

GENERAL ASSEMBLY OF NORTH CAROLINA
1985 SESSION

CHAPTER 479
SENATE BILL 1

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

Whereas, the intent of the General Assembly as expressed in Chapter 1103 of the 1983 Session Laws (Regular Session 1984) mandated a rigorous academic course of study for the purpose of ensuring a quality education; and Whereas, it is the intent of the General Assembly that the Basic Education Program be designed to graduate good citizens who have the skills demanded in the marketplace and the skills necessary to cope with and enjoy contemporary society; and Whereas, it is further the intent that the Basic Education Program define a common core of knowledge and skills that each student should master prior to graduation from high school; and Whereas, it is intended that the Basic Education Program provide each student in the North Carolina public schools a basic level of instructional programs and services, regardless of geographic location or local economic factors; and Whereas, it is expected that the Basic Education Program shall produce graduates who have an understanding of our national and State government, the benefits of the free enterprise system, and the rights and responsibilities of American citizenship. To this end, local administrative units are encouraged to provide frequent opportunities to pledge allegiance to the flag of the United States; and Whereas, in order to teach every child to read to the best of his or her ability, reading instruction should be based on the individual child's needs, interests, and stage of development. This means that a variety of instructional approaches should be employed and that the content of the materials used should be meaningful and relevant. These approaches may include phonics, language-experience, linguistics, individualized reading, programmed and computer-assisted instruction, and basal readers; and Whereas, it is the intent of the General Assembly that the Basic Education Program respect the rights of the individual and the family to privacy, the right of the people to the privilege of an education and the duty of the State to guard and maintain that right, and the duty of the State to promote the well-being of our children, which rights and duties are all guaranteed by our system of government and our laws; and Whereas, Section 55 of this act pertains to the Basic Education Program; Now therefore,

The General Assembly of North Carolina enacts:

Section 1. The appropriations made in this act are for maximum amounts necessary to provide the services and accomplish the purposes described in the budget. Savings shall be effected where the total amounts appropriated are not required to

perform these services and accomplish these purposes and, except as allowed by the Executive Budget Act, or this act, the savings shall revert to the appropriate fund at the end of each fiscal year.

Sec. 1.1. This act shall be known as "The Current Operations Appropriations Act of 1985."

An outline of the provisions of the act follows this section. The outline shows the heading "—CONTENTS/INDEX—" and it lists by general category the descriptive captions for the various sections and groups of sections that make up the act.

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Sec. 2. Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated are made for the biennium ending June 30, 1987, according to the following schedule:

Current Operations-General Fund	1985-86	1986-87
General Assembly	\$ 11,447,763	\$ 14,009,233
Judicial Department	124,224,500	129,114,590
Department of The Governor	7,423,814	7,581,535
Reserve for Biotechnology Center	5,000,000	-0-
Lieutenant Governor's Office	445,973	473,834
Department of Secretary of State	1,698,737	1,603,221
Department of State Auditor	8,697,702	8,683,092

Department of State Treasurer	3,311,534	3,377,304
Department of Public Education	1,997,325,035	2,009,326,705
Department of Justice	32,393,605	32,179,275
Department of Agriculture	28,754,235	28,354,974
Department of Labor	5,596,812	5,801,547
Department of Insurance	7,000,068	8,083,673
Department of Administration	37,560,190	38,057,811
Department of Transportation		
01. Public Transportation	1,600,000	1,645,000
02. Aeronautics	3,516,571	3,516,571
03. Aid to Railroads	100,000	100,000
Total Department of Transportation	5,216,571	5,261,571
Department of Natural Resources and Community Development	53,559,244	54,416,711
Department of Human Resources		
01. Alcoholic Rehabilitation Center-Black Mountain	2,758,580	2,761,168
02. Alcoholic Rehabilitation Center-Butner	2,281,454	2,278,163
03. Alcoholic Rehabilitation Center-Greenville	1,941,669	1,947,104
04. N.C. Special Care Center	3,669,367	3,729,829
05. Black Mountain Center	37,446	136,673
06. DHR-Administration and Support Program	21,485,020	23,743,156
07. Schools for the Deaf	13,659,976	13,260,648
08. Governor Morehead School	3,841,536	3,869,916
09. Division of Health Services	71,940,763	73,897,626
10. Social Services	71,157,414	71,285,588
11. Medical Assistance	203,420,877	217,744,497
12. Social Services-State Aid to Non-State Agencies	3,651,646	3,651,646
13. Division of Services for the Blind	5,461,491	5,527,511
14. Division of Mental Health and Mental Retardation Services	104,736,912	105,492,224
15. Dorothea Dix Hospital	29,190,157	29,615,609
16. Broughton Hospital	22,934,542	23,099,514
17. Cherry Hospital	22,830,221	22,915,032
18. John Umstead Hospital	23,049,663	23,216,708
19. Western Carolina Center	3,331,761	3,479,985
20. O'Berry Center	3,120,193	3,273,517
21. Murdoch Center	15,303,286	14,500,675
22. Caswell Center	13,363,387	13,716,594

23.	Division of Facility Services	7,578,579	7,840,742
24.	Division of Vocational Rehabilitation Services	20,436,563	21,232,121
25.	Division of Youth Services	31,947,696	33,024,634
	Total Department of Human Resources	703,130,199	729,099,832
	Department of Correction	215,591,770	217,962,306
	Department of Commerce	22,671,077	22,767,538
	Reserve for Microelectronics Center of North Carolina	16,729,000	12,226,000
	Department of Revenue	33,986,965	34,163,900
	Department of Cultural Resources	26,664,969	26,918,428
	Department of Crime Control and Public Safety	13,554,198	13,257,398
	University of North Carolina- Board of Governors		
01.	General Administration	11,369,547	11,476,500
02.	University Operations- Lump Sum	36,701,146	43,725,701
03.	Related Educational Programs	33,027,698	33,187,688
04.	University of North Carolina at Chapel Hill		
	a. Academic Affairs	95,228,420	96,643,271
	b. Division of Health Affairs	67,612,216	68,353,141
	c. Area Health Education Centers	23,493,053	23,496,062
05.	North Carolina State University at Raleigh		
	a. Academic Affairs	117,475,872	118,848,733
	b. Agricultural Research Service	25,145,485	25,192,980
	c. Agricultural Extension Service	19,582,062	19,647,943
06.	University of North Carolina at Greensboro	35,640,256	36,310,449
07.	University of North Carolina at Charlotte	31,504,702	31,818,022
08.	University of North Carolina at Asheville	8,352,141	8,494,327
09.	University of North Carolina at Wilmington	18,243,164	18,545,591
10.	East Carolina University	79,178,962	80,135,969
11.	North Carolina Agricultural and Technical State University	23,538,013	24,047,590
12.	Western Carolina University	22,366,447	22,481,467
13.	Appalachian State University	33,860,070	34,350,147
14.	Pembroke State University	8,210,923	8,361,945
15.	Winston-Salem State		

University	10,590,841	10,713,848
16. Elizabeth City State University	7,925,441	8,084,628
17. Fayetteville State University	9,984,849	10,082,674
18. North Carolina Central University	19,986,845	20,164,572
19. North Carolina School of the Arts	5,622,748	5,681,132
20. North Carolina Science and Math High School	4,102,090	5,001,315
21. North Carolina Memorial Hospital	23,963,536	24,740,652
Total University of North Carolina	772,706,527	789,586,347
Department of Community Colleges	259,369,538	248,250,430
State Board of Elections	300,392	285,715
Contingency and Emergency Reserve for Salary Adjustments	1,125,000	1,125,000
Reserve for Electronic Data Processing	500,000	500,000
Reserve for State Aid, Local Programs	2,870,000	2,300,000
Reserve for Salary Increases	6,505,825	7,938,046
Reserve for Salary Increases, State Aid, Local Programs	300,000,000	318,000,000
Reserve for Hospital-Medical Benefits	4,814,406	4,814,406
Debt Service-Interest	34,000,000	34,000,000
Debt Service-Redemption	35,281,250	35,266,250
GRAND TOTAL CURRENT OPERATIONS— GENERAL FUND	40,500,000	41,500,000
	\$4,819,956,899	\$4,882,427,720

PART II.—CURRENT OPERATIONS/HIGHWAY FUND

Sec. 3. Appropriations from the Highway Fund of the State for the maintenance and operation of the Department of Transportation, and for other purposes as enumerated, are made for the biennium ending June 30, 1987, according to the following schedule:

Current Operations-Highway Fund	1985-86	1986-87
Department of Transportation		
01. Administration	\$ 21,677,826	\$ 21,500,840
02. Highways		
a. Administration and Operations	25,497,794	25,555,914
b. State Construction		

	(01) Primary Construction	1,500,000	1,500,000
	(02) Secondary Construction	47,712,500	48,662,500
	(03) Urban Construction	1,500,000	1,500,000
	(04) Access and Public Service Roads	2,000,000	2,000,000
c.	State Funds to Match Federal Highway Aid		
	(01) Construction	68,130,000	27,860,000
	(02) Planning Survey and Highway Planning Research	760,920	781,324
d.	State Maintenance		
	(01) Primary	65,627,121	67,359,677
	(02) Secondary	119,450,241	122,603,727
	(03) Urban	16,552,162	16,989,139
	(04) Contract Resurfacing	81,191,673	84,049,620
e.	Ferry Operations	11,416,657	11,416,657
f.	State Aid to Municipalities	47,312,500	48,262,500
g.	State Aid Public Transportation	500,000	500,000
03.	Division of Motor Vehicles	49,513,859	48,613,982
04.	Governor's Highway Safety Program	276,104	276,698
05.	Salary Adjustments for Highway Fund Employees	200,000	200,000
06.	Debt Service	38,445,500	37,971,000
08.	Reserve to Correct Occupational Safety and Health	350,000	350,000
09.	Reserve for Salary Increase	22,500,000	27,500,000
10.	Reserve for Hospital Medical- Benefits	3,100,00	3,100,000
Appropriations for Other State Agencies			
01.	Crime Control and Public Safety	60,255,249	60,432,857
02.	Other Agencies		
a.	Department of Agriculture	1,943,995	1,975,636
b.	Department of Revenue	1,188,962	1,204,279
c.	Department of Human Resources	277,860	277,957
d.	Department of Correction	1,750,000	1,750,000
e.	Department of Public Education	23,160,350	22,115,034

Contingencies and Emergency Fund	100,000	100,000
GRAND TOTAL CURRENT OPERATIONS— HIGHWAY FUND	\$713,891,273	\$686,409,341

PART III.—APPROPRIATION OF FEDERAL BLOCK GRANT FUNDS —BLOCK GRANT FUNDS ALLOCATED

Sec. 4. Appropriations from federal block grant funds are made for the fiscal year ending June 30, 1986, according to the following schedule:

Preventive Health Block Grant		
01. Emergency Medical Services		\$ 450,000
02. Health Department		933,000
03. Hypertension Programs		538,628
04. Risk Reduction Programs		564,686
05. Fluoridation of Water Supplies		159,979
06. Rape Prevention and Rape Crisis Programs		89,369
TOTAL Preventive Health Block Grant		\$ 2,735,662
Maternal and Child Health Block Grant		
01. Local Maternal and Child Health and Family Planning Services		\$ 8,664,764
02. High Risk Maternity Clinic Services, Perinatal Education and Child Vaccination Services		1,416,935
03. Services to Disabled Children		4,552,121
04. Sudden Infant Death Syndrome		33,000
05. Lead-Based Paint Poisoning		72,000
06. Perinatal Reimbursement		2,100,000
TOTAL Maternal and Child Health Services		\$16,838,820

Unanticipated receipts to the Maternal and Child Health Program shall be allocated in the following manner: Sixty-five percent (65%) of additional MCH funds shall be allocated to the perinatal program; thirty-five percent (35%) shall be allocated to local health departments for expanded services in prenatal and family planning clinics and for purchase of medical services and supplies.

Social Services Block Grant		
01. County Departments of Social Services		\$42,601,196
02. Division of Mental Health, Mental Retardation, and Substance Abuse		6,051,506
03. Division of Services for the Blind		2,714,020
04. Division of Health Services		1,632,667
05. Division of Youth Services		1,051,428
06. Division of Facility Services		206,639
07. Division of Aging		27,652

08.	Day Care Services	11,347,803
09.	Volunteer Services	39,167
10.	State Administration and State Level Contracts	3,244,505
11.	Sickle Cell Programs	281,000
12.	Day Care Training	646,294
13.	Voluntary Sterilization Funds	500,000
	TOTAL Social Services Block Grant	\$70,343,877
	Low Income Energy Block Grant	
01.	Energy Assistance Programs	\$26,710,520
02.	Crisis Intervention	6,200,000
03.	Administration	3,000,000
04.	Weatherization Program	4,000,000
05.	Indian Affairs	42,280
06.	Transfer to Maternal and Child Health Block Grant	3,800,000
07.	Emergency Medical Services	200,000
08.	Day Care Funds	800,000
09.	Unexpended Reserve	653,913
	TOTAL Low Income Energy Block Grant	\$45,406,713
	Alcohol and Drug Abuse and Mental Health Services Block Grant	
01.	Continuation of Staffing Grants to Four Area Mental Health Programs	\$ 1,255,146
02.	Funds to Area Mental Health, Mental Retardation, and Substance Abuse Programs to Be Distributed on a Per Capita Basis	2,051,556
03.	Services to Persons Who Have Aged Out of the Willie M. Class	1,001,502
04.	Crisis Stabilization for the Mentally Ill	169,847
05.	Group Homes, Early Intervention, and Day Treatment Programs for Emotionally Disturbed Children	198,000
06.	Programs for the Chronically Mentally Ill	1,735,843
07.	Programs for Severely Emotionally Disturbed Children and Adolescents	107,377
08.	Training Funds for Suicide Prevention for Children, Services to the Chronically Mentally Ill and the Elderly	23,250
09.	Funds to Substance Abuse Programs	3,341,665
10.	Alcohol Services for Funds	567,411
11.	Training for Substance Abuse Services	20,700
12.	Administrative Costs	580,703
	TOTAL Alcohol and Drug Abuse and Mental Health Services Block Grant	\$10,963,000
	Job Training Partnership Act	
01.	Title II A funds to the 12 service delivery	

areas to train economically disadvantaged youth and adults	\$32,195,402
02. Education set aside to State education agencies for projects to serve eligible participants	3,302,092
03. Incentive grants and technical assistance funds to service delivery areas	2,467,569
04. Funds to the Department of Human Resources for training of economically disadvantaged older workers	1,238,285
05. Funds to the Department of Natural Resources and Community Development to administer and audit all activities related to the Job Training Partnership Act program	2,063,808
06. Title II B Summer Youth Employment & Training funds to service delivery areas for economically disadvantaged youth	17,662,149
07. Title III Dislocated workers funds to the Employment Security Commission	3,482,448
TOTAL Job Training Partnership Act	\$62,411,753
Community Services Block Grant	
01. Community Action Agencies	\$ 8,182,212
02. Limited Purpose Agencies	454,567
03. Commission on Indian Affairs	20,593
04. Department of Natural Resources and Community Development to administer and monitor the activities of the Community Services Block Grant	454,567
TOTAL Community Services Block Grant	\$ 9,111,939
Community Development Block Grant	
01. State Administration	\$ 963,520
02. Urgent Needs/Contingency	2,110,624
03. Development Planning	422,124
04. Economic Development	8,442,496
05. Community Revitalization	31,237,246
TOTAL Community Development Block Grant	\$43,176,000
Education Consolidation and Improvement Act Chapter II	\$12,457,599

**PART IV.—SPECIAL PROVISIONS/HIGHWAY FUND CURRENT OPERATIONS
—HIGHWAY FUND/ALLOCATIONS BY TRANSPORTATION CONTROLLER**

Sec. 5. The Controller of the Department of Transportation shall allocate, at the beginning of each fiscal year, from the various appropriations made to the Department of Transportation in Section 3 of this act, Titles:

- 02.b. - State Construction
- 02.c. - State Funds to Match Federal Highway Aid
- 02.d. - State Maintenance

02.e. - Ferry Operations
sufficient funds to eliminate all overdrafts on State maintenance and construction projects, and these allocations may not be diverted to other purposes.

—HIGHWAY FUND/LIMITATIONS ON OVEREXPENDITURES

Sec. 6. (a) Overexpenditures may be made by authorization of the Director of the Budget from Section 3 of this act, Titles:

- 02.b.(01) - State Construction/Primary Construction
- 02.b.(03) - State Construction/Urban Construction
- 02.b.(04) - State Construction/Access and Public Service Roads
- 02.c. - State Funds to Match Federal Highway Aid
- 02.d. - State Maintenance
- 02.e. - Ferry Operations

provided that there are corresponding underexpenditures from these same titles. Overexpenditures or underexpenditures in any titles may not vary by more than ten percent (10%) without prior consultation with the Advisory Budget Commission.

(b) Overexpenditures from Section 3 of this act, Titles:

- 02.b.(01) - State Construction/Primary Construction
- 02.b.(03) - State Construction/Urban Construction
- 02.b.(04) - State Construction/Access and Public Service Roads
- 02.c. - State Funds to Match Federal Highway Aid
- 02.d. - State Maintenance
- 02.e. - Ferry Operations

for the purpose of providing additional positions shall be approved by the Director of the Budget.

—CASH FLOW/HIGHWAY FUND APPROPRIATIONS

Sec. 7. The General Assembly authorizes and certifies anticipated revenues of the Highway Fund as follows:

For Fiscal Year 1987-88	\$709,716,000
For Fiscal Year 1988-89	\$723,910,000

—RESURFACED ROADS MAY BE WIDENED

Sec. 8. Of the contract maintenance resurfacing program funds appropriated in Section 3 of this act to the Department of Transportation, an amount not to exceed ten percent (10%) of the Board of Transportation's allocation of these funds may be used for widening existing narrow pavements that are scheduled for resurfacing.

—USE OF SALES TAX COLLECTED BY THE DIVISION OF MOTOR VEHICLES

Sec. 9. Notwithstanding the second sentence of the sixth paragraph of G.S. 105-164.4(1), the Department of Transportation may deduct and retain from the sales tax on motor vehicles collected pursuant to that subdivision an amount equal to the cost to the Division of Motor Vehicles of collecting the sales tax on motor vehicles, but not to exceed four hundred seventy-five thousand dollars (\$475,000) per year. The cost of collecting this tax shall be determined by the Secretary of Transportation, subject to the approval of the State Budget Officer.

**PART V.—GENERAL PROVISIONS —SPECIAL FUNDS, FEDERAL FUNDS,
AND DEPARTMENTAL RECEIPTS/AUTHORIZATION FOR EXPENDITURES**

Sec. 10. There is appropriated out of the cash balances, federal receipts, and departmental receipts available to each department, sufficient amounts to carry on authorized activities included under each department's operations. All these cash balances, federal receipts, and departmental receipts shall be expended and reported in accordance with provisions of the Executive Budget Act, except as otherwise provided by statute. The Director of the Budget shall develop necessary budget controls, regulations, and systems to ensure that these funds and other State funds subject to the Executive Budget Act, may not be spent in a manner which would cause a deficit in expenditures.

Pursuant to G.S. 143-34.2, State departments, agencies, institutions, boards, or commissions may make application for, receive, or disburse any form of non-State aid. All non-State monies received shall be deposited with the State Treasurer unless otherwise provided by State law. These funds shall be expended in accordance with the terms and conditions of the fund award that are not contrary to the laws of North Carolina.

—INSURANCE AND FIDELITY BONDS

Sec. 11. All insurance and all official fidelity and surety bonds authorized for the several departments, institutions, and agencies shall be effected and placed by the Insurance Department, and the cost of placement shall be paid by the affected department, institution, or agency with the approval of the Insurance Commissioner.

—BUDGETING OF PILOT PROGRAMS

Sec. 12. (a) Any program designated by the General Assembly as experimental, model, or pilot shall be shown as a separate budget item and shall be considered as an expansion item until a succeeding General Assembly reapproves it.

Any new program funded in whole or in part through a special appropriations bill shall be designated as an experimental, model, or pilot program.

(b) The Governor shall submit to the General Assembly with his proposed budget a report of which items in the proposed budget are subject to the provisions of this section.

—AUTHORIZED TRANSFERS

Sec. 13. The Director of the Budget may transfer to General Fund budget codes from the General Fund salary adjustment appropriation, and may transfer to Highway Fund budget codes from the Highway Fund salary adjustment appropriation, amounts required to support approved salary adjustments made necessary by difficulties in recruiting and holding qualified employees in State government. The funds may be transferred only when the use of salary reserve funds in individual operating budgets is not feasible.

Sec. 14. G.S. 143-23(a1) and Sections 156 and 157 of this act do not apply to the General Assembly.

—SALARY RELATED CONTRIBUTIONS/EMPLOYERS

Sec. 15. Required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of employee's salary. If an employee's salary is paid in part from the General Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund only to the extent of the proportionate part paid from the General Fund in support of the salary of the employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital-medical insurance, longevity, unemployment insurance, and workers' compensation.

—SHIFT PREMIUM PAY

Sec. 16. Shift premium pay shall be paid to all State employees in non-medically related positions through salary grade 69 and to all State employees in medically related positions through salary grade 73, subject to the provisions of this section. Shift premium pay for employees in medically related positions shall be limited to ten percent (10%) of salary or one dollar (\$1.00) per hour, whichever is greater. The State Personnel Commission shall set the higher shift premium pay for employees in medically related positions only after finding that the higher pay is necessary to meet existing competition from private employers.

The State Personnel Commission may not adopt a shift premium pay schedule higher than those stated in this section unless the higher schedule is first approved by the General Assembly and funds are appropriated to implement the higher pay. The Commission may, however, request authorization to pay shift premium pay to employees in grades above those stated in this section when the Commission determines that there is a critical shortage of employees in a position because of competition from private employers who pay shift premium pay for that type work. Such a request shall

be made to the General Assembly if it is in session; otherwise, the request shall be approved by the Director of the Budget with the advice of the Advisory Budget Commission.

The State Personnel Commission shall strictly enforce its regulation requiring that employees who receive shift premium pay be regularly assigned to night or shift work. In enforcing the regulation the Commission shall strictly construe "regularly" so that shift premium pay shall not be paid to employees temporarily placed on a shift receiving such pay.

—EXPENDITURES OF FUNDS IN RESERVES LIMITED

Sec. 17. All funds appropriated by this act into reserves may be expended only for the purposes for which the reserves were established.

PART VI. —PUBLIC SCHOOLS —LEGISLATIVE OVERSIGHT OF EDUCATION PROGRAMS

Sec. 18. The Joint Legislative Commission on Governmental Operations shall oversee:

- (1) The career ladder pilot programs;
- (2) The implementation of the Basic Education Program;
- (3) The planning for the advancement center for teachers;
- (4) School administrator training programs: who provides them, who designs them, what training they provide, what populations they serve, and whether some or all of these programs should be consolidated; and
- (5) Any other subjects the Commission deems appropriate.

—SCHOLARSHIP LOAN FUND FOR PROSPECTIVE TEACHERS

Sec. 19. The funds appropriated to the Department of Public Education in Section 2 of this act to provide an additional 200 scholarship loans at two thousand dollars (\$2,000) each during each year of the 1985-87 biennium shall be allocated to the Scholarship Loan Fund for Prospective Teachers established by G.S. 115C-468, along with sufficient funds to continue the 200 new scholarship loans set up in 1984-85. All scholarships provided pursuant to this section are subject to the provisions of Article 32A of Chapter 115C of the General Statutes except as otherwise provided in this section. The criteria for awarding scholarships shall be measures of academic performance, including grade point average, scores on standardized tests, class rank, and recommendations of guidance counselors. Insofar as possible, an equal number of scholarships shall be awarded in each of the State's congressional districts.

—COMPETENCY TESTING/MEASUREMENT

Sec. 20. Changes in testing programs shall build on the foundation of the Annual Testing Program, may not duplicate programs, and shall result in more objective information.

Achievement-type tests to evaluate students in grades 3, 6, and 8 in the basic areas not included in the Annual Testing Program shall be acquired in the most cost-efficient manner. This may be either by purchase of tests already available on the commercial market or by development of tests by the staff of the Department of Public Instruction, including those who administer the Annual Testing Program. The future development of competency-type tests for use in North Carolina may include the use of commercially available materials and instruments, where available and appropriate, and duplication of commercially available materials may not occur.

Funds appropriated in the sum of nine hundred forty-six thousand five hundred dollars (\$946,500) in Section 2 of this act for each year of the fiscal biennium for development of the competency-based testing programs may be used to create new personnel positions only if that is the most efficient way to acquire appropriate achievement-type tests. The funds appropriated may be used for external contractual services without the addition of new positions.

All assessments shall be fully tested in the field prior to being used to make individual student decisions. In the case of end-of-course tests, the State Board of Education may not impose passing scores. Information from these tests may be used, in part, by teachers and local officials in arriving at student grades and in making administrative recommendations.

—COMPETENCY PROGRAMS BUDGETED LIKE PILOT PROGRAMS

Sec. 21. The Competency Development K-12 and the Competency Testing/Measurement programs of the State Board of Education are subject to the provisions of Section 12 of this act.

—COMMUNITY SCHOOLS FUNDS

Sec. 22. Funds appropriated in Section 2 of this act to the Department of Public Education for the Community Schools Program shall be used only for the Community Schools Program and may not be used for any other program or purpose.

—STAFF ALLOCATIONS TO SPECIAL DAY SCHOOL PROGRAMS

Sec. 23. The State Board of Education shall develop staffing ratios for administrators of special day school programs that serve only the handicapped. The State Board shall report its current and proposed staffing ratios and the cost of implementing them to the chairmen of the Appropriations Expansion Budget Committees in the Senate and the House of Representatives and to the Fiscal Research Division by May 1, 1986.

—ACCOUNTING FOR ADM POSITIONS SERVING EXCEPTIONAL CHILDREN

Sec. 24. It is the intent of the General Assembly that funds appropriated in the budget line item, "State aid – exceptional children," and the allocations of regular positions to local school administrative units for children with special needs shall be used to benefit directly the children with special needs.

For the 1985-86 school year, the State Board of Education shall notify the superintendent of each school administrative unit of the number of regular positions allotted to the unit based on the number of children with special needs in self-contained classes computed in the average daily membership of the unit. The superintendent shall account for the proper utilization of these positions and shall report to the State Board of Education, which will then report its findings on the utilization of these positions to the Legislative Commission on Children with Special Needs and the Fiscal Research Division by November 1, 1985. —PURCHASE OF BUSES IN LIEU OF CONTRACT

TRANSPORTATION Sec. 25. Funds appropriated to the Department of Public Education for the 1985-87 biennium for contract transportation to serve exceptional children who are unable because of their handicap to ride the regular school buses may be used by local boards of education for the purchase of buses and minibuses as well as for the purposes authorized in this act. These funds shall be expended in accordance with rules and regulations adopted by the State Board of Education.

—LIMIT FREE BUS TRANSPORTATION OF CHILDREN WITH SPECIAL NEEDS TO HANDICAPPED CHILDREN

Sec. 26. (a) G.S. 115C-108 is amended in the third sentence by inserting immediately after the word "transportation" the phrase "for handicapped children with special needs who are unable because of their handicap to ride the regular school buses".

(b) G.S. 115C-250(a) is amended in the first and second paragraphs by deleting the phrase "transportation of children with special needs" and by substituting the phrase "transportation of handicapped children with special needs who are unable because of their handicap to ride the regular school buses and"; and is further amended in the third paragraph by deleting the phrase "transportation of the child" and by substituting the phrase "transportation of the child, if handicapped and unable because of the handicap to ride the regular school buses,".

—VOCATIONAL EDUCATION STUDY

Sec. 27. (a) The Joint Legislative Commission on Governmental Operations shall study the relationship of vocational education and skills training offered in public schools, community college system institutions, and proprietary institutions, as well as public and private colleges and universities and training under the Job Training Partnership Act.

The study shall:

- (1) Examine the General Statutes applicable to vocational and technical education and determine whether the statutes are being implemented;
- (2) Review current studies of vocational and technical education needs and practices to identify key findings that are relevant to North Carolina; and
- (3) Determine the current status of vocational and technical education in North Carolina. The status review shall examine:
 - a. What is offered;
 - b. Where it is offered;
 - c. What equipment and facilities are used;
 - d. By whom it is taught and to whom it is taught;
 - e. What happens to the graduates;
 - f. What it costs and who pays for it;
 - g. Whether there is unnecessary duplication; and
 - h. Whether it is in compliance with federal funding requirements.
- (4) Review the status of vocational and technical teacher training in North Carolina. This review shall include examining:
 - a. Where vocational and technical instructors are trained;
 - b. By whom they are trained; and
 - c. The supply of and demand for these instructors.
- (5) Recommend the shape and structure of a more effective and efficient vocational and technical delivery system in North Carolina. This shall identify current policies, standards, and practices that should be continued and recommend needed changes to implement the improved system.

The Joint Legislative Commission on Governmental Operations may hire a consultant to assist it in this study in accordance with G.S. 120-79.

(b) To the extent not forbidden by federal law, of the funds available to the State Board of Education for vocational education, the State Budget Office shall allocate to the Joint Legislative Commission on Governmental Operations one hundred thousand dollars (\$100,000) for fiscal year 1985-86 for the study mandated in subsection (a) of this section.

(c) To the extent not forbidden by federal law, of the funds available to the Department of Natural Resources and Community Development pursuant to the Job Training Partnership Act, the State Budget Office shall allocate to the Joint Legislative Commission on Governmental Operations one hundred thousand dollars (\$100,000) for fiscal year 1985-86 for the study mandated in subsection (a) of this section.

—STANDARDS FOR APPROVAL OF VOCATIONAL EDUCATION PROGRAMS

Sec. 28. Beginning with the plans and applications for the 1986-87 school year, the State Board of Education may not approve any local vocational education plans or applications unless:

- (1) The programs are in accordance with the purposes of G.S. 115C-151;

- (2) The vocational programs and courses are not duplicated within a local school administrative unit, unless the unit has data to justify the duplication or the unit has a plan to redirect the duplicative programs within three years;
- (3) For all current job skill programs, there is a documented need, based on labor market data or follow-up data, or there is a plan to redirect the program within two years;
- (4) New vocational programs show documented need based on student demand, or for new job skill programs, based on student and labor market demand; and (5) All programs are responsive to technological advances, changing characteristics of the work force, and the academic, technical, and attitudinal development of students.

Local programs using the cooperative vocational education method shall be approved subject to students enrolled being placed in employment commensurate with the respective program criteria.

As used in this section, "labor market data" means data provided in the State Plan for Vocational Education, data provided through a local survey, or both.

—FUNDS TO REPLACE FEDERAL VOCATIONAL EDUCATION FUNDS

Sec. 29. It is the policy of the State of North Carolina to make every effort to encourage students ages 14-18 to complete their education. The General Assembly finds that this can be best accomplished by focusing on preventing 14 to 18 year olds from dropping out of school. Of the eight percent (8%) allotment of funds designated for State education programs by Section 202(b)(1) of the Job Training Partnership Act (29 U.S.C. § 1602(b)(1)), the Department of Natural Resources and Community Development shall use funds adequate to maintain or increase the current level of services to prevent students from dropping out of the public schools. These funds shall be evenly distributed statewide to the extent permitted by federal law.

Sec. 30. (a) Of the funds appropriated to the Department of Public Education in Section 2 of this act for the 1985-86 fiscal year, the sum of seven million three hundred thirty-four thousand seven hundred sixty-five dollars (\$7,334,765) may be used to provide local school administrative units with the funds for vocational education in grades 7 through 12 they would have received from the federal government for the 1985-86 fiscal year if the federal government had retained its 1984-85 allocation formula. These funds include the following:

- (1) Line item 6310 – three million nine hundred eighty-five thousand forty-five dollars (\$3,985,045) for the 1985-86 fiscal year;
- (2) Line item 6301 – seven hundred fifty-six thousand dollars (\$756,000) for the 1985-86 fiscal year; and
- (3) Line item 6324 – two million five hundred seventy- three thousand eight hundred sixty dollars (\$2,573,860) for the 1985-86 fiscal year.

In addition, the State Board of Education may allot the funds made available to it under the Job Training Partnership Act to local school administrative units,

consistent with the provisions of the Job Training Partnership Act, to replace funds they would have received if the federal government had retained its 1984-85 allocation formula.

(b) This section shall not apply if the federal government grants the State's request for a transition year for the funding formula under the Carl D. Perkins Vocational Education Act, Pub. L. No. 98-524(1984).

—ALLOTMENT OF DROPOUT/EXTENDED DAY AND VOCATIONAL EDUCATION NONMATCHING EXPANSION FUNDS

Sec. 31. Funds appropriated in Section 2 of this act as part of the budget for vocational education in the category of Dropout/Extended Day Funds (Line item 6391) shall be combined with the category of nonmatching expansion funds (Line item 6311). These funds shall be allotted on the basis of average daily membership in grades 7 through 12.

—DISPOSITION OF SERVICES, PRODUCTS, AND PROPERTIES GENERATED THROUGH VOCATIONAL EDUCATION

Sec. 32. G.S. 115C-159 is amended by adding after the second sentence the following:

"Such services, products, and properties generated through these instructional activities are exempt from the requirements of G.S. 115C-518; the local board shall adopt rules for the disposition of these services, products, and properties."

—EXTEND EMPLOYMENT OF SCIENCE AND MATH TEACHERS

Sec. 33. The funds appropriated to the Department of Public Education in Section 2 of this act to employ 700 science and mathematics teachers in grades 9 through 12 for six weeks during the summer shall be expended only to employ science and mathematics teachers who are teaching summer school or who are engaged in classroom-related activities. The controller of the State Board shall verify that these funds are expended only for that purpose, and shall report to the Joint Legislative Commission on Governmental Operations; and to the Fiscal Research Division, no later than 30 days prior to the 1986 Session of the 1985 General Assembly on the number of these teachers who taught summer school, the length of time each taught, and the number who did not teach.

—SUBSTITUTE TEACHER PAY

Sec. 34. (a) To attract the best available substitute teachers, substitute teacher pay shall be increased by the same percentage that full-time teachers receive whenever legislative cost-of-living salary increases are funded.

(b) This section shall become effective July 1, 1986.

—SALARY SUPPLEMENTS NOT ELIGIBLE FOR LEGISLATIVE SALARY INCREASES

Sec. 35. Salary supplements based on advanced educational degrees and vocational teacher salary supplements for work beyond the normal school program shall be considered a flat amount salary add-on and are not eligible for any percentage legislative salary increase granted for teachers and State employees.

—ELIGIBILITY TO SERVE ON STATE BOARD OF EDUCATION

Sec. 36. (a) G.S. 115C-10 is amended by inserting between the first and second sentences the following:

"No public school employee paid from State or local funds or his spouse, and no employee of the Department of Public Instruction or his spouse, may serve as an appointive member of the State Board of Education."

(b) This section applies only to appointments either for a full term or to fill a vacancy made after the effective date of this act.

—AUTHORITY TO APPOINT PUBLIC INSTRUCTION STAFF

Sec. 37. G.S. 115C-21(a)(1) is amended by changing the period at the end of the first sentence to a colon and by deleting the second sentence and substituting the following:

"Provided, however, all appointments of administrative and supervisory personnel to the staff of the Department of Public Instruction shall be under the control and management of the Superintendent of Public Instruction."

—CERTIFIED SCHOOL PERSONNEL EVALUATION/RESEARCH AND PILOT PROGRAM

Sec. 38. The State Board of Education shall develop and implement a certified school personnel evaluation pilot program. In this program, certified school personnel shall be evaluated by outside evaluators. Teachers shall be evaluated using the Performance and Appraisal Instrument and Process System developed by the State Board of Education. The State Board of Education shall develop a separate Performance and Appraisal Instrument and Process to evaluate principals and assistant principals. Each employee shall be given the results of his evaluation and shall be encouraged to use the results to improve the way he does his job.

Nine local school administrative units shall be selected by the State Board to participate in the pilot program from units that volunteer to participate. Units that do not wish to participate shall not be compelled to do so. In three units, all of the principals and assistant principals shall be evaluated, in three units, all of the teachers shall be evaluated, and in three units, all of the principals, assistant principals, and teachers shall

be evaluated. The evaluators shall be selected and trained by the State Board of Education.

Program planning shall take place from July 1, 1985, through June 30, 1986. Program implementation shall take place from July 1, 1986, through June 30, 1990.

The State Board shall report on the implementation of the pilot program by February 1 of each year to the President of the Senate, the Speaker of the House of Representatives, the Fiscal Research Division, the chairmen of the Appropriations Base Budget, Appropriations Expansion Budget, Ways and Means, Appropriations Base Budget on Education, and Education Committees in the Senate, and the chairmen of the Appropriations Base Budget, Appropriations Expansion Budget, Appropriations Base Budget on Education, Appropriations Expansion Budget on Education and Education Committees in the House of Representatives. The report for the first year shall indicate which local school administrative units have volunteered and been selected to participate in the program, which employees will be evaluated in each of those units, and the projected cost of implementing the program in each of those units in ensuing years.

—SCHOOL CAREER DEVELOPMENT PILOT PROGRAM

Sec. 39. The funds appropriated to the Department of Public Education in Section 2 of this act to begin implementation of a career growth pilot program for teachers and administrators shall be provided for 16 pilot programs, two in each educational district, in 1985-86 and in 1986-87.

Sec. 40. Purpose and policy. The General Assembly finds that it is essential to attract and retain the best people in teaching and in school administration. A system that is perceived to offer low wages, lifetime contracts, little real evaluation and no extra pay for outstanding performance cannot do that; therefore, it is the policy of the State of North Carolina to provide an adequate base salary for and to encourage differentiation of all teachers and school administrators.

In furtherance of this policy, the General Assembly hereby establishes a career development pilot program. This pilot program shall remain in operation through the 1988-89 school year so as to enable the State Board and the General Assembly to analyze all facets of a career development plan prior to statewide implementation. It is the intent of the General Assembly that this pilot program act as a means of developing a career ladder plan that could be implemented on a statewide basis in the future.

It is not the intent of the General Assembly that Sections 40 through 53 of this act be construed to prohibit or discourage a career development program for noncertificated employees of the public schools.

Sec. 41. Development and implementation of Plan by State Board. (a) The State Board of Education shall continue to develop, test, modify, and implement in a four-year pilot program, a Career Development Plan. The Plan shall cover instructional personnel, instructional support personnel, and administrators who require certification by the State Board as a condition of employment. The Plan implemented by the State Board shall be the plan submitted by the State Board to the General Assembly in

compliance with Chapter 971 of the 1983 Session Laws (Regular Session 1984), modified only as necessary to conform with the provisions of this act. The Plan shall be implemented in the 16 local school administrative units selected by the State Board of Education in 1984-85.

(b) The State Board shall consult with local boards of various sizes throughout the State on a continuous and systematic basis on the continuing development, testing in pilot programs, modification and implementation of the Plan. The State Board shall also consult with any other public and private agencies, organizations, and professional associations it deems necessary.

(c) The State Board may adopt rules necessary to carry out the provisions of Sections 40 through 53 of this act.

Sec. 42. Elements of the Plan. (a) The Plan shall be designed to improve the quality of classroom instruction, to increase the attractiveness of teaching, and to encourage the recognition and retention of high quality teachers.

(b) The Plan shall be based on continuous, comprehensive evaluation of teacher performance as indicated by multiple sources of information. Classroom performance shall be a significant part of the evaluation process and evaluation shall be based on indicators associated with effective classroom practices and other criteria.

(c) The Plan shall, based on experience derived from pilot units, include at the appropriate time personnel policies that will result in an appropriate number of employees being placed in each level of differentiation in each local school administrative unit. This does not mean that there should be arbitrary caps or quotas. If, however, there is evidence that a local school administrative unit is improperly placing employees at each level or is improperly evaluating employees pursuant to G.S. 115C-326, the State Board shall study the staffing pattern and the performance evaluations for that unit.

(d) The Plan shall specify a process for administration, periodic review, and evaluation. The criteria and procedures for advancement under the Plan shall be made public, and instruction shall be provided for teachers about these criteria and procedures prior to the implementation of the process.

(e) The Plan shall provide for a teacher to move to a lower level either by individual choice or based on unacceptable performance review. It shall contain an appeal process that provides prompt and impartial review.

(f) The Plan for instructional personnel and instructional support personnel shall be designed to give an employee increasing responsibility, recognition, and pay as the employee gains experience and professional ability. Levels of differentiation shall be based on an employee's initiative and desire to increase the employee's professional abilities and the individual's success in doing so. It shall provide for annual methods of evaluation using practicing educators, opportunities to correct deficiencies, and dismissal of employees who after ample opportunities cannot or will not perform.

(g) The Plan for administrators shall be designed to give each employee clear opportunities for advancement, recognition, and increased pay if the employee demonstrates high effectiveness as an instructional leader or school manager. Levels of

differentiation shall be based on the employee's initiative and desire to increase the employee's professional abilities and the employee's success in doing so. The Plan for administrators shall include methods and instruments of evaluation that will determine what level of performance, effort, and ability and what accomplishments warrant different salary classifications, and at what point dismissal or reassignment of an administrator is warranted.

The Plan for administrators shall be the same as the Plan for instructional personnel and instructional support personnel except that the evaluation shall be the responsibility of the local superintendent or the superintendent's designee. However, trained evaluators shall assist the superintendent or the superintendent's designee with the evaluations. The salary differentiation steps for administrators shall track the salary differentiation steps for teachers as defined in this act.

Sec. 43. Levels of differentiation, salary, and evaluation requirements. (a) During the first and second years of employment, the employee shall be assigned "initial status" and shall be paid in accordance with the State base salary schedule. A mentor or a support team shall be assigned to the employee for assistance and professional development. The employee shall be formally evaluated at least twice each year by the principal or the principal's designee and at least twice each year by a trained evaluator.

(b) During the third year of employment, the employee who is fully certified shall be assigned "provisional status" and shall be paid on the State base salary schedule. The employee shall be formally evaluated at least twice by the principal or the principal's designee and at least twice by a trained evaluator.

If the employee has completed at least 30 hours of effective teacher training as provided in Section 47 of this act and if the employee's evaluations have been satisfactory, the principal shall recommend to the superintendent, and the superintendent shall review the evaluations and recommend to the board, the employee for reemployment in Career Status I at the end of the provisional year. If the employee has not completed the training or if the employee's evaluations have not been satisfactory, the principal shall recommend the employee for contract termination.

A "career teacher", as defined in G.S. 115C-325, not recommended for Career Status I may request a review by a three-member appeals panel chosen from a roster of trained evaluators. One member of the panel shall be chosen by the principal and approved by the superintendent, one shall be chosen by the employee, and one shall be chosen jointly by the principal and employee. The panel shall report its findings to the employing local board of education and the local board shall take final action on the matter.

(c) An employee shall have "Career Status I" if the employee was recommended for Career Status I as provided in subsection (b) of this section and the employee is reemployed by a local board of education. An employee in Career Status I is a "career teacher" as defined in G.S. 115C-325. The employee shall receive a salary of one step over the State base salary that would otherwise have applied to him. The employee shall be formally evaluated at least once a year by the principal or the

principal's designee and may also be evaluated by a trained evaluator if the principal deems it appropriate and if a trained evaluator is available.

No earlier than the third year in Career Status I, an employee may apply for Career Status II. During the year the employee applies, the employee shall be evaluated at least twice by the principal and at least twice by a trained evaluator. The employee shall also prepare during that year and submit a portfolio that includes the employee's attendance records, indicators of professional growth, any unique assignments or leadership roles, valid certification, acceptable ratings on recent evaluations, additional duties and responsibilities and the time they required, the employee's relationship with the employee's peers and with parents, and the employee's years of experience. If the employee's evaluations have been well above standard or superior as defined in the performance appraisal system, the principal may, on the basis of the evaluations, the portfolio, and any interview, recommend to the superintendent, and the superintendent shall review the evaluation information and recommend to the local board, the employee for promotion to Career Status II. If the employee is not recommended for promotion to Career Status II, the employee shall remain in Career Status I.

An employee not recommended for Career Status II may request a review by a three-member appeals panel chosen from a roster of trained evaluators. One member of the panel shall be chosen by the principal and approved by the superintendent, one shall be chosen by the employee, and one shall be chosen jointly by the principal and employee. The panel shall report its findings to the employing local board of education and the local board shall take final action on the matter.

(d) An employee shall have "Career Status II" if the employee is recommended for promotion to Career Status II as provided in subsection (c) of this section and the employee is granted that status by the local board. The employee shall receive a salary of two steps over the State base salary that would otherwise have applied to him. The employee shall be formally evaluated at least once by the principal or the principal's designee during the year the employee is granted this status. Subsequently, the employee shall be formally evaluated once every two years by the principal or the principal's designee and may be evaluated more frequently, in the discretion of the principal.

A Career Status II employee whose evaluation indicates that the employee is not maintaining well above standard or superior performance shall be formally evaluated at least twice by the principal or the principal's designee and at least twice by a trained evaluator during the next year. If these additional evaluations indicate the employee is not maintaining well above standard or superior performance, the principal shall recommend that the employee be reclassified to Career Status I. If the employee is reclassified, the employee may receive only the salary appropriate for a teacher in Career Status I.

A Career Status II employee may move voluntarily to Career Status I. A Career Status II employee recommended for reclassification may request a review of the decision by a three-member appeals panel chosen from a roster of trained evaluators. One member of the panel shall be chosen by the principal and approved by the superintendent, one shall be chosen by the employee, and one shall be chosen jointly by

the principal and employee. The panel shall report its findings to the employing local board of education and the local board shall take final action on the matter. An involuntary reclassification may not be considered a demotion for the purposes of G.S. 115C-325.

Sec. 44. Additional duties for Career Status II teachers. A Career Status II teacher may apply for additional responsibilities during the ten-month school year. Responsibilities for which the employee may apply and be selected shall be based on the needs of the local school administrative unit and may include being a mentor teacher, supervising student teachers, curriculum development, being a staff development leader/coordinator, and serving as department chairman or grade chairman. An employee shall receive an additional one-half percent of the employee's annual salary for each month during which the employee performs each additional responsibility.

A Career Status II teacher may also apply for employment during the summer in teaching, curriculum development, and staff development. The employee's salary and benefits during the summer shall be at the same rate as the employee's base salary during the previous ten-month school year.

Local units shall receive an allocation of summer months of employment for summer school teaching curriculum development, and staff development. The allocation shall be one month of employment for each ten State-allotted teachers.

Sec. 45. Evaluators. Between July 1, 1985, and July 1, 1986, the local board of education in each local unit shall select and train at least one evaluator for each 96 employees to be evaluated. The State Board shall set standards for evaluators. The State Board shall also establish an appropriate training program for evaluators and administrators and assist each local unit in implementing the training program. These evaluators shall work with principals to carry out the provisions of this act.

Each evaluator shall be a practicing educator and shall be employed by the local board for which the evaluator is serving as an evaluator. Funds for evaluators shall be allotted by the State Board to pilot units on the basis of one month of employment for every eight teachers to be evaluated, with a minimum allotment of twelve months per unit. Evaluators shall be paid the same salary as supervisors on the State base salary schedule. The State Board shall adopt rules regarding the employment and use of evaluators.

Sec. 46. Local coordinator of career development. For the 1985-86 fiscal year, the State Board shall allot twelve months of professional staff time to each pilot local unit for a coordinator of career development. The coordinators' pay grade shall be set by the State Board within funds appropriated for this purpose.

Sec. 47. Effective teacher training. Each employee who elects to participate in the Plan shall participate in an effective teacher training program designed by the State Board. If an employee successfully completes the program, the employee shall receive a one-time stipend of five hundred dollars (\$500.00). An employee who does not successfully complete the program may not receive any part of the stipend.

Sec. 48. Implementation of pilot programs. (a) Between July 1, 1985, and July 1, 1986, the sixteen local school administrative units shall prepare to implement

their local career development plans. All of these local units shall use the State appraisal instrument and the evaluation process adopted by the State Board. In addition to using the State appraisal instrument and the evaluation process adopted by the State Board, they may also develop and implement an alternative evaluation program approved in advance by the State Board. The Charlotte- Mecklenburg School Administrative Unit may continue to implement the career development plan that it has already begun and shall receive a pro rata share of funds appropriated for implementation of pilot programs.

Implementation of the local plans shall begin July 1, 1986.

Sec. 49. Employees' option to participate in the Career Development Plan. An individual employed by a local board of education prior to the implementation in that local school administrative unit of a plan applicable to that employee may opt to participate in the Plan or to continue under the system of employment in effect prior to implementation of the Plan. If an employee opts to participate in the Plan, that employee may opt out of the Plan at any time: Provided, however, an employee may opt out of the Plan only once during the pilot.

A person employed by a local board of education after the implementation in that local school administrative unit of a plan applicable to him shall participate in the Plan and may not elect to be under a system of employment in effect prior to the time the person was employed.

Sec. 50. Report to the General Assembly. Beginning in 1986, the State Board shall report on February 1 of each year to the President of the Senate, the Speaker of the House of Representatives, and the chairmen of the Appropriations Base Budget Committee, the Appropriations Expansion Budget Committee, the Appropriations Base Budget Committee on Education, and the Appropriations Expansion Budget Committee on Education of the Senate and the House of Representatives, and the Fiscal Research Division on the continuing development and the implementation of the Career Development Plan.

The report shall include the recommendation of each local unit regarding criteria for the establishment of Career Status III. Career Status III might provide for a salary two steps above what an employee would otherwise have received.

Sec. 51. Salary under the Plan. (a) During the 1985- 86 school year, the stipend set out in Section 47 of this act for successful completion of effective teacher training is the only supplemental salary payment an employee may receive pursuant to the provisions of Sections 40 through 53 of this act.

(b) The State salary schedule applicable for the 1986- 87 fiscal year to employees participating in the pilot programs established pursuant to Section 40 of this act is as follows:

STEP	CAREER I	CAREER II	PRIOR YEARS SERVICE
1	1879		3
2	1963		4
3	2054		5
4	2153	2366	6
5	2259	2484	7

6	2366	2604	8
7	2484	2732	9
8	2604	2863	12
9	2732	3002	15
10	2863	3143	18
11	3002	3301	21

The salary for Initial Status shall be one thousand five hundred sixty-eight dollars (\$1,568). The salary for Provisional Status shall be one thousand seven hundred fifteen dollars (\$1,715). In addition, each employee shall be eligible to receive the statewide allowance for masters' degrees, advanced certificates, and earned doctorates, as appropriate.

This salary schedule shall be modified to incorporate any modification in the State base salary schedule and any salary increments adopted by the General Assembly.

(c) If the pilot programs established pursuant to the provisions of Section 40 of this act are discontinued, any employee who has received a salary increment pursuant to the Career Development Plan shall continue to be paid the salary increment; however, the employee shall not receive any additional State annual increments, cost-of-living increments, or other salary increments unless the employee's salary would otherwise be less than the salary applicable to him on the State base salary schedule.

(d) If an employee opts out of the Career Development Plan, the employee's salary shall be the salary applicable to him on the State base salary schedule.

Sec. 52. G.S. 115C-326.1 is repealed. Sec. 53. Section 4 of Chapter 971 of the 1984 Session Laws (Regular Session, 1984) is repealed.

—REEXAMINE NEW COMPETENCY-BASED CURRICULUM

Sec. 54. The State Board of Education shall reexamine the New Competency-Based Curriculum developed by the Department of Public Instruction to ensure that the instructional program, defined in that document, gives emphasis to American and family values.

—BASIC EDUCATION PROGRAM

Sec. 55. (a) Funds are appropriated in Section 2 of this act to implement a Basic Education Program. The following information chart shows estimated major increases in State funds over the 1984-85 fiscal year.

		1985-86		
Description		Continuation	Expansion	Total
(1)	Finance Officers	\$ -	\$ 1,597,292 (100 x .5)	\$ 1,597,292 (50)
(2)	Transportation Workers			
	a. Bus Drivers	125,000 (50)	-	125,000 (50)
	b. Mechanics	70,759	-	70,759

	(4)		(4)
(3) Teachers	-	32,936,773	32,936,773
		(1,357)	(1,357)
(4) Instructional Aides	1,658,744	-	1,658,744
	(175)		(175)
(5) Counselors	-	13,715,256	13,715,256
		(534)	(534)
(6) Instructional Support	-	-	-
(7) Assistant Principals	3,304,613	1,562,055	4,866,668
	(116)	(55)	(171)
(8) Handicapped	1,031,556	329,243	1,360,799
(9) Prior Year Funding as an option	-	5,940,384	5,940,384
		(291)	(291)
(10) Average Daily Membership Contingency Fund	-	2,000,000	2,000,000
(11) Summer school	-	5,250,000	5,250,000
(12) Professional Development	-	3,100,000	3,100,000
a. Finance Officers		(100,000)	
b. Computer Training		(1,000,000)	
c. Certified Personnel		(2,000,000)	
d. Center for the Advancement of Teaching at Western Carolina Univ.		(-0-)	
(13) Textbooks	15,252,795	-	15,252,795
(14) a. Equipment- Vocational	-	2,573,860	2,573,860
b. Equipment- Math/Science	-	5,237,464	5,237,464
c. Equipment- Computers	-	<u>12,512,210</u>	<u>12,512,210</u>
TOTAL	<u>\$ 21,443,467</u>	<u>\$ 86,754,537</u>	<u>\$108,198,004</u>
Positions	(345)	(2,287)	(2,632)

1986-87

Description	Continuation	Expansion	Total
(1) Finance Officers	\$ -	\$ 3,194,583	\$ 3,194,583
		(100)	(100)
(2) Transportation Workers			
a. Bus Drivers	250,000	-	250,000
	(100)		(100)

	b. Mechanics	137,879	-	137,879
		(8)		(8)
(3)	Teachers	-	31,691,794	31,691,794
			(1,305)	(1,305)
(4)	Instructional Aides	2,152,714	-	2,152,714
		(230)		(230)
(5)	Counselors	-	18,152,811	18,152,811
		(706.5)	(706.5)	
(6)	Instructional Support	-	5,138,800	5,138,800
			(200)	(200)
(7)	Assistant Principals	3,305,983	1,477,476	4,783,459
		(116)	(52)	(168)
(8)	Handicapped	1,031,556	847,111	1,878,667
(9)	Prior Year Funding as an option	-	6,412,809	6,412,809
			(314)	(314)
(10)	Average Daily Membership Contingency Fund	-	2,000,000	2,000,000
(11)	Summer school	-	10,500,000	10,500,000
(12)	Professional Development	-	5,345,000	5,345,000
	a. Finance Officers		(100,000)	
	b. Computer Training		(1,000,000)	
	c. Certified Personnel		(2,000,000)	
	d. Center for the Advancement of Teaching at Western Carolina Univ.		(2,245,000)	
(13)	Textbooks	-	6,579,740	6,579,740
(14)	a. Equipment – Vocational	-	2,544,195	2,544,195
	b. Equipment- Math/Science	-	5,197,668	5,197,668
	c. Equipment- Computers	-	8,610,980	8,610,980
	TOTAL	\$ 6,878,132	\$107,692,967	\$114,571,099
	Positions	(454)	(2,677.5)	(3,131.5)

(b) Implementation.—The State Board shall implement the Basic Education Program within funds appropriated for the school years 1985-86 and 1986-87 as herein provided.

Local boards of education shall implement the Basic Education Program in 1985-87 with the following provisions:

(1) Finance Officer.—a. On January 1, 1986, the public schools will begin implementation of the central payroll system. This implementation may place an additional administrative burden on the local school administrative units; therefore, of the funds appropriated in Section 2 of this act to the Department of Public Education, the sum of one million five hundred ninety-seven thousand two hundred ninety-two dollars (\$1,597,292) for the 1985-86 fiscal year and the sum of three million one hundred ninety-four thousand five hundred eighty- three dollars (\$3,194,583) for the 1986-87 fiscal year shall be used to provide a school finance officer for each county in

the State, beginning January 1, 1986. If a county contains more than one local school administrative unit, the funds allotted for a school finance officer in that county shall be determined on the basis of the total average daily membership in the county. The allotment shall be prorated on the basis of average daily membership to each school unit within a county; provided, that these funds may be combined in a manner agreed upon by all units in the county as the most effective use.

b. Between January 1, 1986, and July 1, 1986, the State Board shall allot funds for a school finance officer at one-half the annual rate of the following salary schedule, which is based on the total average daily membership for each county:

ADM Range	Salary	Number of Counties in ADM Range
0-999	\$ 15,000	2
1,000-4,999	20,000	37
5,000-9,999	25,000	23
10,000-14,999	30,000	15
15,000-19,999	35,000	12
20,000 and up	40,000	<u>11</u>
		100

c. Beginning July 1, 1986, each school finance officer who is paid with State funds shall meet standards hereinafter adopted by the State Board of Education.

d. The State Board of Education shall report to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division by April 1, 1986, on the school finance officers' current and proposed salary schedules, recommended qualifications, and proposed implementation in the school units.

(2) Transportation Workers.—a. Funds are appropriated to the Department of Public Education in Section 2 of this act to add 50 school bus drivers in 1985-86 and another 50 in 1986-87. These funds shall be allocated to county school administrative units based on the addition of authorized buses due to growth as determined by State Board of Education policy.

b. Funds are appropriated to the Department of Public Education in Section 2 of this act to add four mechanics each year of the fiscal biennium 1985-87 based on the number of buses and miles traveled, as provided in the State Board of Education's formula.

(3) Teachers.—a. Of the funds appropriated to the Department of Public Education in Section 2 of this act, the sum of thirty-two million nine hundred thirty-six thousand seven hundred seventy-three dollars (\$32,936,773) for fiscal year 1985- 86 and the sum of thirty-one million six hundred ninety-one thousand seven hundred ninety-four dollars (\$31,691,794) for fiscal year 1986-87 shall be used to reduce class size to a unit- wide ratio of one teacher for every 26 students in average daily membership in grades 7 and 8 and one teacher for every 27 students in grade 9. To the extent that projections of average daily membership and average salaries exceed actual requirements, the State Board of Education may expend funds to reduce the ratio of one teacher for every 27 students in grade 9 to one teacher for every 26 students.

b. G.S. 115C-301(d) is rewritten to read:

"(d) Local boards of education shall maintain unit-wide average class sizes no higher than the average allotment ratio of teachers to students in each grade span funded by the General Assembly for each school year. At no time may the General Assembly appropriate funds for higher unit-wide class averages than those for which State funds were provided during the 1984-85 school year. No single class may have more than three students more than the unit-wide average class size applicable to that grade level; however, the State Board of Education may set alternate class sizes in selected areas such as typewriting, music, and physical education so long as the effectiveness of the instructional program in these areas is not impaired. The maximum equivalent daily student load for teachers in grades 7 through 12 is 150.

The State Board may not permit temporary waivers from the unit- wide average class sizes, the maximum class sizes for each class, and the maximum daily loads for teachers set out in this section except under exceptional circumstances, where there are large fluctuations in student population and the situation cannot be handled within funds appropriated to accommodate changes in average daily membership. The situation requiring the waiver should be alleviated within 60 days. All waivers permitted under this paragraph shall be reported to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division by June 1 of each year.

The State Board shall adopt rules to implement this subsection."

c. Subdivision (3) of this subsection applies to all school years beginning with the 1985-86 school year.

(4) Instructional Aides.—Of the funds appropriated to the Department of Public Education in Section 2 of this act, funds shall be allocated for 12,607 instructional aides for kindergarten through grade 3 for the 1985-86 fiscal year and 12,662 instructional aides for kindergarten through grade 3 for the 1986-87 fiscal year to local school administrative units to meet a ratio of one aide for 26 pupils in average daily membership. To assure that there will be an aide in every class with a State-allotted teacher in kindergarten through grade 3 classes, additional funds for up to 60 more aides each year may be allotted from the average daily membership contingency fund, if required.

(5) Counselors.—Funds in the amount of thirteen million seven hundred fifteen thousand two hundred fifty-six dollars (\$13,715,256) for the 1985-86 fiscal year and thirteen million seven hundred twenty thousand five hundred ninety-six dollars (\$13,720,596) for the 1986-87 fiscal year are appropriated to the Department of Public Education in Section 2 of this act for dropout prevention in high schools, middle schools, and junior high schools. These funds shall be distributed to the local school administrative units with a minimum funding level equivalent to the cost of one full-time counselor position to each local unit for the 10-month school term; the remainder shall be allotted on average daily membership. Within funds available, these funds shall be used to provide an in-school suspension teacher to high schools, middle schools, and junior high schools; remaining funds shall be used to provide high schools, middle schools, and junior high schools with a teacher or counselor to identify students likely to drop out and to provide special alternative instructional programs for these high risk

students. These funds may not be used to supplant dropout prevention programs funded from other State or federal sources other than the Job Training Partnership Act.

(6) Instructional Support.—Of funds appropriated in Section 2 of this act to the Department of Public Education, the sum of five million one hundred thirty-eight thousand eight hundred dollars (\$5,138,800) for fiscal year 1986-87 shall be allocated by the State Board of Education to local school administrative units on the basis of average daily membership for instructional support personnel.

(7) Assistant Principals.—Funds are appropriated to the Department of Public Education in Section 2 of this act to provide positions for 171 additional assistant principals for fiscal year 1985-86 and to continue 168 of those additional assistant principals for fiscal year 1986-87. Within funds available, the State Board of Education shall allot positions on a formula based on the number of full-time State-allotted teachers assigned to individual schools: one assistant principal for 25 to 49 teachers; two positions for 50 to 74 teachers; three positions for 75 to 99 teachers; and four for 100 or more teachers.

(8) Handicapped.—Of the funds appropriated to the Department of Public Education in Section 2 of this act, the sum of three hundred twenty-nine thousand two hundred forty-three dollars (\$329,243) for fiscal year 1985-86 and eight hundred forty-seven thousand one hundred eleven dollars (\$847,111) for fiscal year 1986-87 in expansion funds shall be used to serve additional handicapped pupils, as determined by the State Board of Education in the following areas:

	1985-86	1986-87
Exceptional Children	\$ 89,148	\$ 112,404
Developmental Day Care	0	17,432
Willie M.	206,000	478,610
Community Residential Centers	<u>34,095</u>	<u>238,665</u>
	\$ 329,243	\$ 847,111

(9) Prior Year Funding as an Option.—Of the funds appropriated in Section 2 of this act to the Department of Public Education, the sum of five million nine hundred forty thousand three hundred eighty-four dollars (\$5,940,384) in fiscal year 1985-86 and six million four hundred twelve thousand eight hundred nine dollars (\$6,412,809) in fiscal year 1986-87 is for the additional cost of funding school units on the basis of either prior year average daily membership or projected average daily membership to lessen the fiscal impact on school units that are either increasing or decreasing membership. Under policies developed by the State Board of Education, allotments of funds and positions will be made to school units to reflect the higher of the projected average daily membership or the prior year average daily membership.

(10) Average Daily Membership Contingency Fund.—Of the funds appropriated to the Department of Public Education in Section 2 of this act, two million dollars (\$2,000,000) each year of the fiscal biennium is appropriated in a reserve for adjustments to the teacher allotment for class size adjustments and allotments for up to 60 instructional aides each year in kindergarten through grade 3 to meet legislated class size requirements.

(11) Summer School.—Funds in the amount of five million two hundred fifty thousand dollars (\$5,250,000) in 1985- 86 and ten million five hundred thousand dollars (\$10,500,000) in 1986-87 are appropriated in Section 2 of this act to the Department of Public Education to provide intensive remedial summer school programs and related transportation in the local school administrative units. It is the intent of the General Assembly that, where practical, the local school administrative units cooperate to provide joint summer school programs in an efficient and effective manner. The State Board of Education shall adopt rules for the allotment and use of summer remediation funds on an equitable basis based on the number of pupils who score at or below the 25th percentile on the annual tests in grades 3, 6, and 8. To the extent that remaining funds permit, pupils who fail promotion standards as described in the basic education program in grades 3, 6, and 8 may be served. In order to allow local boards of education to plan their remedial summer programs effectively, funds appropriated pursuant to this subdivision may be carried over to the succeeding fiscal year.

(12) Professional Development.—a. Each local school administrative unit shall develop and submit to the State Board of Education an overall plan and a budget for the use of funds at the local level for professional staff development. The State Board shall report to the Fiscal Research Division by April 1 of each year on the local plans. The budget shall specify the source and projected use of all funds for professional staff development.

b. Of the expansion funds appropriated to the Department of Public Education in Section 2 of this act, the sum of three million one hundred thousand dollars (\$3,100,000) for fiscal year 1985-86 and five million three hundred forty-five thousand dollars (\$5,345,000) for fiscal year 1986-87 shall be used for the following professional development purposes within rules established by the State Board of Education:

	1985-86	1986-87
(1) Finance officers	\$ 100,000	\$ 100,000
(2) Computer training for certified personnel	1,000,000	1,000,000
(3) Certified personnel	2,000,000	2,000,000
(4) Center for the Advancement of Teaching at Western Carolina University (teacher travel, subsistence and substitute pay)	-0-	2,245,000

(13) Textbooks.—a. Of the funds appropriated to the Department of Public Education in Section 2 of this act, the elementary textbook funds shall be used to provide for the State Board of Education's scheduled textbook adoptions in grades 1 through 8 in the 1985-86 fiscal year.

In the 1986-87 fiscal year, the State Board of Education shall allocate textbook funds equitably to local school administrative units on the basis of twenty dollars (\$20.00) per pupil in average daily membership in grades 1 through 12.

b. The State Board of Education is urged to include basic textbook selections for handicapped children for each subject in each grade for handicapped children in the regular textbook adoption procedures.

In addition, local boards of education, notwithstanding existing laws and rules, may purchase textbooks in an amount not to exceed the amount of textbook funds generated by the handicapped children served by the administrative unit.

c. Funds appropriated to the Department of Public Education for the purchase of textbooks shall be permanent appropriations. Unobligated portions of these appropriations may revert to the General Fund at the direction of the Director of the Budget if he considers it necessary in order to maintain a balanced budget within any one fiscal year.

(14) Equipment.—a. Of the funds appropriated to the Department of Public Education in Section 2 of this act, the sum of two million five hundred seventy-three thousand eight hundred sixty dollars (\$2,573,860) for the 1985-86 fiscal year and two million five hundred forty-four thousand one hundred ninety-five dollars (\$2,544,195) for the fiscal year 1986-87 are allocated for vocational education equipment. These funds shall be allocated on an equitable basis of five dollars (\$5.00) per pupil in average daily membership in grades 7 through 12.

b. Of the funds appropriated to the Department of Public Education in Section 2 of this act, the sum of five million two hundred thirty-seven thousand four hundred sixty-four dollars (\$5,237,464) for the 1985-86 fiscal year and the sum of five million one hundred ninety-seven thousand six hundred sixty-eight dollars (\$5,197,668) for the 1986-87 fiscal year are allocated for science and mathematics materials and equipment for kindergarten through grade 12. These funds shall be allocated on an equitable basis per pupil statewide in average daily membership to the extent funds are sufficient to do so, as follows: mathematics and science in kindergarten through grade 6, two dollars (\$2.00); mathematics, grades 7 through 12, two dollars and fifty cents (\$2.50); science, grades 7 through 8, four dollars and fifty cents (\$4.50); and science in grades 9 through 12, six dollars (\$6.00).

c. Of the funds appropriated to the Department of Public Education in Section 2 of this act, the sum of twelve million five hundred twelve thousand two hundred ten dollars (\$12,512,210) for fiscal year 1985-86 and the sum of eight million six hundred ten thousand nine hundred eighty dollars (\$8,610,980) for fiscal year 1986-87 shall be used to provide computers, computer maintenance costs, and related supplies and courseware to the local schools. Funds shall be allocated on the basis of average daily membership for grades 4 through 12 in 1985-86 and for grades kindergarten through 3 in 1986-87.

(c) Statute Amendments.—(1) G.S. 115C-81(a) through (d) are rewritten to read:

"§ 115C-81. Basic Education Program.—(a) The State Board of Education shall adopt a Basic Education Program for the public schools of the State. Before it adopts or revises the Basic Education Program, the State Board shall consult with an Advisory Committee, including at least eight members of local boards of education, that the State Board appoints from a list of nominees submitted by the North Carolina School Boards

Association. The State Board shall report annually to the General Assembly on any changes it has made in the program in the preceding 12 months and any changes it is considering for the next 12 months.

The State Board shall implement the Basic Education Program within funds appropriated for that purpose by the General Assembly and by units of local government. It is the goal of the General Assembly that the Basic Education Program be fully funded and completely operational in each local school administrative unit by July 1, 1993.

(a1) The Basic Education Program shall describe the education program to be offered to every child in the public schools. It shall provide every student in the State equal access to a Basic Education Program. Instruction shall be offered in the areas of arts, communication skills, physical education and personal health and safety, mathematics, media and computer skills, science, second languages, social studies, and vocational education.

(b) The Basic Education Program shall include course requirements and descriptions similar in format to materials previously contained in the standard course of study and it shall provide:

- (1) A core curriculum for all students that takes into account the special needs of children and includes appropriate modifications for the learning disabled, the academically gifted, and the students with discipline and emotional problems;
- (2) A set of competencies, by grade level, for each curriculum area;
- (3) A list of textbooks for use in providing the curriculum;
- (4) Standards for student performance and promotion based on the mastery of competencies, including standards for graduation;
- (5) A program of remedial education;
- (6) Required support programs;
- (7) A definition of the instructional day;
- (8) Class size recommendations and requirements;
- (9) Prescribed staffing allotment ratios;
- (10) Material and equipment allotment ratios;
- (11) Facilities standards; and
- (12) Any other information the Board considers appropriate and necessary.

(c) Local boards of education shall provide for the efficient teaching at appropriate grade levels of all materials set forth in the standard course of study, including integrated instruction in the areas of citizenship in the United States of America, government of the State of North Carolina, government of the United States, fire prevention, the free enterprise system, and the dangers of harmful or illegal drugs, including alcohol.

Local boards of education shall require all teachers and principals to conduct classes except foreign language classes in English. Any teacher or principal who refuses to do so may be dismissed.

(d) The standard course of study as it exists on January 1, 1985, and as subsequently revised by the State Board, shall remain in effect until its components have been fully incorporated and implemented as a part of the Basic Education."

(2) Effective when the components of the standard course of study have been fully incorporated and implemented as a part of the Basic Education Program, G.S. 115C-81(c), as amended by subdivision (1) of this subsection of this act, is further amended by deleting the phrase "standard course of study" and substituting "Basic Education Program".

(3) G.S. 115C-12(9)c. is rewritten to read:

"c. To adopt rules requiring all local boards of education to implement the Basic Education Program on an incremental basis within funds appropriated for that purpose by the General Assembly and by units of local government.

The Board shall develop a State accreditation program that meets or exceeds the standards and requirements of the Basic Education Program. The Board shall require each local school administrative unit to comply with the State accreditation program to the extent that funds have been made available to the local school administrative unit for implementation of the Basic Education Program.

The Board shall use the State accreditation program to monitor the implementation of the Basic Education Program."

(4) G.S. 115C-47(12) is rewritten to read:

"(12) To implement the basic Education Program. Local boards of education shall implement the Basic Education Program in accordance with rules adopted by the State Board. This implementation shall include provision for the efficient teaching of the course content required by the standard course of study."

(5) Deviation from the Basic Education Program. The State Board may permit local pilot programs on an annual basis to deviate from the Basic Education Program in order to encourage improvement through innovation. These local deviations and the purposes for each shall be described in the annual report required pursuant to G.S. 115C-81 before piloting begins. The achievement of purposes for each pilot program with recommendations shall also be reported. These local deviations shall be described in the annual report required pursuant to G.S. 115C-81 with accompanying rationale and recommendations.

(6) Effective when the components of the standard course of study have been fully incorporated and implemented as a part of the Basic Education Program, G.S. 115C-47(12), as amended by subdivision (4) of this subsection, is further amended by deleting the phrase "standard course of study" and substituting "Basic Education Program".

(7) The staffing allotment ratios and an implementation schedule shall be defined and described in the Current Operations Appropriations Act each year hereafter that money is appropriated for implementation of any portion of the Basic Education Plan.

- (8) Nothing in this subsection creates any rights except to the extent that funds are appropriated by the State and the units of local government to implement the provisions of this subsection and the Basic Education Program.
- (9) This subsection shall apply to all school years beginning with the 1985-86 school year.

PART VII.—COMMUNITY COLLEGES
—CURRICULUM ENROLLMENT RESERVE

Sec. 56. (a) Of the funds appropriated in Section 2 of this act to the Department of Community Colleges, four million nine hundred seventy thousand eight hundred sixty-five dollars (\$4,970,865) shall be placed into an enrollment reserve for curriculum programs. These funds shall be allocated to the local institutions at the beginning of the 1985-86 fiscal year in accordance with the budget formula in effect for the 1984-85 fiscal year. Any institution, except for Pamlico Technical College, whose curriculum enrollment, based on projections made by the Department of Community Colleges after the fall quarter, is projected to decline more than three percent (3%) of budgeted curriculum enrollment, shall return to the Department of Community Colleges within 30 days of the fall quarter reporting period the funds for any projected decline in excess of three percent (3%).

Institutions whose curriculum enrollments, based on projections made by the Department of Community Colleges after the fall quarter, exceed by three percent (3%) the budgeted curriculum enrollments shall receive additional allocations to fund projected increased curriculum enrollments, insofar as funds are available within the enrollment reserve.

Funds in the enrollment reserve shall be spent only for the purposes permitted in this section. All funds remaining in the enrollment reserve at the end of the 1985-86 fiscal year shall revert to the General Fund.

- (b) This section is effective only for the 1985-86 fiscal year.

—FORMULA FOR DISTRIBUTION OF FUNDS

Sec. 57. Effective July 1, 1986, the formula for distribution of funds for curriculum and extension programs by the State Board of Community Colleges for the operating budgets of the institutions of the Community College System may set no minimum number of full-time equivalent students for which funding shall be granted and may in no case protect the level of funding of an institution that experienced a decline in full-time equivalent students.

Sec. 58. The State Board of Community Colleges shall modify its formula for distribution of funds for the operating budgets of the institutions of the Community College System so that the amount allocated for instructional salaries and fringe benefits is decreased by ten million five hundred thousand six hundred fifty dollars (\$10,500,650) for the 1985-86 fiscal year and ten million two hundred eighteen thousand nine hundred dollars (\$10,218,900) for the 1986-87 fiscal year and the amount

allocated for other nonsalary cost items is increased by corresponding amounts. The institutions may spend funds allocated for salaries and fringe benefits only for salaries and fringe benefits and may spend funds allocated for other nonsalary cost items only for other nonsalary cost items.

The State Board of Community Colleges may approve, under emergency circumstances on a case by case basis, a transfer of funds between salary and fringe benefits and other nonsalary cost items. If such a transfer is approved, the State Board of Community Colleges shall report the reasons for its approval to the Joint Legislative Commission on Governmental Operations, the chairmen of the Appropriations Base and Expansion Budget Committees of the Senate and the House of Representatives, and the Fiscal Research Division within 30 days of approval.

—FULL-TIME EQUIVALENT TEACHING POSITIONS/COMMUNITY COLLEGES

Sec. 59. For the purpose of determining the Community College system-wide number of full-time equivalent (FTE) teaching positions each year, the total curriculum and extension full-time equivalent student enrollment shall be divided by 22.

—OPERATING APPROPRIATIONS/NOT USED FOR RECREATION EXTENSION

Sec. 60. Funds appropriated in Section 2 of this act to the Department of Community Colleges as operating expenses for allocation to the institutions comprising the Community College System may not be used to support recreation extension courses. The financing of these courses by any institution shall be on a self-supporting basis, and membership hours produced from these activities may not be counted when computing full-time equivalent students for use in budget-funding formulas at the State level.

—ASSISTANCE TO HOSPITAL NURSING/FUND DISTRIBUTION

Sec. 61. Funds appropriated in Section 2 of this act to the Department of Community Colleges to provide financial assistance to hospital programs of nursing education leading to diplomas in nursing that are fully accredited by the North Carolina Board of Nursing and operated under the authority of a public or nonprofit hospital licensed by the North Carolina Medical Care Commission shall be distributed, upon application for financial assistance, on the basis of eight hundred fifty dollars (\$850.00) for each full-time student duly enrolled in the program as of December 1 of the preceding year and on condition that accreditation is maintained. The State Board of Community Colleges shall adopt rules to ensure that this financial assistance is used directly for faculty and instructional needs of diploma nursing programs.

—BOOKS AND EQUIPMENT APPROPRIATIONS/REVERT AFTER ONE YEAR

Sec. 62. Appropriations to the Department of Community Colleges for equipment and library books are made for each year of the fiscal biennium. All unencumbered appropriations shall revert to the General Fund 12 months after the close of each fiscal year for which they were appropriated. Encumbered balances outstanding at the end of each period shall be handled in accordance with existing State budget policies.

—JOB TRAINING PARTNERSHIP ACT FUNDS

Sec. 63. Student class hours for class size projects funded by Title II of the Job Training Partnership Act (JTPA) during the 1985-86 fiscal year may not be included in the full-time equivalent (FTE) formula for the 1986-87 fiscal year. Administrative funds for operating these class size projects shall be allocated on the same basis as all other administrative formula funds.

—EQUIPMENT FUNDS

Sec. 64. The formula by which the State Board of Community Colleges allocates equipment funds to the community colleges and technical institutes may not consider equipment or capital funds allocated to an institution in the current Operations Appropriations Act or a prior Budget Appropriation Act, or equipment or capital funds appropriated to a single institution in a special appropriation act for the current fiscal year or a prior fiscal year.

Sec. 65. Except as required by the provisions of this act, the State Board of Community Colleges may not modify the formula by which it allocates equipment funds to the community colleges and technical institutes before July 1, 1987.

—COMMUNITY COLLEGE STUDY

Sec. 66. (a) The State Board of Community Colleges shall have an outside, independent study conducted to determine the following:

- (1) Proper staffing patterns for institutions within the Community College System with special emphasis on the implication for base and enrollment formula allotments;
- (2) An analysis of methods of calculating the number of students with an emphasis on the most appropriate census date for collecting enrollment data and the use of traditional academic quarters for determining curriculum enrollment;
- (3) The impact the shift to more part-time students has had on the need for Administrative and Instructional Support Personnel;
- (4) Whether the current system's governance, administration and programs are effective in fulfilling the system's mission;

- (5) Whether the system's mission and its effectiveness in fulfilling its mission is best served by permitting technical colleges to convert to community colleges; and
- (6) Whether tuition for college transfer courses should be comparable to tuition charged by the constituent institutions of The University of North Carolina.

The State Board of Community Colleges shall report the findings of this study to the chairmen of the Appropriations Base and Expansion Budget Committees of the Senate and the House of Representatives and to the Fiscal Research Division, 30 days prior to the convening of the Regular 1986 Session of the 1985 General Assembly.

(b) The State Board of Community Colleges shall use up to one hundred thousand dollars (\$100,000) of the funds appropriated to it for a reserve by Section 2 of this act for this study.

—TUITION WAIVER FOR CERTAIN STUDENTS

Sec. 67. The third sentence of G.S. 115D-5(b) is amended by adding before the language "and prison inmates" the language "students in Human Resources Development Programs, juveniles of any age committed to the Division of Youth Services of the Department of Human Resources by a court of competent jurisdiction,".

—ATTENDANCE/TRAINING SCHOOL STUDENT

Sec. 68. The second sentence of G.S. 115D-1 is amended by adding immediately before the period the following language:

", provided, juveniles of any age committed to the Division of Youth Services of the Department of Human Resources by a court of competent jurisdiction may, if approved by the director of the training school to which they are assigned, take courses offered by institutions of the system if they are otherwise qualified for admission".

PART VIII.—UNIVERSITIES

—MILITARY AND MILITARY DEPENDENT TUITION

Sec. 69. (a) G.S. 116-143.3(b) is rewritten to read:

"(b) Any member of the armed services qualifying for admission to an institution of higher education as defined in G.S. 116- 143.1(a)(3) but not qualifying as a resident for tuition purposes under G.S. 116-143.1 shall be charged the out-of-State tuition rate, provided, that the out-of-State tuition shall be forgiven to the extent that the out-of-State tuition rate exceeds the sum of the in-State tuition rate plus any amounts payable to the institution or the service member from the service member's employer by reason of enrollment pursuant to such admission while the member is abiding in this State incident to active military duty."

(b) G.S. 116-143.3(c) is amended by inserting between the word "services" and the word "as" the phrase "who is abiding in this State incident to active military duty,"; and is further amended by deleting the phrase "shall be accorded the benefit available to that member pursuant to subsection (b) above" and by substituting the phrase "shall be eligible to be charged the in- State tuition rate".

(c) G.S. 116-143.3(e) is amended by deleting the phrase "receiving the in-State tuition benefit" and by substituting the phrase "charged less than the out-of-State tuition rate".

(d) This section shall apply to tuition charges beginning with the 1985-86 academic year.

—GRADUATE CENTERS/TUITION AND FEES

Sec. 70. The Board of Governors of The University of North Carolina shall use funds provided in Section 2 of this act to ensure that tuition and fees charged for courses offered in graduate degree programs through graduate center arrangements are no greater than the tuition and fees that would be charged if the courses were taken on the campus of the institution providing the instruction.

—OFF-CAMPUS DEGREE PROGRAM REPORT

Sec. 71. The Department of Community Colleges and The University of North Carolina shall report no later than one week prior to the convening of the 1986 and 1987 Sessions of the General Assembly, to the chairmen of the Appropriations Base and Expansion Budget Committees in the Senate and the House of Representatives, and to the Fiscal Research Division, on their respective procedures for the establishment of off-campus undergraduate degree programs, as well as information on the programs offered at each site, number of students involved, and the locations of the programs. For the purposes of these reports, degree programs offered by one institution on the campus of another institution in the same system may not be considered off-campus degree programs.

—TEACHER PREPARATION PROGRAM STUDY

Sec. 72. It is essential to maintain the highest quality teacher education programs in order to enhance the competence of professional school personnel certified in North Carolina. Colleges of education have the responsibility to lead the State toward effective reform in teacher education; therefore, the Board of Governors of The University of North Carolina is directed to study:

- (1) Ways to upgrade teacher preparation programs to make the course of study more rigorous and more effective;
- (2) Standards for institution-based innovative and experimental programs;
- (3) Standards for implementing consortium based teacher education;

- (4) Standards for improved efficiencies in the administration of teacher education programs; and
- (5) Areas of potential teacher shortage and oversupply in the next 10 years.

The Board of Governors of The University of North Carolina shall form a task force by August 1, 1985, comprised of representatives of the State Board of Education, the Board of Governors, the Deans of the Schools of Education, the chancellors of the universities, private colleges, local school administrations, and public school teachers.

The President of the Senate and the Speaker of the House of Representatives shall each appoint one representative from the Appropriations or Education Committees to the task force by August 1, 1985.

The Board of Governors shall make a status report on its findings to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division by May 1, 1986, and a final report to the 1987 Session of the General Assembly by January 15, 1987.

The recommendations in the final report shall include a proposed plan for phasing in the implementation of the Teacher Preparation Program over three fiscal bienniums.

This study shall be conducted within funds available to the Board of Governors.

—SCHOOL OF THE ARTS/PROPORTION OF IN-STATE STUDENTS.

Sec. 73. The Board of Governors of The University of North Carolina shall raise the proportion of in-State students at the North Carolina School of the Arts to fifty percent (50%) by the fall of 1987. The Board of Governors shall send brochures on the school to every high school in the State for distribution to all high school students in the State.

—NORTH CAROLINA CENTER FOR THE ADVANCEMENT OF TEACHING

Sec. 74. The sums of five hundred thousand dollars (\$500,000) in fiscal year 1985-86 and two million dollars (\$2,000,000) in fiscal year 1986-87 that are appropriated to the Board of Governors of The University of North Carolina in Section 2 of the 1985-87 Current Operations Appropriations Act shall be used to establish the North Carolina Center for the Advancement of Teaching at Western Carolina University in Jackson County. The Center shall operate under the general auspices of The University of North Carolina Board of Governors. It shall be the function of the North Carolina Center for the Advancement of Teaching (hereinafter called "NCCAT"), through itself or agencies with which it may contract, to provide career teachers with opportunities to study advanced topics in the sciences, arts, and humanities and to engage in informed discourse, assisted by able mentors and outstanding leaders from all walks of life; and otherwise to offer opportunity for teachers to engage in scholarly

pursuits, through a center dedicated exclusively to the advancement of teaching as an art and as a profession.

The Board of Governors of The University of North Carolina shall establish the North Carolina Center for the Advancement of Teaching Board of Trustees and shall delegate to the Board of Trustees all the powers and duties the Board of Governors considers necessary or appropriate for the effective discharge of the functions of NCCAT.

- (a) The NCCAT Board of Trustees shall be composed of the following membership:
- (1) Three ex officio members: the President of The University of North Carolina, the State Superintendent of Public Instruction, and the Chancellor of Western Carolina University;
 - (2) Two members appointed by the General Assembly upon the recommendation of the President of the Senate;
 - (3) Two members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives; and
 - (4) Eight members appointed by the Board of Governors, one from each of the eight educational regions.

The appointing authorities shall give consideration to assuring, through Board membership, the statewide mission of NCCAT.

(b) Members of the NCCAT Board of Trustees shall serve four-year terms. Members may serve two consecutive four-year terms. The Board shall elect a new chairman every two years from its membership. The Chairman may serve two consecutive two-year terms as chairman.

The chief administrative officer of NCCAT shall be a director, who shall be appointed by the NCCAT Board of Trustees.

—AGRICULTURAL PROGRAMS

Sec. 75. The new funds totalling one million eight hundred ninety-seven thousand three hundred seventy-three dollars (\$1,897,373) in 1985-86 and two million four hundred seventy-one thousand seven hundred forty dollars (\$2,471,740) in 1986-87, appropriated in Section 2 of this act to the Board of Governors, for North Carolina State University for Agricultural Programs, shall be expended as follows:

- (1) One hundred thousand dollars (\$100,000) in each year of the biennium to establish under the present pre-harvest apple project leader a pre-harvest apple research position at the Mountain Horticultural Crops Research Station at Fletcher and to provide operating funds and equipment for a biotechnical apple research program;
- (2) Twenty thousand dollars (\$20,000) in 1985-86 to conduct the North Carolina Turfgrass Survey;
- (3) Eighty-seven thousand three hundred seventy-three dollars (\$87,373) in 1985-86 and eighty-four thousand two hundred forty dollars (\$84,240) in 1986-87 to be used to provide a fishery specialist and related costs at the Mountain Horticultural

Crops Research Station at Fletcher. This specialist shall provide assistance to the mountain trout industry in Western North Carolina;

(4) One hundred thousand dollars (\$100,000) in each year of the biennium to establish an entomologist position and position for a research horticulturist in woody ornamentals at the Mountain Horticultural Crops Research Station at Fletcher; and

(5) The balance of the funds as needed for other agricultural programs as identified in the priorities requested by the Board of Governors for Agricultural Programs.

Sec. 76. North Carolina State University, from its current funding for Agricultural Research Programs, shall locate a burley tobacco research specialist and sufficient operating funds in Waynesville.

—N.C. MEMORIAL HOSPITAL/USE OF PROCEEDS OF VENDING OPERATIONS

Sec. 77. (a) G.S. 143-12.1 is amended by adding a new subsection to read:

"(f1) The net proceeds of the vending operations at North Carolina Memorial Hospital shall be used at the beginning of each fiscal year to cover any deficits incurred by the Hospital's cafeteria operation during the prior fiscal year. The amount transferred from the net proceeds of the vending operations may not be available for expenditure but shall revert to the General Fund at the end of the fiscal year."

(b) G.S. 143-12.1(h) is amended by deleting the language "(f)" and substituting "(f1)".

—AID TO PRIVATE COLLEGES/LEGISLATIVE TUITION GRANT LIMITATIONS

Sec. 78. (a) The amount of a tuition grant awarded to a student enrolled in a degree program at a site away from the main campus of the approved institution may be no more than the result of the ratio of the cost per credit hour for off-campus instruction at that site to the cost per credit hour for regular, full-time on-campus instruction, multiplied by the maximum grant award.

(b) No Legislative Tuition Grant funds may be expended for programs at off-campus sites established after May 14, 1985, unless the institution offering the program has previously notified and sought agreement from other private institutions operating degree programs in the counties adjacent to or in the county in which the off-campus program is located.

(c) The General Assembly requests the North Carolina Association of Independent Colleges and Universities to establish procedures to facilitate the coordination of programs pursuant to subsection (b) of this section and to report the results of these efforts to the chairmen of the Appropriations Committees on Education and to the Fiscal Research Division no later than one week prior to the convening of the 1986 Session.

(d) The State Educational Assistance Authority shall report to the chairmen of the Appropriations Committees on Education and to the Fiscal Research Division on the number of students receiving Legislative Tuition Grants for study at off-campus locations, the amount of the grants awarded at each site, and the location of each site. This report shall be made no later than one week prior to the convening of the 1986 and 1987 Sessions of the General Assembly. The State Educational Assistance Authority may request any information it considers necessary to comply with these requirements.

(e) Any member of the armed services as defined in G.S. 116-143.3(a), abiding in this State incident to active military duty, who does not qualify as a resident for tuition purposes as defined under G.S. 116-143.1, is eligible for a Legislative Tuition Grant pursuant to this section if the member is enrolled as a full-time student in an on-campus program. The member's Legislative Tuition Grant may not exceed the cost of tuition less any tuition assistance paid by the member's employer.

—AID TO PRIVATE COLLEGES/PROCEDURE

Sec. 79. Funds appropriated in this act to the Board of Governors of The University of North Carolina for aid to private colleges shall be disbursed in accordance with the provisions of G.S. 116-19, G.S. 116-21, and G.S. 116-22. These funds shall provide up to three hundred dollars (\$300.00) per full-time equivalent North Carolina undergraduate student enrolled at a private institution as of October 1 each year.

These funds shall be placed in a separate, identifiable account in each eligible institution's budget or chart of accounts. All funds in this account shall be provided as scholarship funds for needy North Carolina students during the fiscal year. Each student awarded a scholarship from this account shall be notified of the source of the funds and of the amount of the award. Funds not utilized under G.S. 116-19 shall be for the tuition grant program as defined in the following section of this act.

Sec. 80. In addition to any funds appropriated pursuant to G.S. 116-19 and in addition to all other financial assistance made available to private educational institutions located within the State, or to students attending these institutions, there is granted to each full-time North Carolina undergraduate student attending an approved institution as defined in G.S. 116-22, the sum of nine hundred fifty dollars (\$950.00) per academic year, which shall be distributed to the student as hereinafter provided.

The tuition grants provided for in this section shall be administered by the State Education Assistance Authority pursuant to rules adopted by the State Education Assistance Authority not inconsistent with this section. The State Education Assistance Authority may not approve any grant until it receives proper certification from an approved institution that the student applying for the grant is an eligible student. Upon receipt of the certification, the State Education Assistance Authority shall remit at such times as it shall prescribe the grant to the approved institution on behalf, and to the credit, of the student.

In the event a student on whose behalf a grant has been paid is not enrolled and carrying a minimum academic load as of the 10th classroom day following the

beginning of the school term for which the grant was paid, the institution shall refund the full amount of the grant to the State Education Assistance Authority. Each approved institution shall be subject to examination by the State Auditor for the purpose of determining whether the institution has properly certified eligibility and enrollment of students and credited grants paid on the behalf of the students.

In the event there are not sufficient funds to provide each eligible student with a full grant, each eligible student shall receive a pro rata share of funds then available for the remainder of the academic year within the fiscal period covered by the current appropriation. Any remaining funds shall revert to the General Fund.

—AID TO PRIVATE COLLEGES

Sec. 81. Expenditures made pursuant to Sections 79 and 80 of this act may be used only for secular educational purposes at nonprofit institutions of higher education.

—WAKE FOREST AND DUKE MEDICAL SCHOOL ASSISTANCE/FUNDING FORMULA

Sec. 82. Funds appropriated in Section 2 of this act to the Board of Governors of The University of North Carolina for continuation of financial assistance to the medical schools of Duke University and Wake Forest University shall be disbursed on certifications of the respective schools of medicine that show the number of North Carolina residents as first-year, second-year, third-year, and fourth-year students in the medical school as of November 1, 1985, and November 1, 1986. Disbursement to Wake Forest University shall be made in the amount of eight thousand dollars (\$8,000) for each medical student who is a North Carolina resident, one thousand dollars (\$1,000) of which shall be placed by the school in a fund to be used to provide financial aid to needy North Carolina students who are enrolled in the medical school. The maximum aid given to any student from this fund in a given year may not exceed the amount of the difference in tuition and academic fees charged by the school and those charged at the School of Medicine at The University of North Carolina at Chapel Hill.

Disbursement to Duke University shall be made in the amount of five thousand dollars (\$5,000) for each medical student who is a North Carolina resident, five hundred dollars (\$500.00) of which shall be placed by the school in a fund to be used to provide student financial aid to financially needy North Carolina students who are enrolled in the medical school. No individual student may be awarded assistance from this fund in excess of two thousand dollars (\$2,000) each year. In addition to this basic disbursement for each year of the biennium, a disbursement of one thousand dollars (\$1,000) shall be made for each medical student who is a North Carolina resident in the first-year, second-year, third-year, and fourth-year classes to the extent that enrollment of each of those classes exceeds 30 North Carolina students.

The Board of Governors shall establish the criteria for determining the eligibility for financial aid of needy North Carolina students who are enrolled in the medical schools and shall review the grants or awards to eligible students. The Board of

Governors shall adopt rules for determining which students are residents of North Carolina for the purposes of these programs. The Board shall also make any regulations as necessary to ensure that these funds are used directly for instruction in the medical programs of the schools and not for religious or other nonpublic purposes. The Board shall encourage the two schools to orient students towards personal health care in North Carolina giving special emphasis to family and community medicine.

—RESERVE FOR JACKSON COUNTY BOARD OF EDUCATION

Sec. 83. (a) The five million dollars (\$5,000,000) in funds appropriated to The University of North Carolina Board of Governors in Section 3 of Chapter 971, Session Laws of 1983, Regular Session 1984, to be held in reserve by the Board to be awarded to the Jackson County Board of Education may not revert to the General Fund unless the General Assembly so authorizes.

(b) This section shall become effective June 30, 1985.

—NORTH CAROLINA TOMORROW PROGRAMS

Sec. 84. Of the funds appropriated in Section 2 of this act to Western Carolina University, the sum of two hundred fifty thousand dollars (\$250,000) for the 1985-86 fiscal year and two hundred fifty thousand dollars (\$250,000) for the 1986-87 fiscal year shall be disbursed by the chief fiscal officer of Western Carolina University in accordance with plans developed by the Western North Carolina Tomorrow Program. Of the funds appropriated in Section 2 of this act to Elizabeth City State University, the sum of one hundred fifty thousand dollars (\$150,000) for the 1985-86 fiscal year and one hundred fifty thousand dollars (\$150,000) for the 1986-87 fiscal year shall be disbursed by the chief fiscal officer of Elizabeth City State University in accordance with plans developed by the Northeastern North Carolina Tomorrow Program.

PART IX. —HUMAN RESOURCES

—WILLIE M.

Sec. 85. (a) Legislative Findings. The General Assembly finds:

- (1) That there is a need in North Carolina to provide appropriate treatment and education programs to children under the age of 18 who suffer from emotional, mental, or neurological handicaps accompanied by violent or assaultive behavior;
- (2) That children meeting these criteria have been identified as a class in the case of Willie M., et. al. vs. Hunt, et. al.; and
- (3) That these children have a need for a variety of services, in addition to those normally provided, that may include but are not limited to residential treatment services, educational services, and independent living arrangements.

(b) Funds for Department of Human Resources. It is the intent of the General Assembly that funds appropriated in Section 2 of this act, to the Department of Human Resources for serving members of the Willie M. Class be expended only for programs serving members of the Willie M. Class identified in Willie M., et. al. vs. Hunt, et. al., including evaluations of potential class members. It is recognized that therapeutic or economic reasons may, at times, require certain of these services to serve a mixed clientele of Willie M. class members and other clients. To the maximum extent possible, however, these funds shall be expended solely for the benefit of Willie M. class members. The Department shall reallocate these funds among services to Willie M. class members during the year as it deems advisable in order to use the funds efficiently in providing appropriate services to Willie M. class children.

(c) Funds for Department of Public Education. Funds appropriated to the Department of Public Education in Section 2 of this act for members of the Willie M. Class, are to establish a supplemental reserve fund to serve only members of the class identified in Willie M., et. al. vs. Hunt, et. al. These funds shall be allocated by the State Board of Education to the local education agencies to serve those class members who were not included in the regular average daily membership and the census of children with special needs, and to provide the additional program costs which exceed the per pupil allocation from the State Public School Fund and other State and federal funds for children with special needs.

(d) The Department of Human Resources shall implement its prospective unit cost reimbursement system in fiscal year 1985-86 as specified in the Amended Willie M. Unit Cost Reimbursement Plan - May 1985. The Department shall ensure that unit cost rates reflect reasonable costs by conducting cost center service type rate comparisons and cost center line item budget reviews as may be necessary. The Department may not implement the plan in subsequent fiscal years until the operation of the plan in the full fiscal year 1984-85 and the first six months of 1985-86 has been evaluated and reviewed by the General Assembly.

The Department shall submit a report to the General Assembly on May 1, 1986, on the operation of the unit cost reimbursement system for the full 1984-85 fiscal year and the first six months of the 1985-86 fiscal year.

(e) Reporting Requirements. The Department of Human Resources and the Department of Public Education shall submit, by May 1, 1986, a joint report to the Governor and the General Assembly on the progress achieved in serving members of the Willie M. Class. The report shall include the following unduplicated data for each county: (i) the number of children nominated for the Willie M. Class; (ii) the number of children actually identified as members of the class in each county; (iii) the number of children served as members of the Class in each county; (iv) the number of children who remain unserved; (v) the types and locations of treatment and education services provided to class members; (vi) the cost of services, by type, to members of the class; (vii) information on the impact of treatment and education services on members of the class.

(f) The Departments of Human Resources and Public Education shall provide periodic reports of expenditures on behalf of the Willie M. Class to the Joint

Legislative Commission on Governmental Operations and to the Fiscal Research Division.

(g) In fulfilling the responsibilities vested in it by the Constitution of North Carolina, the General Assembly finds:

- (1) That the responsible State agencies have made a bona fide good faith effort to comply fully with the requirements of the Court Orders in the case of Willie M., et. al. vs. Hunt, et. al., and that services and placements for Willie M. class members are very greatly improved.
- (2) That the General Assembly has evaluated the known needs of the State and has endeavored to satisfy those needs in comparison to their social and economic priorities.
- (3) That the funds appropriated will enable the development and implementation of placement and services for the class members in Willie M., et. al. vs. Hunt, et. al., within a reasonable period of time considered within the context of the needs of the class members, the other needs of the State and the resources available to the State.
- (4) That additional expenditures of funds for these purposes at this time would result in an accelerated expenditure of and an unreasonable waste of State funds inasmuch as such expenditures could not reasonably be expected to actually secure a higher degree of treatment or education for the class members than can be accomplished with the funds appropriated.

(h) The General Assembly supports the efforts of the responsible officials and agencies of the State to meet the requirements of the court order in Willie M., et. al. vs. Hunt, et. al. However, in view of the fundings in subsection (g) above, the General Assembly expressly directs that no State funds shall be expended on the placement and services of class members in Willie M., et. al., or for any other thing or purpose arising out of this litigation, now or at any time in the biennium, except for those funds appropriated in Section 2 of this act to the Departments of Human Resources and Public Education for programs serving members of the Willie M. Class identified in Willie M., et. al. vs. Hunt, et. al., and except for such funds as may be elsewhere appropriated by the General Assembly specifically for such purposes.

(i) Notwithstanding any other provision of law, if the Department of Human Resources determines that a local program is not providing appropriate services to members of the class identified in Willie M., et. al. vs. Hunt, et. al., the Department may ensure the provision of these services through contracts with public or private agencies or by direct operation by the Department of such programs.

—MEDICAID

Sec. 86. (a) Appropriations in Section 2 of this act for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy. Funds appropriated for these services shall

be expended 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.

Services and payment bases

- (1) Hospital-Inpatient - Payment for hospital inpatient services will be based on a prospective rate reimbursement plan as established by the Department of Human Resources. Administrative days for any period of hospitalization shall be limited to a maximum of three days.
- (2) Hospital - Outpatient - Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Human Resources.
- (3) Mental and Speciality Hospitals, Skilled Nursing Facilities, and Intermediate Care Facilities - Mental or Specialty Hospitals - Allowable costs or prospective reimbursement if approved by the Director of the Budget. Skilled Nursing Facilities and Intermediate Care Facilities, as prescribed under the State Plan for Reimbursing Long-Term Care Facilities. Skilled nursing facility participation in the Medicare program is a condition of participation in the North Carolina Medicaid skilled nursing facility program.
- (4) Intermediate Care Facilities for the Mentally Retarded - As prescribed under the State Plan for reimbursing intermediate care facilities for the mentally retarded.
- (5) Drugs - Drug cost as allowed by federal regulations plus three dollars and fifty cents (\$3.50) professional services fee per month excluding refills for the same drug or generic equivalent during the same month. Reimbursement shall be available for up to six prescriptions per recipient, per month, including refills. Payments for drugs are subject to the provisions of subsection (g) of this section and to the provisions at the end of subsection (a) of this section.
- (6) Physicians, Chiropractors, podiatrists, Optometrists, Dentists - Fee schedules as developed by the Department of Human Resources. Payments for dental services are subject to the provisions of subsection (f) of this section.
- (7) Community Alternative Program, EPSDT Screens - Payment to be made in accordance with a rate schedule developed by the Department of Human Resources.
- (8) Home Health, Clinic Services, Mental Health Clinics, Prepaid Health Plans - Payment to be made according to reimbursement plans developed by the Department of Human Resources.
- (9) Medicare Buy-In - Social Security Administration premium.
- (10) Ambulance Services - Uniform fee schedules as developed by the Department of Human Resources.
- (11) Hearing Aids - Actual cost plus a dispensing fee. (12) Rural Health Clinic Services - Provider based - reasonable cost; nonprovider based - single cost reimbursement rate per clinic visit.

- (13) Family Planning - Negotiated rate for local health departments. For other providers - see specific services, for instance, hospitals, physicians.
- (14) Independent Laboratory and X-Ray Services - Uniform fee schedules as developed by the Department of Human Resources.
- (15) Optical Supplies - one hundred percent (100%) of reasonable wholesale cost of materials.
- (16) Ambulatory Surgical Centers - Negotiated rates, established by the Department of Human Resources.
- (17) Medicare Crossover Claims - Actual coinsurance or deductible or both.
- (18) Physical Therapy and Speech Therapy - Services limited to EPSDT eligible children. Payments are to be made only to the Crippled Children's Program at rates negotiated by the Department of Human Resources.
- (19) Personal Care Services - Payment in accordance with plan approved by the Department of Human Resources.

Reimbursement is available for up to 24 visits per recipient per year to any one or combination of the following:

physicians, clinics, hospital outpatient, optometrists, chiropractors, and podiatrists. Prenatal services, EPSDT screens and emergency rooms are exempt from the visit limitations contained in this paragraph. Exceptions may be authorized by the Department of Human Resources where the life of the patient would be threatened without such additional care. Any person who is determined by the Department to be exempt from the 24-visit limitation may also be exempt from the six prescription limitation.

Any changes in services or bases of payment in the Medicaid program must be approved by the Director of the Budget with the advice of the Advisory Budget Commission.

(b) Allocation of Nonfederal Cost of Medicaid. The State shall pay eighty-five percent (85%) and the counties shall pay fifteen percent (15%) of the nonfederal costs of all applicable services listed in this section.

(c) Co-payment for Medicaid Services. The Department of Human Resources may establish co-payment up to the maximum permitted by federal law and regulation.

(d) Medicaid and Aid to Families with Dependent Children Income Eligibility Standards. Effective July 1, 1985, the maximum net family annual income eligibility standards for Medicaid and Aid to Families with Dependent Children, and the Standard of Need for Aid to Families with Dependent Children shall be as follows:

Categorically Needy		Medically Needy	
Family Size	Standard Of Need	AFDC Payment Level*	AA,AB,AD*
1	\$ 3,912	\$ 1,956	\$ 2,700
2	5,136	2,568	3,500

3	5,904	2,952	4,000
4	6,456	3,228	4,400
5	7,056	3,528	4,800
6	7,608	3,804	5,100
7	8,136	4,068	5,500
8	8,496	4,428	5,700

*Aid to Families with Dependent Children (AFDC); Aid to the Aged (AA); Aid to the Blind (AB); and Aid to the Disabled (AD).

The payment level for Aid to Families with Dependent Children 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.

(e) Spouse Responsibility. Notwithstanding the provisions of G.S. 108A-61, the Department of Human Resources, Division of Medical Assistance, may not consider the income or assets of the spouse of a person who is admitted as a long-term care patient in a certified public or private intermediate care or skilled nursing facility to be available to the institutionalized person.

(f) Dental Coverage Limits. Dental services will be provided on a restricted basis in accordance with regulations developed by the Department. Funds for dental services shall be disbursed only with prior approval by the Department of Human Resources, Division of Medical Assistance, as required by this subsection. No prior approval shall be required for emergency services or routine services. Routine services are defined as examinations, X-rays, prophylaxis, nonsurgical tooth extractions, amalgam fillings, and fluoride treatments. Prior approval shall be required for all other services and for routine services performed more than two times during a consecutive 12-month period. The Department of Human Resources shall adopt rules, as provided by the Administrative Procedure Act, to implement this subsection.

(g) Dispensing of Generic Drugs. Notwithstanding G.S. 90-85.27 through G.S. 90-85.31, under the Medical Assistance Program (Title XIX of the Social Security Act) a prescription order for a drug designated by a trade or brand name shall be considered to be an order for the drug by its established or generic name, except when the prescriber personally indicates, either orally or in his own handwriting on the prescription order, "dispense as written" or words of similar meaning.

As used in this subsection "brand name" means the proprietary name the manufacturer places upon a drug product or on its container, label or wrapping at the time of packaging; and "established name" has the same meaning as in section 502(e) (3) of the Federal Food, Drug and Cosmetic Act as amended, 21 U.S.C. 352(e) (3).

(h) Exceptions to Service Limitations, Eligibility Requirements, and Payments. Service limitations, eligibility requirements, and payments bases in this section may be waived by the Department of Human Resources, with the approval of the Director of the Budget, to allow the Department to carry out pilot programs for prepaid health plans or community based services programs in accordance with plans approved by the U.S. Department of Health and Human Services, or when the

Department determines that such a waiver will result in a reduction in the total Medicaid costs for the recipient.

(i) Volume Purchase Plans and Single Source Procurement. The Department of Human Resources, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies and appliances by implementation of volume purchase plans, single source procurement or other similar processes in order to improve cost containment.

(j) Cost Containment Programs. The Department of Human Resources, Division of Medical Assistance, may undertake cost containment programs including pre-admissions to hospitals and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

(k) The Department of Human Resources, Division of Medical Assistance, shall develop, as part of the Medicaid Hospital Reimbursement Plan, a method for increasing per diem rates to those hospitals serving a disproportionate share of indigent patients. A disproportionate share shall be measured by a combination of total Medicaid revenues, bad debts, and charity care as a percentage of gross patient revenues. If a hospital's share of indigent care exceeds twenty percent (20%) of gross patient revenues, it is eligible to receive an increase, not to exceed five percent (5%) in its Medicaid per diem rate.

In order for a hospital to participate in this program, it shall submit financial information on gross patient revenues, charity care, bad debts, and Medicaid revenues to the Department of Human Resources, Division of Medical Assistance.

—NON-MEDICAID REIMBURSEMENT

Sec. 87. Providers of medical services under the various State programs other than Medicaid offering medical care to citizens of the State shall be reimbursed at rates no more than those under the North Carolina Medical Assistance Program. The Department of Human Resources may reimburse hospitals at the full prospective per diem rates without regard to the Medical Assistance Program's annual limits on hospital days. When the Medical Assistance Program's per diem rates for inpatient services and its interim rates for outpatient services are used to reimburse providers in non-Medicaid medical service programs, retroactive adjustments to claims already paid shall not be required.

Maximum net family annual income eligibility standards for services in these programs with the exception of Migrant Health School Health, and Home Health shall be as follows:

Family Size	Kidney	Medical Eye Care Adults	All Rehabilitation	Other
1	6,400	3,600	5,053	4,200
2	8,000	4,400	6,608	5,300
3	9,600	4,600	8,161	6,400
4	11,000	5,400	9,718	7,500

5	12,000	5,800	11,276	7,900
6	12,800	6,100	12,828	8,300
7	13,600	6,500	13,116	8,800
8	14,400	6,900	13,411	9,300

These standards shall be in effect until change is approved by the Director of the Budget with the advice of the Advisory Budget Commission, or by the General Assembly.

—DOMICILIARY CARE FACILITIES

Sec. 88. The maximum monthly rates for "ambulatory" residents in the domiciliary care facilities (rest homes) shall be five hundred ninety-three dollars (\$593.00). The maximum monthly rate for "semi-ambulatory" residents shall be five percent (5%) more than the "ambulatory" rate.

—AGED AND FAMILY CARE/COUNTY AND STATE SHARES OF COSTS

Sec. 89. The State shall pay fifty percent (50%) and the counties shall pay fifty percent (50%) of the authorized rates for domiciliary care in homes for the aged and for family care homes, including area mental health agency operated group homes.

—MIXED BEVERAGE TAX FOR AREA MENTAL HEALTH PROGRAMS

Sec. 90. Funds received by the Department of Human Resources from the tax levied on mixed beverages under G.S. 18B- 804(b)(8) shall be expended by the Department of Human Resources for alcohol programs in area mental health centers. These funds shall be matched by local funds in accordance with the State/local ratio established by the current area mental health matching formula. These funds shall be allocated to the area mental health programs on a per capita basis as determined by the Office of State Budget and Management's most recent estimates of county populations.

—INFLATIONARY INCREASES IN STATE AID TO LOCAL AGENCIES

Sec. 91. As required by G.S. 143-10.1, funds are included in Section 2 of this act for inflationary increases in certain local programs including a five percent (5%) salary increase and the continuation of the ten percent (10%) salary increase made July 1, 1984, computed on the share paid by the State of North Carolina, where the State is presently providing aid. These funds shall be certified to the respective State agencies as detailed in the State Budget; and they shall be distributed to the local agencies/programs using the same allocation methods by which the present aid is distributed.

—NO EYE CLINICS IN CERTAIN COUNTIES

Sec. 92. No funds may be expended for the Department of Human Resources, Division of Services for the Blind, to hold eye clinics in any county in which an optometrist or ophthalmologist is willing to perform the services that would otherwise be performed by the clinic.

—LIMITATIONS ON STATE ABORTION FUND

Sec. 93. (1) It shall be the policy of the State of North Carolina that the State Abortion Fund shall not be available for abortion on demand but shall be limited in accordance with this section. Funds in the amount of nine hundred twenty-four thousand five hundred dollars (\$924,500) are appropriated in Section 2 of this act to the Department of Human Resources, Division of Social Services (Line Item 1430-6451) to reimburse medical providers, including licensed physicians, licensed hospitals, and other facilities for those services permitted under G.S. 14-45.1 except that the Fund will be limited to reimbursing providers for services provided within the first 135 days of pregnancy. No State funds in excess of nine hundred twenty-four thousand five hundred dollars (\$924,500) per fiscal year, whether from tax revenue, gift, bequest, grant, or any other sources, may be expended for the performance of abortions during the 1985-86 fiscal year or the 1986-87 fiscal year.

(2) Funds in the amount of four hundred fifty thousand dollars (\$450,000) are appropriated in Section 2 of this act to the Department of Human Resources, Division of Health Services, for pre-natal services.

(3) Eligibility. Applicants for services under this section shall be residents of North Carolina:

- a. Who receive Aid to Families With Dependent Children and: the woman is a victim of rape or incest; or the woman's health would be impaired by the pregnancy, as determined in the sole discretion of a physician selected by the woman; or where the woman is mentally retarded; or where a physician has determined that a fetal deformity is present; or
- b. Who receive health support services in conjunction with protective services and disabled adults and: the woman is a victim of rape or incest; or the woman's health would be impaired by the pregnancy, as determined in the sole discretion of a physician selected by the woman; or where the woman is mentally retarded; or where a physician has determined that a fetal deformity is present; or
- c. Whose income is at or below four thousand two hundred twenty-six dollars (\$4,226) per year and: the woman is a victim of rape or incest; or the woman's health would be impaired by the pregnancy, as determined in the sole discretion of a physician selected by the woman; or where the woman is mentally retarded; or the applicant is a minor, as defined by

G.S. 48A-2; or where a physician has determined that a fetal deformity is present.

Applicants under subparagraph c. shall only be eligible for services provided under this section one time, except in cases of rape, incest, when the applicant is a minor, is mentally retarded or when there is fetal deformity.

Neither race, creed, color, age, other than as provided by this section, national origin, handicapping condition, nor marital status may be eligibility criteria for these services.

Rules adopted pursuant to this section may in no way restrict or enlarge the class of persons to be served, as defined herein.

No rules adopted pursuant to this section may require a woman to report rape or incest within any specified time.

(4) Responsibilities of the County Departments of Social Services. Services provided under this section shall be administered uniformly in every political subdivision of the State. Applications for service shall be made to county departments of social services.

Eligibility for the services under this section shall be determined by the county department of social services under the provisions of subdivision (3) of this section. The county department of social services shall arrange for the delivery of these services with appropriate medical providers.

(5) Counseling and Referral Services. The county department of social services shall provide counseling to all persons determined eligible for service under this section. Counseling shall include discussion of pregnancy options, including adoption, and family planning information.

The county department of social services shall provide to all persons determined eligible under this provision family planning counseling, and referral for family planning medical consultation and supplies, or voluntary sterilization.

In cases where the applicant chooses to carry the pregnancy to term, the county department of social services shall refer the individual for all appropriate services, including licensed adoption services, maternal health care services and financial assistance.

(6) Reimbursement to Providers. Services shall be reimbursed at no less than one hundred fifty dollars (\$150.00) for outpatient services and not more than five hundred dollars (\$500.00) for inpatient services.

No services may be reimbursed where federal funds are available.

Providers receiving funds under this section may not collect additional funds from individuals receiving services.

Notwithstanding any provision of law, the setting of rates or fees for such services; the setting of eligibility standards or application requirements; the determination of the components of income that are considered in computing family monthly gross income; designation of services to be provided or the designation of providers shall be done only by enactment of law by the General Assembly. For purposes of administering this section, the following regulations which are codified in the North Carolina Administrative Code, to the extent that they are consistent with this

section, are specifically authorized by the General Assembly: 10 NCAC 42W .0001 - .0003, which were filed and effective as of January 1, 1983; 10 NCAC 35E .0103, Income Eligible Status, which was filed and effective as of July 1, 1983; and 10 NCAC 35 .0003, including the referenced Family Services Manual.

—DAY CARE ALLOCATION FORMULA

Sec. 94. To simplify current day care allocation methodology and more equitably distribute State day care funds, the Department of Human Resources shall apply the following allocation formula to all noncategorical federal and State day care funds used to pay the costs of necessary day care for minor children of needy families:

(1) Fifty percent (50%) of budgeted funds shall be distributed according to the county's population; and

(2) Fifty percent (50%) of budgeted funds shall be distributed based upon the county's poverty rate as a percentage of the sum total of all North Carolina's county poverty rates.

Counties whose allocation, if based on previously used formulas, exceeds the allocation produced by the formula prescribed by this section may not have their allocations reduced in either fiscal year 1985-86 or in fiscal year 1986-87 to the level that results from application of the new formula. Counties whose allocation, if based on previously used formulas, is less than the allocation produced by the formula prescribed by this section shall receive a proportional share of three million seven hundred thirteen thousand dollars (\$3,713,000) in expansion funds for fiscal year 1985-86 and five million seven hundred twenty-six thousand dollars (\$5,726,000) in expansion funds for fiscal year 1986-87, which have been appropriated for the purpose of providing additional day care services by Section 2 of this act.

—DAY CARE

Sec. 95. The Department of Human Resources shall distribute the funds appropriated and otherwise available to the Department for the purchase of slots in day care for minor children of needy families so as to serve the greatest number of children possible.

Sec. 96. Effective July 1, 1986, G.S. 143B-153(8)a. is rewritten to read:

"a. A fee schedule for the payment of the costs of necessary day care in licensed facilities and registered plans for minor children of needy families."

Sec. 97. (a) The monthly fee schedule for the payment of costs of necessary day care for minor children of needy families set by the Social Services Commission pursuant to G.S. 143B-153(8)a. may not exceed:

(1) One hundred eighty-five dollars (\$185.00) for children who have not reached their third birthday in Level I care;

(2) Effective July 1, 1985, through June 30, 1986, two hundred thirty dollars (\$230.00) for children who have not reached their third birthday in Level II care;

Effective July 1, 1986, two hundred ten dollars (\$210.00) for children who have not reached their third birthday in Level II care;

- (3) One hundred fifty dollars (\$150.00) for children who are three years of age and older in Level I care;
- (4) Effective July 1, 1985, through June 30, 1986, one hundred seventy-five dollars (\$175.00) for children who are three years of age and older in Level II care;

Effective July 1, 1986, one hundred sixty-five dollars (\$165.00) for children who are three years of age and older in Level II care;

- (5) One hundred dollars (\$100.00) for individual child care giving arrangements; and
- (6) One hundred fifty dollars (\$150.00) for day care plans.

(b) Effective January 1, 1986, facilities and plans that are licensed and registered pursuant to Article 7 of Chapter 110 of the General Statutes may participate in the program that provides for the purchase of slots in day care facilities and plans for minor children of needy families. No separate certification process or participation requirements that exceed licensing or registration requirements may be used to select facilities or plans to participate.

(c) Effective January 1, 1986, level II providers whose programs exceed licensing standards may modify their programs to standards consistent with licensing standards.

(d) Any savings that result by reason of this schedule shall be used by the Department to provide for the payments of the costs of necessary day care for more minor children of needy families.

(e) County departments of social services shall continue to negotiate with day care providers for day care services at rates below the maximum rates prescribed by subsection (a) of this section.

(f) The Department of Human Resources shall conduct a departmental day care rate setting study dealing specifically with the establishment of maximum reimbursement rates and with the implementation of these rates, and shall make a written report of the study's findings, including recommendations, to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division, one month prior to the convening of the 1986 Session of the 1985 General Assembly.

(g) The Legislative Research Commission Study Committee on Day Care shall include in its study an examination of day care rate setting including revising the rate system to a single track system, and shall report its findings and recommendations in its report to the 1987 General Assembly.

—AFDC/WOMEN IN THIRD TRIMESTER OF PREGNANCY

Sec. 98. The Division of Social Services, Department of Human Resources, shall provide Aid to Families with Dependent Children to women in their third trimester

of pregnancy regardless of whether these women have children, if they otherwise qualify for these payments.

—MATERNAL AND CHILD HEALTH CARE

Sec. 99. The Division of Health Services shall ensure that local health departments do not reduce county appropriations for maternal and child health services provided by the local health departments because they have received State appropriations pursuant to this act.

Sec. 100. In order to ensure that funds appropriated by Section 2 of this act for maternal and child health care services to the Department of Human Resources, Division of Health Services, provide medical services to as many eligible women of childbearing age as possible, especially to adolescents, these funds may be used only for the purposes of providing prenatal clinics, purchase of medical services, and family planning services, including education and counseling and medical supplies.

—ADOLESCENT PREGNANCY ADVISORY BOARD

Sec. 101. The Secretary of Human Resources shall select individuals from the membership of the Statewide Family Planning Advisory Council and the Perinatal Council of the Health Services Commission to serve as an Advisory Board for Adolescent Pregnancy and Prematurity Prevention. The individuals so selected shall include a representative of the Division of Social Services, a representative of the Division of Mental Health, Mental Retardation, and Substance Abuse Services, a representative of the Family Planning Branch of the Division of Health Services, a representative of the Maternal and Child Health Branch of the Division of Health Services, a representative of the North Carolina Coalition on Adolescent Pregnancy, a representative of the North Carolina Child Advocacy Institute, and a representative of Planned Parenthood. The Advisory Board shall advise the Secretary of the Department of Human Resources and the Division of Health Services on issues relating to the problem of adolescent pregnancy and of prematurity prevention in North Carolina. Before funds appropriated by Section 2 of this act for model adolescent pregnancy and prematurity prevention projects may be allocated for the establishment of these projects, the Secretary and the Division of Health Services shall receive and review the recommendations of the Advisory Board regarding the selection of model programs. The final authority for the selection of the projects to be established shall rest with the Secretary.

—ADOLESCENT PREGNANCY AND PREMATURETY PREVENTION PROJECTS

Sec. 102. The Division of Health Services shall design the Adolescent Pregnancy and Prematurity Prevention Projects in order to reduce most effectively the numbers of unintended adolescent pregnancies, and to improve the health of pregnant

adolescents and their infants, by means of the development of innovative community based programs and projects such as school based adolescent health clinics and community based adolescent counseling and education programs. The Projects shall be undertaken as pilot projects to serve as successful models for replication in areas of the State where there are statistically high incidences of adolescent pregnancy, premature births, and infant mortality.

Project selection may be based solely on the merits of the proposals submitted to the Division. The Secretary shall adopt rules to administer the selection process and to establish and administer the Projects. All Projects established and funded during the 1985-87 fiscal biennium shall be evaluated by the Division of Health Services. The Division of Health Services shall report the results of this evaluation, together with any recommendations, to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division, no later than January 15, 1987.

—IV-D PROGRAM/ADMINISTRATION

Sec. 103. Effective June 30, 1985, Section 76 of Chapter 1034, Session Laws 1983 (Regular Session 1984) is amended by deleting the date "July 1, 1985" and by substituting the date "July 1, 1986".

—ARTHRITIS PROGRAM EVALUATION

Sec. 104. The Division of Health Services shall conduct an evaluation of the Arthritis Program and submit its report to the Joint Governmental Operations Commission and to the Fiscal Research Division, no later than 30 days prior to the convening of the 1987 General Assembly.

—FEDERAL FUNDS CARRIED FORWARD FOR SENIOR CITIZENS CENTERS

Sec. 105. (a) Of the two million dollars (\$2,000,000) of federal funds carried forward from previous fiscal years to the 1985-86 fiscal year for the construction, alteration, and maintenance of senior citizen centers, one million dollars (\$1,000,000) shall be allocated pursuant to subsection (b) of this section in the following amounts:

- (1) Nine hundred thousand dollars (\$900,000) shall be allocated to the 18 Area Agencies on Aging, fifty thousand dollars (\$50,000) to each Agency;
- (2) One hundred thousand dollars (\$100,000) shall be allocated among these agencies on the basis of federal formula guidelines interpreted by the Division of Aging.

Ten percent (10%) of the total funds allocated to each Agency shall be available for the operation of the Agency.

(b) The federal funds allocated by subsection (a) of this section shall be matched in accordance with Title III federal regulations. Allocated funds may be disbursed to the Agency only when it presents a specific proposal to the Division of

Aging for use of the funds and that proposal is approved and the required local matching funds are available. At an appropriate time, before the end of fiscal year 1985-86, if the money allocated to a specific Agency has not been disbursed, the Division of Aging shall reallocate those funds to another Agency that meets the disbursement criteria established by this subsection.

The Division shall present a review of its allocations and disbursements pursuant to this section to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division, one month prior to the convening of the 1986 Session of the 1985 General Assembly.

—RETROSPECTIVE ACCOUNTING ADJUSTMENT/AFDC

Sec. 106. The Department of Human Resources shall use funds appropriated in Section 2 of this act to provide a State supplementary payment to Aid to Families with Dependent Children households adversely affected by the retrospective accounting procedure as allowed under § 403(a) of the Social Security Act (42 U.S.C. § 603(a)), as amended by § 157(a) of the Tax Equity and Fiscal Responsibility Act of 1982. The amount of the State supplement shall not exceed the maximum payment standard for the Aid to Families with Dependent Children Program.

—STATE MEDICAL FACILITIES PLAN/NURSING HOME ALLOCATION STUDY

Sec. 107. In preparing the 1986 State Medical Facilities Plan, the Department of Human Resources shall reevaluate the standards and criteria used in the Plan to allocate nursing home beds in North Carolina, in order to ensure that all North Carolina citizens that are aged and disabled have equal access to nursing home care within a reasonable distance of their residences. In determining this, population distribution shall be considered. The Department shall report the results of this reevaluation, including any alterations made in the Plan that reflect this reevaluation to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division no later than 30 days prior to the Plan's final approval by the Governor, and shall report any further alterations made in the final Plan as well as any additional recommendations to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division no later than one week prior to the convening of the 1986 Session of the 1985 General Assembly.

—DOMICILIARY CARE FACILITIES/REPORTING REQUIREMENTS

Sec. 108. The third sentence of G.S. 131D-3 is amended by deleting the phrase "February 1, 1984, for the 1983 calendar year and annually thereafter" and substituting the phrase "March 1 of each year".

—SOUTH CENTRAL DEINSTITUTIONALIZATION PROJECT

Sec. 109. The Department of Human Resources shall continue the deinstitutionalization project in the south central region for the 1985-86 fiscal year subject to the following conditions:

(1) The Department shall establish clear goals for reductions in admissions to Dix Hospital.

(2) The Wake Area Mental Health Program shall establish inpatient services at the community level prior to the end of the fiscal year; and

(3) The Department shall report to the 1986 Session of the 1985 General Assembly on progress made with this deinstitutionalization project.

Sec. 110. Unassigned.

—KIDNEY DONOR AND HUMAN TISSUE PROGRAM/FUND REVERSION

Sec. 111. Effective June 30, 1985, Section 2 of Chapter 1027, 1971 Session Laws is amended by rewriting the last sentence to read:

"Any funds unexpended at the end of any fiscal year shall revert to the General Fund."

—COMMUNITY LIVING PROGRAMS

Sec. 112. Of the increased federal funding that will be available to the Department of Human Resources, Division of Vocational Rehabilitation, funds up to four hundred thousand dollars (\$400,000) in fiscal year 1985-86 and up to six hundred thousand dollars (\$600,000) in fiscal year 1986-87 shall be allocated, in addition to the State appropriations already in the base budget, to continue the present level of services for the Community Independent Living Programs in Forsyth and Mecklenburg Counties.

—SECRETARY'S FEE SCHEDULE

Sec. 113. The Secretary of Human Resources shall recommend a fee schedule for fees to cover the costs of responding to certain environmental health consultation requests and related procedures. The Secretary shall report this recommended fee schedule and expenditures to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division, one month prior to the convening of the 1986 Session of the 1985 General Assembly.

—SANITATION BRANCH FUNDS

Sec. 114. Of the funds appropriated by Section 2 of this act to the Department of Human Resources, Division of Health Services, the Division may use up to one hundred thousand dollars (\$100,000) per year to provide technical assistance, consultation, plan review, and plan approval for food and lodging operators, residential

and commercial developers, residential and commercial contractors, and the general public.

—MOSQUITO AND VECTOR CONTROL PROGRAM

Sec. 115. Of the funds appropriated in Section 2 of this act to the Department of Human Resources, Division of Health Services, for the Mosquito and Vector Control Program, no more than sixty-five percent (65%) of the funds designated as Aid to Counties and Aid to Cities may be used for mosquito spraying and mosquito fogging. No more than thirty-five percent (35%) of the funds designated as Aid to Counties and Aid to Cities may be used for water management projects.

The Division shall report on the progress of the Grove Creek Project and all other mosquito spraying and mosquito fogging projects to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division, by May 1, 1986.

—ECKERD WILDERNESS THERAPEUTIC CAMP

Sec. 116. (a) The Division of Youth Services, in cooperation with the Eckerd Foundation, shall study the feasibility of providing camp for an all female population and the current limitation of 12 months on a camper's stay. The Division shall present the results of the study, including any legislative recommendations, to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division, one month prior to the convening of the 1986 Session of the 1985 General Assembly.

(b) The State Auditor's Office shall conduct an operational audit of the Eckerd Wilderness Therapeutic Camp Program for the 1984-85 fiscal year.

—DHR EMPLOYEES AS IN-KIND MATCH

Sec. 117. The Secretary of the Department of Human Resources may assign employees of the Department of Human Resources to serve as in-kind match to nonprofit corporations working to establish health care cost containment strategies.
PART X.

—NATURAL RESOURCES AND COMMUNITY DEVELOPMENT

—JOB TRAINING PARTNERSHIP ACT

Sec. 118. (a) The Director of the Budget shall develop a comprehensive inventory of the State-administered employment and training programs.

(b) The inventory shall show:

- (1) Funding for these programs and source of funding;
- (2) Administering agencies;

- (3) Clientele served;
- (4) Types of training or services provided; and
- (5) The effect these programs have had on the employability of the State's population.

(c) The inventory shall be conducted in cooperation with the State Job Training Coordinating Council and shall identify:

- (1) Areas where overlap or duplication occurs;
- (2) Areas where different sources of funds are provided to an agency for employment and training of the same personnel;
- (3) Specific efforts to reduce double funding;
- (4) State agencies administering employment and training programs where actual training is contracted to others;
- (5) The amount of administrative funds being used by these subcontracting agencies; and
- (6) The amount of additional funds that could be used for direct services or training of the client population if the subcontracting agency is eliminated.

This inventory shall be submitted to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division no later than May 15, 1986.

Sec. 119. The General Assembly finds that it is more efficient to contract directly with an agency or institution capable of providing the required services than to contract with an agency that subcontracts with another agency to provide training to Job Training Partnership Act participants; therefore, the State Job Training Coordinating Council and the Governor shall maximize, to the extent practicable, contracting directly with the agency or institution capable of providing the required services.

Sec. 120. The Governor and State Job Training Coordinating Council shall ensure that the Job Training Partnership Act management information system is updated quarterly with financial and program information. This information shall be made available upon request to all agencies of State government having responsibility for the Job Training Partnership Act.

Sec. 121. To the extent permitted under PL 97-300, State priorities for employment and training of the Job Training Partnership Act eligible population shall include:

- (1) Remedial education, basic skills training, and dropout prevention;
- (2) Institutional skills training;
- (3) On-the-job training;
- (4) Programs of advanced career training which provide a formal combination of on-the-job and institutional training and internship assignments which prepare individuals for career employment;
- (5) Training programs operated by the private sector, including those operated by labor organizations or by consortia of private sector employers utilizing private sector facilities, equipment, and personnel to train workers in occupations for which demand exceeds supply;

(6) Supportive services necessary to enable individuals to participate in the program and to assist them in retaining employment for not to exceed six months following completion of training;

(7) Pre-apprenticeship programs;

(8) On-site industry-specific training programs supportive of industrial and economic development; and

(9) Customized training conducted with a commitment by an employer or groups of employers to employ an individual upon successful completion of that training.

Sec. 122. The allocation of funds pursuant to Section 202 of the Job Training Partnership Act (PL 97-300) shall be subject to the limitation that the seventy-eight percent (78%) of the Job Training Partnership Act funds required by Section 202(a)(1) of the act to be allocated for service delivery areas shall be allocated according to the formula set out in Section 202(a)(2).

—LEGISLATIVE OVERSIGHT OF EMPLOYMENT AND TRAINING PROGRAMS

Sec. 123. The Joint Legislative Commission on Governmental Operations shall perform the following oversight duties relating to the State employment and training programs:

(1) Oversee the effectiveness of the State Job Training Coordinating Council's efforts to meet the State's employment goals for employment and training of its citizens;

(2) Oversee the administration of the Job Training Partnership Act;

(3) Review and comment on the Governor's Coordination and Special Services Plan and all other reports submitted by the State Job Training Coordinating Council to the Governor, the United States Department of Labor, and the presiding officers of the General Assembly; and

(4) Review and comment on the goals and objectives developed by the State Job Training Coordinating Council to guide the Private Industry Councils in preparation of service delivery area plans.

The Fiscal Research Division shall provide principal staff assistance to the Joint Legislative Commission on Governmental Operations in carrying out its duties pursuant to this section. Appropriate legal staff from the General Research Division shall also provide assistance to the Commission, as needed.

The State Job Training Coordinating Council shall report to the President of the Senate, the Speaker of the House of Representatives, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division, by May 1 of each year. The report shall include an analysis of the State's employment and training efforts, an analysis of the effectiveness of the State Job Training Coordinating Council in meeting employment and future training needs of the client population, the effect of private industry involvement, and recommended actions to improve delivery of services and training opportunities for the client population.

—BIENNIAL STATE OF THE ENVIRONMENT REPORT

Sec. 124. Chapter 143B of the General Statutes is amended by adding a new section to read:

"§ 143B-278.1. **Biennial State of the Environment Report.**—The Secretary of the Department of Natural Resources and Community Development shall report on the state of the environment to the General Assembly no later than January 1 of each odd-numbered year beginning on January 1, 1987. The report shall include:

- (1) An identification of environmental protection issues and problems related to managing the State's natural resources;
- (2) Trends in the quality and use of North Carolina's air and water resources;
- (3) Areas of the State where air or water pollution is evident or may occur during the upcoming biennium;
- (4) Current efforts and resources allocated by the Department to correct identified pollution problems and an estimate, if necessary, of additional resources needed to study, identify, and implement solutions to solve potential problems;
- (5) Departmental goals and strategies to protect the natural resources of the State;
- (6) Suggested legislation, if necessary; and
- (7) Any other information on the state of the environment the Secretary considers appropriate.

Other State agencies involved in protecting the State's natural resources and environment shall cooperate with the Department of Natural Resources in preparing this report."

—PARTICIPATION IN THE NUTRIENT SENSITIVE WATERSHED PROJECT

Sec. 125. Participation in the Nutrient Sensitive Watershed Project shall be voluntary. In addition to funding of agricultural projects, funds appropriated may be used to provide grants to units of local government and water and sewer authorities for the purpose of conducting joint State and local nutrient sensitive water quality studies in the targeted watersheds. These studies may include monitoring, testing, data gathering, and other appropriate components related to nutrient reduction techniques. Purchase and installation of phosphate removal equipment in public wastewater treatment systems in the targeted watersheds may not be required by the State until studies showing a need for this equipment have been completed and reviewed by the Environmental Management Commission.

All participants in the Nutrient Sensitive Watershed Project shall be required to match State funds at the same rate, and assistance from the Agriculture Extension Service at North Carolina State University shall also be used.

—IMPLEMENTATION OF PROJECT

Sec. 126. Detailed plans for implementing the agricultural portion of the Nutrient Sensitive Watershed Project shall be reviewed and suggested changes and reasons therefor shall be given by a committee consisting of the Master of the North Carolina State Grange, President of the North Carolina Farm Bureau Federation, the North Carolina Commissioner of Agriculture, the Dean of the School of Agriculture and Life Sciences at North Carolina State University, the Chairman of the State Soil and Water Conservation Commission, and the President of the North Carolina Association of Soil and Water Conservation Districts. The committee shall review implementation of the agricultural portion of the Nutrient Sensitive Watershed Project prior to expenditure of any funds for that portion of the program. Certification documenting the committee's review of implementation of the agricultural grants program shall be made in writing to the Speaker of the House of Representatives, the President of the Senate, and Chairmen of the Appropriations Committees of the Senate and the House of Representatives.

—STATE PARKS AND RECREATION FIELD STAFF UTILIZATION

Sec. 127. Notwithstanding any limitations placed on funds appropriated in prior fiscal years for field staff for the Department of Natural Resources and Community Development, Division of Parks and Recreation, funds appropriated in Section 2 of this act to the Department of Natural Resources and Community Development, Division of Parks and Recreation, for field staff may be used by the Division to place its field staff wherever they are most needed.

—JAMES K. POLK STATE OFFICE BUILDING

Sec. 128. Employees of the Department of Natural Resources and Community Development currently housed in the Mooresville Regional Field Office Building shall be relocated prior to December 31, 1986, to the James K. Polk State Office Building in Charlotte. Required renovations of the James K. Polk State Office Building shall be completed prior to December 1, 1986.

PART XI.—COMMERCE

—WANCHESE HARBOR DEVELOPMENT REPORT

Sec. 129. The Secretary of the Department of Commerce shall develop a plan for the use of the Wanchese Harbor Seafood Development Park, for which funds were initially requested in 1974. This plan shall be submitted to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division, no later than December 1, 1985.

—WOMEN IN ECONOMIC DEVELOPMENT REPORT

Sec. 130. The Secretary of the Department of Administration shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division, by June 7, 1986, on the effectiveness of the Women in Economic Development Division of the Department of Administration from March 6, 1985, to May 31, 1986. The report shall include a description of activities undertaken to assist women in small business and economic development, achievements, and efforts the Department has taken to integrate this program into the economic development efforts of the State that are implemented through the Department of Commerce.

—TOURISM GRANT LIMITATION

Sec. 131. The Department of Commerce may not grant more than five thousand dollars (\$5,000) to any one grantee during a fiscal year to promote tourism. No grantee may receive a grant in two consecutive fiscal years. All grants by the Department of Commerce to promote tourism shall be made on condition that the grantee match the grant on a dollar-for-dollar basis. Grants to promote tourism may not be used for the following purposes:

- (1) Capital construction;
- (2) Routine operating expenses normally paid by the grantee; or
- (3) Existing programs of the grantee.

—BIOTECHNOLOGY CENTER RESERVE/NONREVERTING

Sec. 132. Funds appropriated in Section 2 of this act into the Reserve for Biotechnology Center shall remain available until expended and may not revert to the General Fund at the end of each fiscal year.

PART XII.—AGRICULTURE

—AGRICULTURAL MARKETING REPORT

Sec. 133. The Commissioner of Agriculture shall report to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division by May 1, 1986, concerning the activities of the Department of Agriculture's Marketing Division in developing new and expanded markets for the State's agricultural products. Included in the report shall be how the agricultural industry recruitment efforts of the Department of Agriculture are coordinated with those of the Department of Commerce.

Sec. 134. The Board of Governors of The University of North Carolina shall report to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division on or before May 1, 1986, on its activities in management and marketing of agricultural products.

PART XIII.—ATTORNEY GENERAL

—USE OF PRIVATE COUNSEL BY BOARDS AND COMMISSIONS LIMITED

Sec. 135. (a) Chapter 114 of the General Statutes is amended by adding a new section to read:

"§ 114-2.3. Use of private counsel limited.—Every agency, institution, department, bureau, board, or commission of the State, authorized by law to retain private counsel, shall obtain written permission from the Attorney General prior to employing private counsel. This section does not apply to counties, cities, towns, other municipal corporations or political subdivisions of the State, or any agencies of these municipal corporations or political subdivisions, or to county or city boards of education."

(b) This section is effective upon ratification.

—PRIVATE COUNSEL BY STATE AGENCIES

Sec. 136. (a) G.S. 147-17(a) is amended by adding a new sentence after the first sentence to read:

"The Governor shall give his approval only if the Attorney General has advised him, as provided in subsection (b) of this section, that it is impracticable for the Attorney General to render the legal services."

(b) G.S. 147-17(a) is amended by inserting immediately after the word "department" the language ", officer".

(c) The first sentence of G.S. 147-17(b) is amended by adding immediately after the word "departments", the language ", officers".

(d) The second sentence of G.S. 147-17(b) is amended by adding immediately after the word "agency" the language ", officer".

(e) This section is effective upon ratification.

—COMMON LAW POWERS

Sec. 137. (a) Chapter 114 of the General Statutes is amended by adding a new section to read:

"§ 114-1.1. Common law powers.—The General Assembly reaffirms that the Attorney General has had and continues to be vested with those powers of the Attorney General that existed at the common law, that are not repugnant to or inconsistent with the Constitution or laws of North Carolina."

(b) This section is effective upon ratification.

—USE OF PRIVATE INVESTIGATORS BY STATE AGENCIES LIMITED

Sec. 138. Chapter 114 of the General Statutes is amended by adding a new section to read:

"§ 114-15.2. Use of private investigators limited.—No State executive officer, department, agency, institution, commission, bureau, or other organized activity of the State that receives support in whole or in part from the State except for counties, cities, towns, other municipal corporations or political subdivisions of the State or any agencies of these subdivisions, or county or city boards of education may employ a private investigator without the consent of the Attorney General. If the Attorney General determines that it is impracticable for the Bureau to conduct the investigation, the Attorney General shall employ a private investigator and shall fix the compensation for his services. The cost of the private investigator shall be paid from funds credited to the entity requesting the investigation or from the Contingency and Emergency Fund."

—ADDITIONAL COMPUTER EQUIPMENT

Sec. 139. If a department acquires computer equipment, and if the department elects to deal with its present supplier, then the department, in its negotiations with the provider of the equipment, may not extend, either under the contract or otherwise, the term of the lease.

—INTERNS

Sec. 140. Article 1 of Chapter 114 of the General Statutes is amended by adding a new section to the end to read:

"§ 114-8.1. Attorney General interns.—The Attorney General may select interns to work in the Attorney General's Office from institutions of higher education, including the constituent institutions of The University of North Carolina. The Attorney General may adopt policies or rules to provide for the selection, tenure, duties, and compensation of these interns."

PART XIV.—CORRECTION

—MEDICAL COST REPORT

Sec. 141. The Department of Correction shall report by May 15, 1986, to the Chairmen of the Appropriations Base Budget and Appropriations Expansion Budget Committees of the Senate and the House of Representatives and to the Fiscal Research Division on the costs of all types of contractual medical services. This report shall include recommendations on methods that could be adopted to limit the cost of providing medical services within the State's prisons.

—DEPARTMENT OF CORRECTION/CONSTRUCTION PROJECTS

Sec. 142. Notwithstanding the provisions of G.S. 143- 128, the Departments of Correction and Administration, with the approval of the Director of the Budget and within the capital improvement funds available, may enter into combined contracts for

design of or combined contracts for construction work on facilities for the Department of Correction.

PART XV.—CRIME CONTROL

—SEPARATION ALLOWANCES/LAW ENFORCEMENT OFFICERS

Sec. 143. (a) G.S. 143-166.41(a) is amended in the first sentence by adding the words "as defined by G.S. 135-1(11b) or G.S. 143-166.30(a)(4)" between the words "officer" and "employed"; and is further amended by deleting the period at the end of subdivision (2) and by substituting "; and"; and is further amended by adding subdivision (3) to read:

"(3) Have completed at least five years of continuous service as a law enforcement officer as herein defined immediately preceding a service retirement."

(b) G.S. 143-166.41(b) is amended by deleting the word "member" and substituting the phrase "member, provided that at least seventy-five percent (75%) of the service is as a law enforcement officer as herein defined".

(c) G.S. 143-166.41(c) is amended by deleting the word "age" and substituting the phrase "age or upon the first day of reemployment by any State department, agency, or institution".

(d) G.S. 143-166.41(d) is amended by adding a sentence to the end to read: "The benefits payable under this section shall not be subject to any increases in salary or retirement allowances that may be authorized by the General Assembly for employees of the State or retired employees of the State."

(e) Subsections (a) and (b) of this section apply only for allowances first payable on or after July 1, 1985.

PART XVI.—CULTURAL RESOURCES

—SYMPHONY MUST GENERATE 1/4 OF OPERATING BUDGET

Sec. 144. If receipts from ticket sales and special events do not equal twenty-five percent (25%) of the North Carolina Symphony Society, Inc.'s, operating budget for the 1985- 86 fiscal year, it is the intent of the General Assembly to decrease appropriations to it by ten percent (10%) for the 1986- 87 fiscal year.

The Society shall report to the chairmen of the Senate and House of Representatives Appropriations Base Budget Committees and to the Fiscal Research Division, by June 1, 1986, on receipts and expenditures to date and projected receipts and expenditures for the remainder of the fiscal year.

—SYMPHONY ENDOWMENT

Sec. 145. (a) Notwithstanding the provisions of Section 118 of Chapter 761 of the 1983 Session Laws, funds remaining in the special reserve account for the North

Carolina Symphony Society that was created by Section 118 of Chapter 761 of the 1983 Session Laws shall revert to the General Fund on June 30, 1987.

Transfer of funds from this special reserve account to the North Carolina Symphony Society shall be subject to the terms and conditions set out in Section 118 of Chapter 761 of the 1983 Session Laws except that the required matching funds shall be monies raised or pledged after June 30, 1985, deposited to the Endowment Account, and retained as principal in that Account.

The Society shall report on the Endowment Account to the chairmen of the Appropriations Base and Expansion Budget Committees of the Senate and House of Representatives and to the Fiscal Research Division, no later than 30 days prior to the convening of the 1987 General Assembly. The report shall include a description of the funds on deposit in the Endowment Account and of the investment earnings on these funds, for each of the fiscal years from 1983 through 1986.

(b) This section shall become effective June 30, 1985.

—NORTH CAROLINA SYMPHONY/GRANT-IN-AID FUNDS

Sec. 146. As a condition of accepting State grant-in-aid funds for 1985-86 and 1986-87, the North Carolina Symphony shall operate within a balanced budget.

—STATE HISTORIC SITE SCHEDULE

Sec. 147. The Department of Cultural Resources shall operate the State Historic Sites so that the State is not obligated to pay overtime to employees for the regular operation of the sites.

The Department shall report by January 1 of each year to the chairmen of the Appropriations Base Budget and Appropriations Expansion Budget Committees of the Senate and the House of Representatives and to the Fiscal Research Division on the net operating cost per visitor at each site.

—ROANOKE ISLAND CENTER RESERVE

Sec. 148. Section 13 of Chapter 1116 of the 1984 Session Laws is amended by deleting "one million five hundred thousand dollars (\$1,500,000)" and substituting "five hundred thousand dollars (\$500,000)"; further by deleting "three-to-one" and substituting "one-to-one"; and by adding a new sentence at the end to read:

"The local matching funds shall be expended at the same rate as the State funds and the five hundred thousand dollars (\$500,000) of State funds appropriated by this section shall be the total State funds expended for this project. If more than one million dollars (\$1,000,000) is required to complete the project, the balance shall be made up entirely of non-State money."

PART XVII.—GOVERNOR AND OFFICE OF STATE BUDGET

—HOUSING COMMISSION FUNDS

Sec. 149. Chapter 778 of the 1983 Session Laws, as amended by Section 132 of Chapter 1034 of the 1983 Session Laws (Regular Session 1984), is amended by adding a new section to read:

"Sec. 3. The expenses of the Commission shall be paid from nontax revenues in the Housing Finance Agency."

—COPIES OF EXECUTIVE ORDERS

Sec. 150. G.S. 147-16.1 is amended by deleting "may" both places those words appear, and substituting "shall".

Sec. 151. The second sentence of G.S. 147-16.1 is amended by inserting after the words "executive orders" the words "on the day of issuance".

Sec. 152. (a) G.S. 147-16.1 is amended by adding the following new sentence at the end: "The Governor's office shall also send a copy of each executive order to the President of the Senate, to the Speaker of the House of Representatives, to the Principal Clerk of the House of Representatives and to the Principal Clerk of the Senate."

(b) If H.B. 52, 1985 Session, is ratified and rewrites G.S. 147-16.1, subsection (a) of this section shall be codified as an amendment to G.S. 147-16.1 as rewritten.

—PAY INCENTIVE PROGRAM REPEALED

Sec. 153. (a) Article 11 of Chapter 126 of the General Statutes is repealed.

(b) G.S. 120-123(16) is repealed.

—MUSEUM BUDGETS IN SEPARATE FUNDS

Sec. 154. The Director of the Budget shall, for the 1985-86 fiscal year and for subsequent fiscal years, certify the budgets of the Museum of Natural History in Raleigh and the North Carolina Maritime Museum in Beaufort in separate funds.

—NON-STATE MATCH DEFINED

Sec. 155. Article 1 of Chapter 143 of the General Statutes is amended by adding a new section to read:

"§ 143-31.4. **Non-State match restrictions.**—Whenever money is required to match an appropriation made for a specific purpose by the State of North Carolina, the recipient of the appropriation shall actually receive as a gift, grant, earnings in actual money, or a pledge that can be used as collateral in any prudent loan transaction, the matching amount required. The recipient shall retain the matching amount received in its possession until spent for that purpose and shall spend an equal percentage of the

appropriation and of the matching amount each time an expenditure is made, unless the individual appropriation requires otherwise."

—OVER REALIZED RECEIPTS

Sec. 156. The first paragraph of G.S. 143-27 is amended by rewriting the proviso to read:

"Provided, however, that if the receipts, other than gifts and grants that are unanticipated and are for a specific purpose only, collected in a fiscal year by an institution, department, or agency exceed the receipts certified for it in General Fund Codes or Highway Fund Codes, the Director of the Budget shall decrease the amount he allots to that institution, department, or agency from appropriations from that Fund by the amount of the excess, unless the Director of the Budget finds that the appropriations from that Fund are necessary to maintain the function that generated the receipts at the level anticipated in the certified Budget Codes for that Fund."

Sec. 157. The second paragraph of G.S. 143-27 is rewritten to read:

"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 expenditures of receipts in excess of the amounts certified in General Fund Codes or Highway Fund Codes that did not result in a corresponding reduced allotment from appropriations from that Fund."

—UNENCUMBERED BALANCES TO REVERT TO TREASURY

Sec. 158. G.S. 143-18 is rewritten to read:

"§ 143-18. Unencumbered balances to revert to treasury; capital appropriations excepted.—All unencumbered balances of maintenance appropriations shall revert to the State treasury to the credit of the general fund or special funds from which the appropriation and/or appropriations, were made and/or expended, at the end of each fiscal year; except that capital expenditures for the purchase of land, the erection of buildings, new construction or renovations in progress shall continue in force until the attainment of the object or the completion of the work for which the appropriations are made; except that maintenance appropriations to the General Assembly shall remain available until expended, unless otherwise provided by the Legislative Services Commission.

As used in this section, 'unencumbered' means not obligated in the form of purchase orders, contracts, renovations in progress or salary commitments."

—NO TRANSFERS BETWEEN ITEMS IN THE BUDGET

Sec. 159. G.S. 143-23 is amended by deleting the second sentence in G.S. 143-23 and by adding a new subsection to read:

"(a1) No transfers may be made between line items in the budget of any department, institution, or other spending agency; however, with the approval of the Director of the Budget, a department, institution, or other spending agency may spend more than was appropriated for a line item if the overexpenditure is:

- (1) In a program for which funds were appropriated for that fiscal period and the total amount spent for the program is no more than was appropriated for the program for the fiscal period;
- (2) Required to continue a program because of unforeseen events, so long as the scope of the program is not increased;
- (3) Required by a court, Industrial Commission, or administrative hearing officer's order or award or to match unanticipated federal funds;
- (4) Required to respond to an unanticipated disaster such as a fire, hurricane, or tornado; or
- (5) Required to call out the National Guard.

The Director of the Budget shall report on a quarterly basis to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division of the Legislative Services Office the reason if the amount expended for a program is more than the amount appropriated for it from all sources.

Funds appropriated for salaries and wages may only be used for salaries and wages or for premium pay, overtime pay, longevity, unemployment compensation, workers' compensation, temporary wages, contracted personal services, moving expenses, payment of accumulated annual leave, certain awards to employees, tort claims, and employer's social security, retirement, and hospitalization payments: provided, however, funds appropriated for salaries and wages may also be used for purposes for which over expenditures are permitted by subdivisions (3), (4), and (5) of this subsection but the Director of the Budget shall include such use and the reason for it in his quarterly report to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division of the Legislative Services Office. Salary funds that become available from vacant positions may not be used for new employee positions or to raise the salary of existing employees.

As used in this subsection, 'program' means a group of expenditure and receipt line items for support of a specific budgeted activity outlined in the certified budget for each department, agency, or institution, as designated by the four- digit fund (purpose) number in the Budget Preparation System."

Sec. 160. G.S. 143-34.5 is repealed.

Sec. 161. Sections 156 through 160 of this act shall become effective July 1, 1985; provided, however, from July 1, 1985, through June 30, 1986, these sections do not apply to the extent that the Director of the Budget finds that compliance is impossible and that deviation is necessary because of complications in the budget process that were not contemplated in these sections.

The Director of the Budget shall report on a quarterly basis to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division on any deviations from Sections 156 through 160 of this act and the reasons it

was impossible to comply. The Director of the Budget may also report proposed amendments to Sections 156 through 160 of this act.

PART XVIII. —ADMINISTRATION

—COORDINATION OF STUDIES

Sec. 162. The Secretary of Administration and the State Budget Officer shall report on or before the convening of the 1986 Session of the 1985 General Assembly to the chairmen of the Appropriations Base and Expansion Budget Committees of the Senate and the House of Representatives and to the Fiscal Research Division on their joint efforts to ensure that studies conducted by the Office of Administrative Analysis, Department of Administration, and studies conducted by the Office of State Budget and Management are fully coordinated and are not duplicative.

—REORGANIZATION/ADMINISTRATION AND GOVERNOR'S OFFICE

Sec. 163. The Department of Administration and the Governor's Office shall take the necessary steps to ensure that personnel working in an organizational entity are budgeted in and supervised by the same entity. Any resulting reorganization shall attempt to consolidate the various intergovernmental relations functions within both departments.

The Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division regarding positions and funds to be transferred, the new organizational structure, and the potential savings from the reorganization.

—INTERNAL REORGANIZATION REPORTS

Sec. 164. G.S. 143B-12 is amended by designating the text of that section as subsection (a) and adding at the end a new subsection (b) to read:

"(b) The Governor shall report all transfers of departmental functions under this section to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Appropriations Committees in the Senate and the House of Representatives, and the Fiscal Research Division of the Legislative Services Office, within 30 days after the transfer if the General Assembly is in session, otherwise to the Joint Legislative Committee on Governmental Operations and the Fiscal Research Division of the Legislative Services Office, within 30 days after the transfer. The report shall include the rationale for the transfer and the increased efficiency in operations expected from the transfer."

—LAND RECORDS MANAGEMENT PROGRAM/TRANSFER

Sec. 165. (a) The Land Records Management Program in the Department of Administration is transferred to the Land Resources Division in the Department of Natural Resources and Community Development. The transfer shall include the professional personnel currently working in the program, other budgeted costs, and all equipment purchased for the operation of the program. The Department of Natural Resources and Community Development shall provide adequate space in close proximity to the Land Resources Division and shall provide clerical assistance. The Department of Natural Resources and Community Development shall use available staff positions formerly associated with assisting the Land Policy Council to enhance implementation of the Land Records Management Program.

(b) G.S. 102-15 is amended by deleting the phrase "Department of Administration" wherever it appears, and substituting "Department of Natural Resources and Community Development".

(c) G.S. 102-17(4) is amended by deleting "Department of Administration", and substituting "Department of Natural Resources and Community Development".

(d) G.S. 143-345.6(a) is amended by deleting "of Administration".

(e) G.S. 143-345.6(c)(1) is amended by deleting ", in cooperation with the Secretary of the Department of Natural Resources and Community Development,".

(f) This section shall become effective August 1, 1985.

—LIMIT MEMBERSHIP OF JOBS FOR VETERANS COMMITTEE

Sec. 166. The first sentence of G.S. 143B-420(a) is amended by deleting the language "with such members as the Governor shall appoint" and substituting "with one member from each Congressional district, appointed by the Governor".

—FAMILY VIOLENCE PROGRAM FUNDS

Sec. 167. (a) The Department of Administration may secure federal and other non-State funds in the amount of seventy-five thousand dollars (\$75,000) to provide assistance to the Coastal Plain Women's Crisis Center, Inc., to support shelter services, counseling, and community education for victims of family violence in the following counties: Craven, Carteret, and Pamlico.

(b) The Department of Administration may secure federal and other non-State funds in the amount of two hundred fifty thousand dollars (\$250,000) to provide assistance to Reach, Inc., Respect, Inc., and any other nonprofit corporation organized to support shelter services, counseling, and community education for victims of family violence in the following counties: Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Polk, Swain, and Transylvania.

(c) The Department of Administration may secure federal and other non-State funds to provide assistance to any nonprofit corporation organized to support shelter services, counseling, and community education for victims of family violence.

—ASSIGNMENT OF CARS TO STATE AGENCIES

Sec. 168. G.S. 143-341(8)i.5. is rewritten to read:

"5. Upon proper requisition, proper showing of need for use on State business only, and proper showing of proof that all persons who will be driving the motor vehicle have valid drivers' licenses, to assign suitable transportation, either on a temporary or permanent basis, to any State employee or agency. An agency assigned a motor vehicle may not allow a person to operate that motor vehicle unless that person displays to the agency and allows the agency to copy that person's valid driver's license. The agency shall send a copy of the driver's license of each person operating the motor vehicle to the Department of Administration, Division of Motor Fleet Management. Notwithstanding G.S. 20-30(6), persons or agencies requesting assignment of motor vehicles may photostat or otherwise reproduce drivers' licenses for purposes of complying with this section."

—PRIVATE LICENSE TAGS ON STATE-OWNED CARS AUTHORIZED

Sec. 169. (a) Pursuant to the provisions of G.S. 14- 250, for the 1985-87 fiscal biennium, the General Assembly authorizes the use of private license tags on State-owned motor vehicles only for the State Highway Patrol and for the following:

Department	Number	Exemption Category	Total Number
Administration:	1	Capitol Police	1
Motor Vehicles:	97	License and Theft	97
Justice:	277	SBI Agents	277
Crime Control And Public Safety	127	ALE Officers Governor's Mansion	2 129

(b) Except as provided in this section, all State-owned motor vehicles shall bear permanent registration plates issued under G.S. 20-84.

—COMMUTING BY STATE EMPLOYEES

Sec. 170. G.S. 143-341(8)i.7a. is amended by rewriting the third paragraph to read:

"Every individual who uses a State-owned passenger motor vehicle, pickup truck, or van to drive between his official work station and his home, shall reimburse the State for these trips at a rate computed by the Department. This rate shall approximate the benefit derived from the use of the vehicle as prescribed by federal law. Reimbursement shall be made by payroll deduction. Funds derived from reimbursement on vehicles owned by the Motor Fleet Management Division shall be deposited to the credit of the Division; funds derived from reimbursements on vehicles initially purchased with

appropriations from the Highway Fund and not owned by the Division shall be deposited in a Special Depository Account in the Department of Transportation, which shall revert to the Highway Fund; funds derived from reimbursement on all other vehicles shall be deposited in a Special Depository Account in the Department of Administration which shall revert to the General Fund. Commuting, for purposes of this paragraph, does not include those individuals whose office is in their home or those individuals whose office is in their vehicle, as determined by the Department of Administration, Division of Motor Fleet Management, and as required by law."

Sec. 171. The third sentence of G.S. 20-48(c) is repealed.

—STATE SALES OR LEASES AT FAIR MARKET VALUE

Sec. 172. (a) Article 7 of Chapter 146 of the General Statutes is amended by adding a new section to read:

"§ 146-29.1. Lease or sale must not be for less than fair market value.—No land owned by the State or by any State agency may be sold, leased, or rented at less than fair market value. This section applies to sales, leases, and rentals to any person, except that it does not apply to sales, leases, or rentals to the United States or any of its agencies, to municipal corporations, special districts, political subdivisions of the State, or local school administrative units, and does not apply to transfers between State agencies. Any sale, lease, or rental of land owned by the State or by any State agency to the United States or any of its agencies, to municipal corporations, special districts, political subdivisions of the State, or local school administrative units shall be reported to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division, with the details of such transaction."

(b) This section does not apply to contracts entered into prior to the effective date of this section. This section shall become effective August 1, 1985.

—LEASE EXCEPTIONS

Sec. 173. G.S. 146-32(3) is amended by adding the following immediately before the period at the end: ", unless the class of lease or rental:

- a. is a lease or rental necessitated by a fire, flood, or other disaster that forces the agency seeking the new lease or rental to cease use of real property; or
- b. is a lease or rental necessitated because an agency had intended to move to new or renovated real property that was not completed when planned, but a lease or rental exempted under this subparagraph may not be for a period of more than six months".

—STATE AGENCIES TO USE STATE-OWNED OFFICE SPACE

Sec. 174. G.S. 143-341(4) is amended by adding a new subpart to read:

"d1. To require all State departments, institutions, and agencies to use State-owned office space instead of negotiating or renegotiating leases for rental of office space. Any lease entered into contrary to the provisions of this paragraph is voidable in the discretion of the Governor and the Council of State.

The Department of Administration shall report to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division no later than May 1 of each year on leased office space."

—STATE SURPLUS PROPERTY WAREHOUSE/FUNDS

Sec. 175. There is appropriated from the Equipment Reserve Fund to the Department of Administration the sum of one hundred thousand dollars (\$100,000) for the 1985-86 fiscal year and the sum of one hundred thousand dollars (\$100,000) for the 1986-87 fiscal year for the operation of the State Surplus Property Warehouse.

PART XIX.—GENERAL ASSEMBLY

—LEGISLATIVE EXCESS INDEMNITY INSURANCE

Sec. 176. (a) G.S. 120-32 is amended by adding a new subdivision to read:

"(12) Provide insurance to provide excess indemnity for any occurrence which results in a claim against any member of the General Assembly, as provided in G.S. 143-300.2 through G.S. 143-300.6. That insurance may not provide for any indemnity to be payable for any claim not covered by the above cited statutes, nor for any criminal act by a member, nor for any act committed by a member or former member prior to the inception of insurance."

(b) G.S. 120-32 is amended by adding a new subdivision to read:

"(13) Provide insurance to provide excess indemnity for any occurrence that results in a claim against any employee, officer, or committee, subcommittee, or commission member in the legislative branch other than a member of the General Assembly, as provided in G.S. 143-300.2 through G.S. 143-300.6. That insurance may not provide for any indemnity to be payable for any claim not covered by the above cited statutes, nor for any criminal act, nor for any act committed prior to the inception of insurance."

(c) Subsection (a) of this section shall become effective with respect to insurance commencing on or after convening of the 1987 Regular Session of the General Assembly. Subsection (b) of this section is effective upon ratification.

PART XX.—TRANSPORTATION

—AMTRAK FUNDING

Sec. 177. Of the funds appropriated to the Department of Transportation from the Highway Fund in Section 3 of this act, the sum of five hundred thousand dollars (\$500,000) for each year of the 1985-87 biennium, which is designated "State Aid

Public Transportation", may be used only for the State's share of the operating cost of the Amtrak Passenger Service and may not be used for any other purpose. These funds shall be allotted on a quarterly basis. The expenditure of State operating funds in excess of this amount is prohibited and the Department of Transportation shall continue reporting to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division on a quarterly basis on this expenditure. Further, the funding is contingent upon continued federal funding and a written agreement with Amtrak to continue this service to North Carolina. In addition, the Joint Legislative Commission on Governmental Operations shall review and comment on the agreement made between the State of North Carolina and Amtrak pursuant to the provisions of G.S. 120-76(1) and G.S. 120-76(6).

The Department's quarterly reports to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division shall include:

- (1) The current operating and capital costs for the service;
- (2) Information on needed improvements to facilities;
- (3) The number of passengers using train service and passenger miles from various points along the route; and
- (4) Cost sharing by local governments and other public and private organizations.

—DREDGING FOR STATE AGENCIES

Sec. 178. The Department of Transportation may perform dredging for other State departments using the Department of Transportation's resources. The other State departments shall reimburse the Department of Transportation for that portion of the total cost incurred in dredging that would not have been incurred had the dredge been at dockside.

—INVESTIGATIVE UNIT

Sec. 179. The Investigative Unit, which is under the Assistant Secretary for Administration, Department of Transportation, may employ no more than one person. The Department shall report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the activities of this unit.

—LOCAL GOVERNMENT TRANSPORTATION GRANT REPORTS

Sec. 180. The Public Transportation Division of the Department of Transportation shall report on the amount of State funds required to match federal public transportation grants for local governments during the 1986-87 fiscal year. The report shall include:

- (1) The amount of federal public transportation funds available to, and requested by, each local government that requires a State match;

(2) The actions taken by the local government to commit funds for the local match and the dates of those actions; and

(3) The anticipated month during the 1986-87 fiscal year when the State and local funds must be committed in order to receive the federal funds.

Copies of the report shall be submitted by April 15, 1986, to the Governor, the Advisory Budget Commission, the Joint Legislative Commission on Governmental Operations, the chairmen of the Appropriations Expansion Budget Committees of the Senate and the House of Representatives, the chairmen of the Appropriations Committees on Natural and Economic Resources of the Senate and the House of Representatives, and the Fiscal Research Division.

—TRANSPORTATION COST REDUCTION REPORT

Sec. 181. No later than March 1, 1986, the Secretary of Transportation shall provide a report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division that details the operational improvements, cost reductions, and personnel reductions that can be achieved in the 1986-87 fiscal year in all programs administered by the Department of Transportation. The report shall also identify the impacts of these actions on the level of service being provided by each program and the impact of these actions on the budget requirements of the Department for the 1986-87 fiscal year.

—DRIVERS' LICENSE EXAMINER POSITIONS

Sec. 182. Of the funds appropriated to the Department of Transportation in Section 3 of this act, the sum of five hundred one thousand three hundred forty-one dollars (\$501,341) shall be used to support the 31 personnel positions for drivers' license examiners that were authorized by the 1984 Session of the 1983 General Assembly to be supported from receipts.

—MOTOR VEHICLE REGISTRATION RESTORATION

Sec. 183. Funding for the 36 process server and clerical positions in the Division of Motor Vehicles related to enforcement of the Vehicle Financial Responsibility Act shall end effective July 1, 1986. Any vacancies occurring in these positions during the 1985-86 fiscal year may not be filled.

—HIGHWAY FUND/CAP ON DRIVER TRAINING FUNDS

Sec. 184. The twenty-one million four hundred seventy thousand two hundred eighty-two dollars (\$21,470,282) appropriated in each year of the 1985-87 fiscal biennium for the Driver Training and Safety Education Program is the maximum amount from the Highway Fund that may be used for this purpose, except for funds for salary increases and enrollment increases approved by the General Assembly.

—CONSULTATION WITH TRANSPORTATION BOARD MEMBER RESIDING
IN A HIGHWAY DISTRICT

Sec. 185. G.S. 143B-350 is amended by adding a new subsection to read:

"(h) Each member of the Board of Transportation representing a highway engineering division, or residing in that highway engineering division if the member is appointed from the State at large, shall be consulted before the Board makes a decision affecting that division."

—RELOCATION OF SEWERS IN HIGHWAY RIGHT-OF-WAY/COST

Sec. 186. (a) G.S. 136-27.1 is rewritten to read:

"§ 136-27.1. Relocation of water and sewer lines of municipalities and nonprofit water sewer corporations or associations.—The Department of Transportation shall pay the nonbetterment cost for the relocation of water and sewer lines, located within the existing State highway right-of-way, that are necessary to be relocated for a State highway improvement project and that are owned by: (i) a municipality with a population of 5,000 or less according to the latest decennial census; (ii) a nonprofit water or sewer association or corporation; or (iii) any water or sewer system organized pursuant to Chapter 162A of the General Statutes."

(b) This section applies only to State highway improvement projects let to contract after July 1, 1985.

—WETLANDS BANK

Sec. 187. The Department of Transportation may expend up to five hundred thousand dollars (\$500,000) from the Highway Fund cash balances to acquire a mitigating wetlands bank for use in connection with State highway projects. The Department of Transportation may also improve, maintain, and convey those lands pursuant to agreements with the Nature Conservancy and appropriate federal and State agencies in order to maintain those areas as a wildlife habitat.

Sec. 188. Unassigned.

PART XXI.—EMPLOYEE BENEFITS AND SALARIES

—COST OF LIVING ADJUSTMENTS FOR RETIREES/TEACHERS, STATE
EMPLOYEES, JUDICIAL PERSONNEL

Sec. 189. (a) G.S. 135-5 is amended by adding a new subsection (jj) to read:

"(jj) From and after July 1, 1985, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1984, shall be increased by four percent (4%) of the allowance payable on July 1, 1984, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1985, the retirement allowance to or on

account of beneficiaries whose retirement commenced after July 1, 1984, but before June 30, 1985, shall be increased by a prorated amount of four percent (4%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1984, and June 30, 1985."

(b) G.S. 135-65 is amended by adding a new subsection (f) to read:

"(f) From and after July 1, 1985, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1984, shall be increased by four percent (4%) of the allowance payable on July 1, 1984. Furthermore, from and after July 1, 1985, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1984, but before June 30, 1985, shall be increased by a prorated amount of four percent (4%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1984, and June 30, 1985."

—FORMULA INCREASE/CONTINUATION OF UNREDUCED RETIREMENT AT AGE 60 WITH 25 YEARS' SERVICE

Sec. 190. (a) G.S. 135-5(b7) is amended in the caption and in the first sentence by deleting the phrase, "on or after July 1, 1980", and substituting the phrase, "on or after July 1, 1980, but prior to July 1, 1985", and G.S. 135-5(b8) is amended in the caption and in the first sentence thereof by deleting the phrase, "on or after July 1, 1985", and substituting the phrase, "on or after January 1, 1985, but prior to July 1, 1985".

(b) G.S. 135-5 is amended by the addition of a new subsection to read:

"(b9) Service Retirement Allowance of Members Retiring on or after July 1, 1985. Upon retirement from service, in accordance with subsection (a) above, on or after July 1, 1985, a member shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and fifty-eight one hundredths percent (1.58%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs after his 50th and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to his completion of 30 years of creditable service, his retirement allowance shall be computed as in a. above, but shall be reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his

retirement date precedes the first day of the month coincident with or next following his 55th birthday.

- (2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:
 - a. If the member's service retirement date occurs on or after his 65th birthday or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, such allowance shall be equal to one and fifty-eight hundredths percent (1.58%) of his average final compensation, multiplied by the number of years of his creditable service.
 - b. If the member's service retirement date occurs after his 60th and before his 65th birthday and prior to his completion of 25 or more years of creditable service, his retirement allowance shall be computed as in a. above but shall be reduced by one-quarter of one percent ($\frac{1}{4}$ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.
 - c. If the member's service retirement date occurs before his 60th birthday and prior to his completion of 30 or more years of creditable service, his service retirement allowance shall be the actuarial equivalent of the allowance payable at the age of 60 years as computed in b. above.
 - d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1963, shall receive not less than the benefit provided by G.S. 135-5(b).

—RETIREMENT ALLOWANCE INCREASE

Sec. 191. G.S. 135-5 is amended by the addition of a new subsection to the end to read:

"(kk) From and after July 1, 1985, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 1985, shall be increased by six-tenths percent (0.6%) of the allowance payable on June 1, 1985. This allowance shall be calculated on the basis of the allowance payable and in effect on June 30, 1985, so as not to be compounded on any other increases payable under subsection (o) of this section or otherwise granted by act of the 1985 Session of the General Assembly."

—SURVIVOR'S BENEFITS FOR DECEASED DISABLED MEMBERS

Sec. 192. (a) G.S. 135-5(c) is amended by the addition of a paragraph at the end to read:

"Notwithstanding the foregoing, the surviving designated beneficiary of a deceased member who met all other requirements for disability retirement benefits, except whose death occurred before the first day of the calendar month in which the member's disability retirement allowance was to be due and payable, may elect to receive the reduced retirement allowance provided by a fifty percent (50%) joint and survivor payment option in lieu of a return of accumulated contributions, provided the following conditions apply:

(1) The member had designated as the principal beneficiary, to receive a return of accumulated contributions at the time of his death, one and only one person, and

(2) The member had not instructed the Board of Trustees in writing that he did not wish the provision of this subsection to apply."

(b) G.S. 135-59 is amended by designating the first and second paragraphs as subsection (a) and adding a new subsection (b) to read:

"(b) Notwithstanding the foregoing, the surviving spouse of a deceased member who has met all other requirements for disability retirement benefits, except whose death occurred before the first day of the calendar month in which the member's disability retirement allowance was due and payable, and who was the designated beneficiary for a return of accumulated contributions and the final compensation death benefit as provided in G.S. 135- 63, shall be paid in lieu of the return of accumulated contributions and the final compensation death benefit a monthly allowance equal to a reduced retirement allowance provided by a fifty percent (50%) joint and survivorship option, plus the allowance payable to a former member's surviving spouse, in the manner prescribed under G.S. 135-64 as though the former member had commenced retirement the first day of the month following his death."

(c) The provisions of subsections (a) and (b) of this section shall apply equally to the surviving designated beneficiaries of members of the retirement systems who died within five years prior to the ratification of this act so long as such a surviving designated beneficiary returns to the appropriate retirement system any lump-sum benefits paid to the surviving designated beneficiary which are a precondition to the receipt of the monthly allowance. Any benefits due and payable under this section shall be prospective on and after ratification.

—UNUSED SICK LEAVE QUALIFIES FOR RETIREMENT

Sec. 193. Effective January 1, 1985, the first paragraph of G.S. 135-4(e) is amended by deleting the phrase, "but sick leave shall not be counted in computing creditable service for the purpose of determining eligibility for service retirement, disability retirement, early retirement or for a vested deferred allowance", and substituting the phrase, "but sick leave shall not be counted in computing creditable service for the purpose of determining eligibility for early retirement, disability retirement or for a vested deferred allowance".

—CONVERSION OF SERVICE OR EARLY RETIREMENT TO DISABILITY
RETIREMENT

Sec. 194. Retroactive to July 1, 1984, G.S. 135-5(c) and G.S. 135-59 are amended by the addition of a paragraph at the end of each to read:

"Notwithstanding the foregoing to the contrary, any beneficiary who commenced retirement with an early or service retirement benefit has the right, within three years of this retirement, to convert to an allowance with disability retirement benefits without modification of any election of optional allowance previously made; provided, the beneficiary presents clear and convincing evidence that the beneficiary would have met all applicable requirements for disability retirement benefits while still in service as a member. The allowance on account of disability retirement benefits to the beneficiary shall be retroactive to the effective date of early or service retirement."

—NO RETIREMENT UNTIL LIABILITY FOR WRONGFULLY SPENDING
FUNDS IS DISCHARGED.

Sec. 195. G.S. 143-32(a) is amended by adding the following new sentences to the end to read: "Notwithstanding the provisions of Chapters 120, 128, 135, and 143 of the General Statutes, the board of trustees of the State administered retirement system may not pay any retirement benefits or allowances, except for withdrawn contributions, to any person found liable pursuant to this subsection until the person has paid to the State the sum required by this subsection, together with interest and costs. The Attorney General shall notify the retirement system of any member's outstanding liability under this subsection and shall also notify the retirement system when this liability has been removed."

—LOCAL GOVERNMENTAL LAW OFFICER RETIREMENT BENEFITS
EQUALIZED

Sec. 196. (a) G.S. 7A-304(a)(3) is rewritten to read:

"(3) For the retirement and insurance benefits of both State and local governmental law enforcement officers, the sum of three dollars (\$3.00), to be remitted to the State Treasurer. Fifty cents (50c) of this sum shall be administered as is provided in Article 12C of Chapter 143 of the General Statutes. One dollar and fifty cents (\$1.50) of this sum shall be administered as is provided in Article 12E of Chapter 143 of the General Statutes. One dollar (\$1.00) of this sum shall be administered as is provided in Article 12F of Chapter 143 of the General Statutes."

(b) G.S. 128-21 is amended by inserting a new subdivision to read:

"(11b) 'Law Enforcement Officer' means a full-time paid employee of an employer who is actively serving in a position with assigned primary duties and responsibilities for prevention and detection of crime or for the general enforcement of the criminal laws of the State or for serving civil processes, and who possesses the power of arrest by virtue of an oath administered under the authority of the State."

(c) G.S. 128-23 is amended by adding a new subsection to read:

"(g) Notwithstanding any other provisions of this Article, any employer who is not a participating employer and who employs law enforcement officers transferred from the Law Enforcement Officers' Retirement System to this Retirement System on January 1, 1986, or who employs law enforcement officers electing to become members of this Retirement System on and after January 1, 1986, shall be employers participating in this Retirement System as this participation pertains to their law enforcement officers. The election of membership in this Retirement System shall be at the sole discretion of law enforcement officers of participating employers described in this subsection."

(d) G.S. 128-24(1) is amended by deleting the first sentence and substituting the following: "All employees entering or reentering the service of a participating employer after the date of participation in the Retirement System of the employer."

(e) G.S. 128-24(2) is amended in the first sentence by deleting the first proviso, beginning with the words "Provided, that persons" and ending with the phrase "shall not be members:".

(f) G.S. 128-24(5) is amended by inserting new paragraphs "b1" and "b2" to read:

"b1. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer at the time of separation from service prior to the attainment of the age of 50 years, for any reason other than death or disability as provided in this Article, after completing 15 or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System, may elect to retire on a deferred early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided, that the member may commence retirement only upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than 30 days nor more than 90 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred early retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law enforcement officers.

b2. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer at the time of separation from service prior to the attainment of the age of 55 years, for any reason other than death or disability as provided in this Article, after completing five or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System may elect to retire on a deferred service retirement allowance upon attaining the age of 55 years or at any time thereafter; provided, that the member may commence retirement only upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month not less than 30 days nor more than 90 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred service retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law enforcement officers."

(g) G.S. 128-24 is amended by adding a subdivision "(5a)" to read:

"(5a) Notwithstanding the provisions of paragraphs c and d of the subdivision (5) to the contrary, a beneficiary who was a beneficiary retired on an early or service retirement with the Law Enforcement Officers' Retirement System at the time of the transfer of law enforcement officers employed by a participating employer and beneficiaries last employed by a participating employer to this Retirement System on January 1, 1986, and who also was a contributing member of this Retirement System on January 1, 1986, shall continue to be paid his retirement allowance without restriction and may continue as a member of this Retirement System with all the rights and privileges appendant to membership. Any beneficiary who retired on an early or service retirement allowance as an employee of any participating employer under the Law Enforcement Officers' Retirement System and becomes employed as an employee by an employer participating in the Retirement System after January 1, 1986, becomes subject to the provisions of G.S. 128-24(5)c. and G.S. 128-24(5)d. on and after January 1, 1989."

(h) G.S. 128-26(e) is amended by adding a paragraph to the end to read:

"On and after January 1, 1986, the creditable service of a member who was a member of the Law Enforcement Officers' Retirement System at the time of the transfer of law enforcement officers employed by participating employers from that System to this Retirement System and whose accumulated contributions are transferred from that System to this Retirement System, includes service that was creditable in the Law Enforcement Officers' Retirement System; and membership service with that System is membership service with this Retirement System; provided, notwithstanding any provisions of this Article to the contrary, any inchoate or accrued rights of such a member to purchase creditable service for military service, withdrawn service and prior service under the rules and regulations of the Law Enforcement Officers' Retirement System may not be diminished and may be purchased as creditable service with this Retirement System under the same conditions that would have otherwise applied."

(i) G.S. 128-27(a) is amended in subdivision (1) by deleting the phrase "uniformed policeman or" and is further amended at the end by adding a new subdivision "(5)" to read:

"(5) Any member who is a law enforcement officer, and who attains age 50 and completes 15 or more years of creditable service in this capacity or who attains age 55 and completes five or more years of creditable service in this capacity, may retire upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than 30 days nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired; provided, also, any member who has met the conditions required by this subdivision but does not retire, and later becomes an employee other than as a law enforcement officer, continues to have the right to commence retirement."

(j) G.S. 128-27 is amended by adding a new subsection "(b8)" to read:

"(b8) Service Retirement Allowance of Law Enforcement Officers Retiring on or after January 1, 1986. Upon retirement from service, in accordance with subsection (a) of this section, on or after January 1, 1986, a member who is a law enforcement officer

or an eligible former law enforcement officer, shall receive a service retirement allowance computed as follows:

- (1) If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and fifty-seven one hundredths percent (1.57%) of his average final compensation, multiplied by the number of years of his creditable service.
- (2) If the member's service retirement date occurs after his 50th and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to his completion of 30 years of creditable service, his retirement allowance shall be computed as in (1) above, but shall be reduced by one-third of one percent (1/3 of 1%) for each month by which his retirement date precedes the first day of the month coincident with or next following his 55th birthday".

(k) G.S. 128-27(c) is amended by adding a paragraph at the end to read:

"Notwithstanding the requirement of five or more years of creditable service to the contrary, a member who is a law enforcement officer and who has had one year or more of creditable service and becomes incapacitated for duty as the natural and proximate result of an accident occurring while in the actual performance of duty, and meets all other requirements for disability retirement benefits, may be retired by the Board of Trustees on a disability retirement allowance."

(l) G.S. 128-27(e)(1) is amended by adding a paragraph at the end to read:

"The provisions of this subdivision shall not apply to beneficiaries of the Law Enforcement Officers' Retirement System transferred to this Retirement System who commenced retirement on and before July 1, 1981."

(m) G.S. 128-27 is amended by adding a new subsection (11) to read:

"(11) Death Benefit Plan for Law Enforcement Officers. Under all requirements and conditions as otherwise provided for in subsection (l), except for the requirement that the provisions are effective only after an agreement has been executed by the employer and the Director of the Retirement System, all law enforcement officers who are members of the Retirement System shall participate and be eligible for group life insurance benefits under the Plan, and employers shall fund the cost of these benefits."

(n) G.S. 128-27(m)(1) is rewritten to read:

"The member had attained the age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance."

(o) G.S. 128-28(c) is amended in the first sentence by deleting the word "two" and substituting the word "three"; and is further amended in the second sentence after the word "System" and before the period by inserting the phrase ", and one local governmental official shall be a law enforcement officer employed by an employer participating in the Retirement System"; and is further amended in the third sentence by deleting the word "two" wherever it appears and substituting the word "three".

(p) G.S. 128-30(d)(2) is amended by adding a sentence to the end to read:

"A normal contribution rate shall be determined separately for general employees as a group and for law enforcement officers as a group, these rates to be applied to the respective group payrolls of each employer in determining the normal contribution required of each employer."

(q) G.S. 128-30(d)(6) is amended by inserting between the word "members" and the period a phrase to read:

", as separately determined for general employees and law enforcement officers".

(r) G.S. 128-30(d) is amended by adding a new subdivision "(9)" to the end to read:

"(9) Notwithstanding the foregoing provisions of this subsection, beginning with the December 31, 1985 valuation, the actuary shall determine an additional 'accrued liability contribution' on account of each employer's law enforcement officers. This contribution shall be that percentage of law enforcement officer compensation necessary to liquidate the 'existing unfunded accrued liability' over a period of years to be determined by the Board of Trustees. The 'existing unfunded accrued liability' for each employer shall be equal to the sum of two liabilities. The first is that portion of the unfunded accrued liability of the Law Enforcement Officers' Retirement System as of December 31, 1985, attributable to the accrued liability for each employer's law enforcement officers participating in that System, all based on actuarial assumptions and methods applicable to that System. The second is the accrued liability for additional benefits payable to each employer's law enforcement officers who are members of this Retirement System on December 31, 1985. The 'accrued liability contribution' determined on the basis of this paragraph shall be added to that determined under subdivision (3) and shall be included in the total amount payable under subdivision (5)."

(s) G.S. 143-166.30(e) is amended by designating the third paragraph as subsection "(f)", and by inserting immediately before the phrase "The provisions of" beginning this new subsection the word "Administration".

(t) Chapter 143 of the General Statutes is amended by repealing Article 12 and by adding two new Articles to read:

"ARTICLE 12E.

"Retirement Benefits for Local Governmental Law Enforcement Officers.

"§ 143-166.50. Retirement benefits for local governmental law enforcement officers.—(a) Definitions. The following words and phrases as used in this Article, unless a different meaning is plainly required by the context, have the following meaning:

- (1) 'Beneficiary' means any person in receipt of a retirement allowance or other benefit from a Retirement System.
- (2) 'Employer' means a county, city, town or other political subdivision of the State.
- (3) 'Law enforcement officer' means a full-time paid employee of an employer, who is actively serving in a position with assigned primary duties and responsibilities for prevention and detection of crime or the general enforcement of the criminal laws of the State or serving civil

processes, and who possesses the power of arrest by virtue of an oath administered under the authority of the State.

- (4) 'Member' means an officer included in the membership of a retirement system, including former officers no longer employed who also elected to leave their accumulated contributions on deposit with a Retirement System.
- (5) 'Officer' means a 'law enforcement officer'.
- (6) 'Law Enforcement Officers' Retirement System' means the system provided for under Article 12 of Chapter 143 of the General Statutes, as it existed prior to January 1, 1986.
- (7) 'State' means the State of North Carolina.
- (8) 'Local Governmental Employees' Retirement System' means the Local Governmental Employees' Retirement System of North Carolina provided for under Article 3 of Chapter 128 of the General Statutes.

(b) Basic Retirement System. On and after January 1, 1986, law enforcement officers employed by an employer shall be members of the Local Governmental Employees' Retirement System, and beneficiaries who were last employed as officers by an employer, or who are surviving beneficiaries of officers last employed by an employer, are beneficiaries of the Local Governmental Employees' Retirement System and paid in benefit amounts then in effect. All members of the Law Enforcement Officers' Retirement System last employed and paid by an employer are members of the Local Retirement System.

(c) Rights. Notwithstanding any other provisions of law, any accrued or inchoate rights of a member of the Law Enforcement Officers' Retirement System as of his transfer to the Local Governmental Employees' Retirement System on January 1, 1986, including the rights to a vested deferred retirement allowance and to commence retirement at certain ages with required years of service as a law enforcement officer, may in no way be diminished; provided, however, in no event may a member commence retirement and continue membership service with the same Retirement System after January 1, 1986.

(d) Court Cost Receipts. Of the sum derived from the cost of court provided for in G.S. 7A-304(a)(3), the amount designated for this Article shall be paid over to the pension accumulation fund of the Local Governmental Employees' Retirement System and shall offset, to the extent of these receipts, the employers' normal contribution rate required in G.S. 128-30(d)(2) as it pertains to law enforcement officers.

(e) Supplemental Retirement Income Plan for Local Governmental Law Enforcement Officers. As of January 1, 1986, all law enforcement officers employed by a local government employer, are participating members of the Supplemental Retirement Income Plan as provided by Article 5 of Chapter 135 of the General Statutes. In addition to the contributions transferred from the Law Enforcement Officers' Retirement System, participants may make voluntary contributions to the Supplemental Retirement Income Plan to be credited to the designated individual accounts of participants; provided, in no instance shall the total contributions by a

participant exceed ten percent (10%) of a participant's compensation within any calendar year.

"ARTICLE 12F.

"Separate Insurance Benefits Plan For
State And Local Governmental Law Enforcement Officers.

"§ 143-166.60. **Separate Insurance Benefits Plan for law enforcement officers.**—(a) Of the sum derived from the cost of court provided for in G.S. 7A-304(a)(3), the amount designated for this Article shall be set aside and held in a separate fund to create a Separate Insurance Benefits Plan, hereinafter called the 'Plan', to be an employee welfare benefit plan, established for the benefit of (i) all law enforcement officers, as defined in G.S. 135-1(11b) and G.S. 128-21(11b) employed by the State and local governments and (ii) all former law enforcement officers previously employed by the State and local governments, who had 20 or more years of service as an officer or are in receipt of a disability retirement allowance from any State-administered retirement system, who shall be participants.

(b) The Boards of Trustees of the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System shall jointly administer the Plan and shall, under the terms and conditions otherwise appearing in this Article, provide Plan benefits either (i) by establishing a separate trust fund in conformance with Section 501(c)(9) of the Internal Revenue Code of 1954 as amended or, (ii) by causing the Plan to affiliate with a master trust providing the same benefits for participants.

(c) The initial assets of the Plan are the assets of the former Separate Benefit Plan established under G.S. 143-166.04 as it existed prior to January 1, 1986, which shall be transferred to the Plan on January 1, 1986. The Plan shall be separate and apart from any retirement systems or plans.

(d) The Boards of Trustees shall promulgate rules and regulations as are necessary to establish benefits under the Plan, within the availability of funds, to provide:

- (1) an accident and sickness disability insurance benefit;
- (2) a group life insurance benefit for participants employed by an employer at the time of death, not to exceed five thousand dollars (\$5,000);
- (3) a group life insurance benefit for participants who are eligible former officers, not to exceed four thousand dollars (\$4,000); and
- (4) an accidental line-of-duty insurance death benefit not to exceed two thousand one hundred dollars (\$2,100) in total on account of the death of a participant caused by an accident while in the actual performance of duty as an officer.

(e) The insurance benefit of the Plan on account of the death of a participant shall be payable to the surviving spouse of the participant or otherwise to the participant's estate; provided, should a participant instruct the Board of Trustees in writing that he does not wish these benefits to be paid to his spouse or estate, then the benefits shall be paid to the person or persons as the participant may name for this purpose. The life

insurance benefits shall be payable only on account of participants in the Plan for six or more months or, if an actively employed officer, at any time after employment if death results from an accident. The accident and sickness disability insurance benefits shall be payable to a participant at any time after becoming a participant in the Plan.

(f) Should amounts in the trust fund of the Plan be insufficient at any time to enable the Boards of Trustees to pay benefits due in full, then an equitable graded percentage of the payments shall be made.

(g) The provisions of the State and Local Retirement Systems pertaining to administration and management of funds under G.S. 128-28, G.S. 128-29, G.S. 135-6 and G.S. 135-7 are made applicable to the Plan.

(h) Exemption from Taxes, Garnishment and Attachment. The right of a participant in the Separate Insurance Benefits Plan to the benefits provided under this Article is nonforfeitable and exempt from levy, sale, and garnishment, and the benefits payable under this Article are exempt from any State and local government taxes."

(u) Transfers of Assets of the Law Enforcement Officers' Retirement System to Other Retirement Systems. As of January 1, 1986, assets of the Law Enforcement Officers' Retirement System, provided for under Article 12 of Chapter 143 of the General Statutes, as it existed prior to January 1, 1986, shall be transferred to the Local Governmental Employees' Retirement System provided for under Article 3 of Chapter 128 of the General Statutes, and the Supplemental Retirement Income Plan of North Carolina, provided for under Article 5 of Chapter 135 of the General Statutes, in the amounts calculated and in the order of precedence enumerated as follows:

(1) The regular accumulated contributions of members of the Law Enforcement Officers' Retirement System shall be transferred from the annuity savings fund of the Law Enforcement Officers' Retirement System to the annuity savings fund of the Local Governmental Employees' Retirement System to the credit of each individual member.

(2) An amount equal to the present value of the liabilities on account of the retirement allowances payable to beneficiaries of the Law Enforcement Officers' Retirement System, as calculated by the Retirement System's consulting actuary, shall be transferred from the pension accumulation fund of the Law Enforcement Officers' Retirement System to the pension accumulation fund of the Local Governmental Employees' Retirement System.

(3) After the transfer provided for above, the remaining assets in the pension accumulation fund of the Law Enforcement Officers' Retirement System shall be transferred to the pension accumulation fund of the Local Governmental Employees' Retirement System with the amount of such assets to be taken into account by the Retirement System's consulting actuary in determining the employers' rates of contribution under G.S. 128-30(d)(9).

(4) The special annuity account accumulated contributions shall be transferred from the special annuity savings fund of the Law Enforcement Officers' Retirement System to the Supplemental Retirement Income Plan of North Carolina, or some other employer-sponsored trust qualified under Sections 401(a) and 401(k) of the Internal Revenue Code of 1954 as amended.

(5) The separate trust fund reserves held under the death benefit plan provided for in G.S. 143-166.02, as it existed prior to January 1, 1986, shall be transferred to the separate trust fund for the death benefit plan provided for in G.S. 128-27(1).

(v) This section shall become effective January 1, 1986.

—SALARY, RETIREMENT, AND EMPLOYEE BENEFITS

—MOST STATE EMPLOYEES/FIVE PERCENT SALARY INCREASE

Sec. 197. The salaries in effect on June 30, 1985, for all permanent State employees paid from the General Fund or the Highway Fund shall be increased, on July 1, 1985 unless otherwise provided by this Part, by an average of five percent (5%) rounded to conform to the steps in the salary ranges that the State Personnel Commission adopts. If the salary in effect on June 30, 1985, for an employee is not equal to a specific pay rate in the salary schedule effective on that date, his annual increase, effective July 1, 1985 unless otherwise provided by this Part shall be five percent (5%) with the annual salary adjusted so as to be divisible by twelve. The Director of the Budget may transfer from the salary increase reserve funds created in Sections 2 and 3 of this act for this purpose all funds necessary for the five percent (5%) average increase, including funds for the employer's retirement and Social Security contributions.

Except as otherwise provided in this act, the salaries of State officials and persons in exempt positions that are recommended by the Governor or the Governor and the Advisory Budget Commission and set by the General Assembly shall be increased an average of five percent (5%) commencing July 1, 1985. The Director of the Budget may transfer from the salary increase reserve funds created in Sections 2 and 3 of this act for this purpose all funds necessary for the five percent (5%) average increase, including funds for the employer's retirement and Social Security contributions.

The Director of the Budget may allocate out of special operating funds or from other sources of the employing agency, except tax revenues, sufficient funds to allow a salary increase averaging five percent (5%), including funds for the employer's retirement and Social Security contributions, for the employees of the agency, provided that the employing agency elects to make available the necessary funds.

The Director of the Budget may adopt special rules to apply to salary increases for employees whose salaries are paid from interagency receipts where payments for the services of those employees originate from State appropriations, to the end that the effective purchasing power of the appropriations is not materially reduced as a result of these salary increases. The salary increase may average up to five percent (5%), and funds made available for it shall include amounts necessary for the increase and the employer's retirement and Social Security contributions. Any questions as to the applicability of the provisions of this paragraph shall be resolved by the Director of the Budget.

The salaries of all non-certified permanent public school employees paid from the State public school fund and from allocations to local school units for State Aid-Exceptional Children ADM appropriation, Health Education Coordinator grants, Community Schools Coordinator grants, Vocational Education State Aid Non-Matching Expansion ADM allocation, Vocational Education State Aid Extended Day ADM allocations, and State-matching funds for School Food Service Supervisors shall be increased by an average of five percent (5%) commencing, unless otherwise provided by this Part, July 1, 1985. The Director of the Budget may transfer from the salary increase reserve fund created in Section 2 of this act all funds necessary for the five percent (5%) salary increase for non-certified permanent public school employees, including funds for the employer's retirement and Social Security contributions.

Salaries for positions that are funded partially from the General Fund and partially from sources other than the General Fund shall be increased from the General Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund.

The granting of the salary increases under this section does not affect the status of eligibility for salary increments for which employees may be eligible.

The salary range maximums for all employees under the State Personnel Act shall be increased to accommodate this salary increase so that every employee will continue to have the same relative position with respect to salary increases and future increments as he would have had if these salary increases had not been made.

The salary increases provided in this act to be effective July 1, 1985, do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement, whose last workday is prior to July 1, 1985.

Within regular Executive Budget Act procedures as limited by this act, all State agencies and departments may increase on an equitable basis the rate of pay of temporary State employees, subject to availability of funds in the particular agency or department by pro rata amounts approximately equal to five percent (5%) commencing, unless otherwise provided by this Part, July 1, 1985.

—LEGISLATIVE EMPLOYEES/FIVE PERCENT SALARY INCREASE

Sec. 198. The Legislative Administrative Officer may increase the salaries of nonelected employees of the General Assembly in effect on June 30, 1985, by five percent (5%) commencing, except as otherwise provided by this Part, July 1, 1985, rounded to the nearest whole dollar figure divisible by 12 and otherwise adjusted to conform with the relative levels of the Legislative Services Commission salary schedule. The granting of this legislative percentage salary increase does not affect the status of employees' eligibility for other salary increments. Funds in the salary increase reserve fund created in Section 2 of this act shall provide the salary increase authorized by this section, including the employer's retirement and Social Security contributions. Nothing in this Part limits G.S. 120-32.

—COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES

Sec. 199. The Director of the Budget may transfer from the salary increase reserve fund created in Section 2 of this act funds necessary to provide an annual average salary increase of five percent (5%), and the employer's retirement and Social Security contributions, commencing, except as otherwise provided by this Part July 1, 1985, for all community college institutional personnel. These funds shall be allocated to individuals according to rules adopted by the State Board of Community Colleges and may not be used for any purpose other than for the salary increases and necessary employer's contributions.

—HIGHER EDUCATION PERSONNEL/SALARY INCREASES

Sec. 200. The Director of the Budget may transfer from the salary increase reserve fund created in Section 2 of this act funds necessary to provide an annual average salary increase of five percent (5%), and the employer's retirement and Social Security contributions, commencing except as otherwise provided by this Part July 1, 1985, for all employees of The University of North Carolina who are exempt from the State Personnel Act. These funds shall be allocated to individuals according to rules adopted by the Board of Governors and may not be used for any purpose other than for the salary increases and necessary employer's contributions.

—FIVE PERCENT SALARY INCREASE/ONE YEAR SERVICE

Sec. 201. The average five percent (5%) salary increase provided by Sections 197 through 200 of this act may not apply to any individual who does not have one year of continuous employment with a State department, board, commission, bureau or other State agency, or with a local board of education or community college as of June 30, 1985. Such individual shall receive the average five percent (5%) salary increase provided by Sections 197 through 200 of this act, beginning with the first day of the month following completion of the year of service. Employees first hired on or after July 1, 1985, will be paid on the State salary schedule that was in effect on June 30, 1985.

—COMMUNITY COLLEGE PERSONNEL/INCREASES IN LIEU OF MERIT

Sec. 202. Funds provided in Section 2 of this act may be transferred from the salary increase reserve fund by the Director of the Budget to provide for salary increases of institutional personnel of the community college system in lieu of specific appropriations for salary increments as are provided for State employees subject to the State Personnel Act. These funds shall be allocated to individuals in accordance with rules and regulations established by the State Board of Community Colleges and may not be used for any purpose other than for salary increases and necessary employer's contributions.

—HIGHER EDUCATION PERSONNEL/INCREASES IN LIEU OF MERIT

Sec. 203. Funds provided in Section 2 of this act may be transferred from the salary increase reserve fund by the Director of the Budget to provide for salary increases to be used in lieu of merit salary increases and longevity pay for employees of The University of North Carolina who are exempt from the State Personnel Act. Funds appropriated for this purpose are to be allocated to individuals in accordance with rules adopted by the Board of Governors and may not be used to establish any new positions.

—TRANSFER FOR ITEMIZED SALARY

Sec. 204. Funds in the salary increase reserve funds created in Sections 2 and 3 of this act may be transferred by the Director of the Budget for salary increases and related employer's retirement and Social Security contributions for individuals whose salaries are itemized in this act.

—GENERAL ASSEMBLY PRINCIPAL CLERKS/SALARY INCREASES

Sec. 205. G.S. 120-37(c) is amended by deleting the phrase "thirty-two thousand five hundred twenty dollars (\$32,520)" and substituting the phrase "thirty-four thousand one hundred fifty-two dollars (\$34,152)".

—SUBSISTENCE

Sec. 206. Effective upon the convening of the 1987 Regular Session of the General Assembly, G.S. 120-3.1(a)(3) is amended by deleting "sixty dollars (\$60.00)", and substituting "sixty-five dollars (\$65.00)".

—SERGEANT-AT-ARMS AND READING CLERK/SALARY INCREASES

Sec. 207. G.S. 120-37(b) is amended by deleting "one hundred fifty dollars (\$150.00)", and substituting "one hundred sixty dollars (\$160.00)".

—LEGISLATORS/SALARY AND EXPENSE INCREASE

Sec. 208. Effective upon convening of the 1987 Regular Session of the General Assembly, G.S. 120-3(a) and (b) are rewritten to read:

"(a) The Speaker of the House shall be paid an annual salary of twenty-seven thousand five hundred fifty-two dollars (\$27,552) payable monthly and an expense allowance of eight hundred forty-seven dollars (\$847.00) per month. The President Pro Tempore of the Senate shall be paid an annual salary of sixteen thousand five hundred dollars (\$16,500) payable monthly and an expense allowance of five hundred fifty dollars (\$550.00) per month. The Speaker Pro Tempore of the House shall be paid an annual salary of thirteen thousand seven hundred fifty-two dollars (\$13,752) payable

monthly and an expense allowance of three hundred seven dollars (\$307.00) per month. The minority leader in the House, and the majority and minority leader in the Senate shall each be paid an annual salary of eleven thousand five hundred fifty-six dollars (\$11,556) payable monthly, and an expense allowance of three hundred seven dollars (\$307.00) per month.

(b) Every other member of the General Assembly shall receive increases in annual salary and expense allowances only to the extent of and in the percentage equal to the average increases received by employees of the State, effective upon convening of the next regular session of the General Assembly after enactment of this percentage increase. Accordingly, upon convening of the 1987 Regular Session of the General Assembly, every other member of the General Assembly shall be paid an annual salary of nine thousand two hundred forty dollars (\$9,240) payable monthly, and an expense allowance of two hundred thirty dollars (\$230.00) per month."

—JUDICIAL BRANCH OFFICIALS/SALARIES

Sec. 209. The annual salary, in fiscal year 1985-86, of the specified judicial branch officials is as follows:

Judicial Branch Officials	1985-86
Chief Justice, Supreme Court	\$ 70,608
Associate Justice, Supreme Court	69,144
Chief Judge, Court of Appeals	66,936
Judge, Court of Appeals	65,472
Judge, Senior Regular Resident Superior Court	60,048
Judge, Superior Court	58,140
Chief Judge, District Court	48,948
Judge, District Court	47,076
District Attorney	54,084
Assistant District Attorney - an average of	34,980
Administrative Officer of the Courts	60,048
Assistant Administrative Officer of the Courts	48,948
Public Defender	54,084
Assistant Public Defender - an average of	34,980

If an acting senior regular resident superior court judge is appointed under the provisions of G.S. 7A-41, he shall receive the salary for Judge, Senior Regular Resident, Superior Court, and the judge he replaces shall receive the salary indicated for Judge, Superior Court.

The district attorney or public defender of a judicial district with the approval of the Administrative Officer of the Courts, 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 thirty- four thousand nine hundred eighty dollars (\$34,980) and the minimum

salary of any assistant district attorney or assistant public defender is at least seventeen thousand six hundred sixty- four dollars (\$17,664) per annum.

Funds in the salary increase reserve fund created in Section 2 of this act, for salary increases and related employer's retirement and Social Security contributions for permanent employees of the Judicial Department, except for those itemized in this act, shall provide salary increases commencing except as otherwise provided in this act July 1, 1985, of the same percentage as that authorized in Section 2 of this act, for State employees subject to the Personnel Act, rounded to conform to the steps in the salary ranges adopted by the Judicial Department.

—MAGISTRATES/SALARIES

Sec. 210. The schedule of salaries of full-time magistrates shown in the table in subdivision (1) of G.S. 7A- 171.1 is deleted and the following schedule is substituted:

"Number of prior years of service	Annual salary
Less than 1	\$ 12,060
1 or more but less than 3	13,104
3 or more but less than 5	14,328
5 or more but less than 7	15,612
7 or more but less than 9	17,052
9 or more	18,660"

—CLERKS OF COURT/SALARIES

Sec. 211. G.S. 7A-101 is amended in the first paragraph by deleting the schedule of salaries of superior court clerks and substituting the following schedule:

"Population	Annual Salary
Less than 49,999	\$ 31,500
50,000 to 99,999	36,228
100,000 to 199,999	40,956
200,000 and above	46,728"

—ASSISTANT & DEPUTY CLERKS OF COURT/SALARIES

Sec. 212. G.S. 7A-102(c) is amended in the first paragraph by deleting the schedule of minimum and maximum annual salary rates for assistant clerks and deputy clerks and substituting the following schedule:

"Assistant Clerks	Annual Salary
Minimum	\$ 15,888
Maximum	27,276
Deputy Clerks	
Minimum	\$ 12,252

Maximum 20,700"

—COUNCIL OF STATE/SALARIES

Sec. 213. The annual salaries of the Council of State, payable monthly, for fiscal year 1985-86, shall be as follows:

	1985-86
Lieutenant Governor	\$ 58,140
Attorney General	58,140
Secretary of State	58,140
State Treasurer	58,140
State Auditor	58,140
Superintendent of Public Instruction	58,140
Agriculture Commissioner	58,140
Insurance Commissioner	58,140
Labor Commissioner	58,140

—NON-ELECTED DEPARTMENT HEADS/SALARY INCREASE

Sec. 214. In accordance with G.S. 143B-9, the maximum annual salaries, payable monthly, of the non-elected heads of the principal State departments for fiscal year 1985-86 are:

Non-Elected Department Heads	1985-86
Secretary of Administration	\$ 58,140
Secretary of Commerce	58,140
Secretary of Correction	58,140
Secretary of Crime Control and Public Safety	58,140
Secretary of Cultural Resources	58,140
Secretary of Human Resources	58,140
Secretary of Natural Resources and Community Development	58,140
Secretary of Revenue	58,140
Secretary of Transportation	58,140

—GOVERNOR/SALARY

Sec. 215. Effective July 1, 1985, the first sentence of G.S. 147-11 is rewritten to read:

"The salary of the Governor shall be ninety-eight thousand one hundred ninety-six dollars (\$98,196), payable monthly."

—MISCELLANEOUS SALARIES

Sec. 216. Pursuant to the Separation of Powers Act of 1983, the annual salaries, payable monthly, for fiscal year 1985- 86 for the following State officials are:

	Annual Salary
Chairman, Alcoholic Beverage Control Commission	\$55,920
Commissioner of Motor Vehicles	55,116
Commissioner of Banks	55,920
Deputy Banking Commissioner	42,756
Chairman, Employment Security Commission	55,920
President, Department of Community Colleges	73,560
State Personnel Director	58,140
State Highway Administrator	58,140
Chairman, Parole Commission	51,036
Members of the Parole Commission	47,076
Chairman, Industrial Commission	50,196
Members of the Industrial Commission	48,972
Executive Director, Agency for Public Telecommunications	47,076
Director, Seafood Industrial Park Authority	31,140
General Manager, Ports Railway Commission	42,468

Sec. 217. The annual salaries, payable monthly, for fiscal year 1985-86 for the following State officials are:

	Annual Salary
Director, Museum of Art	\$57,312
Director, State Ports Authority	53,124
Controller, State Board of Education	67,296
Executive Director, Wildlife Resources Commission	48,216
Executive Director, North Carolina Housing Finance Agency	69,300
Executive Director, North Carolina Technological Development Authority	36,972

Sec. 218. G.S. 140-5.15(c) is rewritten to read:

"(c) The salary of the Director shall be fixed by the General Assembly in the Current Operations Appropriations Act."

Sec. 219. The second sentence of G.S. 143B-454(5) is rewritten to read:

"The salary of the Director shall be fixed by the General Assembly in the Current Operations Appropriations Act."

Sec. 220. The second sentence of G.S. 115C-27 is rewritten to read:

"The salary of the Controller shall be fixed by the General Assembly in the Current Operations Appropriations Act."

Sec. 221. The fifth sentence of G.S. 143-246 is amended by deleting the words "Governor after consultation with the Advisory Budget Commission" and substituting "General Assembly in the Current Operations Appropriations Act".

Sec. 222. The seventh sentence of G.S. 122A-4(f) is rewritten to read:

"The salary of the Executive Director shall be fixed by the General Assembly in the Current Operations Appropriations Act."

Sec. 223. The first sentence of G.S. 143B-471.3A(2) is amended by deleting the words "Governor and the Authority, after consultation with the Advisory Budget Commission" and substituting "General Assembly in the Current Operations Appropriations Act".

—STATE'S EMPLOYER CONTRIBUTION RATES FOR RETIREMENT

Sec. 224. The State employer contribution percentage rates of covered salaries budgeted for the retirement systems for 1985-86 are (1) eleven and twenty hundredths percent (11.20%) - Teachers and State Employees; (2) sixteen and twenty hundredths percent (16.20%) - State Law Enforcement Officers; (3) thirty and sixty-seven hundredths percent (30.67%) - Consolidated Judicial Retirement System; and (4) thirty-five and thirty-two hundredths percent (35.32%) - Legislative Retirement. Each of the foregoing contribution rates includes ninety-five hundredths percent (0.95%) for hospital and medical benefits. The rate of sixteen and twenty hundredths percent (16.20%) for State Law Enforcement Officers includes the five percent (5.0%) applicable to the Supplemental Retirement Income Plan.

—STATE'S EMPLOYER CONTRIBUTIONS FOR HOSPITAL AND MEDICAL BENEFITS

Sec. 225. The maximum annual employer contributions, payable monthly, by the State for 1985-86 to the Teachers' and State Employees' Comprehensive Major Medical Plan are: (1) Medicare eligible employees - five hundred eighty-three dollars (\$583.00); (2) Non-Medicare eligible employees - seven hundred sixty-six dollars (\$766.00); (3) Medicare eligible retirees - five hundred eighty dollars (\$580.00); and (4) Non-Medicare eligible retirees - seven hundred sixty-three dollars (\$763.00).

—ANNUAL INCREMENTS FOR 1985-86

Sec. 226. (a) The General Assembly recognizes that automatic and merit salary increments for State, community college and public school employees have been frozen since July 1, 1982. Although the General Assembly reaffirms its belief in a merit pay system, in an attempt to minimize the impact of this freeze, the General Assembly finds that all such employees should receive salary increments on the State's salary schedule in the 1985-86 fiscal year as adopted pursuant to Chapters 115C, 115D, 116, 120, and 126 of the General Statutes.

Therefore, notwithstanding the provisions of Section 19.1 of Chapter 1137, Session Laws of 1979 (Regular Session 1980) as amended by Chapter 1053, Session Laws of 1981, and notwithstanding G.S. 115C-12(9)a., G.S. 115C-12(16), G.S. 126-7, or any other provision of law, each employee of the State and State-funded employee of the public schools paid on the basis of a State salary increment schedule shall receive increments in the 1985-86 fiscal year as follows:

- (1) All State employees supported from the Highway Fund or the General Fund and those supported by receipts to the extent that receipts are available, except those covered by Section 203 of this act, shall receive two half-step increases but not more than two half-step increases on their respective State salary schedules in fiscal year 1985-86, payable on the same basis as was in effect prior to the freeze of automatic and merit salary increments, except such State employees for fiscal year 1985-86 only shall qualify for the additional half-step increments on a one hundred percent (100%) basis. In further recognition of the impact of the freeze on automatic and merit salary increments, an additional salary increment step shall be added to all applicable State salary schedules for such State employees effective July 1, 1985. Notwithstanding the foregoing, employees subject to the State Personnel Act shall receive the half-step increases allocated on the same basis as was in effect prior to the freeze, except that the increases at all steps are to be awarded on the quarterly basis in effect prior to the freeze.
- (2) All State-funded superintendents, associate superintendents, assistant superintendents, supervisors, directors, coordinators, program administrators, principals, assistant principals, and classroom and vocational teachers in the public schools shall receive the following number of half- step increases on their respective State salary schedules in fiscal year 1985-86:
 - a. Employees who have worked continuously for at least one full year or one full school term but less than two full years or two full school terms for a local or State educational agency on June 30, 1985 - two half-step increases.
 - b. Employees who have worked continuously for at least two full years or two full school terms for a local or State educational agency on June 30, 1985 - four half-step increases.

In further recognition of the impact of the freeze on automatic salary increments, an additional salary increment step shall be added to the respective State salary schedules for these certified State-funded public school personnel, effective July 1, 1985.

- (3) All State-funded non-certified public school employees shall be treated the same as all State- funded State employees as covered in the preceding subsection (1).
 - (b) The General Assembly hereby expresses its intent, that for fiscal year 1986-87, in order to avoid further freezes on automatic and merit salary increases for State, community college and public school employees supported by the State, automatic and merit salary increments shall be based upon half- step increases, provided General and Highway Fund revenues for 1986-87 are sufficient to fund half-step increases.

(c) Effective July 1, 1985, the Director of the Budget may transfer from the salary increase reserve funds in Sections 2 and 3 of this act, funds necessary to implement the provisions of this section.

—NONCERTIFIED PUBLIC SCHOOL EMPLOYEE MINIMUM SALARY

Sec. 227. For fiscal year 1985-86, the minimum salary of full-time noncertified public school personnel paid from State funds shall be seven hundred fifty-eight dollars (\$758.00) per month. In no event may a noncertified employee paid from State funds receive an increase in salary pursuant to this act for 1985-86 over the salary the same employee received in 1984-85 that exceeds fifteen percent (15%) except in those situations where such an increase is required to bring the employee to the minimum pay of seven hundred fifty-eight dollars (\$758.00) per month prescribed by this section. The Director of the Budget may transfer from the salary increase reserve fund in Section 2 of this act funds necessary to implement the provisions of this section.

PART XXII.—SPECIAL PROVISIONS/APPROPRIATIONS ACT

—EXECUTIVE BUDGET ACT REFERENCE

Sec. 228. The provisions of the Executive Budget Act, Chapter 143, Article 1, of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

—EFFECT OF MOST LIMITATIONS AND DIRECTIONS IN TEXT/ONLY-1985-87

Sec. 229. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 1985-87 biennium, the textual provisions of this act shall apply only to funds appropriated for and activities occurring during the 1985-87 biennium.

—SEVERABILITY CLAUSE

Sec. 230. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of the act as a whole or any part other than the part so declared to be unconstitutional or invalid.

—EFFECTIVE DATE

Sec. 231. Except as otherwise provided, this act shall become effective July 1, 1985.

In the General Assembly read three times and ratified, this the 27th day of June, 1985.