Control	98,000
6	(7)	Aquatic Plant Control, Statewide and Lake Gaston	200,000
7	(8)	Belhaven Harbor Feasibility	120,000
8	(9)	John H. Kerr Dam & Reservoir	520,000
9	(10)	Currituck Sound Environmental Restoration Study	350,000
10	(11)	Neuse River Basin Study	554,000
11	(12)	Surf City/North Topsail Beach Study	50,000
12	(13)	West Onslow Beach (Topsail Beach) Study	43,000
13	(14)	Dare County Beaches (Bodie Island)	500,000
14	(15)	North Carolina Beach and Inlet Management Plan	250,000
15	(16)	Dredging Contingency Fund	2,500,000
16	(17)	State – Local Projects	2,400,000
17	(18)	Black River Restoration – Pender County	100,000
18	(19)	Western N.C. Hurricane Damage Stream Restoration	1,200,000
19	(20)	Planning Assistance to Communities	75,000
20	(21)	Concord Stream Restoration – Cabarrus County	170,000
21	(22)	Southern Shores Canal Dredging Phase 2	800,000
22	(23)	Ararat River Restoration	550,000
23	(24)	Town of Williamston Drainage Improvement	600,000
24	(25)	Little Sugar Creek Stream Restoration Phase 7	575,000
25			
26		TOTALS	\$18,563,000
27			

28 **SECTION 29.3.(b)** Where the actual costs are different from the estimated
 29 costs under subsection (a) of this section, the Department may adjust the allocations
 30 among projects as needed. If any projects funded under subsection (a) of this section are
 31 delayed and the budgeted State funds cannot be used during the 2007-2008 fiscal year,
 32 or if the projects funded under subsection (a) of this section are accomplished at a lower
 33 cost, the Department may use the resulting fund availability to fund any of the
 34 following:

- 35 (1) U.S. Army Corps of Engineers project feasibility studies.
- 36 (2) U.S. Army Corps of Engineers projects whose schedules have
 37 advanced and require State-matching funds in fiscal year 2007-2008.
- 38 (3) State-local water resources development projects.

39 Funds not expended or encumbered for these purposes shall revert to the General Fund
 40 at the end of the 2008-2009 fiscal year.

41 **SECTION 29.3.(c)** The Department shall make semiannual reports on the
 42 use of these funds to the Joint Legislative Commission on Governmental Operations,
 43 the Fiscal Research Division, and the Office of State Budget and Management. Each
 44 report shall include all of the following:

- 45 (1) All projects listed in this section.
- 46 (2) The estimated cost of each project.
- 47 (3) The date that work on each project began or is expected to begin.
- 48 (4) The date that work on each project was completed or is expected to be
 49 completed.
- 50 (5) The actual cost of each project.

1 The semiannual reports shall also show those projects advanced in schedule,
2 those projects delayed in schedule, and an estimate of the amount of funds expected to
3 revert to the General Fund.

4 5 **PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS**

6 **SECTION 29.4.** The appropriations made by the 2007 General Assembly
7 for capital improvements shall be disbursed for the purposes provided by this act.
8 Expenditure of funds shall not be made by any State department, institution, or agency
9 until an allotment has been approved by the Governor as Director of the Budget. The
10 allotment shall be approved only after full compliance with the State Budget Act,
11 Chapter 143C of the General Statutes. Prior to the award of construction contracts for
12 projects to be financed in whole or in part with self-liquidating appropriations, the
13 Director of the Budget shall approve the elements of the method of financing of those
14 projects including the source of funds, interest rate, and liquidation period. Provided,
15 however, that if the Director of the Budget approves the method of financing a project,
16 the Director shall report that action to the Joint Legislative Commission on
17 Governmental Operations at its next meeting.

18 Where direct capital improvement appropriations include the purpose of
19 furnishing fixed and movable equipment for any project, those funds for equipment
20 shall not be subject to transfer into construction accounts except as authorized by the
21 Director of the Budget. The expenditure of funds for fixed and movable equipment and
22 furnishings shall be reviewed and approved by the Director of the Budget prior to
23 commitment of funds.

24 Capital improvement projects authorized by the 2007 General Assembly shall
25 be completed, including fixed and movable equipment and furnishings, within the limits
26 of the amounts of the direct or self-liquidating appropriations provided, except as
27 otherwise provided in this act. Capital improvement projects authorized by the 2007
28 General Assembly for the design phase only shall be designed within the scope of the
29 project as defined by the approved cost estimate filed with the Director of the Budget,
30 including costs associated with site preparation, demolition, and movable and fixed
31 equipment.

32 33 **REPAIRS AND RENOVATIONS RESERVE ALLOCATION**

34 **SECTION 29.5.(a)** Of the funds in the Reserve for Repairs and Renovations
35 for the 2005-2006 fiscal year, forty-six percent (46%) shall be allocated to the Board of
36 Governors of The University of North Carolina for repairs and renovations pursuant to
37 G.S. 143C-4-3, in accordance with guidelines developed in The University of North
38 Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as
39 approved by the Board of Governors of The University of North Carolina, and fifty-four
40 percent (54%) shall be allocated to the Office of State Budget and Management for
41 repairs and renovations pursuant to G.S. 143C-4-3.

42 Notwithstanding G.S. 143C-4-3, the Board of Governors may allocate funds
43 for the repair and renovation of facilities not supported from the General Fund if the
44 Board determines that sufficient funds are not available from other sources and that
45 conditions warrant General Fund assistance. Any such finding shall be included in the
46 Board's submission to the Joint Legislative Commission on Governmental Operations
47 on the proposed allocation of funds.

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

1 **SECTION 29.5.(b)** The Office of State Budget and Management and the
2 University of North Carolina General Administration shall jointly study the allocation
3 of funds in the Reserve for Repairs and Renovations set forth in subsection (a) of this
4 section and shall recommend to the General Assembly changes to the current allocation
5 if any are deemed necessary. The study shall include the following:

- 6 (1) A review of the Department of Administration's Facilities Condition
7 and Assessment Program.
8 (2) A review and identification of State-owned buildings supported by the
9 General Fund.
10 (3) A review of the actual expenditures for repairs and renovations from
11 allocated reserve funds.

12 The Office of State Budget and Management and the University of North Carolina
13 General Administration shall submit a joint report to the Senate Appropriations and
14 Base Budget Committee, the House Appropriations Committee, the House
15 Appropriations Subcommittee on Capital, the Senate Finance Subcommittee on Capital
16 and Infrastructure Financing, the Joint Legislative Oversight Committee on Capital
17 Improvements, and the Fiscal Research Division. The report shall include the study
18 findings and recommendations and shall be submitted no later than April 1, 2008.
19

20 **PLANT CONSERVATION PROGRAM FUNDS**

21 **SECTION 29.6.** From funds deposited with the State Treasurer in a capital
22 improvement account to the credit of the Department of Agriculture and Consumer
23 Services pursuant to G.S. 146-30, the sum of thirty thousand dollars (\$30,000) for the
24 2007-2008 fiscal year shall be transferred to the Department of Agriculture and
25 Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its
26 plant conservation program under Article 19B of Chapter 106 of the General Statutes
27 for costs incidental to the acquisition of land, such as land appraisals, land surveys, title
28 searches, environmental studies, and for the management of the plant conservation
29 program preserves owned by the Department.
30

31 **STATE FAIRGROUNDS IMPROVEMENT FUNDS**

32 **SECTION 29.7.** From funds received from the sale of utility easements on
33 property allocated to the Department of Agriculture and Consumer Services in the
34 vicinity of the State Fairgrounds in Raleigh that are deposited with the State Treasurer
35 in a capital improvement account to the credit of the Department of Agriculture and
36 Consumer Services pursuant to G.S. 146-30, the sum of nine hundred seventy-five
37 thousand dollars (\$975,000) for the 2007-2008 fiscal year shall be transferred to the
38 Department to be used for planning and capital improvements to property at the State
39 Fairgrounds.
40

41 **EASTERN NORTH CAROLINA AGRICULTURAL CENTER FUNDS**

42 **SECTION 29.8.(a)** Timber sales receipts received for the sale of timber
43 harvested on the property on which the Eastern North Carolina Agricultural Center at
44 Williamston is located shall be transferred from the Department of Agriculture and
45 Consumer Services' timber sales capital improvement account in the Department of
46 Agriculture and Consumer Services as such funds become available and shall be used
47 for the 2007-2008 fiscal year by the Department for capital improvements to the
48 grounds and facilities at the Eastern North Carolina Agricultural Center.

49 **SECTION 29.8.(b)** Funds transferred pursuant to subsection (a) of this
50 section are hereby appropriated.
51

TIME WARNER CABLE LEASE PROCEEDS

SECTION 29.9. The net proceeds received from Time Warner, Inc., by the Department of Environment and Natural Resources, Division of Forest Resources, for the lease of property located at 2600 Howard Road in Raleigh shall be transferred to the Department for deposit into a capital improvement account. Funds in this account for the 2007-2008 fiscal year may be used to construct an equipment storage building and related improvements.

SPECIAL INDEBTEDNESS PROJECTS

SECTION 29.10.(a) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of forty-five million one hundred sixty-seven thousand dollars (\$45,167,000) to finance the capital facility costs of completing a new educational building at the University of North Carolina at Greensboro. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection.

SECTION 29.10.(b) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of twenty-two million five hundred eighty-seven thousand dollars (\$22,587,000) to finance the capital facility costs of completing a new Science and Technology Complex at Fayetteville State University. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection.

SECTION 29.10.(c) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of twenty-five million seven hundred eighty-seven thousand dollars (\$25,787,000) to finance the capital facility costs of completing a new general classroom building at North Carolina Agricultural and Technical State University. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection.

SECTION 29.10.(d) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of twenty-four million nine hundred twenty thousand dollars (\$24,920,000) to finance the capital facility costs of completing a new library at the North Carolina School of the Arts. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection.

SECTION 29.10.(e) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of thirty-eight million dollars (\$38,000,000) to finance the capital facility costs of completing the Randall B. Terry Companion Animal Hospital at North Carolina State University. The State, with the prior approval of the State Treasurer and

1 the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is
2 authorized to issue or incur special indebtedness in order to provide funds to the State to
3 be used, together with other available funds, to pay the capital facility costs of the
4 project described in this subsection.

5 **SECTION 29.10.(f)** In accordance with G.S. 142-83, this subsection
6 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
7 principal amount of nineteen million dollars (\$19,000,000) to finance the capital facility
8 costs of completing a new residence hall at the University of North Carolina at
9 Pembroke. The State, with the prior approval of the State Treasurer and the Council of
10 State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to
11 issue or incur special indebtedness in order to provide funds to the State to be used,
12 together with other available funds, to pay the capital facility costs of the project
13 described in this subsection.

14 **SECTION 29.10.(g)** In accordance with G.S. 142-83, this subsection
15 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
16 principal amount of thirty-four million five hundred twenty-five thousand dollars
17 (\$34,525,000) to finance the capital facility costs of completing a new teaching lab at
18 the University of North Carolina at Wilmington. The State, with the prior approval of
19 the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of
20 the General Statutes, is authorized to issue or incur special indebtedness in order to
21 provide funds to the State to be used, together with other available funds, to pay the
22 capital facility costs of the project described in this subsection.

23 **SECTION 29.10.(h)** In accordance with G.S. 142-83, this subsection
24 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
25 principal amount of eighteen million seven hundred eight thousand dollars
26 (\$18,708,000) to finance the capital facility costs of completing a new student activities
27 center at Winston-Salem State University. The State, with the prior approval of the State
28 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
29 General Statutes, is authorized to issue or incur special indebtedness in order to provide
30 funds to the State to be used, together with other available funds, to pay the capital
31 facility costs of the project described in this subsection.

32 **SECTION 29.10.(i)** In accordance with G.S. 142-83, this subsection
33 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
34 principal amount of thirty-nine million seven hundred sixty-three thousand one hundred
35 dollars (\$39,763,100) to finance the capital facility costs of completing a new healthcare
36 facility to be located at the North Carolina Correctional Institution for Women. The
37 State, with the prior approval of the State Treasurer and the Council of State, as
38 provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or
39 incur special indebtedness in order to provide funds to the State to be used, together
40 with other available funds, to pay the capital facility costs of the project described in
41 this subsection.

42 **SECTION 29.10.(j)** In accordance with G.S. 142-83, this subsection
43 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
44 principal amount of thirteen million one hundred ninety-one thousand three hundred
45 dollars (\$13,191,300) to finance the capital facility costs of a minimum security facility
46 at the Alexander Correctional Institution. The State, with the prior approval of the State
47 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
48 General Statutes, is authorized to issue or incur special indebtedness in order to provide
49 funds to the State to be used, together with other available funds, to pay the capital
50 facility costs of the project described in this subsection.

1 **SECTION 29.10.(k)** In accordance with G.S. 142-83, this subsection
2 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
3 principal amount of nineteen million eight hundred sixteen thousand five hundred
4 dollars (\$19,816,500) to finance the capital facility costs of a medium security facility at
5 the Scotland Correctional Institution. The State, with the prior approval of the State
6 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
7 General Statutes, is authorized to issue or incur special indebtedness in order to provide
8 funds to the State to be used, together with other available funds, to pay the capital
9 facility costs of the project described in this subsection.

10 **SECTION 29.10.(l)** In accordance with G.S. 142-83, this subsection
11 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
12 principal amount of thirty-five million dollars (\$35,000,000) to finance the capital
13 facility costs of a new education and visitors center at Tryon Palace Historic Sites and
14 Gardens. The State, with the prior approval of the State Treasurer and the Council of
15 State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to
16 issue or incur special indebtedness in order to provide funds to the State to be used,
17 together with other available funds, to pay the capital facility costs of the project
18 described in this subsection.

19 **SECTION 29.10.(m)** In accordance with G.S. 142-83, this subsection
20 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
21 principal amount of forty-six million six hundred fifty thousand dollars (\$46,650,000) to
22 finance the capital facility costs of a new office building for the Department of
23 Environment and Natural Resources located in downtown Raleigh on the city block
24 bordered by Jones Street to the north, Salisbury Street to the east, Edenton Street to the
25 south, and McDowell Street to the west. The State, with the prior approval of the State
26 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
27 General Statutes, is authorized to issue or incur special indebtedness in order to provide
28 funds to the State to be used, together with other available funds, to pay the capital
29 facility costs of the project described in this subsection.

30 **SECTION 29.10.(n)** In accordance with G.S. 142-83, this subsection
31 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
32 principal amount of thirty-seven million five hundred thousand dollars (\$37,500,000) to
33 finance the capital facility costs of completing an expansion to the North Carolina
34 Museum of Natural Sciences called the Nature Research Center. The facility shall be
35 located in downtown Raleigh on the city block bordered by Jones Street to the north,
36 Salisbury Street to the east, Edenton Street to the south, and McDowell Street to the
37 west. The State, with the prior approval of the State Treasurer and the Council of State,
38 as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or
39 incur special indebtedness in order to provide funds to the State to be used, together
40 with other available funds, to pay the capital facility costs of the project described in
41 this subsection.

42 **SECTION 29.10.(o)** In accordance with G.S. 142-83, this subsection
43 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
44 principal amount of eighteen million six hundred thousand dollars (\$18,600,000) to
45 finance the capital facility costs of new parking facilities to be constructed in downtown
46 Raleigh on the city block bordered by Jones Street to the north, Salisbury Street to the
47 east, Edenton Street to the south, and McDowell Street to the west. The State, with the
48 prior approval of the State Treasurer and the Council of State, as provided in Article 9
49 of Chapter 142 of the General Statutes, is authorized to issue or incur special
50 indebtedness in order to provide funds to the State to be used, together with other

1 available funds, to pay the capital facility costs of the project described in this
2 subsection.

3 **SECTION 29.10.(p)** In accordance with G.S. 142-83, this subsection
4 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
5 principal amount of ten million dollars (\$10,000,000) to finance the capital facility costs
6 of a warehouse expansion for the Alcoholic Beverage Control Commission. The State,
7 with the prior approval of the State Treasurer and the Council of State, as provided in
8 Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special
9 indebtedness in order to provide funds to the State to be used, together with other
10 available funds, to pay the capital facility costs of the project described in this
11 subsection.

12 **SECTION 29.10.(q)** G.S 18B-208(b) reads as rewritten:

13 "(b) Special Fund. – A special fund in the office of the State Treasurer, the ABC
14 Commission Fund, is created. On and after November 1, 1982, all moneys derived from
15 the collection of bailment charges and bailment surcharges shall be deposited in the
16 ABC Commission Fund for the purpose of carrying out the provisions of this Chapter.
17 The ABC Commission Fund shall be subject to the provisions of the Executive Budget
18 Act except that no unexpended surplus of this fund shall revert to the General Fund. The
19 Commission shall fix the level of the bailment surcharges at an amount calculated to
20 cover operating expenses of the Commission and the retirement of ~~bonds~~ any bonded
21 indebtedness issued for construction of a Commission warehouse and offices. Upon
22 payment of ~~the bonds issued pursuant to this section, any bonded indebtedness issued~~
23 for construction of a Commission warehouse and offices, the Commission shall reduce
24 the bailment surcharge to an amount no greater than necessary to pay operating
25 expenses of the Commission as authorized by the General Assembly.

26 All moneys credited to the ABC Commission Fund shall be used to carry out the
27 intent and purposes of the ABC law in accordance with plans approved by the North
28 Carolina ABC Commission and the Director of the Budget, and all these funds are
29 appropriated, reserved, set aside, and made available until expended for the
30 administration of the ABC law."

31 **SECTION 29.10.(r)** This section is effective when it becomes law.

32 **PART XXX. FEES**

33 **EROSION AND SEDIMENTATION CONTROL PLAN FEE INCREASE**

34 **SECTION 30.1.(a)** G.S. 113A-54.2(a) reads as rewritten:

35 "(a) ~~The Commission may establish a fee schedule for the review and approval of~~
36 ~~erosion and sedimentation control plans under this Article. In establishing the fee~~
37 ~~schedule, the Commission shall consider the administrative and personnel costs incurred~~
38 ~~by the Department for reviewing the plans and for related compliance activities. An~~
39 ~~application fee may not exceed fifty dollars (\$50.00) of sixty-five dollars (\$65.00) per~~
40 ~~acre of disturbed land shown on an erosion and sedimentation control plan or of land~~
41 ~~actually disturbed during the life of the project.~~ project shall be charged for the review of
42 an erosion and sedimentation control plan under this Article."

43 **SECTION 30.1.(b)** This section becomes effective July 1, 2007, and applies
44 to applications submitted on or after that date.

45 **MINING PERMIT APPLICATION FEES**

46 **SECTION 30.2.(a)** G.S. 74-54.1 reads as rewritten:

47 **"§ 74-54.1. Permit fees.**

(a) ~~The Commission may establish a~~ The fee schedule for the processing of permit applications and permit renewals and ~~modifications.~~ modifications is as follows:

	<u>0-25 acres</u>	<u>26+ acres</u>
<u>New Permit Applications</u>	<u>\$3,750.00</u>	<u>\$5,000.00</u>
<u>Permit Modifications</u>	<u>\$750.00</u>	<u>\$1,000.00</u>
<u>Permit Renewals</u>	<u>\$750.00</u>	<u>\$1,000.00</u>
<u>Transfers</u>	<u>\$100.00</u>	<u>\$100.00</u>

~~The fees may vary on the basis of the acreage, size, and nature of the proposed or permitted operations or modifications. In establishing the fee schedule, the Commission shall consider the administrative and personnel costs incurred by the Department for processing applications for permits and permit renewals and modifications and for related compliance activities and safeguards to prevent unusual fee assessments that would impose a serious economic burden on an individual applicant or a class of applicants.~~

(b) ~~The total amount of permit fees collected for any fiscal year may not exceed one third of the total personnel and administrative costs incurred by the Department for processing applications for permits and permit renewals and modifications and for related compliance costs in the prior fiscal year. A fee for an application for a new permit may not exceed two thousand five hundred dollars (\$2,500), and a fee for an application to renew or modify a permit may not exceed five hundred dollars (\$500.00). The Mining Account is established as a nonreverting account within the Department. Fees collected under this section shall be credited to the Mining Account and shall be applied to the costs of administering this Article.~~

(c) The Department shall annually report on or before 1 September to the Environmental Review Commission on the cost of implementing this Article. The report shall include the fees established, collected, and disbursed under this section and any other information requested by the General Assembly or the Commission."

SECTION 30.2.(b) This section becomes effective July 1, 2007, and applies to applications submitted on or after that date.

WATER QUALITY PERMIT FEES

SECTION 30.3.(a) G.S. 143-215.3D reads as rewritten:

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

- (a) Annual fees for discharge and nondischarge permits under G.S. 143-215.1. –
 - (1) Major Individual NPDES Permits. – The annual fee for an individual permit for a point source discharge of 1,000,000 or more gallons per day, a publicly owned treatment works (POTW) that administers a POTW pretreatment program, as defined in 40 Code of Federal Regulations § 403.3 (1 July 1996 Edition), or an industrial waste treatment works that has a high toxic pollutant potential ~~shall be two thousand eight hundred sixty five dollars (\$2,865).~~ is three thousand four hundred forty dollars (\$3,440).
 - (2) Minor Individual NPDES Permits. – The annual fee for an individual permit for a point source discharge other than a point source discharge to which subdivision (1) of this subsection applies ~~shall be seven hundred fifteen dollars (\$715.00).~~ is eight hundred sixty dollars (\$860.00).

- 1 (3) Single-Family Residence. – The annual fee for a certificate of
2 coverage under a general permit for a point source discharge or an
3 individual nondischarge permit from a single-family residence ~~shall be~~
4 ~~fifty dollars (\$50.00)~~ is sixty dollars (\$60.00).
- 5 (4) Stormwater and Wastewater Discharge General Permits. – The annual
6 fee for a certificate of coverage under a general permit for a point
7 source discharge of stormwater or wastewater ~~shall be eighty dollars~~
8 ~~(\$80.00)~~ is one hundred dollars (\$100.00).
- 9 (5) Recycle Systems. – The annual fee for an individual permit for a
10 recycle system nondischarge permit ~~shall be three hundred dollars~~
11 ~~(\$300.00)~~ is three hundred sixty dollars (\$360.00).
- 12 (6) Major Nondischarge Permits. – The annual fee for an individual permit
13 for a nondischarge of 10,000 or more gallons per day or requiring 300
14 or more acres of land ~~shall be one thousand ninety dollars (\$1,090)~~ is
15 one thousand three hundred ten dollars (\$1,310).
- 16 (7) Minor Nondischarge Permits. – The annual fee for an individual
17 permit for a nondischarge of less than 10,000 gallons per day or
18 requiring less than 300 acres of land ~~shall be six hundred seventy five~~
19 ~~dollars (\$675.00)~~ is eight hundred ten dollars (\$810.00).
- 20 (8) Animal Waste Management Systems. – The annual fee for animal
21 waste management systems ~~shall be~~ is as set out in G.S. 143-215.10G.
- 22 (b) Application fee for new discharge and nondischarge permits. – An
23 application for a new permit of the type set out in subsection (a) of this section shall be
24 accompanied by an initial application fee equal to the annual fee for that permit. If a
25 permit is issued, the application fee ~~will~~ shall be applied as the annual fee for the first
26 year that the permit is in effect. If the application is denied, the application fee shall not
27 be refunded.
- 28 (c) Application and annual fees for consent special orders. –
- 29 (1) Major Consent Special Orders. – If the Commission enters into a
30 consent special order, assurance of voluntary compliance, or similar
31 document pursuant to G.S. 143-215.2 for an activity subject to an
32 annual fee under subdivision (1) or (6) of subsection (a) of this section,
33 the initial project fee ~~shall be~~ is four hundred dollars (\$400.00) and the
34 annual fee ~~shall be~~ is five hundred dollars (\$500.00). These fees ~~shall~~
35 ~~be~~ is in addition to the annual fee due under subsection (a) of this
36 section.
- 37 (2) Minor Consent Special Orders. – If the Commission enters into a
38 consent special order, assurance of voluntary compliance, or similar
39 document pursuant to G.S. 143-215.2 for an activity subject to an
40 annual fee under subdivision (2) or (7) of subsection (a) of this section,
41 the initial project fee ~~shall be~~ is four hundred dollars (\$400.00) and the
42 annual fee ~~shall be~~ is two hundred fifty dollars (\$250.00). These fees
43 ~~shall be~~ is in addition to the annual fee due under subsection (a) of this
44 section.
- 45 (d) Fee for major permit modifications. – An application for a major modification
46 of a permit of the type set out in subsection (a) of this section shall be accompanied by
47 an application fee equal to thirty percent (30%) of the annual fee applicable to that
48 permit. A major modification of a permit is any modification that would allow an
49 increase in the volume or pollutant load of the discharge or nondischarge or that would
50 result in a significant relocation of the point of discharge, as determined by the

1 Commission. This fee ~~shall be~~ in addition to the fees due under subsections (a) and (c)
2 of this section. If the application is denied, the application fee shall not be refunded.

3 (e) Other fees under this Article. –

4 (1) Sewer System Extension Permits. – The application fee for a permit
5 for the construction of a new sewer system or for the extension of an
6 existing sewer system ~~shall be four hundred dollars (\$400.00)~~, is four
7 hundred eighty dollars (\$480.00).

8 (2) State Stormwater Permits. – The application fee for a permit regulating
9 stormwater runoff under G.S. 143-214.7 and G.S. 143-215.1 ~~shall be~~
10 ~~four hundred twenty dollars (\$420.00)~~, is five hundred five dollars
11 (\$505.00).

12 (3) Major Water Quality Certifications. – The fee for a water quality
13 certification involving one acre or more of wetland fill or 150 feet or
14 more of stream impact ~~shall be four hundred seventy five dollars~~
15 ~~(\$475.00)~~, is five hundred seventy dollars (\$570.00).

16 (4) Minor Water Quality Certifications. – The fee for a water quality
17 certification involving less than one acre of wetland fill or less than
18 150 feet of stream impact ~~shall be two hundred dollars (\$200.00)~~, is
19 two hundred forty dollars (\$240.00).

20 (5) Permit for Land Application of Petroleum Contaminated Soils. – The
21 fee for a permit to apply petroleum contaminated soil to land ~~shall be~~
22 ~~four hundred dollars (\$400.00)~~, is four hundred eighty dollars
23 (\$480.00).

24 (6) Fee Nonrefundable. – If an application for a permit or a certification
25 described in this subsection is denied, the application or certification
26 fee shall not be refunded.

27 (7) Limit Water Quality Certification Fee Required for CAMA Permit. –
28 An applicant for a permit under Article 7 of Chapter 113A of the
29 General Statutes for which a water quality certification is required
30 shall pay a fee established by the Secretary. The Secretary shall not
31 establish a fee that exceeds the greater of the fee for a permit under
32 Article 7 of Chapter 113A of the General Statutes or the fee for a water
33 quality certification under subdivision (3) or (4) of this subsection.

34 (f) Local Government Fee Authority Not Impaired. – This section shall not be
35 construed to limit any authority that a unit of local government may have pursuant to
36 any other provision of law to assess or collect a fee for the review of an application for a
37 permit, the review of a mitigation plan, or the inspection of a site or a facility under any
38 local program that is approved by the Commission under this Article."

39 **SECTION 30.3.(b)** G.S. 143-215.10G reads as rewritten:

40 "**§ 143-215.10G. Fees for animal waste management systems.**

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

44 (1) For a system with a design capacity of 38,500 or more and less than
45 100,000 pounds steady state live weight, ~~fifty dollars (\$50.00)~~, sixty
46 dollars (\$60.00).

47 (2) For a system with a design capacity of 100,000 or more and less than
48 800,000 pounds steady state live weight, ~~one hundred fifty dollars~~
49 ~~(\$150.00)~~, one hundred eighty dollars (\$180.00).

- 1 (3) For a system with a design capacity of 800,000 pounds or more steady
2 state live weight, ~~three hundred dollars (\$300.00)~~ three hundred sixty
3 dollars (\$360.00).

4 (a1) The Department shall charge an annual permit fee to a dry litter poultry
5 facility that is subject to a permit under G.S. 143-215.10C for an animal waste
6 management system according to the following schedule:

- 7 (1) For a system with a permitted capacity of less than 25,000 laying
8 chickens, less than 37,500 nonlaying chickens, or less than 16,500
9 turkeys, ~~fifty dollars (\$50.00)~~ sixty dollars (\$60.00).
10 (2) For a system with a permitted capacity of 25,000 or more but less than
11 200,000 laying chickens, 37,500 or more but less than 290,000
12 nonlaying chickens, 16,500 or more but less than 133,000 turkeys, ~~one~~
13 ~~hundred fifty dollars (\$150.00)~~ one hundred eighty dollars (\$180.00).
14 (3) For a system with a permitted capacity of more than 200,000 laying
15 chickens, more than 290,000 nonlaying chickens, or more than
16 133,000 turkeys, ~~three hundred dollars (\$300.00)~~ three hundred sixty
17 dollars (\$360.00).

18 (b) An application for a new permit under this section shall be accompanied by
19 an initial application fee equal to the annual fee for that permit. If a permit is issued, the
20 application fee ~~will~~ shall be applied as the annual fee for the first year that the permit is
21 in effect. If the application is denied, the application fee shall not be refunded.

22 (c) Fees collected under this section shall be credited to the Water and Air
23 Quality Account. The Department shall use fees collected pursuant to this section to
24 cover the costs of administering this Part."

25 **SECTION 30.3.(c)** G.S. 90A-42 reads as rewritten:

26 "**§ 90A-42. Fees.**

27 (a) The Commission, in establishing procedures for implementing the
28 requirements of this Article, shall impose the following schedule of fees:

- 29 (1) Examination including Certificate, \$85.00;
30 (2) Temporary Certificate, \$200.00;
31 (3) Temporary Certification Renewal, \$300.00;
32 (4) Conditional Certificate, \$75.00;
33 (5) Repealed by Session Laws 1987, c. 582, s. 3.
34 (6) Reciprocity Certificate, \$100.00;
35 (6a) Voluntary Conversion Certificate, \$50.00;
36 (7) Annual Renewal, ~~\$35.00~~ \$50.00;
37 (8) Replacement of Certificate, \$20.00;
38 (9) Late Payment of Annual Renewal, \$50.00 penalty in addition to all
39 current and past due annual renewal fees plus one hundred dollars
40 (\$100.00) penalty per year for each year for which annual renewal fees
41 were not paid prior to the current year; and
42 (10) Mailing List Charges – The Commission may provide mailing lists of
43 certified water pollution control system operators and of water
44 pollution control system operators to persons who request such lists.
45 The charge for such lists shall be twenty-five dollars (\$25.00) for each
46 such list provided.

47 (b) The Water Pollution Control System Account is established as a nonreverting
48 account within the Department. Fees collected under this section shall be credited to the
49 Account and applied to the costs of administering this Article."

50 **SECTION 30.3.(d)** This section becomes effective July 1, 2007.
51

CERTIFICATE OF NEED FEE INCREASES TO MEET STATUTORY OBLIGATIONS

SECTION 30.4.(a) G.S. 131E-177(9) reads as rewritten:

"(9) ~~Establish and collect~~ Collect fees for submitting applications for certificates of need. ~~The fee schedule established should generate sufficient revenue to offset the entire cost of the certificate of need program. This fee may not exceed seventeen thousand five hundred dollars (\$17,500) and may not be less than two thousand dollars (\$2,000). Fees collected under this subdivision shall be credited to the General Fund as nontax revenue.~~"

SECTION 30.4.(b) G.S. 131E-182(c) reads as rewritten:

"(c) An application fee is imposed on an applicant for a certificate of need. An applicant must submit the fee with the application. All fees established by the Department for submitting an application for a certificate of need are due when the application is submitted. These fees are ~~The fee is not refundable, regardless of whether a certificate of need is issued. Fees collected under this section shall be credited to the General Fund as nontax revenue. The application fee is five thousand dollars (\$5,000) plus an amount equal to three-tenths of one percent (.3%) of the amount of the capital expenditure proposed in the application that exceeds one million dollars (\$1,000,000). In no event may the fee exceed fifty thousand dollars (\$50,000).~~"

SECTION 30.4.(c) This section becomes effective July 1, 2007, and applies to applications submitted on or after that date.

HEALTH CARE FACILITY CONSTRUCTION PROJECT FEE INCREASES TO MEET STATUTORY OBLIGATIONS

SECTION 30.5.(a) G.S. 131E-267 reads as rewritten:

"§ 131E-267. Fees for departmental review of licensed health care facility or Medical Care Commission bond-financed construction projects.

(a) The Department of Health and Human Services shall charge a fee for the review of each health care facility construction project to ensure that project plans and construction are in compliance with State law. The fee shall be charged on a one-time, per-project basis, as follows, and basis as provided in this section. In no event may a fee imposed under this section shall not exceed twenty five thousand dollars (\$25,000) two hundred thousand dollars (\$200,000) for any single project:project. The first seven hundred twelve thousand six hundred twenty-six dollars (\$712,626) in fees collected under this section shall remain in the Division of Facility Services. Additional fees collected shall be credited to the General Fund as nontax revenue and are intended to offset rather than replace appropriations made for this purpose.

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

(b) The fee imposed for the review of a hospital construction project varies depending upon the square footage of the project:

<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
<u>-0-</u>	<u>5,000</u>	<u>\$750.00 plus \$0.25 per square foot</u>

1	<u>5,000</u>	<u>10,000</u>	<u>\$1,500 plus \$0.40 per square foot</u>
2	<u>10,000</u>	<u>20,000</u>	<u>\$2,000 plus \$0.50 per square foot</u>
3	<u>20,000</u>	<u>NA</u>	<u>\$3,000 plus \$0.75 per square foot</u>

4 (c) The fee imposed for the review of a nursing home construction project varies
 5 depending upon the square footage of the project:

6	<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
7	<u>-0-</u>	<u>2,000</u>	<u>\$250.00 plus \$0.15 per square foot</u>
8	<u>2,000</u>	<u>NA</u>	<u>\$250.00 plus \$0.16 per square foot</u>

9 (d) The fee imposed for the review of an ambulatory surgical facility
 10 construction project varies depending upon the square footage of the project:

11	<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
12	<u>-0-</u>	<u>2,000</u>	<u>\$200.00 plus \$0.15 per square foot</u>
13	<u>2,000</u>	<u>NA</u>	<u>\$250.00 plus \$0.20 per square foot</u>

14 (e) The fee imposed for the review of a psychiatric hospital construction project
 15 varies depending upon the square footage of the project:

16	<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
17	<u>-0-</u>	<u>5,000</u>	<u>\$200.00 plus \$0.16 per square foot</u>
18	<u>5,000</u>	<u>10,000</u>	<u>\$200.00 plus \$0.25 per square foot</u>
19	<u>10,000</u>	<u>20,000</u>	<u>\$300.00 plus \$0.45 per square foot</u>
20	<u>20,000</u>	<u>NA</u>	<u>\$400.00 plus \$0.45 per square foot</u>

21 (f) The fee imposed for the review of an adult care home construction project
 22 varies depending upon the square footage of the project:

23	<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
24	<u>-0-</u>	<u>2,000</u>	<u>\$175.00 plus \$0.10 per square foot</u>
25	<u>2,000</u>	<u>NA</u>	<u>\$175.00 plus \$0.20 per square foot</u>

26 (g) The fee imposed for the review of the following residential construction
 27 projects is:

28	Residential Project	Project Fee
29	Family Care Homes	\$175.00 \$200.00 flat fee
30	ICF/MR Group Homes	\$275.00 <u>\$300.00</u> flat fee
31	Group Homes: 1-3 beds	\$100.00 flat fee
32	Group Homes: 4-6 beds	\$175.00 <u>\$200.00</u> flat fee
33	Group Homes: 7-9 beds	\$225.00 <u>\$250.00</u> flat fee
34	Other residential:	
35	More than 9 beds	\$225.00 plus \$0.075/square foot of project space.
36	<u>More than 9 beds</u>	<u>\$250.00 plus \$0.75 per square foot of project space."</u>

37 **SECTION 30.5.(b)** This section becomes effective July 1, 2007, and applies
 38 to applications for review submitted on or after that date.

39
 40 **CHANGE CORPORATE ANNUAL REPORT FEES**

41 **SECTION 30.6.(a)** G.S. 55-1-22(a) reads as rewritten:

42 "(a) The Secretary of State shall collect the following fees when the documents
 43 described in this subsection are delivered to the Secretary for filing:

44	Document	Fee
45	(1) Articles of incorporation	\$125.00
46	(2) Application for reserved name	30.00
47	(3) Notice of transfer of reserved name	10.00
48	(4) Application for registered name	10.00
49	(5) Application for renewal of registered name	10.00
50	(6) Corporation's statement of change of registered agent or registered	
51	office or both	5.00

1	(7)	Agent's statement of change of registered office for each affected	
2		corporation	5.00
3	(8)	Agent's statement of resignation	No fee
4	(9)	Designation of registered agent or registered office or both	5.00
5	(10)	Amendment of articles of incorporation	50.00
6	(11)	Restated articles of incorporation	10.00
7		with amendment of articles	50.00
8	(12)	Articles of merger or share exchange	50.00
9	(12a)	Articles of conversion (other than articles of conversion included as	
10		part of another document)	50.00
11	(13)	Articles of dissolution	30.00
12	(14)	Articles of revocation of dissolution	10.00
13	(15)	Certificate of administrative dissolution	No fee
14	(16)	Application for reinstatement following administrative dissolution	100.00
15	(17)	Certificate of reinstatement	No fee
16	(18)	Certificate of judicial dissolution	No fee
17	(19)	Application for certificate of authority	250.00
18	(20)	Application for amended certificate of authority	75.00
19	(21)	Application for certificate of withdrawal	25.00
20	(22)	Certificate of revocation of authority to transact business	No fee
21	(23)	Annual report (paper)	20.00 25.00
22	(23a)	Annual report (electronic)	18.00
23	(24)	Articles of correction	10.00
24	(25)	Application for certificate of existence or authorization (paper)	15.00
25	(25a)	Application for certificate of existence or authorization (electronic)	10.00
26	(26)	Any other document required or permitted to be filed by this Chapter	10.00
27	(27)	Repealed by Session Laws 2001-358, s. 6(b), effective January 1, 2002."	

SECTION 30.6.(b) G.S. 105-122.1 reads as rewritten:

"§ 105-122.1. Credit for additional annual report fees paid by limited liability companies subject to franchise tax.

A limited liability company subject to tax under this Article is allowed a credit against the tax imposed by this Article equal to the difference between the annual report fee for corporations under ~~G.S. 55-1-22~~ G.S. 55-1-22(a)(23) and the annual report fee for limited liability companies under G.S. 57C-1-22(a). The credit allowed by this section may not exceed the amount of tax imposed by this Article for the taxable year reduced by the sum of all credits allowed, except payments of tax made by or on behalf of the taxpayer."

SECTION 30.6.(c) Subsection (a) of this section becomes effective July 1, 2007, and applies to annual reports filed on or after that date. Subsection (b) of this section is effective for taxable years beginning on or after January 1, 2007. The remainder of this section is effective when it becomes law.

PART XXXI. TAX LAW CHANGES

IRC UPDATE

SECTION 31.1.(a) G.S. 105-228.90(b)(1b) reads as rewritten:

"(b) Definitions. – The following definitions apply in this Article:

...

(1b) Code. – The Internal Revenue Code as enacted as of ~~January 1, 2006,~~ January 1, 2007, including any provisions enacted as of that date which become effective either before or after that date."

1 **SECTION 31.1.(b)** Notwithstanding subsection (a) of this section, any
2 amendments to the Internal Revenue Code enacted after January 1, 2006, that increase
3 North Carolina taxable income for the 2006 taxable year become effective for taxable
4 years beginning on or after January 1, 2007.

5 **SECTION 31.1.(c)** This section is effective when it becomes law.
6

7 **EXTEND STATE SALES TAX RATE FOR TWO YEARS**

8 **SECTION 31.2.(a)** Section 24.1(j) of S.L. 2006-66 reads as rewritten:

9 "**SECTION 24.1.(j)** Subsection (b) of this section becomes effective December 1,
10 2006, and applies to sales made on or after that date. Subsections (d), (f), and (h) of this
11 section become effective January 1, 2007, and apply to taxes collected on or after that
12 date. Subsection (c) of this section becomes effective ~~July 1, 2007, July 1, 2009,~~ and
13 applies to sales made on or after that date. Subsections (e), (g), and (i) of this section
14 become effective ~~July 1, 2007, July 1, 2009,~~ and apply to taxes collected on or after that
15 date. The remainder of this section is effective when it becomes law."

16 **SECTION 31.2.(b)** This section is effective when it becomes law.
17

18 **EXTEND UPPER INCOME TAX RATE THROUGH 2009**

19 **SECTION 31.3.(a)** Section 24.2(d) of S.L. 2006-66 reads as rewritten:

20 "**SECTION 24.2.(d)** Subsection (b) of this section is effective for taxable years
21 beginning on or after January 1, 2007. Subsection (c) of this section is effective for
22 taxable years beginning on or after ~~January 1, 2008, January 1, 2010.~~ The remainder of
23 this section is effective when it becomes law."

24 **SECTION 31.3.(b)** This section is effective when it becomes law.
25

26 **EARNED INCOME TAX CREDIT**

27 **SECTION 31.4.(a)** Part 2 of Article 4 of Chapter 105 of the General Statutes
28 is amended by adding a new section to read:

29 "**§ 105-151.31. Earned income tax credit.**

30 (a) Credit. – An individual who claims for the taxable year an earned income tax
31 credit under section 32 of the Code is allowed a credit against the tax imposed by this
32 Part equal to five percent (5%) of the amount of credit the individual qualified for under
33 section 32 of the Code. A nonresident or part-year resident who claims the credit
34 allowed by this section must reduce the amount of the credit by multiplying it by the
35 fraction calculated under G.S. 105-134.5(b) or (c), as appropriate.

36 (b) Credit Refundable. – If the credit allowed by this section exceeds the amount
37 of tax imposed by this Part for the taxable year reduced by the sum of all credits
38 allowable, the Secretary must refund the excess to the taxpayer. The refundable excess
39 is governed by the provisions governing a refund of an overpayment by the taxpayer of
40 the tax imposed in this Part. Section 3507 of the Code, Advance Payment of Earned
41 Income Credit, does not apply to the credit allowed by this section. In computing the
42 amount of tax against which multiple credits are allowed, nonrefundable credits are
43 subtracted before refundable credits.

44 (c) Sunset. – This section is repealed effective for taxable years beginning on or
45 after January 1, 2013."

46 **SECTION 31.4.(b)** G.S. 105-160.3(b) reads as rewritten:

47 "(b) The following credits are not allowed to an estate or trust:

- 48 (1) G.S. 105-151. Tax credits for income taxes paid to other states by
49 individuals.
- 50 (2) G.S. 105-151.11. Credit for child care and certain employment-related
51 expenses.

- (3) G.S. 105-151.18. Credit for the disabled.
- (4) G.S. 105-151.24. Credit for children.
- (5) G.S. 105-151.26. Credit for charitable contributions by nonitemizers.
- (6) Repealed by Session Laws 2004-170, s. 17, effective August 2, 2004.
- (7) G.S. 105-151.28. Credit for long-term care insurance.
- (8) G.S. 105-151.30. Credit for recycling oyster shells.
- (9) G.S. 105-151.31. Earned income tax credit."

SECTION 31.4.(c) This section is effective for taxable years beginning on or after January 1, 2008.

REENACT LONG-TERM CARE CREDIT

SECTION 31.5.(a) G.S. 105-151.28 is reenacted and reads as rewritten:

"§ 105-151.28. Credit for premiums paid on long-term care insurance.

(a) Credit. —~~An individual is~~ A taxpayer whose adjusted gross income (AGI), as calculated under the Code, is less than the amount listed in this section is allowed, as a credit against the tax imposed by this Part, an amount equal to fifteen percent (15%) of the premium costs the individual taxpayer paid during the taxable year on a qualified long-term care insurance contract that offers coverage to either the individual taxpayer, the individual taxpayer's spouse, or a dependent for whom the individual taxpayer was allowed to deduct a personal exemption under section 151(c)(1)(A) of the Code for the taxable year. The credit allowed by this section may not exceed three hundred fifty dollars (\$350.00) for each qualified long-term care insurance contract for which a credit is claimed. The credit allowed under this section may not exceed the amount of tax imposed by this Part for the taxable year reduced by the sum of all credits allowed, except payments of tax made by or on behalf of the taxpayer. A nonresident or part-year resident who claims the credit allowed by this subsection shall reduce the amount of the credit by multiplying it by the fraction calculated under G.S. 105-134.5(b) or (c), as appropriate.

<u>Filing Status</u>	<u>AGI</u>
<u>Married, filing jointly</u>	<u>\$100,000</u>
<u>Head of Household</u>	<u>80,000</u>
<u>Single</u>	<u>60,000</u>
<u>Married, filing separately</u>	<u>50,000</u>

(b) No Double Benefit. – No credit is allowed for payments that are deducted from, or not included in, the taxpayer's gross income for the taxable year. If the taxpayer claimed a deduction for health insurance costs of self-employed individuals under section 162(l) of the Code for the taxable year, the amount of credit otherwise allowed the taxpayer under this section is reduced by the applicable percentage provided in section 162(l) of the Code. If the taxpayer claimed a deduction for medical care expenses under section 213 of the Code for the taxable year, the taxpayer is not allowed a credit under this section. A taxpayer who claims the credit allowed by this section must provide any information required by the Secretary to demonstrate that the amount paid for premiums for which the credit is claimed was not excluded from the taxpayer's gross income for the taxable year.

(c) Definition. – For purposes of this section, the term "qualified long-term care insurance contract" has the same meaning as defined in section 7702B of the Code."

SECTION 31.5.(b) G.S. 105-160.3(b)(7) is reenacted.

SECTION 31.5.(c) This section is effective for taxable years beginning on or after January 1, 2007.

ADOPTION TAX CREDIT

1 **SECTION 31.6.(a)** Part 2 of Article 4 of Chapter 105 of the General Statutes
2 is amended by adding a new section to read as follows:

3 **"§ 105-151.32. Credit for adoption expenses.**

4 (a) Credit. – An individual who is allowed a federal adoption tax credit under
5 section 23 of the Code for the taxable year is allowed a credit against the tax imposed
6 by this Part. The credit is equal to fifty percent (50%) of the amount of credit allowed
7 under section 23 of the Code.

8 (b) Limitations. – A nonresident or part-year resident who claims the credit
9 allowed by this section shall reduce the amount of the credit by multiplying it by the
10 fraction calculated under G.S. 105-134.5(b) or (c), as appropriate. The credit allowed
11 under this section may not exceed the amount of tax imposed by this Part for the taxable
12 year reduced by the sum of all credits allowed, except payments of tax made by or on
13 behalf of the taxpayer. Any unused portion of this credit may be carried forward for the
14 next succeeding five years.

15 (c) Sunset. – This section is repealed effective for taxable years beginning on or
16 after January 1, 2013.

17 **SECTION 31.6.(b)** G.S. 105-160.3(b) reads as rewritten:

18 "(b) The following credits are not allowed to an estate or trust:

- 19 (1) G.S. 105-151. Tax credits for income taxes paid to other states by
20 individuals.
- 21 (2) G.S. 105-151.11. Credit for child care and certain employment-related
22 expenses.
- 23 (3) G.S. 105-151.18. Credit for the disabled.
- 24 (4) G.S. 105-151.24. Credit for children.
- 25 (5) G.S. 105-151.26. Credit for charitable contributions by nonitemizers.
- 26 (6) Repealed by Session Laws 2004-170, s. 17, effective August 2, 2004.
- 27 (7) G.S. 105-151.28. Credit for long-term care insurance.
- 28 (8) G.S. 105-151.30. Credit for recycling oyster shells.
- 29 (10) G.S. 105-151.32. Credit for adoption expenses."

30 **SECTION 31.6.(c)** This section is effective for taxable years beginning on
31 or after January 1, 2007."
32

33 **PRIVILEGE TAX ON SOFTWARE PUBLISHERS' MACHINERY AND**
34 **EQUIPMENT**

35 **SECTION 31.7.(a)** G.S. 105-187.51B reads as rewritten:

36 **"§ 105-187.51B. Tax imposed on certain recyclers and research and development**
37 **companies.**

38 (a) Tax. – A privilege tax is imposed on the following:

39 ...

- 40 (3) A software publishing company that is included in the industry group
41 5112 of NAICS and that purchases equipment or an attachment or
42 repair part for equipment that meets all of the following requirements:
 - 43 a. Is capitalized by the company for tax purposes under the Code.
 - 44 b. Is used by the company in the research and development of
45 tangible personal property.
 - 46 c. Would be considered mill machinery under G.S. 105-187.51 if
47 it were purchased by a manufacturing industry or plant and used
48 in the research and development of tangible personal property
49 manufactured by the industry or plant.

1 (b) Rate. – The tax is one percent (1%) of the sales price of the equipment or
 2 other tangible personal property. The maximum tax is eighty dollars (\$80.00) per
 3 article."

4 **SECTION 31.7.(b)** This section becomes effective July 1, 2007.
 5

6 **ENHANCE TAX CREDIT FOR RESEARCH AND DEVELOPMENT**
 7 **EXPENDITURES**

8 **SECTION 31.8.(a)** G.S. 105-129.55 reads as rewritten:

9 "**§ 105-129.55. Credit for North Carolina research and development.**

10 (a) Qualified North Carolina Research Expenses. – A taxpayer that has qualified
 11 North Carolina research expenses for the taxable year is allowed a credit equal to a
 12 percentage of the expenses, determined as provided in this subsection. Only one credit
 13 is allowed under this subsection with respect to the same expenses. If more than one
 14 subdivision of this subsection applies to the same expenses, then the credit is equal to
 15 the higher percentage, not both percentages combined. If part of the taxpayer's qualified
 16 North Carolina research expenses qualifies under subdivision (2) of this subsection and
 17 the remainder qualifies under subdivision (3) of this subsection, the applicable
 18 percentages apply separately to each part of the expenses.

19 (1) Small business. – If the taxpayer was a small business as of the last
 20 day of the taxable year, the applicable percentage is three and
 21 one-quarter percent (~~3%~~)(3.25%).

22 (2) Low-tier research. – For expenses with respect to research performed
 23 in a development tier one area, the applicable percentage is three and
 24 one-quarter percent (~~3%~~)(3.25%).

25 (3) Other research. – For expenses not covered under subdivision (1) or
 26 (2) of this subsection, the percentages provided in the table below
 27 apply to the taxpayer's qualified North Carolina research expenses
 28 during the taxable year at the following levels:

Expenses Over	Up To	Rate
-0-	\$50 million	<u>1%</u> <u>1.25%</u>
\$50 million	\$200 million	<u>2%</u> <u>2.25%</u>
\$200 million	–	<u>3%</u> <u>3.25%</u>

33 (b) North Carolina University Research Expenses. – A taxpayer that has North
 34 Carolina university research expenses for the taxable year is allowed a credit equal to
 35 fifteen percent (15%)twenty percent (20%) of the expenses."

36 **SECTION 31.8.(b)** This section is effective for taxable years beginning on
 37 or after January 1, 2007.
 38

39 **MODIFY TAX CREDIT FOR CONSTRUCTING RENEWABLE FUEL**
 40 **FACILITIES**

41 **SECTION 31.9.(a)** G.S. 105-129.16D(b1) reads as rewritten:

42 "(b1) Alternative Production Credit. – In lieu of the credit allowed under subsection
 43 (b) of this section, a taxpayer that constructs and places in service in this State three or
 44 more commercial facilities for processing renewable fuel and that invests a total amount
 45 of at least four hundred million dollars (\$400,000,000) in the facilities is allowed a
 46 credit equal to thirty-five percent (35%) of the cost to the taxpayer of constructing and
 47 equipping the facilities. In order to claim the credit, the taxpayer must obtain a written
 48 determination from the Secretary of Commerce that the taxpayer is expected to invest
 49 within a five-year period a total amount of at least four hundred million dollars
 50 (\$400,000,000) in three or more facilities. The credit must be taken in seven equal
 51 annual installments beginning with the taxable year in which the first facility is placed

1 in service. If, in one of the years in which the installment of credit accrues, a facility
2 with respect to which the credit was claimed is disposed of or taken out of service and
3 the investment requirements of this subsection are no longer satisfied, the credit expires
4 and the taxpayer may not take any remaining installment of the credit. The taxpayer
5 may, however, take the portion of an installment that accrued in a previous year and was
6 carried forward to the extent permitted under G.S. 105-129.17. ~~If a credit allowed under~~
7 ~~this subsection expires, a taxpayer is not eligible for a credit under subsection (b) of this~~
8 ~~section with respect to the same property.~~ Notwithstanding the provisions of
9 G.S. 105-129.17, a taxpayer may claim the credit allowed under this subsection against
10 the income tax imposed under Article 4 of this Chapter only the credit allowed under
11 this subsection may not exceed one hundred percent (100%) of the tax against which it
12 is claimed, and the taxpayer may carry forward unused portions of the credit allowed
13 under this subsection for the succeeding 10 years."

14 **SECTION 31.9.(b)** This section is effective for taxable years beginning on
15 or after January 1, 2007.

16 **EXPAND SALES AND USE TAX REFUND FOR CERTAIN AIRCRAFT** 17 **MANUFACTURERS**

18 **SECTION 31.10.(a)** G.S. 105-164.14(j)(3)b. reads as rewritten:

19 "(3) Industries. – This subsection applies to the following industries:

20 ...

21
22 b. Aircraft manufacturing. Aircraft manufacturing means the
23 manufacturing or assembling of complete aircraft, aircraft or of
24 aircraft engines, blisks, fuselage sections, flight decks, flight
25 deck systems or components, wings, fuselage fairings, fins,
26 moving leading and trailing wing edges, wing boxes, nose
27 sections, tailplanes, passenger doors, nacelles, thrust reversers,
28 landing gear, braking systems, or any combination thereof."

29 **SECTION 31.10.(b)** This section becomes effective July 1, 2007, and
30 applies to purchases made on or after that date.

31 **ADJUST TAX RATE ON PROPERTY COVERAGE INSURANCE** 32 **CONTRACTS AND INCREASE THE DISTRIBUTION OF TAX PROCEEDS** 33 **TO THE VOLUNTEER FIRE DEPARTMENT FUND**

34 **SECTION 31.11.(a)** G.S. 105-228.5(d)(3), as amended by Section 3 of S.L.
35 2006-196, reads as rewritten:

36
37 "(3) Additional Rate on Property Coverage Contracts. – An additional tax
38 at the rate of ~~eighty five hundredths percent (.85%)~~ seventy-four
39 hundredths percent (0.74%) applies to gross premiums on insurance
40 contracts for property coverage. The tax is imposed on ten percent
41 (10%) of the gross premiums from insurance contracts for automobile
42 physical damage coverage and on one hundred percent (100%) of the
43 gross premiums from all other contracts for property coverage. ~~Twenty~~
44 ~~percent (20%)~~ Thirty percent (30%) of the net proceeds of this
45 additional tax must be credited to the Volunteer Fire Department Fund
46 established in Article 87 of Chapter 58 of the General Statutes.
47 Twenty-five percent (25%) of the net proceeds must be credited to the
48 Department of Insurance for disbursement pursuant to G.S. 58-84-25.
49 The remaining net proceeds must be credited to the General Fund.
50 The following definitions apply in this subdivision:

- 1 a. Automobile physical damage. – The following lines of business
2 identified by the NAIC: private passenger automobile physical
3 damage and commercial automobile physical damage.
4 b. Property coverage. – The following lines of business identified
5 by the NAIC: fire, farm owners multiple peril, homeowners
6 multiple peril, nonliability portion of commercial multiple peril,
7 ocean marine, inland marine, earthquake, private passenger
8 automobile physical damage, commercial automobile physical
9 damage, aircraft, and boiler and machinery. The term also
10 includes insurance contracts for wind damage.
11 c. NAIC. – National Association of Insurance Commissioners."

12 **SECTION 31.11.(b)** G.S. 58-84-25, as amended by Section 7 of S.L.
13 2006-196, reads as rewritten:

14 "**§ 58-84-25. Disbursement of funds by Insurance Commissioner.**

15 (a) Distribution. – The Insurance Commissioner shall deduct the sum of three
16 percent (3%) from the tax proceeds credited to the Department pursuant to
17 G.S. 105-228.5(d)(3) and pay the same over to the treasurer of the State Firemen's
18 Association for general purposes. The Insurance Commissioner shall deduct the sum of
19 two percent (2%) from the tax proceeds and retain the same in the budget of the
20 Department of Insurance for the purpose of administering the disbursement of funds by
21 the board of trustees in accordance with the provisions of G.S. 58-84-35. The Insurance
22 Commissioner shall, pursuant to G.S. 58-84-50, credit the amount forfeited by
23 nonmember fire districts to the North Carolina State Firemen's Association. The
24 Insurance Commissioner shall ~~pay~~ distribute the remaining tax proceeds to the treasurer
25 of each fire district as provided in subsections (b) and (c) of this section.

26 (b) Allocation to Counties. – ~~on a per capita basis, using the most recent annual~~
27 ~~population estimates certified by the State Budget Officer.~~ The Insurance Commissioner
28 shall allocate to each county an amount of tax proceeds based upon the amount
29 allocated to it in the previous year. If the amount allocable in the current year is less
30 than the amount allocated in the previous year, then the Commissioner shall reduce the
31 amount allocated to each county. The amount of the reduction is equal to the difference
32 in the amount allocated in the previous year and the amount allocable in the current year
33 multiplied by a fraction, the numerator of which is the population of the county and the
34 denominator of which is the population of the State. If the amount allocable in the
35 current year is greater than the amount allocated in the previous year, then the
36 Commissioner shall increase the amount allocated to each county. The amount of the
37 increase is equal to the excess proceeds multiplied by a fraction, the numerator of which
38 is the population of the county and the denominator of which is the population of the
39 State.

40 (c) Distribution to Fire Districts. – Once the Insurance Commissioner has
41 allocated the tax proceeds to a county under subsection (b) of this section, the
42 Commissioner shall distribute those allocations to the fire districts in that county. The
43 amount distributed to each fire district is equal to the total amount allocated to the
44 county multiplied by a fraction, the numerator of which is the tax value of the property
45 located in the fire district and the denominator of which is the tax value of all property
46 located in any fire district in that county. A county shall provide the Commissioner with
47 the tax value of property located in each fire district in that county by January 1 of each
48 year. If a county does not submit information that the Commissioner needs to make a
49 distribution by the date the information is due, the Commissioner shall distribute the
50 allocation based on the most recent information the Commissioner has.

1 (d) Administration. – These funds shall be held by the treasurer of a fire district
2 as a separate and distinct fund. The fire district shall immediately pay the funds to the
3 treasurer of the local board of trustees upon the treasurer's election and qualification, for
4 the use of the board of trustees of the firemen's local relief fund in each fire district,
5 which board shall be composed of five members, residents of the fire district as
6 hereinafter provided for, to be used by it for the purposes provided in G.S. 58-84-35."

7 **SECTION 31.11.(c)** G.S. 58-87-1, as amended by Section 8 of S.L.
8 2006-196, reads as rewritten:

9 "**§ 58-87-1. Volunteer Fire Department Fund.**

10 (a) Fund. – The Volunteer Fire Department Fund is created as an
11 interest-bearing, nonreverting fund in the Department to provide matching grants to
12 volunteer fire departments to purchase equipment and make capital improvements. The
13 Commissioner shall administer the Fund. Up to two percent (2%) of the Fund may be
14 used for additional staff and resources to administer the Fund in each fiscal year.

15 (a1) Grant Program. – An eligible fire department may apply to the Commissioner
16 for a grant under this section. In awarding grants under this section, the Commissioner
17 must, to the extent possible, select applicants from all parts of the State based upon
18 need. The Commissioner must award the grants on May 15 of each year subject to the
19 following limitations:

20 (1) The size of a grant may not exceed ~~twenty thousand dollars~~
21 ~~(\$20,000);~~ thirty thousand dollars (\$30,000).

22 (2) The applicant shall match the grant on a dollar-for-dollar ~~basis;~~ basis.

23 (3) The grant may be used only for equipment purchases, payment of
24 highway use taxes on those purchases, or capital expenditures
25 necessary to provide fire protection ~~services;~~ and services.

26 (4) An applicant may receive no more than one grant per fiscal year.

27 (b) Eligible Fire Department. – A fire department is eligible for a grant under this
28 section if it meets all of the conditions of this subsection. No fire department may be
29 declared ineligible for a grant solely because it is classified as a municipal fire
30 department.

31 (1) It serves a response area of ~~6,000~~ 12,000 or less in population. In
32 making the population determination, the Department must use the
33 most recent annual population estimates certified by the State Budget
34 Officer.

35 (2) It consists entirely of volunteer members, with the exception that the
36 unit may have paid members to fill the equivalent of ~~three~~ six full-time
37 paid positions.

38 (3) It has been certified by the Department of Insurance.

39 (c) Report. – The Commissioner must submit a written report to the General
40 Assembly within 60 days after the grants have been made. This report must contain the
41 amount of the grant and the name of the recipient."

42 **SECTION 31.11.(d)** Notwithstanding G.S. 58-84-25, as amended by this
43 section, for the initial allocation of tax proceeds after January 1, 2008, the Insurance
44 Commissioner shall calculate the allocation by setting the previous year's allocation as
45 the amount of tax proceeds distributed in the previous year to the fire districts located in
46 each county. If a fire district is located in more than one county, the Commissioner must
47 allocate the distribution between those counties in proportion to the tax value of the
48 property in the district located in each county.

49 **SECTION 31.11.(e)** Subsection (a) of this section is effective for taxable
50 years beginning on or after January 1, 2008. The remainder of this section becomes
51 effective January 1, 2008.

SET INSURANCE REGULATORY FEE

SECTION 31.12.(a) The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is five and one-half percent (5.5%) for the 2007 calendar year.

SECTION 31.12.(b) This section is effective when it becomes law.

SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 31.13.(a) The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is twelve one-hundredths of one percent (0.12%) for each public utility's North Carolina jurisdictional revenues earned during each quarter that begins on or after July 1, 2007.

SECTION 31.13.(b) The electric membership corporation regulatory fee imposed under G.S. 62-302(b1) for the 2007-2008 fiscal year is two hundred thousand dollars (\$200,000).

SECTION 31.13.(c) This section becomes effective July 1, 2007.

AMEND SALES TAX HOLIDAY

SECTION 31.14.(a) G.S. 105-164.3 reads as rewritten:

"§ 105-164.3. Definitions.

The following definitions apply in this Article:

...

(37b) School instructional material. – Defined in the Streamlined Agreement.

(37d) School supply. – An item that is commonly used by a student in the course of study and is considered a 'school supply', a 'school art supply', or 'school instructional material supply' or 'school art supply' under the Streamlined Agreement.

...."

SECTION 31.14.(b) G.S. 105-164.13C(a) reads as rewritten:

"(a) The taxes imposed by this Article do not apply to the following items of tangible personal property if sold between 12:01 A.M. on the first Friday of August and 11:59 P.M. the following Sunday:

(1) Clothing with a sales price of one hundred dollars (\$100.00) or less per item.

(2) School supplies with a sales price of one hundred dollars (\$100.00) or less per item.

(2a) School instructional materials with a sales price of three hundred dollars (\$300.00) or less per item.

(3) Computers with a sales price of three thousand five hundred dollars (\$3,500) or less per item.

(3a) Computer supplies with a sales price of two hundred fifty dollars (\$250.00) or less per item.

(4) Sport or recreational equipment with a sales price of fifty dollars (\$50.00) or less per item."

SECTION 31.14.(c) This section becomes effective July 1, 2007, and applies to sales made on or after that date.

PART XXXII. MISCELLANEOUS PROVISIONS**STATE BUDGET ACT APPLIES**

1 **SECTION 32.1.** The provisions of the State Budget Act, Chapter 143C of
2 the General Statutes, are reenacted and shall remain in full force and effect and are
3 incorporated in this act by reference.
4

5 **COMMITTEE REPORT**

6 **SECTION 32.2.(a)** The N.C. House of Representatives Appropriations
7 Committee Report on the Continuation, Expansion and Capital Budgets, dated May 9,
8 2007, which was distributed in the House of Representatives and used to explain this
9 act, shall indicate action by the General Assembly on this act and shall therefore be used
10 to construe this act, as provided in the State Budget Act, Chapter 143C of the General
11 Statutes, or the Executive Budget Act, Chapter 143 of the General Statutes, as
12 appropriate, and for these purposes shall be considered a part of this act and as such
13 shall be printed as a part of the Session Laws.

14 **SECTION 32.2.(b)** The budget enacted by the General Assembly for the
15 maintenance of the various departments, institutions, and other spending agencies of the
16 State for the 2007-2009 fiscal biennium is a line-item budget, in accordance with the
17 Budget Code Structure and the State Accounting System Uniform Chart of Accounts set
18 out in the Administrative Policies and Procedures Manual of the Office of the State
19 Controller. This budget includes the appropriations made from all sources, including
20 the General Fund, Highway Fund, special funds, cash balances, federal receipts, and
21 departmental receipts.

22 The Director of the Budget submitted the itemized budget requests to the
23 General Assembly in February 2007, in the documents "The North Carolina State
24 Budget Summary of Recommendations 2007-2009" and "The North Carolina State
25 Budget 2007-2009 Recommended Operating Budget With Results-Based Information"
26 volumes one through six. The beginning appropriation for the 2007-2008 fiscal year and
27 the 2008-2009 fiscal year for the various departments, institutions, and other spending
28 agencies of the State is referenced in Tables 3 and 4 of the Summary of
29 Recommendations document as the recommended continuation budget.

30 **SECTION 32.2.(c)** The budget enacted by the General Assembly shall also
31 be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and
32 other appropriate legislation.

33 In the event that there is a conflict between the line-item budget certified by
34 the Director of the Budget and the budget enacted by the General Assembly, the budget
35 enacted by the General Assembly shall prevail.
36

37 **MOST TEXT APPLIES ONLY TO THE 2007-2009 FISCAL BIENNIUM**

38 **SECTION 32.3.** Except for statutory changes or other provisions that clearly
39 indicate an intention to have effects beyond the 2007-2009 fiscal biennium, the textual
40 provisions of this act apply only to funds appropriated for, and activities occurring
41 during, the 2007-2009 fiscal biennium.
42

43 **EFFECT OF HEADINGS**

44 **SECTION 32.4.** The headings to the parts and sections of this act are a
45 convenience to the reader and are for reference only. The headings do not expand,
46 limit, or define the text of this act, except for effective dates referring to a part.
47

48 **SEVERABILITY CLAUSE**

49 **SECTION 32.5.** If any section or provision of this act is declared
50 unconstitutional or invalid by the courts, it does not affect the validity of this act as a
51 whole or any part other than the part so declared to be unconstitutional or invalid.

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EFFECTIVE DATE

SECTION 32.6. Except as otherwise provided, this act becomes effective July 1, 2007.