GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

SESSION LAW 2001-424
SENATE BILL 1005

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

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

INTRODUCTION

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

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

TITLE OF ACT

SECTION 1.2. This act shall be known as the "Current Operations and Capital Improvements Appropriations Act of 2001."

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated are made for the biennium ending June 30, 2003, according to the following schedule:

Current Operations - General Fund	**2001-2002**	**2002-2003**
EDUCATION		
Community Colleges System Office	643,695,459	643,195,459
Department of Public Instruction	5,879,640,364	5,922,188,546
University of North Carolina - Board of Governors		
Appalachian State University	85,231,527	85,494,527
East Carolina University		
Academic Affairs	120,720,504	121,983,572
Health Affairs	46,062,074	46,062,074
Elizabeth City State University	21,649,628	21,649,628

Fayetteville State University	30,796,571	30,796,571
NC Agricultural and Technical University	59,512,768	59,512,768
North Carolina Central University	44,381,352	44,381,352
North Carolina School of the Arts	16,408,836	16,682,455
North Carolina State University		
Academic Affairs	265,376,229	265,861,181
Agricultural Extension	37,434,400	37,434,400
Agricultural Research	46,704,489	46,678,373
University of North Carolina at Asheville	25,479,187	25,635,286
University of North Carolina at Chapel Hill		
Academic Affairs	199,610,018	200,119,532
Health Affairs	154,439,887	156,170,103
Area Health Education Centers	46,072,336	46,072,336
University of North Carolina at Charlotte	95,659,924	96,131,150
University of North Carolina at Greensboro	93,245,204	93,322,528
University of North Carolina at Pembroke	24,591,556	24,532,869
University of North Carolina at Wilmington	59,584,977	59,936,359
Western Carolina University	51,888,048	52,156,307
Winston-Salem State University	28,095,527	28,519,116
General Administration	40,280,589	41,276,013
University Institutional Programs	40,397,754	41,247,754
Related Educational Programs	103,637,912	103,637,912
North Carolina School of Science and Mathematics	11,487,156	11,839,342
UNC Hospitals at Chapel Hill	40,587,322	40,587,322
Total	1,789,335,775	1,797,720,830

HEALTH AND HUMAN SERVICES

Department of Health and Human Services		
Office of the Secretary	48,108,705	48,008,705
Division of Aging	29,531,910	29,531,910
Division of Child Development	289,058,396	289,058,396
Division of Education Services	69,581,525	69,581,525
Division of Public Health	108,459,083	107,434,083
Division of Social Services	188,690,237	194,763,531
Division of Medical Assistance	1,981,237,528	2,219,046,892
NC Health Choice	32,987,142	37,487,142
Division of Blind Services/Deaf/HH	10,168,115	10,168,115
Division of Mental Health	581,394,627	581,068,627
Division of Facility Services	15,246,969	15,442,236
Division of Vocational Rehabilitation	42,768,956	42,088,956
Total	3,397,233,193	3,643,680,118

NATURAL AND ECONOMIC RESOURCES

Department of Agriculture and Consumer Services	55,368,040	55,168,040
Department of Commerce		
Commerce	59,280,374	44,280,374
Commerce State-Aid	7,125,000	5,200,000
NC Biotechnology Center	5,270,468	6,270,468
Rural Economic Development Center	4,091,055	5,090,749
Department of Environment and Natural Resources		
Environment and Natural Resources	159,072,700	158,722,700

Clean Water Management Trust Fund	40,000,000	70,000,000
Office of the Governor - Housing Finance Agency	5,300,000	5,300,000
Department of Labor	15,517,906	15,117,906
JUSTICE AND PUBLIC SAFETY		
Department of Correction	923,995,281	930,964,916
Department of Crime Control and Public Safety	31,749,131	28,493,506
Judicial Department	305,491,140	305,465,135
Judicial Department - Indigent Defense	70,181,601	68,867,771
Department of Justice	73,142,775	73,720,793
Department of Juvenile Justice and Delinquency Prevention	140,800,030	142,554,017
GENERAL GOVERNMENT		
Department of Administration	61,085,019	60,815,019
Office of Administrative Hearings	2,795,155	2,795,155
Department of State Auditor	11,864,673	11,864,673
Office of State Controller	11,523,868	11,523,868
Department of Cultural Resources		
Cultural Resources	60,227,419	59,427,419
Roanoke Island Commission	1,859,463	1,859,463
State Board of Elections	3,186,269	3,186,269
General Assembly	39,383,848	39,553,848
Office of the Governor		
Office of the Governor	5,442,905	5,442,905
Office of State Budget and Management	5,458,547	5,354,938
Mapping and Surveying	0	0
Reserve for Special Appropriations	3,635,000	3,080,000
Department of Insurance		
Insurance	23,750,037	23,527,552
Insurance -- Volunteer Safety Workers' Compensation	1,050,000	4,500,000
Office of Lieutenant Governor	669,545	669,545
Department of Revenue	77,100,467	77,955,704
Rules Review Commission	325,795	325,795

Department of Secretary of State	8,481,776	8,286,850
Department of State Treasurer		
State Treasurer	7,216,817	7,216,817
State Treasurer -- Retirement for Fire and Rescue Squad Workers	10,301,897	12,379,780
TRANSPORTATION		
Department of Transportation	10,030,000	13,393,341
RESERVES AND DEBT SERVICE		
Contingency and Emergency	5,000,000	5,000,000
Reserve for Compensation Increases	193,842,000	193,842,000
Reserve for Salary Adjustments	500,000	500,000
State Employee Health Benefit Plan		
Statewide Reserve for State Health Plan	114,000,000	200,000,000
State Budget Office Reserve for State Health Plan	36,000,000	
Reserve for Teachers' and State Employees' Retirement Rate Adjustment	(241,002,720)	(241,002,720)
Reserve for Consolidated Judicial Retirement Rate Adjustment	(2,265,000)	(2,265,000)
Reserve for Mental Health Reform	47,525,675	0
Reserve to Implement HIPPA	15,000,000	0
Reserve for Information Technology Rate Adjustment	(4,000,000)	(4,000,000)
Debt Service		
General Debt Service	250,822,092	352,266,860
Federal Reimbursement	1,155,948	1,155,948
GRAND TOTAL CURRENT OPERATIONS – GENERAL FUND	**$14,368,256,787**	**$14,780,657,357**

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2.(a) The General Fund availability used in developing the 2001-2003 biennial budget is shown below:

General Fund Budget Reform Statement	**2001-2002 ($ Millions)**	**2002-2003 ($ Millions)**
BUDGET REFORM STATEMENT		

1. Composition of the 2001-2002 beginning availability:		
a. Unappropriated balance	0.0	
b. Revenue collections in fiscal year 2000-2001 in excess of authorized estimates	0.0	
c. Unexpended appropriations during fiscal year 2000-2001 (Reversions)	0.0	
Beginning Unreserved Credit Balance	0.0	
2. Revenues Based on Existing Tax Structure	13,303.4	13,979.0
3. Non-Tax Revenues:		
Investment Income	164.0	171.0
Judicial Fees	112.8	115.9
Disproportionate Share	107.0	107.0
Insurance	45.5	47.4
Other Non-Tax Revenues	96.5	97.3
Highway Trust Fund Transfer	170.0	170.0
Highway Fund Transfer	14.5	15.3
Subtotal	14,013.7	14,702.9
4. Other Adjustments		
IRC Conformity Adjustment (included in House Bill 232)	(3.4)	(3.8)
North Carolina Railroad General Fund Repayment	19.0	
Senate Bill 353 Enhance Department of Revenue Collections	50.0	50.0
Education/Human Services/Mental Health/ Revenue Initiatives	435.3	614.4
House Bill 1157 Implementation – Closure of Tax Loopholes	61.3	64.3
House Bill 232 Implementation – Budget Revenue Provisions (Accelerations)	112.1	6.0
Increase in Nontax Revenues -- Patients' Bill of Rights (Senate Bill 199)	0.4	0.9
Transfer/Adjustment of Cash from Special, Trust, Internal Service, and Reserve Funds	23.4	0.5
Court Fee Funds to State Bar	(0.8)	(1.7)
Credit to the Savings Reserve Account	(181.0)	
Subtotal	516.3	730.6
TOTAL GENERAL FUND AVAILABILITY	**$14,530.0**	**$15,433.5**

SECTION 2.2.(b) Notwithstanding the provisions of Section 7.2.(a) of S.L. 2000-67, nineteen million dollars ($19,000,000) of the North Carolina Railroad Company dividends received by the State during the 2000-2001 fiscal year and the 2001-2002 fiscal year shall: (i) be applied to increase the capital of the North Carolina Railroad Company, (ii) reduce the obligations described in subsection (c) of Section 32.30 of S.L. 1997-443, as amended by subsection (d) of Section 27.11 of S.L. 1999-237, and (iii) be deposited in the General Fund.

SECTION 2.2.(d) Effective July 1, 2001, cash balances remaining in special funds on June 30, 2001, shall be transferred to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) according to the schedule that follows. These funds shall be used to support General Fund appropriations for the 2001-2002 fiscal year.

Fund	**Amount Transferred**
Department of Agriculture and Consumer Services	

Budget Code 23701, Fund Code 2201 (Warehouse Investment Fund)	$500,000

Department of Environment and Natural Resources

Budget Code 24300, Fund Code 2106 (DEH - Sleep Products)	46,437
Budget Code 24300, Fund Code 2331 (DAQ - Air Permits)	77,889
Budget Code 24300, Fund Code 2735 (DLR - Sedimentation Fees)	148,562
Budget Code 24300, Fund Code 2620 (DLR - Land Env Controls)	111,261
Budget Code 24300, Fund Code 2740 (DLR - Dam Safety Account)	18,522
Budget Code 64305, Fund Code 6372 (DWM - Inactive Hazardous Sites Cleanup)	499,263
Budget Code 64305, Fund Code 6373 (DWM - Emergency Response Fund)	49,771
Budget Code 24300, Fund Code 2341 (DWQ - Water Permits)	371,682
Budget Code 64306, Fund Code 6341 (DWQ - WW Treatment Maintenance & Repair)	43,256
Budget Code 24300, Fund Code 2335 (DWQ - Lab Certification Fees)	16,371
Budget Code 24300, Fund Code 2130 (DWQ - Well Construction Fund)	18,134
Budget Code 24300, Fund Code 2310 (DWQ - Oil Pollution Control)	8,170
Budget Code 24303, Fund Code 2980 (DWQ - Wetlands Restoration)	3,400,000

Department of Commerce

Budget Code 24610, Fund Code 2431 (International Trade Show Fund)	$77,338

Department of Correction

Budget Code 24502 (Inmate Canteen/Welfare Fund)	380,000

SECTION 2.2.(e) Effective October 1, 2001, the sum of one million two hundred thousand dollars ($1,200,000) shall be transferred from the Department of Administration, Budget Code 74100, Fund Code 7211 (Motor Fleet Management) to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2001-2002 fiscal year.

Effective April 1, 2002, the sum of two million dollars ($2,000,000) shall be transferred from the Department of Administration, Budget Code 74100, Fund Code 7211 (Motor Fleet Management) to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2001-2002 fiscal year.

SECTION 2.2.(f) The transfer of cash from Department of Correction, Budget Code 74500, Fund Code 7100 (Prison Enterprises) to Nontax Budget Code 19978 (Intra State Transfers) shall be increased by one million dollars ($1,000,000), effective July 1, 2001, for the 2001-2002 fiscal year.

The transfer of cash from Department of Correction, Budget Code 74500, Fund Code 7100 (Prison Enterprises) to Nontax Budget Code 19978 (Intra State Transfers) shall be increased by five hundred thousand dollars ($500,000), effective July 1, 2002, for the 2002-2003 fiscal year and for subsequent fiscal years.

SECTION 2.2.(g) Notwithstanding G.S. 143-15.2 and G.S. 143-15.3, for the 2000-2001 fiscal year only, funds shall not be reserved to the Savings Reserve Account, and the State Controller shall not transfer funds from the unreserved credit balance to the Savings Reserve Account on June 30, 2001. The State Controller shall credit the sum of one hundred eighty-one million dollars ($181,000,000) from the General Fund to the Savings Reserve Account on July 1, 2001. This is not an "appropriation made by law", as that phrase is used in Article V, Section 7(2) of the North Carolina Constitution.

This subsection becomes effective June 30, 2001.

SECTION 2.2.(h) Notwithstanding G.S. 143-15.3B(a) for the 2001-2003 fiscal biennium only, the appropriation to the Clean Water Management Trust Fund for the 2001-2002 fiscal year is only forty million dollars ($40,000,000) as provided by this act and is only seventy million dollars ($70,000,000) for the 2002-2003 fiscal year as provided by this act. The funds appropriated by this act to the Clean Water Management Trust Fund shall be used as provided by G.S. 143-15.3B(b).

SECTION 2.2.(i) Effective November 1, 2001, the sum of three million dollars ($3,000,000) shall be transferred from the Office of Information Technology Services, Budget Code 74660, Fund Code 7100 to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2001-2002 fiscal year.

Effective February 1, 2002, the sum of four million dollars ($4,000,000) shall be transferred from the Office of Information Technology Services, Budget Code 74660, Fund Code 7100 to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2001-2002 fiscal year.

Effective June 15, 2002, the sum of three million dollars ($3,000,000) shall be transferred from the Office of Information Technology Services, Budget Code 74660, Fund Code 7100 to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2001-2002 fiscal year.

The Office of Information Technology Services shall not increase rates to offset any reductions required by this act.

SECTION 2.2.(j) Notwithstanding the provisions of G.S. 105-187.19(b), effective for taxes levied during the 2001-2002 fiscal year, the Secretary of Revenue shall credit to the General Fund the net tax proceeds that G.S. 105-187.19(b) directs the Secretary to credit to the Scrap Tire Disposal Account.

Notwithstanding the provisions of G.S. 105-187.24 effective for taxes levied during the 2001-2002 fiscal year, the Secretary of Revenue shall credit to the General Fund the net tax proceeds that G.S. 105-187.24 directs the Secretary to credit to the White Goods Management Account.

PART III. CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

SECTION 3.1. 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, 2003, according to the following schedule:

Current Operations - Highway Fund	**2001-2002**	**2002-2003**
(1) Transportation admin. (84210)	$69,195,895	$69,195,895
(2) Transportation operations (84220)	28,801,650	28,801,650
(3) Transportation programs (84230)		
State construction		
Primary	-	-
Secondary	87,462,000	89,387,000
Urban	14,000,000	14,000,000
Public access	2,000,000	2,000,000
Spot safety	9,100,000	9,100,000
Contingency	15,000,000	10,000,000
Federal aid match	5,212,266	5,212,266

	Maintenance	578,632,263	571,609,292
	Asphalt plant/OSHA	425,000	425,000
	Capital	1,634,000	
	Ferry operations	19,747,132	19,747,132
	Aid to municipalities	87,462,000	89,387,000
	Rail	31,125,000	10,575,000
	Public transit	64,460,834	64,460,834
	Airports	5,000,000	
(4)	Governor's highway safety (84240)	266,693	266,693
(5)	Transportation regulation (84260)	98,654,012	98,649,802
(6)	Reserves and transfers (84270)	200,511,255	205,084,808
GRAND TOTAL CURRENT OPERATIONS AND EXPANSION		**$1,318,690,000**	**$1,287,902,372**

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. The Highway Fund availability used in developing the 2001-2003 biennial budget is shown below:

Highway Fund Budget Reform Statement	**2001-2002**	**2002-2003**
Beginning Credit Balance	$ 14,860,000	-
Estimated Revenue	1,303,280,000	$1,311,720,000
Additional Reversions	550,000	-
Total Highway Fund Availability	**$1,318,690,000**	**$1,311,720,000**

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

SECTION 4.1. Appropriations from the Highway Trust 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, 2003, according to the following schedule:

Current Operations - Highway Trust Fund	**2001-2002**	**2002-2003**
Intrastate System	$464,295,516	$489,403,290
Urban Loops	187,741,771	197,894,308
Aid to Municipalities	48,715,429	51,349,821
Total for Secondary Roads	83,827,858	87,445,392
Program Administration	34,142,426	36,181,189
Transfer to General Fund	170,000,000	170,000,000
GRAND TOTAL CURRENT OPERATIONS AND EXPANSION	$988,723,000	$1,032,274,000

PART V. BLOCK GRANTS

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Easterling, Oldham, Redwine, Thompson

DHHS BLOCK GRANTS

SECTION 5.1.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2002, according to the following schedule:

COMMUNITY SERVICES BLOCK GRANT		
01.	Community Action Agencies	$ 14,160,375
02.	Limited Purpose Agencies	979,017
03.	Department of Health and Human Services to administer and monitor the activities of the Community Services Block Grant	500,000
TOTAL COMMUNITY SERVICES BLOCK GRANT		$ 15,639,392
SOCIAL SERVICES BLOCK GRANT		
01.	County departments of social services (Transfer from TANF - $4,500,000)	$ 27,395,663
02.	Allocation for in-home services provided by county departments of social services	2,101,113
03.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	3,234,601
04.	Division of Services for the Blind	3,105,711
05.	Division of Facility Services	426,836
06.	Division of Aging - Home and Community Care Block Grant	1,840,234
07.	Child Care Subsidies	3,000,000
08.	Division of Vocational Rehabilitation - United Cerebral Palsy	71,484
09.	State administration	1,693,368
10.	Child Medical Evaluation Program	238,321
11.	Adult day care services	2,155,301
12.	Comprehensive Treatment Services Program	750,000
13.	Transfer to Preventive Health Services Block Grant for emergency medical services	213,128
14.	Transfer to Preventive Health Services Block Grant for HIV/AIDS Prevention Activities	395,789

15.	Department of Administration for the N.C. State Commission of Indian Affairs In-Home Services Program for the Elderly	203,198
16.	Division of Vocational Rehabilitation - Easter Seals Society	116,779
17.	UNC-CH CARES Program for training and consultation services	247,920
18.	Office of the Secretary - Office of Economic Opportunity for N.C. Senior Citizens' Federation for outreach services to low-income elderly persons	41,302
19.	Transfer from TANF Block Grant for Division of Social Services - Child Caring Agencies	1,500,000
20.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services - Developmentally Disabled Waiting List for services	5,000,000
21.	Transfer to Maternal and Child Health Block Grant for Newborn Screenings	90,611
22.	Transfer to Preventive Health Services Block Grant for HIV/AIDS education, counseling, and testing	66,939
TOTAL SOCIAL SERVICES BLOCK GRANT		$ 53,888,298
LOW-INCOME ENERGY BLOCK GRANT		
01.	Energy Assistance Programs	$ 8,092,113
02.	Crisis Intervention	5,795,825
03.	Administration	1,984,934
04.	Weatherization Program	2,684,116
05.	Department of Administration - N.C. State Commission of Indian Affairs	39,765
06.	Heating Air Repair and Replacement Program	1,252,588
TOTAL LOW-INCOME ENERGY BLOCK GRANT		$ 19,849,342
MENTAL HEALTH SERVICES BLOCK GRANT		
01.	Provision of community-based services in accordance with the	

	Mental Health Study Commission's Adult Severe and Persistently Mentally Ill Plan	$ 5,192,826
02.	Provision of community-based services to children	2,378,540
03.	Establish Child Residential Treatment Services Program	1,500,000
04.	Administration	783,911
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		$ 9,855,277
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
01.	Provision of community-based alcohol and drug abuse services, tuberculosis services, and services provided by the Alcohol and Drug Abuse Treatment Centers	$ 14,501,711
02.	Continuation of services for pregnant women and women with dependent children	6,007,303
03.	Continuation of services to IV drug abusers and others at risk for HIV diseases	5,209,934
04.	Provision of services to children and adolescents	6,839,190
05.	Juvenile Services - Family Focus	774,414
06.	Child Residential Treatment Services Program	700,000
07.	Administration	2,423,049
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		$ 36,455,601
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
01.	Child care subsidies	$148,343,839
02.	Quality and availability initiatives	17,259,661
03.	Administrative expenses	6,550,000
04.	Transfer from TANF Block Grant for child care subsidies	76,675,000

TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		$248,828,500
TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		
01.	Work First Cash Assistance	$114,181,958
02.	Work First County Block Grants	92,018,855
03.	Transfer to the Child Care and Development Fund Block Grant for child care subsidies	76,675,000
04.	Allocation to the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for Work First substance abuse screening, diagnostic, and support treatment services and drug testing	3,500,000
05.	Cash Assistance Reserve	11,676,624
06.	Allocation to the Division of Social Services for staff development	500,000
07.	Reduction of out-of-wedlock births	1,440,000
08.	Substance Abuse Services for Juveniles	1,182,280
09.	Special Children Adoption Fund	2,811,687
10.	Business Process Reengineering Project Reserve	3,000,000
11.	Work First Job Retention – NC Rural Center ($270,000) Work Central Career Advancement Center ($380,000)	650,000
12.	Allocation to the Division of Public Health for teen pregnancy prevention	2,015,335
13.	Transfer to Social Services Block Grant for Child Caring Agencies	1,500,000
14.	Child Care Subsidies for TANF Recipients	26,621,241
15.	Work First Housing Initiative - Existing programs ($1,800,000) - New programs ($900,000)	2,700,000
16.	Allocation to the Division of Social Services for Domestic Violence Prevention and Awareness	900,000

17.	County Child Protective Services, Foster Care, and Adoption Workers	2,727,550
18.	Intensive Family Preservation Program	1,800,000
19.	Work First/Boys and Girls Clubs	900,000
20.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000
21.	Support Our Students – Department of Juvenile Justice and Delinquency Prevention	2,475,607
22.	Residential Substance Abuse Services for Women With Children	4,500,000
23.	Domestic Violence Services for Work First Families	1,800,000
24.	After-School Services for At-Risk Children	2,700,000
25.	Division of Social Services - Administration	500,000
26.	Child Welfare workers and services for local departments of social services	7,654,841
27.	Child Welfare Training	2,000,000
28.	Individual Development Accounts	180,000
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		$373,110,978

MATERNAL AND CHILD HEALTH BLOCK GRANT

01.	Healthy Mothers/Healthy Children Block Grants to Local Health Departments	9,838,074
02.	High-Risk Maternity Clinic Services, Perinatal Education and Training, Childhood Injury Prevention, Public Information and Education, and Technical Assistance to Local Health Departments	2,012,102
03.	Services to Children With Special Health Care Needs	5,078,647
04.	Transfer from Social Services Block Grant for Newborn Screenings	90,611

TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT		$ 17,019,434
PREVENTIVE HEALTH SERVICES BLOCK GRANT		
01.	Statewide Health Promotion Programs	$3,061,182
02.	Dental Services/Fluoridation	100,800
03.	Rape Crisis/Victims' Services Program - Council for Women	190,134
04.	Rape Prevention and Education Program - Division of Public Health and Council for Women	1,139,869
05.	Transfer from Social Services Block Grant - HIV/AIDS Prevention Activities	395,789
06.	Transfer from Social Services Block Grant - Emergency Medical Services	213,128
07.	Transfer from Social Services Block Grant – HIV/AIDS education, counseling, and testing	66,939
08.	Office of Minority Health	159,459
09.	Administrative Costs	108,546
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT		$5,435,846

SECTION 5.1.(b) Decreases in Federal Fund Availability. – If the United States Congress reduces federal fund availability in the Social Services Block Grant below the amounts appropriated in this section, then the Department of Health and Human Services shall allocate these decreases giving priority first to those direct services mandated by State or federal law, then to those programs providing direct services that have demonstrated effectiveness in meeting the federally and State-mandated services goals established for the Social Services Block Grant. The Department shall not include transfers from TANF for specified purposes in any calculations of reductions to the Social Services Block Grant.

If the United States Congress reduces the amount of TANF funds below the amounts appropriated in this section after the effective date of this act, then the Department shall allocate the decrease in funds after considering any underutilization of the budget and the effectiveness of the current level of services. Any TANF Block Grant fund changes shall be reported to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

Decreases in federal fund availability shall be allocated for the Maternal and Child Health and Preventive Health Services federal block grants by the Department of

Health and Human Services after considering the effectiveness of the current level of services.

SECTION 5.1.(c) Increases in Federal Fund Availability. – Any block grant funds appropriated by the United States Congress in addition to the funds specified in this act shall be expended by the Department of Health and Human Services, with the approval of the Office of State Budget and Management, provided the resultant increases are in accordance with federal block grant requirements and are within the scope of the block grant plan approved by the General Assembly.

SECTION 5.1.(d) Changes to the budgeted allocations to the block grants appropriated in this act and new allocations from the block grants not specified in this act shall be submitted to the Joint Legislative Commission on Governmental Operations for review prior to the change and shall be reported immediately to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 5.1.(e) The Department of Health and Human Services may allow no-cost contract extensions for up to six months for nongovernmental grant recipients under the TANF Block Grant.

SECTION 5.1.(f) Limitations on Preventive Health Services Block Grant Funds. – Twenty-five percent (25%) of funds allocated for Rape Prevention and Rape Education shall be allocated as grants to nonprofit organizations to provide rape prevention and education programs targeted for middle, junior high, and high school students.

If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2001-2002 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to establish an Abstinence Until Marriage Education Program and shall delegate to one or more persons the responsibility of implementing the program and G.S. 115C-81(e1)(4). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 5.1.(g) The Department of Health and Human Services, Division of Social Services, shall do the following:

(1) Continue the current evaluation of the Work First Program to assess former recipients' earnings, barriers to advancement to economic self-sufficiency, utilization of community support services, and other longitudinal employment data. Assessment periods shall include six and 18 months following closure of the case.

(2) Continue the current evaluation of the Work First Program to profile the State's child-only caseload to include indicators of economic and social well-being, academic and behavioral performance, demographic data, description of living arrangements including length of placement out of the home, social and other human services provided to families, and other information needed to assess the needs of the child-only Work First Family Assistance clients and families.

The Division of Social Services may use up to seven hundred fifty thousand dollars ($750,000) in TANF funds to complete the evaluation of Work First.

The Department of Health and Human Services shall make a report on its progress in complying with this subsection to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division no later than September 30, 2001, and shall make a final report no later than September 30, 2002.

SECTION 5.1.(h) The sum of two million eight hundred eleven thousand six hundred eighty-seven dollars ($2,811,687) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Special Children Adoption Fund, for the 2001-2002 fiscal year shall be used to implement this subsection. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

SECTION 5.1.(i) The sum of one million five hundred thousand dollars ($1,500,000) appropriated in this act in the TANF Block Grant and transferred to the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for child caring agencies for the 2001-2002 fiscal year shall be allocated to the State Private Child Caring Agencies Fund. These funds shall be combined with all other funds allocated to the State Private Child Caring Agencies Fund for the reimbursement of the State's portion of the cost of care for the placement of certain children by the county departments of social services who are not eligible for federal IV-E funds. These funds shall not be used to match other federal funds.

SECTION 5.1.(j) The sum of three hundred thousand dollars ($300,000) appropriated in this section to the Department of Health and Human Services in the Child Care and Development Fund Block Grant shall be used to develop and implement a Medical Child Care Pilot open to children throughout the State.

SECTION 5.1.(k) The sum of nine hundred thousand dollars ($900,000) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant for Boys and Girls Clubs shall be used to make grants for approved programs. The Department of Health and Human Services, in accordance with federal regulations for the use of TANF Block Grant funds, shall administer a grant program to award funds to the Boys and Girls Clubs across the State in order to implement programs that improve the motivation, performance, and self-esteem of youths and to implement other initiatives that would be expected to reduce school dropout and teen pregnancy rates. The Department shall encourage and facilitate collaboration between the Boys and Girls Clubs and Support Our Students, Communities in Schools, and similar programs to submit joint applications for the funds if appropriate.

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

SECTION 5.1.(m) The sum of two million seven hundred thousand dollars ($2,700,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the Work First Housing Initiative shall be used to provide direct housing support to Work First clients. Direct housing support includes using funds for rental assistance, loans, moving expenses, and other financial assistance. No more than ten percent (10%) of these funds may be used for administration. These funds may be used for counseling or similar services only if it is demonstrated that those services are not otherwise available in the community.

SECTION 5.1.(n) The sum of five hundred thousand dollars ($500,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2001-2002 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 5.1.(o) The sum of four million five hundred thousand dollars ($4,500,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2001-2002 fiscal year shall be used to provide

regional residential substance abuse treatment and services for women with children. The Department of Health and Human Services, the Division of Social Services, and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, in consultation with local departments of social services, area mental health programs, and other State and local agencies or organizations, shall coordinate this effort in order to facilitate the expansion of regionally based substance abuse services for women with children. These services shall be culturally appropriate and designed for the unique needs of TANF women with children.

In order to expedite the expansion of these services, the Secretary of the Department of Health and Human Services may enter into contracts with service providers.

The Department of Health and Human Services, the Division of Social Services, and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall report on their progress in complying with this subsection no later than October 1, 2001, and March 1, 2002, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. These reports shall include all of the following:

(1) The number and location of additional beds created.
(2) The types of facilities established.
(3) The delineation of roles and responsibilities at the State and local levels.
(4) Demographics of the women served, the number of women served, and the cost per client.
(5) Demographics of the children served, the number of children served, and the services provided.
(6) Job placement services provided to women.
(7) A plan for follow-up and evaluation of services provided with an emphasis on outcomes.
(8) Barriers identified to the successful implementation of the expansion.
(9) Identification of other resources needed to appropriately and efficiently provide services to Work First recipients.
(10) Other information as requested.

SECTION 5.1.(p) The sum of two million four hundred seventy-five thousand six hundred seven dollars ($2,475,607) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services and transferred to the Department of Juvenile Justice and Delinquency Prevention for the 2001-2002 fiscal year shall be used to support the existing Support Our Students Program and to expand the Program statewide, focusing on low-income communities in unserved areas. These funds shall not be used for administration of the program.

SECTION 5.1.(q) The sum of one million eight hundred thousand dollars ($1,800,000) appropriated under this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2001-2002 fiscal year shall be used to provide domestic violence services to Work First recipients. These funds shall be used to provide domestic violence counseling, support, and other direct services to clients. These funds shall not be used to establish new domestic violence shelters or to facilitate lobbying efforts. The Division of Social Services may use up to seventy-five thousand dollars ($75,000) in TANF funds to establish one administrative position within the Division of Social Services to implement this subsection.

Each county department of social services and the local domestic violence shelter program serving the county shall jointly develop a plan for utilizing these funds. The plan shall include the services to be provided and the manner in which the services shall be delivered. The county plan shall be signed by the county social services director or the director's designee and the domestic violence program director or the director's

designee and submitted to the Division of Social Services by December 1, 2001. The Division of Social Services, in consultation with the Council for Women, shall review the county plans and shall provide consultation and technical assistance to the departments of social services and local domestic violence shelter programs, if needed.

The Division of Social Services shall allocate these funds to county departments of social services according to the following formula: (i) each county shall receive a base allocation of ten thousand dollars ($10,000) and (ii) each county shall receive an allocation of the remaining funds based on the county's proportion of the statewide total of the Work First caseload as of July 1, 2001, and the county's proportion of the statewide total of the individuals receiving domestic violence services from programs funded by the Council for Women as of July 1, 2001. The Division of Social Services may reallocate unspent funds to counties that submit a written request for additional funds.

The Department of Health and Human Services shall report on the uses of these funds no later than March 1, 2002, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 5.1.(r) The sum of two million seven hundred thousand dollars ($2,700,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, shall be used to expand after-school programs and services for at-risk children. The Department shall develop and implement a grant program to award grants to community-based programs that demonstrate the ability to reach children at risk of teen pregnancy and school dropout. The Department shall award grants to community-based organizations that demonstrate the ability to develop and implement linkages with local departments of social services, area mental health programs, schools, and other human services programs in order to provide support services and assistance to the child and family. These funds may be used to establish one position within the Division of Social Services to coordinate at-risk after-school programs and shall not be used for other State administration. The Department shall report no later than March 1, 2002, on its progress in complying with this section to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 5.1.(s) The sum of seven million six hundred fifty-four thousand eight hundred forty-one dollars ($7,654,841) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2001-2002 fiscal year for Child Welfare Improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and post-adoption services for eligible families.

SECTION 5.1.(t) The sum of one million five hundred thousand dollars ($1,500,000) appropriated in this section in the Mental Health Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2001-2002 fiscal year and the sum of seven hundred thousand dollars ($700,000) appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2001-2002 fiscal year shall be used to continue a Comprehensive Treatment Services Program in accordance with Section 21.60 of this act.

SECTION 5.1.(u) The sum of two million dollars ($2,000,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human

Services, Division of Social Services, for fiscal year 2001-2002 shall be used to support various child welfare training projects as follows:

(1) Provide a regional training center in southeastern North Carolina.
(2) Support the Masters Degree in Social Work/Baccalaureate Degree in Social Work Collaborative.
(3) Provide training for residential child care facilities.
(4) Provide for various other child welfare training initiatives.

SECTION 5.1.(v) The sum of nine million one hundred forty-seven thousand six hundred thirty-one dollars ($9,147,631) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services for a Cash Assistance Reserve may only be used for cash assistance payment if the funds appropriated in this act for cash assistance payments are not sufficient to pay Work First cash assistance in the 2001-2002 fiscal year. Prior to the use of these funds, the Office of State Budget and Management shall review all proposals for expenditure of these funds in order to ensure compliance with this subsection.

The sum of two million five hundred twenty-eight thousand nine hundred ninety-three dollars ($2,528,993) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services for a Cash Assistance Reserve shall be held in the Cash Assistance Reserve until the Department of Health and Human Services and the Office of State Budget and Management can certify that these funds are not needed to ensure the continuation of the Work First Family Assistance payments to recipients during the 2001-2002 fiscal year. These funds may be used only for the payment of Work First Family Assistance and the allocations listed in this subsection. If the Department of Health and Human Services and the Office of State Budget and Management certify that these funds are not needed to ensure the continuation of Work First Family Assistance payments, the Department may make the following transfers from the Cash Assistance Reserve:

(1)	Reduction of out-of-wedlock births.	$160,000
(2)	Work First Job Retention –	
	Rural Center ($30,000)	
	Work Central Career Center ($20,000)	$50,000
(3)	Teen Pregnancy Prevention	$223,926
(4)	Work First Housing Initiative	$300,000
(5)	Domestic Violence Prevention and	
	Awareness	$100,000
(6)	Intensive Family Preservation Program	$200,000
(7)	Work First Boys and Girls Clubs	$100,000
(8)	Support Our Students	$275,674
(9)	Residential Substance Abuse Services	
	for Women with Children	$500,000
(10)	Domestic Violence Services for	
	Work First Families	$200,000
(11)	After School Services for At-Risk Children	$300,000
(12)	Individual Development Accounts	$20,000.

SECTION 5.1.(w) The sum of three million dollars ($3,000,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services for a Business Process Reengineering Project Reserve may only be used for the project if funds appropriated in this act for Business Process Reengineering are not sufficient to continue the project through the 2001-2002 fiscal year. Prior to the use of these funds, the Office of State Budget and Management shall review all proposals for expenditure of these funds in order to ensure compliance with this subsection.

SECTION 5.1.(x) If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the

Department may move funds to child care subsidies unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.

SECTION 5.1.(y) The sum of nine hundred thousand dollars ($900,000) appropriated under this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2001-2002 fiscal year for Domestic Violence Prevention and Awareness shall be used for grants to support initiatives by local domestic violence programs to prevent domestic violence. Prevention activities shall include efforts to reach under-served populations and shall be culturally sensitive and multilingual. The Department shall award grants to community-based organizations that demonstrate the ability to collaborate and coordinate services with other local human services agencies and organizations in order to serve children and families where domestic violence has occurred or is occurring. The Department shall report on the use of these funds no later than May 1, 2002, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 5.1.(z) The sum of three hundred ninety-five thousand seven hundred eighty-nine dollars ($395,789) appropriated in this section in the Social Services Block Grant and transferred to the Preventive Health Service Block Grant to the Department of Health and Human Services for the 2001-2002 fiscal year for HIV/AIDS Prevention Activities shall be used to create a position in the Office of the Secretary and to enhance activities for HIV/AIDS awareness and education. The position shall be responsible for all planning, programming, and budgeting for compliance with this subsection. These prevention activities shall be targeted to the general public and programs identified in this subsection and shall not be used to augment the current grant programs that target high-risk populations through the community-based organizations.

It is the intention of the General Assembly to focus current resources and activities to strengthen and enhance prevention and intervention programs directed at the reduction of HIV/AIDS. The Department shall coordinate efforts to enhance awareness, education, and outreach with the North Carolina AIDS Advisory Council, North Carolina Minority Health Advisory Council, representatives of faith communities, representatives of nonprofit agencies, and other State agencies.

The Department of Health and Human Services shall coordinate and ensure the implementation of developmentally appropriate education, awareness, and outreach campaigns to comply with this subsection in the following programs and services:

(1) Division of Social Services programs and services:
    a. Domestic Violence Prevention and Awareness.
    b. Domestic Violence Services for Work First Families.
    c. After School Services for At Risk Children.
    d. Work First Boys/Girls Clubs.
(2) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services programs and services:
    a. Substance Abuse Services for Juveniles.
    b. Residential Substance Abuse Services for Women and Children.
(3) Division of Public Health programs and services:
    a. Teen Pregnancy Prevention Activities.
    b. Out-of-Wedlock Births.
    c. School Health Program.
    d. High-Risk Maternity Clinic Services.
    e. Perinatal Education and Training.
    f. Public Information and Education.
    g. Technical Assistance to Local Health Departments.
(4) Other divisions, services, and programs:

a. Family Support Services.
b. Family Resource Centers.
c. Independent Living Services.
d. Residential schools and facilities.
e. Other programs, services, or contracts that provide education and awareness services to children and families.

Other State agencies, including the Department of Public Instruction, the Department of Juvenile Justice and Delinquency Prevention, and the Department of Administration, shall ensure the incorporation of developmentally appropriate HIV/AIDS education, awareness, and outreach information into their programs.

The Department shall report on the implementation of this subsection on March 15, 2002, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 5.1.(aa) The sum of one hundred eighty thousand dollars ($180,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services for the 2001-2002 fiscal year shall be used for Individual Development Accounts (IDA) for TANF-eligible individuals. The Social Services Commission shall adopt rules for the implementation of this subsection.

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

NER BLOCK GRANT FUNDS

SECTION 5.2.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2002, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01.	State Administration	$1,000,000
02.	Urgent Needs and Contingency	1,000,000
03.	Scattered Site Housing	13,200,000
04.	Economic Development	8,710,000
05.	Community Revitalization	13,500,000
06.	State Technical Assistance	450,000
07.	Housing Development	2,000,000
08.	Infrastructure	5,140,000
TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT - 2002 Program Year		$45,000,000

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

SECTION 5.2.(c) Increases in Federal Fund Availability for Community Development Block Grant. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as

follows: Each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

SECTION 5.2.(d) Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to one million dollars ($1,000,000) may be used for State administration; up to one million dollars ($1,000,000) may be used for Urgent Needs and Contingency; up to thirteen million two hundred thousand dollars ($13,200,000) may be used for Scattered Site Housing; up to eight million seven hundred ten thousand dollars ($8,710,000) may be used for Economic Development; not less than thirteen million five hundred thousand dollars ($13,500,000) shall be used for Community Revitalization; up to four hundred fifty thousand dollars ($450,000) may be used for State Technical Assistance; up to two million dollars ($2,000,000) may be used for Housing Development; up to five million one hundred forty thousand dollars ($5,140,000) may be used for Infrastructure. If federal block grant funds are reduced or increased by the Congress of the United States after the effective date of this act, then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

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

SECTION 5.2.(f) Study. – The Department of Commerce shall study the development of a training program designed to provide a minimum level of knowledge and skills for Community Development Block Grant administrators. In conducting the study, the Department shall consult the North Carolina League of Municipalities, the North Carolina Association of County Commissioners, the North Carolina Community Development Association, and the Institute of Government at the University of North Carolina at Chapel Hill. The Department may use unencumbered and unspent State Technical Assistance funds from previous program years to conduct the study. The Department shall report its findings to the House and Senate Appropriations Subcommittees on Natural and Economic Resources and the Fiscal Research Division by February 1, 2002.

PART VI. GENERAL PROVISIONS

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

SPECIAL FUNDS, FEDERAL FUNDS, DEPARTMENTAL RECEIPTS, AND CASH BALANCES/AUTHORIZATION FOR EXPENDITURES

SECTION 6.1.(a) 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, and shall be expended at the level of service authorized by the General Assembly. 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, then 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 the Fund are necessary to maintain the function that generated the receipts at the level anticipated in the certified Budget Codes for that Fund.

Funds that become available from overrealized receipts in General Fund Codes and Highway Fund Codes may be used for new permanent employee positions or to raise the salary of existing employees only as follows:

(1) As provided in G.S. 116-30.1, 116-30.2, 116-30.3, 116-30.4; or

(2) If the Director of the Budget finds that the new permanent employee positions are necessary to maintain the function that generated the receipts at the level anticipated in the certified budget codes for that Fund. The Director of the Budget shall notify the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the chairmen of the appropriations committees of the Senate and the House of Representatives, and the Fiscal Research Division of the Legislative Services Office that he intends to make such a finding at least 10 days before he makes the finding. The notification shall set out the reason the positions are necessary to maintain the function.

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 the General Fund Codes or Highway Fund Codes that did not result in a corresponding reduced allotment from appropriations from that Fund.

SECTION 6.1.(b) There is appropriated from the Reserve for Reimbursements to Local Governments and Shared Tax Revenues for each fiscal year an amount equal to the amount of the distributions required by law to be made from that reserve for that fiscal year.

SECTION 6.1.(c) 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 are not spent in a manner that would cause a deficit in expenditures.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

INSURANCE AND FIDELITY BONDS

SECTION 6.2. All insurance and all official fidelity and surety bonds authorized for the several departments, institutions, and agencies shall be effected and placed by the Department of Insurance, and the cost of placement shall be paid by the affected department, institution, or agency with the approval of the Commissioner of Insurance.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

CONTINGENCY AND EMERGENCY FUND ALLOCATIONS

SECTION 6.3.(a) Funds in the amount of five million dollars ($5,000,000) for the 2001-2002 fiscal year and five million dollars ($5,000,000) for the 2002-2003 fiscal year are appropriated in this act to the Contingency and Emergency Fund. Of the funds:

(1) The sum of three million eight hundred seventy-five thousand dollars ($3,875,000) for the 2001-2002 fiscal year and the sum of three million eight hundred seventy-five thousand dollars ($3,875,000) for the 2002-2003 fiscal year shall be used only to respond to an unanticipated disaster such as a fire, hurricane, or tornado;

(2) The sum of nine hundred thousand dollars ($900,000) for the 2001-2002 fiscal year and the sum of nine hundred thousand dollars (900,000) for the 2002-2003 fiscal year shall be used only (i) for the purposes set out in subdivision (1) of this subsection, (ii) as required by a court, Industrial Commission, or administrative hearing officer's order or award, or (iii) to match unanticipated federal funds; and

(3) The sum of two hundred twenty-five thousand dollars ($225,000) for the 2001-2002 fiscal year and the sum of two hundred twenty-five thousand dollars ($225,000) for the 2002-2003 fiscal year shall be used for the purposes set out in subdivisions (1) and (2) of this subsection or for other allocations from the Contingency and Emergency Fund.

SECTION 6.3.(b) Funds appropriated to the Contingency and Emergency Fund shall not be used to lease office space unless the expenditure is for a purpose set out in subdivision (1) or (2) of subsection (a) of this section.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

AUTHORIZED TRANSFERS FROM SALARY ADJUSTMENT RESERVES

SECTION 6.4. The Director of the Budget may transfer to General Fund budget codes from the General Fund Salary Adjustment Reserves appropriation and may transfer to Highway Fund budget codes from the Highway Fund Salary Adjustment Reserve 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 salary reserve funds in individual operating budgets are not available.

The Director of the Budget shall report to the Fiscal Research Division prior to approving salary adjustments and transferring funds pursuant to this section.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

EXPENDITURES OF FUNDS IN RESERVES LIMITED

SECTION 6.5. All funds appropriated by this act into reserves may be expended only for the purposes for which the reserves were established.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

STATE MONEY RECIPIENTS/CONFLICT OF INTEREST POLICY

SECTION 6.6. Each private, nonprofit entity eligible to receive State funds, either by General Assembly appropriation, or by grant, loan, or other allocation from a State agency, before funds may be disbursed to the entity, shall file with the disbursing agency a notarized copy of that entity's policy addressing conflicts of interest that may arise involving the entity's management employees and the members of its board of directors or other governing body. The policy shall address situations in which any of these individuals may directly or indirectly benefit, except as the entity's employees or members of the board or other governing body, from the entity's disbursing of State funds, and shall include actions to be taken by the entity or the individual, or both, to avoid conflicts of interest and the appearance of impropriety.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

DISBURSEMENTS TO NONPROFITS

SECTION 6.7. G.S. 143-26 reads as rewritten:

"**§ 143-26. Director to have discretion as to manner of paying annual appropriations.**

(a) ~~Unless otherwise provided,~~ Except as provided in subsection (b) of this section or as otherwise provided by law, it shall be discretionary with the Director of the Budget whether any annual appropriation shall be paid in monthly, quarterly or semiannual installments or in a single payment.

(b) Except as otherwise provided by law, an annual appropriation of one hundred thousand dollars ($100,000) or less to or for the use of a nonprofit corporation shall be paid in a single annual payment. An annual appropriation of more than one hundred

thousand dollars ($100,000) to or for the use of a nonprofit corporation shall be paid in quarterly or monthly installments, in the discretion of the Director of the Budget."

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

BUDGETING OF PILOT PROGRAMS

SECTION 6.8.(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.

SECTION 6.8.(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.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

APPROPRIATIONS EFFICIENCY REVIEW

SECTION 6.9. The Appropriations Committees of the Senate and House of Representatives may convene at least once a month during the interim period between the 2001 General Assembly and the 2002 Regular Session of the 2001 General Assembly to study the structure, duties, and functions of the various agencies and programs of State government. The review by the Appropriations Committees shall focus on ways to ensure that State government functions efficiently and to generate cost savings to the citizens of the State. The Appropriations Committees shall apply zero-base budgeting principles in evaluating the fiscal functions and funding needs of State agencies. The Appropriations Committees shall consider the recommendations of the Governor's Efficiency Commission and shall evaluate the feasibility of consolidating, eliminating, transferring, or privatizing certain State programs, operations, or entities where there is duplication of services or functions or where the functions being performed are not cost-effective.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

LIMITATIONS ON AGENCY LEGISLATIVE LIAISON

SECTION 6.10.(a) Article 9A of Chapter 120 of the General Statues is amended by adding the following new section to read:

"**§ 120-47.12. Limitations on agency legislative liaisons.**

(a) No principal State department may use State funds to contract with persons who are not employed by the State to lobby the General Assembly.

(b) No more than two persons in each principal State department and constituent institution of The University of North Carolina may be registered to lobby the General Assembly or designated as legislative liaisons pursuant to this Article."

SECTION 6.10.(b) G.S. 120-47.1 is amended by adding a new subdivision to read:

"(4a) The term "legislative liaison personnel" means any State officer or employee whose principal duties in practice or as set forth in that person's job description involve lobbying the General Assembly."

SECTION 6.10.(c) This section is effective when it becomes law.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

RESERVE TO IMPLEMENT THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA)

SECTION 6.11.(a) Funds in the amount of fifteen million dollars ($15,000,000) are appropriated in this act to the Reserve to Implement HIPAA. This reserve shall be located in the Office of State Budget and Management.

SECTION 6.11.(b) The federal Health Insurance Portability and Accountability Act (HIPAA) was enacted in 1996 and set many goals for the health care industry. The act's primary purpose is to protect health insurance coverage for workers and their families when workers change or lose jobs. This new protection requires major administrative changes for health care programs. The most comprehensive changes include: (i) moving from paper-based transactions to electronic transactions, (ii) establishing national identifiers for providers, payers, and employers, and (iii) upgrading security and privacy of health care information. Failure to implement HIPAA requirements may result in denied or delayed reimbursements and severe civil and criminal penalties.

SECTION 6.11.(c) The Office of State Budget and Management, in consultation with the State Chief Information Officer and the Secretary of Health and Human Services, shall develop a strategic plan to implement the requirements outlined in HIPAA. Specifically, the plan shall:

(1) Identify and document all requirements outlined in the federal HIPAA legislation as they relate to State agencies;

(2) Include an assessment of the State's existing administrative systems, policies, and information technology systems, as they relate to the requirements of HIPAA;

(3) Include a timeline for implementing all necessary administrative, policy, and technology changes to ensure compliance; and

(4) Provide a detailed cost and cash flow analysis for each State agency subject to compliance. The analysis shall include personnel requirements, information technology equipment needs, and other operating and start-up expenses needed to implement HIPAA requirements.

SECTION 6.11.(d) The Office of State Budget and Management shall report on the strategic plan developed pursuant to this section to the Chairs of the Senate and House of Representatives Appropriations Committees, the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Information Technology, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division by October 1, 2001.

SECTION 6.11.(e) Funds spent to implement this section shall not exceed one million five hundred thousand dollars ($1,500,000) until the Office of State Budget and Management reports to the Chairs of the Senate and House of Representatives Appropriations Committees, the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Information Technology, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division on actual and proposed expenditures and actual and projected monthly cash requirements for the 2001-2002 fiscal year and beyond. After making this report, the Office of State Budget and Management shall report quarterly on its progress in implementing this section to the Chairs of the Senate and House of Representatives Appropriations Committees, the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Information Technology, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

LIMITATIONS ON USE OF STATE AIRCRAFT

SECTION 6.12. No airplane or helicopter operated or maintained with State funds may be used to transport any member of a board or commission to or from a meeting of the board or commission to which that member is appointed unless:

(1) The member is an elected official or head of a principal State department who serves on the board or commission by virtue of his or her office;
(2) The member is traveling with another member who is an elected official who serves on the board or commission by virtue of his or her office;
(3) The member is traveling on an airplane or helicopter that is flying to a particular destination for official State business other than a meeting of a board or commission; or
(4) The Director of the Office of State Budget and Management has approved the use of the State airplane or helicopter as an exceptional circumstance.

The Director of the Office of State Budget and Management shall report to the Chairs of the Appropriations Committees of the Senate and House of Representatives by December 31 each year on the use of State aircraft in the prior year pursuant to subdivision (4) of this section.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

PRIVATE LICENSE PLATES ON PUBLICLY OWNED MOTOR VEHICLES

SECTION 6.14.(a) Chapter 20 of the General Statutes is amended by adding a new section to read:

"**§ 20-39.1. Publicly owned vehicles to be marked; private license plates on publicly owned vehicles.**

(a) Except as otherwise provided in this section, the executive head of every department of State government and every county, institution, or agency of the State shall mark every motor vehicle owned by the State, county, institution, or agency with a statement that the vehicle belongs to the State, county, institution, or agency. The requirements of this subsection are complied with if:

(1) The vehicle has imprinted on the license plate, above the license number, the words "State Owned" and the vehicle has affixed to the front the words "State Owned";
(2) In the case of a county, the vehicle has painted or affixed on its side a circle not less than eight inches in diameter showing a replica of the seal of the county; or
(3) In the case of vehicles assigned to members of the Council of State, the vehicle has imprinted on the license plate the license number assigned to the appropriate member of the Council of State pursuant to G.S. 20-79.5(a); a member of the Council of State shall not be assessed any registration fee if the member elects to have a State-owned motor vehicle assigned to the member designated by the official plate number.

(b) A motor vehicle used by any State or county officer or official for transporting, apprehending, or arresting persons charged with violations of the laws of the United States or the laws of this State is not required to be marked as provided in subsection (a) of this section. The Commissioner may lawfully provide private license plates to local, State, or federal departments or agencies for use on publicly owned or leased vehicles used for those purposes. Private license plates issued under this subsection shall be issued on an annual basis and the records of issuance shall be maintained in accordance with the provisions of G.S. 20-56.

(c) A motor vehicle used by a county for transporting day or residential facility clients of area mental health, developmental disabilities, and substance abuse authorities established under Article 4 of Chapter 122C of the General Statutes is not required to be marked as provided in subsection (a) of this section. The Commissioner may lawfully provide private license plates to counties for use on publicly owned or leased vehicles

used for that purpose. Private license plates issued under this subsection shall be issued on an annual basis and the records of issuance shall be maintained in accordance with the provisions of G.S. 20-56.

(d) For purposes of this section, the term "private license plate" refers to a license plate that would normally be issued to a private party and therefore lacks any markings indicating that it has been assigned to a publicly owned vehicle. "Confidential" license plates are a specialized form of private license plate for which a confidential registration has been authorized under subsection (e) of this section. "Fictitious" license plates are a specialized form of private license plate for which a fictitious registration has been issued under subsection (f) or (g) of this section.

(e) Upon approval and request of the Director of the State Bureau of Investigation, the Commissioner shall issue confidential license plates to local, State, or federal law enforcement agencies and agents of the Internal Revenue Service in accordance with the provisions of this subsection. Applicants in these categories shall provide satisfactory evidence to the Director of the State Bureau of Investigation of the following:

(1) The confidential license plate requested is to be used on a publicly owned or leased vehicle that is primarily used for transporting, apprehending, or arresting persons charged with violations of the laws of the United States or the State of North Carolina;

(2) The use of a confidential license plate is necessary to protect the personal safety of an officer or for placement on a vehicle used primarily for surveillance or undercover operations; and

(3) The application contains an original signature of the head of the requesting agency or department or, in the case of a federal agency, the signature of the senior ranking officer for that agency in this State.

Confidential license plates issued under this subsection shall be issued on an annual basis and the Division shall maintain a separate registration file for vehicles bearing confidential license plates. That file shall be confidential for the use of the Division and is not a public record within the meaning of Chapter 132 of the General Statutes. Upon the annual renewal of the registration of a vehicle for which a confidential status has been established under this section, the registration shall lose its confidential status unless the agency or department supplies the Director of the State Bureau of Investigation with information demonstrating that an officer's personal safety remains at risk or that the vehicle is still primarily used for surveillance or undercover operations at the time of renewal.

(f) The Commissioner may to the extent necessary provide law enforcement officers of the Division on special undercover assignments with motor vehicle operator's licenses and motor vehicle license plates under assumed names, using false or fictitious addresses. The Commissioner shall be responsible for the request for issuance and use of such licenses and license plates, and may direct the immediate return of any license or license plate issued pursuant to this subsection.

(g) The Commissioner may, upon the request of the Director of the State Bureau of Investigation and to the extent necessary, lawfully provide local, State, and federal law enforcement officers on special undercover assignments with motor vehicle drivers licenses and motor vehicle license plates under assumed names, using false or fictitious addresses. Fictitious license plates shall only be used on publicly owned or leased vehicles. A request for fictitious licenses and license plates by a local, State or federal law enforcement agency or department shall be made in writing to the Director of the State Bureau of Investigation and shall contain an original signature of the head of the requesting agency or department or, in the case of a federal agency, the signature of the senior ranking officer for that agency in this State.

Prior to the issuance of any fictitious license or license plate, the Director of the State Bureau of Investigation shall make a specific written finding that the request is justified and necessary. The Director shall maintain a record of all such licenses, license

plates, assumed names, false or fictitious addresses, and law enforcement officers using the licenses or license plates. That record shall be confidential and is not a public record within the meaning of Chapter 132 of the General Statutes. The Director shall request the immediate return of any license or registration that is no longer necessary.

Licenses and license plates provided under this subsection shall expire six months after initial issuance unless the Director of the State Bureau of Investigation has approved an extension in writing. The head of the local, State, or federal law enforcement agency shall be responsible for the use of the licenses and license plates and shall return them immediately to the Director for cancellation upon either (i) their expiration, (ii) request of the Director of the State Bureau of Investigation, or (iii) request of the Commissioner. Failure to return a license or license plate issued pursuant to this subsection shall be punished as a Class 2 misdemeanor. At no time shall the number of valid licenses issued under this subsection exceed two hundred nor shall the number of valid license plates issued under this subsection exceed one hundred twenty-five unless the Director determines that exceptional circumstances justify exceeding those amounts. However, fictitious licenses and license plates issued to special agents of the State Bureau of Investigation and alcohol law enforcement agents shall not be counted against the limitation on the total number of fictitious licenses and plates established by this subsection and shall be renewable annually.

(h) No private, confidential, or fictitious license plates issued under this section shall be used on privately owned vehicles under any circumstances.

(i) The Commissioner shall administer the issuance of private plates for State-owned vehicles under the provisions of this section to ensure strict compliance with those provisions. The Division shall report to the Joint Legislative Commission on Governmental Operations by January 1 and July 1 of each year on the total number of private plates issued to each agency, the total number of confidential plates issued to each agency, and the total number of fictitious licenses and plates issued by the Division."

SECTION 6.14.(b) Effective October 1, 2003, G.S. 20-39.1(b), as enacted in subsection (a) of this section, reads as rewritten:

"(b) A motor vehicle used by any ~~State or~~ county officer or official for transporting, apprehending, or arresting persons charged with violations of the laws of the United States or the laws of this State is not required to be marked as provided in subsection (a) of this section. The Commissioner may lawfully provide private license plates to ~~local, State,~~ local or federal law enforcement agencies for use on publicly owned or leased vehicles used for those purposes. Private license plates issued under this subsection shall be issued on an annual basis and the records of issuance shall be maintained in accordance with the provisions of G.S. 20-56."

SECTION 6.14.(c) All information placed in a confidential file pursuant to the provisions of G.S. 20-56(b) prior to the effective date of this section may remain in that file through December 31, 2001, unless that confidential registration expires prior to that date. Effective January 1, 2002, all confidential license plates issued by the Division of Motor Vehicles shall be converted to private plates unless prior to that date the agency or department that requested the maintenance of a confidential file has supplied the Director of the State Bureau of Investigation with the information required under G.S. 20-39.1(e), as enacted by this subsection (a) of this section.

SECTION 6.14.(d) G.S. 14-250 is repealed.

SECTION 6.14.(e) G.S. 20-39(g) and G.S. 20-39(h) are repealed.

SECTION 6.14.(f) The catchline of G.S. 20-39 reads as rewritten:

"**§ 20-39. Administering and enforcing laws; rules and regulations; agents, etc.; seal; ~~fees; licenses and plates for undercover officers.~~ fees.**"

SECTION 6.14.(g) G.S. 20-56(b) is repealed.

SECTION 6.14.(h) Subsection (b) of this section becomes effective October 1, 2003. Except as provided in subsection (c) of this section, the remainder of this section is effective when it becomes law.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

EXTEND THE COMMISSION TO ADDRESS SMART GROWTH, GROWTH MANAGEMENT, AND DEVELOPMENT ISSUES

SECTION 6.16. Section 16.7(g) of S.L.1999-237 reads as rewritten:

"Section 16.7.(g) Report. – The Commission shall submit an interim report to the 2000 Regular Session of the 1999 General Assembly and shall submit a final report of its findings and recommendations by ~~January 15, 2001,~~November 1, 2001, to the General Assembly, the Governor, and the citizens of the State. The report may include recommendations to (i) enact and implement a program of comprehensive planning, supportive infrastructure development, and growth management and (ii) address the issue of continued oversight of growth and development in the State, including whether a permanent commission should be established. The Commission shall terminate upon filing its final report."

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

MASTERS LEVEL INTERNSHIPS IN STATE AGENCIES

SECTION 6.17. The Governor's Public Management Fellowship Program (GPMFP) is reinstated. The Office of State Personnel shall continue to provide central coordination of the Program as provided by Executive Order No. 169, April 13, 2000. State agencies may resume paid internships for recent graduates of in-State Masters of Public Administration and Masters of Public Policy programs as provided by Executive Order No. 169, April 13, 2000, subject to the availability of agency funds.

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson

APPLICATION OF TORT CLAIMS ACT TO BUS DRIVERS

SECTION 6.18. G.S. 143-300.1(d) reads as rewritten:

"(d) Except as otherwise provided in this subsection, the ~~The~~ Attorney General ~~may~~ may, upon the request of an employee or former employee, defend any civil action brought against the driver, transportation safety assistant, or monitor of a public school bus or school transportation service vehicle or school bus maintenance mechanic when the driver or mechanic is employed and paid by the local school administrative unit, when the monitor is acting in accordance with G.S. 115C-245(d), when the transportation safety assistant is acting in accordance with G.S. 115C-245(e), or when the driver is an unpaid school bus driver trainee under the supervision of an authorized employee of the Department of Transportation, Division of Motor Vehicles, or an authorized employee of a county or city board of education or administrative unit. The Attorney General may afford this defense through the use of a member of his staff or, in his discretion, employ private counsel. The Attorney General is authorized to pay any judgment rendered in the civil action not to exceed the limit provided under the Tort Claims Act. The funds necessary to cover the first one hundred fifty thousand dollars ($150,000) of liability per claim shall be made available from funds appropriated to the State Board of Education. The balance of any liability owed shall be paid in accordance with G.S. 143-299.4. The Attorney General may compromise and settle any claim covered by this section to the extent that he finds the same to be valid, up to the limit provided in the Tort Claims Act, provided that the authority granted in this subsection shall be limited to only those claims that would be within the jurisdiction of the Industrial Commission under the Tort Claims Act.

The Attorney General shall refuse to provide for the defense of a civil action or proceeding brought against an employee or former employee if the Attorney General determines that:

(1) The act or omission was not within the scope and course of his employment as a State employee; or
(2) The employee or former employee acted or failed to act because of actual fraud, corruption, or actual malice on his part; or
(3) Defense of the action or proceeding by the State would create a conflict of interest between the State and the employee or former employee; or
(4) Defense of the action or proceeding would not be in the best interests of the State."

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

PERSONAL SERVICES CONTRACTS/REPORTING REQUIREMENTS

SECTION 6.19.(a) By January 1, 2002, and quarterly thereafter, each State department, agency, and institution shall make a detailed written report to the Office of State Budget and Management and the Office of State Personnel on its utilization of personal services contracts. The report by each State department, agency, and institution shall include the following:

(1) The total number of personal services contractors in service during the reporting period.
(2) The type, duration, status, and cost of each contract.
(3) The number of contractors utilized per contract.
(4) A description of the functions and projects requiring contractual services.
(5) The number of contractors for each function or project.
(6) Identification of the State employee responsible for oversight of the performance of each contract and the number of contractors reporting to each contract manager or supervisor.

SECTION 6.19.(b) By March 15, 2002, and biannually thereafter, the Office of State Budget and Management and the Office of State Personnel shall compile and analyze the information required under subsection (a) of this section and shall submit to the Joint Legislative Commission on Governmental Operations a detailed report on the type, number, duration, cost and effectiveness of State personal services contracts throughout State government.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

INCLUDE CONTINUING RESOLUTION ITEMS

SECTION 6.20.(a) All appropriations made in S.L. 2001-250, S.L. 2001-287, S.L. 2001-322, and S.L. 2001-395, are repealed and funds appropriated pursuant to those acts shall revert to the appropriate fund. The Director of the Budget shall adjust allocations made pursuant to the Current Operations and Capital Improvements Act of 2001 to reflect allocations made pursuant to S.L. 2001-250, S.L. 2001-287, S.L. 2001-322, and S.L. 2001-395, so as to give effect to the Current Operations and Capital Improvements Act of 2001 from July 1, 2001.

SECTION 6.20.(b) Section 5 of S.L. 2001-250, Section 5 of S.L. 2001-322, and Sections 2.1, 3, 4, 5, 6, 7, 8, 10, 15, and 16 of S.L. 2001-395 are repealed.

SECTION 6.20.(c) The provisions of S.L. 2001-250, S.L. 2001-287, S.L. 2001-322, and S.L. 2001-395, S.L. 2001 remain in effect for the 2001-2002 fiscal year except to the extent that:

(1) Those provisions are expressly repealed or amended in this act or
(2) Those provisions conflict with the provisions of this act. To the extent of such a conflict, the provisions of this act shall prevail.

(3) Those provisions expire or expired pursuant to the provisions of those acts.

PART VII. DEPARTMENT OF ADMINISTRATION

Requested by: Senators Warren, Rand, Kerr, Harris, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Dedmon, Wainwright, Walend, Easterling, Oldham, Redwine, Thompson

VETERANS' SCHOLARSHIP PROGRAM

SECTION 7.1.(a) G.S. 165-20(3) reads as rewritten:

"**§ 165-20. Definitions.**

As used in this Article the terms defined in this section shall have the following meaning:

…

(3) "Child" means a ~~person~~ person: (i) who is a domiciliary of North Carolina and is a resident of North Carolina when applying for a scholarship, (ii) who is a senior in high school or its equivalent and who will graduate at the end of the academic year or a person who has completed high school or its ~~equivalent prior to receipt of a scholarship as may be awarded under this Article,~~ equivalent, (iii) who has complied with the requirements of the Selective Service System, if applicable, and (iv) who further meets one of the following requirements:

a. A person whose veteran parent was a legal resident of North Carolina at the time of said veteran's entrance into that period of service in the armed forces during which eligibility is established under G.S. 165-22.

b. A veteran's child who was born in North Carolina and has lived in North Carolina continuously since birth. Provided, that the requirement in the preceding sentence as to birth in North Carolina may be waived by the Department of Administration if it is shown to the satisfaction of the Department that the child's mother was a native-born resident of North Carolina and was such resident at the time of her marriage to the veteran and was outside the State temporarily at the time of the child's birth, following which the child was returned to North Carolina within a reasonable period of time where said child has since lived continuously.

c. A person meeting either of the requirements set forth in subdivision (3)a or b above, and who was legally adopted by the veteran prior to said person's reaching the age of 15 years."

SECTION 7.1.(b) G.S. 165-21 reads as rewritten:

"**§ 165-21. Scholarship.**

(a) A scholarship granted pursuant to this Article shall consist of the following benefits in either a State or private educational institution:

(1) With respect to State educational institutions, unless expressly limited elsewhere in this Article, a scholarship shall consist of:

a. Tuition,

b. A reasonable board allowance,

c. A reasonable room allowance,

d. Matriculation and other institutional fees required to be paid as a condition to remaining in said institution and pursuing the course of study selected, excluding charges or fees for books, supplies, tools and clothing.

(2) With respect to private educational institutions, a scholarship shall consist of a monetary allowance as prescribed in G.S. 165-22.1(d).

(3) Only one scholarship may be granted pursuant to this Article with respect to each child and it shall not extend for a longer period than four academic years, which years, however, need not be consecutive.

(4) No educational assistance shall be afforded a child under this Article after the end of a 10-year period beginning on the date the scholarship is first awarded. Those persons who have been granted a scholarship under this Article prior to the effective date of this act shall be entitled to the remainder of their period of scholarship eligibility if used prior to August 1, 1999. Whenever a child is enrolled in an educational institution and the period of entitlement ends while enrolled in a term, quarter or semester, such period shall be extended to the end of such term, quarter or semester, but not beyond the entitlement limitation of four academic years.

(b) If a child is awarded a scholarship under this Article and the child is a senior in high school or its equivalent, then the scholarship shall be awarded pending the graduation of the child."

Requested by: Senators Warren, Rand, Kerr, Harris, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Dedmon, Wainwright, Gibson, Easterling, Oldham, Redwine, Thompson

MODIFICATIONS TO THE STATE EMPLOYEE INCENTIVE BONUS PROGRAM

SECTION 7.2.(a) G.S. 143-340(1) reads as rewritten:

"(1) To establish the State Employee Incentive Bonus Program pursuant to Article 36A of this Chapter, with the authority to adopt all rules necessary to implement the program. The Secretary shall serve ex officio on all program committees and shall designate an executive secretary to administer the program."

SECTION 7.2.(b) G.S. 143-345.20 reads as rewritten:

"**§ 143-345.20. Definitions.**

The following definitions apply in this Article:

(1) Baseline reversion. – The two-year historical average of reversions by a State department, agency, or institution.

~~(2) Employing unit. – Any of the following:~~

~~a. The principal Council of State office or department enumerated in G.S. 143A-11 for which a State employee works.~~

~~b. The principal State department enumerated in G.S. 143B-6 for which a State employee works.~~

~~c. The constituent institution of The University of North Carolina or the General Administration of The University of North Carolina for which a State employee works.~~

~~d. The local school administrative unit for which a State employee works.~~

~~e. The board, commission, or agency and its staff for which a State employee works, if that agency is not organizationally housed in any of the other offices, departments, or institutions listed in this subdivision.~~

(2a) Participating agency. – Any State department, agency, or institution, or any local school administrative unit that employs State employees eligible to participate in the State Employee Incentive Bonus Program. The term includes the North Carolina Community Colleges System, The University of North Carolina and its constituent institutions, and

charter schools. The term does not include federal or local government agencies.

(2b) SEIBP. – Acronym for the State Employee Incentive Bonus Program.

(3) State employee. – Any of the following:

a. A person who is a contributing member of the Teachers' and State Employees' Retirement System of North Carolina, the Consolidated Judicial Retirement System of North Carolina, or the Optional Program.

b. A person who receives wages from the State as a part-time or temporary worker, but is not otherwise a contributing member of one of the retirement programs listed in sub-subdivision a. of this subdivision."

SECTION 7.2.(c) G.S. 143-345.21 reads as rewritten:

"**§ 143-345.21. State employee incentive bonus.**

(a) A State employee or team of State employees may receive an incentive bonus or bonuses in reward for suggestions or innovations resulting in monetary savings to the State, increased revenues to the State, or improved quality of services delivered to the public.

~~(b) In addition to any bonuses paid directly to individual State employees, a portion of the cost-savings associated with any savings realized from permanent efficiencies implemented pursuant to this Article may be contributed to a reserve fund for State employee performance bonuses. Funds for State employee incentive bonuses shall only come from savings including reversions above the baseline reversion of the employing State department, agency, or institution.~~

(b1) The amount of savings generated by suggestions and innovations shall be determined after a 12-month period of implementation. No incentive bonus shall be paid prior to the expiration of 12 months, and payment may be delayed further as reasonably required to ensure that a complete cost implementation cycle is evaluated fully.

(c) ~~Savings generated by suggestions and innovations shall be determined at the end of the fiscal year in which the suggestion or innovation is implemented or the determination may be carried over for one full fiscal year after implementation before making an award if the actual savings cannot be verified before the end of the fiscal year.~~ Any savings are to be calculated using the actual expenditures for a program, activity, or service compared to the budgeted amount for the same, if an amount has been budgeted for the program, activity, or service. The savings calculation shall include the amount of any reversions in excess of the baseline reversion. ~~The savings or revenue increases realized from any suggestion or innovation implemented for less than one full fiscal year shall be annualized.~~ Any savings realized through the State Employee Incentive Bonus Program shall be weighed against continued service to the ~~public.~~public and the assurance that there is not a negative impact on State programs.

(d) If a suggestion or innovation affects a program, activity, or service for which no separate budgeted amount has been made, the State Coordinator, in conjunction with the agency evaluator or agency fiscal officer, or both for that suggestion or innovation, shall determine the budgetary impact of the suggestion or innovation.

(e) Federal and local government funds and corporate and foundation grant funds are excluded from the SEIBP.

(f) The Department of Administration shall establish the SEIBP reserve fund in which all savings for all suggestions shall be deposited as earned. Each participating agency shall be responsible for transferring savings to the SEIBP reserve fund. The funds may be encumbered as needed to ensure payment to the General Fund, to the suggester, and for distribution as required by G.S. 143-345.22. The Department of Administration shall provide the SEIBP reserve fund summary at the close of each fiscal year to the Office of State Budget and Management and to the participating agencies. The Office of State Budget and Management shall have oversight responsibility for ensuring that the required reversions and transfers are made to the

General Fund, and that all encumbered funds are accounted for and paid as required by law.

(g) No distribution of suggester awards shall occur until reversion requirements to the General Fund are met and distributions as required by G.S. 143-345.22 are satisfied and verified by the Office of State Budget and Management. When all of the requirements of G.S. 143-345.22 are fulfilled, the Department of Administration shall transfer to the suggester's agency funds required to award the suggester. The suggester's agency shall make the suggestion award and ensure that all taxes and withholding requirements are met.

(h) Implementation costs may be prorated over a maximum of three years for suggestions or innovations that are capital intensive, involve leading-edge technology, or involve unconventional processes that require longer than 12 months for implementation. The amount of the average annual savings minus the average annual implementation cost shall be used as the basis for the agency to recommend a suggester award. The State Review Committee shall consult the Office of State Budget and Management to make the final award determination in these cases.

(i) There is established in the Department of Administration a nonreverting fund to be administered by the Office of State Personnel for the training and education of permanent State employees to address specific mission critical needs and objectives. Funds shall be credited from the SEIBP to the fund as provided by this Article."

SECTION 7.2.(d) G.S. 143-345.22 reads as rewritten:

"**§ 143-345.22. Allocation of incentive bonus funds; nonmonetary recognition.**

(a) If a State employee's suggestion or innovation results in a monetary savings or increased revenue to the State, the funds saved or increased shall be distributed according to the following scale or subject to guidelines as set forth by the funding source:

(1) Twenty percent (20%) of the annualized savings or increased revenues, up to a maximum of twenty thousand dollars ($20,000) for any one State employee, to constitute gainsharing. If a team of State employees is the suggester, the bonus provided in this subdivision shall be divided equally among the team members, except that no team member ~~may~~ shall receive in excess of twenty thousand dollars ($20,000), nor ~~may~~ shall the team receive an aggregate amount in excess of one hundred thousand dollars ($100,000). These funds shall not revert.

(2) Thirty percent (30%) ~~for all current employees in the work unit, as designated by the agency head, of the employing unit of the suggester.~~allocated as follows:

a. Ten percent (10%) to the implementing agency for nonrecurring budget items to be used (i) by the implementing agency to provide equipment, supplies, training, and limited but appropriate recognition for the division, section, or group responsible for the implementation of the cost-saving measure and (ii) to meet other similar needs within the agency.

b. Ten percent (10%) to the Department of Administration for augmenting funding for the management and administration of the SEIBP. These funds shall not revert.

c. Ten percent (10%) to the State employee education and training fund administered by the Office of State Personnel under G.S. 143-342.21(i). These funds shall not revert.

(3) The remainder to the General Fund for nonrecurring budget items.

(a1) Of the pool of funds identified in subsection (a) of this section, only the General Fund appropriations shall be subject to reversion, except during declared budget emergencies. Under nonemergency budget conditions, SEIBP funds arising from savings at The University of North Carolina, the North Carolina Community Colleges

System, the Highway Trust Fund, enterprise funds, and receipt-supported organizations shall be exempt from the General Fund reversion requirements.

(b) The budget of a State agency shall not be reduced in the following fiscal year by an amount similar to the monetary savings or increased revenues realized by the State Employee Incentive Bonus Program. The agency budget shall be reduced in subsequent years only if structural or organizational changes are made that warrant the reductions, including the transfer of responsibility for an activity or service to another agency or the elimination of some function of State government.

(c) If a suggestion or innovation results in improved quality of services to the public or to other State agencies, departments, and institutions, but not in monetary savings to the State, the suggester shall receive a nonmonetary award in the form of a certificate, leave with pay, or other similar recognition."

SECTION 7.2.(e) G.S. 143-345.23 reads as rewritten:

"**§ 143-345.23. Suggestion and review process; role of agency coordinator and agency evaluator.**

(a) The process for a State employee or team of State employees to submit a cost-saving or revenue-increasing proposal shall begin ~~by~~ with the employee or team of employees submitting the suggestion or innovation to an agency ~~coordinator designated by the State department, agency, or institution impacted by the suggestion or innovation.~~coordinator. The agency coordinator, in conjunction with an agency evaluator, shall review the suggestion or innovation for submission to the State Review Committee established in ~~G.S. 143-345.14.~~G.S. 143-345.24.

(b) An agency coordinator shall be appointed by the head of each participating agency to serve as liaison between the agency, the suggester, the agency evaluator, and the SEIBP office. The duties of the agency coordinator shall include:

(1) Serving as an information source and maintaining sufficient forms necessary to submit suggestions.

(2) ~~Responsibility for presenting,~~ Presenting, in conjunction with the agency evaluator, the ~~plan of implementation for a suggestion or innovation~~ recommendation for an award to the State Review Committee.

(3) Working in conjunction with the agency evaluator ~~designated by the Agency Coordinator for~~ to process a particular suggestion or ~~innovation.~~innovation within 180 days, except when there are extenuating circumstances.

An agency may have more than one coordinator if required to provide sufficient services to State employees.

(c) An agency evaluator shall be designated by the management of the implementing agency to evaluate one or more suggestions. The duties of an agency evaluator shall include:

(1) ~~Reviewing~~ Receiving from the agency coordinator and reviewing within 90 days, when possible, the feasibility and effectiveness of cost-saving or revenue-increasing measures suggested by State employees.

(2) Being knowledgeable of the subject program, activity, or service.

(3) Determining, in conjunction with the agency fiscal officer, the budgetary impact of a suggestion or innovation.

(4) Judging impartially both the positive and negative effects of a suggestion or innovation on the current functions of the subject program, activity, or service.

~~The specific assignments of the agency evaluator shall be determined by the agency coordinator.~~

(d) The ~~State Coordinator~~ executive secretary shall be responsible for general oversight and coordination of the State Employee Incentive Bonus Program. The State ~~Coordinator~~ coordinator shall be ~~a State~~ an employee ~~working in~~of the Department of

Administration. The State coordinator shall be responsible for day-to-day SEIBP program management and administration of the technical aspects of the program. The State coordinator shall be an ex officio voting member of the State Review Committee."

SECTION 7.2.(f) G.S. 143-345.24 reads as rewritten:

"**§ 143-345.24. Incentive Bonus Review Committee.**

(a) The Incentive Bonus Review Committee, hereinafter "State Review Committee", shall consist of nine members, as follows:

(1) The State Coordinator.
(2) A representative of the Office of State Budget and Management.
(3) A representative of the Office of State Personnel.
(4) A representative of The University of North Carolina.
(5) A representative of the Department of Justice.
(6) A representative of the Department of Labor.
(7) One State employee appointed by the Speaker of the House of Representatives.
(8) One State employee appointed by the President Pro Tempore of the Senate.
(9) One State employee appointed by the Governor upon the recommendation of the State Employees Association of North Carolina, Inc.

(b) The duties of the State Review Committee shall include:

(1) ~~Responsibility for receiving~~ Receiving from the various agency coordinators recommendations on ~~suggestion and innovation implementation plans.~~suggestions and innovations.
(2) Determining the impact of a suggestion or innovation on State government services by judging the monetary savings, increased revenues, or improved quality of services generated by a suggestion or innovation.
(3) Ensuring that the State employee incentive bonus process does not result in a negative impact on services provided to taxpayers by State government.

(c) All administrative, management, clerical, and other functions and services required by the State Review Committee shall be supplied by the Department of Administration. The Department of Administration and the State Review Committee shall report annually to the Joint Legislative Commission on Governmental Operations on the administration of the State Employee Incentive Bonus Program."

SECTION 7.2.(g) G.S. 143-345.25 reads as rewritten:

"**§ 143-345.25. ~~Effect~~ Innovations deemed property of the State; effect of decisions regarding bonuses.**

(a) All suggestions or innovations submitted by State employees pursuant to this Article are the property of the ~~State.~~State, and all related intellectual property rights shall be assigned to the State. By January 1, 2002, the Office of State Personnel shall establish a policy regarding intellectual property rights that arise from the SEIBP.

(b) Decisions regarding the award of bonuses by the agency coordinator and the State Review Committee are final and are not subject to review under the contested case procedures of Chapter 150B of the General Statutes."

SECTION 7.2.(h) This section becomes effective July 1, 2001, and applies to State employee suggestions and innovations approved or awarded on or after that date.

Requested by: Senators Warren, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Easterling, Oldham, Redwine, Thompson

STUDY OF MOTOR FLEET MANAGEMENT

SECTION 7.3. The Office of State Budget and Management shall study the operations of the State motor fleet management system and shall consider the feasibility

of privatizing the function. The Office of State Budget and Management shall report the results of this study to the 2002 Regular Session of the 2001 General Assembly.

Requested by: Senators Warren, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Easterling, Oldham, Redwine, Thompson

MOTOR POOL OPERATIONS AND ASSIGNMENT OF VEHICLES

SECTION 7.4. G.S. 143-341(8)(i) reads as rewritten:

"**§ 143-341. Powers and duties of Department.**

The Department of Administration has the following powers and duties:

…

(8) General Services:

…

i. To establish and operate a central motor pool and such subsidiary related facilities as the Secretary may deem necessary, and to that end:

…

4. To maintain, store, repair, dispose of, and replace state-owned motor vehicles under the control of the Department. The Department shall ensure that state-owned vehicles are not normally replaced until they have been driven for ~~90,000~~ 110,000 miles or more.

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 economically 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. 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 subpart.

As used in this subpart, "economically suitable transportation" means the most cost-effective standard vehicle in the State motor fleet, unless special towing provisions are required by the ~~employee or~~ agency. The Department may not assign any employee or agency a motor vehicle that is not economically suitable. The Department shall not approve requests for vehicle assignment or reassignment when the purpose of that assignment or reassignment is to provide any employee with a newer or lower mileage vehicle because of his or her rank, management authority, or length of service or because of any non-job-related reason. The Department shall not assign "special use" vehicles, such as four-wheel drive vehicles or law enforcement vehicles, to any agency or individual except upon written justification, verified by historical data, and accepted by the Secretary. The Department may provide law enforcement vehicles only to those agencies which have statutory pursuit authority."

Requested by: Senators Warren, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Easterling, Oldham, Redwine, Thompson

TRANSFER BOARD OF SCIENCE AND TECHNOLOGY

SECTION 7.6. The statutory authority, power, duties, functions, records, personnel, property, unexpended balances of appropriations, allocations, or other funds, including the functions of budgeting and purchasing, of the North Carolina Board of Science and Technology, as established in G.S. 143B-426.30, are transferred to the Department of Commerce. Part 27 of Article 9 of Chapter 143B of the General Statutes is recodified as Part 18 of Article 10 of Chapter 143B of the General Statutes and the Revisor of Statutes shall substitute the term "Commerce" for the term "Administration" everywhere that term appears in Part 18 of Article 10 of Chapter 143B of the General Statues.

Requested by: Senators Warren, Rand, Kerr, Harris, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Dedmon, Wainwright, Easterling, Oldham, Redwine, Thompson

DOMESTIC VIOLENCE COMMISSION STAFFING

SECTION 7.7. G.S. 143B-394.15 is amended by adding a new subsection to read:

"(l) Staffing. – The Secretary of the Department of Administration shall be responsible for staffing the Commission. To that end, the Secretary shall, at a minimum, assign an employee to serve as a Deputy Director within the North Carolina Council for Women whose primary duties shall be to staff the Commission. The person assigned as Deputy Director shall have the education, experience, and any other qualifications necessary for the position."

Requested by: Senators Warren, Rand, Kerr, Harris, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Dedmon, Wainwright, Easterling, Oldham, Redwine, Thompson

PETROLEUM OVERCHARGE FUNDS ALLOCATION

SECTION 7.8.(a) There is appropriated from funds and interest thereon received from the case of United States v. Exxon that remain in the Special Reserve for Oil Overcharge Funds to the Department of Health and Human Services the sum of one million three hundred thousand dollars ($1,300,000) for the 2001-2002 fiscal year to be allocated to the Weatherization Assistance Program.

SECTION 7.8.(b) Any funds remaining in the Special Reserve for Oil Overcharge Funds after the allocation made pursuant to subsection (a) of this section may be expended only as authorized by the General Assembly. All interest or income accruing from all deposits or investments of cash balances shall be credited to the Special Reserve for Oil Overcharge Funds.

Requested by: Senators Plyler, Odom, Lee; Representatives Wainwright, Easterling, Oldham, Redwine, Thompson

HISTORICALLY UNDERUTILIZED BUSINESSES

SECTION 7.9. The Secretary of the Department of Administration shall maintain the Office of Historically Underutilized Businesses (HUB) as established by Executive Order 150. The HUB shall have the same duties, responsibilities, and functions as under Executive Order 150 until further action is taken by the General Assembly concerning the HUB. Every governmental entity required by statute to use the services of the Department of Administration in the purchase of goods and services shall report its use of historically underutilized businesses to the HUB on a quarterly basis. The HUB shall report annually to the Chairs of the Appropriation Subcommittee on General Government of the Senate and the House of Representatives by May 1 of each year.

PART VIII. OFFICE OF ADMINISTRATIVE HEARINGS

Requested by: Senators Warren, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Easterling, Oldham, Redwine, Thompson

OFFICE OF ADMINISTRATIVE HEARINGS RECLASSIFICATION OF POSITIONS

SECTION 8.1. The Office of Administrative Hearings shall reclassify positions in the Rules Division, Civil Rights Division, Hearings Division, and Administration Division of the Office of Administrative Hearings in accordance with the findings and recommendations of the Office of State Personnel submitted to the General Assembly on January 30, 2001.

PART IX. OFFICE OF THE STATE AUDITOR

Requested by: Senators Warren, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Easterling, Oldham, Redwine, Thompson

ELECTRONIC DISTRIBUTION OF AUDITOR'S REPORTS

SECTION 9.1.(a) G.S. 147-64.6(c) reads as rewritten:

"(c) The Auditor shall be responsible for the following acts and activities:

…

(12) The Auditor shall provide ~~in a written statement~~ a report to the Governor and Attorney General, and other appropriate officials, of such facts as are in his possession which pertain to the apparent violation of penal statutes or apparent instances of malfeasance, misfeasance, or nonfeasance by an officer or employee.

…

(14) The Auditor shall ~~provide copies of each audit report to~~ notify the General Assembly, the Governor, the Chief Executive Officer of each agency audited, and other persons as the Auditor deems ~~appropriate.~~ appropriate that an audit report has been published, its subject and title, and the locations, including State libraries, at which the report is available. The Auditor shall then distribute copies of the report only to those who request a report. The copies shall be in written or electronic form, as requested. He shall also file a copy of the audit report in the Auditor's office, which will be a permanent public record; Provided, nothing in this subsection shall be construed as authorizing or permitting the publication of information whose disclosure is otherwise prohibited by law.

…."

SECTION 9.1.(b) G.S. 147-64.5(a) reads as rewritten:

"(a) Joint Legislative Commission on Governmental Operations. – The Auditor shall furnish copies of any and all audits only when requested by the Joint Legislative Commission on Governmental Operations. The copies shall be in written or electronic form, as requested. Accordingly, the Auditor shall, upon request by the chairmen, appear before the Commission to present findings and answer questions concerning the results of these audits. The Commission is hereby authorized to use these audit findings in its inquiries concerning the operations of State agencies and is empowered to require agency heads to advise the Commission of actions taken or to be taken on any recommendations made in the report or explain the reasons for not taking action."

PART X. OFFICE OF THE STATE CONTROLLER

Requested by: Senators Warren, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Easterling, Oldham, Redwine, Thompson

OVERPAYMENTS AUDIT

SECTION 10.1.(a) During the 2001-2002 fiscal year, receipts generated by the collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors as required by G.S. 147-86.22(c) are to be deposited in the Special Reserve Account 24172.

SECTION 10.1.(b) For the 2001-2002 fiscal year, two hundred thousand dollars ($200,000) of the funds transferred from the Special Reserve Account 24172 shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs.

SECTION 10.1.(c) All funds available in the Special Reserve Account 24172 on July 1, 2001, are transferred to the General Fund on that date.

SECTION 10.1.(d) Any unobligated funds in the Special Reserve Account 24172 that are realized above the allowance in subsection (b) of this section are subject to appropriation by the General Assembly in the 2002 Regular Session of the 2001 General Assembly.

SECTION 10.1.(e) The State Controller shall report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into the Special Reserve Account and the disbursement of that revenue.

PART XI. DEPARTMENT OF CULTURAL RESOURCES

Requested by: Senators Warren, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Easterling, Oldham, Redwine, Thompson

COMPLETION OF THE INFORMATION TECHNOLOGY EXPANSION PROJECT AND THE INFORMATION RESOURCE MANAGEMENT COMMISSION PROJECT CERTIFICATION

SECTION 11.1. Of the funds appropriated to the Department of Cultural Resources, the sum of fifty thousand dollars ($50,000) shall be used to complete the planning for the Information Technology Expansion Project and the Information Resource Management Commission (IRMC) Project Certification. The Department shall not expend any additional funds for information technology expansion prior to review of the IRMC Project Certification by the Joint Select Committee on Information Technology. The results of the IRMC Project Certification shall be presented to the Joint Select Committee on Information Technology no later than March 1, 2002.

Requested by: Senators Lee, Warren, Rand, Kerr, Harris, Plyler, Odom, Representatives Jeffus, Sherrill, Dedmon, Wainwright, Easterling, Oldham, Redwine, Thompson

CIVIL WAR SITES TOURISM

SECTION 11.2.(a) The Department of Cultural Resources and the Department of Commerce and other public and private organizations shall study the feasibility of creating tourism programs that highlight the State's Civil War history.

SECTION 11.2.(b) The Departments shall consider the following information in conducting the study:

(1) Existing Civil War tourism programs in the State, including ways that those Departments already collaborate in promoting Civil War tourism.
(2) Successful Civil War tourism programs in other states.
(3) The acquisition of federal funds and ways in which private funds can be raised to support the preservation, development, and promotion of Civil War tourism recommended by the study.
(4) An analysis of the fiscal impact of each recommendation.

SECTION 11.2.(c) The Departments shall submit a final report of their findings and recommendations, including draft legislation to implement the

recommendations, to the Joint Appropriations Subcommittee on General Government and the Joint Appropriations Subcommittee on Natural and Economic Resources by April 15, 2002.

PART XII. OFFICE OF THE GOVERNOR

Requested by: Senators Warren, Rand, Kerr, Harris, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Dedmon, Wainwright, Baddour, Easterling, Oldham, Redwine, Thompson

ADVISORY COMMISSION ON MILITARY AFFAIRS

SECTION 12.1. The General Statutes are amended by adding a new Chapter to read:

"Chapter 127C.

"Advisory Commission on Military Affairs.

"**§ 127C-1. Creation of the North Carolina Advisory Commission on Military Affairs.**

There is created in the Office of the Governor the North Carolina Advisory Commission on Military Affairs to advise the Governor and the Secretary of Commerce on protecting the existing military infrastructure in this State and to promote new military missions and economic opportunities for the State and its citizens.

"**§ 127C-2. Membership.**

(a) The North Carolina Advisory Commission on Military Affairs shall consist of 21 voting members, who shall serve on the Executive Committee, and nine nonvoting, ex officio members who shall serve by reason of their positions.

(b) The Executive Committee shall be appointed as follows:

(1) Three members appointed by the Speaker of the House of Representatives, one of whom shall be a member of a recognized veterans' organization.

(2) Three members appointed by the President Pro Tempore of the Senate, one of whom shall be a member of a recognized veterans' organization.

(3) Fifteen members appointed by the Governor, consisting of:

a. Three representatives from the Jacksonville community.

b. Three representatives from the Havelock community.

c. Three representatives from the Goldsboro community.

d. Three representatives from the Fayetteville community.

e. Three public members from across the State.

(c) The following members shall serve ex officio:

(1) Secretary of Crime Control and Public Safety, or a designee.

(2) Secretary of Commerce, or a designee.

(3) Commanding General 18th Airborne Corps, Fort Bragg.

(4) Commanding General Marine Corps Base, Camp Lejeune.

(5) Commanding General Marine Corps Air Station, Cherry Point.

(6) Commander 4th FW, Seymour Johnson Air Force Base.

(7) Commander 43rd Airlift Wing, Pope Air Force Base.

(8) Commander of the U.S. Coast Guard Support Center, Elizabeth City.

(9) Adjutant General of the North Carolina National Guard.

(d) The Executive Committee appointed pursuant to subsection (b) of this section shall choose a Chairman and four Vice-Chairmen from amongst its membership.

"**§ 127C-3. Military Advisor.**

The Military Advisor within the Office of the Governor shall serve as the administrative head of the Commission and be responsible for the operations and normal business activities of the Commission, with oversight by the Executive Committee.

"**§ 127C-4. Purposes.**

The Commission shall have the following responsibilities and duties:

(1) Advise the Governor and Secretary of Commerce on how to strengthen the State's relationship with the military to protect the installations of this State from the results of any future defense budget cuts or military downsizing by providing a sound infrastructure, affordable housing, and affordable education for military members and their families, working to be viewed by national military leaders as the most military-friendly State in the nation.

(2) Develop a strategic plan to provide initiatives to support the long-term viability and prosperity of the military of this State that shall include, at least:

a. A comprehensive Economic Impact Study of Military Activities in North Carolina to be conducted by the North Carolina State University Department of Economics and the East Carolina University Office of Regional Development.

b. A Strengths/Weaknesses/Opportunities/Threats (SWOT) Analysis conducted by a professional strategic planning group on the current status of the military in North Carolina.

(3) Study ways to improve educational opportunities for military personnel in North Carolina.

(4) Assist in coordinating the State's interests in future activities of the Department of Defense.

(5) Promote initiatives to improve the quality of life for military personnel in this State."

Requested by: Senators Warren, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Easterling, Oldham, Redwine, Thompson

ELIMINATE STATE PLANNING UNIT AND RENAME BUDGET OFFICE

SECTION 12.2.(a) G.S. 143-10.3, 143-10.4, 143-10.5, and 143-10.6 are repealed.

SECTION 12.2.(b) The phrase "Office of State Budget, Planning, and Management" is deleted and replaced by the phrase "Office of State Budget and Management" wherever it occurs in each of the following General Statutes:

G.S. 7A-101.	Compensation.
G.S. 7A-113.	Bookkeeping and accounting systems equipment.
G.S. 18B-1009.	In-stand sales.
G.S. 20-7.	Issuance and renewal of drivers licenses.
G.S. 47-30.	Plats and subdivisions; mapping requirements.
G.S. 58-6-25.	Insurance regulatory charge.
G.S. 58-85A-1.	Creation of Fund; allocation to local fire districts and political subdivisions of the State.
G.S. 62A-25.	Use of funds.
G.S. 96-4.	Administration.
G.S. 96-32.	Common follow-up information management system created.
G.S. 96-35.	Reports on common follow-up system activities.
G.S. 97-80.	Rules and regulations; subpoena of witnesses; examination of books and records; depositions; costs.
G.S. 105-130.5.	Adjustments to federal taxable income in determining State net income.
G.S. 105-134.6.	Adjustments to taxable income.
G.S. 105-262.	Rules.
G.S. 108A-27.8.	Standard Program Counties – Duties of Department.
G.S. 115C-457.1.	Creation of Fund; administration.
G.S. 115C-457.2.	Remittance of moneys to the Fund.

G.S. 115C-457.3.	Transfer of funds to the State School Technology Fund.
G.S. 115C-546.1.	Creation of Fund; administration.
G.S. 115D-31.	State financial support of institutions.
G.S. 116-220.	Establishment and administration of self-insurance trust funds; rules and regulations; defense of actions against covered persons; application of § 143-300.6.
G.S. 120-30.45.	Fiscal note on legislation.
G.S. 120-30.49.	Compiling federal mandates; annual report.
G.S. 120-36.8.	Certification of legislation required by federal law.
G.S. 120-131.1.	Requests from legislative employees for assistance in the preparation of fiscal notes.
G.S. 120-166.	Additional criteria; nearness to another municipality.
G.S. 122A-16.	Oversight by committees of General Assembly; annual reports.
G.S. 122C-112.	Powers and duties of the Secretary.
G.S. 122C-185.	Application of funds belonging to State facilities.
G.S. 131D-4.2.	Adult care homes; family care homes; annual cost reports; exemptions; enforcement.
G.S. 131E-13.	Lease or sale of hospital facilities to or from for-profit or nonprofit corporations or other business entities by municipalities and hospital authorities.
G.S. 135-39.3.	Oversight team.
G.S. 138-6.	Travel allowances of State officers and employees.
G.S. 138-8.	Moving expenses of State employees.
G.S. 143-1.	Scope and definitions.
G.S. 143-2.	Purposes.
G.S. 143-3.5.	Coordination of statistics; fiscal analysis required for any bill proposed by a State agency that affects the budget.
G.S. 143-4.	(For applicability see note) Advisory Budget Commission.
G.S. 143-6.	Information from departments and agencies asking State aid.
G.S. 143-6.1.	Report on use of State funds by non-State entities.
G.S. 143-10.1A.	Same – Continuation and expansion costs.
G.S. 143-10.2.	Limit on number of State employees.
G.S. 143-10.3.	Strategic planning process.
G.S. 143-10.4.	Departmental operations plans.
G.S. 143-10.5.	Development of performance measures for major programs.
G.S. 143-10.7.	Review of department forms and reports.
G.S. 143-12.1.	Vending facilities.
G.S. 143-15.4.	General Fund operating budget size limited.
G.S. 143-19.	Help for Director.
G.S. 143-20.1.	Annual financial statements.
G.S. 143-27.	Appropriations to educational, charitable and correctional institutions are in addition to receipts by them.
G.S. 143-28.1.	Highway Fund appropriation.
G.S. 143-31.1.	Study and review of plans and specifications for building, improvement, etc., projects.
G.S. 143-34.2.	Information as to requests for nonstate funds for projects imposing obligation on State; statement of

	participation in contracts, etc., for nonstate funds; limiting clause required in certain contracts or grants.
G.S. 143-34.41.	Legislative intent; purpose.
G.S. 143-34.43.	Capital improvement needs criteria.
G.S. 143-34.44.	Agency capital improvement needs estimates.
G.S. 143-138.	North Carolina State Building Code.
G.S. 143-215.94P.	Groundwater Protection Loan Fund.
G.S. 143-299.4.	Payment of State excess liability.
G.S. 143-345.24.	Incentive Bonus Review Committee.
G.S. 143B-133.1.	Powers of Commission.
G.S. 143B-336.1.	Special Zoo Fund.
G.S. 143B-372.3.	Staff.
G.S. 143B-426.39.	Powers and duties of the State Controller.
G.S. 146-30.	Application of net proceeds.
G.S. 147-33.78.	Information Resource Management Commission.
G.S. 147-33.87.	Financial reporting and accountability for information technology investments and expenditures.
G.S. 147-86.22.	Statewide accounts receivable program.
G.S. 150B-21.	Agency must designate rule-making coordinator; duties of coordinator.
G.S. 150B-21.4.	Fiscal notes on rules.
G.S. 150B-21.9.	Standards and timetable for review by Commission.
G.S. 150B-21.28.	Role of the Office of State Budget and Management.
G.S. 153A-230.1.	Definitions.
G.S. 153A-230.2.	Creation of Satellite Jail/Work Release Unit Fund.
G.S. 153A-230.5.	Satellite jails/work release units built with non-State funds.
G.S. 159I-25.	Disbursement.
G.S. 159I-28.	Rules.
G.S. 159I-29.	Annual reports to Joint Legislative Commission on Governmental Operations.
G.S. 160A-486.	Estimates of population.
G.S. 163-132.5.	Cooperation of State and local agencies.

SECTION 12.2.(c) G.S. 147-33.85(b) reads as rewritten:

"(b) The Office shall coordinate with the ~~Office of State Budget, Planning, and Management~~ Office of State Budget and Management to integrate agency strategic and business planning, technology planning and budgeting, and project expenditure processes into the Office's information technology portfolio-based management. The Office shall provide recommendations for agency annual budget requests for information technology investments, projects, and initiatives to the ~~Office of State Budget, Planning, and Management.~~Office of State Budget and Management."

Requested by: Senators Warren, Rand, Kerr, Harris, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Dedmon, Wainwright, Easterling, Oldham, Redwine, Thompson

TRANSFER THE CENTER FOR GEOGRAPHIC INFORMATION ANALYSIS/GEODETIC SURVEY AND THE STATEWIDE FLOODPLAIN MAPPING UNIT

SECTION 12.3.(a) The Center for Geographic Information Analysis/Geodetic Survey is transferred from the Office of State Budget and Management to the Department of Environment and Natural Resources, Division of Land Resources. This transfer has all of the elements of a Type I transfer as defined in G.S. 143A-6.

SECTION 12.3.(b) The Statewide Floodplain Mapping Unit is transferred from the Office of State Budget and Management to the Department of Crime Control and Public Safety, Division of Emergency Management. This transfer has all of the elements of a Type I transfer as defined in G.S. 143A-6.

PART XIII. OFFICE OF STATE PERSONNEL

Requested by: Senators Warren, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Easterling, Oldham, Redwine, Thompson

ABOLISH OFFICE OF STATE PERSONNEL PREPARE PROGRAM

SECTION 13.1. The General Assembly encourages the Department of State Treasurer to include the model of the PREPARE program in its current delivery of retirement services. The PREPARE program in the Office of State Personnel is abolished.

PART XIV. GENERAL GOVERNMENT

Requested by: Senators Warren, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Easterling, Oldham, Redwine, Thompson

USE OF INTERNET FOR AGENCY PUBLICATIONS

SECTION 14.1.(a) Each of the State agencies listed in subsection (b) of this section shall review its printing and publication requirements and schedules and develop a plan to reduce the cost of printing, publishing, and distributing agency information and materials, including documents, reports, and other publications by using computer technology and the Internet, in particular, to distribute information and materials to the public. In developing the plan, each State agency shall review the statutory and regulatory requirements of the agency with regard to publishing and distributing information to the public and make recommendations on any statutory revisions needed to publish and distribute agency information over the Internet or by other computer-related means. Each agency shall submit a written report to the Fiscal Research Division of the General Assembly by April 1, 2002, outlining the required information and the recurring adjustments in the agency budget.

SECTION 14.1.(b) This section applies to the Office of the Governor, the Office of the Lieutenant Governor, the Department of Administration, the Office of the State Auditor, the Office of State Budget and Management, the Board of Elections, the Department of Insurance, the Office of the Secretary of State, the Office of the State Treasurer, the Office of Administrative Hearings, the Office of the State Controller, the Department of Cultural Resources, the General Assembly, the Office of State Personnel, the Department of Revenue, and the Rules Review Commission.

PART XIV-B. STATE BOARD OF ELECTIONS

Requested by: Senators Warren, Rand, Kerr, Harris, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Dedmon, Wainwright, Baddour, Nesbitt, Easterling, Oldham, Redwine, Thompson

EARLY VOTING FUNDS/GRANTS

SECTION 14B.1.(a) The State Board of Elections shall make grants as specified in subsection (b) of this section to certain counties that provided additional one-stop absentee voting sites in the 2000 General Election at locations other than the county board of elections office or the county courthouse. The funds for such grants shall come from funds previously appropriated, but not granted, to the State Board of Elections by S.L. 2000-136, for grants to counties to provide additional one-stop absentee voting sites. Under no circumstances shall any new grants by the State Board, under this act, be funded by any new appropriations. No other grants from funds previously appropriated, but not granted, to the State Board of Elections by S.L.

2000-136, for grants to counties to provide additional one-stop absentee voting shall be made other than those specified in subsection (b) of this section. Any funds from the fiscal year 2000-2001 appropriation remaining on June 30, 2001, shall not revert to the General Fund until the grant awards are made.

SECTION 14B.1.(b) The State Board of Elections shall make grants to the following county boards of elections in the amounts specified:

(1) Buncombe in the amount of fifteen thousand dollars ($15,000).
(2) Chatham in the amount of five thousand dollars ($5,000).
(3) Durham in the amount of ten thousand dollars ($10,000).
(4) Edgecombe in the amount of five thousand dollars ($5,000).
(5) Lenoir in the amount of ten thousand dollars ($10,000).
(6) Orange in the amount of five thousand dollars ($5,000).
(7) Wake in the amount of ten thousand dollars ($10,000).

PART XIV-D. DEPARTMENT OF REVENUE

Requested by: Senators Warren, Rand, Kerr, Harris, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Dedmon, Wainwright, Easterling, Oldham, Redwine, Thompson

PROJECT COLLECT TAX

SECTION 14D.1. Funds appropriated to the Department of Revenue for Project Collect Tax shall be transferred to a separate Fund Code in the Department's budget.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

REQUEST FOR PROPOSAL FOR PERFORMANCE-BASED CONTRACT FOR OVERDUE TAX COLLECTIONS

SECTION 14D.2. The Department of Revenue shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by October 1, 2001, and monthly thereafter regarding its progress in developing a request for proposal for a performance-based contract to collect overdue tax debts as defined in G.S. 105-243.1. The report shall include a list of any funds expended in developing the request for proposal and the purposes for which the funds were spent.

The Department of Revenue shall consult with the Joint Legislative Commission on Governmental Operations prior to issuing the request for proposal for performance-based contracts.

Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee; Representatives Allen, Buchanan, Luebke, Wainwright, Easterling, Oldham, Redwine

SALES TAX RATE ADMINISTRATIVE COSTS

SECTION 14D.3 The Department of Revenue may used up to two hundred thirty thousand one hundred sixty dollars ($230,160) in lapsed salary funds for the 2001-2002 fiscal year to hire temporary personnel to implement the change in the State sales tax rate effective October 16, 2001, as enacted by this act. In addition, the Department of Revenue may draw up to two hundred thirty thousand dollars ($230,000) from collections under Article 5 of Chapter 105 of the General Statutes for the 2001-2002 fiscal year to pay for printing, mailing, and other one-time costs necessary to implement the changes in the State sales tax effective October 16, 2001, as enacted by this act.

PART XIV-E. DEPARTMENT OF INSURANCE

Requested by: Senators Warren, Rand, Kerr, Harris, Plyler, Odom, Lee; Representatives Jeffus, Sherrill, Dedmon, Wainwright, Easterling, Oldham, Redwine, Thompson

AUTHORIZATION OF REIMBURSEMENT FROM THE INSURANCE REGULATORY FUND

SECTION 14E.1.(a) G.S. 58-6-25(d) is amended by adding the following new subdivisions to read:

"(4) Money appropriated for the office of Managed Care Patient Assistance Program established under G.S. 143-730 to pay the actual costs of administering the program.

(5) Money appropriated to the Department of Insurance for the implementation and administration of independent external review procedures required by Part 4 of Article 50 of this Chapter."

SECTION 14E.1.(b) This section becomes effective only if Senate Bill 199, 2001 General Assembly, becomes law.

PART XIV-F. SECRETARY OF STATE

Requested by: Senators Warren, Harris, Rand, Kerr, Representatives Jeffus, Sherrill, Dedmon, Wainwright

PRINTING AND DISTRIBUTION OF NORTH CAROLINA MANUAL

SECTION 14F.1. G.S. 147-54 reads as rewritten:

"**§ 147-54. Printing, distribution and sale of the North Carolina Manual.**

The Secretary of State shall have printed biennially for distribution and sale, ~~five thousand (5,000)~~ two thousand three hundred fifty (2,350) copies of the North Carolina Manual, and shall make distribution to the State agencies, individuals, institutions and others as herein set forth.

NORTH CAROLINA STATE GOVERNMENT:

Members of the GeneralAssembly	~~2ea.~~1 ea.
Officers of the General Assembly	1 ea.
Offices of the Clerk of each House of the General Assembly	1 ea.
Legislative Services Officer	1
Legislative Library	6
Members of the Council of State	2 ea.
Appointed Secretaries of Executive Departments	2 ea.
Personnel of the Department of the Secretary of State	1 ea.
State Board of Elections	2
Divisions of Archives and History, Director	1
Search Room	3
Publications Section	2
State Library	10
Libraries within State Agencies	1 ea.
Justices of the North Carolina Supreme Court	1 ea.
Judges of the North Carolina Court of Appeals	1 ea.
Judges of the North Carolina Superior Court	1 ea.
Supreme Court Library	12
Court of Appeals Library	2
Clerk of the Supreme Court	1
Clerk of the Court of Appeals	1
Reporter of the Supreme Court and Court of Appeals	1
Administrative Office of the Court	5

NORTH CAROLINA EDUCATIONAL INSTITUTIONS:

University of North Carolina System

General Administration Offices	12

Chancellors of the Constituent Institutions ..... 1 ea.
University of North Carolina – Chapel Hill Library 15
North Carolina State University Library 5
East Carolina University Library 5
North Carolina Central University Library 5
Appalachian State University Library 4
University of North Carolina – Charlotte Library 4
University of North Carolina – Greensboro Library 4
Western Carolina University Library 4
Other Constituent Institutions Libraries ..... 3 ea.
North Carolina School of the Arts 2
Institute of Government 2
Community Colleges and Technical Institutes ..... 2 ea.
Private Colleges and Universities
Duke University Library 6
Wake Forest University 6
Campbell University Library 5
Davidson College Library 4
All other Libraries of Senior and Junior Colleges ..... 2 ea.
Public and Private Schools containing grades 8-12 ..... 1 ea.
COUNTY GOVERNMENT:
Clerks of Court ..... 1 ea.
Registers of Deeds ..... 1 ea.
Public Libraries of North Carolina ..... 1 ea.
FEDERAL GOVERNMENT:
President of the United States 1
North Carolina Members of the Presidential Cabinet ..... 1 ea.
North Carolina Members of the United States Congress ..... 2 ea.
Library of Congress 3
Resident Judges of the Federal Judiciary
and United States Attorneys in North Carolina ..... 1 ea.
Secretaries of State of the United States
and Territories ..... 1 ea.

After making the above distribution, the remainder shall be sold at the cost of publication plus tax and postage and the proceeds from such sales deposited with the State Treasurer for use by the Publications Division of the Secretary of State's Office to defray the expense of publishing the North Carolina Manual. Libraries and educational institutions not covered in the above distribution shall be entitled to a twenty percent (20%) discount on the cost of any purchase(s)."

PART XV. INFORMATION TECHNOLOGY

Requested by: Senators Reeves, Hagan, Miller, Plyler, Odom, Lee; Representatives Tolson, Tucker, Russell, Miner, Easterling, Oldham, Redwine, Thompson

STATE AGENCIES TO REPORT ON INTELLECTUAL PROPERTY/STUDY STATE INTELLECTUAL PROPERTY ASSETS AND TECHNOLOGY TRANSFERS

SECTION 15.1.(a) Prior to (i) the transfer of any patentable intellectual property or (ii) the release of any State grants or loans to non-State entities for purposes related to the development of patentable intellectual property, the transferring State agency, institution, or other entity of the State shall prepare and submit to the Governor, the Joint Legislative Commission on Governmental Operations, and the Chairs of the House of Representatives Science and Technology Committee and the Senate Information Technology Committee a written evaluation of the following matters:

(1) If the proposed or pending transaction involves the transfer of patentable intellectual property developed by State employees within the scope of their employment:
   a. The nature of the State's interest in the patentable intellectual property.
   b. The potential value of the State's interest in the patentable intellectual property.
   c. How to best protect the State's interest in the patentable intellectual property, as appropriate.

(2) If the proposed or pending transaction involves the release of State grants or loans to a non-State entity for purposes related to the development of patentable intellectual property, the measures employed by the non-State entity to assure that the State funds do not inappropriately inure to the benefit of individuals serving in an official capacity for the State, a State agency, or the non-State entity that receives the funds.

SECTION 15.1.(b) The provisions of subsection (a) of this section do not apply to The University of North Carolina and its constituent institutions, or to the North Carolina Community Colleges System, or to employees of these respective institutions who are subject to the intellectual property and inventor policies of the institutions employing them.

SECTION 15.1.(c) The Board of Science and Technology shall study the transfer and use of intellectual property developed with State resources, including State funds, State personnel, or facilities. The Board shall recommend to the Governor and the General Assembly legislation or other mechanisms to promote and regulate the transfer and use of intellectual property assets developed with State resources. In conducting the study required by this section, the Board of Science and Technology shall consider the following:

(1) Economic benefits, including accelerated State revenue growth, that result from the commercialization of intellectual property assets developed with State resources.

(2) Potential methods, benefits, and detriments of recouping costs incurred by the State in the development of intellectual property assets that are subsequently commercialized.

(3) Potential methods, benefits, and detriments of sharing between the public and private sectors the profits or losses resulting from the commercialization of intellectual property assets developed with State resources.

(4) Existing and potential mechanisms for assuring that intellectual property assets developed with State resources do not inappropriately inure to the benefit of individuals serving in an official capacity for the State, a State agency, or an entity receiving or using State resources.

(5) Current and potential interplay between State and federal law governing the use and transfer of intellectual property assets developed with State resources.

(6) The experience of other states in addressing the transfer and use of intellectual property assets developed using State resources.

(7) Any other factors that the Board considers appropriate.

SECTION 15.1.(d) In formulating the recommendations enumerated in subsection (c) of this section, the Board of Science and Technology shall solicit input from affected parties, including State agencies, public and private universities, businesses with experience in the development, financing, and valuation of intellectual property assets, and organizations representing information technology and biotechnology businesses.

SECTION 15.1.(e) The Board of Science and Technology shall report the recommendations required by subsection (c) of this section to the Governor and to the 2002 Regular Session of the 2001 General Assembly.

Requested by: Senators Reeves, Hagan, Miller, Plyler, Odom, Lee; Representatives Tolson, Tucker, Russell, Miner, Easterling, Oldham, Redwine, Thompson

SECURITY STANDARDS FOR STATE INFORMATION TECHNOLOGY

SECTION 15.2.(a) G.S. 147-33.81 reads as rewritten:

"**§ 147-33.81. Definitions.**

As used in this Article:

(1) "Distributed information technology assets" means hardware, software, and communications equipment not classified as traditional mainframe-based items, including personal computers, local area networks (LANs), servers, mobile computers, peripheral equipment, and other related hardware and software items.

(2) "Information technology" means electronic data processing goods and ~~services and~~ services, telecommunications goods and services, security goods and services, microprocessors, software, information processing, office systems, any services related to the foregoing, and consulting or other services for design or redesign of information technology supporting business processes.

(3) "Information technology enterprise management" means a method for managing distributed information technology assets from acquisition through retirement so that total ownership costs (purchase, operation, maintenance, disposal, etc.) are minimized while maximum benefits are realized.

(4) "Information technology portfolio management" means a business-based approach for analyzing and ranking potential technology investments and selecting those investments that are the most cost-effective in supporting the strategic business and program objectives of the agency.

(5) "Office" means the Office of Information Technology Services as established in this Article.

(6) "State agency" means any department, institution, commission, committee, board, division, bureau, office, officer, or official of the State. The term does not include any State entity excluded from coverage under this Article by G.S. 147-33.80, unless otherwise expressly provided."

SECTION 15.2.(b) G.S. 147-33.82 reads as rewritten:

"**§ 147-33.82. Powers and duties of the State Chief Information Officer and the Office of Information Technology Services.**

(a) The Office of Information Technology Services shall:

(1) Procure all information technology for State agencies, as provided in Part 4 of this Article.

(2) Submit for approval of the Information Resources Management Commission all rates and fees for common, shared State government-wide technology services provided by the Office.

(3) Submit for approval of the Information Resources Management Commission recommended State government-wide, enterprise-level policies for information technology.

(4) Develop standards, procedures, and processes to implement policies approved by the Information Resources Management Commission.

(5) Assure that State agencies implement and manage information technology portfolio-based management of State information

technology resources, in accordance with the direction set by the State Chief Information Officer.

(6) Assure that State agencies implement and manage information technology enterprise management efforts of State government, in accordance with the direction set by the State Chief Information Officer.

(7) Provide recommendations to the Information Resources Management Commission for its biennial technology strategy and to develop State government-wide technology initiatives to be approved by the Information Resources Management Commission.

(8) Develop a project management, quality assurance, and architectural review process that adheres to the Information Resources Management Commission's certification program and portfolio-based management initiative.

(9) Establish and utilize the Information Technology Management Advisory Council to consist of representatives from other State agencies to advise the Office on information technology business management and technology matters.

(b) Notwithstanding any other provision of law, local governmental entities may use the information technology programs, services, or contracts offered by the Office, including information technology procurement, in accordance with the statutes, policies, and rules of the Office. For purposes of this subsection, "local governmental entities" includes local school administrative units, as defined in G.S. 115C-5, and community colleges. Local governmental entities are not required to comply with otherwise applicable competitive bidding requirements when using contracts established by the Office. Any other State entities may also use the information technology programs, services, or contracts offered by the Office, including information technology procurement, in accordance with the statutes, policies, and rules of the Office.

(c) The State Chief Information Officer shall establish an enterprise-wide set of standards for information technology security to maximize the functionality, security, and interoperability of the State's distributed information technology assets, including communications and encryption technologies. As part of this function, the State Chief Information Officer shall review periodically existing security standards and practices in place among the various State agencies to determine whether those standards and practices meet enterprise-wide security and encryption requirements. The State Chief Information Officer may assume the direct responsibility of providing for the information technology security of any State agency that fails to adhere to security standards adopted pursuant to this section. Any actions taken by the State Chief Information Officer under this subsection shall be reported to the Information Resources Management Commission at its next scheduled meeting.

(d) Notwithstanding G.S. 143-48.3 or any other provision of law, and except as otherwise provided by this subsection, all information technology security purchased using State funds, or for use by a State agency or in a State facility, shall be subject to approval by the State Chief Information Officer in accordance with security standards adopted under this section.

(1) If the legislative branch, the judicial branch, The University of North Carolina and its constituent institutions, local school administrative units as defined by G.S. 115C-5, or the North Carolina Community Colleges System develop their own security standards, taking into consideration the mission and functions of that entity, that are comparable to or exceed those set by the State Chief Information Officer under this section, then these entities may elect to be governed by their own respective security standards, and approval of the State Chief Information Officer shall not be required before the purchase of information technology security. The State Chief Information Officer

shall consult with the legislative branch, the judicial branch, The University of North Carolina and its constituent institutions, local school administrative units, and the North Carolina Community Colleges System in reviewing the security standards adopted by those entities.

(2) If the State Chief Information Officer certifies that a State agency has developed security standards that meet or exceed those set under this section, then the agency may elect to be governed by its own security standards, and approval of the State Chief Information Officer shall not be required before the purchase of information technology security. This certification by the State Chief Information Officer is subject to annual renewal and may be revoked by the State Chief Information Officer at any time that a State agency's standards no longer exceed those set under this section.

(e) The State Chief Information Officer shall submit the enterprise-wide set of standards for the State's information technology security to the Information Resources Management Commission for approval. The Information Resources Management Commission shall report approval of the standards to the Joint Legislative Commission on Governmental Operations prior to implementation of the standards. The State Chief Information Officer shall review and revise the standards at least annually, and the revisions shall be subject to approval by the Information Resources Management Commission, with the Commission reporting to the Joint Legislative Commission on Governmental Operations on the revisions.

(f) The head of each State agency shall cooperate with the State Chief Information Officer in the discharge of his or her duties by:

(1) Providing the full details of the agency's information technology and operational requirements.

(2) Providing comprehensive information concerning the information technology security employed to protect the agency's information technology.

(3) Forecasting the parameters of the agency's projected future information technology security needs and capabilities.

(4) Designating an agency liaison in the information technology area to coordinate with the State Chief Information Officer.

The information provided by State agencies to the State Chief Information Officer under this subsection is protected from public disclosure pursuant to G.S. 132-6.1(c)."

SECTION 15.2.(c) G.S. 147-64.6(c) is amended by adding a new subdivision to read:

"(18) The Auditor shall, after consultation and in coordination with the State Chief Information Officer, assess, confirm, and report on the security practices of information technology systems. If an agency has adopted standards pursuant to G.S. 147-33.82(d)(1) or (2), the audit shall be in accordance with those standards. The Auditor's assessment of information security practices shall include an assessment of network vulnerability. The Auditor may conduct network penetration or any similar procedure as the Auditor may deem necessary. The Auditor may investigate reported information technology security breaches, cyber attacks, and cyber fraud in State government. The Auditor shall issue public reports on the general results of the reviews undertaken pursuant to this subdivision but may provide agencies with detailed reports of the security issues identified pursuant to this subdivision which shall not be disclosed as provided in G.S. 132-6.1(c). For the purposes of this subdivision only, the Auditor is exempt from the provisions of Article 3 of Chapter 143 of the General Statutes in retaining contractors."

SECTION 15.2.(d) This section is effective when it becomes law.

Requested by: Senators Reeves, Hagan, Miller, Plyler, Odom, Lee; Representatives Tolson, Tucker, Russell, Miner, Easterling, Oldham, Redwine, Thompson

EXECUTIVE BUDGET ACT INFORMATION TECHNOLOGY PROVISIONS

SECTION 15.3.(a) G.S. 143-6 is amended by adding a new subsection to read:

"(b2) Any department, bureau, division, officer, board, commission, institution, or other State agency or undertaking desiring to request financial aid from the State for the purpose of acquiring or maintaining information technology as defined by G.S. 147-33.81(2) shall, before making the request for State financial aid, submit to the State Chief Information Officer (CIO) a statement of its needs in terms of information technology and other related requirements and shall furnish the CIO with any additional information requested by the CIO. The CIO shall then review the statement of needs submitted by the requesting department, bureau, division, officer, board, commission, institution, or other State agency or undertaking and perform additional analysis, as necessary, to comply with G.S. 147-33.82. All requests for financial aid for the purpose of acquiring or maintaining information technology shall be accompanied by a certification from the CIO deeming the request for financial aid to be consistent with Article 3D of Chapter 147 of the General Statutes. The CIO shall make recommendations to the Governor regarding the merits of requests for financial aid for the purpose of acquiring or maintaining information technology. This subsection shall not apply to requests for appropriations of less than one hundred thousand dollars ($100,000)."

SECTION 15.3.(b) G.S. 143-7 reads as rewritten:

"**§ 143-7. Itemized statements and forms; exemptions from G.S. 147-64.6(c)(10).**

(a) The statements and estimates required under G.S. 143-6 shall be itemized in accordance with the budget classification adopted by the State Controller, and upon forms prescribed by the Director, and shall be approved and certified by the respective heads or responsible officer of each department, bureau, board, commission, institution, or agency submitting same. Official estimate blanks which shall be used in making these reports shall be furnished by the Director of the Budget.

(b) The budget classification adopted by the State Controller and the forms prescribed by the Director shall include budget account codes relating specifically to information technology to allow reliable and meaningful analysis of information technology funding and expenditures throughout State government."

Requested by: Senators Reeves, Hagan, Miller, Plyler, Odom, Lee; Representatives Tolson, Tucker, Russell, Miner, Easterling, Oldham, Redwine, Thompson

COMPUTER NETWORKING COSTS/TELECOMMUNICATIONS SERVICE BILLING FOR STATE AGENCIES

SECTION 15.4.(a) The Office of the State Controller, the Office of State Budget and Management, and the Office of Information Technology Services shall adopt a common definition for computer networking costs. The definition shall include a specific and detailed list of the separate components that comprise overall networking costs. These agencies shall define a process to capture all such costs without redundancy.

SECTION 15.4.(b) The Office of the State Controller, the Office of State Budget and Management, and the Office of Information Technology Services shall complete the definition by December 15, 2001. By January 1, 2002, the agencies shall provide an interim report to the Joint Select Committee on Information Technology and to the Chairs of the House of Representatives Appropriations Subcommittee on Information Technology and the Senate Appropriations Committee on Information

Technology on the process to capture networking costs, with a final report by May 1, 2002.

SECTION 15.4.(c) The Office of State Personnel, in conjunction with the Office of Information Technology Services, shall devise a mechanism for identifying, by specific industry-relevant categories, State information technology positions across all relevant classifications in State government employment. The Office of State Personnel shall identify the results of market analyses comparing State information technology workers with private sector information technology workers. By January 1, 2002, the Office of State Personnel shall report on the results of the market analyses and its identification of State information technology personnel to the Joint Select Committee on Information Technology and to the Chairs of the House of Representatives Appropriations Subcommittee on Information Technology and the Senate Appropriations Committee on Information Technology.

SECTION 15.4.(d) The Office of Information Technology Services shall accurately identify and present State agencies with detailed information on the cost of the ITS services for telecommunications data and video services. The bill should clearly indicate the usage and the rate for the service.

SECTION 15.4.(e) By January 15, 2002, the Office of State Budget and Management shall conduct a detailed and comprehensive study of the costs of all information technology networks operated by or for the Administrative Office of the Courts and report the results of the study to the Joint Select Committee on Information Technology.

Requested by: Senators Reeves, Hagan, Miller, Plyler, Odom, Lee; Representatives Tolson, Tucker, Russell, Miner, Easterling, Oldham, Redwine, Thompson

STUDY STATE AGENCY USE OF CONTRACTORS FOR INFORMATION TECHNOLOGY/PILOT PROJECT FEASIBILITY STUDY

SECTION 15.5.(a) The Office of State Personnel, the Office of Information Technology Services, the Office of State Budget and Management, and the Office of the State Controller shall study the issue of State agency's use of information technology contractors. The study shall report on the number of contractors currently in use by State agencies, the duration of the working period for individual contractors, and the length of the contracts. The purpose of the contracts should be clearly identified, and the unit and actual costs of the contracts should be clearly identified.

SECTION 15.5.(b) The study report should recommend the most appropriate use of contractors (i.e., for discrete projects) and the most appropriate use of permanent employees (i.e., for ongoing activities such as LAN/WAN management). In cases where the study indicates that permanent employees are best suited for a given task or activity, the Office of State Personnel is directed to identify effective mechanisms for recruiting and retaining employees.

SECTION 15.5.(c) The study shall also compare the costs of outsourcing discrete functions and activities versus performing those activities with State government employees or contractors working for State agencies.

SECTION 15.5.(d) By March 1, 2002, the study group shall report its findings and recommendations to the Joint Legislative Commission on Governmental Operations and to the Joint Select Committee on Information Technology.

SECTION 15.5.(e) The Joint Select Committee on Information Technology shall conduct a feasibility study of a pilot program to allow budget flexibility for converting information technology contractors to employees in State agencies. The study shall include, but is not limited to, the following:

(1) Assessment of the need for budget flexibility for information technology staffing in the various agencies.

(2) Review of agency plans and projects pertaining to information technology operations and personal services contracts.

(3) Identification of the State agencies best suited to participate in a pilot project allowing budget flexibility for information technology staffing.
(4) Consideration of the advisability of limiting the number, type, and duration of new positions that would be created as the result of the budget flexibility pilot.
(5) Consideration of the training and career development initiatives that would be required to support and maximize the technical competencies needed in any new information technology positions created by the budget flexibility pilot.

The Joint Select Committee on Information Technology shall report its findings and recommendations to the General Assembly by the convening of the 2002 Regular Session of the 2001 General Assembly.

Requested by: Senators Reeves, Hagan, Miller, Plyler, Odom, Lee; Representatives Tolson, Tucker, Russell, Miner, Easterling, Oldham, Redwine, Thompson

E-PROCUREMENT/PROCUREMENT CARD PROGRAM

SECTION 15.6.(a) Section 20.3 of S.L. 1998-212, Section 24 of S.L. 1999-237, and Section 21.3 of S.L. 2000-67 are repealed.

SECTION 15.6.(b) G.S. 143-48.3 reads as rewritten:

"**§ 143-48.3. Electronic procurement.**

(a) The Department of Administration and the Office of the State Controller, in conjunction with the Office of Information Technology Services (ITS), the Department of State Auditor, the Department of State Treasurer, the University of North Carolina General Administration, the Community Colleges System Office, and the Department of Public Instruction shall collaborate to develop electronic or digital procurement standards.

(b) The Department of Administration, in conjunction with the Office of the State Controller and the Office of Information Technology Services may, upon request, provide to all State agencies, universities, local school administrative units, and the community colleges, training in the use of the electronic procurement system.

(c) The Office of Information Technology Services shall act as an Application Service Provider for an electronic procurement system and shall establish, manage, and operate this electronic procurement system and shall establish, manage, and operate, through State ownership or commercial leasing, in accordance with the requirements and operating standards developed by the Department of Administration, the Office of the State Controller, and ITS.

(d) ~~Nothing in this section modifies~~ This section does not otherwise modify existing law relating to procurement between The University of North Carolina, UNC Health Care, local school administrative units, community colleges, and the Department of Administration.

(e) The Board of Governors of The University of North Carolina may exempt North Carolina State University and the University of North Carolina at Chapel Hill from the electronic procurement system authorized by this Article until May 1, 2003, if the Board of Governors determines that each exemption is in the best interest of the respective constituent institutions. Each exemption shall be subject to the Board of Governors' annual review and reconsideration. Exempted constituent institutions shall continue working with the North Carolina E-Procurement Service as that system evolves and shall ensure that their proposed procurement systems are compatible with the North Carolina E-Procurement Service so that they may take advantage of this service to the greatest degree possible. Before an exempted institution expands any electronic procurement system, that institution shall consult with the Joint Legislative Commission on Governmental Operations and the Joint Select Committee on Information Technology. By May 1, 2003, the General Assembly shall evaluate the

efficacy of the State's electronic procurement system and the inclusion and participation of entities in the system.

(f) Any State entity, local school administrative unit, or community college operating a functional electronic procurement system established prior to September 1, 2001, may until May 1, 2003, continue to operate that system independently or may opt into the North Carolina E-Procurement Service. Each entity subject to this section shall notify the Information Resources Management Commission by January 1, 2002, and annually thereafter, of its intent to participate in the North Carolina E-Procurement Service."

SECTION 15.6.(c) The Board of Governors of The University of North Carolina shall take appropriate action to encourage the effective utilization of the North Carolina Electronic Procurement Service by the constituent institutions. By April 1, 2002, and annually thereafter, the Department of Administration and the Office of Information Technology Services, in conjunction with the UNC General Administration, shall review the effect of the exemptions granted under subsection (b) of this section upon the North Carolina Electronic Procurement Service and shall report their findings to the Joint Select Committee on Information Technology and the Joint Legislative Commission on Governmental Operations.

SECTION 15.6.(d) G.S. 143-49 is amended by adding a new subdivision to read:

"(8) To establish and maintain a procurement card program for use by State agencies, community colleges, constituent institutions of The University of North Carolina, and local school administrative units. The Secretary of Administration may adopt temporary rules for the implementation and operation of the program in accordance with the payment policies of the State Controller, after consultation with the Office of Information Technology Services. These rules would include the establishment of appropriate order limits that leverage the cost savings and efficiencies of the procurement card program in conjunction with the fullest possible use of the North Carolina E-Procurement Service. Procurement cards shall be utilized only through the E-Procurement Service. North Carolina State University and the University of North Carolina at Chapel Hill may use procurement cards consistent with the rules adopted by the Secretary, provided that the procurement cards have a purchase limit of two hundred fifty dollars ($250.00) per month. Prior to implementing the program, the Secretary shall consult with the State Controller, the UNC General Administration, the Community Colleges System Office, the State Auditor, the Department of Public Instruction, and the Office of Information Technology Services. The Secretary may periodically adjust the order limit authorized in this section after consulting with the State Controller, the UNC General Administration, the Community Colleges System Office, the Department of Public Instruction, and the Office of Information Technology Services."

SECTION 15.6.(e) This section is effective when it becomes law.

Requested by: Senators Reeves, Hagan, Miller, Plyler, Odom, Lee; Representatives Tolson, Tucker, Russell, Miner, Easterling, Oldham, Redwine, Thompson

NORTH CAROLINA INFORMATION HIGHWAY SITES

SECTION 15.7.(a) Of the funds available in the Office of Information Technology Services' operating cash, the sum of three million twenty-four thousand one hundred eighty-five dollars ($3,024,185) shall be used for the 2001-2002 fiscal year to fund North Carolina Information Highway (NCIH) sites that received funding from ITS operating cash during the 2000-2001 fiscal year. In consultation with the Community

Colleges System Office, the Department of Public Instruction, and the respective NCIH sites, the Office of Information Technology Services shall take appropriate action to ensure that NCIH funds are utilized efficiently, including modification of the allocations of funding for NCIH sites.

SECTION 15.7.(b) In consultation with the Office of Information Technology Services, the Community Colleges System Office shall:

(1) Evaluate utilization of the existing NCIH sites at community colleges.

(2) Consider appropriate actions relative to those community college sites that have experienced low utilization of the NCIH in the past year, including how funding for low–utilization sites should be reallocated to provide NCIH service to other community colleges that have higher usage, a demonstrated need, and the necessary facilities to utilize the NCIH most effectively and efficiently.

The Office of Information Technology Services may reallocate funding for NCIH sites at community colleges based upon the recommendations of the Community Colleges System Office.

SECTION 15.7.(c) In consultation with the Office of Information Technology Services, the Department of Public Instruction shall:

(1) Evaluate utilization of the existing NCIH sites in the public schools.

(2) Consider appropriate actions relative to those public school sites that have experienced low utilization of the NCIH in the past year, including how funding for low–utilization sites should be reallocated to provide NCIH service to other public schools that have higher usage, a demonstrated need, and the necessary facilities to utilize the NCIH most effectively and efficiently.

The Office of Information Technology Services may reallocate funding for NCIH sites in the public schools based upon the recommendations of the Department of Public Instruction.

SECTION 15.7.(d) The House of Representatives and Senate Appropriations Subcommittees on Education shall jointly review the use of the North Carolina Information Highway and recommend a mechanism for funding the sites beyond the 2001-2002 fiscal year.

Requested by: Senators Reeves, Hagan, Miller, Plyler, Odom, Lee; Representatives Tolson, Tucker, Russell, Miner, Easterling, Oldham, Redwine, Thompson

REDUCTION IN EXPENDITURES BASED ON ITS RATE REDUCTIONS/NO RATE INCREASES TO OFFSET REDUCTIONS

SECTION 15.8.(a) The Office of State Budget and Management shall administer reductions in the Telephone (532811), Telecommunications Data (532812), and Computer Data Processing (532821) expenditure accounts in an amount equal to four million dollars ($4,000,000) of General Fund appropriations through the allotment system established in G.S. 143-17. The reductions in expenditures shall be based on a percentage reduction in the rates for telephone/telecommunications and computer data processing services provided by the Office of Information Technology Services.

The Office of Information Technology Services shall have flexibility in establishing the rate reductions based upon a clear showing of cost reductions achieved through operational efficiencies or cost reductions achieved through less costly contractual arrangements. Based upon the rate reductions established by the Office of Information Technology Services, the Office of State Budget and Management shall have flexibility in allocating the reduction amounts among the Telephone (532811), Telecommunications Data (532812), and Computer Data Processing (532821) expenditure accounts. During Fiscal Years 2001-2002 and 2002-2003 allotments to each spending agency shall be reduced by a percentage of the General Fund amounts

appropriated to that agency for telephone/telecommunications and computer data processing services.

The Office of State Budget and Management shall coordinate the rate reductions and agency expenditure accounts reductions to ensure that expenditure reductions match rate reductions. The Office of Information Technology Services shall report the rate reductions to the Information Resources Management Commission, the Chairs of the House of Representatives and Senate Appropriations Committees, the Chairs of the Joint Appropriations Subcommittees on Information Technology, and to the Fiscal Research Division within 30 days of the certification of the 2001-2003 biennial budget.

SECTION 15.8.(b) The Office of Information Technology Services shall not increase rates to offset any reductions required by this act.

PART XVI. HOUSING FINANCE AGENCY

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

HOME PROGRAM MATCHING FUNDS

SECTION 16.1.(a) Funds appropriated in this act to the Housing Finance Agency for the federal HOME Program shall be used to match federal funds appropriated for the HOME Program. In allocating State funds appropriated to match federal HOME Program funds, the Agency shall give priority to HOME Program projects, as follows:

(1) First priority to projects that are located in counties designated as Tier One, Tier Two, or Tier Three Enterprise Counties under G.S. 105-129.3; and

(2) Second priority to projects that benefit persons and families whose incomes are fifty percent (50%) or less of the median family income for the local area, with adjustments for family size, according to the latest figures available from the United States Department of Housing and Urban Development.

The Housing Finance Agency shall report to the Joint Legislative Commission on Governmental Operations by April 1 of each year concerning the status of the HOME Program and shall include in the report information on priorities met, types of activities funded, and types of activities not funded.

SECTION 16.1.(b) If the United States Congress changes the HOME Program such that matching funds are not required for a given program year, then the Agency shall not spend the matching funds appropriated under this act for that program year.

SECTION 16.1.(c) Funds appropriated in this act to match federal HOME Program funds shall not revert to the General Fund on June 30, 2002, or on June 30, 2003.

PART XVII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

AUTHORIZE PROMOTION OF NC FARM PRODUCTS AT REST AREAS AND WELCOME CENTERS

SECTION 17.1. Article 6D of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-89.59A. Promotion of North Carolina farm products at rest areas and welcome centers.**

Subject to the approval of the Department, the Department of Agriculture and Consumer Services may distribute promotional materials and free samples of North Carolina farm products at rest areas and welcome centers located on controlled-access facilities and operated by the State for the purpose of promoting North Carolina farm products."

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

TRANSFER RURAL REHABILITATION CORPORATION TO AGRICULTURAL FINANCE AUTHORITY

SECTION 17.2.(a) G.S. 143A-63 reads as rewritten:

"**§ 143A-63. North Carolina Rural Rehabilitation Corporation; transfer.**

The North Carolina Rural Rehabilitation Corporation, and board of directors, as contained in Chapter 137 of the General Statutes and the laws of this State, is ~~hereby~~ transferred by a ~~Type II~~ Type I transfer to the North Carolina Agricultural Finance Authority in the Department of Agriculture and Consumer Services."

SECTION 17.2.(b) Article 2 of Chapter 137 of the General Statutes is repealed.

SECTION 17.2.(c) No later than January 15, 2002, the North Carolina Agricultural Finance Authority shall report to the Joint Legislative Commission on Governmental Operations, the Appropriations Subcommittees on Natural and Economic Resources in both the Senate and the House of Representatives, and the Fiscal Research Division on the status of the transfer required under this section. This report shall include any statutory changes that are needed to implement the transfer required under this section.

SECTION 17.2.(d) This section is effective when it becomes law.

Requested by: Senators Cunningham, Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Easterling, Oldham, Redwine, Thompson

FARMLAND PRESERVATION FUNDS

SECTION 17.3. The sum of two hundred thousand dollars ($200,000) appropriated in this act to the Department of Agriculture and Consumer Services for the North Carolina Farmland Preservation Trust Fund established in G.S. 106-744 shall be used to continue the purposes for which the Fund was established.

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Easterling, Oldham, Redwine, Thompson

FARMERS MARKETS AND AGRICULTURAL CENTERS/VENDING FACILITY EXEMPTION

SECTION 17.4. G.S. 111-42(c), as amended by S.L. 2000-41, reads as rewritten:

"(c) "State property or State building" means building and land owned, leased, or otherwise controlled by the State, exclusive of schools, colleges and universities, the North Carolina State Fair, farmers markets and agricultural centers, the Legislative Office Building, and the State Legislative Building."

PART XVIII. DEPARTMENT OF LABOR

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Easterling, Oldham, Redwine, Thompson

LABOR DEPARTMENT/ ELEVATOR INSPECTION FEE RECEIPTS

SECTION 18.1. If House Bill 232 of the 2001 General Assembly becomes law, the Department of Labor shall allocate the increased elevator and amusement device inspection fee receipts to support the Elevator and Amusement Device Bureau, and the Director of the Budget shall reduce appropriations to the Department as provided in G.S. 143-25.

PART XIX. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

STATEWIDE BEAVER DAMAGE CONTROL PROGRAM FUNDS

SECTION 19.1. Of the funds appropriated in this act to the Wildlife Resources Commission, the sum of five hundred thousand dollars ($500,000) for the 2001-2002 fiscal year and the sum of five hundred thousand dollars ($500,000) for the 2002-2003 fiscal year shall be used to provide the State share necessary to support the beaver damage control program established in G.S. 113-291.10, provided the sum of at least twenty-five thousand dollars ($25,000) in federal funds is available each fiscal year of the biennium to provide the federal share.

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Easterling, Oldham, Redwine, Thompson

GRASSROOTS SCIENCE PROGRAM

SECTION 19.2. Of the funds appropriated in this act to the Department of Environment and Natural Resources for the Grassroots Science Program, the sum of three million one hundred twenty thousand dollars ($3,120,000) for fiscal year 2001-2002 and the sum of three million one hundred twenty thousand dollars ($3,120,000) for fiscal year 2002-2003 are allocated as grants-in-aid for each fiscal year as follows:

	2001-2002	2002-2003
Aurora Fossil Museum	$58,733	$58,733
Cape Fear Museum	$209,018	$209,018
Catawba Science Center	$167,833	$167,833
Colburn Gem and Mineral Museum, Inc.	$71,336	$71,336
Discovery Place	$699,985	$699,985
Granville County Museum Commission, Inc. - Harris Gallery	$61,553	$61,553
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	$157,305	$157,305
Imagination Station	$94,815	$94,815
Iredell County Children's Museum	$58,342	$58,342
Museum of Coastal Carolina	$64,141	$64,141
Natural Science Center of Greensboro	$250,850	$250,850
North Carolina Museum of Life and Science	$445,843	$445,843
Rocky Mount Children's Museum	$88,855	$88,855
Schiele Museum of Natural History	$348,433	$348,433
Sci Works Science Center and Environmental Park of Forsyth County	$178,947	$178,947
Western North Carolina Nature Center	$164,011	$164,011

Total	$3,120,000	$3,120,000

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Easterling, Oldham, Redwine, Thompson

AGRICULTURE COST SHARE TECHNICAL ASSISTANCE PROGRAM FUNDS

SECTION 19.2A. Of the funds appropriated by this act to the Department of Environment and Natural Resources for the Agriculture Cost Share Program for Nonpoint Source Pollution Control for financial assistance funding, the sum of two hundred forty thousand dollars ($240,000) for the 2001-2002 fiscal year and the sum of two hundred forty thousand dollars ($240,000) for the 2002-2003 fiscal year shall be used to support the cost-share technical assistance in soil and water conservation districts participating in the Agriculture Cost Share Program for Nonpoint Source Pollution Control. This reallocation of funds is permanent, and the transfer of funds as provided by this section shall continue in subsequent fiscal years unless directed otherwise by the General Assembly.

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

TERMS FOR MEMBERS OF THE NORTH CAROLINA PARKS AND RECREATION AUTHORITY

SECTION 19.3.(a) G.S. 143B-313.2(b) reads as rewritten:

"(b) Terms. – Members shall serve ~~two-year terms~~staggered terms of office of three years. Members shall serve no more than two ~~full two-year terms~~consecutive three-year terms. After serving two consecutive three-year terms, a member is not eligible for appointment to the Authority for at least one year after the expiration date of that member's most recent term. Upon the expiration of a ~~two-year~~ three-year term, a member may continue to serve until a successor is appointed and duly qualified as provided by G.S. 128-7. ~~The term of members appointed under odd-numbered subdivisions of subsection (a) of this section shall expire on 30 June of odd-numbered years. The term of members appointed under even-numbered subdivisions of subsection (a) of this section shall expire on 30 June of even-numbered years.~~The terms of members appointed under subdivision (1), (5), (7), or (9) of subsection (a) of this section shall expire on July 1 of years that are evenly divisible by three. The terms of members appointed under subdivision (2), (4), (8), or (11) of subsection (a) of this section shall expire on July 1 of years that follow by one year those years that are evenly divisible by three. The terms of members appointed under subdivision (3), (6), or (10) of subsection (a) of this section shall expire on July 1 of years that precede by one year those years that are evenly divisible by three."

SECTION 19.3.(b) In order to alter the length of the staggered terms from two years to three years for the North Carolina Parks and Recreation Authority and to provide for an orderly transition in membership of the Authority as specified in G.S. 143B-313.2, as amended by subsection (a) of this section, notwithstanding G.S. 143B-313.2(b), as amended by subsection (a) of this section, the following apply:

(1) John D. Runkle shall serve in the position established by G.S. 143B-313.2(a)(1) until July 1, 2001.

(2) Wendell Begley shall serve in the position established by G.S. 143B-313.2(a)(2) until July 1, 2002.

(3) Jonathon B. Howes shall serve in the position established by G.S. 143B-313.2(a)(3) until July 1, 2003.

(4) Ron Kincaid shall serve in the position established by G.S. 143B-313.2(a)(4) until July 1, 2002.

(5) Russell Robinson III shall serve in the position established by G.S. 143B-313.2(a)(5) until July 1, 2001.

(6) Roy Alexander shall serve in the position established by G.S. 143B-313.2(a)(6) until July 1, 2003.
(7) Kenneth Sadler shall serve in the position established by G.S. 143B-313.2(a)(7) until July 1, 2001.
(8) Leslie Anderson shall serve in the position established by G.S. 143B-313.2(a)(8) until July 1, 2002.
(9) Troy Boyd shall serve in the position established by G.S. 143B-313.2(a)(9) until July 1, 2001.
(10) Harriet L. Farrior shall serve in the position established by G.S. 143B-313.2(a)(10) until July 1, 2003.
(11) Eddie Holbrook shall serve in the position established by G.S. 143B-313.2(a)(11) until July 1, 2002.

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

RECEIPTS FOR NC ZOOLOGICAL PARK ADMISSION FEE INCREASE TO BE USED FOR MARKETING PURPOSES

SECTION 19.4. Subject to the approval of the Secretary of Environment and Natural Resources, up to four hundred thousand dollars ($400,000) of the receipts from the increase in admission fees to the North Carolina Zoological Park for the 2001-2002 fiscal year and up to four hundred thousand dollars ($400,000) of those receipts for the 2002-2003 fiscal year may be used for marketing activities related to promoting the North Carolina Zoological Park.

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

NORTH CAROLINA WATER QUALITY WORKGROUP INITIATIVE/RIVERNET MONITORING SYSTEM PILOT PROGRAM/RESEARCH FUNDS

SECTION 19.5. Article 21 of Chapter 143 of the General Statutes is amended by adding a new section to read:

"**§ 143-215.8D. North Carolina Water Quality Workgroup; Rivernet.**

(a) The Department of Environment and Natural Resources and North Carolina State University shall jointly establish the North Carolina Water Quality Workgroup. The Workgroup shall work collaboratively with the appropriate divisions of the Department of Environment and Natural Resources and North Carolina State University, the Scientific Advisory Council on Water Resources and Coastal Fisheries Management, the Environmental Management Commission, and the Environmental Review Commission to identify the scientific and State agency databases that can be used to formulate public policy regarding the State's water quality, evaluate those databases to determine the information gaps in those databases, and establish the priorities for obtaining the information lacking in those databases. The Workgroup shall have the following duties:

(1) To address specifically the ongoing need of evaluation, synthesis, and presentation of current scientific knowledge that can be used to formulate public policy on water quality issues.
(2) To identify knowledge gaps in the current understanding of water quality problems and fill these gaps with appropriate research projects.
(3) To maintain a web-based water quality data distribution site.
(4) To organize and evaluate existing scientific and State agency water quality databases.
(5) To prioritize recognized knowledge gaps in water quality issues for immediate funding.

(b) The North Carolina Water Quality Workgroup shall be composed of no more than 15 members. Those members shall be jointly appointed by the Chancellor of North

Carolina State University and the Secretary of Environment and Natural Resources. Any person appointed as a member of the Workgroup shall be knowledgeable in one of the following areas:

(1) Water Quality Assessment, Water Quality Monitoring, and Water Quality Permitting.
(2) Nutrient Management.
(3) Water Pollution Control.
(4) Waste Management.
(5) Groundwater Resources.
(6) Stream Hydrology.
(7) Aquatic Biology.
(8) Environmental Education and Web-Based Data Dissemination.

(c) North Carolina State University shall provide meeting facilities for the North Carolina Water Quality Workgroup as requested by the Chair.

(d) The members of the North Carolina Water Quality Workgroup shall elect a Chair. The Chair shall call meetings of the Workgroup and set the meeting agenda.

(e) The Chair of the North Carolina Water Quality Workgroup shall report each year by January 30 to the Scientific Advisory Council on Water Resources and Coastal Fisheries Management, to the Environmental Review Commission, to the Cochairs of the House of Representatives and Senate Appropriations Subcommittees on Natural and Economic Resources, and to the Chancellor of North Carolina State University or the Chancellor's designee on the previous year's activities, findings, and recommendations of the North Carolina Water Quality Workgroup.

(f) The North Carolina Water Quality Workgroup shall develop a water quality monitoring system to be known as Rivernet that effectively uses the combined resources of North Carolina State University and State agencies. The Rivernet system shall be designed to implement advances in monitoring technology and information management systems with web-based data dissemination in the waters that are impaired based on the criteria of the State's basinwide water quality management plans. Water quality and nutrient parameters shall be continuously monitored at each station, and the data shall be sent back to a centralized computer server.

The Rivernet system shall be coordinated with related data collection and monitoring activities of the Department of Environment and Natural Resources, the Water Resources Research Institute, the North Carolina Water Quality Workgroup, and other research efforts pursued by academic institutions or State government entities. If the North Carolina Water Quality Workgroup chooses to employ a technology for which there are testing procedure guidelines promulgated by the United States Environmental Protection Agency, the American Public Health Association, the American Water Works Association, or the Water Environment Federation then the testing procedures shall comply with the appropriate guidelines. If the North Carolina Water Quality Workgroup chooses to employ a technology for which there are no testing procedure guidelines promulgated by any of the groups cited in this subsection, then the North Carolina Water Quality Workgroup may establish testing procedure guidelines.

The Rivernet system shall also have the capabilities to trigger alarms and notify the appropriate member of the Workgroup when monitoring stations exceed defined limits indicating a spill or a significant water quality or nutrient measurement event, which then can be comprehensively analyzed."

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

CONTINUE ONE-STOP PERMIT ASSISTANCE PILOT PROGRAM

SECTION 19.6.(a) The Department of Environment and Natural Resources shall continue the one-stop environmental permit application assistance and tracking system pilot project established under Section 13.7 of S.L. 2000-67 during the

2001-2003 fiscal biennium. It is the intent of the General Assembly that the Department of Environment and Natural Resources expand this pilot program to a statewide program effective in all of the Department's regional offices if the resources are available to do so during the 2001-2003 fiscal biennium. The provisions of Section 13.7(a) through (d) of S.L. 2000-67 apply to the pilot program under this section.

SECTION 19.6.(b) The Department of Environment and Natural Resources shall report to the Appropriations Subcommittees on Natural and Economic Resources in both the Senate and the House of Representatives, the Fiscal Research Division, and the Environmental Review Commission no later than April 1, 2002, and again no later than April 1, 2003, regarding the results of the pilot project continued under this section. This report shall include the number of environmental permits in the pilot project that took more than 90 days to issue or deny; the types of permits those were; the reasons for the extended processing time of those permits; how the time within which the permit was actually issued or denied compared with the projected time frame provided to the applicant by the Department; based on the data gathered in the pilot project, any recommendations regarding what the permit time frames should be for all major permits issued by the Department; and to what extent, if any, the program has been expanded to a statewide program under this section.

SECTION 19.6.(c) The Department of Environment and Natural Resources may adopt temporary rules to implement this section.

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

DIVISION OF RADIATION PROTECTION SELF-SUFFICIENCY PLAN

SECTION 19.7. The Department of Environment and Natural Resources shall develop a plan to make the Division of Radiation Protection of the Department of Environment and Natural Resources self-supporting within two years. The Department of Environment and Natural Resources shall report the details of this plan to the Appropriations Subcommittees on Natural and Economic Resources in both the Senate and the House of Representatives no later than January 15, 2002.

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

DENR TO STUDY FEASIBILITY OF TRANSFERRING SEDIMENTATION PROGRAM TO LOCAL GOVERNMENTS

SECTION 19.8. The Department of Environment and Natural Resources shall study the feasibility of transferring the program within the Department of Environment and Natural Resources under the Sedimentation Pollution Control Act of 1973, Article 4 of Chapter 113A of the General Statutes, to local governments. The Department of Environment and Natural Resources shall consider the economic impact that the proposed transfer would have on local governments, any savings that would be generated for the State by the proposed transfer, and any statutory changes that would be needed to implement such a transfer. The Department of Environment and Natural Resources shall report its findings and recommendations, including legislative proposals, to the Appropriations Subcommittees on Natural and Economic Resources in both the Senate and the House of Representatives no later than April 1, 2002.

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

SUBMERGED LANDS PROGRAM/SECRETARY DESIGNATE PROGRAM MANAGER

SECTION 19.9. The Secretary of Environment and Natural Resources shall designate from existing staff within the Department of Environment and Natural Resources a staff position to be responsible for managing the Submerged Lands Program. By November 1, 2001, the Secretary shall report to both the Senate and

House of Representatives Cochairs of the Appropriations Subcommittees on Natural and Economic Resources what position will manage the Program.

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

DENR RECLASSIFICATION OF SENIOR FIELD OFFICER POSITIONS REPORT

SECTION 19.10. The Department of Environment and Natural Resources shall report to the Senate and House of Representatives Cochairs of the full Appropriations Committee, and to the Senate and House of Representatives Cochairs of the Natural and Economic Resources Appropriations Subcommittees by January 1, 2002, on the Department's reclassification of its regional office managers as directed by Section 26.12 of S.L. 1995-324. The report shall include the following: the location and title of the four remaining positions, a description of the duties and responsibilities assigned to each position, a description of the day-to-day activities of each of the positions, an explanation of the purposes each of the positions serve, an explanation of how the positions benefit the Department, and a description of the role that the positions play in each of the respective communities and regions in which the positions are located.

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Easterling, Oldham, Redwine, Thompson

DENR STUDY OF ENVIRONMENTAL PERMITTING PROCESS

SECTION 19.11.(a) The Department of Environment and Natural Resources shall study the permitting process in the Division of Water Quality, the Division of Coastal Management as it relates to CAMA permits, and the Division of Land Resources as it relates to the sedimentation and erosion control plans. The study shall at a minimum include the following:

(1) A description of how the permitting process currently works.
(2) The number and types of permits issued by each of these Divisions.
(3) The time frame within which each of the types of permits is issued.
(4) The adequacy of existing staff levels to complete the issuance of permits in a timely manner.
(5) Whether duplication in the permitting process exists between the regional office and the central office staff.
(6) Efficiencies to be gained from delegation of authority to regional offices.
(7) Efficiencies to be gained from issuing more general permits.
(8) The amount of revenue generated by the permits and retained as departmental receipts.
(9) Any other information or issue deemed relevant by the Fiscal Research Division to provide an accurate analysis of the issues.

SECTION 19.11.(b) In conducting this study, the Department shall record its tracking of the permits and the statistical data regarding those permits in a format that is easily accessible and usable for fiscal analysis by the Fiscal Research Division.

SECTION 19.11.(c) The Department shall make a report with its findings and recommendations to the Senate and House of Representatives Cochairs of the full Appropriations Committee and to the Senate and House of Representatives Cochairs of the Natural and Economic Resources Appropriations Subcommittees, on ways to improve, expedite, or simplify the permitting process no later than March 10, 2002.

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Baker, Easterling, Oldham, Redwine, Thompson

REALLOCATE TOWN FORK CREEK FUNDS

SECTION 19.12.(a) Section 15.11(a) of S.L. 1997-443, as amended by Section 15.3 of S.L. 1999-237, Section 13.5 of S.L. 2000-67, and Section 90(e) of S.L. 2000-140, reads as rewritten:

"(a) The funds placed in a reserve account in the Department of Environment, Health, and Natural Resources pursuant to Section 26.3(c) of Chapter 507 of the 1995 Session Laws shall not revert until June 30, ~~2001.~~ 2003. Those funds are reallocated as follows:

(1) Five hundred ~~four thousand five hundred sixty~~ forty-one thousand six hundred eighty dollars ~~($504,560)~~ ($541,680) to the Stokes County Water and Sewer Authority, Inc., for the Germanton Water Project.

(2) ~~Nine hundred thirty thousand six hundred eighty dollars ($930,680)~~ Eight hundred ninety-three thousand five hundred sixty dollars ($893,560) to the Stokes County Water and Sewer Authority, Inc., for the Walnut Cove/Industrial Site Connection Project. Any funds under this subdivision not necessary for this project are reallocated to the project listed under subdivision (3) of this subsection upon the written finding of the Stokes County Water and Sewer Authority, Inc.

(3) Eighty thousand dollars ($80,000) to the Stokes County Water and Sewer Authority, Inc., for the Dan River Project.

(4) Thirty thousand dollars ($30,000) to the Department of Environment, Health, and Natural Resources for the Limestone Creek small watershed project in Duplin County.

(5) Three hundred forty thousand six hundred forty dollars ($340,640) to the Department of Environment, Health, and Natural Resources for the Deep Creek small watershed project in Yadkin County."

SECTION 19.12.(b) This section becomes effective June 30, 2001.

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Warwick, Easterling, Oldham, Redwine, Thompson

FAIR GEOGRAPHIC REPRESENTATION IN APPOINTMENTS TO THE ENVIRONMENTAL MANAGEMENT COMMISSION

SECTION 19.13.(a) G.S. 143B-282 is amended by adding a new subsection to read:

"(e) In appointing the members of the Commission, the appointing authorities shall make every effort to ensure fair geographic representation of the Commission."

SECTION 19.13.(b) This section is effective when it becomes law and applies to appointments made on or after that date.

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Easterling, Oldham, Redwine, Thompson

DENR POSITION FOR SCRAP TIRE PROGRAM

SECTION 19.14. Notwithstanding the provisions of G.S. 130A-309.63, the Department of Environment and Natural Resources may use funds in the Scrap Tire Disposal Account that, pursuant to G.S. 130A-309.63(d), are to be used for the cleanup of scrap tire collection sites, to maintain and support a position for the 2001-2002 fiscal year and for the 2002-2003 fiscal year to provide regulatory assistance to local governments to develop programs to prevent scrap tires from outside the State from being presented for free disposal and to complete the cleanup of nuisance tire collection sites.

PART XX. DEPARTMENT OF COMMERCE

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

TOURISM PROMOTION FUNDS

SECTION 20.1. Funds appropriated in this act to the Department of Commerce for tourism promotion grants shall be allocated according to per capita income, unemployment, and population growth in an effort to direct funds to counties most in need in terms of lowest per capita income, highest unemployment, and slowest population growth, in the following manner:

(1) Counties 1 through 20 are each eligible to receive a maximum grant of seven thousand five hundred dollars ($7,500) for each fiscal year, provided these funds are matched on the basis of one non-State dollar for every four State dollars.

(2) Counties 21 through 50 are each eligible to receive a maximum grant of three thousand five hundred dollars ($3,500) for two of the next three fiscal years, provided these funds are matched on the basis of one non-State dollar for every three State dollars.

(3) Counties 51 through 100 are each eligible to receive a maximum grant of three thousand five hundred dollars ($3,500) for alternating fiscal years, beginning with the 1991-92 fiscal year, provided these funds are matched on the basis of four non-State dollars for every State dollar.

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Easterling, Oldham, Redwine, Thompson

WANCHESE SEAFOOD INDUSTRIAL PARK FUNDS/OREGON INLET FUNDS

SECTION 20.2.(a) Of the funds appropriated in this act to the Department of Commerce for the Wanchese Seafood Industrial Park, the sum of one hundred twenty-seven thousand eight hundred seventy dollars ($127,870) for the 2001-2002 fiscal year and the sum of one hundred twenty-seven thousand eight hundred seventy dollars ($127,870) for the 2002-2003 fiscal year may be expended by the North Carolina Seafood Industrial Park Authority for operations, maintenance, repair, and capital improvements in accordance with Article 23C of Chapter 113 of the General Statutes, in addition to funds available to the Authority for these purposes.

SECTION 20.2.(b) Funds appropriated to the Department of Commerce for the 2000-2001 fiscal year for the Oregon Inlet Project that are unexpended and unencumbered as of June 30, 2001, shall not revert to the General Fund on June 30, 2001, but shall remain available to the Department for legal costs associated with the Project. This subsection becomes effective June 30, 2001.

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

INDUSTRIAL RECRUITMENT COMPETITIVE FUND

SECTION 20.3.(a) Funds appropriated in this act to the Department of Commerce for the Industrial Recruitment Competitive Fund shall be used to continue the Fund. The purpose of the Fund is to provide financial assistance to those businesses or industries deemed by the Governor to be vital to a healthy and growing State economy and that are making significant efforts to establish or expand in North Carolina. Moneys allocated from the Fund shall be used for the following purposes:

(1) Installation or purchase of equipment;

(2) Structural repairs, improvements, or renovations of existing buildings to be used for expansion; and

(3) Construction of or improvements to new or existing water, sewer, gas or electric utility distribution lines, or equipment for existing buildings.

Moneys may also be used for construction of or improvements to new or existing water, sewer, gas or electric utility distribution lines, or equipment to serve new or proposed industrial buildings used for manufacturing and industrial operations. The Governor shall adopt guidelines and procedures for the commitment of moneys from the Fund.

SECTION 20.3.(b) The Department of Commerce shall report on or before January 1, 2002, and quarterly thereafter to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division on the commitment, allocation, and use of funds allocated from the Industrial Recruitment Competitive Fund.

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

ABOLISH CENTER FOR ENTREPRENEURSHIP AND TECHNOLOGY

SECTION 20.4.(a) Effective July 1, 2001, the Center for Entrepreneurship and Technology (hereinafter Center) in the Department of Commerce (hereinafter Department) is abolished.

SECTION 20.4.(b) The Department shall not carryforward any unencumbered State funds for the Center to the 2001-2002 fiscal year. This subsection becomes effective June 30, 2001.

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

COMMERCE STUDY/ CONSOLIDATE BUSINESS AND INDUSTRY DIVISION REGIONAL OFFICES AND REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS

SECTION 20.5. The Department of Commerce (hereinafter Department) shall study the feasibility of consolidating each of the Business and Industry Division regional offices (hereinafter B&I) with a Regional Economic Development Commission (hereinafter Commission) office. In considering whether consolidation is feasible and would better advance the goals of both the B&I and the Commissions, the Department shall do at least the following:

(1) Evaluate the degree to which existing shared offices in Asheville, Edenton, Greensboro, and Research Triangle Park differ in organization, budget, and performance from the B&I offices in Charlotte, Greenville, and Fayetteville that do not share office space with Commissions.

(2) Evaluate the extent to which B&I staff responsibilities in each B&I office duplicate those performed by the Commission staff in their region regardless of whether the offices are shared or separate.

(3) Evaluate the extent to which existing B&I offices in Lenoir and Bryson City add value cost-effectively to the service provided by the Asheville office. In particular, the Department shall consider how the same level of service might be provided if the Lenoir and Bryson City offices were eliminated or merged into the Asheville office.

(4) Estimate any costs that would result from closing B&I offices in Charlotte, Greenville, and Fayetteville and consolidating them with Commissions in Charlotte, Kinston, and Elizabethtown, respectively. The Department shall also estimate any costs that would result from closing B&I offices in Lenoir and Bryson City and consolidating them with the Asheville office.

(5) Identify whether the actions described in subdivision (4) of this section would produce any net savings and, if affirmative, identify the sources of the savings. The Department shall document whether all current B&I regional staff would remain essential to program function if the

closings and consolidations described in subdivision (4) of this section were carried out.

The Department shall report its findings and recommendations, including any estimates of efficiencies and cost savings that may be produced by consolidating the Charlotte, Greenville, and Fayetteville B&I regional offices with Commissions and consolidating the Lenoir and Bryson City offices with the existing shared office in Asheville, to the House of Representatives and Senate Appropriations Subcommittees on Natural and Economic Resources by January 15, 2002.

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Easterling, Oldham, Redwine, Thompson

WORKER TRAINING TRUST FUND APPROPRIATIONS

SECTION 20.6.(a) There is appropriated from the Worker Training Trust Fund to the Employment Security Commission of North Carolina the sum of five million nine hundred thirty thousand sixteen dollars ($5,930,016) for the 2001-2002 fiscal year for the operation of local offices.

SECTION 20.6.(b) Notwithstanding the provisions of G.S. 96-5(f), there is appropriated from the Worker Training Trust Fund to the following agencies the following sums for the 2001-2002 fiscal year for the following purposes:

(1) Two million one hundred sixty-six thousand forty-seven dollars ($2,166,047) for the 2001-2002 fiscal year to the Department of Commerce, Division of Employment and Training, for the Employment and Training Grant Program;

(2) Nine hundred forty-one thousand seven hundred sixty dollars ($941,760) for the 2001-2002 fiscal year to the Department of Labor for customized training of the unemployed and the working poor for specific jobs needed by employers through the Department's Bureau for Training Initiatives;

(3) One million six hundred forty-four thousand three hundred twelve dollars ($1,644,312) for the 2001-2002 fiscal year to the Community Colleges System Office to continue the Focused Industrial Training Program;

(4) Two hundred eleven thousand eight hundred ninety-six dollars ($211,896) for the 2001-2002 fiscal year to the Employment Security Commission for the State Occupational Information Coordinating Committee to develop and operate an interagency system to track former participants in State education and training programs;

(5) Three hundred seventy-six thousand seven hundred four dollars ($376,704) for the 2001-2002 fiscal year to the Community Colleges System Office for a training program in entrepreneurial skills to be operated by North Carolina REAL Enterprises;

(6) Fifty-six thousand five hundred six dollars ($56,506) for the 2001-2002 fiscal year to the Employment Security Commission to maintain compliance with Chapter 96 of the General Statutes, which directs the Commission to employ the Common Follow-Up Management Information System to evaluate the effectiveness of the State's job training, education, and placement programs; and

(7) Nine hundred forty-one thousand seven hundred sixty dollars ($941,760) for the 2001-2002 fiscal year to the Department of Labor to continue the Apprenticeship Program.

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

BIOTECHNOLOGY CENTER

SECTION 20.7.(a) The North Carolina Biotechnology Center shall recapture funds spent in support of successful research and development efforts in the for-profit private sector.

SECTION 20.7.(b) The North Carolina Biotechnology Center shall provide funding for biotechnology, biomedical, and related bioscience applications under its Business and Science Technology Programs.

SECTION 20.7.(c) The North Carolina Biotechnology Center shall:

(1) By January 15, 2002, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
   a. State fiscal year 2000-2001 program activities, objectives, and accomplishments;
   b. State fiscal year 2000-2001 itemized expenditures and fund sources;
   c. State fiscal year 2001-2002 planned activities, objectives, and accomplishments including actual results through December 31, 2001; and
   d. State fiscal year 2001-2002 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2001;

(2) By January 15, 2003, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
   a. State fiscal year 2001-2002 program activities, objectives, and accomplishments;
   b. State fiscal year 2001-2002 itemized expenditures and fund sources;
   c. State fiscal year 2002-2003 planned activities, objectives, and accomplishments including actual results through December 31, 2002; and
   d. State fiscal year 2002-2003 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2002; and

(3) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

SECTION 20.7.(d) The North Carolina Biotechnology Center shall provide a report containing detailed budget, personnel, and salary information to the Office of State Budget and Management and to the Fiscal Research Division in the same manner as State departments and agencies in preparation for biennium budget requests.

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Alexander, Insko, Easterling, Oldham, Redwine, Thompson

BIOTECHNOLOGY CENTER/TECHNOLOGICAL DEVELOPMENT AUTHORITY, INC., PROFIT SHARING WITH STATE

SECTION 20.8.(a) Prior to receiving any General Fund disbursements for the 2001-2003 biennium, the North Carolina Biotechnology Center (hereinafter Center) and the North Carolina Technological Development Authority, Inc., (hereinafter Authority) must each enter into a memorandum of understanding with the Attorney General's Office in which they commit to do all of the following:

(1) Work with the Attorney General's Office to craft a legal agreement that specifies the manner in which any profits from investments made with State funds shall be shared with the State.

(2) Negotiate the terms of the legal agreement in good faith.

(3) Submit the proposed legal agreement to the Joint Legislative Commission on Governmental Operations for review by January 15, 2002.

(4) Execute the legal agreement no later than 30 days after it is presented to the Joint Legislative Commission on Governmental Operations.

SECTION 20.8.(b) If the Center or Authority fails to execute the legal agreement as provided in subdivision (a)(4) of this section, all disbursements to the Center or Authority shall be suspended until the legal agreement has been executed.

SECTION 20.8.(c) The Attorney General's Office shall consult with the Fiscal Research Division in crafting the memorandum of understanding and the legal agreement described in subsection (a) of this section.

SECTION 20.8.(d) The Center and the Authority shall submit a copy of the memorandum of understanding to the Fiscal Research Division prior to receiving any General Fund disbursements for the 2001-2003 biennium and shall submit a copy of the proposed legal agreement to the Division by January 15, 2002.

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Easterling, Oldham, Redwine, Thompson

NORTH CAROLINA TECHNOLOGICAL DEVELOPMENT AUTHORITY, INC./YADKIN/PEE DEE LAKES PROJECTS, INC./NORTH CAROLINA REAL ENTERPRISES/WORLD TRADE CENTER NORTH CAROLINA REPORTING REQUIREMENTS

SECTION 20.9.(a) The North Carolina Technological Development Authority, Inc., (TDA), Yadkin/Pee Dee Lakes Project, Inc., North Carolina REAL Enterprises, and World Trade Center North Carolina shall do the following:

(1) By January 15, 2002, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

a. State fiscal year 2001-2002 program activities, objectives, and accomplishments;

b. State fiscal year 2001-2002 itemized expenditures and fund sources;

c. State fiscal year 2002-2003 planned activities, objectives, and accomplishments including actual results through December 31, 2001; and

d. State fiscal year 2002-2003 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2001.

(2) Provide to the Fiscal Research Division a copy of the organizations' annual audited financial statement within 30 days of issuance of the statement.

SECTION 20.9.(b) Fourth-quarter allotments shall not be released to TDA or North Carolina REAL Enterprises until each entity satisfies its reporting requirement for January 15, 2002.

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS

SECTION 20.10.(a) Funds appropriated in this act to the Department of Commerce for regional economic development commissions shall be allocated to the following commissions in accordance with subsection (b) of this section: Western North Carolina Regional Economic Development Commission, Research Triangle Regional Commission, Southeastern North Carolina Regional Economic Development Commission, Piedmont Triad Partnership, Northeastern North Carolina Regional

Economic Development Commission, Global TransPark Development Commission, and Carolinas Partnership, Inc.

SECTION 20.10.(b) Funds appropriated pursuant to subsection (a) of this section shall be allocated to each regional economic development commission as follows:

(1) First, the Department shall establish each commission's allocation by determining the sum of allocations to each county that is a member of that commission. Each county's allocation shall be determined by dividing the county's enterprise factor by the sum of the enterprise factors for eligible counties and multiplying the resulting percentage by the amount of the appropriation. As used in this subdivision, the term "enterprise factor" means a county's enterprise factor as calculated under G.S. 105-129.3;

(2) Next, the Department shall subtract from funds allocated to the Global TransPark Development Zone the sum of two hundred four thousand four hundred thirty-three dollars ($204,433) in each fiscal year, which sum represents the interest earnings in each fiscal year on the estimated balance of seven million five hundred thousand dollars ($7,500,000) appropriated to the Global TransPark Development Zone in Section 6 of Chapter 561 of the 1993 Session Laws; and

(3) Next, the Department shall redistribute the sum of two hundred four thousand four hundred thirty-three dollars ($204,433) in each fiscal year to the seven regional economic development commissions named in subsection (a) of this section. Each commission's share of this redistribution shall be determined according to the enterprise factor formula set out in subdivision (1) of this subsection. This redistribution shall be in addition to each commission's allocation determined under subdivision (1) of this subsection.

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

REGIONAL COMMISSION REPORTS

SECTION 20.11.(a) Each regional economic development commission receiving a grant-in-aid from the Department of Commerce shall:

(1) By January 15, 2002, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Department of Commerce the following information:
   a. State fiscal year 2000-2001 program activities, objectives, and accomplishments;
   b. State fiscal year 2000-2001 itemized expenditures and fund sources;
   c. State fiscal year 2001-2002 planned activities, objectives, and accomplishments as specified in subdivisions (b)(1) through (b)(6) of this section including actual results through December 31, 2001;
   d. State fiscal year 2001-2002 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2001.

(2) By January 15, 2003, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Department of Commerce the following information:
   a. State fiscal year 2001-2002 program activities, objectives, and accomplishments;

b. State fiscal year 2001-2002 itemized expenditures and fund sources;
c. State fiscal year 2002-2003 planned activities, objectives, and accomplishments as specified in subdivisions (b)(1) through (b)(6) of this section including actual results through December 31, 2002;
d. State fiscal year 2002-2003 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2002.

(3) Provide to the Fiscal Research Division and the Department of Commerce a copy of its annual audited financial statement within 30 days of issuance of the statement.

SECTION 20.11.(b) Each regional economic development commission receiving a grant-in-aid from the Department of Commerce in each fiscal year of the 2001-2003 biennium shall by January 15 of each fiscal year report to the Department of Commerce the following information for the most recently completed fiscal year:

(1) The number of and description of marketing outreach events including trade shows, recruitment missions, and related activities;
(2) The number of jobs saved;
(3) The amount of investment and number of jobs created by the direct efforts of a commission;
(4) Initiatives undertaken to establish certified sites and shell buildings;
(5) The number of referrals or leads handled that were generated by the Department of Commerce;
(6) The number and listing of available sites and buildings within the region served by a commission;
(7) A listing of major accomplishments.

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

COUNCIL OF GOVERNMENT FUNDS

SECTION 20.12.(a) Of the funds appropriated in this act to the Department of Commerce, nine hundred thirty-five thousand dollars ($935,000) for the 2001-2002 fiscal year and nine hundred thirty-five thousand dollars ($935,000) for the 2002-2003 fiscal year shall only be used as provided by this section. Each regional council of government or lead regional organization is allocated up to fifty-five thousand dollars ($55,000) for each fiscal year, with the actual amount calculated as provided in subsection (b) of this section.

SECTION 20.12.(b) The funds shall be allocated as follows: A share of the maximum fifty-five thousand dollars ($55,000) each fiscal year shall be allocated to each county and smaller city, based on the most recent annual estimate of the Office of State Planning of the population of that county (less the population of any larger city within that county) or smaller city, divided by the sum of the total population of the region (less the population of larger cities within that region) and the total population of the region living in smaller cities. Those funds shall be paid to the regional council of government for the region in which that city or county is located upon receipt by the Department of Commerce of a resolution of the governing board of the county or city requesting release of the funds. If any city or county does not so request payment of funds by June 30 of a State fiscal year, that share of the allocation for that fiscal year shall revert to the General Fund.

SECTION 20.12.(c) A regional council of government may use funds appropriated by this section only to assist local governments in grant applications, economic development, community development, support of local industrial development activities, and other activities as deemed appropriate by the member governments.

SECTION 20.12.(d) Funds appropriated by this section shall not be used for payment of dues or assessments by the member governments and shall not supplant funds appropriated by the member governments.

SECTION 20.12.(e) As used in this section, "Larger City" means an incorporated city with a population of 50,000 or over. "Smaller City" means any other incorporated city.

SECTION 20.12.(f) Each council of government or lead regional organization shall do the following:

(1) By January 15, 2002, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
   a. State fiscal year 2000-2001 program activities, objectives, and accomplishments;
   b. State fiscal year 2000-2001 itemized expenditures and fund sources;
   c. State fiscal year 2001-2002 planned activities, objectives, and accomplishments, including actual results through December 31, 2001; and
   d. State fiscal year 2001-2002 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2001;

(2) By January 15, 2003, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
   a. State fiscal year 2001-2002 program activities, objectives, and accomplishments;
   b. State fiscal year 2001-2002 itemized expenditures and fund sources;
   c. State fiscal year 2002-2003 planned activities, objectives, and accomplishments, including actual results through December 31, 2002; and
   d. State fiscal year 2002-2003 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2002; and

(3) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee, Kerr, Warren; Representatives Fox, Owens, Easterling, Oldham, Redwine, Thompson

GLOBAL TRANSPARK DEVELOPMENT COMMISSION MEMBERSHIP CHANGES

SECTION 20.13.(a) G.S. 158-35(a) reads as rewritten:

"(a) Commission Membership. – The governing body of the Zone is the Global TransPark Development Commission. The members of the Commission must be residents of the Zone and shall be appointed as follows:

(1) The board of commissioners of each county participating in the Zone shall appoint three voting members, one of whom shall be a minority person as defined in G.S. 143-128(f)(2) and one of whom may be a member of the board of commissioners.

(2) The ~~Authority~~ Commission shall appoint at least three but no more than seven voting members. By the appointment of these members, the ~~Authority~~ Commission shall ensure that the voting membership of the Commission includes at least seven women and seven members of a racial minority described in G.S. 143-128(f)(2). The ~~Authority~~

Commission shall appoint the fewest number of members necessary to achieve these minimums.

(3) Four nonvoting members shall be appointed as follows:
   a. One appointed by the Chancellor of East Carolina University to represent the University.
   b. One appointed by a majority vote of the presidents of the community colleges located in the Zone, to represent the community colleges.
   c. One appointed by the chair of the State Ports Authority, to represent the sea ports of the State.
   d. One member of the board of directors of the Global TransPark Foundation, Inc., appointed by that board."

SECTION 20.13.(b) G.S. 158-35(c) reads as rewritten:

"(c) Removal; Vacancies. – A member of the Commission may be removed with or without cause by the appointing body. In addition, a majority of the Commission members may, by majority vote, remove a member of the Commission if that member does not attend at least three-quarters of the regularly scheduled meetings of the Commission during any consecutive 12-month period of service of that member on the Commission, except that absences excused by the Commission due to serious medical or family circumstances shall not be considered. If the Commission votes to remove a member under this subsection, the vacancy shall be filled in the same manner as the original appointment. Appointments to fill vacancies shall be made for the remainder of the unexpired term by the respective appointing authority. All members shall serve until their successors are appointed and qualified, unless removed from office."

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Hunter, Easterling, Oldham, Redwine, Thompson

NONPROFIT REPORTING REQUIREMENTS

SECTION 20.14.(a) The N.C. Institute for Minority Economic Development, Inc., Land Loss Prevention Project, North Carolina Coalition of Farm and Rural Families, Inc., North Carolina Minority Support Center, North Carolina Community Development Initiative, Inc., North Carolina Association of Community Development Corporations, Inc., and Partnership for the Sounds, Inc., shall do the following:

(1) By January 15, 2002, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
   a. State fiscal year 2000-2001 program activities, objectives, and accomplishments;
   b. State fiscal year 2000-2001 itemized expenditures and fund sources;
   c. State fiscal year 2001-2002 planned activities, objectives, and accomplishments including actual results through December 31, 2001; and
   d. State fiscal year 2001-2002 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2001;

(2) By January 15, 2003, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
   a. State fiscal year 2001-2002 program activities, objectives, and accomplishments;
   b. State fiscal year 2001-2002 itemized expenditures and fund sources;

c. State fiscal year 2002-2003 planned activities, objectives, and accomplishments including actual results through December 31, 2002; and

d. State fiscal year 2002-2003 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2002; and

(3) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

SECTION 20.14.(b) No funds appropriated under this act shall be released to a nonprofit organization listed in subsection (a) of this section until the organization has satisfied the reporting requirement for January 15, 2001. Fourth quarter allotments shall not be released to any nonprofit organization that does not satisfy the reporting requirements for January 15, 2002, or January 15, 2003.

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Hunter, Easterling, Oldham, Redwine, Thompson

RURAL ECONOMIC DEVELOPMENT CENTER

SECTION 20.15.(a) Of the funds appropriated in this act to the Rural Economic Development Center, Inc., the sum of one million seven hundred eighty-eight thousand seven hundred forty-nine dollars ($1,788,749) for the 2001-2002 fiscal year and the sum of one million seven hundred eighty-eight thousand seven hundred forty-nine dollars ($1,788,749) for the 2002-2003 fiscal year shall be allocated as follows:

	2001-2002 FY	2002-2003 FY
Research and Demonstration Grants	$444,000	$444,000
Technical Assistance and Center Administration of Research and Demonstration Grants	444,471	444,471
Center Administration, Oversight, and Other Programs	437,278	437,278
Administration of Clean Water/ Natural Gas Critical Needs Bond Act of 1998	199,722	199,722
Additional Administration of Supplemental Funding Program	138,278	138,278
Administration of Capacity Building Assistance Program (1998 Bond Act)	125,000	125,000.

SECTION 20.15.(b) The Rural Economic Development Center, Inc., shall provide a report containing detailed budget, personnel, and salary information to the Office of State Budget and Management in the same manner as State departments and agencies in preparation for biennium budget requests.

SECTION 20.15.(c) Not more than fifty percent (50%) of the interest earned on State funds appropriated to the Rural Economic Development Center, Inc., may be used by the Center for administrative purposes, including salaries and fringe benefits.

SECTION 20.15.(d) For purposes of this section, the term "community development corporation" means a nonprofit corporation:

(1) Chartered pursuant to Chapter 55A of the General Statutes;

(2) Tax-exempt pursuant to section 501(c)(3) of the Internal Revenue Code of 1986;

(3) Whose primary mission is to develop and improve low-income communities and neighborhoods through economic and related development;

(4) Whose activities and decisions are initiated, managed, and controlled by the constituents of those local communities; and

(5) Whose primary function is to act as deal-maker and packager of projects and activities that will increase their constituencies' opportunities to become owners, managers, and producers of small businesses, affordable housing, and jobs designed to produce positive cash flow and curb blight in the targeted community.

SECTION 20.15.(e) Of the funds appropriated in this act to the Rural Economic Development Center, Inc., the sum of two million nine hundred two thousand dollars ($2,902,000) for the 2001-2002 fiscal year and the sum of two million nine hundred two thousand dollars ($2,902,000) for the 2002-2003 fiscal year shall be allocated as follows:

(1) $1,124,000 in each fiscal year for community development grants to support development projects and activities within the State's minority communities. Any community development corporation as defined in this section is eligible to apply for funds. The Rural Economic Development Center, Inc., shall establish performance-based criteria for determining which community development corporation will receive a grant and the grant amount. The Rural Economic Development Center, Inc., shall allocate these funds as follows:

a. $837,720 in each fiscal year for direct grants to the local community development corporations that have previously received State funds for this purpose to support operations and project activities;

b. $236,280 in each fiscal year for direct grants to local community development corporations that have not previously received State funds; and

c. $50,000 in each fiscal year to the Rural Economic Development Center, Inc., to be used to cover expenses in administering this section.

(2) $234,000 in each fiscal year to the Microenterprise Loan Program to support the loan fund and operations of the Program; and

(3) $1,344,000 in each fiscal year shall be used for a program to provide supplemental funding for matching requirements for projects and activities authorized under this subdivision. The Center shall allocate these funds as follows:

a. $1,094,000 in each fiscal year to make grants to local governments and nonprofit corporations to provide funds necessary to match federal grants or other grants for:

1. Necessary economic development projects and activities in economically distressed areas;

2. Necessary water and sewer projects and activities in economically distressed communities to address health or environmental quality problems except that funds shall not be expended for the repair or replacement of low-pressure pipe wastewater systems. If a grant is awarded under this sub-subdivision, then the grant shall be matched on a dollar-for-dollar basis in the amount of the grant awarded; or

3. Projects that demonstrate alternative water and waste management processes for local governments. Special consideration should be given to cost-effectiveness, efficacy, management efficiency, and the ability of the demonstration project to be replicated.

b. $250,000 in each fiscal year to make grants to local governments and nonprofit corporations to provide funds necessary to match federal grants or other grants related to water, sewer, or business development projects.

(4) $200,000 in each fiscal year for the Agricultural Advancement Consortium. These funds shall be placed in a reserve and allocated as follows:

a. $75,000 in each fiscal year for operating expenses associated with the Consortium; and

b. $125,000 in each fiscal year for research initiatives funded by the Consortium.

The Consortium shall facilitate discussions among interested parties and shall develop recommendations to improve the State's economic development through farming and agricultural interests.

The grant recipients in this subsection shall be selected on the basis of need.

SECTION 20.15.(f) For the 2001-2002 fiscal year only, the Office of State Budget and Management shall reduce the funds appropriated in this act to the Rural Economic Development Center, Inc., by an amount of nine hundred ninety-nine thousand six hundred ninety-four dollars ($999,694). The Center shall compensate for this reduction by using available cash balances from the Child Care Loan Fund in the amount of four hundred ninety-nine thousand six hundred ninety-four dollars ($499,694) and the amount of five hundred thousand dollars ($500,000) from other cash reserves on hand.

SECTION 20.15.(g) The Rural Economic Development Center, Inc., shall:

(1) By January 15, 2002, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

a. State fiscal year 2000-2001 program activities, objectives, and accomplishments;

b. State fiscal year 2000-2001 itemized expenditures and fund sources;

c. State fiscal year 2001-2002 planned activities, objectives, and accomplishments including actual results through December 31, 2001; and

d. State fiscal year 2001-2002 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2001.

(2) By January 15, 2003, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

a. State fiscal year 2001-2002 program activities, objectives, and accomplishments;

b. State fiscal year 2001-2002 itemized expenditures and fund sources;

c. State fiscal year 2002-2003 planned activities, objectives, and accomplishments including actual results through December 31, 2002; and

d. State fiscal year 2002-2003 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2002.

(3) Provide to the Fiscal Research Division a copy of each grant recipient's annual audited financial statement within 30 days of issuance of the statement.

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Easterling, Oldham, Redwine, Thompson

OPPORTUNITIES INDUSTRIALIZATION CENTER FUNDS

SECTION 20.16.(a) Of the funds appropriated in this act to the Rural Economic Development Center, Inc., the sum of four hundred thousand dollars ($400,000) for the 2001-2002 fiscal year and the sum of four hundred thousand dollars ($400,000) for the 2002-2003 fiscal year shall be allocated as follows:

(1) $100,000 in each fiscal year to the Opportunities Industrialization Center of Wilson, Inc., for its ongoing job training programs;
(2) $100,000 in each fiscal year to the Opportunities Industrialization Center, Inc., in Rocky Mount, for its ongoing job training programs;
(3) $100,000 in each fiscal year to the Opportunities Industrialization Centers Kinston and Lenoir County, North Carolina, Inc.; and
(4) $100,000 in each fiscal year to the Opportunities Industrialization Center of Elizabeth City, Inc.

SECTION 20.16.(b) For each of the Opportunities Industrialization Centers receiving funds pursuant to subsection (a) of this section, the Rural Economic Development Center, Inc., shall:

(1) By January 15, 2002, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
    a. State fiscal year 2000-2001 program activities, objectives, and accomplishments;
    b. State fiscal year 2000-2001 itemized expenditures and fund sources;
    c. State fiscal year 2001-2002 planned activities, objectives, and accomplishments, including actual results through December 31, 2001; and
    d. State fiscal year 2001-2002 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2001.
(2) By January 15, 2003, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
    a. State fiscal year 2001-2002 program activities, objectives, and accomplishments;
    b. State fiscal year 2001-2002 itemized expenditures and fund sources;
    c. State fiscal year 2002-2003 planned activities, objectives, and accomplishments, including actual results through December 31, 2002; and
    d. State fiscal year 2002-2003 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2002.
(3) Notwithstanding G.S. 143-6.1(d), file annually with the State Auditor a financial statement in the form and on the schedule prescribed by the State Auditor. The financial statements must be audited in accordance with standards prescribed by the State Auditor to assure that State funds are used for the purposes provided by law.
(4) Provide to the Fiscal Research Division a copy of the annual audited financial statement required in subdivision (3) of this subsection within 30 days of issuance of the statement.

SECTION 20.16.(c) No funds appropriated under this act shall be released to an Opportunities Industrialization Center (hereinafter Center) listed in subsection (a)

of this section unless the Center can demonstrate that there are no outstanding or proposed assessments or other collection actions against the Center for any State or federal taxes, including related penalties, interest, and fees.

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Easterling, Oldham, Redwine, Thompson

TRANSFER COMMON FOLLOW-UP EVALUATION FROM OSBPM TO ESC

SECTION 20.17.(a) G.S. 96-32 reads as rewritten:

"**§ 96-32. Common follow-up information management system created.**

(a) The Employment Security Commission of North Carolina shall develop, implement, and maintain a common follow-up information management system for tracking the employment status of current and former participants in State job training, education, and placement programs. The system shall provide for the automated collection, organization, dissemination, and analysis of data obtained from State-funded programs that provide job training and education and job placement services to program participants. In developing the system, the ESC shall ensure that data and information collected from State agencies is confidential, not open for general public inspection, and maintained and disseminated in a manner that protects the identity of individual persons from general public disclosure.

(b) The ESC ~~in consultation with the Office of State Budget, Planning, and Management~~ shall adopt procedures and guidelines for the development and implementation of the CFS authorized under this section.

(c) Based on data collected under the CFS, the ~~Office of State Budget, Planning, and Management~~ ESC shall evaluate the effectiveness of job training, education, and placement programs to determine if specific program goals and objectives are attained, to determine placement and completion rates for each program, and to make recommendations regarding the continuation of State funding for programs evaluated. ~~The ESC shall provide to the Office of State Budget, Planning, and Management data collected under the CFS in a manner and with the frequency necessary for the Office of State Budget, Planning, and Management to conduct the evaluation required under this subsection. The ESC shall consult with the Office of State Budget, Planning, and Management to determine the most efficient and effective method for providing to the Office of State Budget, Planning, and Management data collected under the CFS. The Office of State Budget, Planning, and Management shall maintain the same levels of confidentiality with respect to CFS data received from the ESC as is required of the ESC under this Article.~~"

SECTION 20.17.(b) G.S. 96-35 reads as rewritten:

"**§ 96-35. Reports on common follow-up system activities.**

(a) The Employment Security Commission of North Carolina shall present annually by May 1 to the General Assembly and to the Governor a report of CFS activities for the preceding calendar year. The report shall include information on and evaluation of job training, education, and placement programs for which data was reported by State and local agencies subject to this Article. Evaluation of the programs shall be on the basis of fiscal year data.

(b) The ~~Office of State Budget, Planning, and Management~~ ESC shall report ~~to~~ to the Governor and to the General Assembly upon the convening of each biennial session, its evaluation of and recommendations regarding job training, education, and placement programs for which data was provided to the CFS."

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Easterling, Oldham, Redwine, Thompson

ESC TO EXPEND REED ACT FUNDS

SECTION 20.18. Of the funds credited to and held in this State's account in the Unemployment Trust Fund by the Secretary of the Treasury of the United States pursuant to and in accordance with section 903 of the Social Security Act, the Employment Security Commission of North Carolina may expend the sum of two million one hundred thirty-six thousand seven hundred forty-six dollars ($2,136,746) for the 2001-2002 fiscal year for unemployment insurance administration.

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Insko, Easterling, Oldham, Redwine, Thompson

NORTH CAROLINA GLOBAL CENTER FUNDS

SECTION 20.19. Of the funds appropriated to the Office of State Budget and Management in Section 34.1 of Chapter 769 of the 1993 Session Laws for planning of the North Carolina Center for World Languages and Cultures, Inc., now known as the North Carolina Global Center (hereinafter Center), up to three hundred thousand dollars ($300,000) shall be used for general operating purposes of the Center.

Requested by: Senators Martin of Pitt, Weinstein, Albertson, Hoyle, Plyler, Odom, Lee; Representatives Fox, Owens, Allen, Gulley, Smith, Easterling, Oldham, Redwine, Thompson

RESTORE NAME OF ABC COMPLEX

SECTION 20.20. The sign designating the North Carolina ABC Commission Office & Warehouse Complex, which is located at 3322 Garner Road in Raleigh, shall be restored to its original designation of "The Marvin L. Speight, Jr. North Carolina ABC Commission Office & Warehouse Complex".

PART XXI. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

DHHS REGIONAL OFFICES

SECTION 21.1.(a) The Department of Health and Human Services shall consolidate its regional, district, field, and satellite offices located throughout the State. The Department shall implement these consolidations no later than June 30, 2002. The Department shall provide the following information:

(1) An inventory of all its regional, district, field, and satellite offices located throughout the State before the consolidation required in this section. This inventory shall include the purpose of the office (direct services or central location for field staff), the number of staff assigned to the office, the cost of operating the office, and information on whether the office is co-located or located near another regional, district, field, or satellite office;

(2) An inventory of all its regional, district, field, and satellite offices located throughout the State after the consolidation required in this section is completed. This inventory shall include the purpose of the office (direct services or central location for field staff), the number of staff assigned to the office, the cost of operating the office, and information on whether the office is co-located or located near another regional, district, field, or satellite office;

(3) A report on the anticipated impact of the consolidation required by this section on the delivery of services;

(4) A report on the use of technology to comply with the consolidation required under this section to increase the number of staff working from their homes or other locations; and

(5) A report on the anticipated cost savings, efficiencies in the use of State staff and resources, and improved delivery of services resulting from the consolidation required under this section.

SECTION 21.1.(b) The Department of Health and Human Services shall conduct an inventory of all offices located in Wake County. This inventory shall include the purpose of the office, the number of staff assigned to the office, the cost of operating the office, information on whether the office is co-located or located near another related office, and information on whether the office could be moved to another area of the State.

SECTION 21.1.(c) The Department of Health and Human Services shall provide an interim report on the activities required under this section by January 1, 2002, and a final report by July 1, 2002. The interim and final reports shall be provided to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

CENTRALIZE CRIMINAL RECORD CHECK FUNCTIONS

SECTION 21.2. The Department of Health and Human Services shall centralize all activities throughout the Department relating to the coordination and processing of criminal record checks required by law. The centralization shall include the transfer of positions, corresponding State appropriations, federal funds, and other funds. The Department shall report on the centralization of criminal record check activities to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than January 1, 2002.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

PRESCRIPTION DRUG ASSISTANCE PROGRAM MANAGEMENT

SECTION 21.3.(a) The Department of Health and Human Services shall implement the following recommendations of the "North Carolina Medicaid Benefit Study", May 1, 2001, to improve the management of prescription drug assistance programs operated by the Department, including programs in the Divisions of Public Health, Mental Health, Developmental Disabilities, and Substance Abuse Services, Services for the Blind, and Vocational Rehabilitation:

(1) Dispensing of generic drugs. Notwithstanding G.S. 90-85.27 through G.S. 90-85.31, under all prescription drug assistance programs operated by the Department of Health and Human Services, and except as otherwise provided in this subsection for atypical antipsychotic drugs and drugs listed in the narrow therapeutic drug index, 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 has determined, at the time the drug is prescribed, that the brand name drug is medically necessary and has written on the prescription order the phrase "medically necessary". Generic drugs shall be dispensed at a lower cost to the Medical Assistance Program rather than trade or brand name drugs. As used in this subdivision, "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).

(2) Limit the supplies of prescription drugs to 34-day supplies for some or all drugs.

Notwithstanding subdivision (1) of this subsection, an initial prescription order for an atypical antipsychotic drug or a drug listed in the narrow therapeutic drug index that does not contain the phrase "medically necessary" shall be considered an order for the drug by its established or generic name, except that the pharmacy shall not substitute a generic or established name prescription drug for subsequent brand or trade name prescription orders of the same prescription drug without explicit oral or written approval of the prescriber given at the time the order is filled.

SECTION 21.3.(b) The Department shall consider other drug utilization management activities for all prescription drug assistance programs operated by the Department as follows:

(1) Prior authorization program to manage high-cost name brand drugs.
(2) Maximum allowable pricing.
(3) Contracting with a pharmacy benefits manager to implement more extensive prospective drug utilization review.

SECTION 21.3.(c) The Department shall report on the activities conducted under this section to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division no later than January 1, 2002.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

TOLL-FREE PHONE LINE INVENTORY AND CONSOLIDATION

SECTION 21.5.(a) The Department of Health and Human Services shall determine the feasibility of combining all Department-operated and contracted toll-free (1-8xx) phone lines to create efficiencies. An inventory of all resource telephone lines throughout Divisions of the Department shall be conducted and an evaluation completed of potential savings in combining these phone lines. In conducting the inventory, the Department shall identify the following:

(1) Title and purpose of the phone line.
(2) Type of information provided to callers.
(3) Budget of the operations.
(4) Number of staff (phone agents, other).
(5) Number of calls received annually to each phone line.
(6) Contracts.

The Department shall project costs for the new combined phone line and prepare a comprehensive cost-benefit analysis on the new consolidated plan compared with current services.

SECTION 21.5.(b) The Department shall submit a progress report on the feasibility study to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Information Technology, and the House of Representatives Appropriations Subcommittee on Information Technology no later than December 1, 2001, and a final report by April 1, 2002.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

COORDINATION OF ACCESS TO PHARMACEUTICAL COMPANY PRESCRIPTION DRUG PROGRAMS

SECTION 21.6.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, the sum of two hundred thousand dollars ($200,000) for the 2001-2002 fiscal year and the sum of two hundred thousand dollars ($200,000) for the 2002-2003 fiscal year shall be used to assist eligible individuals in obtaining prescription drugs at no cost or for a nominal fee through pharmaceutical company programs or initiatives. Coordination of access shall be provided through a central location that maintains documentation of an individual's eligibility provided by the individual and prescription orders from the individual's physician to facilitate the provision of no-cost or nominal cost drugs under the pharmaceutical company program. The coordination of access shall be implemented in a way that encourages physician, patient, and pharmacy participation by reducing time-consuming procedural requirements. The Department may contract with a private nonprofit organization to coordinate access as provided under this section.

SECTION 21.6.(b) The coordination of access effort under this section shall be consistent with other prescription drug assistance programs throughout the Department, including the AIDS Drug Assistance Program and the Prescription Drug Assistance Program, in identifying program participants.

SECTION 21.6.(c) The Department shall work with pharmaceutical companies in obtaining access to company applications for assistance and making those applications available to the general public. The Department shall ensure that pharmaceutical company programs are registered with the Department and shall obtain the application forms of each pharmaceutical program.

SECTION 21.6.(d) The Department shall report on the implementation of this section on December 1, 2001, April 1, 2002, and October 1, 2002, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

ADULT CARE HOME REIMBURSEMENT RATES IMPLEMENTATION PLAN

SECTION 21.7.(a) The Department of Health and Human Services shall consider the findings and recommendations in the March 1, 2001, performance audit report, "Adult Care Home Reimbursement Rates," conducted by the Office of the State Auditor. The Department shall implement all of the following recommendations:

(1) Identify alternative payment procedures that could have a more direct affect on quality of care, and continue current efforts to obtain a federal waiver to pay adult care homes directly for client services.
(2) Designate a division within the Department responsible for detailed review of submitted reports.
(3) Develop a plan to phase-in electronic filing of cost reports.
(4) Require related party disclosure in cost reports and modify the audit procedures to assure that related party transactions are identified.

The Department shall report on the implementation of these recommendations to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than April 1, 2002. The Department may not implement an alternative payment procedure unless and until the procedure has been approved by the General Assembly.

SECTION 21.7.(b) The Fiscal Research Division, through the Legislative Services Office, in consultation with the Department of Health and Human Services, may issue a Request For Proposal (RFP) for an independent consultant with extensive expertise in rate-setting for public and private entities to develop a new rate

methodology for establishing reimbursements for adult care homes. The final report of the independent consultant shall be presented to the General Assembly not later than June 1, 2002.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

LONG-TERM CARE CONTINUUM OF CARE

SECTION 21.9.(a) The Department of Health and Human Services shall, in cooperation with other appropriate State and local agencies and representatives of consumer and provider organizations, develop a system that provides a continuum of long-term care for elderly and disabled individuals and their families. The Department shall define the system of long-term care services to include:

(1) A structure and means for screening, assessment, and care management across settings of care;
(2) A process to determine outcome measures for care;
(3) An integrated data system to track expenditures, consumer characteristics, and consumer outcomes;
(4) Relationships between the Department and the State's universities to provide policy analysis and program evaluation support for the development of long-term care system reforms;
(5) An implementation plan that addresses testing of models, reviewing existing models, evaluation of components, and steps needed to achieve development of a coordinated system; and
(6) Provision for consumer, provider, and agency input into the system design and implementation development.

SECTION 21.9.(b) Notwithstanding Section 11.7A(a) of S.L. 1999-237, as amended by Section 11.4(b) of S.L. 2000-67, if non-State funds from within the Department can be identified, the Department may, with the approval of the Office of State Budget and Management, proceed to:

(1) Implement the initial phase of a comprehensive data system that tracks long-term care expenditures, services, consumer profiles, and consumer preferences; and
(2) Develop a system of statewide long-term care services coordination and case management to minimize administrative costs, improve access to services, and minimize obstacles to the delivery of long-term care services to people in need.

SECTION 21.9.(c) Not later than April 15, 2002, the Department shall submit a progress report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the North Carolina Study Commission on Aging, on the development of the system required under this section.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

RECODIFICATION OF ADMINISTRATIVE RULES

SECTION 21.10. The Codifier of Rules may continue the process of reorganizing Titles 10 and 15A of the North Carolina Administrative Code to reflect the recent reorganization of the Department of Health and Human Services and the Department of Environment and Natural Resources. The reorganization of the Code may include replacing Title 10 with a new Title 10A if desirable for clarity. The Codifier of Rules may make changes in the text of the affected rules to reflect changes in organizational structure of the Department of Health and Human Services and the Department of Environment and Natural Resources. So long as the changes in text do

not change the substance of the rules, the reorganization by the Codifier is exempt from the requirements of Chapter 150B of the General Statutes and does not require the review or approval of the Rules Review Commission.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

TRANSFER OF CERTAIN FUNDS AUTHORIZED

SECTION 21.11. Article 1 of Chapter 143 of the General Statutes is amended by adding the following new section to read:

"**§ 143-23.3. Transfer of certain funds authorized.**

In order to assure maximum utilization of funds in county departments of social services, county or district health agencies, and area mental health, developmental disabilities, and substance abuse services authorities, the Director of the Budget may transfer excess funds appropriated to a specific service, program, or fund, whether specified service in a block grant plan or General Fund appropriation, into another service, program, or fund for local services within the budget of the respective State agency."

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

PHYSICIAN SERVICES

SECTION 21.12. With the approval of the Office of State Budget and Management, the Department of Health and Human Services may use funds appropriated in this act for across-the-board salary increases and performance pay to offset similar increases in the costs of contracting with private and independent universities for the provision of physician services to clients in facilities operated by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services. This offsetting shall be done in the same manner as is currently done with constituent institutions of The University of North Carolina.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

ELIMINATE JOINT LEGISLATIVE PUBLIC ASSISTANCE COMMISSION

SECTION 21.13.(a) G.S. 120-225 is repealed.

SECTION 21.13.(b) G.S. 108A-27.2(12) reads as rewritten:

"**§ 108A-27.2. General duties of the Department.**

The Department shall have the following general duties with respect to the Work First Program:

…

(12) Report to the ~~Joint Legislative Public Assistance Commission and the members of the~~ Senate Appropriations Committee on Health and Human ~~Resources~~ Services and the House of Representatives Appropriations Subcommittee on Health and Human ~~Resources~~ Services the counties which have requested Electing ~~status,~~status; provide copies of the proposed Electing County Plans to ~~the Joint Legislative Public Assistance C~~ommission and the members of the Senate Appropriations Committee on Health and Human ~~Resources~~ Services and the House of Representatives Appropriations Subcommittee on Health and Human ~~Resources~~ Services; and make recommendations to the ~~Joint Legislative Public Assistance Commission, the members of the~~ Senate Appropriations Committee on Health and Human ~~Resources~~ Services and the House of

Representatives Appropriations Subcommittee on Health and Human ~~Resources, and the General Assembly~~Services on which of the proposed Electing County Plans ensure compliance with federal and State laws, rules, and regulations and are consistent with the overall purposes and goals for the Work First Program; and".

SECTION 21.13.(c) G.S. 108A-27.9(d) reads as rewritten:

"(d) The section of the State Plan proposing the terms of the Work First Program in Electing Counties shall be based upon the aggregate of the Electing County Plans and shall include the following:

(1) Allocations of federal and State funds for Electing Counties in the Work First Program including block grants to counties and the allocation of funding for administration not to exceed the federally established limitations on the use of federal TANF funds and the limits imposed under this Article;

(2) Maintenance of effort and levels of State and county funding for Electing Counties in the Work First Program;

(3) Federal eligibility requirements and a description of the eligibility requirements and benefit calculation in each Electing County; and

(4) A description of the federal, State, and each Electing County's financial participation in the Work First Program.

The Department may modify the section in the State Plan regarding Electing Counties once a biennium or except as necessary to reflect any modifications made by an Electing County. Any changes to the section of the State Plan regarding Electing Counties shall be reported to the ~~Joint Legislative Public Assistance Commission at the next meeting of the Commission following the changes and to the General Assembly during the next session~~Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division within one month following the changes."

SECTION 21.13.(d) G.S. 108A-29(r) reads as rewritten:

"(r) Each county's Job Service Employer Committee or Workforce Development Board shall continue the study of the working poor, titled "NC WORKS", in their respective counties and shall include the following in the study:

(1) Determination of the extent to which current labor market participation enables individuals and families to earn the amount of disposable income necessary to meet their basic needs;

(2) Determination of how many North Carolinians work and earn wages below one hundred fifty percent (150%) of the Federal Poverty Guideline and study trends in the size and demographic profiles of this underemployed group within the respective county;

(3) Examination of job market factors that contribute to any changes in the composition and numbers of the working poor including, but not limited to, shifts from manufacturing to service, from full-time to part-time work, from permanent to temporary or their contingent employment;

(4) Consideration and determination of the respective responsibilities of the public and private sectors in ensuring that working families and individuals have disposable income adequate to meet their basic needs;

(5) Evaluation of the effectiveness of the unemployment insurance system in meeting the needs of low-wage workers when they become unemployed;

(6) Examination of the efficacy of a State-earned income tax credit that would enable working families to meet the requirements of the basic needs budget;

(7) Examination of the wages, benefits, and protections available to part-time and temporary workers, leased employees, independent contractors, and other contingent workers as compared to regular full-time workers;

(8) Solicitation, receipt, and acceptance of grants or other funds from any person or entity and enter into agreements with respect to these grants or other funds regarding the undertaking of studies or plans necessary to carry out the purposes of the committee; and

(9) A request of any necessary data from either public or private entities that relate to the needs of the committee or board.

Each committee or board shall prepare and submit a report on the finding for the county which it represents by May 1 of each year to the ~~Joint Legislative Public Assistance Commission, the~~ Senate Appropriations Committee on Health and Human ~~Resources,~~Services, the House of Representatives Appropriations Subcommittee on Health and Human ~~Resources,~~Services, the Senate Appropriations Committee on Natural and Economic Resources, and the House of Representatives Appropriations Subcommittee on Natural and Economic Resources."

SECTION 21.13.(e) Unless specifically amended by another subsection of this section, the phrase "Joint Legislative Public Assistance Commission" is deleted and replaced by the phrase "Senate Appropriations Committee on Health and Human Services and the House of Representatives Appropriations Subcommittee on Health and Human Services" whenever it occurs in each of the following sections of the General Statutes:

G.S. 108A-27	Authorization and description of Work First Program; Work First Program changes; designation of Electing and Standard Program Counties.
G.S. 108A-27.2	General Duties of the Department.
G.S. 108A-27.9	State Plan.
G.S. 108A-29	First Stop Employment Assistance; priority for employment services.
G.S. 114-40	Inspector General.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

ESTABLISH OFFICE OF POLICY AND PLANNING

SECTION 21.14.(a) It is the intent of the General Assembly that the Department of Health and Human Services provide coordinated policy development and strategic planning for the State's health and human services systems. The Department is directed to establish an Office of Policy and Planning within the Office of the Secretary from existing resources across the Department. The Director of the Office of Policy and Planning shall report directly to the Secretary and shall have the following responsibilities:

(1) Coordinate the development of departmental policies, plans, and rules, in consultation with the Divisions of the Department.

(2) Development of a departmental process for the development and implementation of new policies, plans, and rules.

(3) Development of a departmental process for the review of existing policies, plans, and rules to ensure that departmental policies, plans, and rules are relevant.

(4) Coordination and review of all departmental policies before dissemination to ensure that all policies are well-coordinated within and across all programs.

(5) Implementation of ongoing strategic planning that integrates budget, personnel, and resources with the mission and operational goals of the Department.

(6) Review, disseminate, monitor, and evaluate best practice models.

SECTION 21.14.(b) Under the direction of the Secretary of Health and Human Services, the Director of the Office of Policy and Planning shall have the authority to direct Divisions, offices, and programs within the Department to conduct periodic reviews of policies, plans, and rules and shall advise the Secretary when it is determined to be appropriate or necessary to modify, amend, and repeal departmental policies, plans, and rules. All policy and management positions within the Office of Policy and Planning are exempt positions as that term is defined in G.S. 126-5.

SECTION 21.14.(c) The Department shall report on the establishment of the Office of Policy and Planning to the members of the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division by January 1, 2002.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

COUNTY HEALTH AND HUMAN SERVICES BUDGET GUIDANCE

SECTION 21.16. G.S. 108A-88 reads as rewritten:

"**§ 108A-88. Determination of State and county financial participation.**

Before February 15 of each year, the Secretary shall notify the county board of commissioners, the county manager, the director of social ~~services~~ services, and the director of public health of each county of the amount of State and federal moneys estimated to be available, as best can be determined, to that county for programs of public assistance, social ~~services~~ services, public health, and related administrative costs, as well as the percentage of county participation expected to be required for the budget for the succeeding fiscal year. In odd-numbered years, in making such notification, the Secretary shall notify the counties of any changes in funding levels, formulas, or programs relating to public assistance and public health proposed by the Governor to the General Assembly in the proposed budget and budget report submitted under the Executive Budget Act. Counties shall be notified of additional changes in the proposed budget of the Governor and the Advisory Budget Commission that are made by the General Assembly or the United States Congress subsequent to the February 15 estimates."

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

INFORMATION TECHNOLOGY PROJECT CONTRACTS

SECTION 21.17.(a) Notwithstanding any other provision of law to the contrary, the Department of Health and Human Services may establish special time-limited positions in the Division of Information Research Management for an information technology project to maximize efficiencies in the preparation for and implementation of federal requirements of the medical records privacy standards under the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Positions established are not permanent positions, not subject to the State Personnel Act under G.S. 126-1.1, and not subject to the State salary schedule.

SECTION 21.17.(b) Positions established pursuant to this section may commence no earlier than July 1, 2001, and shall expire June 30, 2003.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

USE OF SAVINGS REALIZED FROM ELIMINATION OF POSITIONS

SECTION 21.18. Savings in non-State funds realized from the elimination of positions in the Department of Health and Human Services shall be reallocated by the Department for direct services in the program where the position was eliminated, except in programs where State funds are used to draw down federal funds.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

INTERVENTION SERVICES UNIT

SECTION 21.18A. There is created in the Department of Health and Human Services the Intervention Services Unit in the Office of the Secretary. The Unit shall be responsible for planning, research, monitoring, and data analysis for the purpose of enhancing coordination among programs and activities related to intervention services. Services to be coordinated include mental health, developmental disabilities, and substance abuse services, social services, public health, preschool education services, and Smart Start services. The Unit shall work closely and collaboratively with the divisions through which such programs and activities operate.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

CENTRALIZED CONTRACTS SYSTEM

SECTION 21.18B. The Department of Health and Human Services shall implement a centralized contracts system. The Department shall develop and implement consistent policies and procedures for the development and execution of contracts. The system shall include, where feasible and appropriate, the transfer of positions, corresponding State appropriations, federal funds, and other funds. The Department shall not enter into new contracts for database management until the centralized contracts system required under this section has been implemented and the Department has complied with the requirements of Section 21.93 of this act.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

FAMILY SUPPORT SERVICES

SECTION 21.18C. The Department of Health and Human Services shall coordinate all family support contracts and activities across divisions. This coordination shall address duplication, cost efficiency, and effectiveness and shall ensure compliance with federal requirements while maximizing State and federal resources.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson, Wright

HIV/AIDS PREVENTION INITIATIVE

SECTION 21.18D.(a) It is the intention of the General Assembly to focus current resources and activities to strengthen and enhance prevention and intervention programs directed at the reduction of HIV/AIDS. The Department shall coordinate efforts to enhance awareness, education, and outreach with the North Carolina AIDS Advisory Council, North Carolina Minority Health Advisory Council, representatives of faith communities, representatives of nonprofit agencies, and other State agencies.

SECTION 21.18D.(b) The Department of Health and Human Services shall coordinate and ensure the implementation of developmentally appropriate education, awareness, and outreach campaigns to comply with subsection (a) in the following programs and services:

(1) Division of Social Services programs and services:
   a. Domestic Violence Prevention and Awareness.
   b. Domestic Violence Services for Work First Families.
   c. After School Services for At Risk Children.
   d. Work First Boys/Girls Clubs.

(2) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services programs and services:
   a. Substance Abuse Services for Juveniles.
   b. Residential Substance Abuse Services for Women and Children.

(3) Division of Public Health programs and services:
   a. Teen Pregnancy Prevention Activities.
   b. Out-of-Wedlock Births.
   c. School Health Program.
   d. High-Risk Maternity Clinic Services.
   e. Perinatal Education and Training.
   f. Public Information and Education.
   g. Technical Assistance to Local Health Departments.

(4) Other divisions, services, and programs:
   a. Family Support Services.
   b. Family Resource Centers.
   c. Independent Living Services.
   d. Residential schools and facilities.
   e. Other programs, services, or contracts that provide education and awareness services to children and families.

SECTION 21.18D.(c) Other State agencies, including the Department of Public Instruction, the Department of Juvenile Justice and Delinquency Prevention, and the Department of Administration, shall ensure the incorporation of developmentally appropriate HIV/AIDS education, awareness, and outreach information into their programs.

SECTION 21.18D.(d) The Department shall report on the implementation of this section on March 15, 2002, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

MEDICAID PROGRAM

SECTION 21.19.(a) Funds appropriated in this act for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy. 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 prescribed in the State Plan as established by the Department of Health and Human Services.

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

(3) Nursing Facilities – Payment for nursing facility services will be prescribed in the State Plan as established by the Department of Health and Human Services. Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program.

(4) Intermediate Care Facilities for the Mentally Retarded – As prescribed in the State Plan as established by the Department of Health and Human Services.

(5) Drugs – Drug costs as allowed by federal regulations plus a 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 (h) of this section and to the provisions at the end of subsection (a) of this section, or in accordance with the State Plan adopted by the Department of Health and Human Services consistent with federal reimbursement regulations. Payment of the professional services fee shall be made in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. The professional services fee shall be five dollars and sixty cents ($5.60) per prescription for generic drugs and four dollars ($4.00) per prescription for brand name drugs. Adjustments to the professional services fee shall be established by the General Assembly.

(6) Physicians, Chiropractors, Podiatrists, Optometrists, Dentists, Certified Nurse Midwife Services, Nurse Practitioners – Fee schedules as developed by the Department of Health and Human Services. Payments for dental services are subject to the provisions of subsection (g) of this section.

(7) Community Alternative Program, EPSDT Screens – Payment to be made in accordance with rate schedule developed by the Department of Health and Human Services.

(8) Home Health and Related Services, Private Duty Nursing, Clinic Services, Prepaid Health Plans, Durable Medical Equipment – Payment to be made according to reimbursement plans developed by the Department of Health and Human Services.

(9) Medicare Buy-In – Social Security Administration premium.

(10) Ambulance Services – Uniform fee schedules as developed by the Department of Health and Human Services. Public ambulance providers will be reimbursed at cost.

(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 Health and Human Services.

(15) Optical Supplies – One hundred percent (100%) of reasonable wholesale cost of materials.

(16) Ambulatory Surgical Centers – Payment as prescribed in the reimbursement plan established by the Department of Health and Human Services.

(17) Medicare Crossover Claims – An amount up to the actual coinsurance or deductible or both, in accordance with the State Plan, as approved by the Department of Health and Human Services.

(18) Physical Therapy and Speech Therapy – Services limited to EPSDT eligible children. Payments are to be made only to qualified providers at rates negotiated by the Department of Health and Human Services. Physical therapy (including occupational therapy) and speech therapy services are subject to prior approval and utilization review.

(19) Personal Care Services – Payment in accordance with the State Plan approved by the Department of Health and Human Services.

(20) Case Management Services – Reimbursement in accordance with the availability of funds to be transferred within the Department of Health and Human Services.

(21) Hospice – Services may be provided in accordance with the State Plan developed by the Department of Health and Human Services.

(22) Other Mental Health Services – Unless otherwise covered by this section, coverage is limited to:

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

b. For children eligible for EPSDT services:

1. Licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, and nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, when Medicaid-eligible children are referred by the Carolina ACCESS primary care physician or the area mental health program, and

2. Institutional providers of residential services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) for children and Psychiatric Residential Treatment Facility services that meet federal and State requirements as defined by the Department.

Notwithstanding G.S. 150B-121.1(a), the Department of Health and Human Services may adopt temporary rules in accordance with Chapter 150B of the General Statutes further defining the qualifications of providers and referral procedures in order to implement this subdivision. Coverage policy for services defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services under paragraphs a. and b.2 of this subdivision shall be established by the Division of Medical Assistance.

(23) Medically Necessary Prosthetics or Orthotics for EPSDT Eligible Children – Reimbursement in accordance with the State Plan approved by the Department of Health and Human Services.

(24) Health Insurance Premiums – Payments to be made in accordance with the State Plan adopted by the Department of Health and Human Services consistent with federal regulations.

(25) Medical Care/Other Remedial Care – Services not covered elsewhere in this section include related services in schools; health professional services provided outside the clinic setting to meet maternal and infant health goals; and services to meet federal EPSDT mandates. Services addressed by this paragraph are limited to those prescribed in the State Plan as established by the Department of Health and Human Services.

(26) Pregnancy Related Services – Covered services for pregnant women shall include nutritional counseling, psychosocial counseling, and predelivery and postpartum home visits by maternity care coordinators and public health nurses.

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

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

SECTION 21.19.(b) Allocation of Nonfederal Cost of Medicaid. – The State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the nonfederal costs of all applicable services listed in this section.

SECTION 21.19.(c) Copayment for Medicaid Services. – The Department of Health and Human Services may establish copayment up to the maximum permitted by federal law and regulation.

SECTION 21.19.(d) Medicaid and Work First Family Assistance, Income Eligibility Standards. – The maximum net family annual income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:

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

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

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

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

SECTION 21.19.(e) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to all elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines, as revised each April 1.

SECTION 21.19.(f) ICF and ICF/MR Work Incentive Allowances. – The Department of Health and Human Services may provide an incentive allowance to Medicaid-eligible recipients of ICF and ICF/MR facilities who are regularly engaged in work activities as part of their developmental plan and for whom retention of additional income contributes to their achievement of independence. The State funds required to match the federal funds that are required by these allowances shall be provided from savings within the Medicaid budget or from other unbudgeted funds available to the Department. The incentive allowances may be as follows:

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

SECTION 21.19.(g) Dental Coverage Limits. – Dental services shall be provided on a restricted basis in accordance with rules adopted by the Department to implement this subsection.

S**ECTION 21.19.(h)** Dispensing of Generic Drugs. – Notwithstanding G.S. 90-85.27 through G.S. 90-85.31, or any other law to the contrary, under the Medical Assistance Program (Title XIX of the Social Security Act), and except as otherwise provided in this subsection for atypical antipsychotic drugs and drugs listed in the narrow therapeutic index, 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 has determined, at the time the drug is prescribed, that the brand name drug is medically necessary and has written on the prescription order the phrase "medically necessary". An initial prescription order for an atypical antipsychotic drug or a drug listed in the narrow therapeutic drug index that does not contain the phrase "medically necessary" shall be considered an order for the drug by its established or generic name, except that a pharmacy shall not substitute a generic or established name prescription drug for subsequent brand or trade name prescription orders of the same prescription drug without explicit oral or written approval of the prescriber given at the time the order is filled. Generic drugs shall be dispensed at a lower cost to the Medical Assistance Program rather than trade or brand name drugs. 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).

SECTION 21.19.(i) 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 Health and Human Services, with the approval of the Director of the Budget, to allow the Department to carry out pilot programs for prepaid health plans, contracting for services, managed care plans, or community-based services programs in accordance with plans approved by the United States 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. The Department of Health and Human Services may proceed with planning and development work on the Program of All-Inclusive Care for the Elderly.

SECTION 21.19.(j) Volume Purchase Plans and Single Source Procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of

volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

SECTION 21.19.(k) Cost-Containment Programs. – The Department of Health and Human Services, Division of Medical Assistance, may undertake cost containment programs in accordance with Section 3 of S.L. 2001-395, including contracting for services, preadmissions to hospitals and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

SECTION 21.19.(l) For all Medicaid eligibility classifications for which the federal poverty level is used as an income limit for eligibility determination, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines.

SECTION 21.19.(m) The Department of Health and Human Services shall provide Medicaid to 19-, 20-, and 21-year-olds in accordance with federal rules and regulations.

SECTION 21.19.(n) The Department of Health and Human Services shall provide coverage to pregnant women and to children according to the following schedule:

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

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

(3) Children aged 1 through 5 with family incomes equal to or less than one hundred thirty-three percent (133%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

(4) Children aged 6 through 18 with family incomes equal to or less than the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

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

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

SECTION 21.19.(o) Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

SECTION 21.19.(p) The Department shall disregard earned income for recipients who would otherwise lose Medicaid eligibility under section 1931 of Title XIX of the Social Security Act due to earnings. This disregard shall be applied for a maximum of 12 consecutive months.

SECTION 21.19.(q) The Department of Health and Human Services shall submit a quarterly status report on expenditures for acute care and long-term care services to the Fiscal Research Division and to the Office of State Budget and Management. This report shall include an analysis of budgeted versus actual expenditures for eligibles by category and for long-term care beds. In addition, the Department shall revise the program's projected spending for the current fiscal year and the estimated spending for the subsequent fiscal year on a quarterly basis. The quarterly expenditure report and the revised forecast shall be forwarded to the Fiscal Research

Division and to the Office of State Budget and Management no later than the third Thursday of the month following the end of each quarter.

SECTION 21.19.(r) The Division of Medical Assistance, Department of Health and Human Services, may provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.

SECTION 21.19.(s) If first approved by the Office of State Budget and Management, the Division of Medical Assistance, Department of Health and Human Services, may use funds that are identified to support the cost of development and acquisition of equipment and software through contractual means to improve and enhance information systems that provide management information and claims processing.

SECTION 21.19.(t) The Department of Health and Human Services may adopt temporary rules according to the procedures established in G.S. 150B-21.1 when it finds that these rules are necessary to maximize receipt of federal funds within existing State appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse. Prior to the filing of these temporary rules with the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary rule and its effect on State appropriations and local governments.

SECTION 21.19.(u) The Department shall report to the Fiscal Research Division of the Legislative Services Office and to the House of Representatives Appropriations Subcommittee on Health and Human Services and the Senate Appropriations Committee on Health and Human Services or the Joint Legislative Health Care Oversight Committee on any change it anticipates making in the Medicaid program that impacts the type or level of service, reimbursement methods, or waivers, any of which require a change in the State Plan or other approval by the Centers for Medicare and Medicaid Services (CMS). The reports shall be provided at the same time they are submitted to CMS for approval.

SECTION 21.19.(v) Upon approval of a demonstration waiver by the Centers for Medicare and Medicaid Services (CMS), the Department of Health and Human Services may provide Medicaid coverage for family planning services to men and women of child-bearing age with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty level. Coverage shall be contingent upon federal approval of the waiver and shall begin no earlier than January 1, 2001.

SECTION 21.19.(w) The Department of Health and Human Services, Division of Medical Assistance, shall use the latest audited cost reporting data available when establishing Medicaid provider rates or when making changes to the reimbursement methodology.

SECTION 21.19.(x) The Department of Health and Human Services, Division of Medical Assistance, shall implement a new coding system for therapeutic mental health services as required by the Health Insurance Portability and Accountability Act of 1996. In implementing the new coding system, the Division shall ensure that the new coding system does not discriminate between providers of therapeutic mental health services with similar qualifications and training. In meeting the requirements of this subsection, the Division shall consult with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and the professional licensing boards responsible for licensing the affected professionals.

SECTION 21.19.(y) The Department of Health and Human Services may apply federal transfer of assets policies, as described in Title XIX, Section 1917(c) of the Social Security Act to real property excluded as "income producing" under Title XIX, Section 1902(r)(2) of the Social Security Act. The transfer of assets policy shall apply only to an institutionalized individual or the individual's spouse as defined in Title XIX, Section 1917(c) of the Social Security Act. This subsection becomes effective no earlier than October 1, 2001.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

ADOPTION OF MEDICAL COVERAGE POLICY UNDER STATE MEDICAID PROGRAM; MEDICAL COVERAGE POLICY EXEMPT FROM RULE MAKING UNDER THE APA

SECTION 21.20.(a) In order to promote consistency among providers and to ensure that medical coverage criteria are uniformly applied to Medicaid recipients throughout the State, the Department of Health and Human Services shall adopt medical coverage policies for the State Medicaid Program that are consistent with national standards or Department-defined standards. If the Department determines that application of a national standard would likely cause significant deterioration in the quality of or access to appropriate medical care, then the Department shall substitute for that national standard an evidence-based, best-practice standard that will not compromise quality of or access to appropriate medical care. The adoption of new or amended medical coverage policies under the State Medicaid Program are exempt from the rule-making requirements of Chapter 150B of the General Statutes.

SECTION 21.20.(b) The Department shall develop, amend, and adopt medical coverage policy in accordance with the following:

(1) During the development of new medical coverage policy or amendment to existing medical coverage policy, consult with and seek the advice of the Physician Advisory Group of the North Carolina Medical Society and other organizations the Secretary deems appropriate.

(2) At least 45 days prior to the adoption of new or amended medical coverage policy, the Department shall:
   a. Publish the proposed new or amended medical coverage policy on the Department's web site;
   b. Notify all Medicaid providers of the proposed, new, or amended policy; and
   c. Upon request, provide persons copies of the proposed medical coverage policy.

(3) During the 45-day period immediately following publication of the proposed new or amended medical coverage policy, accept oral and written comments on the proposed new or amended policy.

(4) If, following the comment period, the proposed new or amended medical coverage policy is modified, then the Department shall, at least 15 days prior to its adoption:
   a. Notify all Medicaid providers of the proposed policy;
   b. Upon request, provide persons notice of amendments to the proposed policy; and
   c. Accept additional oral or written comments during this 15-day period.

SECTION 21.20.(c) G.S. 150B-1(d), as amended by S.L. 2001-299, reads as rewritten:

"(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the following:

(1) The Commission.
(2) Repealed by Session Laws 2000-189, s. 14, effective July 1, 2000.
(3) The North Carolina Hazardous Waste Management Commission in administering the provisions of G.S. 130B-13 and G.S. 130B-14.
(4) The Department of Revenue, with respect to the notice and hearing requirements contained in Part 2 of Article 2A.

(5) The North Carolina Global TransPark Authority with respect to the acquisition, construction, operation, or use, including fees or charges, of any portion of a cargo airport complex.
(6) The Department of Correction, with respect to matters relating solely to persons in its custody or under its supervision, including prisoners, probationers, and parolees.
(7) The North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan in administering the provisions of Parts 2 and 3 of Article 3 of Chapter 135 of the General Statutes.
(8) The North Carolina Federal Tax Reform Allocation Committee, with respect to the adoption of the annual qualified allocation plan required by 26 U.S.C. § 42(m), and any agency designated by the Committee to the extent necessary to administer the annual qualified allocation plan.
(10) The Department of Health and Human Services in adopting new or amending existing medical coverage policies under the State Medicaid Program."

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

COUNTY MEDICAID COST-SHARE

SECTION 21.21.(a) Effective July 1, 2000, the county share of the cost of Medicaid services currently and previously provided by area mental health authorities shall be increased incrementally each fiscal year until the county share reaches fifteen percent (15%) of the nonfederal share by State fiscal year 2009-2010.

SECTION 21.21.(b) Effective July 1, 2000, the county share of the cost of Medicaid Personal Care Services paid to adult care homes shall be decreased incrementally each fiscal year until the county share reaches fifteen percent (15%) of the nonfederal share by State fiscal year 2009-2010.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson, Nesbitt, Baddour

NC HEALTH CHOICE

SECTION 21.22.(a) The total amount of State funds expended for the Health Insurance Program for Children (NC Health Choice) in the 2001-2002 fiscal year and the 2002-2003 fiscal year shall not exceed the amount of State funds appropriated to match federal funds for the Program for the 2001-2002 fiscal year and the 2002-2003 fiscal year. The Department shall manage Program enrollment in a way that maximizes the number of children served within existing funds.

SECTION 21.22.(b) G.S. 108A-70.18 reads as rewritten:

"**§ 108A-70.18. Definitions.**

As used in this Part, unless the context clearly requires otherwise, the term:

(1) 'Comprehensive health coverage' means creditable health coverage as defined under Title XXI.
(2) 'Family income' has the same meaning as used in determining eligibility for the Medical Assistance Program.
(3) 'FPL' or 'federal poverty level' means the federal poverty guidelines established by the United States Department of Health and Human Services, as revised each April 1.
(4) 'Medical Assistance Program' means the State Medical Assistance Program established under Part 6 of Article 2 of Chapter 108A of the General Statutes.
(5) 'Program' means The Health Insurance Program for Children established in this Part.

(6) 'State Plan' means the State Child Health Plan for the State Children's Health Insurance Program established under Title XXI.

(7) 'Title XXI' means Title XXI of the Social Security Act, as added by Pub. L. 105-33, 111 Stat. 552, codified in scattered sections of 42 U.S.C. (1997).

(8) 'Uninsured' means the applicant for Program benefits is not covered under any private or employer-sponsored comprehensive health insurance plan on the date of enrollment. ~~and was not covered under any private or employer-sponsored comprehensive health insurance plan for 60 days immediately preceding the date of application. The waiting periods required under this subdivision shall be waived if:~~

~~a. The child has been enrolled in Medicaid and has lost Medicaid eligibility;~~

~~b. The child has lost health care benefits due to cessation of a nonprofit organization program that provides health care benefits to low-income children;~~

~~c. The child has lost employer-sponsored comprehensive health care coverage due to termination of employment, cessation by the employer of employer-sponsored health coverage, or cessation of the employer's business; or~~

~~d. Health insurance benefits available to the family of a special needs child have been terminated due to a long-term disability or a substantial reduction in or limitation of lifetime medical benefits or benefit category. As used in this paragraph, "special needs child" has the definition applied in G.S. 108A-70.23(a).~~"

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

DISPOSITION OF DISPROPORTIONATE SHARE RECEIPT CHANGE

SECTION 21.23.(a) Disproportionate share receipts reserved at the end of the 2001-2002 fiscal year shall be deposited with the Department of State Treasurer as nontax revenue for the 2001-2002 fiscal year.

SECTION 21.23.(b) For the 2001-2002 fiscal year, as it receives funds associated with Disproportionate Share Payments from State hospitals, the Department of Health and Human Services, Division of Medical Assistance, shall deposit up to one hundred seven million dollars ($107,000,000) of these Disproportionate Share Payments to the Department of State Treasurer for deposit as nontax revenue. Any Disproportionate Share Payments collected in excess of the one hundred seven million dollars ($107,000,000) shall be reserved by the State Treasurer for future appropriations.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

MEDICARE COST-CONTAINMENT AND GROWTH REDUCTION

SECTION 21.24.(a) The Department of Health and Human Services, Division of Medical Assistance, shall contain Medicaid Program costs by reducing the rate of growth of the Medicaid Program, except for the rate of growth in the number of persons eligible for Medicaid. The Department shall develop and implement a plan to reduce the rate of growth in total expenditures for payments for medical services for the fiscal year 2002-2003 to eight percent (8%) or less of the total expenditures for the 2001-2002 fiscal year, excluding the rate of growth associated with eligibles.

SECTION 21.24.(b) In addition to findings and recommendations in the "North Carolina Medicaid Benefit Study", May 1, 2001, the Department of Health and

Human Services may also consider the following actions to reduce the rate of growth in the Medicaid Program:

(1) Changes in methods of reimbursement;
(2) Changes in the method of determining or limiting inflation factors, or both;
(3) Recalibration of existing methods of reimbursement; and
(4) Contracting for services.

SECTION 21.24.(c) As part of any efforts to contain Medicaid Program costs, the Department of Health and Human Services, Division of Medical Assistance, shall establish reimbursement rates that will allow efficient Medicaid providers to comply with certification requirements, licensure rules, or other mandated quality or safety standards.

SECTION 21.24.(d) The Department shall report on its plans to reduce the rate of growth in the State Medicaid Program not later than December 1, 2001. The Department shall submit the report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 21.24.(e) The Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for departmental review. If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds three million dollars ($3,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed policy change with the fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

MEDICAID COST-CONTAINMENT ACTIVITIES

SECTION 21.25. The Department of Health and Human Services may use not more than three million dollars ($3,000,000) in each year of the 2001-2003 fiscal biennium in Medicaid funds budgeted for program services to support the cost of administrative activities when cost-effectiveness and savings are demonstrated. The funds shall be used to support activities that will contain the cost of the Medicaid Program, including contracting for services or hiring additional staff. Medicaid cost-containment activities may include prospective reimbursement methods, incentive-based reimbursement methods, service limits, prior authorization of services, periodic medical necessity reviews, revised medical necessity criteria, service provision in the least costly settings, and other cost-containment activities. Funds may be expended under this section only after the Office of State Budget and Management has approved a proposal for the expenditure submitted by the Department. Proposals for expenditure of funds under this section shall include the cost of implementing the cost-containment activity and documentation of the amount of savings expected to be realized from the cost-containment activity. The Department shall provide a copy of proposals for expenditures under this section to the Fiscal Research Division.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

MEDICAID PROGRAM MANAGEMENT

SECTION 21.26.(a) The Department of Health and Human Services shall consider the findings and recommendations in the "North Carolina Medicaid Benefit

Study", May 1, 2001, and shall target the following in considering whether and to what extent to implement recommendations:

(1) Reduction in the fragmentation in the medical benefit policy-making process.
(2) Improvement in the use of data and medical literature in the decision-making process.
(3) Improvement in the coordination of care and utilization review process.
(4) Strengthening of program integrity controls.

SECTION 21.26.(b) The Department shall implement a pharmacy management plan considering the recommendations of the "North Carolina Medicaid Benefit Study" to achieve anticipated cost savings. The pharmacy management plan may include the following activities:

(1) Establishing a prior authorization program to manage utilization of high-cost, brand name drugs. In determining drugs to be included in the prior authorization program, the Department shall consider whether inclusion of these drugs is likely to:
    a. Increase utilization of more expensive services;
    b. Reduce quality of treatment;
    c. Result in a lower level of compliance with appropriate drug therapy; and
    d. Have a differential impact upon racial and ethnic minorities and the elderly.

    The Department shall conduct a review at least annually of the drugs included in the prior authorization program to determine whether any of the factors listed in this subdivision or other factors with similar results have occurred.
(2) Limiting prescription drugs to a 34-day supply for some or all drugs.
(3) Developing physician prescribing practice profiles and other educational tools to enable physicians to better manage their prescriptions.
(4) Establishing therapeutic limits based on appropriate dosage or usage standards.
(5) Encouraging use of generic drugs.
(6) Using maximum allowable pricing.
(7) Contracting with a pharmacy benefits manager to implement more extensive drug utilization review.
(8) Studying the impact of eliminating the six prescription drug monthly limit combined with a more rigorous prior authorization program to ensure cost decisions are made based on evidence-based clinical guidelines.
(9) Expanding disease management initiatives.
(10) Working with ACCESS physicians to develop and implement drug utilization management initiatives.
(11) If cost-effective, expanding Medicaid drug coverage to include selected over-the-counter medications.

SECTION 21.26.(c) The Department shall report on all of the activities conducted under this section to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than January 1, 2002.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Kerr, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

CAROLINA ACCESS PROGRAM IMPROVEMENTS

SECTION 21.27. The Department of Health and Human Services shall improve efficiencies and effectiveness in the Carolina ACCESS program by redesigning program operations to reflect the program goals of the ACCESS II and ACCESS III programs. Strategies for improving efficiencies and effectiveness may include such activities as:

(1) Accelerating conversion of ACCESS I to ACCESS II and III.
(2) Establishing cost-reduction targets for ACCESS II and III partnerships.
(3) Considering reimbursement mechanisms that will enable providers to share in the savings realized by exceeding cost-reduction targets.
(4) Enhancing automatic linkages between patients and their primary care providers during Medicaid eligibility determination.
(5) Improving the referral process to prevent abuse or inappropriate use of primary care provider's authorization number.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

STUDY OPTIONAL SERVICES UNDER MEDICAID PROGRAM

SECTION 21.28.(a) The Department of Health and Human Services shall study all of the optional services provided under the State Medical Assistance Program. In conducting the study, the Department shall consider the analysis and recommendations of the "North Carolina Medicaid Benefit Study", May 1, 2001, and shall conduct an analysis of each optional service. The analysis shall include consideration of cost containment achieved by reduction in or elimination of the service, and the impact the reduction or elimination will have on client needs and other services.

SECTION 21.28.(b) The Department shall report its findings and recommendations to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than April 1, 2002.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

TBI MEDICAID WAIVER

SECTION 21.28A. The Department of Health and Human Services shall develop and seek approval from the Center for Medicare and Medicaid Services (CMS) for a Home and Community-Based Medicaid Waiver for individuals with traumatic brain injury. If the waiver is granted, the Department shall not implement the waiver unless the implementation is approved and enacted by the General Assembly and funds are appropriated for that purpose. The Department shall report the status of the waiver to the House of Representatives Appropriations Subcommittee on Health and Human Services and the Senate Appropriations Committee on Health and Human Services on December 1, 2001, and March 1, 2002. The report shall include the amount of funds needed to implement the waiver. Nothing in this section obligates the General Assembly to appropriate funds to implement a Medicaid waiver granted by the federal government for the purposes stated in this section.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

SPECIAL ASSISTANCE DEMONSTRATION PROJECT

SECTION 21.29.(a) Section 11.21 of S.L. 1999-237, as amended by Section 11.13 of S.L. 2000-67, reads as rewritten:

"Section 11.21. (a) The Department of Health and Human Services may use funds from the existing State/County Special Assistance for Adults budget to provide Special

Assistance payments to eligible individuals in in-home living arrangements. These payments may be made for up to 400 individuals. These payments may be made for up to a two-year period beginning July 1, 2000, and ending June 30, 2002. An individual enrolled in the Special Assistance demonstration project on June 30, 2002, who remains continuously eligible may receive payments through June 30, 2003. The standard monthly payment to individuals enrolled in the Special Assistance demonstration project shall be fifty percent (50%) of the monthly payment the individual would receive if the individual resided in an adult care home and qualified for Special Assistance, except if a lesser payment amount is appropriate for the individual as determined by the local case manager. The Department shall implement Special Assistance in-home eligibility policies and procedures to assure that demonstration project participants are those individuals who need and, but for the demonstration project, would seek placement in an adult care home facility. To the maximum extent possible, the Department shall consider geographic balance in the dispersion of payments to individuals across the State. The Department shall make an interim report to the cochairs of the House of Representatives Appropriations Committee, the cochairs of the House of Representatives Appropriations Subcommittee on Health and Human Services and the cochairs of the Senate Appropriations Committee, the Chair of the Senate Appropriations Committee on Human Resources by June 30, 2001, and a final report by January 1, 2003. This report shall include the following information:

(1) A description of cost savings that could occur by allowing individuals eligible for State/County Special Assistance the option of remaining in the home.

(2) Which activities of daily living or other need criteria are reliable indicators for identifying individuals with the greatest need for income supplements for in-home living arrangements.

(3) How much case management is needed and which types of individuals are most in need of case management.

(4) The geographic location of individuals receiving payments under this section.

(5) A description of the services purchased with these payments.

(6) A description of the income levels of individuals who receive payments under this section and the impact on the Medicaid program.

(7) Findings and recommendations as to the feasibility of continuing or expanding the demonstration program.

(8) The level and quantity of services (including personal care services) provided to the demonstration project participants compared to the level and quantity of services for residents in adult care homes.

(9) A fiscal analysis and programmatic results of increasing the demonstration project participant's monthly assistance payment to fifty percent (50%) of the Special Assistance monthly payment.

Section 11.21.(b). The Department shall incorporate data collection tools designed to compare quality of life among institutionalized vs. noninstitutionalized populations (i.e. an individual's perception of his or her own health and well-being, years of healthy life, and activity limitations). To the extent national standards are available, the Department shall utilize those standards.

Section 11.21.(c). The Department shall expand its report of the Demonstration Program in order to fully assess the success of the pilot. The Department shall contract with an independent consultant to develop an evaluation design that ensures that the evaluation includes an assessment of the impact of the Program on the economic security, health, and well-being of the participants."

SECTION 21.29.(b) The Department of Health and Human Services shall apply for a Section 1115 Medicaid Waiver to provide medical assistance to individuals living in their own home who are receiving supplemental State/County special assistance payments on a pilot basis rather than statewide. Individuals eligible for

supplemental payments under the waiver shall be those individuals whose income exceeds one hundred percent (100%) of the federal poverty level and who would otherwise qualify for State/County Special Assistance as a resident of an adult care home. The waiver shall be designed to enable eligible recipients to remain at home, to receive the same payment amount as adult care home residents receiving State/County Special Assistance, and to qualify for Medicaid. If the waiver is granted, the Department shall not implement the waiver unless the implementation is approved and enacted by the General Assembly and funds are appropriated for that purpose. The Department shall report the status of the waiver to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services on December 1, 2001, and March 1, 2002. The report shall include the amount of funds needed to implement the waiver. Nothing in this section obligates the General Assembly to appropriate funds to implement a Medicaid waiver granted by the federal government for the purposes stated in this section.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

SENIOR CENTER OUTREACH

SECTION 21.30.(a) Funds appropriated to the Department of Health and Human Services, Division of Aging, for the 2001-2003 fiscal biennium shall be used by the Division of Aging to enhance senior center programs as follows:

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

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

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

SECTION 21.30.(b) Prior to funds being allocated pursuant to this section for start-up funds for a new senior center, the board of commissioners of the county in which the new center will be located shall:

(1) Formally endorse the need for a center;

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

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

SECTION 21.30.(c) State funding shall not exceed ninety percent (90%) of reimbursable costs.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

FUNDS FOR ALZHEIMER'S ASSOCIATION CHAPTERS IN NORTH CAROLINA

SECTION 21.31. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Aging, the sum of one hundred fifty thousand dollars ($150,000) for the 2001-2002 fiscal year and the sum of one hundred fifty thousand dollars ($150,000) for the 2002-2003 fiscal year shall be allocated as follows:

(1) $75,000 in each fiscal year for the Western Carolina Alzheimer's Chapter; and

(2) $75,000 in each fiscal year for the Eastern NC Alzheimer's Chapter.

Before funds may be allocated to any chapter under this section, the Chapter shall submit to the Division of Aging, for its approval, a plan for the use of the funds.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

AREA AGENCIES ON AGING COST SAVINGS STUDY; REDUCTION IN NUMBER OF AGENCIES; FUNDS

SECTION 21.32.(a) The Department of Health and Human Services shall conduct a study to determine cost savings to be realized and increased efficiencies to be gained by reducing the number of Area Agencies on Aging. In conducting the study, the Department shall collect data to determine the amount of the reduction in administrative costs, direct costs, and indirect costs, and shall calculate the reduction based on maintaining the amount and quality of services provided. The Department shall do a cost-benefit analysis for the reduction in the number of agencies. The Department shall report the results of its study to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than March 1, 2002.

SECTION 21.32.(b) Of the funds appropriated in this act to the Department of Health and Human Services, the sum of seven hundred thousand dollars ($700,000) for the 2001-2002 fiscal year shall be allocated equally among each of the Area Agencies on Aging. These funds shall be used for planning, coordination, and operational activities that enhance each agency's ability to provide services, information, and education to consumers, and to better meet the data and technical assistance needs of providers, local planning committees, and local governments.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

DIVISION OF AGING CONSOLIDATION OF SECTIONS

SECTION 21.33. The Department of Health and Human Services, Division of Aging, shall reduce layers of management and streamline operations by consolidating the Planning and Information and the Budget and Information sections. The Division shall transfer positions, corresponding State appropriations, federal funds, and any other relevant funds. The Department shall allocate savings in non-State funds realized from the reduction in positions to direct services such as Ombudsman services, home delivered meals, and personal care services. In allocating these funds, the Department shall give priority to those direct services for which there are clients waiting for services.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

ADULT CARE HOME RESIDENT ASSESSMENT SERVICES

SECTION 21.35. Funds appropriated in this act to the Department of Health and Human Services, Division of Social Services, for adult care home positions in the Department and in county departments of social services shall be used for personnel trained in the medical and social needs of older adults and disabled persons in adult care homes to evaluate individuals requesting State/County Special Assistance to pay for care in adult care homes. One of the functions of these personnel shall be to develop and collect data on the appropriate level of care and placement in the long-term care system, including identifying individuals who pose a risk to other residents and who may need further mental health assessment and treatment. These personnel shall also provide technical assistance to adult care homes on how to conduct functional assessments and develop care plans and shall assist in monitoring the Special Assistance Demonstration Project.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

QUALITY CRITERIA FOR LONG-TERM CARE

SECTION 21.36. The Department of Health and Human Services, in conjunction with the North Carolina Institute of Medicine, shall continue a special work group to develop criterion-based indicators for the monitoring of quality of care in North Carolina nursing homes, adult care homes, assisted living facilities, and home health care programs. The Institute of Medicine and the Department of Health and Human Services shall work together to implement these criteria for the monitoring of long-term care in the State and pursue options for the use of these criteria in lieu of current HCFA-mandated standards for surveying North Carolina nursing homes under the federal Medicaid and Medicare programs.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

LIMITATIONS ON STATE ABORTION FUND

SECTION 21.38. The limitations on funding of the performance of abortion established in Section 23.27 of Chapter 324 of the 1995 Session Laws, as amended by Section 23.8A of Chapter 507 of the 1995 Session Laws, apply to the 2001-2002 and 2002-2003 fiscal years.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

SPECIAL CHILDREN ADOPTION FUND

SECTION 21.40.(a) Of the funds appropriated to the Department of Health and Human Services in this act, the sum of one million one hundred thousand dollars ($1,100,000) shall be used to support the Special Children Adoption Fund for each year of the 2001-2003 fiscal biennium. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services. No local match shall be required as a condition for receipt of these funds. In accordance with State rules for allowable costs, the Special Children Adoption Fund may be used for post-adoption services for families whose incomes exceed two hundred percent (200%) of the federal poverty level.

SECTION 21.40.(b) Of the total funds appropriated for the Special Children Adoption Fund, each year one million dollars ($1,000,000) shall be reserved for payment to participating private adoption agencies. If the funds reserved in this subsection for payments to private adoption agencies have not been spent on or before March 31, 2002, the Division of Social Services may reallocate those funds, in accordance with this section, to other participating adoption agencies.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS

SECTION 21.41.(a) The maximum rates for State participation in the foster care assistance program are established on a graduated scale as follows:

(1) $315.00 per child per month for children aged birth through 5;
(2) $365.00 per child per month for children aged 6 through 12; and
(3) $415.00 per child per month for children aged 13 through 18.

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

SECTION 21.41.(b) The maximum rates for State participation in the adoption assistance program are established on a graduated scale as follows:

(1) $315.00 per child per month for children aged birth through 5;
(2) $365.00 per child per month for children aged 6 through 12; and
(3) $415.00 per child per month for children aged 13 through 18.

SECTION 21.41.(c) In addition to providing board payments to foster and adoptive families of HIV-infected children, as prescribed in Section 23.28 of Chapter 324 of the 1995 Session Laws, any additional funds remaining that were appropriated for this purpose shall be used to provide medical training in avoiding HIV transmission in the home.

SECTION 21.41.(d) The maximum rates for State participation in HIV foster care and adoption assistance are established on a graduated scale as follows:

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

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

SPECIAL NEEDS ADOPTIONS INCENTIVE FUND

SECTION 21.42.(a) There is created a Special Needs Adoptions Incentive Fund to provide financial assistance to facilitate the adoption of certain children residing in licensed foster care homes, effective January 1, 2001. These funds shall be used to remove financial barriers to the adoption of these children and shall be available to foster care families who adopt children with special needs as defined by the Social Services Commission. These funds shall be matched by county funds.

SECTION 21.42.(b) This program shall not constitute an entitlement and is subject to the availability of funds.

SECTION 21.42.(c) The Social Services Commission shall adopt rules to implement the provisions of this section.

SECTION 21.42.(d) The Department of Health and Human Services shall report on the use of these funds no later than April 1, 2002, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

STATE/COUNTY SPECIAL ASSISTANCE

SECTION 21.44.(a) The eligibility of Special Assistance recipients residing in adult care homes on August 1, 1995, shall not be affected by an income reduction in the Special Assistance eligibility criteria resulting from adoption of the Rate Setting Methodology Report and Related Services, providing these recipients are otherwise eligible. The maximum monthly rate for these residents in adult care home facilities shall be one thousand two hundred thirty-one dollars ($1,231) per month per resident.

SECTION 21.44.(b) The maximum monthly rate for residents in adult care home facilities shall be one thousand sixty-two dollars ($1,062) per month per resident through September 30, 2001.

SECTION 21.44.(c) Effective October 1, 2001, the maximum monthly rate for residents in adult care home facilities shall be one thousand ninety-one dollars ($1,091) per month per resident.

SECTION 21.44.(d) Effective October 1, 2002, the maximum monthly rate for residents in adult care home facilities shall be one thousand one hundred twenty dollars ($1,120) per month per resident.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

STATE MATERNITY HOME FUND

SECTION 21.45. The Divisions of Social Services and Public Health in the Department of Health and Human Services, in consultation with local departments of social services, health departments, and other health and human services programs such as faith-based organizations and domestic violence programs, shall assess alternative local resources available to women receiving services through the State Maternity Home Fund. The Department shall determine the services that are provided by each of the maternity homes through the State Maternity Home Fund and those services that are otherwise available, and shall provide a cost comparison of the services. Not later than April 1, 2002, the Department of Health and Human Services shall report to the Senate Appropriations Committee on Health and Human Services and the House of Representatives Appropriations Subcommittee on Health and Human Services on the implementation of this section.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

CHILD WELFARE SYSTEM PILOTS

SECTION 21.46.(a) The Department of Health and Human Services, Division of Social Services, shall develop a plan, working with local departments of social services, to implement an alternative response system of child protection in no fewer than two and no more than 10 demonstration areas in this State. The plan should provide for the pilots to implement an alternative response system in which local departments of social services utilize family assessment tools and family support principles when responding to selected reports of suspected child neglect.

SECTION 21.46.(b) The Department of Health and Human Services shall develop data collection processes that would enable the General Assembly to assess the impact of these pilots on the following:

(1) Child safety.
(2) Timeliness of response.
(3) Timeliness of service.
(4) Coordination of local human services.
(5) Cost-effectiveness.
(6) Any other related issues.

SECTION 21.46.(c) The Department of Health and Human Services may proceed to implement this pilot program if non-State funds are identified for this purpose.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

STATE ADULT DAY CARE FUND

SECTION 21.47. The Department of Health and Human Services, Division of Aging, shall implement changes in its methodology currently used for allocating slots. The new allocation shall be implemented January 1, 2002, and shall ensure the Fund will serve new clients. Not later than January 1, 2002, the Department of Health and Human Services, Division of Aging, shall report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives

Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division the new allocation methodology. The report shall include all of the changes made in the new allocation and an estimate of the number of new clients served. The allocation of all slots paid for with State Adult Day Care Funds shall be distributed equitably among service providers and shall eliminate the funding of unused slots.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

FAMILY RESOURCE CENTERS

SECTION 21.48.(a) The Department of Health and Human Services shall evaluate the use of all State and federal funds allocated to Family Resource Centers that primarily serve families with minor children. The evaluation shall incorporate data collected from these Centers and shall assess the effectiveness of each program in achieving established program goals including the following:

(1) Enhancing children's development and ability to attain academic and social success.
(2) Promoting successful transition from early childhood education programs and child care to public schools.
(3) Assisting families in achieving economic independence and self-sufficiency.
(4) Mobilizing public and private community resources to help children and families in need.
(5) Ensuring that plans are designed and implemented to provide families with services in a holistic family centered manner.

SECTION 21.48.(b) The Department shall establish performance measurement protocol, based on national standards or best practice models, to determine the effectiveness of services provided by all family resource centers specified in subsection (a) of this section.

SECTION 21.48.(c) Unless inconsistent with federal law, the Department shall ensure that all programs have similar core services and the same goals while eliminating duplication of effort at the local level. The Department shall redirect the funds for Family Resource Centers to focus on those core services that have a direct impact on strengthening family support.

SECTION 21.48.(d) In determining the allocation of funding, the Department shall ensure that Family Resource Centers have demonstrated that they have collaborative arrangements with other public and private agencies that have similar purposes that delineate specific roles and responsibilities to ensure effectiveness and efficiency in the operation of Family Resource Centers.

SECTION 21.48.(e) The Department shall report on activities under this section. This report is due to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on May 1, 2002.

SECTION 21.48.(f) G.S. 143B-152.15(b) reads as rewritten:

"(b) ~~The Department shall report to the General Assembly and the Joint Legislative Commission on Governmental Operations by May 15, 1994, on its progress in developing the evaluation system and in developing and implementing the program. It shall report prior to February 1, 1995, on the evaluation system developed by the Department and on program implementation.~~ The Department shall ~~present an annual report on October 1, 1995, and annually thereafter to the General Assembly and to the Joint Legislative Commission on Governmental Operations on the implementation of the program~~ report no later than December 1 of each year to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on the program and the results of the program evaluation."

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

REORGANIZATION OF DIVISION OF SOCIAL SERVICES

SECTION 21.49. The Department of Health and Human Services, Division of Social Services shall reduce layers of management and streamline operations in accordance with the following:

(1) Consolidate the Resource and Information Management Section and Budget Operations Section including the elimination of one section chief position. The Division of Social Services shall further consolidate to address low staff-to-supervisor ratios. All positions and corresponding State appropriations, federal funds, and other funds in these two sections shall be consolidated.

(2) Consolidate the Program Integrity, Economic Independence Services, and Local Support Branches into one branch within the Economic Independence Section. The Division of Social Services shall further consolidate to address low staff-to-supervisor ratios. All positions and corresponding State appropriations, federal funds, and other funds shall be consolidated.

(3) Eliminate the Local Support Section including all positions and corresponding State appropriations, federal funds, and other funds.

(4) Eliminate the Program Development Branch including the corresponding position and State appropriations, federal funds, and other funds.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

SECTION 21.50.(a) The Department of Health and Human Services shall review the Intensive Family Preservation Services Program (IFPS) to enhance and implement initiatives which focus on increasing the sustainability and effectiveness of the Program.

SECTION 21.50.(b) Notwithstanding the provisions of G.S. 143B-150.6, the Program shall provide intensive services to children and families in cases of abuse, neglect, and dependency where a child is at imminent risk of removal from the home and to children and families in cases of abuse where a child is not at imminent risk of removal. The Program shall be developed and implemented Statewide on a regional basis. The revised IFPS shall ensure the application of standardized assessment criteria for determining imminent risk and clear criteria for determining out-of-home placement.

SECTION 21.50.(c) The Department of Health and Human Services shall require that any program or entity that receives State, federal, or other funding for the purpose of Intensive Family Preservation Services shall provide information and data that allows for:

(1) An established follow-up system with a minimum of six months of follow-up services.

(2) Detailed information on the specific interventions applied including utilization indicators and performance measurement.

(3) Cost-benefit data.

(4) Data on long-term benefits associated with Intensive Family Preservation Services. This data shall be obtained by tracking families through the intervention process.

(5) The number of families remaining intact and the associated interventions while in IFPS and 12 months thereafter.

(6) The number and percentage by race of children who received Intensive Family Preservation Services compared to the ratio of their distribution in the general population involved with Child Protective Services.

SECTION 21.50.(d) The Department shall establish performance-based funding protocol and shall only provide funding to those programs and entities providing the required information specified in subsection (c) of this section. The amount of funding shall be based on the individual performance of each program.

SECTION 21.50.(e) The Department of Health and Human Services shall prepare an interim report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on the implementation of these changes by April 1, 2002, and an annual report on the Program not later than December 1 of each year of the biennium. The Department shall include the following in the annual reports due on December 1:

(1) The number of children who remain unified with their families for one, two, and three years after receiving services under the Program.

(2) A description of the Program, including the progress of the local programs during the preceding year, along with recommendations for improvement.

SECTION 21.50.(f) G.S. 143B-150.5 reads as rewritten:

"**§ 143B-150.5. Family Preservation Services Program established; purpose.**

(a) There is established the Family Preservation Services Program of the Department of Health and Human Services. ~~The Program shall be phased in over a four-year period, commencing with fiscal year 1991-92. By the end of the four-year phase-in period, and to~~To the extent that funds are made available, locally-based family preservation services shall be available to all 100 counties. The Secretary of the Department of Health and Human Services shall be responsible for the development and implementation of the Family Preservation Services Program as established in this Part. ~~In developing the Program the Secretary shall consider the advice and recommendations of the Advisory Committee on Family-Centered Services.~~

(b) The purpose of the Family Preservation Services Program is, where feasible and in the best interests of the child and the family, to keep the family unit intact by providing intensive family-centered services that help create, within the family, positive, long-term changes in the home environment.

(c) Family preservation services shall be financed in part through grants to local agencies for the development and implementation of locally-based family preservation services. Grants to local agencies shall be made in accordance with the provisions of G.S. 143B-150.6.

(d) The Secretary of the Department of Health and Human Services shall ensure the cooperation of the Division of Social Services, the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Division of Medical Assistance, in carrying out the provisions of this Part."

SECTION 21.50.(g) G.S. 143B-150.6(d) reads as rewritten:

"(d) Grants for local projects: The Secretary of the Department of Health and Human Services shall award grants to local agencies for the development and implementation of locally-based family preservation services projects. ~~In awarding the grants, the Secretary shall consider the recommendations of the Advisory Committee on Family-Centered Services.~~ The number of grants awarded and the level of funding of each grant for each fiscal year shall be contingent upon and determined by funds appropriated for that purpose by the General ~~Assembly and shall be in accordance with the phase-in period of the Family Preservation Services Program. During the phase-in period, and to the extent funds are appropriated, grants shall be awarded by the Secretary on a competitive basis to local agencies who submit proposals for such~~

~~funding, which proposals meet grant award criteria established by the Advisory Committee on Family-Centered Services.~~Assembly."

SECTION 21.50.(h) G.S. 143B-150.7 is repealed.

SECTION 21.50.(i) G.S. 143B-150.8 is repealed.

SECTION 21.50.(j) G.S. 143B-150.9 is repealed.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

TANF STATE PLAN

SECTION 21.51.(a) The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2001-2003", prepared by the Department of Health and Human Services and presented to the General Assembly on May 15, 2001, as revised in accordance with subsection (b) of this section. The North Carolina Temporary Assistance for Needy Families State Plan covers the period October 1, 2001, through September 30, 2003. The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section, to the United States Department of Health and Human Services as amended by this act or any other act of the 2001 General Assembly.

SECTION 21.51.(b) The Department of Health and Human Services shall revise the North Carolina Temporary Assistance for Needy Families State Plan FY 2001-2003, submitted to the General Assembly for approval on May 15, 2001. The revisions shall be made to the following Plan components:

(1) Enhanced Employee Assistance Program to reflect changes in funding.
(2) Services for Families to remove reference to start-up activities.
(3) Work Responsibility to remove reference to start-up activities.
(4) Cabarrus County Waiver to reflect changes in the law made by the 2001 General Assembly.
(5) Goal #8 to provide that caseload reduction goals are subject to economic conditions in the county.

SECTION 21.51.(c) The counties approved as Electing Counties in North Carolina's Temporary Assistance for Needy Families State Plan FY 2001-2003 as approved by this section are: Caldwell, Caswell, Davie, Henderson, Iredell, Lenoir, Lincoln, Macon, McDowell, Randolph, Sampson, Surry, and Wilkes.

SECTION 21.51.(d) Counties designated as electing counties pursuant to Section 12.27A of S.L. 1998-212 and who submitted the letter of intent to be redesignated as a standard county and the accompanying county plan for FY 2001-2003, pursuant to G.S. 108A-27(e), shall operate under the standard county budget requirements effective July 1, 2001. Counties that submitted the letter of intent to remain as an electing county or to be redesignated as an electing county and the accompanying county plan for FY 2001-2003, pursuant to G.S. 108A-27(e), shall operate under the electing county budget requirements effective July 1, 2001. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2001.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

REPEAL RECIPIENT IDENTIFICATION SYSTEM

SECTION 21.52. G.S. 108A-24(1a) and G.S. 108A-25.1 are repealed.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

CHILD SUPPORT PILOT PROGRAM/ENHANCED STANDARDS

SECTION 21.53.(a) It is the intent of the General Assembly to increase the productivity and enhance the performance of child support enforcement offices statewide.

SECTION 21.53.(b) The Department of Health and Human Services shall develop and implement performance standards for each of the State and county child support enforcement offices across the State. In development of these performance standards, the Department of Health and Human Services shall evaluate other private and public child support models and national standards as well as other successful collections models. These performance standards shall include the following:

(1) Cost per collections.
(2) Consumer satisfaction.
(3) Paternity establishments.
(4) Administrative costs.
(5) Orders established.
(6) Collections on arrearages.
(7) Location of absent parents.
(8) Other related performance measures.

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

SECTION 21.53.(c) The Department of Health and Human Services shall develop and implement a program to reward its child support enforcement offices for exemplary performance.

SECTION 21.53.(d) The Department of Health and Human Services shall report on its progress in complying with the provisions of this section to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. The Department shall make an interim report no later than January 15, 2002, and a final report no later than May 1, 2002.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

ADULT CARE HOME MODEL FOR COMMUNITY-BASED SERVICES

SECTION 21.54.(a) In keeping with the United States Supreme Court Decision in Olmstead vs. L.C. & E.W. and with State policy to provide appropriate services to clients in the least restrictive and most appropriate environment, the Department of Health and Human Services shall develop a model project for delivering community-based mental health, developmental disabilities, and substance abuse housing and services through adult care homes that have excess capacity. The model shall be designed for implementation on a pilot basis and shall address the following:

(1) Services that will be provided by the facility or under contract with the facility, including assistance with daily medication.
(2) Access of clients to mental health, developmental disabilities, and substance abuse services provided in the community, including transportation to services outside of the client's residence in the adult care home facility.
(3) Physical plant additions or changes necessary to provide for independent living of residents.
(4) Methods for assuring quality of services, resident safety, and cost-effectiveness.

(5) Consistency with the Department's Olmstead plan, other policies on community-integration, and disability plans adopted by the State.

SECTION 21.54.(b) The Department shall submit a progress report on the development of the model to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on or before January 1, 2002, and a final report on March 1, 2002. The report shall address the following:

(1) The proposed time and location for implementation of the pilot.
(2) Proposed number of residents to be placed and services to be provided directly by the facility or under contract with the facility.
(3) Method for evaluating the pilot, including services provided, on a regular basis.
(4) A description of the living environment for each resident and a comparison of how the living environment compares to that of other residents in the adult care home.
(5) Changes to State law necessary to implement the pilot.
(6) Projected cost to the State for pilot and statewide implementation.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

FUNDS FOR CHILD SUPPORT SERVICES

SECTION 21.54A. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Social Services, the sum of one million five hundred thousand dollars ($1,500,000) for the 2001-2002 fiscal year, and one million five hundred thousand dollars ($1,500,000) for the 2002-2003 fiscal year, shall be used to contract for additional child support services in urban counties demonstrating significant caseload backlogs. The additional support to urban counties shall address the backlog of cases and emphasize the establishment of paternities and the location of absent parents.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

LIABILITY INSURANCE

SECTION 21.55. The Secretary of the Department of Health and Human Services, the Secretary of the Department of Environment and Natural Resources, and the Secretary of the Department of Correction may provide medical liability coverage not to exceed one million dollars ($1,000,000) per incident on behalf of employees of the Departments licensed to practice medicine or dentistry, all licensed physicians who are faculty members of The University of North Carolina who work on contract for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for incidents that occur in Division programs, and on behalf of physicians in all residency training programs from The University of North Carolina who are in training at institutions operated by the Department of Health and Human Services. This coverage may include commercial insurance or self-insurance and shall cover these individuals for their acts or omissions only while they are engaged in providing medical and dental services pursuant to their State employment or training.

The coverage provided under this section shall not cover any individual for any act or omission that the individual knows or reasonably should know constitutes a violation of the applicable criminal laws of any state or the United States, or that arises out of any sexual, fraudulent, criminal, or malicious act, or out of any act amounting to willful or wanton negligence.

The coverage provided pursuant to this section shall not require any additional appropriations and shall not apply to any individual providing contractual

service to the Department of Health and Human Services, the Department of Environment and Natural Resources, or the Department of Correction, with the exception that coverage may include physicians in all residency training programs from The University of North Carolina who are in training at institutions operated by the Department of Health and Human Services and licensed physicians who are faculty members of The University of North Carolina who work for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

PRIVATE AGENCY UNIFORM COST-FINDING REQUIREMENT

SECTION 21.56. To ensure uniformity in rates charged to area programs and funded with State-allocated resources, the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services of the Department of Health and Human Services may require a private agency that provides services under contract with two or more area programs, except for hospital services that have an established Medicaid rate, to complete an agency-wide uniform cost finding in accordance with G.S. 122C-143.2(a) and G.S. 122C-147.2. The resulting cost shall be the maximum included for the private agency in the contracting area program's unit cost finding.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Gulley, Lucas, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

BUTNER COMMUNITY LAND RESERVATION

SECTION 21.57. The Department of Health and Human Services shall reserve and dedicate the following described land for the construction of a Community Building and related facilities to serve the Butner Reservation:

"Approximately 2 acres, on the east side it borders Central Avenue with a line running along the Wallace Bradshur property on the north back to the tree line next to the ADATC. From there it follows the tree line south and west to and including the softball field. From the softball field it turns east to the State Employees Credit Union and follows the Credit Union property on the south side back to Central Avenue."

This land shall be reserved and dedicated for the project which shall be funded with contributions from Granville County, contributions from the residents of the Butner Reservation, the use of cablevision franchise rebate funds received by the Department of Health and Human Services on behalf of the Butner Reservation, and other public and private sources.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Insko, Easterling, Oldham, Redwine, Thompson

MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES TRUST FUND FOR SYSTEM REFORM BRIDGE AND CAPITAL FUNDING NEEDS AND OLMSTEAD

SECTION 21.58.(a) Chapter 143 of the General Statutes is amended by adding the following section to read:

"**§ 143-15D. Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs.**

(a) The Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs is established as an interest-bearing, nonreverting special trust fund in the Office of State Budget and Management. Moneys in the Trust Fund shall be held in trust and used solely to meet the mental health, developmental disabilities, and substance abuse services needs of the State. The Trust Fund shall be used to supplement and not to supplant or replace existing State and

local funding available to meet the mental health, developmental disabilities, and substance abuse services needs of the State.

The State Treasurer shall hold the Trust Fund separate and apart from all other moneys, funds, and accounts. The State Treasurer shall be the custodian of the Trust Fund and shall invest its assets in accordance with G.S. 147-69.2 and G.S. 147-69.3. Investment earnings credited to the assets of the Trust Fund shall become part of the Trust Fund. Any balance remaining in the Trust Fund at the end of any fiscal year shall be carried forward in the Trust Fund for the next succeeding fiscal year.

Moneys in the Trust Fund shall be expended only in accordance with subsection (b) of this section and in accordance with limitations and directions enacted by the General Assembly.

(b) Moneys in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs shall be used only to:

(1) Provide start-up funds and operating support for programs and services that provide more appropriate and cost-effective community treatment alternatives for individuals currently residing in the State's mental health, developmental disabilities, and substance abuse services institutions.

(2) Facilitate the State's compliance with the United States Supreme Court decision in Olmstead v. L.C. and E.W.

(3) Facilitate reform of the mental health, developmental disabilities, and substance abuse services system and expand and enhance treatment and prevention services in these program areas to remove waiting lists and provide appropriate and safe services for clients.

(4) Provide bridge funding to maintain appropriate client services during transitional periods as a result of facility closings, including departmental restructuring of services.

(5) Construct, repair, and renovate State mental health, developmental disabilities, and substance abuse services facilities."

SECTION 21.58.(b). The Secretary of the Department of Health and Human Services shall develop a plan, after consultation with advocacy groups and affected State and local agencies and programs concerned with the mental health, developmental disabilities, and substance abuse services needs of the State, for the use of funds from the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs established under G.S. 143D-15D to meet the mental health needs of the State. The plan shall be consistent with the plan developed pursuant to G.S. 122C-102, if enacted in House Bill 381 of the 2001 General Assembly. Funds shall not be transferred from the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs until the Secretary has consulted with the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Chairs of the Senate Appropriations Committee on Health and Human Services and the House of Representatives Appropriations Subcommittee on Health and Human Services.

SECTION 21.58.(c). Moneys in the Trust Fund established pursuant to G.S. 143-15D shall be used to establish or expand community-based services only if sufficient recurring funds can be identified within the Department from funds currently budgeted for mental health, developmental disabilities, and substance abuse services, area mental health programs or county programs, or local government.

SECTION 21.58.(d) Funds in the Mental Health, Developmental Disabilities, and Substance Abuse Services Reserve for System Reform and Olmstead shall be transferred to the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs established under G.S. 143-15D.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

NONMEDICAID REIMBURSEMENT CHANGES

SECTION 21.59. Providers of medical services under the various State programs, other than Medicaid, offering medical care to citizens of the State shall be reimbursed at rates no more than those under the North Carolina Medical Assistance Program.

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

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

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

Family Size	Medical Eye Care Adults	All Rehabilitation	Other
1	$4,860	$8,364	$4,200
2	5,940	10,944	5,300
3	6,204	13,500	6,400
4	7,284	16,092	7,500
5	7,821	18,648	7,900
6	8,220	21,228	8,300
7	8,772	21,708	8,800
8	9,312	22,220	9,300

The eligibility level for children in the Medical Eye Care Program in the Division of Services for the Blind shall be one hundred percent (100%) of the federal poverty guidelines, as revised annually by the United States Department of Health and Human Services and in effect on July 1 of each fiscal year. The eligibility level for adults in the Atypical Antipsychotic Medication Program in the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall be one hundred fifty percent (150%) of the federal poverty guidelines, as revised annually by the United States Department of Health and Human Services and in effect on July 1 of each fiscal year. Additionally, those adults enrolled in the Atypical Antipsychotic Medication Program who become gainfully employed may continue to be eligible to receive State support, in decreasing amounts for the purchase of atypical antipsychotic medication and related services up to three hundred percent (300%) of the poverty level.

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

Income (% of poverty)	State Participation	Client Participation
0-150%	100%	0%
151-200%	75%	25%

201-250%	50%	50%
251-300%	25%	75%
300% and over	0%	100%

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

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

COMPREHENSIVE TREATMENT SERVICES PROGRAM

SECTION 21.60.(a) The Department of Health and Human Services shall establish the Comprehensive Treatment Services Program for children at risk for institutionalization or other out-of-home placement. The Program shall be implemented by the Department in consultation with the Department of Juvenile Justice and Delinquency Prevention, the Department of Public Instruction, and other affected State agencies. The purpose of the Program is to provide appropriate and medically necessary residential and nonresidential treatment alternatives for children at risk of institutionalization or other out-of-home placement. Program funds shall be targeted for non-Medicaid eligible children. Program funds may also be used to expand a system-of-care approach for services to children and their families statewide. The program shall include the following:

(1) Behavioral health screening for all children at risk of institutionalization or other out-of-home placement.
(2) Appropriate and medically necessary residential and nonresidential services for deaf children.
(3) Appropriate and medically necessary residential and nonresidential treatment services including placements for sexually aggressive youth.
(4) Appropriate and medically necessary residential and nonresidential treatment services including placements for youths needing substance abuse treatment services and children with serious emotional disturbances.
(5) Multidisciplinary case management services, as needed.
(6) A system of utilization review specific to the nature and design of the Program.
(7) Mechanisms to ensure that children are not placed in department of social services custody for the purpose of obtaining mental health residential treatment services.
(8) Mechanisms to maximize current State and local funds and to expand use of Medicaid funds to accomplish the intent of this Program.
(9) Other appropriate components to accomplish the Program's purpose.
(10) The Secretary of the Department of Health and Human Services may enter into contracts with residential service providers.
(11) A system of identifying and tracking children placed outside of the family unit in group homes, therapeutic foster care home settings, and other out-of-home placements.

SECTION 21.60.(b) In order to ensure that children at risk for institutionalization or other out-of-home placement are appropriately served by the mental health, developmental disabilities, and substance abuse services system, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall do the following with respect to services provided to these children:

(1) Provide only those treatment services that are medically necessary.
(2) Implement utilization review of services provided.

(3) Adopt the following guiding principles for the provision of services:
   a. Service delivery system must be outcome-oriented and evaluation-based.
   b. Services should be delivered as close as possible to the child's home.
   c. Services selected should be those that are most efficient in terms of cost and effectiveness.
   d. Services should not be provided solely for the convenience of the provider or the client.
   e. Families and consumers should be involved in decision making throughout treatment planning and delivery.

(4) Implement all of the following cost-reduction strategies:
   a. Preauthorization for all services except emergency services.
   b. Levels of care to assist in the development of treatment plans.
   c. Clinically appropriate services.
   d. Not later than May 1, 2002, State review of individualized service plans for former Willie M. class members and for other children whose individual service plan exceeds one hundred thousand dollars ($100,000) to ensure that service plans focus on delivery of appropriate services rather than optimal treatment and habilitation plans.

SECTION 21.60.(c) The Department shall collaborate with other affected State agencies such as the Department of Juvenile Justice and Delinquency Prevention, the Department of Public Instruction, the Administrative Office of the Courts, and with local departments of social services, area mental health programs, and local education agencies to eliminate cost shifting and facilitate cost-sharing among these governmental agencies with respect to the treatment and placement services.

SECTION 21.60.(d) The Department shall not allocate funds appropriated for Program services until a Memorandum of Agreement has been executed between the Department of Health and Human Services, the Department of Public Instruction, and other affected State agencies. The Memorandum of Agreement shall address specifically the roles and responsibilities of the various departmental divisions and affected State agencies involved in the administration, financing, care, and placement of children at risk of institutionalization or other out-of-home placement. The Department shall not allocate funds appropriated in this act for the Program until Memoranda of Agreement between local departments of social services, area mental health programs, local education agencies, and the Administrative Office of the Courts and the Department of Juvenile Justice and Delinquency Prevention, as appropriate, are executed to effectuate the purpose of the Program. The Memoranda of Agreement shall address issues pertinent to local implementation of the Program, including provision for the immediate availability of student records to a local school administrative unit receiving a child placed in a residential setting outside the child's home county.

SECTION 21.60.(e) Notwithstanding any other provision of law to the contrary, services under the Comprehensive Treatment Services Program are not an entitlement for non-Medicaid eligible children served by the Program.

SECTION 21.60.(f) Of the funds appropriated in this act for the Comprehensive Treatment Services Program, the Department of Health and Human Services shall establish a reserve of three percent (3%) to ensure availability of these funds to address specialized needs for children with unique or highly complex problems.

SECTION 21.60.(g) The Department of Health and Human Services, in conjunction with the Department of Juvenile Justice and Delinquency Prevention, the Department of Public Instruction, and other affected agencies, shall report on the following Program information:

(1) The number and other demographic information of children served.

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

SECTION 21.60.(h) The Department shall submit an interim report on December 1, 2001, on the implementation of this section and a final report not later than April 1, 2002, to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

WHITAKER SCHOOL

SECTION 21.61.(a) The Department of Health and Human Services shall work with families and guardians, the Department of Public Instruction, the Department of Juvenile Justice and Delinquency Prevention, and appropriate local education agencies, area mental health, developmental disabilities, and substance abuse programs, and local departments of social services to develop a plan for the transition of children from the Whitaker School to their homes or alternative facilities. The Plan shall ensure appropriate and safe placement for those children who, in accordance with the assessment, need an institutional setting. The Plan shall also include transition plans that facilitate and support children living in their natural environments and utilizing existing resources and natural supports. The Department shall report on the status of its compliance with this section on April 1, 2002 and again on October 1, 2002. The report shall be submitted to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

MENTAL RETARDATION CENTER TRANSITION PLAN

SECTION 21.62.(a) In keeping with the United States Supreme Court Decision in Olmstead vs. L.C. & E.W. and State policy to provide appropriate services to clients in the least restrictive and most appropriate environment, the Department of Health and Human Services shall develop and implement a plan for the transfer of residents of State mental retardation centers, if appropriate, as follows:
(1) Transfer those residents of the centers that need institutional services to a private intermediate care facility for the mentally retarded.
(2) Transition to community programs and services those residents of the center that may be appropriately served in the community.

The Department shall develop a transition plan for moving each resident of the mental retardation center to the community-based services and supports, if appropriate. The

transition plan shall be developed in consultation with the resident and the resident's family or guardian.

SECTION 21.62.(b) The Department may use funds from the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs to facilitate the transition of residents into alternative community-based services as required under subsection (a) of this section. Nonrecurring savings realized from implementation of the plan required under subsection (a) of this section shall be deposited to the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs to be used to facilitate the transition of clients into appropriate community-based services and supports in accordance with Section 21.58 of this act. Recurring savings realized through implementation of this section shall be retained by the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (i) for implementation of subsection (a)(1) and (2) of this section, and (ii) to support the recurring costs of additional community-based placements from Division facilities in accordance with Olmstead vs. L.C. & E.W.

SECTION 21.62.(c) On or before January 1, 2002, and again on or before May 1, 2002, and May 1, 2003, the Department shall report to the Joint Legislative Commission on Governmental Operations, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on its progress in implementing this section.

SECTION 21.62.(d) Before closing one or more State mental retardation centers the Department shall report the closure to the Joint Legislative Commission on Governmental Operations.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

DOROTHEA DIX HOSPITAL

SECTION 21.63.(a) In keeping with the United States Supreme Court decision in Olmstead vs. L.C. & E.W. and State policy to provide appropriate services to clients in the least restrictive and most appropriate environment, the Department of Health and Human Services shall develop and implement a plan for the construction of a replacement facility for Dorothea Dix Hospital in accordance with subsection (d) of this section, and for the transition of patients to the new facility, to the community, or to other long-term care facilities, as appropriate. The goal of the State Hospital Plan is to develop mechanisms and identify resources needed to enable current patients and their families to continue to receive the necessary services and supports based on the following guiding principles:

(1) Individuals shall be provided acute psychiatric care in non-State facilities when appropriate.
(2) Individuals shall be provided acute psychiatric care in State facilities only when non-State facilities are unavailable.
(3) Individuals shall receive evidenced-based psychiatric services and care that are cost-efficient.
(4) The State shall minimize cost shifting to other State and local facilities or institutions.

SECTION 21.63.(b) The Department of Health and Human Services shall conduct an analysis of the individual patient service needs and shall develop and implement an individual transition plan for each patient in the hospital. The State shall ensure that transition plans for placement of and services to individuals who are patients of Dorothea Dix Hospital take into consideration the availability of appropriate alternative placements based on the needs of the patient and within resources available for the mental health, developmental disabilities, and substance abuse services system.

In developing each plan, the Department shall consult with the patient and the patient's family or other legal representative.

SECTION 21.63.(c) In accordance with the plan established in subsections (a) and (b) of this section, any nonrecurring savings in State appropriations that result from reductions in beds or services shall be placed in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs. These funds shall be used to facilitate the transition of clients into appropriate community-based services and supports in accordance with Section 21.58 of this act. Recurring savings realized through implementation of this section shall be retained by the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (i) for implementation of subsections (a) and (b) of this section, and (ii) to support the recurring costs of additional community-based placements from Division facilities in accordance with Olmstead vs. L.C. & E.W.

SECTION 21.63.(d) The Secretary of the Department of Health and Human Services shall, in consultation with the Department of Administration, plan for the construction of a psychiatric hospital to replace Dorothea Dix Hospital and to provide acute psychiatric treatment services for citizens of the State. The Department shall identify alternative locations for the new hospital. The Department shall identify those alternative locations that maximize existing State funds, access by clients, and efficiencies in service and administration. In developing this plan, the Secretary, in consultation with the Department of State Treasurer and the Department of Administration, shall identify and recommend the most cost-effective means to finance construction of the new State hospital. The Department shall also take into consideration the findings and recommendations of the Government Performance Audit Committee (GPAC), December 1992, MGT America Report of 1998, and the Report of the Department of State Auditor, April 1, 2000. The Department of Health and Human Services shall provide a progress report on December 1, 2001, and a final report not later than April 1, 2002, to the Joint Legislative Commission on Governmental Operations, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 21.63.(e) The Department of Health and Human Services shall submit reports on the status of implementation of this section to the Joint Legislative Commission on Governmental Operations, the Senate Appropriations Committee on Health and Human Services, the House Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. These reports shall be submitted on February 1, 2002, and May 1, 2002.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

REORGANIZATION OF DIVISION OF MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

SECTION 21.64.(a) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall reduce layers of management and duplication of services in accordance with the following:

(1) Eliminate the Hospitals Services Section, including positions and corresponding State appropriations, federal funds, and other funds. The administration, planning, and coordination of all adult mental health services and programs shall be consolidated within an existing section in the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

(2) Eliminate the Mental Retardation/Mental Illness Transition Branch within the Developmental Disabilities Section, including positions, corresponding State appropriations, federal funds, and other funds.

(3) Consolidate within one section all positions and corresponding State appropriations, federal funds, and other funds for financial, budgetary, information technology, and other administrative support functions in order to create one administrative and budgetary support section within the Division.

SECTION 21.64.(b) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall study the feasibility of consolidating its staff, responsibilities, and resources around the functional areas of need of its clients regardless of disability. These functional areas shall include housing services and supports, supported employment, local crisis services, and capacity development.

SECTION 21.64.(c) The Department of Health and Human Services shall report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on its progress in complying with this section. The progress reports shall be submitted on or before November 1, 2001, and December 1, 2001. The final report shall be submitted on or before April 15, 2002.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

REDUCE ADMINISTRATIVE COSTS OF AREA MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE AUTHORITIES

SECTION 21.65.(a) Area mental health, developmental disabilities, and substance abuse authorities or counties administering mental health, developmental disabilities, and substance abuse services shall develop and implement plans to reduce local administrative costs. The plans shall be developed in accordance with guidelines adopted by the Secretary, in consultation with the Local Government Commission and the North Carolina Association of County Commissioners, and in accordance with the following:

(1) For the 2001-2002 fiscal year, administrative costs for:

a. Area mental health, developmental disabilities, and substance abuse services programs shall not exceed fifteen percent (15%).

b. Counties administering mental health, developmental disabilities, and substance abuse services through a county program shall not exceed fifteen percent (15%).

(2) For the 2002-2003 fiscal year, administrative costs for:

a. Area mental health, developmental disabilities, and substance abuse services programs shall not exceed thirteen percent (13%).

b. Counties administering mental health, developmental disabilities, and substance abuse services through a county program shall not exceed thirteen percent (13%).

SECTION 21.65.(b) The Department of Health and Human Services shall report its progress in complying with this section not later than January 1, 2002, and April 15, 2002. The reports shall be submitted to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division and shall include:

(1) A description of the process used and the participants involved in complying with subsection (a) of this section.

(2) The guidelines developed under subsection (a) of this section.
(3) A description of local compliance initiatives and efforts including program or function consolidation.
(4) A list of area programs at or below the targeted thirteen percent (13%) for the 2000-2001 fiscal year.
(5) Projected savings in administrative costs as a result of implementation of the targeted limits required under this section.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

SERVICES TO MULTIPLY- DIAGNOSED ADULTS

SECTION 21.66.(a) In order to ensure that multiply-diagnosed adults are appropriately served by the mental health, developmental disabilities, and substance abuse services system, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall do the following with respect to services provided to these adults:

(1) Implement the following guiding principles for the provision of services:
   a. Service delivery system must be outcome oriented and evaluation based.
   b. Services should be delivered as close as possible to the consumer's home.
   c. Services selected should be those that are most efficient in terms of cost and effectiveness.
   d. Services should not be provided solely for the convenience of the provider or the client.
   e. Families and consumers should be involved in decision making throughout treatment planning and delivery; and
(2) Provide those treatment services that are medically necessary.
(3) Implement utilization review of services provided.

SECTION 21.66.(b) The Department of Health and Human Services shall implement all of the following cost-reduction strategies:

(1) Preauthorization for all services except emergency services.
(2) Criteria for determining medical necessity.
(3) Clinically appropriate services.
(4) Not later than May 1, 2002, conduct a State review of (i) individualized service plans for former Thomas S. class members and for adults whose service plan exceeds one hundred thousand dollars ($100,000) to ensure that service plans focus on delivery of appropriate services rather than optimal treatment and habilitation plans, and (ii) staffing patterns of residential services.

SECTION 21.66.(c) No State funds shall be used for the purchase of single-family or other residential dwellings to house multiply-diagnosed adults.

SECTION 21.66.(d) The Department shall submit a progress report on implementation of this section not later than February 1, 2001, and a final report not later than May 1, 2002, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

DOWNSIZING OF MENTAL RETARDATION CENTERS

SECTION 21.67.(a) In accordance with the Department of Health and Human Services' plan for downsizing the State's regional mental retardation facilities by four percent (4%) each year, the Department shall implement cost-containment and reduction strategies to ensure the corresponding financial and staff downsizing of each facility. The Department shall manage the client population of the mental retardation centers in order to ensure that placements for ICF/MR level of care shall be made in non-State facilities. Admissions to State ICF/MR facilities are permitted only as a last resort and only upon approval of the Department. The corresponding budgets for each of the State mental retardation centers shall be reduced, and positions shall be eliminated as the census of each facility decreases. At no time shall mental retardation center positions be transferred to other units within a facility or assigned nondirect care activities such as outreach.

SECTION 21.67.(a1) Any savings in State appropriations in excess of two million nine hundred thousand dollars ($2,900,000) in each year of the 2001-2003 fiscal biennium that result from reductions in beds or services shall be applied as follows:

(1) Nonrecurring savings shall be placed in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs and shall be used to facilitate the transition of clients into appropriate community-based services and support in accordance with Section 21.58 of this act, and

(2) Recurring savings realized through implementation of this section shall be retained by the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to support the recurring costs of additional community-based placements from Division facilities in accordance with Olmstead vs. L.C. & E.W. In determining the savings in this section, savings shall include all savings realized from the downsizing of the State mental retardation centers including both the savings in direct State appropriations in the budgets of the State mental retardation centers as well as the savings in the State matching portion of reduced Medicaid payments associated with downsizing.

SECTION 21.67.(b) The Department of Health and Human Services shall report on its progress in complying with this section to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. The progress report shall be submitted not later than January 15, 2002, and a final report submitted not later than May 1, 2002.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

STATE PSYCHIATRIC HOSPITALS BED ALLOCATION PLAN

SECTION 21.68A. The Department of Health and Human Services shall develop and implement a plan that provides for the allocation of State psychiatric hospital beds among counties served by the State's regional psychiatric hospitals. The Plan shall incorporate policies that take into consideration State and county fiscal responsibilities and capacity, cost efficiency, and the principles and guidance embodied in the Olmstead vs. L.C. & E.W. decision. The Department shall report on the implementation of this section to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division, on March 1, 2002.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

CHILD CARE ALLOCATION FORMULA

SECTION 21.69.(a) The Department of Health and Human Services shall allocate child care subsidy voucher funds to pay the costs of necessary child care for minor children of needy families. The mandatory thirty percent (30%) Smart Start subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy allocation. The Department of Health and Human Services shall apply the following formula to all noncategorical federal and State child care funds, not including the aggregate mandatory thirty percent (30%) Smart Start subsidy allocation:

(1) One-third of budgeted funds shall be distributed according to the county's population in relation to the total population of the State.

(2) One-third of budgeted funds shall be distributed according to the number of children under six years of age in a county who are living in families whose income is below the State poverty level in relation to the total number of children under six years of age in the State in families whose income is below the poverty level.

(3) One-third of budgeted funds shall be distributed according to the number of working mothers with children under six years of age in a county in relation to the total number of working mothers with children under six years of age in the State.

SECTION 21.69.(b) A county's initial allocation shall not be less than that county's total expenditures for both FSA and non-FSA child care in fiscal year 1995-96.

SECTION 21.69.(c) The Department of Health and Human Services may reallocate unused child care subsidy voucher funds in order to meet the child care needs of low-income families. Any reallocation of funds shall be based upon the expenditures of all child care subsidy voucher funding, including Smart Start funds, within a county.

SECTION 21.69.(d) The Department of Health and Human Services, in consultation with the North Carolina Partnership for Children, Inc., the North Carolina Association of County Commissioners, directors of county departments of social services, and representatives of private for-profit and private not-for-profit child care providers, shall study the current methodology and process used to allocate all child care subsidy voucher funds to assess the effectiveness of the methodology and process in meeting the needs of North Carolina's low-income working families. The Department shall report its findings and recommendations to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division no later than April 1, 2002.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

CHILD CARE FUNDS MATCHING REQUIREMENT

SECTION 21.70. No local matching funds may be required by the Department of Health and Human Services as a condition of any locality's receiving any State child care funds appropriated by this act unless federal law requires such a match. This shall not prohibit any locality from spending local funds for child care services.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

CHILD CARE REVOLVING LOAN

SECTION 21.71. Notwithstanding any law to the contrary, funds budgeted for the Child Care Revolving Loan Fund may be transferred to and invested by the financial institution contracted to operate the Fund. The principal and any income to the Fund may be used to make loans, reduce loan interest to borrowers, serve as collateral

for borrowers, pay the contractor's cost of operating the Fund, or to pay the Department's cost of administering the program.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES

SECTION 21.72.(a) Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than eight percent (8%) of the total statewide allocation to all local partnerships. What counts as administrative costs shall be as defined in the Smart Start Performance Audit.

SECTION 21.72.(b) The North Carolina Partnership for Children, Inc., and all local partnerships shall use competitive bidding practices in contracting for goods and services on contract amounts as follows:

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

SECTION 21.72.(c) The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match no less than fifty percent (50%) of the total amount budgeted for the Program in each fiscal year of the biennium as follows: contributions of cash equal to at least fifteen percent (15%) and in-kind donated resources equal to no more than five percent (5%) for a total match requirement of twenty percent (20%) for each fiscal year. The North Carolina Partnership for Children, Inc., may carryforward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the match requirement of this subsection. Volunteer services that qualify as professional services shall be valued at the fair market value of those services. All other volunteer service hours shall be valued at the statewide average wage rate as calculated from data compiled by the Employment Security Commission in the Employment and Wages in North Carolina Annual Report for the most recent period for which data are available. Expenses, including both those paid by cash and in-kind contributions, incurred by other participating non-State entities contracting with the North Carolina Partnership for Children, Inc., or the local partnerships, also may be considered resources available to meet the required private match. In order to qualify to meet the required private match, the expenses shall:

(1) Be verifiable from the contractor's records;
(2) If in-kind, other than volunteer services, be quantifiable in accordance with generally accepted accounting principles for nonprofit organizations;
(3) Not include expenses funded by State funds;
(4) Be supplemental to and not supplant preexisting resources for related program activities;
(5) Be incurred as a direct result of the Early Childhood Initiatives Program and be necessary and reasonable for the proper and efficient accomplishment of the Program's objectives;
(6) Be otherwise allowable under federal or State law;

(7) Be required and described in the contractual agreements approved by the North Carolina Partnership for Children, Inc., or the local partnership; and

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

The North Carolina Partnership for Children, Inc., shall establish uniform guidelines and reporting format for local partnerships to document the qualifying expenses occurring at the contractor level. Local partnerships shall monitor qualifying expenses to ensure they have occurred and meet the requirements prescribed in this subsection.

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

SECTION 21.72.(d) Counties participating in the Program may use the county's allocation of State and federal child care funds to subsidize child care according to the county's Early Childhood Education and Development Initiatives Plan as approved by the North Carolina Partnership for Children, Inc. The use of federal funds shall be consistent with the appropriate federal regulations. Child care providers shall, at a minimum, comply with the applicable requirements for State licensure pursuant to Article 7 of Chapter 110 of the General Statutes, with other applicable requirements of State law or rule, including rules adopted for nonlicensed child care by the Social Services Commission, and with applicable federal regulations.

SECTION 21.72.(e) The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

CHILD CARE SUBSIDY RATES

SECTION 21.73.(a) G.S. 110-109 is repealed.

SECTION 21.73.(b) Subsection (d) of Section 11.27 of S.L. 2000-67 is repealed.

SECTION 21.73.(c) The maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be seventy-five percent (75%) of the State median income, adjusted for family size.

SECTION 21.73.(d) Fees for families who are required to share in the cost of care shall be established based on a percent of gross family income and adjusted for family size. Effective October 1, 2001, fees shall be determined as follows:

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

SECTION 21.73.(e) On or before September 30, 2001, payments for the purchase of child care services for low-income children shall be the same as would have resulted under Section 11.27 of S.L. 2000-67. Effective October 1, 2001, payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

(1) Religious-sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the

minimum licensing standards that are participating in the subsidized child care program shall be paid the one-star county market rate or the rate they charge privately paying parents, whichever is lower.

(2) Religious-sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that are receiving a higher rate than the market rates that will be implemented with this provision shall continue to receive that higher rate until September 30, 2002.

(3) Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group or the rate they charge privately paying parents, whichever is lower.

(4) Nonlicensed homes shall receive fifty percent (50%) of the county market rate or the rate they charge privately paying parents, whichever is lower.

(5) Maximum payment rates shall also be calculated periodically by the Division of Child Development for transportation to and from child care provided by the child care provider, individual transporter, or transportation agency, and for fees charged by providers to parents. These payment rates shall be based upon information collected by market rate surveys.

SECTION 21.73.(f) Provision of payment rates for child care providers in counties that do not have at least 75 children in each age group for center-based and home-based care are as follows:

(1) Payment rates shall be set at the statewide or regional market rate for licensed child care centers and homes.

(2) If it can be demonstrated that the application of the statewide or regional market rate to a county with fewer than 75 children in each age group is lower than the county market rate and would inhibit the ability of the county to purchase child care for low-income children, then the county market rate may be applied.

SECTION 21.73.(g) A market rate shall be calculated for child care centers and homes at each rated license level for each county and for each age group or age category of enrollees and shall be representative of fees charged to unsubsidized privately paying parents for each age group of enrollees within the county. The Division of Child Development shall also calculate a statewide rate and regional market rates for each rated license level for each age category.

SECTION 21.73.(h) Facilities licensed pursuant to Article 7 of Chapter 110 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the program that provides for the purchase of care in child care facilities for minor children of needy families. No separate licensing requirements shall be used to select facilities to participate. In addition, child care facilities shall be required to meet any additional applicable requirements of federal law or regulations. Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the General Statutes shall meet the requirements established by other State law and by the Social Services Commission.

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

SECTION 21.73.(i) Payment for subsidized child care services provided with Work First Block Grant funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 21.73.(j) Noncitizen families who reside in this State legally shall be eligible for child care subsidies if all other conditions of eligibility are met. If all other conditions of eligibility are met, noncitizen families who reside in this State

illegally shall be eligible for child care subsidies only if at least one of the following conditions is met:

(1) The child for whom a child care subsidy is sought is receiving child protective services or foster care services.

(2) The child for whom a child care subsidy is sought is developmentally delayed or at risk of being developmentally delayed.

(3) The child for whom a child care subsidy is sought is a citizen of the United States.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

DIVISION OF CHILD DEVELOPMENT REORGANIZATION

SECTION 21.74. The Department of Health and Human Services, Division of Child Development shall reduce layers of management and streamline operations in accordance with the following:

(1) Eliminate the Workforce Support and Consumer Outreach Section, including positions and corresponding State appropriations, federal funds, and other funds. Except that the Workforce Support, Criminal Records Checks, and the Work Force Unit-Quality Improvement Units shall be transferred to the Administration Section, including positions and corresponding State appropriations, federal funds, and other funds.

(2) Eliminate the Program Integrity and Quality Assurance Section including positions and corresponding State appropriations, federal funds, and other funds.

(3) Eliminate the Research and Policy Unit including positions and corresponding State appropriations, federal funds, and other funds.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

SECTION 21.75.(a) The North Carolina Partnership for Children, Inc., and the Department of Health and Human Services shall immediately develop and implement the following:

(1) Policies to ensure Early Childhood Education and Development Initiatives funds are allocated to child care programs, providers, and services that serve low-income children.

(2) Policies to ensure the allocation of all State funds and federal funds where appropriate to the neediest child care providers with priority given from the lowest licensure rating to the highest. The North Carolina Partnership for Children, Inc., and the Department of Health and Human Services shall develop the definition of "neediest" as used in this subdivision.

(3) Policies to ensure the allocation of State funds and federal funds where appropriate to child care programs and providers that serve an adequate number of children and families eligible to participate in the State child care subsidy voucher program. The North Carolina Partnership for Children, Inc., and the Department of Health and Human Services shall develop policies and a definition of "adequate" as used in this subdivision that takes into consideration the following:

a. County economic conditions.

b. Numbers of eligible families in a county.

c. The diversity of child care needs in a county.

d. Other factors that may impact on the number of child care facilities and the availability of child care in a county.

(4) Policies to ensure the elimination of local duplication and increased efficiency in the administration of child care subsidy voucher funds, unless local partnerships in collaboration with county departments of social services can demonstrate to the Department a more efficient and effective plan for administration of child care subsidy voucher funds. These policies shall be developed and implemented no later than January 1, 2002.

(5) Policies and procedures to ensure the unduplicated compilation of children served through State and federal child care subsidy voucher funds.

(6) Policies and procedures to ensure the timely, accurate, and consistent reporting of information on local child care subsidy waiting lists statewide.

SECTION 21.75.(b) In consultation with the Department of Public Instruction and the North Carolina Partnership for Children, Inc., the Department of Health and Human Services shall develop and implement policies and procedures to ensure that local partnerships that allocate funds to child care providers receiving State and federal child care funds plan and coordinate with their local education agencies the following:

(1) Selection of preschool curriculum with measurable outcomes.

(2) Kindergarten transition activities.

(3) Other activities needed to ensure that children transitioning from child care settings to kindergarten enter school ready to succeed.

SECTION 21.75.(c) The Department of Health and Human Services, in consultation with the North Carolina Partnership for Children, Inc., and the Office of State Budget and Management, shall develop a separate NCPC, Early Childhood Education and Development Initiative Program budget, within the Division of Child Development fund code for the purpose of segregating all expenditures related to the administration and operation of the statewide Smart Start program.

SECTION 21.75.(d) The Department of Health and Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds for Early Childhood Education and Development Initiatives for State fiscal year 2001-2002 shall be administered and distributed in the following manner:

(1) The North Carolina Partnership for Children, Inc., shall develop a policy to allocate the reduction of funds for Early Childhood Education and Development Initiatives for the 2001-2002 fiscal year.

(2) The North Carolina Partnership for Children, Inc., administration shall be reduced by ten percent (10%) from the 2000-2001 fiscal year level.

(3) The Department of Health and Human Services Smart Start administration shall be reduced by ten percent (10%) from the 2000-2001 fiscal year level.

(4) Capital expenditures and playground equipment expenditures are prohibited for fiscal year 2001-2002. For the purposes of this section, "capital expenditures" means expenditures for capital improvements as defined in G.S. 143-34.40.

SECTION 21.75.(e) The allocation of fiscal year 2000-2001 State carryforward funds is prohibited, and all fiscal year 2000-2001 unspent funds shall revert to the General Fund.

SECTION 21.75.(f) For the 2001-2002 fiscal year, the North Carolina Partnership for Children, Inc., shall not approve local partnership plans that allocate State funds to child care providers for one-time quality improvement initiatives in the following circumstances:

(1) Child care facilities with licensure of four or five stars, unless the expenditure of funds is to expand capacity for low-income children.
(2) Child care facilities that do not accept child care subsidy funds.
(3) Child care facilities that previously received quality improvement grants whose quality initiatives failed to increase licensure.

SECTION 21.75.(g) G.S. 143B-168.15(f) is repealed.

SECTION 21.75.(h) G.S. 143B-168.12(a)(9) is repealed.

SECTION 21.75(i). G.S. 143B-168.12 is amended by adding a new subsection to read:

"(d) The North Carolina Partnership for Children, Inc., shall make a report no later than December 1 of each year to the General Assembly that shall include the following:
(1) A description of the program and significant services and initiatives.
(2) A history of Smart Start funding and the previous fiscal year's expenditures.
(3) The number of children served by type of service.
(4) The type and quantity of services provided.
(5) The results of the previous year's evaluations of the Initiatives or related programs and services.
(6) A description of significant policy and program changes.
(7) Any recommendations for legislative action."

SECTION 21.75.(j) Notwithstanding the funding formula in G.S. 143B-168.13(a)(6), the State, in consultation with the North Carolina Partnership for Children, Inc., shall evaluate the feasibility of developing a revised funding formula which takes into consideration all relevant funding used by the State, local human services agencies and programs, and local partnerships to provide services and assistance to children under age five and their families. These funds shall include the Early Intervention Preschool Program, Health Choice, and Family Resource Centers, as well as other State and local services and programs funded with State funds, federal funds, local funds, and other resources.

SECTION 21.75.(k) Effective January 1, 2002, the North Carolina Partnership for Children, Inc., in consultation with Department of Health and Human Services, shall report the following information to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on a quarterly basis:
(1) Total Smart Start budget and expenditures by month for the current fiscal year.
(2) The number of children served by type of service.
(3) A description of and expenditures for statewide initiatives.
(4) A description of and quantity of non-child care services provided.
(5) An accounting of expenditures for the child care voucher subsidy programs.
(6) The progress of the North Carolina Partnership for Children, Inc., in complying with the provisions of this section.
(7) Any other related information.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES EVALUATION

SECTION 21.76. Of the funds appropriated to the Department of Health and Human Services, Division of Child Development, for the 2001-2002 fiscal year for the evaluation of the Early Childhood Education and Development Initiatives, no more than

five hundred thousand dollars ($500,000) may be used for evaluation of the Initiatives. The funds shall be used as follows:

(1) Evaluation of the Early Childhood Education and Development Initiatives, including the ongoing review of quality child care efforts and child care providers' progress in preparing children to be ready to enter school and succeed.
(2) Continuation of technical assistance to local partnerships in data collection and evaluation.
(3) No more than five percent (5%) shall be used for the contractor's administrative overhead.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson, Baddour

DEVELOPMENT OF MORE AT FOUR PILOT PROGRAM

SECTION 21.76B.(a) Of the funds appropriated to the Department of Health and Human Services the sum of six million four hundred fifty-six thousand five hundred dollars ($6,456,500) in each year of the 2001-2003 fiscal biennium shall be used to develop and implement "More At Four", a voluntary prekindergarten pilot program for at-risk four-year-olds. The Department of Health and Human Services, in consultation with the Department of Public Instruction, shall develop "More At Four" for four-year-old children in North Carolina to ensure that all children have an opportunity to succeed in kindergarten.

SECTION 21.76B.(b) The Department of Health and Human Services and the Department of Public Instruction shall establish the "More At Four" Pre-K Task Force to oversee development and implementation of the pilot program. The membership shall include:

(1) Parents of at-risk children.
(2) Representatives with expertise in early childhood development.
(3) Classroom teachers who are certified in early childhood education.
(4) Representatives of the private not-for-profit and for-profit child care providers in North Carolina.
(5) Employees of the Department of Health and Human Services who are knowledgeable in the areas of early childhood development, current State and federally funded efforts in child development, and providing child care.
(6) Representatives of local Smart Start partnerships.
(7) Representatives of local school administrative units.
(8) Representatives of Head Start prekindergarten programs in North Carolina.
(9) Employees of the Department of Public Instruction.

SECTION 21.76B.(c) The Department of Health and Human Services and the Department of Public Instruction, under the guidance of the Task Force, shall develop and implement the "More At Four" pilot prekindergarten program for at-risk four-year-olds who are at risk of failure in kindergarten. The pilot shall be distributed geographically to ensure adequate representation of the diverse areas of the State, including underserved areas. The goal of the program shall be to provide quality prekindergarten services in order to enhance kindergarten readiness for these children. The program shall be consistent with standards and assessments established jointly by the Department of Health and Human Services, the Department of Public Instruction, and the Task Force and may consider the "More At Four" Pre-K Task Force recommendations. The program shall include:

(1) A process and system for identifying children at risk of academic failure.

(2) A process and system for identifying children who have never been served in a formal early education program such as child care, public or private preschool, Head Start, Early Head Start, early intervention programs or other such programs, who demonstrate educational needs on the basis of a prekindergarten assessment, and who are eligible to enter kindergarten the next school year.

(3) A curriculum or several curricula that are recommended by the Task Force. The Task Force may consider curricula used by established prekindergarten programs such as WINGS, Bright Beginnings, and others. These curricula shall (i) focus primarily on oral language and emergent literacy, (ii) engage children through key experiences and provide background knowledge requisite for formal learning and successful reading in the early elementary years, (iii) involve active learning, (iv) promote measurable kindergarten language-readiness skills that focus on emergent literacy and mathematical skills, and (v) develop skills that will prepare children emotionally and socially for kindergarten.

(4) An emphasis on ongoing family involvement with the prekindergarten program.

(5) Evaluation of child progress through pre- and post-assessment of children as well as ongoing assessment of the children by teachers.

(6) Guidelines for a system to reimburse local school boards and systems, private child care providers, and other entities willing to establish and provide prekindergarten programs to serve at-risk children. A process and system for reimbursing providers that builds upon the existing child care subsidy reimbursement system.

(7) A system built upon existing local school boards and systems, private child care providers, and other entities who demonstrate the ability to establish or expand prekindergarten capacity.

(8) A quality-control system. Participating providers shall comply with standards and guidelines as established by the Department of Health and Human Services, the Department of Public Instruction, and the Task Force. The Department may use the child care rating system to assist in determining program participation.

(9) Standards for minimum teacher qualifications. A portion of the classroom sites initially funded shall have at least one teacher who is certified or provisionally certified in birth to kindergarten education.

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

(11) A system of accountability.

(12) Collaboration with State agencies and other organizations. The Department of Health and Human Services, the Department of Public Instruction, and the Task Force shall collaborate with State agencies and other organizations such as the North Carolina Partnership for Children, Inc., in the design and implementation of the pilot.

(13) Consideration of the reallocation of existing funds. In order to maximize current funding and resources, the Department of Health and Human Services, the Department of Public Instruction, and the Task Force shall consider the reallocation of existing funds from State and local programs that provide prekindergarten related care and services.

(14) Recommendations for long-term organizational placement and administration of the program.

SECTION 21.76B.(d) In development of the "More At Four" pilot, the Department of Health and Human Services, in consultation with the Department of Public Instruction and the Task Force, shall:

(1) Contract with an independent research organization, outside the Department of Health and Human Services and the Department of Public Instruction, with proven expertise in evaluation of prekindergarten programs, for the design of an evaluation component. The evaluation component shall facilitate longitudinal review of the program and child-specific outcomes to include, at a minimum, participants' readiness for kindergarten, percentage of participants scoring at or above grade level on the third grade end-of-grade test, and high school graduation rates.

(2) Collaborate in the development of a system to collect and maintain child-specific information to provide for the long-term evaluation of the pilot. The system shall be developed in a manner which builds upon existing State and local systems and which facilitates the interface with the N.C. Student Information Management System.

SECTION 21.76B.(e) State funds appropriated under this act for the "More At Four" pilot program shall not supplant current expenditures by counties, local partnerships, or other recipients of State and federal funds, allocated and expended on behalf of young children.

SECTION 21.76B.(f) In order to maximize and coordinate funding for prekindergarten programs for four-year-olds with demonstrated educational needs, the Department of Health and Human Services, the Department of Public Instruction, and the Task Force shall identify and make recommendations on the reallocation of funds from existing State and local programs providing prekindergarten related care and services, including child care subsidies. All potential funding sources, including federal as well as State-funded efforts, shall be identified.

SECTION 21.76B.(g) The Department of Health and Human Services, the Department of Public Instruction, and the Task Force shall report by January 1, 2002, and May 1, 2002, to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Health and Human Services, and the House of Representatives Appropriations Subcommittee on Health and Human Services on the progress in complying with this section. A final report along with recommendations for changes or expansion of the program shall be presented to the 2003 General Assembly.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

CONSOLIDATION AND TRANSFER OF PROGRAM FUNDS IN THE DIVISION OF SERVICES FOR THE BLIND

SECTION 21.77. The Division of Services for the Blind may consolidate the operating budgets for the Medical Eye Care Program and the Independent Living Services Program. The Division shall continue to provide all services currently provided by the Medical Eye Care Program and the Independent Living Services Program.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

ELIGIBILITY FOR VOCATIONAL REHABILITATION AND INDEPENDENT LIVING SERVICES

SECTION 21.78.(a) The Department of Health and Human Services shall compare the income eligibility standards for Vocational Rehabilitation and Independent Living Services to the income eligibility standards for Vocational Rehabilitation and Independent Living Services in other states.

SECTION 21.78.(b) The Department of Health and Human Services shall develop a plan for maximizing resources for Independent Living Services to ensure that services are targeted to the most financially needy persons.

SECTION 21.78.(c) The Department of Health and Human Services shall develop a plan for maximizing resources for Vocational Rehabilitation Services to ensure services are provided for low-income persons, the developmentally disabled, and Work First recipients who otherwise qualify for Vocational Rehabilitation Services.

SECTION 21.78.(d) The Department of Health and Human Services shall report on the activities required by this section no later than March 1, 2002, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

MAXIMIZATION OF RECEIPTS FOR EARLY INTERVENTION PROGRAMS

SECTION 21.79. The Department of Health and Human Services, Division of Public Health, area mental health, developmental disabilities, and substance abuse services programs, and local health departments shall maximize receipts for the evaluation and services provided by the Developmental Evaluation Centers and through Early Intervention programs. The Division shall maximize receipts from Health Choice, Medicaid, and other third-party payers. All receipts collected shall remain within the Division and shall be used to offset appropriations for operations of the Developmental Evaluation Centers and Early Intervention services.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

CREATE OFFICE OF EDUCATION SERVICES

SECTION 21.80.(a) G.S. 143B-146.22 is repealed.

SECTION 21.80.(b) The Division of Early Intervention and Education is dissolved and an Office of Education Services is created within the Department of Health and Human Services. The purpose of this office is to manage the Schools for the Deaf, the Governor Morehead School for the Blind, and their preschool components. The Office shall have a Superintendent and appropriate staff to manage these schools. The purpose of the Office is to improve student academic and postsecondary outcomes and to strengthen collaborative relationships with local education agencies and with the State Board of Education.

SECTION 21.80.(c) The Early Intervention program, including all positions and the corresponding State appropriations, federal funds, and other funds that were in the Early Intervention program as of January 1, 2001, are transferred from the Division of Early Intervention and Education to the Division of Public Health, Women's and Children's Health Section.

SECTION 21.80.(d) The Developmental Evaluation Centers, including all positions and the corresponding State appropriations, federal funds, and other funds, are transferred from the Division of Early Intervention and Education to the Division of Public Health, Women's and Children's Health Section.

SECTION 21.80.(e) The Governor Morehead School preschool program, including all positions and the corresponding State appropriations, federal funds, and other funds, is transferred from the Division of Early Intervention and Education to the Governor Morehead School.

SECTION 21.80.(f) The Department of Health and Human Services shall make the necessary organization changes effective immediately and the budget adjustments by October 1, 2001.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

CLOSURE OF CENTRAL NORTH CAROLINA SCHOOL FOR THE DEAF AT GREENSBORO

SECTION 21.81.(a) G.S. 143B-146.21(b) and (c) reads as rewritten:

"(b) The Secretary of Health and Human Services shall adopt policies and offer training opportunities to ensure that personnel who provide direct services to children in the ~~three~~ State schools for the deaf become proficient in sign language within two years of their initial date of employment or within two years of the effective date of this act, whichever occurs later. This subsection shall not apply to preschool personnel in any oral, auditory, or cued speech preschool.

(c) The Department of Public Instruction, the Board of Governors of The University of North Carolina, and the State Board of Community Colleges shall offer and communicate the availability of professional development opportunities, including those to improve sign language skills, to the personnel assigned to the State's residential schools, particularly the Governor Morehead School and the ~~three~~ schools for the deaf."

SECTION 21.81.(b) G.S. 143B-216.40 reads as rewritten:

"**§ 143B-216.40. Establishment; operations.**

There are established, and there shall be maintained, the following schools for the deaf: the Eastern North Carolina School for the Deaf at Wilson ~~(K-12); the Central North Carolina School for the Deaf at Greensboro (K-8),~~(K-12) and the North Carolina School for the Deaf at Morganton (K-12). The Department of Health and Human Services shall be responsible for the operation and maintenance of the schools.

The Board of Directors of the North Carolina Schools for the Deaf shall advise the Department and shall adopt rules and regulations concerning the schools as provided in G.S. 115C-124 and 143B-173."

SECTION 21.81.(c) G.S. 143B-146.2(a) reads as rewritten:

"(a) The Governor Morehead School and the ~~three~~ schools for the deaf shall participate in the ABC's Program. The Secretary, in consultation with the General Assembly and the State Board, may designate other residential schools that must participate in the ABC's Program. The primary goal of the ABC's Program is to improve student performance. The Program is based upon an accountability, recognition, assistance, and intervention process in order to hold each participating school, its superintendent, and the instructional personnel accountable for improved student performance in that school."

SECTION 21.81.(d) G.S. 143B-216.32(a) reads as rewritten:

"(a) The Council for the Deaf and the Hard of Hearing shall consist of 23 members. Fifteen members shall be members appointed by the Governor. Three members appointed by the Governor shall be persons who are deaf and three members shall be persons who are hard of hearing. One appointment shall be an educator who trains deaf education teachers and one appointment shall be an audiologist licensed under Article 22 of Chapter 90 of the General Statutes. Three appointments shall be parents of deaf or hard of hearing children including one parent of a student in a residential school; one parent of a student in a preschool program; and one parent of a student in a mainstream education program, with ~~each~~ at least one parent coming from ~~a different~~ each region of the ~~three~~ North Carolina schools for the deaf regions. One member appointed by the Governor shall be recommended by the President of the North Carolina Association of the Deaf; one member shall be recommended by the President of the North Carolina Pediatric Society; one member shall be recommended by the President of the North Carolina Registry of Interpreters for the Deaf; and one member shall be nominated by the Superintendent of Public Instruction. One member shall be appointed from the House of Representatives by the Speaker of the House of Representatives and one member shall be appointed from the Senate by the President

Pro Tempore of the Senate. The Secretary of Health and Human Services shall appoint six members as follows: one from the Division of Vocational Rehabilitation, one from the Division of Aging, one from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, one from the Division of Social Services, one from a North Carolina Chapter of SHHH (Self Help for the Hard of Hearing), and one from SPEAK (Statewide Parents' Education and Advocacy for Kids)."

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

RESIDENTIAL SCHOOLS FOR THE DEAF

SECTION 21.82.(a) The Department of Health and Human Services shall assess the educational needs of the current students at the North Carolina School for the Deaf in Morganton and the Eastern North Carolina School for the Deaf in Wilson. In doing so, the Department shall identify resources needed to educate these children within the public school system or the North Carolina Schools for the Deaf and prepare an educational plan for each student. The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the Office of Education Services, and the Department of Public Instruction shall work together in the development of these plans for students.

SECTION 21.82.(b) The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the Office of Education Services, and the Department of Public Instruction shall develop a plan for those children who are seriously emotionally disturbed and prepare plans to place them in appropriate settings.

SECTION 21.82.(c) The Department of Health and Human Services shall report on or before March 15, 2002, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on the activities under this section.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

PRESCHOOL PROGRAMS FOR THE DEAF

SECTION 21.83. Effective October 1, 2001, the Department of Health and Human Services shall transition the children at the State-operated preschool programs for the deaf to other preschool services. The State-operated preschool sites shall cease to operate after that date. The Department of Health and Human Services, the Division of Public Health, the Office of Education Services, the Division of Child Development, and the Department of Public Instruction shall develop a transition plan for the appropriate placement of the children located at these preschool sites. The transition plan shall include an assessment of the available resources to meet the needs of the children.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

EARLY INTERVENTION PILOTS

SECTION 21.84.(a) The Department of Health and Human Services, Division of Public Health shall not expand the Student Information Management System pilot program statewide during the 2001-2002 fiscal year. The Department shall maintain, evaluate, and improve the three pilot projects implemented in the 2000-2001 fiscal year, and provide a report on the status of the system to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research

Division by October 1, 2001. The report shall include the status of the operations of the database, a plan for statewide expansion, and the costs associated with the expansion.

SECTION 21.84.(b) The Department of Health and Human Services shall not expand the regional interdisciplinary pilots during the 2001-2002 fiscal year.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

EVALUATION OF EARLY INTERVENTION SYSTEM

SECTION 21.85.(a) The Department of Health and Human Services, Division of Public Health, shall determine the reasons why children are waiting for evaluation services provided by the Developmental Evaluation Centers. The Division shall develop an action plan to reduce the waiting period for evaluation services.

SECTION 21.85.(b) The Department of Health and Human Services, Division of Public Health, shall determine the reasons why children and their families are waiting for services that follow the evaluation process. The Division shall identify the specific services that children are waiting for and develop a plan to address the waiting period.

SECTION 21.85.(c) The Department of Health and Human Services, Division of Public Health, shall assess ways in which to create efficiencies among the therapies that are provided within the Early Intervention Program, Children With Special Health Services program, and other programs. The Division shall also evaluate ways to combine early intervention services provided by the Developmental Evaluation Centers, regional therapists, local health departments, and area mental health, developmental disabilities, and substance abuse authorities to gain efficiencies.

SECTION 21.85.(d) Not later than December 1, 2001, the Department of Health and Human Services shall report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on the assessment and plans of action for all of the above. The Department shall present a final report on the implementation of this section not later than April 1, 2002.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

IMMUNIZATION PROGRAM RESTITUTION POLICY

SECTION 21.86.(a) Part 2 of Article 6 of Chapter 130A of the General Statutes is amended by adding the following new section to read:

"**§ 130A-158. Restitution required when vaccine spoiled due to provider negligence.**

Immunization program providers shall be liable for restitution to the State for the cost of replacement vaccine when vaccine in the provider's inventory has become spoiled or unstable due to the provider's negligence and unreasonable failure to properly handle or store the vaccine."

SECTION 21.86.(b) This section is effective when it becomes law.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

IMMUNIZATION PROGRAM FUNDING

SECTION 21.87.(a) Of the funds appropriated in this act to the Department of Health and Human Services for childhood immunization programs for positions, operating support, equipment, and pharmaceuticals, the sum of up to one million dollars ($1,000,000) for the 2001-2002 fiscal year and the sum of one million dollars ($1,000,000) for the 2002-2003 fiscal year may be used for projects and activities that

are also designed to increase childhood immunization rates in North Carolina. These projects and activities shall include the following:

(1) Outreach efforts at the State and local levels to improve service delivery of vaccines. Outreach efforts may include educational seminars, media advertising, support services to parents to enable children to be transported to clinics, longer operating hours for clinics, and mobile vaccine units; and

(2) Continued development of an automated immunization registry.

SECTION 21.87.(b) Funds authorized to be used for immunization efforts under subsection (a) of this section shall not be used to fund additional State positions in the Department of Health and Human Services or contracts, except for contracts to develop an automated immunization registry or with local health departments for outreach.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Rand, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

PRESCRIPTION DRUG ASSISTANCE PROGRAM

SECTION 21.88. Of the funds appropriated in this act to the Department of Health and Human Services, the sum of five hundred thousand dollars ($500,000) for the 2001-2002 fiscal year and the sum of five hundred thousand dollars ($500,000) for the 2002-2003 fiscal year shall be used to pay the cost of outpatient prescription drugs for persons:

(1) Over the age of 65 years and not eligible for full Medicaid benefits;

(2) Whose income is not more than one hundred fifty percent (150%) of the federal poverty level; and

(3) Who have been diagnosed with cardiovascular disease or diabetes.

These funds shall be used to pay the cost of outpatient prescription drugs for the treatment of cardiovascular disease or diabetes. Payment shall be not more than the Medicaid cost including rebates. The Department shall develop criteria to maximize the efficient and effective distribution of these drugs.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

ADOLESCENT PREGNANCY PREVENTION INITIATIVES

SECTION 21.89.(a) The title of Part 6 of Article 5 of Chapter 130A of the General Statutes reads as rewritten:

"Part 6. ~~Adolescent~~ Teen Pregnancy ~~Prevention Projects.~~Prevention."

SECTION 21.89.(b) G.S. 130A-131.15 is repealed.

SECTION 21.89.(c) Part 6 of Article 5 of Chapter 130A of the General Statutes is amended by adding a new section to read:

"**§ 130A-131.15A. Department to establish program.**

(a) The Department shall establish and administer Teen Pregnancy Prevention Initiatives. The Department shall establish initiatives for primary prevention, secondary prevention, and special projects.

(b) The Commission shall adopt rules necessary to implement this section. The rules shall include a maximum annual funding level for initiatives and a requirement for local match.

(c) Initiatives shall be funded in accordance with selection criteria established by the Commission. In funding initiatives, the Department shall target counties with the highest teen pregnancy rates, increasingly higher rates, high rates within demographic subgroups, or greatest need for parenting programs. Grants shall be awarded on an annual basis.

(d) Initiatives shall be funded on a four-year funding cycle. The Department may end funding prior to the end of the four-year period if programmatic requirements and performance standards are not met. At the end of four years of funding, a local initiative shall be eligible to reapply for funding.

(e) Administrative costs in implementing this section shall not exceed ten percent (10%) of the total funds administered pursuant to this section.

(f) Programs are not required to provide a cash match for these funds; however, the Department may require an in-kind match.

(g) The Department shall periodically evaluate the effectiveness of teen pregnancy prevention programs."

SECTION 21.89.(d) The Department of Health and Human Services shall administer the Adolescent Pregnancy Prevention Program, the Adolescent Parenting Program, and the TANF-funded pregnancy prevention projects pursuant to the provisions of G.S. 130A-131.15A.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson, Wright

AIDS DRUG ASSISTANCE PROGRAM (ADAP)

SECTION 21.90.(a) The Department shall develop a comprehensive information management system on AIDS/HIV clients receiving services from the State. The Department may use up to fifty thousand dollars ($50,000) of the funds appropriated in this act to implement this information management system. This information management system shall be patterned after the information management system used by the Prescription Drug Assistance Program, shall provide instantaneous internal access to information, and shall include information on the following:

(1) Program usage patterns of ADAP participants, including, but not limited to, frequency of prescription purchases, types of medications prescribed, and the cost of prescribed medications on a monthly basis.

(2) Demographics of participants in the program, including the age, gender, race, ethnicity, and county of residence of participants.

The Department shall also develop a plan for promoting patient adherence to physician treatment recommendations. In developing the plan, the Department shall identify ways of obtaining information without interfering with physician-patient confidentiality. The Department shall report on this plan to the members of the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division not later than May 1, 2002.

SECTION 21.90.(b) For the 2001-2002 fiscal year and for the 2002-2003 fiscal year, HIV-positive individuals with incomes at or below one hundred twenty-five percent (125%) of the federal poverty level are eligible for participation in ADAP. Eligibility for participation in ADAP may be extended to individuals with incomes up to one hundred fifty percent (150%) of the federal poverty level only after the Office of State Budget and Management certifies in writing that the Department has developed an information management system pursuant to subsection (a) of this section. Until the Office of State Budget and Management makes this certification, eligibility for participation in ADAP during the 2001-2003 fiscal biennium shall not be extended to individuals with incomes above one hundred twenty-five percent (125%) of the federal poverty level. Following six months of increased eligibility at one hundred fifty percent (150%) of the federal poverty level, eligibility for participation in ADAP shall be extended to individuals with incomes up to one hundred seventy-five percent (175%) of the federal poverty level for the remainder of the 2001-2002 fiscal year. Beginning July 1, 2002, eligibility for participation in the ADAP shall be extended to individuals with incomes up to two hundred percent (200%) of the federal poverty level.

SECTION 21.90.(c) The Department of Health and Human Services shall make an interim report on ADAP program utilization by January 1, 2002, and a final report on ADAP program utilization and a report on the findings from a study on ways to improve HIV/AIDS prevention and care programs by April 30, 2002, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on ADAP. The reports shall include the following:

(1) ADAP program utilization:
   a. Monthly data on total cumulative AIDS/HIV cases reported in North Carolina.
   b. Monthly data on the number of individuals who have applied to participate in ADAP that have been determined to be ineligible.
   c. Monthly data on the income level of participants in ADAP and of individuals who have applied to participate in ADAP who have been determined to be ineligible.
   d. Monthly data on fiscal year-to-date expenditures of ADAP. The interim report shall contain monthly data on the calendar year-to-date expenditures of ADAP.
   e. An update on the status of the information management system.
   f. Monthly data on ADAP usage patterns and demographics of participants in ADAP.
   g. Fiscal year-to-date budget information.

(2) HIV/AIDS prevention and care:
   a. Ways to improve the efficiency of current HIV/AIDS prevention and care programs to ensure that current available funds are put to the optimal use. This study shall include an analysis of the changing demographics of the HIV/AIDS epidemic to ensure that prevention funds are targeted at population subgroups most at risk.
   b. A review of prevention programs operated by other states or localities that are not currently offered by this State. This review shall include a study of the effectiveness of the programs, any barriers to offering the programs in this State, an estimate of the costs involved with offering these programs, and ways in which a specific program might be adapted to meet the needs of this State.
   c. Any other matter the Department finds relevant to the issue.

SECTION 21.90.(d) The Department of Health and Human Services shall revise its policy regarding determination of eligibility to require all applications for participation in ADAP to be reviewed for eligibility determination by the Purchase of Medical Care Unit of the Program Benefits and Payment Section of the Office of the Controller of the Department of Health and Human Services. The Department shall track all applications for participation in ADAP in order to make the reports required under subsection (c) of this section. This policy applies to all applications made in physician offices or other settings.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

DIVISION OF PUBLIC HEALTH REORGANIZATION

SECTION 21.91.(a) The Department of Health and Human Services shall reduce layers of management and streamline operations by creating a Section of Financial Management and Support. The Department shall consolidate all budgeting, purchasing, contract oversight, and computer networking personnel into this section. The Department shall transfer all positions, corresponding State appropriations, federal

funds, and other related funds into this section. At no time shall the Department allow the Division of Public Health to maintain nonprogram positions within the other sections of the Division.

SECTION 21.91.(b) The Department shall establish a new permanent full-time position in the Division of Public Health for Local Health Services section chief. The Department shall not contract for this position.

SECTION 21.91.(c) Not later than December 1, 2001, the Department shall report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on the reorganization activities required under this section.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson, Insko

DIVISION OF PUBLIC HEALTH NURSE CONSULTANT AND PUBLIC HEALTH EDUCATOR CONSOLIDATION

SECTION 21.91A.(a) The Department of Health and Human Services shall, in partnership with local health department personnel, evaluate all nurse consultant positions in the Division of Public Health to determine the feasibility of consolidating duties and responsibilities of nurse consultants in order to maximize services for local health departments.

SECTION 21.91A.(b) The Department shall evaluate health educator positions to determine the feasibility of combining the duties and responsibilities of health educators in order to create efficiencies and maximize services.

SECTION 21.91A.(c) The Department shall report its findings and recommendations to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. The Department shall submit the report not later than March 1, 2002.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

STATE LABORATORY

SECTION 21.92.(a) The Department of Health and Human Services, Office of the Controller, shall develop a five-year equipment replacement schedule for the State Laboratory. The purpose of the schedule is to have an objective plan for medical laboratory equipment replacement to plan for current and future years' budget requirements.

SECTION 21.92.(b) The Department shall assess the various services that the State Laboratory provides and address the feasibility of contracting for additional services. The Department shall prepare a cost-benefit analysis of providing services in-house versus contracting out for services.

SECTION 21.92.(c) The Department shall assess the current fees and fee methodology for laboratory services to determine if fees are set at the appropriate levels. The Department shall identify new ways to set fees that incorporate the fully allocated cost of laboratory equipment and the full costs of operations. The Department may implement a revised fee schedule to reflect the full cost of operations including equipment replacement.

SECTION 21.92.(d) Not later than March 1, 2002, the Department of Health and Human Services shall report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on the implementation of this section.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

CENTRALIZATION OF STATISTICAL MANAGEMENT AND ANALYSIS FUNCTIONS

SECTION 21.93. The Secretary shall transfer components of the State Center for Health Statistics and related functions across divisions including information management, database management, and other related positions in order to centralize the statistical management and analysis functions across the Department of Health and Human Services. The purpose of the transfer is to facilitate enhanced statistical analyses and information for members of the public and support of all of the Divisions of the Department. The Secretary shall transfer corresponding State appropriations, federal funds, and other funds. The Department shall do the following:

(1) Determine the feasibility of centralizing existing database contracts within the Office of the Secretary and determine the feasibility of creating a unit to more efficiently and effectively manage database and information contracts for the entire Department.

(2) Evaluate the feasibility of operating the centralized unit as an internal service fund budget.

The Department shall submit a progress report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on the implementation of this section no later than December 1, 2001, an interim report no later than June 1, 2002, and a final report on December 1, 2002. The report shall include an assessment of the current statistical analysis functions for each Division and determine the resources (staff and appropriations) that would be suitable for transfer into the Office of the Secretary. The inventory shall include an assessment of all current contracts for database management, data collection, and analyses and shall determine the total amount of funds currently involved with these efforts. The final report shall include an implementation plan for carrying out the provisions of this section.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

PUBLIC HEALTH PREVENTION ACTIVITIES REPORT

SECTION 21.94. The Department of Health and Human Services, Division of Public Health, shall conduct an inventory of its activities in the prevention of infant mortality and birth defects. The Department shall conduct a comprehensive assessment of these activities to identify all in-house activities and contracted activities and shall include the following:

(1) Program or service title and description;

(2) Number of clients served, if applicable;

(3) State appropriations, federal funds, and other funds involved with the program or service; and

(4) To the extent possible include Smart Start health programs and services, and identify other nonprofit organizations' activities.

The Department shall report on the information required under this section to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division by March 1, 2002.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Warren, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

HEART DISEASE AND STROKE PREVENTION TASK FORCE

SECTION 21.95. The Heart Disease and Stroke Prevention Task Force, created in subsection (l) of Section 26.9 of Chapter 507 of the 1995 Session Laws, as amended, shall submit to the Governor and the General Assembly a sixth interim report within the first week of the convening of the 2001 General Assembly, 2002 Regular Session, and a seventh interim report within the first week of the convening of the 2003 General Assembly. Notwithstanding Section 11.57 of S.L. 1999-237, the Task Force shall submit a final report by June 30, 2003, and, upon submission of its final report to the Governor and the General Assembly, the Task Force shall expire.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

NEWBORN HEARING SCREENING PROGRAM REPORT

SECTION 21.96. The Department of Health and Human Services shall report the following information on the newborn hearing screening program:

(1) Unduplicated number of infants screened.
(2) Number of infants who failed the second hearing screening.
(3) Number of infants receiving the diagnostic evaluation.
(4) Number and types of services provided.
(5) Number and types of follow-up services provided to children.

The Department shall submit the report not later than May 1, 2002, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

INTENSIVE HOME VISITING

SECTION 21.97.(a) The Department of Health and Human Services, Division of Public Health, shall not use any State funds for the 2001-2002 fiscal year to contract for evaluation or technical assistance for the Intensive Home Visiting Program. If the Department contracts for evaluation or technical assistance using funds other than State funds, then the contract shall provide that the contractor will have the management information system fully implemented and operational at all IHV project sites within one month of the contract start date and will have all data, submitted by local IHV projects, entered into the database with a complete report provided to the Division of Public Health by January 1, 2002.

SECTION 21.97.(b) The Division shall require in-home visitors to collect data on program participants as a condition of participation. This requirement shall include six-month periodic assessments and completion of the questionnaires. The Department shall ensure that the collection, maintenance, use, and disclosure of data complies with applicable State and federal law protecting privacy of health and other individual information. By April 1, 2002, the Division shall report to the Senate Appropriations Committee on Health and Human Services and the House of Representatives Appropriations Subcommittee on Health and Human Services on the following items:

(1) Number of clients/families enrolled per county.
(2) Attrition and reasons why families leave the program.
(3) Average number of home visits per month.
(4) Average time involved per home visit.

(5) Baseline family characteristics.
(6) Health behaviors.
(7) Perinatal and birth outcomes.
(8) Other relevant outcome information.

All program information shall include the identification of the model used in order to compare these models in the future.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

ACCESS TO ORAL HEALTH CARE

SECTION 21.98.(a) Of the funds appropriated in this act to the Department of Health and Human Services, the sum of one million dollars ($1,000,000) for the 2001-2002 fiscal year and the sum of two million dollars ($2,000,000) for the 2002-2003 fiscal year shall be used to develop and implement a plan to improve access to dental services for Medicaid-eligible children and Medicaid-eligible adults. In developing and implementing a plan to improve access to dental services, the Department may consider various options including increasing rates, developing incentives to encourage dentists to serve Medicaid clients, and encouraging use of mobile dental units.

SECTION 21.98.(b) Funds allocated under this section shall not be used for payment of attorneys' fees in the settlement of the case of Andrican et al. v. Buell et al.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

CONTRACTUAL SERVICES LIMITATION

SECTION 21.99.(a) The Department of Health and Human Services shall maintain the adolescent pregnancy prevention and adolescent parenting program database created for the program via contract and shall not continue to contract for database management, development, or analysis. Of the funds appropriated to the Department in this act, the Department shall not spend more than twenty-five thousand dollars ($25,000) to transition the database from the contractor to the Department. The Department shall continue to collect and manage program data in order to conduct longitudinal studies in the future. The adolescent pregnancy prevention and adolescent parenting programs shall continue to collect the data in the survey manner in which information is currently collected.

SECTION 21.99.(b) Of funds appropriated to the Department of Health and Human Services, the Department shall not spend more than twenty-five thousand dollars ($25,000) to complete the longitudinal adolescent parenting program evaluation.

SECTION 21.99.(c) The Department of Health and Human Services shall collect data on programs and participants and prepare an annual report on basic program information. The Department shall plan for a periodic program effectiveness evaluation that assesses outcomes and compares program models and shall include this plan in the report required under subsection (d) of this section.

SECTION 21.99.(d) The Department shall report on activities conducted pursuant to this section to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division by March 1, 2002.

Requested by: Senators Martin of Guilford, Dannelly, Metcalf, Purcell, Wellons, Plyler, Odom, Lee; Representatives Earle, Nye, Baddour, Esposito, Easterling, Oldham, Redwine, Thompson

PRESCRIPTION DRUG INITIATIVES GRANT FUNDS

SECTION 21.100. The Health and Wellness Trust Fund Commission shall, as it develops criteria for awarding grants under Article 6C of Chapter 147 of the General Statutes, include criteria that will enable programs and initiatives addressing the need to expand access to prescription drugs to North Carolina senior and disabled citizens to receive grants from the Fund. In making the grants, the Commission shall consider, and coordinate with, the availability of any federal funds allocated to North Carolina pursuant to any federal initiative to provide financial assistance to senior and disabled citizens for the cost of prescription drugs.

In making its annual report to the Joint Legislative Commission on Governmental Operations and to the chairs of the Joint Legislative Health Care Oversight Committee regarding the implementation of that Article, the chair of the Health and Wellness Trust Fund Commission shall report on the programs and initiatives to expand access to prescription drugs to senior and disabled citizens that were funded by the Trust Fund. The report shall include the amount of funds disbursed for programs and initiatives to expand access to prescription drugs to senior and disabled citizens and the success of those programs and initiatives towards helping senior and disabled citizens obtain prescription drugs.

PART XXII. JUDICIAL DEPARTMENT

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

TRANSFER OF EQUIPMENT AND SUPPLY FUNDS

SECTION 22.1. Funds appropriated to the Judicial Department in the 2001-2003 biennium for equipment and supplies shall be certified in a reserve account. The Administrative Office of the Courts may transfer these funds to the appropriate programs and between programs as the equipment priorities and supply consumptions occur during the operating year. These funds shall not be expended for any other purpose.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

REPORT ON COMMUNITY MEDIATION CENTERS

SECTION 22.2. Article 5 of Chapter 7A of the General Statutes is amended by adding a new section to read:

"**§ 7A-38.6. Report on community mediation centers.**

(a) All community mediation centers currently receiving State funds shall report annually to the Mediation Network of North Carolina on the program's funding and activities, including:

(1) Types of dispute settlement services provided;
(2) Clients receiving each type of dispute settlement service;
(3) Number and type of referrals received, cases actually mediated, cases resolved in mediation, and total clients served in the cases mediated;
(4) Total program funding and funding sources;
(5) Itemization of the use of funds, including operating expenses and personnel;
(6) Itemization of the use of State funds appropriated to the center;
(7) Level of volunteer activity; and
(8) Identification of future service demands and budget requirements.

The Mediation Network of North Carolina shall compile and summarize the information provided pursuant to this subsection and shall provide the information to the Chairs of the House of Representatives and Senate Appropriations Committees and

the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by February 1 of each year.

(b) A community mediation center requesting State funds for the first time shall provide the General Assembly with the information enumerated in subsection (a) of this section, or projections where historical data are not available, as well as a detailed statement justifying the need for State funding.

(c) Each community mediation center receiving State funds for the first time shall document in the information provided pursuant to this section that, after the second year of receiving State funds, at least ten percent (10%) of total funding comes from non-State sources.

(d) Each community mediation center receiving State funds for the third, fourth, or fifth year shall document that at least twenty percent (20%) of total funding comes from non-State sources.

(e) Each community mediation center receiving State funds for six or more years shall document that at least fifty percent (50%) of total funding comes from non-State sources.

(f) Each community mediation center currently receiving State funds that has achieved a funding level from non-State sources greater than that provided for that center by subsection (c), (d), or (e) of this section shall make a good faith effort to maintain that level of funding.

(g) The percentage that State funds comprise of the total funding of each community mediation center shall be determined at the conclusion of each fiscal year with the information provided pursuant to this section and is intended as a funding ratio and not a matching funds requirement. Community mediation centers may include the market value of donated office space, utilities, and professional legal and accounting services in determining total funding.

(h) A community mediation center having difficulty meeting the funding ratio provided for that center by subsection (c), (d), or (e) of this section may request a waiver or special consideration through the Mediation Network of North Carolina for consideration by the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety.

(i) The provisions of G.S. 143-31.4 do not apply to community mediation centers receiving State funds.

(j) Each community mediation center receiving State funds shall function as, or as part of, a nonprofit organization or local government entity. A community mediation center functioning as a nonprofit organization shall have a governing board of directors that consists of a significant number of citizens from the surrounding community. State funds may not be used for indirect costs associated with contracts between the community mediation center and another entity for the provision of management-related services."

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

SENTENCING SERVICES REPORT

SECTION 22.3. The Judicial Department shall report to the Chairs of the Senate and House of Representatives Appropriations Committees and the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety by April 1, 2002, on the effectiveness of the Sentencing Services Program under structured sentencing and the criminal case docketing system. The report shall include:

(1) Data on the number of plans prepared, the recommendations included in those plans, the actual sentences imposed in those cases, and an analysis of the extent to which judges impose sentences using recommendations from plans;

(2) Data on the number of plans initiated but not presented to the court, including the reason the plan was not completed or presented; and

(3) The results of a survey on the impact of sentencing plans on judicial decisions, to be conducted by the Research, Planning, and Budget Development Section of the Judicial Department or another entity separate from the Sentencing Services Program. The survey shall include superior court judges, district attorneys, public defenders, and defense attorneys.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

ADD SPECIAL SUPERIOR COURT JUDGE/ELIMINATE VACANT SUPERIOR COURT JUDGESHIP IN DISTRICT 4B/ADD SUPERIOR COURT JUDGESHIP IN DISTRICT 24

SECTION 22.4.(a) G.S. 7A-45.1 is amended by adding a new subsection to read:

"(a5) Effective October 1, 2001, the Governor may appoint a special superior court judge to serve a term expiring five years from the date that judge takes office. Successors to the special superior court judge appointed pursuant to this subsection shall be appointed to five-year terms. A special judge takes the same oath of office and is subject to the same requirements and disabilities as are or may be prescribed by law for regular judges of the superior court, save the requirement of residence in a particular district."

SECTION 22.4.(b) G.S. 7A-41(a) reads as rewritten:

"(a) The counties of the State are organized into judicial divisions and superior court districts, and each superior court district has the counties, and the number of regular resident superior court judges set forth in the following table, and for districts of less than a whole county, as set out in subsection (b) of this section:

Judicial Division	Superior Court District	Counties	No. of Resident Judges
First	1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans	2
First	2	Beaufort, Hyde, Martin, Tyrrell, Washington	1
First	3A	Pitt	2
Second	3B	Carteret, Craven, Pamlico	2
Second	4A	Duplin, Jones, Sampson	1
Second	4B	Onslow	~~2~~ 1
Second	5	New Hanover, Pender	3
First	6A	Halifax	1
First	6B	Bertie, Hertford, Northampton	1
First	7A	Nash	1
First	7B	(part of Wilson, part of Edgecombe,	1

		see subsection (b))	
First	7C	(part of Wilson, part of Edgecombe, see subsection (b))	1
Second	8A	Lenoir and Greene	1
Second	8B	Wayne	1
Third	9	Franklin, Granville, Vance, Warren	2
Third	9A	Person, Caswell	1
Third	10A	(part of Wake, see subsection (b))	2
Third	10B	(part of Wake, see subsection (b))	2
Third	10C	(part of Wake, see subsection (b))	1
Third	10D	(part of Wake, see subsection (b))	1
Fourth	11A	Harnett, Lee	1
Fourth	11B	Johnston	1
Fourth	12A	(part of Cumberland, see subsection (b))	1
Fourth	12B	(part of Cumberland, see subsection (b))	1
Fourth	12C	(part of Cumberland, see subsection (b))	2
Fourth	13	Bladen, Brunswick, Columbus	2
Third	14A	(part of Durham, see subsection (b))	1
Third	14B	(part of Durham, see subsection (b))	3
Third	15A	Alamance	2
Third	15B	Orange, Chatham	1
Fourth	16A	Scotland, Hoke	1
Fourth	16B	Robeson	2
Fifth	17A	Rockingham	2
Fifth	17B	Stokes, Surry	2
Fifth	18A	(part of Guilford, see subsection (b))	1
Fifth	18B	(part of Guilford, see subsection (b))	1
Fifth	18C	(part of Guilford, see subsection (b))	1
Fifth	18D	(part of Guilford, see subsection (b))	1
Fifth	18E	(part of Guilford, see subsection (b))	1
Sixth	19A	Cabarrus	1
Fifth	19B1	(part of Montgomery, part of Moore, part of Randolph see subsection (b))	1
Fifth	19B2	(part of Montgomery, part of Moore,	1

		part of Randolph see subsection (b))	
Sixth	19C	Rowan	1
Sixth	20A	Anson, Richmond	1
Sixth	20B	Stanly, Union	2
Fifth	21A	(part of Forsyth, see subsection (b))	1
Fifth	21B	(part of Forsyth, see subsection (b))	1
Fifth	21C	(part of Forsyth, see subsection (b))	1
Fifth	21D	(part of Forsyth, see subsection (b))	1
Sixth	22	Alexander, Davidson, Davie, Iredell	3
Fifth	23	Alleghany, Ashe, Wilkes, Yadkin	1
Eighth	24	Avery, Madison, Mitchell, Watauga, Yancey	~~1~~ 2
Seventh	25A	Burke, Caldwell	2
Seventh	25B	Catawba	2
Seventh	26A	(part of Mecklenburg, see subsection (b))	2
Seventh	26B	(part of Mecklenburg, see subsection (b))	2
Seventh	26C	(part of Mecklenburg, see subsection (b))	2
Seventh	27A	Gaston	2
Seventh	27B	Cleveland, Lincoln	2
Eighth	28	Buncombe	2
Eighth	29	Henderson, McDowell, Polk, Rutherford, Transylvania	2
Eighth	30A	Cherokee, Clay, Graham, Macon, Swain	1
Eighth	30B	Haywood, Jackson	1."

SECTION 22.4.(c) The Governor shall appoint a superior court judge for the additional judgeship in Superior Court District 24 as authorized by subsection (b) of this section to serve a term expiring December 31, 2002. The successor to that judge shall be elected in the 2002 general election to serve a term expiring December 31, 2010.

SECTION 22.4.(d) This section becomes effective October 1, 2001, except that the elimination of the vacant judgeship in Superior Court District 4B becomes effective the later of October 1, 2001, or the date upon which it is approved under section 5 of the Voting Rights Act of 1965.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

BUSINESS COURT

SECTION 22.5. The Administrative Office of the Courts shall report to the Chairs of the Senate and House of Representatives Appropriations Committees and the

Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety by April 1 of each year on the activities of the North Carolina Business Court, including the number of cases heard by the court and the number of court sessions held outside of Superior Court District 18.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

ELIMINATE UNNECESSARY OR OBSOLETE REPORTS

SECTION 22.6.(a) G.S. 7A-348 reads as rewritten:

"**§ 7A-348. Training and supervision of assistants for administrative and victim and witness services.**

Pursuant to the provisions of G.S. 7A-413, the Conference of District Attorneys shall:

(1) Assist in establishing uniform statewide training for assistants for administrative and victim and witness services; and

(2) Assist in the implementation and supervision of this ~~program; and~~ program.

~~(3) With the Director of the Administrative Office of the Courts, report annually to the Joint Legislative Commission on Governmental Operations on the implementation and effectiveness of this act, beginning on or before February 1, 1987.~~"

SECTION 22.6.(b) G.S. 143-170.4 reads as rewritten:

"**§ 143-170.4. Administrative Office of the Courts; publications procedures manual; reports.**

Not later than June 1, 1990, the Administrative Office of the Courts, after review of the Department of Administration's state publications procedures guidelines and after consultation with the State Librarian and State Auditor, shall adopt (i) a publications procedures manual for public documents, other than the official reports of the North Carolina Supreme Court and the North Carolina Court of Appeals and official forms published by the Administrative Office of the Courts pursuant to G.S. 7A-343, that addresses the elements of publication production described in G.S. 143-170.2 and (ii) an administrative review and approval process to ensure appropriate review and approval of its public documents. The initial guidelines and the administrative review and approval process shall be reported to the Joint Legislative Commission on Governmental Operations by ~~January 1, 1991, and revisions thereto shall be reported to the Joint Legislative Commission on Governmental Operations within six months of adoption.~~ January 1, 1991."

SECTION 22.6.(c) G.S. 143-589 reads as rewritten:

"**§ 143-589. Legislative and judicial branch safety and health programs.**

The Legislative Services Commission and the Administrative Office of the Courts are authorized to separately establish safety and health programs for their employees. ~~The Administrative Office of the Courts shall report annually to the Joint Legislative Commission on Governmental Operations on its safety and health activities with respect to its program.~~"

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

COLLECTION OF WORTHLESS CHECKS FUND

SECTION 22.7. Notwithstanding the provisions of G.S. 7A-308(c), the Judicial Department may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2001, for the purchase or repair of office or information technology equipment during the 2001-2002 fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the Joint Legislative Commission on

Governmental Operations and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Information Technology on the equipment to be purchased or repaired and the reasons for the purchases.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Dannelly, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine

AUTHORIZE FAMILY DRUG TREATMENT COURTS TO SERVE ADDICTED PARENTS OF ABUSED AND NEGLECTED CHILDREN AND TO SERVE SUBSTANCE-ABUSING JUVENILE OFFENDERS WHO COME UNDER THE COURTS' JURISDICTION/DRUG TREATMENT COURT PROGRAM FOR JUDICIAL DISTRICT 28

SECTION 22.8.(a) G.S. 7A-791 reads as rewritten:

"**§ 7A-791. Purpose.**

The General Assembly recognizes that a critical need exists in this State for ~~criminal justice system~~ judicial programs that will reduce the incidence of ~~drug use and~~ alcohol and other drug abuse or dependence ~~drug addiction~~ and ~~crimes~~ crimes, delinquent acts, and child abuse and neglect committed as a result of ~~drug use~~ alcohol and other drug abuse or dependence, ~~and drug addiction.~~ and child abuse and neglect where alcohol and other drug abuse or dependence are significant factors in the child abuse and neglect. It is the intent of the General Assembly by this Article to create a program to facilitate the creation of local drug treatment court programs."

SECTION 22.8.(b) G.S. 7A-792 reads as rewritten:

"**§ 7A-792. Goals.**

The goals of the drug treatment court programs funded under this Article include the following:

(1) To reduce alcoholism and other drug dependencies among ~~offenders;~~ adult and juvenile offenders and defendants and among respondents in juvenile petitions for abuse, neglect, or both;

(2) To reduce criminal and delinquent ~~recidivism;~~ recidivism and the incidence of child abuse and neglect;

(3) To reduce the alcohol-related and other drug-related court workload;

(4) To increase the personal, familial, and societal accountability of ~~offenders;~~ adult and juvenile offenders and defendants and respondents in juvenile petitions for abuse, neglect, or both; and

(5) To promote effective interaction and use of resources among criminal and juvenile justice ~~personnel~~ personnel, child protective services personnel, and community agencies."

SECTION 22.8.(c) G.S. 7A-793 reads as rewritten:

"**§ 7A-793. Establishment of Program.**

The North Carolina Drug Treatment Court Program is established in the Administrative Office of the Courts to facilitate the creation and funding of local drug treatment court programs. The Director of the Administrative Office of the Courts shall provide any necessary staff for planning, organizing, and administering the program. Local drug treatment court programs funded pursuant to this Article shall be operated consistently with the guidelines adopted pursuant to G.S. 7A-795. Local drug treatment court programs established and funded pursuant to this Article may consist of adult drug treatment court programs, juvenile drug treatment court programs, family drug treatment court programs, or any combination of these programs."

SECTION 22.8.(d) G.S. 7A-795 reads as rewritten:

"**§ 7A-795. State Drug Treatment Court Advisory Committee.**

The State Drug Treatment Court Advisory Committee is established to develop and recommend to the Director of the Administrative Office of the Courts guidelines for the drug treatment court program and to monitor local programs wherever they are implemented. The Committee shall be chaired by the Director or the Director's designee

and shall consist of not less than seven members appointed by the Director and broadly representative of the courts, law enforcement, corrections, juvenile justice, child protective services, and substance abuse treatment communities. In developing guidelines, the Advisory Committee shall consider the Substance Abuse and the Courts Action Plan and other recommendations of the Substance Abuse and the Courts State Task Force."

SECTION 22.8.(e) G.S. 7A-796 reads as rewritten:

"**§ 7A-796. Local drug treatment court management committee.**

Each judicial district choosing to establish a drug treatment court shall form a local drug treatment court management committee, which shall be comprised to assure representation appropriate to the type or types of drug treatment court operations to be conducted in the district and shall consist of persons ~~consisting of the following persons,~~ appointed by the senior resident superior court judge with the concurrence of the chief district court judge and the district attorney for that ~~district:~~ district, chosen from the following list:

(1) A judge of the superior court;
(2) A judge of the district court;
(3) A district attorney or assistant district attorney;
(4) A public defender or assistant public defender in judicial districts served by a public defender;
(5) An attorney representing a county department of social services within the district;
(6) A representative of the guardian ad litem program;
~~(5)~~ (7) A member of the private criminal defense bar;
(8) A member of the private bar who represents respondents in department of social services juvenile matters;
~~(6)~~ (9) A clerk of superior court;
~~(7)~~ (10) The trial court administrator in judicial districts served by a trial court administrator;
(11) The director or member of the child welfare services division of a county department of social services within the district;
(12) The chief juvenile court counselor for the district;
~~(8)~~ (13) A probation officer;
~~(9)~~ (14) A local law enforcement officer;
(15) A representative of the local school administrative unit;
~~(10)~~ (16) A representative of the local community college;
~~(11)~~ (17) A representative of the treatment providers;
(18) A representative of the area mental health program;
~~(12)~~ (19) The local program director provided for in G.S. 7A-798; and
~~(13)~~ (20) Any other persons selected by the local management committee.

The local drug treatment court management committee shall develop local guidelines and procedures, not inconsistent with the State guidelines, that are necessary for the operation and evaluation of the local drug treatment court."

SECTION 22.8.(f) G.S. 7A-799 reads as rewritten:

"**§ 7A-799. Treatment not guaranteed.**

Nothing contained in this Article shall confer a right or an expectation of a right to treatment for a defendant or offender within the criminal or juvenile justice ~~system.~~ system or a respondent in a juvenile petition for abuse, neglect, or both."

SECTION 22.8.(g) G.S. 7A-800 reads as rewritten:

"**§ 7A-800. Payment of costs of treatment program.**

Each ~~defendant or~~ defendant, ~~offender~~ offender, or respondent in a juvenile petition for abuse, neglect, or both, who receives treatment under a local drug treatment court program shall contribute to the cost of the ~~substance~~ alcohol and other drug abuse or dependency treatment received in the drug treatment court program, based upon guidelines developed by the local drug treatment court management committee."

SECTION 22.8.(h) The Judicial Department may seek non-State funds and provide technical assistance to the local drug treatment court planning committee for the purpose of implementing a drug treatment court program in the 28th Judicial District.

SECTION 22.8.(i) This section shall not be construed to obligate the General Assembly to appropriate funds to implement the provisions of this section.

SECTION 22.8.(j) Subsection (h) of this section is effective when it becomes law. The remainder of this section becomes effective October 1, 2001.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine

TRANSFER OF FUNDS TO OFFICE OF INDIGENT DEFENSE SERVICES

SECTION 22.9. In the event that requirements for payments to assigned counsel exceed available funds in the Office of Indigent Defense Services during the 2001-2002 fiscal year, the Judicial Department shall transfer to the Office of Indigent Defense Services up to the sum of two million four hundred thousand dollars ($2,400,000) in funds available to cover the cost of fees held over from the 2000-2001 fiscal year. The Office of Indigent Defense Services and the Judicial Department shall report to the Joint Legislative Commission on Governmental Operations prior to any transfer of funds authorized by this section.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine

NORTH CAROLINA STATE BAR FUNDS

SECTION 22.10. Of the funds appropriated in the continuation budget as a grant-in-aid to the North Carolina State Bar for the 2001-2003 biennium, the North Carolina State Bar may in its discretion use up to the sum of five hundred ninety thousand dollars ($590,000) for the 2001-2002 fiscal year and up to the sum of five hundred ninety thousand dollars ($590,000) for the 2002-2003 fiscal year to contract with the Center for Death Penalty Litigation to provide training, consultation, brief banking, and other assistance to attorneys representing indigent capital defendants.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

ASSISTANT PUBLIC DEFENDER LONGEVITY/OFFICE OF INDIGENT DEFENSE SERVICES AMENDMENT AND CORRECTIONS

SECTION 22.11.(a) Section 49 of S.L. 2000-144 reads as rewritten:

"Section 49. Except as otherwise provided in this Part, this act becomes effective July 1, 2001. G.S. 7A-498, 7A-498.1, 7A-498.2, 7A-498.4, 7A-498.5, ~~and~~ 7A-498.6, and 7A-498.7(g), as enacted in Section 1 of this act, and Section 13 of this act are effective when they become law; however, except as otherwise provided in this Part, no rules, standards, or other regulations issued by the Commission on Indigent Defense Services, and no decisions regarding the actual delivery of services shall take effect prior to July 1, 2001, and all authority over the expenditure of funds shall remain with the Director of the Administrative Office of the Courts prior to that date. The Commission shall be responsible for the expenditure of funds for all cases pending on or after July 1, 2001."

SECTION 22.11.(b) G.S. 7A-498.4(b) reads as rewritten:

"(b) The members of the Commission shall be appointed as follows:

(1) The Chief Justice of the North Carolina Supreme Court shall appoint one member, who shall be an active or former member of the North Carolina judiciary.

(2) The Governor shall appoint one member, who shall be a nonattorney.

(3) The General Assembly shall appoint one ~~member~~ member, who shall be an attorney, upon the recommendation of the President Pro Tempore of the Senate.

(4) The General Assembly shall appoint one ~~member~~ member, who shall be an attorney, upon the recommendation of the Speaker of the House of Representatives.

(5) The North Carolina Public Defenders Association shall appoint one ~~member.~~ member, who shall be an attorney.

(6) The North Carolina State Bar shall appoint one ~~member.~~ member, who shall be an attorney.

(7) The North Carolina Bar Association shall appoint one ~~member.~~ member, who shall be an attorney.

(8) The North Carolina Academy of Trial Lawyers shall appoint one ~~member.~~ member, who shall be an attorney.

(9) The North Carolina Association of Black Lawyers shall appoint one ~~member.~~ member, who shall be an attorney.

(10) The North Carolina Association of Women Lawyers shall appoint one ~~member.~~ member, who shall be an attorney.

(11) The Commission shall appoint three members, who shall reside in different judicial districts from one another. One appointee shall be a nonattorney, and one appointee may be an active member of the North Carolina judiciary. One appointee shall be Native American. The initial three members satisfying this subdivision shall be appointed as provided in subsection (k) of this section."

SECTION 22.11.(c) Section 13 of S.L. 2000-144 reads as rewritten:

"Section 13. Effective when this act becomes law, G.S. 7A-467(d) is repealed. Effective July 1, 2001, G.S. 7A-459, 7A-465, 7A-466, ~~7A-467,~~ 7A-467(a), 7A-467(b), 7A-467(c), 7A-467(e), 7A-467(f), 7A-467(g), 7A-469, 7A-470, 7A-471, 7A-486, 7A-486.1, 7A-486.2, 7A-486.3, 7A-486.4, 7A-486.5, 7A-486.6, and 7A-486.7 are repealed."

SECTION 22.11.(d) G.S. 7A-498.7 is amended by adding three new subsections to read:

"(i) A public defender may apply to the Director of the Office of Indigent Defense Services to enter into contracts with local governments for the provision by the State of services of temporary assistant public defenders pursuant to G.S. 153A-212.1 or G.S. 160A-289.1.

(j) The Director of the Office of Indigent Defense Services may provide assistance requested pursuant to subsection (i) of this section only upon a showing by the requesting public defender, supported by facts, that the overwhelming public interest warrants the use of additional resources for the speedy disposition of cases involving drug offenses, domestic violence, or other offenses involving a threat to public safety.

(k) The terms of any contract entered into with local governments pursuant to subsection (i) of this section shall be fixed by the Director of the Office of Indigent Defense Services in each case. Nothing in this section shall be construed to obligate the General Assembly to make any appropriation to implement the provisions of this section or to obligate the Office of Indigent Defense Services to provide the administrative costs of establishing or maintaining the positions or services provided for under this section. Further, nothing in this section shall be construed to obligate the Office of Indigent Defense Services to maintain positions or services initially provided for under this section."

SECTION 22.11.(e) G.S. 153A-212.1 reads as rewritten:

"**§ 153A-212.1. Resources to protect the public.**

Subject to the requirements of G.S. 7A-41, 7A-44.1, 7A-64, 7A-102, 7A-133, and ~~7A-467,~~ 7A-498.7, a county may appropriate funds under contract with the State for the provision of services for the speedy disposition of cases involving drug offenses,

domestic violence, or other offenses involving threats to public safety. Nothing in this section shall be construed to obligate the General Assembly to make any appropriation to implement the provisions of this section. Further, nothing in this section shall be construed to obligate the Administrative Office of the Courts or the Office of Indigent Defense Services to maintain positions or services initially provided for under this section."

SECTION 22.11.(f) G.S. 160A-289.1 reads as rewritten:

"**§ 160A-289.1. Resources to protect the public.**

Subject to the requirements of G.S. 7A-41, 7A-44.1, 7A-64, 7A-102, 7A-133, and ~~7A-467,~~ 7A-498.7, a city may appropriate funds under contract with the State for the provision of services for the speedy disposition of cases involving drug offenses, domestic violence, or other offenses involving threats to public safety. Nothing in this section shall be construed to obligate the General Assembly to make any appropriation to implement the provisions of this section. Further, nothing in this section shall be construed to obligate the Administrative Office of the Courts or the Office of Indigent Defense Services to maintain positions or services initially provided for under this section."

SECTION 22.11.(g) Subsection (h) of Section 15.4 of S.L. 2000-67 reads as rewritten:

"Section 15.4.(h) The Administrative Office of the Courts and the Office of Indigent Defense Services shall report by March 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Committees, to the Chairs of the House of Representatives Subcommittee on Justice and Public Safety, and to the Chairs of the Senate Appropriations Committee on Justice and Public Safety on contracts entered into with local governments for the provision of the services of assistant district attorneys, assistant public defenders, judicial secretaries, and employees in the office of the Clerk of Superior Court. The report shall include the number of applications made to the Administrative Office of the Courts or the Office of Indigent Defense Services for these contracts, the number of contracts entered for provision of these positions, and the dollar amounts of each contract."

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

OFFICE OF INDIGENT DEFENSE SERVICES REPORT

SECTION 22.12. The Office of Indigent Defense Services shall report to the Chairs of the Senate and House of Representatives Appropriations Committees and the Chairs of the Senate and House Representatives Appropriations Subcommittees on Justice and Public Safety by March 1 of each year on:

(1) The volume and cost of cases handled in each district by assigned counsel or public defenders;
(2) Actions taken by the Office to improve the cost-effectiveness and quality of indigent defense, including the capital case program;
(3) Plans for changes in rules, standards, or regulations in the upcoming year; and
(4) Any recommended changes in law or funding procedures that would assist the Office in improving the management of funds expended for indigent defense services.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

ASSISTANT PUBLIC DEFENDERS/PUBLIC DEFENDER OFFICE PERSONNEL

SECTION 22.13.(a) From funds appropriated to the Indigent Persons' Attorney Fee Fund for the 2001-2003 biennium, the Office of Indigent Defense Services may use up to the sum of four hundred seventy-seven thousand seven hundred sixty-eight dollars ($477,768) for the 2001-2002 fiscal year and up to the sum of four hundred forty-six thousand eight hundred twenty dollars ($446,820) for the 2002-2003 fiscal year for salaries, benefits, equipment, and related expenses to establish up to six new assistant public defender positions in statewide programs or districts with existing public defender programs.

SECTION 22.13.(b) From funds appropriated to the Indigent Persons' Attorney Fee Fund for the 2001-2003 biennium, the Office of Indigent Defense Services may use up to the sum of two hundred eighty-three thousand five hundred seventy-five dollars ($283,575) for the 2001-2002 fiscal year and up to the sum of two hundred fifty-six thousand three hundred ten dollars ($256,310) for the 2002-2003 fiscal year for salaries, benefits, equipment, and related expenses to establish up to five new legal assistant, paralegal, investigator, or administrative assistant positions in statewide programs or districts with existing public defender programs.

SECTION 22.13.(c) Prior to establishing any new positions under this section, the Office of Indigent Defense Services shall report to the Joint Legislative Commission on Governmental Operations on the positions to be established and the locations of those positions.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine

DEDICATE A PORTION OF COURT COSTS TO PROVIDE ACCESS TO CIVIL JUSTICE

SECTION 22.14.(a) G.S. 7A-304(a)(4) reads as rewritten:

"(4) For support of the General Court of Justice, the sum of sixty-five dollars ($65.00) in the district court, including cases before a magistrate, and the sum of seventy-two dollars ($72.00) in the superior court, to be remitted to the State Treasurer. The State Treasurer shall remit the sum of one dollar and five cents ($1.05) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4."

SECTION 22.14.(b) G.S. 7A-305(a)(2) reads as rewritten:

"(2) For support of the General Court of Justice, the sum of fifty-nine dollars ($59.00) in the superior court, and the sum of forty-four dollars ($44.00) in the district court except that if the case is assigned to a magistrate the sum shall be thirty-three dollars ($33.00). Sums collected under this ~~subsection~~ subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of one dollar and five cents ($1.05) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4."

SECTION 22.14.(c) G.S. 7A-306(a)(2) reads as rewritten:

"(2) For support of the General Court of Justice the sum of thirty dollars ($30.00). In addition, in proceedings involving land, except boundary disputes, if the fair market value of the land involved is over one hundred dollars ($100.00), there shall be an additional sum of thirty cents (30¢) per one hundred dollars ($100.00) of value, or major fraction thereof, not to exceed a maximum additional sum of two hundred dollars ($200.00). Fair market value is determined by the sale price if there is a sale, the appraiser's valuation if there is no sale, or the appraised value from the property tax records if there is neither a sale nor an appraiser's valuation. Sums collected under this ~~subsection~~ subdivision shall be remitted to the State Treasurer. The State

Treasurer shall remit the sum of one dollar and five cents ($1.05) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4."

SECTION 22.14.(d) G.S. 7A-307(a)(2) reads as rewritten:

"(2) For support of the General Court of Justice, the sum of thirty dollars ($30.00), plus an additional forty cents (40¢) per one hundred dollars ($100.00), or major fraction thereof, of the gross estate, not to exceed three thousand dollars ($3,000). Gross estate shall include the fair market value of all personalty when received, and all proceeds from the sale of realty coming into the hands of the fiduciary, but shall not include the value of realty. In collections of personal property by affidavit, the fee based on the gross estate shall be computed from the information in the final affidavit of collection made pursuant to G.S. 28A-25-3 and shall be paid when that affidavit is filed. In all other cases, this fee shall be computed from the information reported in the inventory and shall be paid when the inventory is filed with the clerk. If additional gross estate, including income, comes into the hands of the fiduciary after the filing of the inventory, the fee for such additional value shall be assessed and paid upon the filing of any account or report disclosing such additional value. For each filing the minimum fee shall be fifteen dollars ($15.00). Sums collected under this ~~subsection~~ subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of one dollar and five cents ($1.05) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4."

SECTION 22.14.(e) G.S. 7A-474.1 reads as rewritten:

"**§ 7A-474.1. Legislative findings and purpose.**

The General Assembly of North Carolina declares it to be its purpose to provide access to legal representation for indigent persons in certain kinds of civil matters. The General Assembly finds that such representation can best be provided in an efficient, effective, and economic manner through ~~Legal Services of North Carolina, Inc., and the~~ five geographically based field programs in this ~~State receiving funds under the Legal Services Corporation Act (42 U.S.C. § 2996 **et seq.**).~~State."

SECTION 22.14.(f) G.S. 7A-474.2 reads as rewritten:

"**§ 7A-474.2. Definitions.**

The following definitions shall apply throughout this Article, unless the context otherwise requires:

(1) "Eligible client" means a resident of North Carolina financially eligible for representation under the Legal Services Corporation Act, regulations, and interpretations adopted thereunder (45 CFR § 1611, and subsequent revisions).

(2) "Legal assistance" means the provision of any legal services, as defined by Chapter 84 of the General Statutes, consistent with this Article. Provided, that all legal services provided hereunder shall be performed consistently with the Rules of Professional Conduct promulgated by the North Carolina State Bar. Provided, further, that no funds appropriated under this Article shall be used for lobbying to influence the passage or defeat of any legislation before any municipal, county, state, or national legislative body.

~~(3) "Legal Services of North Carolina, Inc.," means the not-for-profit corporation established by the North Carolina Bar Association to administer the system of local legal services programs primarily funded under the Legal Services Corporation Act (42 U.S.C. § 2996 **et**~~

~~**seq.**) and the interest on Lawyer's Trust Accounts program of the North Carolina State Bar.~~

(4) "Geographically based field programs" means the ~~15 local~~ following not-for-profit corporations ~~supported by funds from Legal Services of North Carolina, Inc., and the Legal Services Corporation and which provide civil legal services to low-income residents of geographic service areas comprising all 100 counties in North Carolina.~~ using State funds to serve the counties listed: Legal Services of the Southern Piedmont, serving Cabarrus, Gaston, Mecklenburg, Stanly, and Union Counties; Legal Aid Society of Northwest North Carolina, serving Davie, Forsyth, Iredell, Stokes, Surry, and Yadkin Counties; North Central Legal Assistance Program, serving Durham, Franklin, Granville, Person, Vance, and Warren Counties; Pisgah Legal Services, serving Buncombe, Henderson, Madison, Polk, Rutherford, and Transylvania Counties; and Legal Services of North Carolina, serving 83 counties in North Carolina; or any successor entity or entities of the named organizations, or, should any of the named organizations dissolve, the entity or entities providing substantially the same services in substantially the same service area."

SECTION 22.14.(g) G.S. 7A-474.4 reads as rewritten:

"**§ 7A-474.4. Funds.**

Funds to provide representation pursuant to this Article shall be provided to ~~Legal Services of North Carolina, Inc.,~~ the North Carolina State Bar for provision of direct services by and support of the geographically based ~~programs based upon the eligible client population in each program's geographic coverage area. Funds authorized by law shall be provided by the North Carolina State Bar to Legal Services of North Carolina, Inc., by a contract between those entities.~~ field programs. The North Carolina State Bar shall allocate these funds directly to each of the five geographically based field programs based upon the eligible client population in each area program, with Pisgah Legal Services receiving the allocation for Buncombe, Henderson, Madison, Polk, Rutherford, and Transylvania Counties, based upon the eligible client population in each area program. The North Carolina State Bar shall not use any of these funds for its administrative costs."

SECTION 22.14.(h) G.S. 7A-474.5 reads as rewritten:

"**§ 7A-474.5. Records and reports.**

~~Legal Services of North Carolina, Inc.,~~ The geographically based field programs shall keep appropriate records and make periodic reports, as requested, to the North Carolina State Bar."

SECTION 22.14.(i) The Administrative Office of the Courts shall report by April 15 of each year to the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the amount remitted to the State Bar pursuant to the provisions of G.S. 7A-304(a)(4), G.S. 7A-305(a)(2), G.S. 7A-306(a)(2), and 7A-307(a)(2). Each report shall include the amount remitted year-to-date and the projected amount for the entire fiscal year.

SECTION 22.14.(j) This section becomes effective January 1, 2002, and applies to fees assessed or paid on or after that date.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

AUTHORIZE ADDITIONAL MAGISTRATE

SECTION 22.16. G.S. 7A-133(c) reads as rewritten:

"(c) Each county shall have the numbers of magistrates and additional seats of district court, as set forth in the following table:

County	Magistrates Min.	Max.	Additional Seats of Court
Camden	1	3	
Chowan	2	3	
Currituck	1	4	
Dare	3	8	
Gates	2	3	
Pasquotank	3	5	
Perquimans	2	4	
Martin	5	8	
Beaufort	4	8	
Tyrrell	1	3	
Hyde	2	4	
Washington	3	4	
Pitt	10	12	Farmville Ayden
Craven	7	10	Havelock
Pamlico	2	4	
Carteret	5	8	
Sampson	6	8	
Duplin	9	11	
Jones	2	3	
Onslow	8	14	
New Hanover	6	11	
Pender	4	6	
Halifax	9	14	Roanoke Rapids, Scotland Neck
Northampton	5	7	
Bertie	4	6	
Hertford	5	7	
Nash	7	10	Rocky Mount
Edgecombe	4	7	Rocky Mount
Wilson	4	7	
Wayne	5	12	Mount Olive
Greene	2	4	
Lenoir	4	10	La Grange
Granville	3	7	
Vance	3	6	
Warren	3	5	
Franklin	3	7	
Person	3	4	
Caswell	2	5	
Wake	12	21	Apex, Wendell, Fuquay-Varina, Wake Forest
Harnett	7	11	Dunn
Johnston	10	12	Benson, Clayton, Selma

Lee	4	6	
Cumberland	10	19	
Bladen	4	6	
Brunswick	4	9	
Columbus	6	~~9~~ 10	Tabor City
Durham	8	13	
Alamance	7	11	Burlington
Orange	4	11	Chapel Hill
Chatham	3	9	Siler City
Scotland	3	5	
Hoke	4	5	
Robeson	8	16	Fairmont, Maxton, Pembroke, Red Springs, Rowland, St. Pauls
Rockingham	4	9	Reidsville, Eden, Madison
Stokes	2	5	
Surry	5	9	Mt. Airy
Guilford	20	27	High Point
Cabarrus	5	9	Kannapolis
Montgomery	2	4	
Randolph	5	10	Liberty
Rowan	5	10	
Stanly	5	6	
Union	4	7	
Anson	4	6	
Richmond	5	6	Hamlet
Moore	5	8	Southern Pines
Forsyth	3	15	Kernersville
Alexander	2	4	
Davidson	7	10	Thomasville
Davie	2	3	
Iredell	4	9	Mooresville
Alleghany	1	2	
Ashe	3	4	
Wilkes	4	6	
Yadkin	3	5	
Avery	3	5	
Madison	4	5	
Mitchell	3	4	
Watauga	4	6	
Yancey	2	4	
Burke	4	7	
Caldwell	4	7	
Catawba	6	10	Hickory
Mecklenburg	15	28	
Gaston	11	22	
Cleveland	5	8	
Lincoln	4	7	
Buncombe	6	15	

Henderson	4	7	
McDowell	3	6	
Polk	3	4	
Rutherford	6	8	
Transylvania	2	4	
Cherokee	3	4	
Clay	1	2	
Graham	2	3	
Haywood	5	7	Canton
Jackson	3	5	
Macon	3	4	
Swain	2	3."	

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Hensley, Easterling, Oldham, Redwine, Thompson

ELIMINATE VACANT DISTRICT COURT JUDGESHIP IN DISTRICT 17A/ADD DISTRICT COURT JUDGESHIP IN DISTRICT COURT DISTRICT 10

SECTION 22.17.(a) G.S. 7A-133(a) reads as rewritten:

"(a) Each district court district shall have the numbers of judges as set forth in the following table:

District	Judges	County
1	5	Camden Chowan Currituck Dare Gates Pasquotank Perquimans
2	4	Martin Beaufort Tyrrell Hyde Washington
3A	5	Pitt
3B	5	Craven Pamlico Carteret
4	8	Sampson Duplin Jones Onslow
5	7	New Hanover Pender
6A	2	Halifax
6B	3	Northampton Bertie Hertford
7	7	Nash Edgecombe Wilson
8	6	Wayne

		Greene Lenoir
9	4	Granville (part of Vance see subsection (b)) Franklin
9A	2	Person Caswell
9B	2	Warren (part of Vance see subsection (b))
10	~~14~~ 15	Wake
11	8	Harnett Johnston Lee
12	9	Cumberland
13	6	Bladen Brunswick Columbus
14	6	Durham
15A	4	Alamance
15B	4	Orange Chatham
16A	3	Scotland Hoke
16B	5	Robeson
17A	~~3~~ 2	Rockingham
17B	3	Stokes Surry
18	12	Guilford
19A	4	Cabarrus
19B	6	Montgomery Moore Randolph
19C	4	Rowan
20	7	Stanly Union Anson Richmond
21	8	Forsyth
22	9	Alexander Davidson Davie Iredell
23	4	Alleghany Ashe Wilkes Yadkin
24	4	Avery Madison Mitchell Watauga Yancey
25	8	Burke Caldwell

		Catawba
26	17	Mecklenburg
27A	6	Gaston
27B	4	Cleveland
		Lincoln
28	6	Buncombe
29	6	Henderson
		McDowell
		Polk
		Rutherford
		Transylvania
30	5	Cherokee
		Clay
		Graham
		Haywood
		Jackson
		Macon
		Swain."

SECTION 22.17.(b) The Governor shall appoint the additional district court judge for District Court District 10 authorized by subsection (a) of this section. The judge's successor shall be elected in the 2004 election for a four-year term commencing on the first Monday in December 2004.

SECTION 22.17.(c) This section becomes effective January 1, 2002, except that the elimination of the vacant judgeship in District Court District 17A is effective the later of January 1, 2002, or the date upon which it is approved under Section 5 of the Voting Rights Act of 1965.

PART XXIII. DEPARTMENT OF JUSTICE

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE LAW ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT

SECTION 23.1.(a) Assets transferred to the Departments of Justice, Correction, and Crime Control and Public Safety during the 2001-2003 biennium pursuant to applicable federal law shall be credited to the budgets of the respective departments and shall result in an increase of law enforcement resources for those departments. The Departments of Justice, Correction, and Crime Control and Public Safety shall report to the Joint Legislative Commission on Governmental Operations upon receipt of the assets and, before using the assets, shall report on the intended use of the assets and the departmental priorities on which the assets may be expended.

SECTION 23.1.(b) The General Assembly finds that the use of assets transferred pursuant to federal law for new personnel positions, new projects, the acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the Department of Justice, the Department of Correction, and the Department of Crime Control and Public Safety are prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 23.1.(c) Nothing in this section prohibits North Carolina law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

PRIVATE PROTECTIVE SERVICES AND ALARM SYSTEMS LICENSING BOARDS PAY FOR USE OF STATE FACILITIES AND SERVICES

SECTION 23.2. The Private Protective Services and Alarm Systems Licensing Boards shall pay the appropriate State agency for the use of physical facilities and services provided to those boards by the State.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

CERTAIN LITIGATION EXPENSES TO BE PAID BY CLIENTS

SECTION 23.3. Client departments, agencies, and boards shall reimburse the Department of Justice for reasonable court fees, attorney travel and subsistence costs, and other costs directly related to litigation in which the Department of Justice is representing the department, agency, or board.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

REIMBURSEMENT FOR UNC BOARD OF GOVERNORS LEGAL REPRESENTATION

SECTION 23.4. The Department of Justice shall be reimbursed by the Board of Governors of The University of North Carolina for two Attorney III positions to provide legal representation to The University of North Carolina System.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

REPORT ON CRIMINAL RECORDS CHECKS CONDUCTED FOR CONCEALED HANDGUN PERMITS/STUDY FEE ADJUSTMENT FOR CRIMINAL RECORDS CHECKS

SECTION 23.5.(a) The Department of Justice shall report by January 15 each year to the Joint Legislative Commission on Governmental Operations, the Chairs of the Senate and House Appropriations Committees, and the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety on the receipts, costs for, and number of criminal records checks performed in connection with applications for concealed weapons permits. The report by the Department of Justice shall also include information on the number of applications received and approved for firearms safety courses.

SECTION 23.5.(b) The Office of State Budget and Management, in consultation with the Department of Justice, shall study the feasibility of adjusting the fees charged for criminal records checks conducted by the Division of Criminal Information of the Department of Justice as a result of the increase in receipts from criminal records checks. The study shall include an assessment of the Division's operational, personnel, and overhead costs related to providing criminal records checks and how those costs have changed since the 1998-99 fiscal year. The Office of State Budget and Management shall report its findings and recommendations to the Chairs of the Senate and House of Representatives Appropriations Committees, the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety, and the Fiscal Research Division of the General Assembly on or before March 1, 2002.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

CRIMINAL JUSTICE INFORMATION NETWORK REPORT/ADD REPRESENTATIVE FROM THE DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION TO THE BOARD

SECTION 23.6.(a) The Criminal Justice Information Network Governing Board established pursuant to G.S. 143-661 shall report by April 1, 2002, to the Chairs of the Senate and House of Representatives Appropriations Committees, the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety, and the Fiscal Research Division of the General Assembly on:

(1) The operating budget of the Board, the expenditures of the Board as of the date of the report, and the amount of funds in reserve for the operation of the Board; and

(2) A long-term strategic plan and cost analysis for statewide implementation of the Criminal Justice Information Network. For each component of the Network, the initial cost estimate of the component, the amount of funds spent to date on the component, the source of funds for expenditures to date, and a timetable for completion of that component, including additional resources needed at each point.

SECTION 23.6.(b) G.S. 143-661(b) reads as rewritten:

"(b) The Board shall consist of ~~19~~20 members, appointed as follows:

(1) ~~Three~~Four members appointed by the Governor, including one member who is a director or employee of a State correction agency for a term to begin September 1, 1996 and to expire on June 30, 1997, one member who is an employee of the North Carolina Department of Crime Control and Public Safety for a term beginning September 1, 1996 and to expire on June 30, 1997, ~~and~~one member selected from the North Carolina Association of Chiefs of Police for a term to begin September 1, 1996 and to expire on ~~June 30, 1999.~~ June 30, 1999, and one member who is an employee of the Department of Juvenile Justice and Delinquency Prevention.

(2) Six members appointed by the General Assembly in accordance with G.S. 120-121, as follows:

a. Three members recommended by the President Pro Tempore of the Senate, including two members of the general public for terms to begin on September 1, 1996, and to expire on June 30, 1997, and one member selected from the North Carolina League of Municipalities who is a member of, or an employee working directly for, the governing board of a North Carolina municipality for a term to begin on September 1, 1996 and to expire on June 30, 1999; and

b. Three members recommended by the Speaker of the House of Representatives, including two members of the general public for terms to begin on September 1, 1996, and to expire on June 30, 1999, and one member selected from the North Carolina Association of County Commissioners who is a member of, or an employee working directly for, the governing board of a North Carolina county for a term to begin on September 1, 1996, and to expire on June 30, 1997.

(3) Two members appointed by the Attorney General, including one member who is an employee of the Attorney General for a term to begin on September 1, 1996, and to expire on June 30, 1997, and one member from the North Carolina Sheriffs' Association for a term to begin on September 1, 1996, and to expire on June 30, 1999.

(4) Six members appointed by the Chief Justice of the North Carolina Supreme Court, as follows:
   a. The Director of the Administrative Office of the Courts, or an employee of the Administrative Office of the Courts, for a term beginning July 1, 1997, and expiring June 30, 2001.
   b. One member who is a district attorney or an assistant district attorney upon the recommendation of the Conference of District Attorneys of North Carolina, for a term beginning July 1, 1998, and expiring June 30, 1999.
   c. Two members who are superior court or district court judges for terms beginning July 1, 1998, and expiring June 30, 2001.
   d. One member who is a magistrate upon the recommendation of the North Carolina Magistrates' Association, for a term beginning July 1, 1998, and expiring June 30, 1999.
   e. One member who is a clerk of superior court upon the recommendation of the North Carolina Association of Clerks of Superior Court, for a term beginning July 1, 1998, and expiring June 30, 1999.

(5) One member appointed by the Chair of the Information Resource Management Commission, who is the Chair or a member of that Commission, for a term to begin on September 1, 1996, and to expire on June 30, 1999.

(6) One member appointed by the President of the North Carolina Chapter of the Association of Public Communications Officials International, who is an active member of the Association, for a term to begin on September 1, 1996, and to expire on June 30, 1999.

The respective appointing authorities are encouraged to appoint persons having a background in and familiarity with criminal information systems and networks generally and with the criminal information needs and capacities of the constituency from which the member is appointed.

As the initial terms expire, subsequent members of the Board shall be appointed to serve four-year terms. At the end of a term, a member shall continue to serve on the Board until a successor is appointed. A member who is appointed after a term is begun serves only for the remainder of the term and until a successor is appointed. Any vacancy in the membership of the Board shall be filled by the same appointing authority that made the appointment, except that vacancies among members appointed by the General Assembly shall be filled in accordance with G.S. 120-122."

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine

PROVIDE FOR COLLECTION OF TRAFFIC LAW ENFORCEMENT STATISTICS ON STOPS MADE BY CERTAIN LOCAL LAW ENFORCEMENT AGENCIES

SECTION 23.7.(a) G.S. 114-10(2a) reads as rewritten:

"(2a) To collect, correlate, and maintain the following information regarding traffic law enforcement by ~~State~~ law enforcement officers:
   a. The number of drivers stopped for routine traffic enforcement by ~~State~~ law enforcement officers, the officer making each stop, the date each stop was made, the agency of the officer making each stop, and whether or not a citation or warning was issued;
   b. Identifying characteristics of the drivers stopped, including the race or ethnicity, approximate age, and gender;
   c. The alleged traffic violation that led to the stop;
   d. Whether a search was instituted as a result of the stop;

e. Whether the vehicle, personal effects, driver, or passenger or passengers were searched, and the race or ethnicity, approximate age, and gender of each person searched;
f. Whether the search was conducted pursuant to consent, probable cause, or reasonable suspicion to suspect a crime, including the basis for the request for consent, or the circumstances establishing probable cause or reasonable suspicion;
g. Whether any contraband was found and the type and amount of any such contraband;
h. Whether any written citation or any oral or written warning was issued as a result of the stop;
i. Whether an arrest was made as a result of either the stop or the search;
j. Whether any property was seized, with a description of that property;
k. Whether the officers making the stop encountered any physical resistance from the driver or passenger or passengers;
l. Whether the officers making the stop engaged in the use of force against the driver, passenger, or passengers for any reason;
m. Whether any injuries resulted from the stop;
n. Whether the circumstances surrounding the stop were the subject of any investigation, and the results of that investigation; and
o. The geographic location of the stop; if the officer making the stop is a member of the State Highway Patrol, the location shall be the Highway Patrol District in which the stop was made; for all other law enforcement officers, the location shall be the city or county in which the stop was made.

For purposes of this subdivision, "law enforcement officer" means:

1. All State law enforcement officers;
2. Law enforcement officers employed by county sheriffs or county police departments;
3. Law enforcement officers employed by police departments in municipalities with a population of 10,000 or more persons; and
4. Law enforcement officers employed by police departments in municipalities employing five or more full-time sworn officers for every 1,000 in population, as calculated by the Division for the calendar year in which the stop was made.

The information required by this subdivision need not be collected in connection with impaired driving checks under G.S. 20-16.3A or other types of roadblocks, vehicle checks, or checkpoints that are consistent with the laws of this State and with the State and federal constitutions, except when those stops result in a warning, search, seizure, arrest, or any of the other activity described in sub-subdivisions d. through n. of this subdivision.

The identity of the law enforcement officer making the stop required by sub-subdivision a. of this subdivision may be accomplished by assigning anonymous identification numbers to each officer in an agency. The correlation between the identification numbers and the names of the officers shall not be a public record, and shall not be disclosed by the agency except when required by order of

a court of competent jurisdiction to resolve a claim or defense properly before the court.

The Division shall publish and distribute by December 1 of each year a list indicating the law enforcement officers that will be subject to the provisions of this subdivision during the calendar year commencing on the following January 1."

SECTION 23.7.(b) The Division of Criminal Statistics shall establish a procedure and a schedule for the reporting of the information required by this act to the Division. The Division shall print and supply all forms necessary for the collection of this information.

SECTION 23.7.(c) This section is effective when it becomes law, but applies to law enforcement actions occurring on or after January 1, 2002.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

DRUG EDUCATION PROGRAM TRAINING/REVIEW

SECTION 23.9.(a) The State Bureau of Investigation shall collaborate with the Criminal Justice Standards Division of the Department of Justice in administering of the Drug Abuse Resistance Education (DARE) program.

SECTION 23.9.(b) The Juvenile Justice Institute at North Carolina Central University shall review DARE and other drug education efforts in North Carolina to identify an effective model for drug education. The Juvenile Justice Institute shall report the results of its review to the Joint Legislative Education Oversight Committee, the Justice and Public Safety Subcommittee of the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division by April 1, 2002.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

ABOLISH OFFICE OF INSPECTOR GENERAL

SECTION 23.10. Effective January 1, 2002, Article 6 of Chapter 114 of the General Statutes, G.S. 114-40 through G.S. 114-42, is repealed.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

ATTORNEY GENERAL REPORTING OF PENDING LAWSUITS

SECTION 23.11.(a) Article 1 of Chapter 114 is amended by adding a new section to read:

"**§ 114-2.6. Attorney General to report on pending lawsuits in which State is a party.**

By April 1 and October 1 of each year, the Attorney General shall submit a report to the Chairs of the Joint Legislative Commission on Governmental Operations, the Chairs of the Appropriations Committees of the Senate and House of Representatives, the Chairs of the Finance Committees of the Senate and House of Representatives, and the Fiscal Research Division of the Legislative Services Office on any lawsuit in which the constitutionality of a North Carolina law has been challenged and on any case in which plaintiffs seek in excess of one million dollars ($1,000,000) in damages. In addition, the Attorney General shall submit a written report to the Joint Legislative Commission on Governmental Operations, the Chairs of the Appropriations Committees of the Senate and House of Representatives, the Chairs of the Finance Committees of the Senate and House of Representatives, and the Fiscal Research Division of the Legislative Services Office within 30 days of a final judgment that orders the State to pay the sum of one million dollars ($1,000,000) or more."

SECTION 23.11.(b) This section becomes effective April 1, 2002.

PART XXIV. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

S.O.S. ADMINISTRATIVE COST LIMITS AND REPEAL CONFERENCE REQUIREMENT

SECTION 24.1.(a) Of the funds appropriated to the Department of Juvenile Justice and Delinquency Prevention in this act, not more than five hundred fifty thousand dollars ($550,000) for the 2001-2002 fiscal year and not more than five hundred fifty thousand dollars ($550,000) for the 2002-2003 fiscal year may be used to administer the S.O.S. Program, to provide technical assistance to applicants and to local S.O.S. programs, and to evaluate the local S.O.S. programs. The Department may contract with appropriate public or nonprofit agencies to provide the technical assistance, including training and related services.

SECTION 24.1.(b) G.S. 143B-152.3(1) is repealed.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

JUVENILE CRIME PREVENTION COUNCIL GRANT REPORTING, CERTIFICATION, AND FUNDING OF RESEARCH-BASED PROGRAMS

SECTION 24.2.(a) On or before May 1 each year, the Department of Juvenile Justice and Delinquency Prevention shall submit to the Joint Legislative Commission on Governmental Operations and the Appropriations Committees of the Senate and House of Representatives a list of the recipients of the grants awarded, or preapproved for award, from funds appropriated to the Department for local Juvenile Crime Prevention Council grants. The list shall include for each recipient the amount of the grant awarded, the membership of the local committee or council administering the award funds on the local level, and a short description of the local services, programs, or projects that will receive funds. The list shall also identify any programs that received grant funds at one time but for which funding has been eliminated by the Department of Juvenile Justice and Delinquency Prevention. A written copy of the list and other information regarding the projects shall also be sent to the Fiscal Research Division of the General Assembly.

SECTION 24.2.(b) Each county in which local programs receive Juvenile Crime Prevention Council grant funds from the Department of Juvenile Justice and Delinquency Prevention shall certify annually through its local council to the Department that funds received are not used to duplicate or supplant other programs within the county.

SECTION 24.2.(c) The General Assembly recognizes the importance of evaluation and outcome measurements of the programs serving adjudicated juvenile offenders in order to ensure the cost-effective use of Juvenile Crime Prevention Council grant funds. The Department of Juvenile Justice and Delinquency Prevention shall establish and implement a system to collect and report on information and data regarding the expenditures and impact of the Juvenile Crime Prevention Council formula grant funds used by the individual counties to serve juveniles who have been adjudicated delinquent or who have been diverted for delinquent offenses.

The Department of Juvenile Justice and Delinquency Prevention, in consultation with the North Carolina Sentencing Commission, the Governor's Crime Commission, and the Juvenile Justice Institute, shall develop standards for measuring the effectiveness of programs that receive Juvenile Crime Prevention Council grant

funds and that serve juveniles who have been adjudicated delinquent or who have been diverted for delinquent offenses. The standards shall include methods for measuring success factors following intervention, including those factors that:

(1) Reduce the use of alcohol or controlled substances.
(2) Reduce subsequent complaints.
(3) Reduce violations of terms of community supervision.
(4) Reduce convictions for subsequent offenses.
(5) Fulfill restitution to victims.
(6) Increase parental accountability.

The Department of Juvenile Justice and Delinquency Prevention shall report to the Chairs of the Appropriations Committees of the Senate and House of Representatives, the Chairs of the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, and the Fiscal Research Division no later than April 1, 2002, on the progress of the establishment of the system mandated by this section. The system shall be implemented no later than June 30, 2003.

After June 30, 2003, on or before April 1 each year, the Department of Juvenile Justice and Delinquency Prevention shall report to the Chairs of the Appropriations Committees of the Senate and House of Representatives and the Chairs of the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the following:

(1) The number of diverted and adjudicated juveniles served.
(2) The specific methods used by the Juvenile Crime Prevention Councils to determine services, programs, and intervention strategies most likely to change behaviors of juvenile offenders.
(3) The total cost for each funded program, including the cost per juvenile and the essential elements of the program.
(4) An assessment of the extent to which programs funded by Juvenile Crime Prevention Council grants:
    a. Are compatible with research that shows prevention and early intervention strategies that are effective with juvenile offenders.
    b. Are outcome-based in that the grantee describes what outcomes will be achieved or what outcomes have already been achieved.
    c. Include an evaluation component.
    d. Have a demonstrable impact on success factors.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

REPORTS ON CERTAIN PROGRAMS

SECTION 24.3.(a) Project Challenge North Carolina, Inc., shall report to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety by April 1 each year on the operation and the effectiveness of its program in providing alternative dispositions and services to juveniles who have been adjudicated delinquent or undisciplined. The report shall include information on the source of referrals for juveniles, the types of offenses committed by juveniles participating in the program, the amount of time those juveniles spend in the program, the number of juveniles who successfully complete the program, and the number of juveniles who commit additional offenses after completing the program.

SECTION 24.3.(b) The Department of Juvenile Justice and Delinquency Prevention shall report to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on the effectiveness of the Juvenile Assessment Center by April 1 each year. The report on the Juvenile Assessment Center shall include information on the number of juveniles served and an evaluation of the effectiveness of juvenile assessment plans and services provided as a result of these plans.

SECTION 24.3.(c) Communities in Schools shall report to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety, the Joint Legislative Commission on Governmental Operations, the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, and the Joint Legislative Education Oversight Committee by April 1 each year on the operation and the effectiveness of its program. The report shall include information on the number of children served, the number of volunteers used, the impact on the children who have received services from Communities in Schools, and the operating budget of Communities in Schools.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 24.4. Funds appropriated in this act to the Department of Juvenile Justice and Delinquency Prevention for the 2001-2002 fiscal year may be used as matching funds for the Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile Accountability Incentive Block Grants, or a notice of funds to be awarded, the Office of State Budget and Management and the Governor's Crime Commission shall consult with the Department of Juvenile Justice and Delinquency Prevention regarding the criteria for awarding federal funds. The Office of State Budget and Management, the Governor's Crime Commission, and the Department of Juvenile Justice and Delinquency Prevention shall report to the Appropriations Committees of the Senate and House of Representatives and the Joint Legislative Commission on Governmental Operations prior to allocation of the federal funds. The report shall identify the amount of funds to be received for the 2001-2002 fiscal year, the amount of funds anticipated for the 2002-2003 fiscal year, and the allocation of funds by program and purpose.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

ANNUAL EVALUATION OF COMMUNITY PROGRAMS

SECTION 24.5. The Department of Juvenile Justice and Delinquency Prevention shall conduct an evaluation of the Eckerd and Camp Woodson wilderness camp programs, the teen court programs, the program that grants funds to the local organizations of the Boys and Girls Clubs established pursuant to Section 21.10 of S.L. 1999-237, the Save Our Students program, the Governor's One-on-One Programs, and multipurpose group homes. The teen court report shall include statistical information on the number of juveniles served, the number and type of offenses considered by teen courts, referral sources for teen courts, and the number of juveniles that become court-involved after participation in teen courts. The report on the Boys and Girls Clubs program shall include information on:

(1) The expenditure of State appropriations on the program;
(2) The operations and the effectiveness of the program; and
(3) The number of juveniles served under the program.

In conducting the evaluation of each of these programs, the Department shall consider whether participation in each program results in a reduction of court involvement among juveniles. The Department shall also identify whether the programs are achieving the goals and objectives of the Juvenile Justice Act, S.L. 1998-202. The Department shall report the results of the evaluation to the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the Subcommittees of Justice and Public Safety of the House of Representatives and Senate Appropriations Committees by March 1 of each year.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

CONTINUE CUMBERLAND JUVENILE ASSESSMENT CENTER

SECTION 24.7.(a) Section 18.21(b) of S.L. 1997-443, as amended by Section 16.6 of S.L. 1998-212, reads as rewritten:

"(b) The Administrative Office of the Courts, in collaboration with the Chief Court Counselor of District Court District 12, the Cumberland County Department of Social Services, and the appropriate local school administrative units, shall develop and implement a Juvenile Assessment Center Project in District Court District 12 to operate from the effective date of this ~~act to June 30, 1999.~~ act. The purpose of the Project is to facilitate efficient prevention and intervention service delivery to juveniles who are (i) alleged to be delinquent or undisciplined and have been taken into custody or (ii) at risk of becoming delinquent or undisciplined because they have behavioral problems and have committed delinquent acts even though they have not been taken into custody. The Project shall assist these juveniles by providing a centralized point of intake and assessment for the juveniles, by addressing the educational, emotional, and physical needs of the juveniles, and by providing juveniles with an atmosphere for learning personal responsibility, self-respect, and respect for others. The Administrative Office of the Courts shall consider the recommendations of the Juvenile Assessment Advisory Board in developing and implementing the Project."

SECTION 24.7.(b) Section 18.21(d) of S.L. 1997-443, as amended by Section 16.6 of S.L. 1998-212, reads as rewritten:

"(d) There is established the Juvenile Assessment Advisory Board to make recommendations to the ~~Administrative Office of the Courts~~ Department of Juvenile Justice and Delinquency Prevention regarding the development and operations of the Project. The Board shall consist of 13 members, including:

(1) The director of the Department of Social Services of Cumberland County, or the director's designee.
(2) A representative from the local mental health area authority of Cumberland County.
(3) A member of the Cumberland County Board of ~~Education.~~ Education, or that person's designee.
(4) The sheriff of Cumberland County, or the sheriff's designee.
(5) The chief of police of the Fayetteville Police Department, or the designee of the chief of police.
(6) A judge of District Court District 12.
(7) A juvenile court counselor from District Court District 12.
(8) The director of the Guardian Ad Litem program in Cumberland County, or the director's designee.
(9) The director of the Health Department of Cumberland County, or the director's designee.
(10) Two public members appointed by the Fayetteville City Council.
(11) Two public members appointed by the Board of County Commissioners of Cumberland County.

The members of the Board shall, within 30 days after the initial appointment is made, meet and elect one member as chair. The Board shall meet at least ~~once a month~~ eight times a year at the call of the ~~chair, and a quorum of the Board shall consist of a majority of its members.~~ chair. The Board of County Commissioners of Cumberland County shall provide necessary clerical and professional assistance to the Board.

~~Initial appointments shall be made by October 1, 1997, and all terms shall expire June 30, 1999.~~"

SECTION 24.7.(c) The Juvenile Assessment Center Project shall continue to do all of the following:

(1) Identify those juveniles who are alleged to be delinquent or undisciplined or who are at risk of becoming delinquent or undisciplined.
(2) Evaluate the educational, emotional, and physical needs of the juveniles identified and determine whether the juveniles have problems related to substance abuse, depression, or other emotional conditions.
(3) Develop a collaborative interagency information network that will speed appropriate law enforcement, juvenile court, and relevant intervention responses for referred youth and their families.
(4) Develop in-depth and comprehensive assessment plans for the juveniles identified that recommend appropriate treatment, counseling, and disposition of the juveniles.
(5) Provide services to juveniles identified and their families through collaboration with public and private resources, including local law enforcement, parents' organizations, the faith community, and county and community programs and organizations that provide substance abuse treatment and child and family counseling.
(6) Maintain individual case files and keep statistical information used to document services delivered and evaluate the progress of the program.

SECTION 24.7.(d) Subsections (a), (b), and (d) of this section become effective June 29, 1999. The remainder of this section becomes effective July 1, 2001.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

TEEN COURT GUIDELINES CODIFIED

SECTION 24.8. Article 12 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-520. Teen court programs.**

(a) All teen court programs administered by the Department of Juvenile Justice and Delinquency Prevention shall operate as community resources for the diversion of juveniles pursuant to G.S. 7B-1706(c). A juvenile diverted to a teen court program shall be tried by a jury of other juveniles, and, if the jury finds the juvenile has committed the delinquent act, the jury may assign the juvenile to a rehabilitative measure or sanction, including counseling, restitution, curfews, and community service.

Teen court programs may also operate as resources to the local school administrative units to handle problems that develop at school but that have not been turned over to the juvenile authorities.

(b) Every teen court program that receives State funds, including funds from Juvenile Crime Prevention Councils, shall comply with rules and reporting requirements of the Department of Juvenile Justice and Delinquency Prevention. In particular, teen court programs receiving State funds shall report to the Department on the expenditure of State funds and the number of cases served each year."

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

YOUTH DEVELOPMENT CENTER PLANS

SECTION 24.9. Prior to closing any Youth Development Center or permanently closing individual housing units at any Center, the Department of Juvenile Justice and Delinquency Prevention shall develop a long-range plan for the operation of Youth Development Centers. The plan shall be presented to the Chairs of the Appropriations Subcommittees on Justice and Public Safety of the Senate and House of Representatives and the Chairs of the Joint Legislative Corrections, Crime Control, and

Juvenile Justice Oversight Committee no later than March 1, 2002. The plan shall include:

(1) Information and data on the current operations of the Centers.
(2) Proposed or anticipated changes systemwide and at each Center in:
  a. Characteristics of the juvenile offender population.
  b. Education and other treatment programs.
  c. Custody and security.
  d. Staffing and management.
(3) Any long-range capital plans for the construction of new or replacement Centers, including the estimated cost and information on the type of housing proposed, whether dormitory, group rooms, or individual rooms.
(4) Any plans for the closing, renovation, expansion, or demolition of housing units at the current Centers as well as any proposed new housing units at these Centers.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

TRANSFER FUNDS AND POSITIONS TO THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

SECTION 24.10.(a) Of the funds appropriated in this act to the Department of Juvenile Justice and Delinquency Prevention for the 2001-2003 biennium, the sum of two hundred forty-eight thousand four hundred thirty-five dollars ($248,435) is transferred to the Department of Health and Human Services. Six police officer positions are transferred from the Department of Juvenile Justice and Delinquency Prevention to the Department of Health and Human Services. The funds and positions transferred pursuant to this section shall be used to provide security at the Black Mountain Center and at the Julian F. Keith Alcohol and Drug Abuse Treatment Center.

SECTION 24.10.(b) Section 37 of Chapter 24 of the Session Laws, 1994 Extra Session, is repealed.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

EXPAND NUMBER OF JUVENILES SERVED BY ECKERD CAMP

SECTION 24.11. Of the funds appropriated in this act for the 2001-2003 biennium, the Department of Juvenile Justice and Delinquency Prevention may use up to three hundred fifty-one thousand two hundred thirty-three dollars ($351,233) in available funds to increase the number of juveniles who can be served under the contract with Eckerd Wilderness Camp.

PART XXV. DEPARTMENT OF CORRECTION

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine

EARNED TIME CREDIT FOR MEDICALLY AND PHYSICALLY UNFIT INMATES

SECTION 25.1.(a) G.S. 15A-1355 is amended by adding a new subsection to read:

"(d) Earned Time Credit for Medically and Physically Unfit Inmates. – Inmates in the custody of the Department of Correction who suffer from medical conditions or physical disabilities that prevent their assignment to work release or other rehabilitative activities may, consistent with rules of the Department of Correction, earn credit based upon good behavior or other criteria determined by the Department that may be used to

reduce their maximum term of imprisonment as provided in G.S. 15A-1340.13(d) for felony sentences and in G.S. 15A-1340.20(d) for misdemeanor sentences."

SECTION 25.1.(b) This section is effective when it becomes law and applies to inmates serving sentences on or after that date.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

FEDERAL GRANT REPORTING

SECTION 25.2. The Department of Correction, the Department of Justice, the Department of Crime Control and Public Safety, the Judicial Department, and the Department of Juvenile Justice and Delinquency Prevention shall report by May 1 of each year to the Joint Legislative Commission on Governmental Operations, the Chairs of the Senate and House of Representatives Appropriations Committees, and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on federal grant funds received or preapproved for receipt by those departments. The report shall include information on the amount of grant funds received or preapproved for receipt by each department, the use of the funds, the State match expended to receive the funds, and the period to be covered by each grant. If the department intends to continue the program beyond the end of the grant period, the department shall report on the proposed method for continuing the funding of the program at the end of the grant period. Each department shall also report on any information it may have indicating that the State will be requested to provide future funding for a program presently supported by a local grant.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

LIMIT USE OF OPERATIONAL FUNDS

SECTION 25.3. Funds appropriated in this act to the Department of Correction for operational costs for additional facilities shall be used for personnel and operating expenses set forth in the budget approved by the General Assembly in this act. These funds shall not be expended for any other purpose, except as provided for in this act, and shall not be expended for additional prison personnel positions until the new facilities are within 120 days of projected completion, except for certain management, security, and support positions necessary to prepare the facility for opening, as authorized in the budget approved by the General Assembly.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM

SECTION 25.4. The Department of Correction may use funds appropriated to the Department for the 2001-2002 fiscal year to pay the sum of forty dollars ($40.00) per day as reimbursement to counties for the cost of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to the State prison system, as provided in G.S. 148-29. The Department shall report by December 1 and May 1 of each year to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, the Chairs of the Senate and House of Representatives Appropriations Committees, and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on the expenditure of funds to reimburse counties for prisoners awaiting transfer and on its progress in reducing the jail backlog.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

USE OF CLOSED PRISON FACILITIES

SECTION 25.5. In conjunction with the closing of prison facilities, including small expensive prison units recommended for consolidation by the Government Performance Audit Committee, the Department of Correction shall consult with the county or municipality in which the unit is located, with the elected State and local officials, and with State agencies about the possibility of converting that unit to other use. The Department may also consult with any private for-profit or nonprofit firm about the possibility of converting the unit to other use. In developing a proposal for future use of each unit, the Department shall give priority to converting the unit to other criminal justice use. Consistent with existing law and the future needs of the Department of Correction, the State may provide for the transfer or the lease of any of these units to counties, municipalities, State agencies, or private firms wishing to convert them to other use. The Department of Correction may also consider converting some of the units recommended for closing from medium security to minimum security, where that conversion would be cost-effective. A prison unit under lease to a county pursuant to the provisions of this section for use as a jail is exempt for the period of the lease from any of the minimum standards adopted by the Secretary of Health and Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that would subject the unit to greater standards than those required of a unit of the State prison system.

Prior to any transfer or lease of these units, the Department of Correction shall report on the terms of the proposed transfer or lease to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee. The Department of Correction shall also provide annual summary reports to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the conversion of these units to other use and on all leases or transfers entered into pursuant to this section.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

INMATE COSTS/MEDICAL BUDGET FOR PRESCRIPTION DRUGS

SECTION 25.6.(a) If the cost of providing food and health care to inmates housed in the Division of Prisons is anticipated to exceed the continuation budget amounts provided for that purpose in this act, the Department of Correction shall report the reasons for the anticipated cost increase and the source of funds the Department intends to use to cover those additional needs to the Joint Legislative Commission on Governmental Operations, the Chairs of the House of Representatives and Senate Appropriations Committees, and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety.

SECTION 25.6.(b) Notwithstanding the provisions of G.S. 143-23(a2), the Department of Correction may use funds available during the 2001-2002 fiscal year for the purchase of prescription drugs for inmates if expenditures are projected to exceed the Department's inmate medical continuation budget for prescription drugs. The Department shall consult with the Joint Legislative Commission on Governmental Operations prior to exceeding the continuation budget amount.

The Department of Administration, Purchase and Contract Division, and the Department of Correction shall review the current statewide contract for purchase of prescription drugs as it applies to the Department of Correction's purchases for inmates to determine if the Department is receiving the lowest rate available and to determine

whether the Department should be authorized to issue a request for proposals for a separate vendor or purchasing consortium for the provision of prescription drugs for inmates. The Departments shall report on their findings to the Joint Legislative Commission on Governmental Operations by February 1, 2002.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

FEDERAL GRANT MATCHING FUNDS

SECTION 25.7. Notwithstanding the provisions of G.S. 148-2, the Department of Correction may use up to the sum of nine hundred thousand dollars ($900,000) from funds available to the Department to provide the State match needed in order to receive federal grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Kerr, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

STRUCTURED SENTENCING STUDY

SECTION 25.8.(a) In exercising its statutory responsibility under Article 4 of Chapter 164 of the General Statutes to monitor and review the criminal justice and corrections system, the North Carolina Sentencing and Policy Advisory Commission shall study and review the State's sentencing laws in view of the projected growth in the prison population by 2010. Areas of review may include the classification of offenses and offenders, the relationship of the sentence and the sentence length to the offense, and the sentence dispositions available to judges. The Commission shall also analyze the parole-eligible population in terms of offense committed, sentence, and time served in comparison to inmates sentenced under structured sentencing. The Commission shall develop alternatives for consideration by the General Assembly. The alternatives presented by the Commission should ensure that sentencing laws appropriately penalize offenders for the nature and degree of harm caused by the offense while identifying inconsistencies in the structured sentencing law or in its application. The Commission's alternatives shall be consistent with the purposes of sentencing as stated in G.S. 15A-1340.12.

SECTION 25.8.(b) The North Carolina Sentencing and Policy Advisory Commission shall report its findings to the 2001 General Assembly no later than the convening of the 2002 Regular Session of the 2001 General Assembly.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine

EXTEND LIMITS OF CONFINEMENT FOR TERMINALLY ILL AND PERMANENTLY AND TOTALLY DISABLED INMATES

SECTION 25.9.(a) G.S. 148-4 reads as rewritten:

"**§ 148-4. Control and custody of prisoners; authorizing prisoner to leave place of confinement.**

The Secretary of Correction shall have control and custody of all prisoners serving sentence in the State prison system, and such prisoners shall be subject to all the rules and regulations legally adopted for the government thereof. Any sentence to imprisonment in any unit of the State prison system, or to jail to be assigned to work under the State Department of Correction, shall be construed as a commitment, for such terms of imprisonment as the court may direct, to the custody of the Secretary of Correction or his authorized representative, who shall designate the places of

confinement within the State prison system where the sentences of all such persons shall be served. The authorized agents of the Secretary shall have all the authority of peace officers for the purpose of transferring prisoners from place to place in the State as their duties might require and for apprehending, arresting, and returning to prison escaped prisoners, and may be commissioned by the Governor, either generally or specially, as special officers for returning escaped prisoners or other fugitives from justice from outside the State, when such persons have been extradited or voluntarily surrendered. Employees of departments, institutions, agencies, and political subdivisions of the State hiring prisoners to perform work outside prison confines may be designated as the authorized agents of the Secretary of Correction for the purpose of maintaining control and custody of prisoners who may be placed under the supervision and control of such employees, including guarding and transferring such prisoners from place to place in the State as their duties might require, and apprehending and arresting escaped prisoners and returning them to prison. The governing authorities of the State prison system are authorized to determine by rules and regulations the manner of designating these agents and placing prisoners under their supervision and control, which rules and regulations shall be established in the same manner as other rules and regulations for the government of the State prison system.

The Secretary of Correction may extend the limits of the place of confinement of a prisoner, as to whom there is reasonable cause to believe he will honor his trust, by authorizing him, under prescribed conditions, to leave the confines of that place unaccompanied by a custodial agent for a prescribed period of time to

(1) Contact prospective employers; or
(2) Secure a suitable residence for use when released on parole or upon discharge; or
(3) Obtain medical services not otherwise available; or
(4) Participate in a training program in the community; or
(5) Visit or attend the funeral of a spouse, child (including stepchild, adopted child or child as to whom the prisoner, though not a natural parent, has acted in the place of a parent), parent (including a person though not a natural parent, has acted in the place of a parent), brother, or sister; or
(6) Participate in community-based programs of rehabilitation, including, but not limited to the existing community volunteer and home-leave programs, pre-release and after-care programs as may be provided for and administered by the Secretary of Correction and other programs determined by the Secretary of Correction to be consistent with the prisoner's rehabilitation and return to society; or
(7) Be on maternity leave, for a period of time not to exceed 60 days. The county departments of social services are expected to cooperate with officials at the North Carolina Correctional Center for Women to coordinate prenatal care, financial services, and placement of the ~~child.~~ child; or
(8) Receive palliative care, only in the case of a terminally ill inmate or a permanently and totally disabled inmate that the Secretary finds no longer poses a threat to society, and only after consultation with any victims of the inmate or the victims' families. For purposes of this subdivision, the term "terminally ill" describes an inmate who, as determined by a licensed physician, has an incurable condition caused by illness or disease that will likely produce death within 12 months. For purposes of this subdivision, the term "permanently and totally disabled" describes an inmate who, as determined by a licensed physician, suffers from permanent and irreversible physical incapacitation as a result of an existing physical or medical condition.

The willful failure of a prisoner to remain within the extended limits of his confinement, or to return within the time prescribed to the place of confinement designated by the Secretary of Correction, shall be deemed an escape from the custody of the Secretary of Correction punishable as provided in G.S. 148-45."

SECTION 25.9.(b) This section is effective when it becomes law and applies to inmates serving sentences on or after that date.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

ENERGY FOR COMMITTED OFFENDERS/CONTRACT AND REPORT

SECTION 25.10. The Department of Correction may continue to contract with Energy for Committed Offenders, Inc., for the purchase of prison beds for minimum security female inmates during the 2001-2003 biennium. Energy for Committed Offenders, Inc., shall report by February 1 of each year to the Joint Legislative Commission on Governmental Operations on the annual cost per inmate and the average daily inmate population compared to bed capacity using the same methodology as that used by the Department of Correction. Energy for Committed Offenders, Inc., shall also provide information on the rearrest rate and the return-to-prison rate for inmates participating in the program who are paroled or released from prison.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

MEDIUM CUSTODY ROAD CREW COMPENSATION

SECTION 25.11.(a) Of funds appropriated to the Department of Transportation by this act, the sum of ten million dollars ($10,000,000) per year shall be transferred by the Department to the Department of Correction during the 2001-2003 biennium for the actual costs of highway-related labor performed by medium-custody prisoners, as authorized by G.S. 148-26.5. This transfer shall be made quarterly in the amount of two million five hundred thousand dollars ($2,500,000). The Department of Transportation may use funds appropriated by this act to pay an additional amount exceeding the ten million dollars ($10,000,000), but those payments shall be subject to negotiations among the Department of Transportation, the Department of Correction, and the Office of State Budget and Management prior to payment by the Department of Transportation.

SECTION 25.11.(b) The sum of two million eight hundred forty-two thousand two hundred thirty-three dollars ($2,842,233) appropriated in this act from the Highway Fund to the Department of Correction for the 2001-2002 fiscal year is a one-time appropriation made to ensure that the Department is fully reimbursed in compliance with subsection (a) of Section 27.21 of S.L. 1999-237, which directed the Department of Transportation to reimburse the Department of Correction seven million dollars ($7,000,000) in each year of the 1999-2001 biennium for highway-related labor performed by medium-custody prisoners.

SECTION 25.11.(c) Subsection (b) of Section 27.21 of S.L. 1999-237 is repealed.

SECTION 25.11.(d) The Department of Transportation and the Department of Correction shall report to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Joint Legislative Transportation Oversight Committee by March 1, 2002, and by December 1, 2002, on the actual number of hours worked and the actual number of inmates participating in the medium-custody highway-related labor program and the implementation of the provisions of this section.

SECTION 25.11.(e) The Department of Transportation and the Department of Correction shall report quarterly to the Chairs of the House of Representatives and Senate Appropriations Committees on the status of the transfers directed in subsection (a) of this section.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

CLARIFY THE LAW PROVIDING FOR COMPENSATION TO PERSONS ERRONEOUSLY CONVICTED AND INCREASE THE AMOUNT OF COMPENSATION ALLOWED

SECTION 25.12.(a) G.S. 148-84 reads as rewritten:

"**§ 148-84. Evidence; action by Industrial Commission; payment and amount of compensation.**

At the hearing the claimant may introduce evidence in the form of affidavits or testimony to support the claim, and the Attorney General may introduce counter affidavits or testimony in refutation. If the Industrial Commission finds from the evidence that the claimant received a pardon of innocence for the reason that the crime was not committed at all, or was not committed by the claimant, and that the claimant was imprisoned and has been vindicated in connection with the alleged offense for which he or she was imprisoned, the Industrial Commission shall ~~determine the amount the claimant is entitled to be paid for the claimant's pecuniary loss and shall enter an award for that amount. The Director of the Budget shall pay the amount of the award to the claimant out of the Contingency and Emergency Fund, or out of any other available State funds. The Industrial Commission shall~~ award to the claimant an amount equal to ~~ten thousand dollars ($10,000)~~ twenty thousand dollars ($20,000) for each year or the pro rata amount for the portion of each year of the imprisonment actually served, including any time spent awaiting trial, but in no event shall the compensation exceed a total amount of ~~one hundred fifty thousand dollars ($150,000).~~ five hundred thousand dollars ($500,000). The Director of the Budget shall pay the amount of the award to the claimant out of the Contingency and Emergency Fund, or out of any other available State funds. The Industrial Commission shall give written notice of its decision to all parties concerned. The determination of the Industrial Commission shall be subject to judicial review upon appeal of the claimant or the State according to the provisions and procedures set forth in Article 31 of Chapter 143 of the General Statutes."

SECTION 25.12.(b) This section is effective when it becomes law and applies to persons granted a pardon of innocence on or after January 1, 2001.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

REDUCE SUMMIT HOUSE APPROPRIATION

SECTION 25.14.(a) The General Fund appropriation to the Department of Correction for Summit House, Inc., is reduced by the sum of one hundred thirty-nine thousand six hundred fifty dollars ($139,650) for each year of the 2001-2003 biennium. This ten percent (10%) reduction in funding shall be accomplished by reducing expenditures at the State office and not through reductions in funding to individual sites.

SECTION 25.14.(b) The Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Fiscal Research Division shall review the organizational structure and expenditures of Summit House, Inc., prior to the convening of the 2002 Regular Session of the 2001 General Assembly to identify potential modifications that would provide for more efficient operation of the program in future fiscal years.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

MODIFICATION OF FUNDING FORMULA FOR THE NORTH CAROLINA STATE-COUNTY CRIMINAL JUSTICE PARTNERSHIP FORMULA/UNEXPENDED BALANCE REVERSION

SECTION 25.16.(a) G.S. 143B-273.15 reads as rewritten:

"**§ 143B-273.15. Funding formula.**

To determine the grant amount for which a county or counties may apply, the granting authority shall apply the following formula:

~~(1) Twenty percent (20%) of the total fiscal year appropriation plus any unspent or unclaimed funds in the Account shall be distributed in the discretion of the Secretary to encourage innovative efforts to develop multicounty projects; to encourage cooperation and collaboration among existing services and avoid duplication of efforts; to provide for technical assistance to the counties in the development of county plans and in the evaluation of programs funded under this Article; to encourage the renovation of existing facilities; and to encourage innovative substance abuse programs.~~

~~(2) Of the remaining eighty percent (80%) of the fiscal year appropriation, a total funding amount will be set for each county based upon the following variables:~~

~~a.~~ (1) Twenty percent (20%) based on a fixed equal dollar amount for each county;

~~b.~~ (2) Sixty percent (60%) based on the county share of the State population; and

~~c.~~ (3) Twenty percent (20%) based on the supervised probation admissions rate for the county.

The sum of the amounts in ~~sub-subdivisions a., b., and c.~~ subdivisions (1), (2), and (3) is the total amount of the funding that a county may apply for under this subsection.

Grants to participating counties are for a period of one fiscal year with unobligated funds being returned to the Account at the end of the grant period. Funds are provided to participating counties on a reimbursement basis unless a county documents a need for an advance of grant funds."

SECTION 25.16.(b) Notwithstanding the provisions of G.S. 143B-273.5, the sum of one million dollars ($1,000,000) of the unexpended cash balance of the State-County Criminal Justice Partnership Account shall revert to the General Fund on June 30, 2002, and the sum of one million dollars ($1,000,000) of the unexpended cash balance of the State-County Criminal Justice Partnership Account shall revert to the General Fund on June 30, 2003.

SECTION 25.16.(c) The Department of Correction may not deny funds to a county to support both a residential program and a day reporting center if the Department of Correction determines that the county has a demonstrated need and a fully developed plan for each type of sanction.

SECTION 25.16.(d) The Department of Correction shall report by February 1 of each year to the Chairs of the Senate and House of Representatives Appropriations Committees, the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety, and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the status of the Criminal Justice Partnership Program. The report shall include the following information:

(1) The amount of funds carried over from the prior fiscal year;

(2) The dollar amount and purpose of grants awarded to counties as discretionary grants for current fiscal year;

(3) Any counties the Department anticipates will submit requests for new implementation grants;

(4) An update on efforts to ensure that all counties make use of the electronic reporting system, including the number of counties submitting offender participation data via the system;
(5) An analysis of offender participation data received, including data on each program's utilization and capacity; and
(6) An analysis of comparable programs, prepared by the Research and Planning Division of the Department of Correction, and a summary of the reports prepared by county Criminal Justice Partnerships Advisory Boards.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

POST-RELEASE SUPERVISION AND PAROLE COMMISSION /REPORT ON STAFFING REORGANIZATION AND REDUCTION

SECTION 25.17. The Post-Release Supervision and Parole Commission shall report by March 1 of each year to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on an updated transition plan for implementing staff reductions through the 2002-2003 fiscal year, including a minimum ten percent (10%) reduction in staff positions in the 2002-2003 fiscal year over the 2001-2002 fiscal year.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

REPORTS ON NONPROFIT PROGRAMS

SECTION 25.18.(a) Funds appropriated in this act to the Department of Correction to support the programs of Harriet's House may be used for program operating costs, the purchase of equipment, and the rental of real property. Harriet's House shall report by February 1 of each year to the Joint Legislative Commission on Governmental Operations on the expenditure of State appropriations and on the effectiveness of the program, including information on the number of clients served and the number of clients who successfully complete the Harriet's House program.

SECTION 25.18.(b) Summit House shall report by February 1 of each year to the Joint Legislative Commission on Governmental Operations on the expenditure of State appropriations and on the effectiveness of the program, including information on the number of clients served, the number of clients who have their probation revoked, and the number of clients who successfully complete the program while housed at Summit House, Inc.

SECTION 25.18.(c) Women at Risk shall report by February 1 of each year to the Joint Legislative Commission on Governmental Operations on the expenditure of State funds and on the effectiveness of the program, including information on the number of clients served, the number of clients who have had their probation revoked, and the number of clients who have successfully completed the program.

SECTION 25.18.(d) The John Hyman Foundation shall report by February 1 of each year to the Joint Legislative Commission on Governmental Operations on the expenditure of State funds and on the effectiveness of the program, including information on the number of clients served, the number of clients who have had their probation revoked, and the number of clients who have successfully completed the program.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

EXEMPTION FROM LICENSURE AND CERTIFICATE OF NEED

SECTION 25.19.(a) Article 1 of Chapter 148 of the General Statutes is amended by adding a new section to read:

"**§ 148-19.1. Exemption from licensure and certificate of need.**

(a) Inpatient chemical dependency or substance abuse facilities that provide services exclusively to inmates of the Department of Correction shall be exempt from licensure by the Department of Health and Human Services under Chapter 122C of the General Statutes. If an inpatient chemical dependency or substance abuse facility provides services both to inmates of the Department of Correction and to members of the general public, the portion of the facility that serves inmates shall be exempt from licensure.

(b) Any person who contracts to provide inpatient chemical dependency or substance abuse services to inmates of the Department of Correction may construct and operate a new chemical dependency or substance abuse facility for that purpose without first obtaining a certificate of need from the Department of Health and Human Services pursuant to Article 9 of Chapter 131E of the General Statutes. However, a new facility or addition developed for that purpose without a certificate of need shall not be licensed pursuant to Chapter 122C of the General Statutes and shall not admit anyone other than inmates unless the owner or operator first obtains a certificate of need."

SECTION 25.19.(b) G.S. 122C-22(a) reads as rewritten:

"(a) The following are excluded from the provisions of this Article and are not required to obtain licensure under this Article:

(1) Physicians and psychologists engaged in private office practice;
(2) General hospitals licensed under Article 5 of Chapter 131E of the General Statutes, that operate special units for the mentally ill, developmentally disabled, or substance abusers;
(3) State and federally operated facilities;
(4) Adult care homes licensed under Chapter 131D of the General Statutes;
(5) Developmental child care centers licensed under Article 7 of Chapter 110 of the General Statutes;
(6) Persons subject to licensure under rules of the Social Services Commission;
(7) Persons subject to rules and regulations of the Division of Vocational Rehabilitation Services; ~~and~~
(8) Facilities that provide occasional respite care for not more than two individuals at a time; provided that the primary purpose of the facility is other than as defined in ~~G.S. 122C-3(14).~~ G.S. 122C-3(14);
(9) Twenty-four-hour nonprofit facilities established for the purposes of shelter care and recovery from alcohol or other drug addiction through a 12-step, self-help, peer role modeling, and self-governance ~~approach.~~ approach; and
(10) Inpatient chemical dependency or substance abuse facilities that provide services exclusively to inmates of the Department of Correction, as described in G.S. 148-19.1."

SECTION 25.19.(c) G.S. 131E-184 is amended by adding a new section to read:

"(d) The Department shall exempt from certificate of need persons contracting to provide inpatient chemical dependency or substance abuse services to inmates of the Department of Correction, as described in G.S. 148-19.1."

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

REPORT ON PROBATION AND PAROLE CASELOADS

SECTION 25.20. The Department of Correction shall report by March 1 of each year to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on caseload averages for probation and parole officers. The report shall include:

(1) Data on current caseload averages for Probation Parole Officer I, Probation Parole Officer II, and Probation Parole Officer III positions;
(2) An analysis of the optimal caseloads for these officer classifications; and
(3) An assessment of the role of surveillance officers.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

REPORT ON INMATES ELIGIBLE FOR PAROLE

SECTION 25.21. The Post-Release Supervision and Parole Commission shall provide quarterly reports to the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on inmates eligible for parole. These reports shall include at least the following:

(1) The total number of Fair Sentencing and Pre-Fair Sentencing inmates that were parole-eligible during the previous quarter and the total number of those inmates that were paroled. The report should group these inmates by offense type and custody classification;
(2) A list of all those inmates paroled or released by category of parole or release, including each inmate's offense and custody classification at the time of the parole or release;
(3) The average time served, by offense class, of Fair Sentencing and Pre-Fair Sentencing inmates compared to inmates sentenced under Structured Sentencing;
(4) The projected number of parole-eligible inmates to be paroled or released by the end of the 2001-2002 fiscal year and by the end of the 2002-2003 fiscal year.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

IMPACT PROGRAM

SECTION 25.22.(a) Of the funds appropriated to the Department of Correction for the 2001-2003 biennium, the sum of five million twenty-eight thousand two hundred sixty-one dollars ($5,028,261) for the 2001-2002 fiscal year and the sum of four million five hundred twenty-five thousand four hundred thirty-five dollars ($4,525,435) for the 2002-2003 fiscal year shall be used for residential programs for probationers, including the IMPACT boot camp program. The Department of Correction shall maintain a residential program with a community work component for male offenders in both Hoffman and Morganton.

SECTION 25.22.(b) The Department of Correction shall report to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee by November 1, 2001, on plans to implement the reduction in funding for the IMPACT program and any proposed modifications in the program capacity or content. The report shall include revised capacity, positions to be eliminated, revised staffing allocation, intended level of community service work, uses of any vacated space, and proposed changes in the program for the 2001-2003 biennium.

SECTION 25.22.(c) It is the intent of the General Assembly that the IMPACT boot camp program be eliminated by June 30, 2003, and that alternative residential programs for offenders be established in the current IMPACT locations. These alternative programs may include using those facilities as youth development centers or detention centers for juvenile offenders, as residential facilities for juveniles on Level 1 (community) or Level 2 (intermediate) sanctions, or for residential programs for adult offenders under the supervision of the Division of Community Corrections or the Division of Alcohol and Chemical Dependency of the Department of Correction.

The Secretary of Correction and the Secretary of Juvenile Justice and Delinquency Prevention shall report to the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the proposed programs by May 1, 2002. The report shall include details of the proposed treatment and supervision, type of offender to be served, timeline for establishment of revised program, capacity, budget, staffing, use of and need for modification of facilities, and the level of community work to be done by offenders.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

CONTRACTING FOR INMATE HEALTH CARE

SECTION 25.23.(a) The Department of Correction shall expand its efforts to determine the benefits of contracting for inmate health care services. The new efforts shall include expansion of the number of prison units that use Prison Health Services, Inc., to provide inmate health care services, as authorized in the current contract. The Department should expand to a sufficient number of prison units to allow for analysis of the quality of services and the potential for cost savings if inmate health care services were contracted for on a statewide basis.

The Department of Correction shall also issue a Request for Information from private vendors to determine the availability of services and the level of interest in providing the State with inmate health care services in three major areas:

(1) Inmate health care services at each State prison;
(2) An inmate drug prescription program that includes a statewide central pharmacy; and
(3) A medical utilization management program for the control of the cost and quality of inmate medical treatment by outside providers.

SECTION 25.23.(b) The Department of Correction shall report to the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by February 15, 2002, on:

(1) The responses to the Request for Information, including, at a minimum, information on the number of vendors responding; the background and experience of each vendor in providing similar services to other state prison systems; the potential cost savings and benefits of using a private vendor for each of the three major areas; and the time line for issuing a Request for Proposal and awarding a contract if it were determined that a Request for Proposal should be issued, and
(2) The status of the current contract for operation of inmate health care services at individual prisons including any documented savings, benefits, or operational problems with the contract services.

The Department of Correction shall also provide a progress report to the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on

Justice and Public Safety on the current contract and the Request for Information by December 1, 2001.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

AUTHORIZE PRISON CONSTRUCTION

SECTION 25.24. The Department of Administration and the Department of Correction may contract for the construction of three new close-custody correctional facilities. The contract price for the three prisons shall not exceed the total bid price submitted by the selected vendor on April 17, 2001. The sites for the three prisons shall be Anson, Alexander, and Scotland Counties. The final contract proposal for the three prisons shall be subject to review and approval of the Council of State.

PART XXVI. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

ANNUAL EVALUATION OF THE TARHEEL CHALLENGE PROGRAM

SECTION 26.2. The Department of Crime Control and Public Safety shall report to the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by April 1 of each year on the operations and effectiveness of the National Guard Tarheel Challenge Program. The report should evaluate the program's effectiveness as an intervention method for preventing juveniles from becoming undisciplined or delinquent. The report shall also evaluate the Program's role in improving individual skills and employment potential for participants and shall include:

(1) The source of referrals for individuals participating in the Program;
(2) The summary of types of actions or offenses committed by the participants of the Program;
(3) An analysis outlining the cost of providing services for each participant, including a breakdown of all expenditures related to the administration and operation of the Program and the education and treatment of the Program participants;
(4) The number of individuals who successfully complete the Program; and
(5) The number of participants who commit offenses after completing the Program.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

LEGISLATIVE REVIEW OF DRUG LAW ENFORCEMENT AND OTHER GRANTS

SECTION 26.3.(a) Section 1303(4) of the Omnibus Crime Control and Safe Streets Act of 1968 provides that the State application for Drug Law Enforcement Grants is subject to review by the State legislature or its designated body. Therefore, the Governor's Crime Commission of the Department of Crime Control and Public Safety shall report on the State application for grants under the State and Local Law Enforcement Assistance Act of 1986, Part M of the Omnibus Crime Control and Safe Streets Act of 1968 as enacted by Subtitle K of P.L. 99-570, the Anti-Drug Abuse Act of 1986, to the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety when the General Assembly is in session. When the General

Assembly is not in session, the Governor's Crime Commission shall report on the State application to the Joint Legislative Commission on Governmental Operations.

SECTION 26.3.(b) Unless a State statute provides a different forum for review, when a federal law or regulation provides that an individual State application for a grant shall be reviewed by the State legislature or its designated body and at the time of the review the General Assembly is not in session, that application shall be reviewed by the Joint Legislative Commission on Governmental Operations.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

VICTIMS ASSISTANCE NETWORK REPORT

SECTION 26.4. The Department of Crime Control and Public Safety shall report on the expenditure of funds allocated pursuant to this section for the Victims Assistance Network. The Department shall also report on the Network's efforts to gather data on crime victims and their needs, act as a clearinghouse for crime victims' services, provide an automated crime victims' bulletin board for subscribers, coordinate and support activities of other crime victims' advocacy groups, identify the training needs of crime victims' services providers and criminal justice personnel, and coordinate training for these personnel. The Department shall submit its report to the Chairs of the Appropriations Subcommittees on Justice and Public Safety of the Senate and House of Representatives by December 1 of each year of the biennium.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

REVISE REPORT ON CRIME VICTIMS COMPENSATION FUND

SECTION 26.5. G.S. 15B-21 reads as rewritten:

"**§ 15B-21. Annual report.**

The Commission shall, by March 15 each year, prepare and transmit to the Governor and the General Assembly a report of its activities in the prior fiscal year and the current fiscal year to date. The report shall include:

(1) The number of claims filed;
(2) The number of awards made;
(2a) The number of pending cases by year received;
(3) The amount of each award;
(4) A statistical summary of claims denied and awards made;
(5) The administrative costs of the Commission, including the compensation of commissioners;
(6) The current unencumbered balance of the North Carolina Crime Victims Compensation Fund;
(7) The amount of funds carried over from the prior fiscal year;
(8) The amount of funds received in the prior fiscal year from the Department of Correction and from the compensation fund established pursuant to the Victims Crime Act of 1984, 42 U.S.C. § 10601, et seq.; and
(9) The amount of funds expected to be received in the current fiscal year, as well as the amount actually received in the current fiscal year on the date of the report, from the Department of Correction and from the compensation fund established pursuant to the Victims Crime Act of 1984, 42 U.S.C. § 10601, et seq.

The Attorney General and State Auditor shall assist the Commission in the preparation of the report required by this section."

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

TERMINATION OF CERTAIN ALE POSITIONS

SECTION 26.10. Of the 10 remaining supervisor positions and the 12 assistant supervisor positions in the district offices of the Alcohol Law Enforcement Division of the Department of Crime Control and Public Safety, three positions shall terminate no later than June 30, 2002. The Department of Crime Control and Public Safety shall identify the positions that will terminate pursuant to this section and shall report to the Chairs of the Senate and House of Representatives Appropriations Committees, the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety, and the Fiscal Research Division of the General Assembly by May 1, 2002, on the positions identified by the Department pursuant to this section.

Requested by: Senators Jordan, Ballance, Rand, Clodfelter, Plyler, Odom, Lee; Representatives Culpepper, Haire, Justus, Luebke, Easterling, Oldham, Redwine, Thompson

TRANSFER COMMUNITY SERVICE WORK PROGRAM AND TERMINATE VACANT POSITIONS.

SECTION 26.11. Effective January 1, 2002, the Community Service Work Program of the Division of Victims and Justice Services of the Department of Crime Control and Public Safety shall be merged with the Division of Community Corrections of the Department of Correction. The merger shall have all the elements of a Type I transfer, as defined in G.S. 143A-6. All (i) statutory authority, powers, duties, and functions, including rule making, budgeting, and purchasing, (ii) records, (iii) personnel, personnel positions, and salaries, (iv) property, and (v) unexpended balances of appropriations, allocations, reserves, support costs, and other funds of the Community Service Work Program of the Division of Victims and Justice Services of the Department of Crime Control and Public Safety shall be transferred to and vested in the Department of Correction.

The following positions shall be terminated no later than January 1, 2002:

(1) The four regional managers;
(2) The 21 district managers in the area of community service work;
(3) The Director of the Division of Victim and Justice Services;
(4) The administrative assistant of the Division of Victim and Justice Services.

The Department of Correction and the Department of Crime Control and Public Safety shall make every effort to place the employees whose positions have been terminated in existing vacancies with those departments.

PART XXVII. DEPARTMENT OF TRANSPORTATION

Requested by: Senators Gulley, Plyler, Odom, Lee; Representatives Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

REPEAL BOND RETIREMENT TRANSFER FROM HIGHWAY FUND TO HIGHWAY TRUST FUND

SECTION 27.1. G.S. 136-176(a)(4) and G.S. 136-183 are repealed.

Requested by: Senators Gulley, Plyler, Odom, Lee; Representatives Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

DESIGN-BUILD TRANSPORTATION CONSTRUCTION CONTRACTS AUTHORIZED

SECTION 27.2.(a) Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-28.11. Design-build construction of transportation projects.**

Notwithstanding any other provision of law, the Board of Transportation may award up to three contracts annually for construction of transportation projects on a design-build basis. These contracts may be awarded after a determination by the Department of Transportation that delivery of the projects must be expedited and that it is not in the public interest to comply with normal design and construction contracting procedures. Prior to the award of a design-build contract, the Secretary of Transportation shall report to the Joint Legislative Transportation Oversight Committee and to the Joint Legislative Commission on Governmental Operations on the nature and scope of the project and the reasons an award on a design-build basis will best serve the public interest."

SECTION 27.2.(b) The Department of Transportation shall report to the Joint Legislative Transportation Oversight Committee on September 1, December 1, and March 1 of each year on the status of all design-build projects.

Requested by: Senators Gulley, Robinson, Plyler, Odom, Lee; Representatives Buchanan, Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

SMALL URBAN AND CONTINGENCY FUNDS

SECTION 27.3. Of the funds appropriated in this act to the Department of Transportation:

(1) Fourteen million dollars ($14,000,000) shall be allocated in each fiscal year for small urban construction projects. These funds shall be allocated equally in each fiscal year of the biennium among the 14 Highway Divisions for the small urban construction program for small construction projects that are located within the area covered by a one-mile radius of the municipal corporate limits.

(2) Fifteen million dollars ($15,000,000) in fiscal year 2001-2002 and ten million dollars ($10,000,000) in fiscal year 2002-2003 shall be used statewide for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, and spot safety projects as approved by the Secretary of Transportation.

None of these funds used for rural secondary road construction are subject to the county allocation formulas in G.S. 136-44.5(b) and (c).

These funds are not subject to G.S. 136-44.7.

The Department of Transportation shall report to the members of the General Assembly on projects funded pursuant to this section in each member's district prior to the Board of Transportation's action. The Department shall make a quarterly comprehensive report on the use of these funds to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

Requested by: Senators Gulley, Plyler, Odom, Lee; Representatives Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

CASH-FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 27.4.(a) The General Assembly authorizes and certifies anticipated revenues of the Highway Fund as follows:

FY 2003-2004	$1,334.6 million
FY 2004-2005	$1,369.8 million
FY 2005-2006	$1,406.1 million
FY 2006-2007	$1,445.5 million

The General Assembly authorizes and certifies anticipated revenues of the Highway Trust Fund as follows:

FY 2003-2004	$1,127.6 million
FY 2004-2005	$1,176.5 million
FY 2005-2006	$1,226.8 million

FY 2006-2007 $1,278.4 million

SECTION 27.4.(b) Section 25 of S.L. 2000-67 is repealed.

Requested by: Senators Gulley, Robinson, Plyler, Odom, Lee; Metcalf, Carter; Representatives Buchanan, Cole, J. Crawford, Bowie, Nesbitt, Easterling, Oldham, Redwine, Thompson

WESTERN NORTH CAROLINA RAIL OPERATIONS AND STATION RIGHT-OF-WAY ACQUISITION FUNDS

SECTION 27.5.(a) Of the funds appropriated in this act for passenger rail service in Western North Carolina, the Department of Transportation may use these funds for the following purposes:

(1) Up to two hundred fifty thousand dollars ($250,000) during the 2001-2002 fiscal year may be used by the Department of Transportation to contract for an engineering study to determine the necessary infrastructure improvements and costs of those improvements to provide passenger rail service to Western North Carolina.

(2) Up to three hundred thousand dollars ($300,000) during the 2001-2002 fiscal year may be used to acquire right-of-way for a station in the City of Asheville.

The Department of Transportation shall report to the Joint Legislative Transportation Oversight Committee by February 1, 2002, on the engineering study, the status of negotiations with the Norfolk Southern Corporation on needed track improvements, and on the status of negotiations with local governments on local financial participation to provide passenger rail service to Western North Carolina.

Five hundred fifty thousand dollars ($550,000) of the remaining unencumbered funds appropriated for the 1998-99 fiscal year for Western North Carolina rail service shall be transferred to the Highway Fund for the 2001-2002 fiscal year.

SECTION 27.5.(b) At least 30 days prior to expending funds appropriated in prior fiscal years for passenger rail service in Western North Carolina, the Department of Transportation shall report on the proposed use of those funds to the Joint Legislative Commission on Governmental Operations and to the Joint Legislative Transportation Oversight Committee.

SECTION 27.5.(c) The Department of Transportation shall negotiate with the Norfolk Southern Corporation on use of the tracks to provide Western North Carolina rail service. The Department shall report every six months, beginning on or before January 15, 2002, to the Joint Legislative Commission on Governmental Operations and to the Joint Legislative Transportation Oversight Committee on the progress of the negotiations with the Norfolk Southern Corporation and the track improvements in Western North Carolina and shall report annually to the General Assembly on these matters.

Requested by: Senators Gulley, Robinson, Plyler, Odom, Lee; Representatives Buchanan, Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

HIGHWAY TRUST FUND STUDY COMMITTEE

SECTION 27.6.(a) Study Committee Established. – There is established a Highway Trust Fund Study Committee to report to the Joint Legislative Transportation Oversight Committee.

SECTION 27.6.(b) Membership. – The Study Committee shall be composed of 16 members as follows:

(1) The Chairs of the Joint Legislative Transportation Oversight Committee.

(2) Four Representatives and three public members appointed by the Speaker of the House of Representatives.

(3) Four Senators and three public members appointed by the President Pro Tempore of the Senate.

The appointing authorities shall make their appointments to reflect the urban-rural diversity of the population of the State.

SECTION 27.6.(c) Duties of the Study Committee. – The Committee may study all aspects of the Highway Trust Fund. The study shall include the examination of all the following:

(1) The current status, cost estimates, and feasibility of Highway Trust Fund projects currently listed in Article 14 of Chapter 136 of the General Statutes.
(2) Unanticipated problems with the structure of the Highway Trust Fund.
(3) The gap between transportation funding structures and the actual transportation needs of the State.
(4) Allocation issues raised by the structure of the transportation funding equity distribution formula in G.S. 136-17.2A.
(5) The feasibility of altering the project eligibility requirements of the Highway Trust Fund.
(6) The feasibility of altering the funding allocation structure of the Highway Trust Fund.
(7) Any other issue related to the Highway Trust Fund or transportation funding.

SECTION 27.6.(d) Vacancies. – The appointing authority shall fill any vacancy on the Study Committee.

SECTION 27.6.(e) Cochairs. – Cochairs of the Study Committee shall be the cochairs of the Joint Legislative Transportation Oversight Committee. The Study Committee shall meet upon the call of the Chairs. A quorum of the Study Committee shall be eight members.

SECTION 27.6.(f) Expenses of Members. – Members of the Study Committee shall receive per diem, subsistence, and travel allowances in accordance with G.S. 120-3.1, 138-5, or 138-6, as appropriate.

SECTION 27.6.(g) Staff. – The Legislative Services Office shall assign professional and clerical staff to the assist the Study Committee in its work.

SECTION 27.6.(h) Consultants. – The Study Committee may hire consultants to examine specific issues and subjects related to the study, in accordance with G.S. 120-32.02.

SECTION 27.6.(i) Meetings During Legislative Session. – The Study Committee may meet during a regular or extra session of the General Assembly, subject to approval of the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

SECTION 27.6.(j) Meeting Location. – The Study Committee may meet at various locations around the State in order to promote greater public participation in its deliberations. The Legislative Services Commission shall grant adequate meeting space to the Study Committee in the State Legislative Building or the Legislative Office Building.

SECTION 27.6.(k) Report. – The report of the study shall be made to the Joint Legislative Transportation Oversight Committee no later than April 1, 2002. Upon the filing of its final report, the Study Committee shall terminate.

SECTION 27.6.(l) Funding. – The Study Committee shall be funded from funds available to the Joint Legislative Transportation Oversight Committee, in accordance with G.S. 120-70.52.

Requested by: Senators Gulley, Robinson, Plyler, Odom, Lee; Representatives Buchanan, Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

CHARLOTTE DOWNTOWN INTERMODAL STATION

SECTION 27.7. The Department of Transportation shall report to the Joint Legislative Transportation Oversight Committee by February 15, 2002, on the status of the development of the downtown intermodal station in Charlotte. The report shall include:

(1) The total cost, projected schedule, and scope of the project.
(2) How the costs of the project will be met, including the shares of the costs borne by the State of North Carolina, participating local governments, federal funds, the Norfolk Southern Corporation, private funding, and any other sources of funds.
(3) Identification of at least three parcels of land that could be purchased for the station or its expansion.
(4) A description of other significant aspects of the project, such as location, capacity, and modes of transportation to be incorporated.

Requested by: Senators Gulley, Plyler, Odom, Lee; Representatives Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

DIVISION 3 HEADQUARTERS COMPLEX FUNDS

SECTION 27.8. The requirement in Section 27.14 of S.L. 1999-237 that the Highway Fund reimburse the Highway Trust Fund by June 30, 2004, for the capital costs required to relocate the Division 3 headquarters complex in Wilmington, North Carolina, is rescinded.

Requested by: Senators Gulley, Plyler, Odom, Lee; Representatives Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

DEPARTMENT OF TRANSPORTATION AUTHORIZED TO ACCEPT ELECTRONIC BIDS

SECTION 27.9.(a) G.S. 136-28.1 is amended by adding a new subsection to read:

"(k) The Department of Transportation may accept bids under this section by electronic means and may issue rules governing the acceptance of these bids. For purposes of this subsection 'electronic means' is defined as means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities."

SECTION 27.9.(b) G.S. 136-28.1(a) reads as rewritten:

"(a) All contracts over eight hundred thousand dollars ($800,000) that the Department of Transportation may let for construction or repair necessary to carry out the provisions of this Chapter shall be let to a responsible bidder after public advertising under rules and regulations to be made and published by the Department of Transportation. The right to reject any and all bids shall be reserved to the Board of Transportation.

Contracts for construction or repair for federal aid projects entered into pursuant to this section shall not contain the standardized contract clauses prescribed by 23 U.S.C. § 112(e) and 23 C.F.R. § 635.131(a) for differing site conditions, suspensions of work ordered by the ~~engineer~~ engineer, or significant changes in the character of the work. For those federal aid projects, the ~~The~~ Department of Transportation shall use ~~only~~ the contract provisions provided in the North Carolina Department of Transportation, Standard Specifications for Roads and Structures, January 1, 1984, except as each may be changed or provided for by rule adopted by the Board of Transportation in accordance with the Administrative Procedure Act."

Requested by: Senators Gulley, Robinson, Plyler, Odom, Lee; Representatives Buchanan, Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

DEPARTMENT OF TRANSPORTATION AUTHORIZED TO ESTABLISH AN ESCORT DRIVER CERTIFICATION PROGRAM

SECTION 27.10. G.S. 20-119 is amended by adding a new subsection to read:

"(f) The Department of Transportation shall issue rules to establish an escort driver training and certification program for escort vehicles accompanying oversize/overweight loads. Any driver operating a vehicle escorting an oversize/overweight load shall meet any training requirements and obtain certification under the rules issued pursuant to this subsection. These rules may provide for reciprocity with other states having similar escort certification programs. Certification credentials for the driver of an escort vehicle shall be carried in the vehicle and be readily available for inspection by law enforcement personnel."

Requested by: Senators Gulley, Robinson, Plyler, Odom, Lee; Representatives Buchanan, Cole, J. Crawford, Bowie, Justus, Kiser Easterling, Oldham, Redwine, Thompson

DMV/PROOF OF RESIDENCY/SOCIAL SECURITY #/ITIN

SECTION 27.10A.(a) G.S. 20-7(b1) reads as rewritten:

"(b1) Application. – To obtain an identification card, learners permit, or drivers license from the Division, a person ~~must~~ shall complete an application form provided by the Division, present at least two forms of identification approved by the Commissioner, be a resident of this State, and demonstrate his or her physical and mental ability to drive safely a motor vehicle included in the class of license for which the person has applied. At least one of the forms of identification shall indicate the applicant's residence address. The Division may copy the identification presented or hold it for a brief period of time to verify its authenticity. To obtain an endorsement, a person ~~must~~ shall demonstrate his or her physical and mental ability to drive safely the type of motor vehicle for which the endorsement is required.

The application form ~~must~~ shall request all of the following information, and it ~~must~~ shall contain the disclosures concerning the request for an applicant's social security number required by section 7 of the federal Privacy Act of 1974, Pub. L. No. 93-579:

(1) The applicant's full name.
(2) The applicant's mailing address and residence address.
(3) A physical description of the applicant, including the applicant's sex, height, eye color, and hair color.
(4) The applicant's date of birth.
(5) The applicant's valid social security number**.** ~~The Division shall not issue a license to an applicant who fails to provide the applicant's social security number.~~
(6) The applicant's signature.

If an applicant does not have a valid social security number and is ineligible to obtain one, the applicant shall swear to or affirm that fact under penalty of perjury. In such case, the applicant may provide a valid Individual Taxpayer Identification Number issued by the Internal Revenue Service to that person.

The Division shall not issue an identification card, learners permit, or drivers license to an applicant who fails to provide either the applicant's valid social security number or the applicant's valid Individual Taxpayer Identification Number."

SECTION 27.10A.(b) G.S. 20-7 is amended by adding a new subsection to read:

"(b2) The Division shall adopt rules implementing the provisions of subsection (b1) of this section with respect to proof of residency in this State. Those rules shall ensure that applicants submit verified or verifiable residency and address information that can be reasonably considered to be valid and that is provided on any of the following:

(1) A document issued by an agency of the United States or by the government of another nation.
(2) A document issued by another state.

(3) A document issued by the State of North Carolina, or a political subdivision of this State. This includes an agency or instrumentality of this State.
(4) A preprinted bank or other corporate statement.
(5) A preprinted business letterhead.
(6) Any other document deemed reliable by the Division."

SECTION 27.10A.(c) G.S. 20-7 is amended by adding a new subsection to read:

"(b3) Examples of documents that are reasonably reliable indicators of residency include, but are not limited to, any of the following:
(1) A pay stub with the payee's address.
(2) A utility bill showing the address of the applicant-payor.
(3) A contract for an apartment, house, modular unit, or manufactured home with a North Carolina address signed by the applicant.
(4) A receipt for personal property taxes paid.
(5) A receipt for real property taxes paid to a North Carolina locality.
(6) A current automobile insurance policy issued to the applicant and showing the applicant's address.
(7) A monthly or quarterly financial statement from a North Carolina regulated financial institution.
(8) A matricula consular or substantially similar document issued by the Mexican Consulate for North Carolina.
(9) A document similar to that described in subsection (8) of this section, issued by the consulate or embassy of another country. This subdivision only applies if the Division has consulted with the United State Department of State and is satisfied with the reliability of such document."

SECTION 27.10A.(d) G.S. 20-7 is amended by adding a new subsection to read:

"(b4) The Division rules adopted pursuant to subsection (b2) of this section shall also provide that if an applicant cannot produce any documentation specified in subsection (b2) or (b3) of this section, the applicant, or in the case of a minor applicant a parent or legal guardian of the applicant, may complete an affidavit, on a form provided by the Division and sworn to before an official of the Division, indicating the applicant's current residence address. The affidavit shall contain the provisions of G.S. 20-15(a) and G.S. 20-17(a)(5) and shall indicate the civil and criminal penalties for completing a false affidavit."

SECTION 27.10A.(e) If any person has prior to January 1, 2002, been issued an identification card, learners permit, or drivers license by the Division of Motor Vehicles without providing that person's valid social security number, the Commissioner may not renew or accept an address change to that identification card, learners permit, or drivers license without the proof of that person's valid social security number or valid Individual Taxpayer Identification Number required for original issuance.

SECTION 27.10A.(f) This section becomes effective January 1, 2002.

Requested by: Senators Gulley, Plyler, Odom, Lee; Representatives Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

TRANSFER RESPONSIBILITIES OF GOVERNOR'S HIGHWAY SAFETY PROGRAM TO THE OFFICE OF THE SECRETARY OF TRANSPORTATION

SECTION 27.11.(a) G.S. 143B-360 reads as rewritten:

"**§ 143B-360. Powers and duties of Department and Secretary.**

The Department of Transportation is hereby empowered to contract ~~in~~ on behalf of the State with the government of the United States to the extent allowed by the laws of

North Carolina for the purpose of securing the benefits available to this State under the Federal Highway Safety Act of 1966. To that end, the Secretary of Transportation shall coordinate, with the Governor's approval, the activities of any and all departments and agencies of the State and its subdivisions relating thereto.

All of the duties and responsibilities of the Governor's Highway Safety Program, established pursuant to this section, are transferred to the Office of the Secretary of Transportation."

SECTION 27.11.(b) This section becomes effective July 1, 2001.

Requested by: Senators Gulley, Plyler, Odom, Lee; Representatives Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

DRIVERS LICENSE/MOTOR VEHICLE REGISTRATION SECTION CONSOLIDATION STUDY

SECTION 27.14. The Department of Transportation shall study the consolidation and integration of the functions of the Driver License Section and the Vehicle Registration Section of the Division of Motor Vehicles to provide more accessible, efficient, and cost-effective service to the public. The Department of Transportation shall report the results of this study to the Joint Legislative Transportation Oversight Committee by March 1, 2002.

Requested by: Senators Gulley, Plyler, Odom, Lee; Representatives Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

APPROPRIATION TO THE DEPARTMENT OF TRANSPORTATION TO FUND AVIATION GRANTS

SECTION 27.15. Notwithstanding the provisions of G.S. 136-16.4 for determining the amount of continuing aviation appropriations, there is appropriated from the General Fund to the Department of Transportation the sum of seven million two hundred fifty thousand dollars ($7,250,000) for the 2001-2002 fiscal year to fund aviation grants.

Requested by: Senators Gulley, Robinson, Plyler, Odom, Lee; Representatives Buchanan, Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

DOT REGULATION OF THE TRANSIT OF MODULAR HOMES

SECTION 27.17.(a) G.S. 20-356 reads as rewritten:

"**§ 20-356. Definitions.**

"Person" as used in this Article shall mean an individual, corporation, partnership, association or any other business entity. The word "house" as used in this Article shall mean a dwelling, building, or other structure in excess of 14 feet in ~~width.~~ width; provided that neither mobile homes, nor modular homes or portions thereof, are within this definition when being transported from the manufacturer to the first set-up site. The word "Department" as used in this Article shall mean the North Carolina Department of Transportation."

SECTION 27.17.(b) G.S. 150B-21.1 is amended by adding a new subsection to read:

"(a8) Notwithstanding the provisions of subsection (a) of this section, the Secretary of Transportation may adopt temporary rules concerning the permitted height of mobile and modular homes. After having the proposed temporary rule published in the North Carolina Register and at least 30 days prior to adopting a temporary rule pursuant to this subsection, the Secretary shall:

(1) Notify persons on its mailing list maintained pursuant to G.S. 150B-21.2(d) and any other interested parties of its intent to adopt a temporary rule.
(2) Accept oral and written comments on the proposed temporary rule.
(3) Hold at least one public hearing on the proposed temporary rule.

When the Secretary adopts a temporary rule pursuant to this subsection, the Secretary must submit a reference to this subsection as the Secretary's statement of need to the Codifier of Rules.

Notwithstanding any other provision of this Chapter, the Codifier of Rules shall publish in the North Carolina Register a proposed temporary rule received from the Secretary in accordance with this subsection."

SECTION 27.17.(c) Subsection (b) of this section expires on June 30, 2003.

Requested by: Senators Gulley, Robinson, Albertson, Plyler, Odom, Lee; Representatives Buchanan, Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

ASPHALT PAVEMENT RECYCLING

SECTION 27.18. The Department of Transportation as part of its resurfacing programs, shall recycle pavement surfaces, where feasible, based on engineering and economic analyses. On projects where hot in-place recycling is determined to be a viable option, the Department shall use an alternate bid process.

Requested by: Senators Gulley, Lee, Odom, Plyler; Representatives Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

AVIATION DIVISION STUDY THE TRANSFER OF THE GLOBAL TRANSPARK AIRPORT

SECTION 27.19. The Department of Transportation's Aviation Division shall study the transfer of the Global TransPark airport fixed assets and operations from the Global TransPark Authority to another appropriate entity. The Aviation Division shall report the results of this study to the Joint Legislative Transportation Oversight Committee and to the Chairs of the Senate and House of Representatives Appropriations Committees by February 15, 2002.

Requested by: Senators Gulley, Lee, Odom, Plyler; Representatives Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

STATE BOARD OF COMMUNITY COLLEGES TO STUDY TRANSFER OF GLOBAL TRANSPARK EDUCATION AND TRAINING CENTER

SECTION 27.20. The State Board of Community Colleges shall study the transfer of the Education and Training Center from the Global TransPark Authority to an appropriate public educational entity. The State Board of Community Colleges shall report the results of the study to the Joint Legislative Transportation Oversight Committee and to the Chairs of the Senate and House of Representatives Appropriations Committees by February 15, 2002.

Requested by: Senators Gulley, Robinson, Plyler, Odom, Lee; Representatives Sutton, Buchanan, Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

CONTRACT AGENT RATE INCREASE

SECTION 27.21. G.S. 20-63(h) reads as rewritten:

"(h) Commission Contracts for Issuance of Plates and Certificates. – All registration plates, registration ~~certificates~~ certificates, and certificates of title issued by the Division, outside of those issued from the Raleigh offices of the ~~said~~ Division and those issued and handled through the United States mail, shall be issued insofar as practicable and possible through commission contracts entered into by the Division for the issuance of ~~such~~ the plates and certificates in localities throughout North Carolina with persons, firms, corporations or governmental subdivisions of the State of North ~~Carolina and the~~ Carolina. The Division shall make a reasonable effort in every locality, except as ~~hereinbefore noted,~~ noted above, to enter into a commission contract for the issuance of ~~such~~ the plates and certificates and a record of these efforts shall be maintained in the Division. In the event the Division is unsuccessful in making commission ~~contracts as hereinbefore set out~~ contracts, it shall ~~then~~ issue ~~said~~ the plates

and certificates through the regular employees of the Division. Whenever registration plates, registration ~~certificates~~ certificates, and certificates of title are issued by the Division through commission contract arrangements, the Division shall provide proper supervision of ~~such~~ the distribution. ~~Commission contracts entered under this subsection shall provide for the payment of compensation for all transactions as set forth below.~~ Nothing contained in this subsection will allow or permit the operation of fewer outlets in any county in this State than are now being operated.

Commission contracts entered into by the Division under this subsection shall provide for the payment of compensation on a per transaction basis. The collection of the highway use tax shall be considered a separate transaction for which one dollar and twenty-seven cents ($1.27) compensation shall be paid. The performance at the same time of one or more of the remaining transactions listed in this subsection shall be considered a single transaction for which one dollar and forty-three cents ($1.43) compensation shall be paid.

A transaction is any of the following activities:

(1) Issuance of a registration plate, a registration card, a registration renewal sticker, or a certificate of title.
(2) Issuance of a handicapped placard or handicapped identification card.
(3) Acceptance of an application for a personalized registration plate.
(4) Acceptance of a surrendered registration plate, registration card, or registration renewal sticker, or acceptance of an affidavit stating why a person cannot surrender a registration plate, registration card, or registration renewal sticker.
(5) Cancellation of a title because the vehicle has been junked.
(6) Acceptance of an application for, or issuance of, a refund for a fee or a tax, other than the highway use tax.
(7) Receipt of the civil penalty imposed by G.S. 20-309 for a lapse in financial responsibility or receipt of the restoration fee imposed by that statute.
(8) Acceptance of a notice of failure to maintain financial responsibility for a motor vehicle.
(8a) Collection of civil penalties imposed for violations of G.S. 20-183.8A.
(8b) Sale of one or more inspection stickers in a single transaction to a licensed inspection station.
(9) Collection of the highway use tax.
(10) Acceptance of a temporary lien filing.

~~Performance at the same time of any combination of the items that are listed within each subdivision or are listed within subdivisions (1) through (8b) of this section is a single transaction for which a dollar and thirty-five cent ($1.35) compensation shall be paid. Performance of the item listed in subdivision (9) of this subsection in combination with any other items listed in this subsection is a separate transaction for which a one dollar and twenty cent ($1.20) compensation shall be paid.~~"

Requested by: Senators Gulley, Robinson, Plyler, Odom, Lee; Representatives Buchanan, Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

ISSUANCE OF TEMPORARY RULES GOVERNING MINIMUM CRITERIA TRANSPORTATION PROJECTS

SECTION 27.22.(a) G.S. 150B-21.1 is amended by adding a new subsection to read:

"(a9) Notwithstanding the provisions of subsection (a) of this section, the Secretary of Transportation may adopt temporary rules pursuant to G.S. 113A-11(b) to establish a class of minimum criteria projects.

After having the proposed temporary rule published in the North Carolina Register, and at least 30 days prior to adopting a temporary rule pursuant to this subsection, the Secretary shall do all of the following:

(1) Notify persons on its mailing list, maintained pursuant to G.S. 150B-21.2(d), and any other interested parties, of his intent to adopt a temporary rule.
(2) Accept oral and written comments on the proposed temporary rule.
(3) Hold at least one public hearing on the proposed temporary rule.

When the Secretary adopts a temporary rule pursuant to this subsection, the Secretary shall submit a reference to this subsection as the Secretary's statement of need to the Codifier of Rules.

Notwithstanding any other provision of this Chapter, the Codifier of Rules shall publish in the North Carolina Register a proposed temporary rule received from the Secretary in accordance with this subsection."

SECTION 27.22.(b) Subsection (a) of this section expires on June 30, 2003.

Requested by: Senators Gulley, Robinson, Plyler, Odom, Lee; Representatives Saunders, Buchanan, Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

DEPARTMENT OF TRANSPORTATION PRODUCTIVITY PILOT PROGRAMS

SECTION 27.22A. The Department of Transportation may establish two pilot programs to test incentive pay for employees as a means for increasing efficiency and productivity.

One of the pilot programs shall involve the highway resurfacing program using road oil. Up to one-fourth of one percent (0.25%) of the budget allocation for this program may be used to provide employee incentive payments.

The other pilot project may be selected by the Department of Transportation, and up to twenty-five thousand dollars ($25,000) may be used from existing budgets for incentives.

Incentive payments shall be based on quantifiable measures and production schedules determined prior to the implementation of the pilot programs that shall last no more than two years.

The Department of Transportation shall report to the Joint Legislative Transportation Oversight Committee on the pilot programs at least 30 days prior to their implementation.

Requested by: Senators Gulley, Robinson, Plyler, Odom, Lee; Representatives Buchanan, Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

DEPARTMENT OF TRANSPORTATION CASH FLOW MANAGEMENT

SECTION 27.23.(a) The Department of Transportation is directed to reorganize its cash management procedures consistent with the March 2001 Joint Legislative Transportation Oversight Committee Cash Management Study final report.

The Department is directed to:

(1) Utilize cash flow financing to the maximum extent possible to fund highway construction projects with the goal of reducing the combined average daily cash balance of the Highway Trust Fund and the Highway Fund to an amount equal to twelve percent (12%) of combined estimate of the yearly receipts of the Funds, exclusive of municipal aid funds.
(2) Establish necessary management controls to facilitate use of cash flow financing, such as establishment of a financial planning committee, development of a monthly financial report, establishment of appropriate fund cash level targets, review of revenue forecasting procedures, and reduction of accrued unbilled costs.
(3) Strengthen the project delivery process by reorganization of preconstruction functions in order to expedite project delivery and maximize use of cash flow financing of projects. The Department shall

designate one person responsible for project delivery, developing project delivery reports, and continually assessing which projects can be accelerated using cash flow financing.

(4) Report quarterly for a period of two years, beginning in September 2001, to the Joint Legislative Transportation Oversight Committee on its efforts to reorganize the cash management and project delivery process and the results of those efforts.

SECTION 27.23.(b) Article 6A of Chapter 147 of the General Statutes is amended by adding a new section to read:

"**§ 147-86.15. Cash management of the Highway Fund and the Highway Trust Fund.**

The State Treasurer may combine the balances of the Highway Fund and the Highway Trust Fund for cash management purposes. The State Treasurer may make short-term loans between the Funds to accomplish the purposes of this section."

SECTION 27.23.(c) The Department of Transportation and the State Treasurer are directed to jointly:

(1) Evaluate the recommendations of the March 2001 Joint Legislative Transportation Oversight Committee Cash Management Study final report concerning authorization for the State Treasurer to borrow funds on a short-term basis in order to allow the Department of Transportation to maintain lower target cash balances and expedite highway construction projects;

(2) Develop recommendations concerning short-term borrowing for cash management purposes, including any needed legislation; and

(3) Submit findings and recommendations to the Joint Legislative Transportation Oversight Committee by February 1, 2002.

SECTION 27.23.(d) G.S. 136-176 is amended by adding a new subsection to read:

"(a1) The Department may use two hundred twenty million dollars ($220,000,000) in fiscal year 2001-2002, two hundred five million dollars ($205,000,000) in fiscal year 2002-2003, and two hundred fifty-five million dollars ($255,000,000) in fiscal year 2003-2004 of the cash balance of the Highway Trust Fund for the following purposes:

(1) For primary route pavement preservation. – One hundred seventy million dollars ($170,000,000) in fiscal year 2001-2002, and one hundred fifty million dollars ($150,000,000) in each of the fiscal years 2002-2003 and 2003-2004. Up to ten percent (10%) of the amount for each of the fiscal years 2001-2002, 2002-2003, and 2003-2004 is available in that fiscal year, at the discretion of the Secretary of Transportation, for highway improvement projects that further economic growth and development in small urban and rural areas, that are in the Transportation Improvement Program, and that are individually approved by the Board of Transportation.

(2) For preliminary engineering costs not included in the current year Transportation Improvement Program. – Fifteen million dollars ($15,000,000) in each of the fiscal years 2001-2002, 2002-2003, and 2003-2004.

(3) For computerized traffic signal systems and signal optimization projects. – Fifteen million dollars ($15,000,000) in each of the fiscal years 2001-2002, 2002-2003, and 2003-2004.

(4) For public transportation twenty million dollars ($20,000,000) in fiscal year 2001-2002, twenty-five million dollars ($25,000,000) in fiscal year 2002-2003, and seventy-five million dollars ($75,000,000) in fiscal year 2003-2004."

SECTION 27.23.(e) G.S. 136-176 is amended by adding a new subsection to read:

"(a2) The Department shall certify to the Joint Legislative Transportation Oversight Committee each year, on or before November 1, that use of the Highway Trust Fund cash balances for these purposes will not adversely affect the delivery schedule of Highway Trust Fund projects in the 2002-2008 Transportation Improvement Program."

SECTION 27.23.(f) G.S. 136-176 is amended by adding a new subsection to read:

"(b1) The Secretary may authorize the transfer of funds allocated under subdivisions (1) through (4) of subsection (b) of this section to other projects that are ready to be let and were to be funded from allocations to those subdivisions. The Secretary shall ensure that any funds transferred pursuant to this subsection are repaid promptly and in any event in no more than four years. The Secretary shall certify, prior to making any transfer pursuant to this subsection, that the transfer will not affect the delivery schedule of Highway Trust Fund projects in the current Transportation Improvement Program. No transfers shall be allowed that do not conform to the applicable provisions of the equity formula for distribution of funds, G.S. 136-17.2A. If the Secretary authorizes a transfer pursuant to this subsection, the Secretary shall report that decision to the next regularly scheduled meetings of the Joint Legislative Commission on Governmental Operations, the Joint Legislative Transportation Oversight Committee, and to the Fiscal Research Division."

Requested by: Senators Gulley, Robinson, Plyler, Odom, Lee; Representatives Buchanan, Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

STATE TIRE RETREADING CONTRACT

SECTION 27.24. The Purchase and Contract Division of the Department of Administration shall take steps to insure that the bid process for the State contract for tire retreading is fair and open and that it complies with State purchasing laws.

Before soliciting bids, the Purchase and Contract Division shall:

(1) Research technologies for tire retreading and tire retread testing to determine which technologies are most consistent with State needs and safety requirements.

(2) Circulate proposed specifications for the retread tire contract to tire retread vendors, tire retreading industry associations, and State users of retread tires.

(3) Solicit comments and feedback from the entities listed in subdivision (2) of this section.

(4) Provide a copy of the final specifications for the retread tire contract to the Joint Legislative Transportation Oversight Committee at least six weeks prior to soliciting bids.

Requested by: Senators Gulley, Robinson, Plyler, Odom, Lee; Representatives Buchanan, Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

STATE HIGHWAY PATROL TO REPORT TO LEGISLATIVE OVERSIGHT COMMITTEES ON BUDGETARY MATTERS

SECTION 27.25. The State Highway Patrol shall report to the Joint Legislative Transportation Oversight Committee and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on its revenues, expenditures, and other budget related matters. These financial reports shall be made in writing to the cochairs of the oversight committees and to the Fiscal Research Division by November 15, February 15, May 15, and August 15 of each year to be taken up, if necessary, at the next meetings of the oversight committees following those dates.

Requested by: Senators Gulley, Robinson, Plyler, Odom, Lee; Representatives Buchanan, Cole, J. Crawford, Bowie, Nesbitt, Easterling, Oldham, Redwine, Thompson

LEGISLATIVE RESEARCH COMMISSION TO STUDY NONBETTERMENT UTILITY RELOCATION COSTS IN HIGHWAY CONSTRUCTION

SECTION 27.26. The Legislative Research Commission may study the issue of nonbetterment utility relocation costs. As a part of its study, the LRC shall consider all of the following:

(1) The current statutory procedure for allocation of relocation costs, found in G.S. 136-27.1.

(2) The current population ceiling of 5,500 for municipalities to receive utility relocation assistance from the Department of Transportation, and the appropriateness of this ceiling.

(3) The history of exceptions to the general policy on the nonpayment by the Department of Transportation for nonbetterment utility relocation costs and the rationales for these exceptions.

(4) The development of a rational and equitable policy for the payment for nonbetterment utility relocation costs.

(5) Any other issue related to nonbetterment utility relocation costs.

Requested by: Senators Gulley, Robinson, Plyler, Odom, Lee; Representatives Buchanan, Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

DEPARTMENT OF TRANSPORTATION TO EVALUATE THE LOCATIONS OF PROPOSED PUBLIC AND PRIVATE SCHOOLS TO ENHANCE TRAFFIC OPERATIONS AND SAFETY

SECTION 27.27. G.S. 136-18 reads as rewritten:

"**§ 136-18. Powers of Department of Transportation.**

The said Department of Transportation shall be vested with the following powers:

…

(29a) To coordinate with all public and private entities planning schools to provide written recommendations and evaluations of driveway access and traffic operational and safety impacts on the State highway system resulting from the development of the proposed sites. All public and private entities shall, upon acquiring land for a new school or prior to beginning construction of a new school, relocating a school, or expanding an existing school, request from the Department a written evaluation and written recommendations to ensure that all proposed access points comply with the criteria in the current North Carolina Department of Transportation 'Policy on Street and Driveway Access'. The Department shall provide the written evaluation and recommendations within a reasonable time, which shall not exceed 60 days. This subdivision shall not be construed to require the public or private entities planning schools to meet the recommendations made by the Department."

Requested by: Senators Gulley, Robinson, Plyler, Odom, Lee; Representatives Buchanan, Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

REGIONAL PUBLIC TRANSPORTATION AUTHORITY CAPITAL RESERVE FUND ACCUMULATION

SECTION 27.28. G.S. 160A-613 is amended by adding a new subsection to read:

"(c) Notwithstanding any provision of G.S. 159-18, the Board of Trustees may accumulate moneys from any source authorized by this Article or by Article 50 of Chapter 105 of the General Statutes in a capital reserve fund for any authorized purpose of the Authority. Notwithstanding any provision of G.S. 159-19 or G.S. 159-22, the Board of Trustees may, by amendment to the resolution establishing a capital reserve fund, withdraw moneys accumulated in a fund for noncapital purposes if the capital outlay purpose for which the fund was created is no longer viable, as determined by a majority of the Board of Trustees. Except as otherwise provided in this subsection, the

provisions of Part 2 of Article 3 of Chapter 159 of the General Statutes shall control the establishment of capital reserve funds by the Authority."

Requested by: Senators Gulley, Robinson, Plyler, Odom, Lee; Representatives Buchanan, Cole, J. Crawford, Bowie, Easterling, Oldham, Redwine, Thompson

RAIL DIVISION FUNDS FOR RAILROAD BRIDGE REPLACEMENT PROJECT PLANNING AND PRELIMINARY ENGINEERING

SECTION 27.29. Of funds appropriated to the Department of Transportation Rail Division, up to eight hundred thousand dollars ($800,000) shall be used for planning and preliminary engineering of the Neuse Railroad Bridge east of Kinston replacement project and the Highway 54 Railroad bridge in Research Triangle Park replacement project.

PART XXVIII. PUBLIC SCHOOLS

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

LITIGATION RESERVE FUNDS DO NOT REVERT

SECTION 28.1.(a) Funds in the State Board of Education's Litigation Reserve that are not expended or encumbered on June 30, 2001, shall not revert on July 1, 2001, but shall remain available for expenditure until June 30, 2002.

SECTION 28.1.(b) Subsection (a) of this section becomes effective June 30, 2001.

SECTION 28.1.(c) The State Board of Education may expend up to five hundred thousand dollars ($500,000) for the 2001-2002 fiscal year from unexpended funds for certified employees' salaries to pay expenses related to pending litigation.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

CHILDREN WITH DISABILITIES

SECTION 28.2. The State Board of Education shall allocate funds for children with disabilities on the basis of two thousand six hundred fifty dollars and twenty-eight cents ($2,650.28) per child for a maximum of 158,825 children for the 2001-2002 school year. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) twelve and five-tenths percent (12.5%) of the 2001-2002 allocated average daily membership in the local school administrative unit.

The dollar amounts allocated under this section for children with disabilities shall also increase in accordance with legislative salary increments for personnel who serve children with disabilities.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

FUNDS FOR ACADEMICALLY GIFTED STUDENTS

SECTION 28.3. The State Board of Education shall allocate funds for academically or intellectually gifted children on the basis of eight hundred seventy-nine dollars and ten cents ($879.10) per child. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2001-2002 allocated average daily membership, regardless of the number of children identified as academically or intellectually gifted in the unit. The State Board shall allocate funds for no more than 52,042 children for the 2001-2002 school year.

The dollar amounts allocated under this section for academically or intellectually gifted children shall also increase in accordance with legislative salary increments for personnel who serve academically or intellectually gifted children.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

AT-RISK STUDENT SERVICES/ALTERNATIVE SCHOOLS

SECTION 28.4. The State Board of Education may use up to two hundred thousand dollars ($200,000) of the funds in the Alternative Schools/At-Risk Student allotment each year for the 2001-2002 fiscal year and for the 2002-2003 fiscal year to implement G.S. 115C-12(24).

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

UNIFORM EDUCATION REPORTING SYSTEM (UERS)

SECTION 28.5.(a) Funds appropriated for the Uniform Education Reporting System shall not revert at the end of the 2001-2002 and 2002-2003 fiscal years, but shall remain available until expended.

SECTION 28.5.(b) This section becomes effective June 30, 2001.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

SECTION 28.6.(a) Funds for Supplemental Funding. – The General Assembly finds that it is appropriate to provide supplemental funds in low-wealth counties to allow those counties to enhance the instructional program and student achievement; therefore, funds are appropriated to State Aid to Local School Administrative Units for the 2001-2002 fiscal year and the 2002-2003 fiscal year to be used for supplemental funds for schools.

SECTION 28.6.(b) Use of Funds for Supplemental Funding. – All funds received pursuant to this section shall be used only (i) to provide instructional positions, instructional support positions, teacher assistant positions, clerical positions, school computer technicians, instructional supplies and equipment, staff development, and textbooks, (ii) for salary supplements for instructional personnel and instructional support personnel, and (iii) to pay an amount not to exceed ten thousand dollars ($10,000) of the plant operation contract cost charged by the Department of Public Instruction for services.

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

SECTION 28.6.(c) Definitions. – As used in this section:

(1) "Anticipated county property tax revenue availability" means the county-adjusted property tax base multiplied by the effective State average tax rate.

(2) "Anticipated total county revenue availability" means the sum of the:

a. Anticipated county property tax revenue availability,

b. Local sales and use taxes received by the county that are levied under Chapter 1096 of the 1967 Session Laws or under Subchapter VIII of Chapter 105 of the General Statutes,

c. Food stamp exemption reimbursement received by the county under G.S. 105-164.44C,

d. Homestead exemption reimbursement received by the county under G.S. 105-277.1A,

e. Inventory tax reimbursement received by the county under G.S. 105-275.1 and G.S. 105-277.001,

f. Intangibles tax distribution and reimbursement received by the county under G.S. 105-275.2, and

g. Fines and forfeitures deposited in the county school fund for the most recent year for which data are available.

(3) "Anticipated total county revenue availability per student" means the anticipated total county revenue availability for the county divided by the average daily membership of the county.

(4) "Anticipated State average revenue availability per student" means the sum of all anticipated total county revenue availability divided by the average daily membership for the State.

(5) "Average daily membership" means average daily membership as defined in the North Carolina Public Schools Allotment Policy Manual, adopted by the State Board of Education. If a county contains only part of a local school administrative unit, the average daily membership of that county includes all students who reside within the county and attend that local school administrative unit.

(6) "County-adjusted property tax base" shall be computed as follows:

a. Subtract the present-use value of agricultural land, horticultural land, and forestland in the county, as defined in G.S. 105-277.2, from the total assessed real property valuation of the county,

b. Adjust the resulting amount by multiplying by a weighted average of the three most recent annual sales assessment ratio studies,

c. Add to the resulting amount the:

1. Present-use value of agricultural land, horticultural land, and forestland, as defined in G.S. 105-277.2,

2. Value of property of public service companies, determined in accordance with Article 23 of Chapter 105 of the General Statutes, and

3. Personal property value for the county.

(7) "County-adjusted property tax base per square mile" means the county-adjusted property tax base divided by the number of square miles of land area in the county.

(8) "County wealth as a percentage of State average wealth" shall be computed as follows:

a. Compute the percentage that the county per capita income is of the State per capita income and weight the resulting percentage by a factor of five-tenths,

b. Compute the percentage that the anticipated total county revenue availability per student is of the anticipated State

average revenue availability per student and weight the resulting percentage by a factor of four-tenths,

c. Compute the percentage that the county-adjusted property tax base per square mile is of the State-adjusted property tax base per square mile and weight the resulting percentage by a factor of one-tenth,

d. Add the three weighted percentages to derive the county wealth as a percentage of the State average wealth.

(9) "Effective county tax rate" means the actual county tax rate multiplied by a weighted average of the three most recent annual sales assessment ratio studies.

(10) "Effective State average tax rate" means the average of effective county tax rates for all counties.

(10a) "Local current expense funds" means the most recent county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.

(11) "Per capita income" means the average for the most recent three years for which data are available of the per capita income according to the most recent report of the United States Department of Commerce, Bureau of Economic Analysis, including any reported modifications for prior years as outlined in the most recent report.

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

(13) "State average current expense appropriations per student" means the most recent State total of county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.

(14) "State average adjusted property tax base per square mile" means the sum of the county-adjusted property tax bases for all counties divided by the number of square miles of land area in the State.

(14a) "Supplant" means to decrease local per student current expense appropriations from one fiscal year to the next fiscal year.

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

SECTION 28.6.(d) Eligibility for Funds. – Except as provided in subsection (h) of this section, the State Board of Education shall allocate these funds to local school administrative units located in whole or in part in counties in which the county wealth as a percentage of the State average wealth is less than one hundred percent (100%).

SECTION 28.6.(e) Allocation of Funds. – Except as provided in subsection (g) of this section, the amount received per average daily membership for a county shall be the difference between the State average current expense appropriations per student and the current expense appropriations per student that the county could provide given the county's wealth and an average effort to fund public schools. (To derive the current expense appropriations per student that the county could be able to provide given the county's wealth and an average effort to fund public schools, multiply the county wealth

as a percentage of State average wealth by the State average current expense appropriations per student.)

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

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

SECTION 28.6.(f) Formula for Distribution of Supplemental Funding Pursuant to This Section Only. – The formula in this section is solely a basis for distribution of supplemental funding for low-wealth counties and is not intended to reflect any measure of the adequacy of the educational program or funding for public schools. The formula is also not intended to reflect any commitment by the General Assembly to appropriate any additional supplemental funds for low-wealth counties.

SECTION 28.6.(g) Minimum Effort Required. – Counties that had effective tax rates in the 1996-97 fiscal year that were above the State average effective tax rate but that had effective rates below the State average in the 1997-98 fiscal year or thereafter shall receive reduced funding under this section. This reduction in funding shall be determined by subtracting the amount that the county would have received pursuant to Section 17.1(g) of Chapter 507 of the 1995 Session Laws from the amount that the county would have received if qualified for full funding and multiplying the difference by ten percent (10%). This method of calculating reduced funding shall apply one time only.

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

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

SECTION 28.6.(h) Nonsupplant Requirement. – A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds. For the 2001-2003 fiscal biennium, the State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if:

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

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

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

SECTION 28.6.(i) Reports. – The State Board of Education shall report to the Joint Legislative Education Oversight Committee prior to May 1, 2002, if it determines that counties have supplanted funds.

SECTION 28.6.(j) Department of Revenue Reports. – The Department of Revenue shall provide to the Department of Public Instruction a preliminary report for

the current fiscal year of the assessed value of the property tax base for each county prior to March 1 of each year and a final report prior to May 1 of each year. The reports shall include for each county the annual sales assessment ratio and the taxable values of (i) total real property, (ii) the portion of total real property represented by the present-use value of agricultural land, horticultural land, and forestland as defined in G.S. 105-277.2, (iii) property of public service companies determined in accordance with Article 23 of Chapter 105 of the General Statutes, and (iv) personal property.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

SECTION 28.7.(a) Funds for Small School Systems. – Except as provided in subsection (b) of this section, the State Board of Education shall allocate funds appropriated for small school system supplemental funding (i) to each county school administrative unit with an average daily membership of fewer than 3,175 students and (ii) to each county school administrative unit with an average daily membership of from 3,175 to 4,000 students if the county in which the local school administrative unit is located has a county-adjusted property tax base per student that is below the State-adjusted property tax base per student and if the total average daily membership of all local school administrative units located within the county is from 3,175 to 4,000 students. The allocation formula shall:

(1) Round all fractions of positions to the next whole position.

(2) Provide five and one-half additional regular classroom teachers in counties in which the average daily membership per square mile is greater than four, and seven additional regular classroom teachers in counties in which the average daily membership per square mile is four or fewer.

(3) Provide additional program enhancement teachers adequate to offer the standard course of study.

(4) Change the duty-free period allocation to one teacher assistant per 400 average daily membership.

(5) Provide a base for the consolidated funds allotment of at least five hundred forty thousand seventy-four dollars ($540,074) excluding textbooks.

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

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

SECTION 28.7.(b) Nonsupplant Requirement. – A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds. For the 2001-2003 fiscal biennium, the State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if:

(1) The current expense appropriation per student of the county for the current year is less than ninety-five percent (95%) of the average of the

local current expense appropriations per student for the three prior fiscal years; and

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

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

SECTION 28.7.(c) Phase-Out Provisions. – If a local school administrative unit becomes ineligible for funding under this formula solely because of an increase in the county-adjusted property tax base per student of the county in which the local school administrative unit is located, funding for that unit shall be phased out over a two-year period. For the first year of ineligibility, the unit shall receive the same amount it received for the prior fiscal year. For the second year of ineligibility, it shall receive one-half of that amount.

If a local school administrative unit becomes ineligible for funding under this formula solely because of an increase in the population of the county in which the local school administrative unit is located, funding for that unit shall be continued for five years after the unit becomes ineligible.

SECTION 28.7.(d) Definitions. – As used in this section:

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

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

(2a) "Local current expense funds" means the most recent county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.

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

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

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

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

SECTION 28.7.(e) Reports. – The State Board of Education shall report to the Joint Legislative Education Oversight Committee prior to May 1, 2002, if it determines that counties have supplanted funds.

SECTION 28.7.(f) Use of Funds. – Local boards of education are encouraged to use at least twenty percent (20%) of the funds they receive pursuant to this section to improve the academic performance of children who are performing at

Level I or II on either reading or mathematics end-of-grade tests in grades 3-8 and children who are performing at Level I or II on the writing tests in grades 4 and 7. Local boards of education shall report to the State Board of Education on an annual basis on funds used for this purpose and the State Board shall report this information to the Joint Legislative Education Oversight Committee. These reports shall specify how these funds were targeted and used to implement specific improvement strategies of each local school administrative unit and its schools such as teacher recruitment, closing the achievement gap, improving student accountability, addressing the needs of at-risk students, and establishing and maintaining safe schools.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

FUNDS TO IMPLEMENT THE ABCs OF PUBLIC EDUCATION PROGRAM

SECTION 28.8.(a) The State Board of Education shall use funds appropriated for State Aid to Local School Administrative Units for the 2001-2002 fiscal year to provide incentive funding for schools that met or exceeded the projected levels of improvement in student performance during the 2000-2001 school year, in accordance with the ABCs of Public Education Program. In accordance with State Board of Education policy:

(1) Incentive awards in schools that achieve higher than expected improvements may be up to:
   a. One thousand five hundred dollars ($1,500) for each teacher and for certified personnel; and
   b. Five hundred dollars ($500.00) for each teacher assistant.

(2) Incentive awards in schools that meet the expected improvements may be up to:
   a. Seven hundred fifty dollars ($750.00) for each teacher and for certified personnel; and
   b. Three hundred seventy-five dollars ($375.00) for each teacher assistant.

SECTION 28.8.(b) The State Board of Education may use funds appropriated to State Aid to Local School Administrative Units for assistance teams to low-performing schools.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

STUDENTS WITH LIMITED ENGLISH PROFICIENCY

SECTION 28.9.(a) The State Board of Education shall develop guidelines for identifying and providing services to students with limited proficiency in the English language.

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

Local school administrative units shall use funds allocated to them to pay for classroom teachers, teacher assistants, tutors, textbooks, classroom

materials/instructional supplies/equipment, transportation costs, and staff development of teachers for students with limited English proficiency.

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

SECTION 28.9.(b) The Department of Public Instruction shall prepare a current headcount of the number of students classified with limited English proficiency by December 1 of each year.

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

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

EXPENDITURES FOR DRIVING EDUCATION CERTIFICATES

SECTION 28.10. The State Board of Education may use funds appropriated for drivers education for the 2001-2002 fiscal year and for the 2002-2003 fiscal year for driving eligibility certificates.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

TEACHER SALARY SCHEDULES

SECTION 28.11.(a) Effective for the 2001-2002 school year, the Director of the Budget may transfer from the Reserve for Compensation Increases for the 2001-2002 fiscal year funds necessary to implement the teacher salary schedule set out in subsection (b) of this section, including funds for the employer's retirement and social security contributions and funds for annual longevity payments at one and one-half percent (1.5%) of base salary for 10 to 14 years of State service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19 years of State service, three and twenty-five hundredths percent (3.25%) of base salary for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary for 25 or more years of State service, commencing July 1, 2001, for all teachers whose salaries are supported from the State's General Fund. These funds shall be allocated to individuals according to rules adopted by the State Board of Education. The longevity payment shall be paid in a lump sum once a year.

SECTION 28.11.(b) For the 2001-2002 school year, the following monthly salary schedules shall apply to certified personnel of the public schools who are classified as teachers. The schedule contains 30 steps with each step corresponding to one year of teaching experience.

2001-2002 MONTHLY SALARY SCHEDULE
"A" TEACHERS

Years of Experience	"A" Teachers	NBPTS Certification
0	$2,525	N/A
1	$2,567	N/A
2	$2,611	N/A
3	$2,764	$3,096
4	$2,904	$3,252
5	$3,036	$3,400

6	$3,164	$3,544
7	$3,266	$3,658
8	$3,314	$3,712
9	$3,362	$3,765
10	$3,412	$3,821
11	$3,461	$3,876
12	$3,511	$3,932
13	$3,561	$3,988
14	$3,614	$4,048
15	$3,667	$4,107
16	$3,722	$4,169
17	$3,777	$4,230
18	$3,834	$4,294
19	$3,892	$4,359
20	$3,950	$4,424
21	$4,011	$4,492
22	$4,072	$4,561
23	$4,136	$4,632
24	$4,200	$4,704
25	$4,264	$4,776
26	$4,330	$4,850
27	$4,398	$4,926
28	$4,467	$5,003
29	$4,538	$5,083
30+	$4,538	$5,083

2001-2002 MONTHLY SALARY SCHEDULE
"M" TEACHERS

Years of Experience	"M" Teachers	NBPTS Certification
0	$2,778	N/A
1	$2,824	N/A
2	$2,872	N/A
3	$3,040	$3,405
4	$3,194	$3,577
5	$3,340	$3,741
6	$3,480	$3,898
7	$3,593	$4,024
8	$3,645	$4,082
9	$3,698	$4,142
10	$3,753	$4,203
11	$3,807	$4,264
12	$3,862	$4,325
13	$3,917	$4,387
14	$3,975	$4,452
15	$4,034	$4,518
16	$4,094	$4,585
17	$4,155	$4,654
18	$4,217	$4,723
19	$4,281	$4,795
20	$4,345	$4,866
21	$4,412	$4,941
22	$4,479	$5,016

23	$4,550	$5,096
24	$4,620	$5,174
25	$4,690	$5,253
26	$4,763	$5,335
27	$4,838	$5,419
28	$4,914	$5,504
29	$4,992	$5,591
30+	$4,992	$5,591

SECTION 28.11.(c) Certified public school teachers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers. Certified public school teachers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers.

SECTION 28.11.(d) Effective for the 2001-2002 school year, the first step of the salary schedule for school psychologists shall be equivalent to Step 5, corresponding to five years of experience, on the salary schedule established in this section for certified personnel of the public schools who are classified as "M" teachers. Certified psychologists shall be placed on the salary schedule at an appropriate step based on their years of experience. Certified psychologists shall receive longevity payments based on years of State service in the same manner as teachers.

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

SECTION 28.11.(e) Effective for the 2001-2002 school year, speech pathologists who are certified as speech pathologists at the masters degree level and audiologists who are certified as audiologists at the masters degree level and who are employed in the public schools as speech and language specialists and audiologists shall be paid on the school psychologist salary schedule.

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

SECTION 28.11.(f) Certified school nurses who are employed in the public schools as nurses shall be paid on the "M" salary schedule.

SECTION 28.11.(g) G.S. 115C-325(a)(6) reads as rewritten:

"(a) Definition of Terms. – As used in this section unless the context requires otherwise:

…

(6) "Teacher" means a person who holds at least a current, not provisional or expired, Class A certificate or a regular, not provisional or expired, vocational certificate issued by the Department of Public Instruction; whose major responsibility is to teach or directly supervises teaching or who is classified by the State Board of Education or is paid either as

a classroom ~~teacher;~~teacher or instructional support personnel; and who is employed to fill a full-time, permanent position."

SECTION 28.11.(h) As used in this section, the term "teacher" shall also include instructional support personnel.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

SCHOOL ADMINISTRATOR SALARY SCHEDULES

SECTION 28.13.(a) Funds appropriated to the Reserve for Compensation Increases shall be used for the implementation of the salary schedule for school-based administrators as provided in this section. These funds shall be used for State-paid employees only.

SECTION 28.13.(b) The base salary schedule for school-based administrators shall apply only to principals and assistant principals. The base salary schedule for the 2001-2002 fiscal year, commencing July 1, 2001, is as follows:

2001-2002
PRINCIPAL AND ASSISTANT PRINCIPAL SALARY SCHEDULES

CLASSIFICATION

Yrs of Exp	Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)
0-4	$3,226	–	–	–	–
5	$3,373	–	–	–	–
6	$3,515	–	–	–	–
7	$3,629	–	–	–	–
8	$3,681	$3,681	–	–	–
9	$3,735	$3,735	–	–	–
10	$3,791	$3,791	$3,845	–	–
11	$3,845	$3,845	$3,901	–	–
12	$3,901	$3,901	$3,956	$4,015	–
13	$3,956	$3,956	$4,015	$4,074	$4,135
14	$4,015	$4,015	$4,074	$4,135	$4,197
15	$4,074	$4,074	$4,135	$4,197	$4,259
16	$4,135	$4,135	$4,197	$4,259	$4,324
17	$4,197	$4,197	$4,259	$4,324	$4,388
18	$4,259	$4,259	$4,324	$4,388	$4,456
19	$4,324	$4,324	$4,388	$4,456	$4,524
20	$4,388	$4,388	$4,456	$4,524	$4,596
21	$4,456	$4,456	$4,524	$4,596	$4,666
22	$4,524	$4,524	$4,596	$4,666	$4,737
23	$4,596	$4,596	$4,666	$4,737	$4,811
24	$4,666	$4,666	$4,737	$4,811	$4,886
25	$4,737	$4,737	$4,811	$4,886	$4,963
26	$4,811	$4,811	$4,886	$4,963	$5,042
27	$4,886	$4,886	$4,963	$5,042	$5,143
28	$4,963	$4,963	$5,042	$5,143	$5,246
29	$5,042	$5,042	$5,143	$5,246	$5,351
30	$5,143	$5,143	$5,246	$5,351	$5,458
31	$5,246	$5,246	$5,351	$5,458	$5,567
32	–	$5,351	$5,458	$5,567	$5,678
33	–	–	$5,567	$5,678	$5,792

34	–	–	$5,678	$5,792	$5,908
35	–	–	–	$5,908	$6,026
36	–	–	–	$6,026	$6,147
37	–	–	–	–	$6,270

2001-2002
PRINCIPAL AND ASSISTANT PRINCIPAL SALARY SCHEDULES

CLASSIFICATION

Yrs of Exp	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
14	$4,259	–	–	–
15	$4,324	–	–	–
16	$4,388	$4,456	–	–
17	$4,456	$4,524	$4,666	–
18	$4,524	$4,596	$4,737	$4,811
19	$4,596	$4,666	$4,811	$4,886
20	$4,666	$4,737	$4,886	$4,963
21	$4,737	$4,811	$4,963	$5,042
22	$4,811	$4,886	$5,042	$5,143
23	$4,886	$4,963	$5,143	$5,246
24	$4,963	$5,042	$5,246	$5,351
25	$5,042	$5,143	$5,351	$5,458
26	$5,143	$5,246	$5,458	$5,567
27	$5,246	$5,351	$5,567	$5,678
28	$5,351	$5,458	$5,678	$5,792
29	$5,458	$5,567	$5,792	$5,908
30	$5,567	$5,678	$5,908	$6,026
31	$5,678	$5,792	$6,026	$6,147
32	$5,792	$5,908	$6,147	$6,270
33	$5,908	$6,026	$6,270	$6,395
34	$6,026	$6,147	$6,395	$6,523
35	$6,147	$6,270	$6,523	$6,653
36	$6,270	$6,395	$6,653	$6,786
37	$6,395	$6,523	$6,786	$6,922
38	$6,523	$6,653	$6,922	$7,060
39	–	$6,786	$7,060	$7,201
40	–	$6,922	$7,201	$7,345
41	–	–	$7,345	$7,492

SECTION 28.13.(c) The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools, shall be determined in accordance with the following schedule:

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

Principal VIII More than 100 Teachers

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

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

SECTION 28.13.(d) A principal shall be placed on the step on the salary schedule that reflects total number of years of experience as a certificated employee of the public schools and an additional step for every three years of experience as a principal. A principal or assistant principal shall also continue to receive any additional State-funded percentage increases earned for the 1997-1998, 1998-1999, and the 1999-2000 school year for improvement in student performance or maintaining a safe and orderly school.

SECTION 28.13.(e) Principals and assistant principals with certification based on academic preparation at the six-year degree level shall be paid a salary supplement of one hundred twenty-six dollars ($126.00) per month and at the doctoral degree level shall be paid a salary supplement of two hundred fifty-three dollars ($253.00) per month.

SECTION 28.13.(f) There shall be no State requirement that superintendents in each local school unit shall receive in State-paid salary at least one percent (1%) more than the highest paid principal receives in State salary in that school unit: Provided, however, the additional State-paid salary a superintendent who was employed by a local school administrative unit for the 1992-93 fiscal year received because of that requirement shall not be reduced because of this subsection for subsequent fiscal years that the superintendent is employed by that local school administrative unit so long as the superintendent is entitled to at least that amount of additional State-paid salary under the rules in effect for the 1992-93 fiscal year.

SECTION 28.13.(g) Longevity pay for principals and assistant principals shall be as provided for State employees under the State Personnel Act.

SECTION 28.13.(h)

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

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

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

SECTION 28.13.(i) Participants in an approved full-time Masters in School Administration program shall receive up to a 10-month stipend at the beginning salary of an assistant principal during the internship period of the masters program. Certification of eligible full-time interns shall be supplied to the Department of Public Instruction by the Principal Fellows Program or a school of education where the intern participates in a full-time Masters in School Administration.

SECTION 28.13.(j) During the 2001-2002 fiscal year, the placement on the salary schedule of an administrator with a one-year provisional assistant principal's

certificate shall be at the entry-level salary for an assistant principal or the appropriate step on the teacher salary schedule, whichever is higher.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

CENTRAL OFFICE SALARIES

SECTION 28.14.(a) The monthly salary ranges that follow apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2001-2002 fiscal year, beginning July 1, 2001. The top of these ranges shall be increased by six hundred twenty-five dollars ($625.00) annually for full-time employees.

School Administrator I	$2,932	$5,214
School Administrator II	$3,112	$5,534
School Administrator III	$3,303	$5,873
School Administrator IV	$3,436	$6,110
School Administrator V	$3,574	$6,358
School Administrator VI	$3,792	$6,747
School Administrator VII	$3,945	$7,020

The local board of education shall determine the appropriate category and placement for each assistant superintendent, associate superintendent, director/coordinator, supervisor, or finance officer within the salary ranges and within funds appropriated by the General Assembly for central office administrators and superintendents. The category in which an employee is placed shall be included in the contract of any employee hired on or after July 1, 2001.

SECTION 28.14.(b) The monthly salary ranges that follow apply to public school superintendents for the 2001-2002 fiscal year, beginning July 1, 2001. The top of these ranges shall be increased by six hundred twenty-five dollars ($625.00) annually for full-time employees.

Superintendent I	$4,187	$7,451
Superintendent II	$4,445	$7,904
Superintendent III	$4,716	$8,389
Superintendent IV	$5,005	$8,901
Superintendent V	$5,312	$9,447

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

Notwithstanding the provisions of this subsection, a local board of education may pay an amount in excess of the applicable range to a superintendent who is entitled to receive the higher amount under Section 28.13(f) of this act.

SECTION 28.14.(c) Longevity pay for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers shall be as provided for State employees under the State Personnel Act.

SECTION 28.14.(d) Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided for pursuant to this section. Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for under this section.

SECTION 28.14.(e) The State Board of Education shall not permit local school administrative units to transfer State funds from other funding categories for salaries for public school central office administrators.

SECTION 28.14.(f) The Director of the Budget shall transfer from the Reserve for Compensation Increases created in this act for fiscal year 2001-2002, beginning July 1, 2001, funds necessary to provide an average annual salary increase of six hundred twenty-five dollars ($625.00), including funds for the employer's retirement and social security contributions, commencing July 1, 2001, for all permanent full-time personnel paid from the Central Office Allotment. The State Board of Education shall allocate these funds to local school administrative units. The local boards of education shall establish guidelines for providing their salary increases to these personnel.

SECTION 28.14.(g) The State Board of Education shall develop a new formula for allocating to local school administrative units funds appropriated for salaries for public school central office administrators for the 2002-2003 fiscal year. This formula shall not include a permanent hold-harmless provision for local school administrative units.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

NONCERTIFIED PERSONNEL SALARIES

SECTION 28.15.(a) The Director of the Budget may transfer from the Reserve for Compensation Increases created in this act for fiscal year 2001-2002, commencing July 1, 2001, funds necessary to provide a salary increase of six hundred twenty-five dollars ($625.00), including funds for the employer's retirement and social security contributions, commencing July 1, 2001, for all noncertified public school employees whose salaries are supported from the State's General Fund.

SECTION 28.15.(b) Local boards of education shall increase the rates of pay for all such employees who were employed for all or part of fiscal year 2000-2001 and who continue their employment for fiscal year 2001-2002 by at least six hundred twenty-five dollars ($625.00), commencing July 1, 2001. For part-time employees, the pay increase shall be pro rata based on the number of hours worked.

SECTION 28.15.(c) These funds shall not be used for any purpose other than for the salary increases and necessary employer contributions provided by this section.

SECTION 28.15.(d) The State Board of Education may adopt salary ranges for noncertified personnel to support increases of six hundred twenty-five dollars ($625.00) for the 2001-2002 fiscal year.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

HIGH SCHOOL EXIT EXAMS

SECTION 28.16. Of the funds appropriated to State Aid to Local School Administrative Units, the State Board of Education may use up to three million dollars ($3,000,000) for the 2001-2002 fiscal year to:

(1) Continue to develop a high school exit examination;
(2) Purchase equipment for scoring tests, including the new computer adaptive exam for eligible students with disabilities; and
(3) Revise the reading and writing assessments.

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

FAIRNESS IN TESTING PROGRAM

SECTION 28.17.(a) The State Board of Education shall provide the Joint Legislative Education Oversight Committee with a detailed analysis of the current resources allocated to meet the needs of all students subject to the Statewide Student Accountability Standards, and in addition, shall submit recommendations regarding other resources that would best assist students in meeting these new standards.

SECTION 28.17.(b) G.S. 115C-288(a) reads as rewritten:

"(a) To Grade and Classify Pupils. – The principal shall have authority to grade and classify ~~pupils except a~~ pupils. In determining the appropriate grade for a pupil who is already attending a public school, the principal shall consider the pupil's classroom work and grades, the pupil's scores on standardized tests, and the best educational interests of the pupil. The principal shall not make the decision solely on the basis of standardized test scores. If a principal's decision to retain a child in the same grade is partially based on the pupil's scores on standardized tests, those test scores shall be verified as accurate.

A principal shall not require additional testing of a student entering a public school from a school governed under Article 39 of this Chapter if test scores from a nationally standardized test or nationally standardized equivalent measure that are adequate to determine the appropriate placement of the child are available."

SECTION 28.17.(c) G.S. 115C-47 is amended by adding a new subdivision to read:

"**§ 115C-47. Powers and duties generally.**

In addition to the powers and duties designated in G.S. 115C-36, local boards of education shall have the power or duty:

…

(39) To Adopt Policies Related to Student Retention Decisions. -- Local boards shall adopt policies related to G.S. 115C-45(c) that include opportunities for parents and guardians to discuss decisions to retain students."

SECTION 28.17.(d) The State Board of Education shall study the benefits of providing students' parents or guardians with copies of tests administered to their children under the Statewide Testing Program. The Board shall also consider the costs of maintaining the integrity and reliability of the tests if such a policy is implemented. The Board shall report the results of this study to the Joint Legislative Education Oversight Committee by March 31, 2002.

SECTION 28.17.(e) Part 3 of Article 8B of Chapter 115C of the General Statutes is amended by adding the following new section to read:

"**§ 115C-105.41. Students who have been placed at risk of academic failure; personal education plans.**

Local school administrative units shall identify students who have been placed at risk for academic failure. Identification shall occur as early as can reasonably be done and can be based on grades, observations, State assessments, and other factors that impact student performance that teachers and administrators consider appropriate, without having to await the results of end-of-grade or end-of-course tests. At the beginning of the school year, a personal education plan for academic improvement with focused intervention and performance benchmarks shall be developed for any student not performing at least at grade level, as identified by the State end-of-grade test. Focused intervention and accelerated activities should include research-based best practices that meet the needs of students and may include coaching, mentoring, tutoring, summer school, Saturday school, and extended days. Local school administrative units shall provide these activities free of charge to students. Local school administrative units shall also provide transportation free of charge to all students for whom transportation is necessary for participation in these activities.

Parents should be included in the implementation and ongoing review of personal education plans."

SECTION 28.17.(f) G.S. 115C-174.12(a) reads as rewritten:

"(a) ~~The State Board of Education shall review the tests being administered through State and local testing programs and shall select the tests that it believes are necessary to provide the best measures of the levels of academic achievement attained by students in various subject areas.~~ The State Board of Education shall ~~also~~ establish policies and guidelines necessary for minimizing the time students spend taking tests administered through State and local testing programs and for otherwise carrying out the provisions of this Article. The State Board of Education's policies regarding the testing of children with disabilities shall (i) provide broad accommodations and alternate methods of assessment that are consistent with a child's individualized education program and section 504 (29 U.S.C. § 794) plans, (ii) prohibit the use of statewide tests as the sole determinant of decisions about a child's graduation or promotion, and (iii) provide parents with information about the Statewide Testing Program and options for students with disabilities. The State Board shall report its proposed policies and proposed changes in policies to the Joint Legislative Education Oversight Committee prior to adoption."

SECTION 28.17.(g) Schools shall devote no more than two days of instructional time per year to the taking of practice tests that do not have the primary purpose of assessing current student learning.

SECTION 28.17.(h) Students in a local school shall not be subject to field tests or national tests during the two-week period preceding the administration of the end-of-grade tests, end-of-course tests, or the school's regularly scheduled final exams. No school shall participate in more than two field tests at any one grade level during a school year unless that school volunteers, through a vote of its school improvement team, to participate in an expanded number of field tests.

SECTION 28.17.(i) The Joint Legislative Education Oversight Committee shall study the State's testing program. As part of this study, the Committee shall consider:

(1) The number of tests currently mandated at the State level and the process and cost of developing, validating, and scoring them.

(2) Whether the State should consider the use of nationally developed tests as a substitute to State-developed testing. In particular, the Committee shall determine whether this use would (i) affect the ABCs Program, (ii) adequately measure student achievement and performance, (iii) provide more than minimum levels of achievement, (iv) provide a better comparison to student achievement and performance in other states, (v) be practical for high school courses or higher level courses, (vi) reduce the need for field testing, and (vii) offer any cost savings to the State.

(3) The number of grades in which State tests are given. The Committee shall determine the necessity for testing all grades in third through eighth grades, whether a reduction in the grades tested would affect the receipt of federal money, and the extent to which a reduction would impair the State's ability to identify schools under the ABCs Program.

(4) The high school courses for which State tests are given and whether there is an appropriate distribution of tests across grades nine through 12 and that test an appropriate array of the minimum courses required for admission to the constituent institutions of The University of North Carolina. In addition, the Committee shall examine whether students who take higher level courses and students in 12th grade are held accountable for their academic growth and performance.

(5) The advantages and disadvantages of using a composite of end-of-course tests or other tests such as the SAT, AP tests, or other nationally standardized tests in high school rather than developing a high school exit exam. If the Committee finds a high school exit exam is preferable, then it shall determine whether it must be administered to

all students or limited to certain students, for example, those who do not take the SAT or a certain number of courses for which there are end-of-course tests.

(6) The extent to which additional testing, including field testing, practice testing, and locally mandated testing, is occurring and whether this should be limited or prohibited.

(7) Evaluate alternative schools to determine how educational achievement is being advanced in these alternative school programs and that placement in these programs is to improve student performance rather than improve the performance of the school in which the student originally was assigned.

(8) Any other issue the Committee considers relevant.

The Committee shall report its findings and any recommendations, including recommended legislation, to the 2002 Regular Session of the 2001 General Assembly.

SECTION 28.17.(j) The State Board of Education shall develop and report to the Joint Legislative Education Oversight Committee on its objectives for the Statewide Testing Program and on the implementation of that Program. The report shall include:

(1) A statement of the relationship between these objectives and the tests currently administered under the Program;

(2) An analysis of whether the current tests appropriately achieve these objectives;

(3) A statement of any actions that may be needed to coordinate the objectives and the tests more effectively; and

(4) Strategies for communicating the objectives of the Program, the tests administered under the Program, and the relationship between these objectives and tests to principals, teachers, parents, and students throughout the State.

SECTION 28.17.(k) Subsections (b) and (e) of this section become effective December 1, 2001.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

PILOT PROGRAM AUTHORIZING THE USE OF MENTOR FUNDS FOR FULL-TIME MENTORS

SECTION 28.18.(a) The State Board of Education shall establish a pilot program to permit the Charlotte-Mecklenburg School Administrative Unit, the Forsyth County School Administrative Unit, and the Wake County School Administrative Unit to use funds allocated for mentors for full-time mentors.

Funds allocated for mentors in these units shall be used only for teachers and instructional support personnel assigned to newly certified teachers, second-year teachers who were assigned mentors during the prior school year, or as authorized by Section 28.31 of this act, and entry-level instructional support personnel who have not previously been teachers. These funds shall be used only for:

(1) Salary supplements to teachers and instructional support personnel who are serving as mentors. The amount of the salary supplement shall not be based on the number of teachers or instructional support personnel to whom the mentor is assigned; or

(2) Payments to teachers or instructional support personnel who are employed solely to serve as mentors. An individual employed solely to serve as a mentor shall receive a payment for each individual, up to 15 individuals, to whom the mentor is assigned. The amount of each such payment shall be the same as the amount of the salary supplement for a mentor.

SECTION 28.18.(b) The Charlotte-Mecklenburg Board of Education, the Forsyth County Board of Education, and the Wake County Board of Education shall report to the State Board of Education on an annual basis on the impact that the mentor program has had on retention of teachers. The State Board shall report on this information to the Joint Legislative Education Oversight Committee.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

SUPPORT FOR INITIALLY CERTIFIED TEACHERS

SECTION 28.19.(a) The State Board of Education shall study the mentor program and the performance-based licensure program to determine whether these programs provide adequate support for initially certified teachers and enhance their professional development. In the course of the study, the State Board shall consider:

(1) The effectiveness of the current programs;
(2) The need for modifications to or enhancements of the current programs;
(3) Alternative ways to deliver services to initially certified teachers and to provide them with the resources they need to develop as professionals;
(4) Strategies or alternatives for improving teacher retention rates through the administration of these programs; and
(5) The adequacy of funding for programs for initially certified teachers.

The State Board shall report the results of this study to the Joint Legislative Education Oversight Committee by March 1, 2002.

SECTION 28.19.(b) The State Board of Education shall modify the Performance-Based Licensure Program to provide additional support for initially certified teachers. Initially certified teachers shall receive up to three days of approved paid leave during their second year of employment to work on their performance-based products or to consult with their mentors. If teachers have not successfully completed the performance-based requirements by their third year of employment, the teachers shall receive up to three days of approved paid leave to complete all requirements. Teachers participating in the program shall take paid leave only with the approval of their supervisors.

Requested by: Senators Thomas, Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

PHASE IN ADM REDUCTIONS DUE TO CHARTER SCHOOLS

SECTION 28.20.(a) If a local school administrative unit experiences a loss in projected average daily membership of greater than five percent (5%) due to the opening of a new charter school within the unit, the State Board of Education may use funds from the Reserve for Average Daily Membership Adjustments to assure that the funding loss to the local school administrative unit does not exceed five percent (5%) in the first fiscal year of the charter school's operation.

The State Board of Education shall phase out this special allotment in subsequent fiscal years by decreasing the amount of the special allotment each year by the amount of the prior year's funding loss.

SECTION 28.20.(b) A local school administrative unit that received funds for the 2000-2001 fiscal year pursuant to Section 8.5 of S.L. 2000-67 to reduce the loss of funds due to shifts of enrollment to charter schools shall continue to receive funds for the 2001-2002 fiscal year in the amount of one hundred percent (100%) of the 2000-2001 allotment and for the 2002-2003 fiscal year in the amount of fifty percent (50%) of the 2000-2001 allotment.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

MEDICAID OUTREACH

SECTION 28.21. If a claim for Medicaid outreach reimbursement that was submitted by a local school administrative unit and paid by a federal agency is later found by that agency to be inappropriate, the Department of Public Instruction shall request that the federal agency offset the overpaid amount against the next quarterly reimbursement due to the local school administrative unit. If the federal agency does not allow the offset, the Department of Public Instruction shall request repayment from the local school administrative unit, as provided for in agreements between the Department of Public Instruction and the local school administrative unit or, in the case of a local interagency agreement, agreements among local school administrative units. If the local school administrative unit that received the overpayment fails to repay the overpaid moneys within the time permitted under such agreements, the Department of Public Instruction may withhold the overpaid amount from State funds allocated for the central office of the local school administrative unit.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

FUNDS FOR NONINSTRUCTIONAL SUPPORT PERSONNEL MAY BE USED FOR STAFF DEVELOPMENT

SECTION 28.22. G.S. 115C-105.25(b) reads as rewritten:

"(b) Subject to the following limitations, local boards of education may transfer and may approve transfers of funds between funding allotment categories:

(1) In accordance with a school improvement plan accepted under G.S. 115C-105.27, State funds allocated for teacher assistants may be transferred only for personnel (i) to serve students only in kindergarten through third grade, or (ii) to serve students primarily in kindergarten through third grade when the personnel are assigned to an elementary school to serve the whole school. Funds allocated for teacher assistants may be transferred to reduce class size or to reduce the student-teacher ratio in kindergarten through third grade so long as the affected teacher assistant positions are not filled when the plan is amended or approved by the building-level staff entitled to vote on the plan or the affected teacher assistant positions are not expected to be filled on the date the plan is to be implemented. Any State funds appropriated for teacher assistants that were converted to certificated teachers before July 1, 1995, in accordance with Section 1 of Chapter 986 of the 1991 Session Laws, as rewritten by Chapter 103 of the 1993 Session Laws, may continue to be used for certificated teachers.

(2) In accordance with a school improvement plan accepted under G.S. 115C-105.27, (i) State funds allocated for classroom materials/instructional supplies/equipment may be transferred only for the purchase of textbooks; (ii) State funds allocated for textbooks may be transferred only for the purchase of instructional supplies, instructional equipment, or other classroom materials; and (iii) State funds allocated for noninstructional support personnel may be transferred only for teacher positions.

(2a) Up to three percent (3%) of State funds allocated for noninstructional support personnel may be transferred for staff development.

(3) No funds shall be transferred into the central office allotment category.

(4) Funds allocated for children with special needs, for students with limited English proficiency, and for driver's education shall not be transferred.

(5) Funds allocated for classroom teachers may be transferred only for teachers of exceptional children, for teachers of at-risk students, and for authorized purposes under the textbooks allotment category and the classroom materials/instructional supplies/equipment allotment category.

(6) Funds allocated for vocational education may be transferred only in accordance with any rules that the State Board of Education considers appropriate to ensure compliance with federal regulations.

(7) Funds allocated for career development shall be used in accordance with Section 17.3 of Chapter 324 of the 1995 Session Laws.

(8) Funds allocated for academically or intellectually gifted students may be used only (i) for academically or intellectually gifted students; (ii) to implement the plan developed under G.S. 115C-150.7; or (iii) in accordance with an accepted school improvement plan, for any purpose so long as that school demonstrates it is providing appropriate services to academically or intellectually gifted students assigned to that school in accordance with the local plan developed under G.S. 115C-150.7.

(9) Funds allocated in the Alternative Schools/At-Risk Student allotment shall be spent only for alternative learning programs, at-risk students, and school safety programs."

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

STUDY TEXTBOOK DISTRIBUTION SYSTEM

SECTION 28.24. The State Board of Education shall contract for an analysis of the best and most efficient method to manage textbook distribution to the local schools. The Board shall prepare a Request for Proposals (RFP) outlining the scope of the analysis required and select a private consultant to perform the analysis. The analysis shall include such issues as timely delivery, total costs to the local school systems in providing textbooks to school buildings, use of currently available technology in the process, pricing practices among the textbook publishing industry, and other issues the Board considers relevant to a comprehensive review of the system.

Prior to award of a contract, the State Board shall present the Request for Proposals to the Joint Legislative Education Oversight Committee for comment. The State Board shall report to the Joint Legislative Education Oversight Committee on the results of the consultant's analysis, including the Board's recommendations for changes in the current system. The Board shall make its final report to the Committee by April 1, 2002.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

ABOLISH THE NORTH CAROLINA STANDARDS BOARD FOR PUBLIC SCHOOL ADMINISTRATION

SECTION 28.25.(a) G.S. 115C-290.2 reads as rewritten:

"**§ 115C-290.2. Definitions.**

The following definitions apply in this Article:

(1) Repealed by Session Laws 1995, c. 116, s. 1.

(2) Exam. – The North Carolina Public School Administrator Exam.

(3) School administrator. – Public school superintendents, deputy superintendents, associate superintendents, assistant superintendents, principals, and assistant principals.

~~(4) Standards Board. – The North Carolina Standards Board for Public School Administration.~~"

SECTION 28.25.(b) G.S. 115C-290.3 is repealed.

SECTION 28.25.(c) G.S. 115C-290.4 is repealed.

SECTION 28.25.(d) G.S. 115C-290.5 reads as rewritten:

"**§ 115C-290.5. Powers and duties of the Board; development of the North Carolina Public School Administrator Exam.**

(a) The ~~Standards Board~~ State Board of Education shall administer this Article. In fulfilling this duty, the ~~Standards~~ Board shall:

(1) In accordance with subsection (c) of this section, develop and implement a North Carolina Public School Administrator ~~Exam, based on the professional standards established by the Standards Board.~~Exam.

(2) Establish and collect an application fee not to exceed fifty dollars ($50.00). Fees collected under this Article shall be credited to the General Fund as nontax revenue.

(3) Review the educational achievements of an applicant to take the exam to determine whether the achievements meet the requirements set by G.S. 115C-290.7.

~~(4) Notify the State Board of Education of the names and addresses of the persons who passed the exam and are thereby recommended to be certified as public school administrators by the State Board of Education.~~

(5) Maintain accounts and records in accordance with the Executive Budget Act, Article 1 of Chapter 143 of the General Statutes.

(6) Adopt rules in accordance with Chapter 150B of the General Statutes to implement this Article.

~~(7) Submit an annual report by December 1 of each year to the Joint Legislative Education Oversight Committee of its activities during the preceding year, together with any recommendations and findings regarding improvement of the profession of public school administration.~~

~~(b) The Board may adopt a seal and affix it to any documents issued by the Board.~~

~~(c) The Standards Board shall submit its proposed exam to the State Board. The State Board shall adopt or reject the proposal. The State Board shall not make any substantive changes to any exam that it adopts. If the State Board rejects the proposal, it shall state with specificity its reasons for rejection; the Standards Board then may prepare another proposed exam and submit it to the State Board. If the State Board rejects the proposed exam on its second submission, the State Board may develop and adopt an exam by December 1, 1997. The General Assembly urges the State Board to utilize the Standards Board's proposed exam to the maximum extent that it is consistent with the State Board's policies if the State Board develops and adopts an exam. After an exam has been adopted, the Standards Board may submit suggested changes to the State Board for its approval.~~"

SECTION 28.25.(e) G.S. 115C-290.6 reads as rewritten:

"**§ 115C-290.6. Application to the ~~Standards Board.~~State Board of Education.**

An individual who seeks to be recommended by the Standards Board for certification by the State Board of Education, shall file a written application ~~with the Standards Board. The application must be~~ on a form provided by the ~~Standards Board, must~~ State Board of Education. The application shall be accompanied by the required

application and exam fees ~~established by the Standards Board, and must~~ and shall include any information required by the ~~Standards~~ Board."

SECTION 28.25.(f) G.S. 115C-290.7 reads as rewritten:

"**§ 115C-290.7. ~~Recommendation by the Standards Board.~~Qualifications for certification.**

~~(a) The Standards Board shall for certification by the State Board an individual who submits a complete application to the Standards Board and satisfies all of the following requirements:~~

~~(1) Pays the application fee established by the Standards Board.~~

~~(2) Repealed by Session Laws 1998-16, s. 1.~~

~~(3) Has~~

(b) To qualify for certification as a school administrator, an individual must:

(1) Submit a complete application to the State Board.

(2) Pay the applicable fee.

(3) Have a ~~bachelors~~ bachelors degree from an accredited college or accredited ~~university and (i) has~~ university.

(4) Either (i) have a graduate degree from a public school administration program that meets the public school administrator program approval standards set by the State Board of Education, or (ii) ~~has~~ have a masters degree from an accredited college or accredited university and ~~has~~ have completed by December 31, 1999, a public school administration program that meets the public school administration approval standards set by the State Board of ~~Education.~~Education, and

~~(4) Passes~~

(5) Pass the exam adopted by the State Board.

~~(b) The State Board of Education may not certify an individual as a public school administrator unless it has received notice from the Standards Board that the person is recommended by the Standards Board under this Article.~~ The State Board may designate initial certification as a ~~license; advanced~~license. Advanced training may be designated as a certified area of practice."

SECTION 28.25.(g) G.S. 115C-290.8 reads as rewritten:

"**§ 115C-290.8. Exemptions from requirements.**

(a) The requirements of this Article do not apply to a person who, at any time during the five years preceding January 1, 1998, obtained or renewed a State administrator/supervisor certificate.

(b) The State Board may adopt policies governing the requirements for the certification of individuals who hold a certificate issued in any other state that authorizes them to be employed as school administrators in that state. These policies may exempt some or all of these individuals from the requirements of this Article.

(c) A person who is exempt from the requirements of this Article but ~~applies to the Standards Board~~for certification under this Article shall be subject to the Article."

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

GUIDELINES FOR CHARTER SCHOOL ENROLLMENT

SECTION 28.26. G.S. 115C-238.29D(d) reads as rewritten:

"(d) The State Board of Education may grant the initial charter for a period not to exceed five years and may renew the charter upon the request of the chartering entity for subsequent periods not to exceed five years each. A material revision of the provisions of a charter application shall be made only upon the approval of the State Board of Education. ~~Beginning with the charter school's second year of operation and annually thereafter, the State Board shall allow a charter school to increase its enrollment by ten percent (10%) of the school's previous year's enrollment or as is otherwise provided in the charter. This enrollment growth shall not be considered a~~

~~material revision of the charter application and shall not require the prior approval of the State Board.~~

~~An enrollment growth of greater than ten percent (10%) shall be considered a material revision of the charter application. The State Board may approve an enrollment growth of greater than ten percent (10%) only if the State Board finds that:~~

It shall not be considered a material revision of a charter application and shall not require the prior approval of the State Board for a charter school to increase its enrollment during the charter school's second year of operation and annually thereafter (i) by up to ten percent (10%) of the school's previous year's enrollment or (ii) in accordance with planned growth as authorized in the charter. Other enrollment growth shall be considered a material revision of the charter application, and the State Board may approve such additional enrollment growth of greater than ten percent (10%) only if the State Board finds that:

(1) The actual enrollment of the charter school is within ten percent (10%) of its maximum authorized enrollment;

(2) The charter school has commitments for ninety percent (90%) of the requested maximum growth;

(3) The board of education of the local school administrative unit in which the charter school is located has had an opportunity to be heard by the State Board of Education on any adverse impact the proposed growth would have on the unit's ability to provide a sound basic education to its students;

(4) The charter school is not currently identified as low-performing;

(5) The charter school meets generally accepted standards of fiscal management; and

(6) It is otherwise appropriate to approve the enrollment growth."

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

CHARTER SCHOOL ADVISORY COMMITTEE/CHARTER SCHOOL EVALUATION

SECTION 28.27. The State Board of Education may spend up to fifty thousand dollars ($50,000) a year from State Aid to Local School Administrative Units for the 2001-2002 and 2002-2003 fiscal years to continue support of a charter school advisory committee and to continue to evaluate charter schools.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

TEACHER ACADEMY

SECTION 28.28.(a) G.S. 116-30.01(a) reads as rewritten:

"(a) The North Carolina Teacher Academy Board of Trustees shall establish a statewide network of high quality, integrated, comprehensive, collaborative, and substantial professional development for teachers, which shall be provided through summer programs. This network shall include professional development programs that focus on teaching strategies for teachers assigned to at-risk schools."

SECTION 28.28.(b) The State Board of Education shall specify professional development programs for teachers assigned to smaller classes in kindergarten through fifth grade. The Teacher Academy shall use at least ten percent (10%) of its budget for the 2001-2002 fiscal year to deliver these programs to teachers.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine

MODIFY LAW REGARDING CHILDREN WITH DISABILITIES

SECTION 28.29.(a) Part 5 of Article 9 of Chapter 115C of the General Statutes reads as rewritten:

"Part 5. Council on Educational Services for Exceptional Children.

"**§ 115C-121. Establishment; organization; powers and duties.**

(a) There is hereby established an Advisory Council to the State Board of Education to be called the Council on Educational Services for Exceptional Children.

(b) The Council shall consist of 23 members to be appointed as follows: ~~five~~ four ex officio members; ~~two members~~ one individual with a disability and one representative of a private school appointed by the Governor; ~~two members~~ one member of the Senate and one parent of a child with a disability appointed by the President Pro Tempore; ~~two members~~ one member of the House of Representatives and one parent of a child with a disability appointed by the Speaker of the House; and ~~12~~ 13 members appointed by the State Board of Education. ~~Of those members of the Council appointed by the State Board one member shall be selected from each congressional district within the State, and the members so selected shall be composed of at least one person representing each of the following: handicapped individuals, parents or guardians of children with special needs, teachers of children with special needs, and State and local education officials and administrators of programs for children with special needs.~~ The State Board shall appoint members who represent individuals with disabilities, teachers, local school administrative units, institutions of higher education that prepare special education and related services personnel, administrators of programs for children with disabilities, charter schools, parents of children with disabilities, and vocational, community, or business organizations concerned with the provision of transition services. The majority of members on the Council shall be individuals with disabilities or parents of children with disabilities. The Council shall designate a chairperson from among its members. The designation of the chairperson is subject to the approval of the State Board of Education. ~~The board shall promulgate rules or regulations~~ The Board shall adopt rules to carry out this subsection.

Ex officio members of the Council shall be the following:

(1) The Secretary of ~~the Department of~~ Health and Human Services or the Secretary's ~~designee;~~ designee.

~~(1a)~~(2) ~~A representative of the Department~~ The Secretary of Juvenile Justice and Delinquency ~~Prevention, appointed by the Governor;~~ Prevention or the Secretary's designee.

~~(2)~~(3) The Secretary ~~of the Department~~ of Correction or the Secretary's ~~designee;~~ designee.

~~(3) A representative from The University of North Carolina Planning Consortium for Children with Special Needs; and~~

(4) The Superintendent of Public Instruction or the Superintendent's designee.

The term of appointment for all members except those appointed by the State Board of Education ~~shall be for~~ is two years. The term for members appointed by the State Board of Education ~~shall be for~~ is four years. No person shall serve more than two consecutive four-year terms. ~~The initial term of office of the person appointed from the 12th Congressional District shall commence on January 3, 1993, and expire on June 30, 1996.~~

Each Council member shall serve without pay, but shall receive travel allowances and per diem in the same amount provided for members of the North Carolina General Assembly.

(c) The Council shall meet in offices provided by the Department of Public Instruction on a date to be agreed upon by the members of the Council from meeting to ~~meeting: Provided, however, that the~~ meeting. The Council shall meet no less than once every three months. The Department of Public Instruction shall provide the necessary secretarial and clerical staff and supplies to accomplish the objectives of the Council.

(d) The ~~duties of the Council shall be to:~~ Council shall:

(1) Advise the Board with respect to unmet needs within the State in the education of children with ~~special needs, as defined in this Chapter.~~ disabilities.

(2) Comment publicly on ~~rules and regulations~~ rules, policies, and procedures proposed ~~for issuance~~ by the Board regarding ~~special education and related services and the procedures for issuing State and federal funds for special education and related services.~~ the education of children with disabilities.

(3) Assist the Board in developing ~~and reporting such data and evaluations as may assist the Commissioner of Education in the performance of his duties under Part B, Education of the Handicapped Act, as amended by Public Law 94-142.~~ evaluations and reporting on data to the Secretary of Education under the federal Individuals with Disabilities Education Act (IDEA), as amended.

(4) ~~Comment publicly on State special education plans developed pursuant to Public Law 94-142 and State law.~~ Advise the State Board in developing corrective action plans to address findings identified in federal monitoring reports required under the federal Individuals with Disabilities Education Act (IDEA), as amended.

(5) Advise the State Board in developing and implementing policies relating to the coordination of services for children with disabilities.

(6) Carry out any other responsibility as designated by federal law or the State Board."

SECTION 28.29.(b) The Joint Legislative Education Oversight Committee, in consultation with the Department of Public Instruction, shall examine the State laws governing special education and related services for children with disabilities to identify and recommend statutory changes needed to bring State law in conformity with recent changes in the federal Individuals with Disabilities Education Act (IDEA). The Committee shall report to the 2002 Regular Session of the 2001 General Assembly on its recommended changes.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

CLOSING THE ACHIEVEMENT GAP

SECTION 28.30.(a) G.S. 115C-105.35 reads as rewritten:

"**§ 115C-105.35. Annual performance goals.**

The School-Based Management and Accountability Program shall (i) focus on student performance in the basics of reading, mathematics, and communications skills in elementary and middle schools, (ii) focus on student performance in courses required for graduation and on other measures required by the State Board in the high schools, and (iii) hold schools accountable for the educational growth of their students. To those ends, the State Board shall design and implement an accountability system that sets annual performance standards for each school in the State in order to measure the growth in performance of the students in each individual school. For purposes of this Article, beginning school year 2002-2003, the State Board shall include a 'closing the achievement gap' component in its measurement of educational growth in student performance for each school. The 'closing the achievement gap' component shall measure and compare the performance of each subgroup in a school's population to ensure that all subgroups as identified by the State Board are meeting State standards."

SECTION 28.30.(b) The State Board of Education shall report its plan to include measurement of "closing the achievement gap" in educational growth in student performance for each school to the Joint Legislative Education Oversight Committee by January 15, 2002.

SECTION 28.30.(c) G.S. 115C-105.27 is amended by adding a new subdivision to read:

"(1a) Shall, if the school serves students in kindergarten or first grade, include a plan for preparing students to read at grade level by the time they enter second grade. The plan shall require kindergarten and first grade teachers to notify parents or guardians when their child is not reading at grade level and is at risk of not reading at grade level by the time the child enters second grade. The plan may include the use of assessments to monitor students' progress in learning to read, strategies for teachers and parents to implement that will help students improve and expand their reading, and provide for the recognition of teachers and strategies that appear to be effective at preparing students to read at grade level."

SECTION 28.30.(d) The State Board is encouraged to consider whether there are any standards or other criteria from kindergarten, first grade, and second grade that could be included in the State's assessment of a school's performance and growth for the purpose of the School-Based Management and Accountability Program. If the Board identifies any appropriate standards or criteria that could be included, it is encouraged to do so.

SECTION 28.30.(e) G.S. 115C-12 is amended by adding a new subdivision to read:

"**§ 115C-12. Powers and duties of the Board generally.**

The general supervision and administration of the free public school system shall be vested in the State Board of Education. The State Board of Education shall establish policy for the system of free public schools, subject to laws enacted by the General Assembly. The powers and duties of the State Board of Education are defined as follows:

…

(30) Duty to Adopt Model Guidelines and Policies for the Establishment of Local Task Forces on Closing the Academic Achievement Gap. – The State Board shall adopt a Model for local school administrative units to use as a guideline to establish local task forces on closing the academic achievement gap at the discretion of the local board. The purpose of each task force is to advise and work with its local board of education and administration on closing the gap in academic achievement and on developing a collaborative plan for achieving that goal. The State Board shall consider the recommendations of the Commission on Improving the Academic Achievement of Minority and At-Risk Students to the 2001 Session of the General Assembly in establishing its guidelines."

SECTION 28.30.(f) G.S. 115C-12(27) reads as rewritten:

"**§ 115C-12. Powers and duties of the Board generally.**

The general supervision and administration of the free public school system shall be vested in the State Board of Education. The State Board of Education shall establish policy for the system of free public schools, subject to laws enacted by the General Assembly. The powers and duties of the State Board of Education are defined as follows:

…

(27) Reporting Dropout ~~Rates and Expelled Students.~~Rates, Suspensions, Expulsions, and Alternative Placements. – The State Board shall report annually to the Joint Legislative Education Oversight Committee and the Commission on Improving the Academic Achievement of Minority and At-Risk Students on the numbers of students who have dropped out of school, been suspended, been expelled, or been placed in an alternative program. The data shall be reported in a disaggregated

manner and be readily available to the public. The State Board shall not include students that have been expelled from school when calculating the dropout rate. The Board shall maintain a separate record of the number of students who are expelled from school."

SECTION 28.30.(g) Section 15.1(b) of S.L. 1999-395 reads as rewritten:

"(b) Initial appointments to the Commission shall be made before September 15, 1999. The first meeting of the Commission shall be held no later than October 15, 1999. Terms on the Commission are for two years and begin on the convening of the General Assembly in each odd-numbered year. Members may complete a term of service on the Commission even if they do not seek reelection or are not reelected to the General Assembly, but resignation or removal from service in the General Assembly constitutes resignation or removal from service on the Commission."

SECTION 28.30.(h) Section 15.5 of S.L. 1999-395 reads as rewritten:

"Section 15.5. ~~The Commission shall make an interim report of its findings and recommendations to the General Assembly not later than the convening of the 2000 Regular Session of the 1999 General Assembly. The Commission shall submit to the General Assembly a final report of its findings and recommendations of this study not later than the convening of the 2001 General Assembly.~~ The Commission shall make an interim report to the Joint Legislative Education Oversight Committee and to the General Assembly by April 1, 2002. The Commission shall submit a final report of its findings and recommendations to the Joint Legislative Education Oversight Committee and to the General Assembly by January 10, 2003. Upon filing its final report, the Commission shall terminate."

SECTION 28.30.(i) The Commission, as reauthorized under this section, shall, in addition to its other responsibilities, determine the extent to which additional fiscal resources are needed to close the academic achievement gap and keep it closed. The Commission shall report its findings under this section to the 2002 Regular Session of the 2001 General Assembly.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

CLARIFY LAW REGARDING MENTORS FOR SECOND-YEAR TEACHERS

SECTION 28.31. State funds appropriated to provide mentors for teachers during their second year of teaching may be used to provide mentors for teachers whose first year of teaching was in a public school in North Carolina, a public school in another state, a private school, or a charter school.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

FUNDS FOR THE TESTING AND IMPLEMENTATION OF THE NEW STUDENT INFORMATION SYSTEM

SECTION 28.32. The State Board of Education may transfer up to one million dollars ($1,000,000) in funds appropriated for the Uniform Education Reporting System for the 2001-2002 fiscal year to the Department of Public Instruction to lease or purchase equipment necessary for the testing and implementation of NC WISE, the new student information system in the public schools.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

EXPENDITURE OF FUNDS TO IMPROVE STUDENT ACCOUNTABILITY

SECTION 28.33.(a) Funds appropriated for the 2001-2002 fiscal year and the 2002-2003 fiscal year for Student Accountability Standards shall be used to assist

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

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

Continuation budget funds previously appropriated for NC Helps and for the middle school pilot project shall be transferred to this allocation category.

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

These funds shall be allocated to local school administrative units for the 2001-2002 fiscal year within 30 days of the date this act becomes law.

SECTION 28.33.(b) Funds appropriated for Student Accountability Standards shall not revert at the end of each fiscal year but shall remain available for expenditure until August 31 of the subsequent fiscal year.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

STUDY THE SALARIES OF SCHOOL FOOD SERVICE WORKERS AND CUSTODIANS

SECTION 28.34. The Joint Legislative Education Oversight Committee shall study the salaries of food service workers and custodians employed by the public schools. The Committee shall report its findings to the 2002 Regular Session of the 2001 General Assembly.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

CHARACTER EDUCATION

SECTION 28.36. The State Board of Education shall use funds appropriated in this act for character education to develop a model character education curriculum for the public schools. The Board may contract with an outside consultant to implement the provisions of this act.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

STUDY OF SALARY DIFFERENTIALS FOR INSTRUCTIONAL PERSONNEL AND FOR INSTRUCTIONAL SUPPORT PERSONNEL

SECTION 28.37.(a) The Joint Legislative Education Oversight Committee shall study salary differentials for instructional personnel. In the course of the study, the Committee shall consider the correlation between student performance and salary

differentials in the current teacher compensation system, including differentials based on degrees, national certification, and years of service. The Committee shall report its findings and recommendations to the 2002 Regular Session of the 2001 General Assembly.

SECTION 28.37.(b) The Joint Legislative Education Oversight Committee shall study salary differentials for instructional support personnel. In the course of the study, the Committee shall consider salary differentials based on degrees and other educational credentials, licensure or certification by State agencies, licensure or certification by private entities, and other factors. The Committee shall report its findings and recommendations to the 2002 Regular Session of the 2001 General Assembly.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

FLEXIBILITY TO IMPLEMENT BASE BUDGET REDUCTION

SECTION 28.38. Notwithstanding any other provision of law, the Department of Public Instruction may use salary reserve funds and other funds in the Department's continuation budget to transfer and reclassify positions as necessary to implement the base budget reductions for the 2001-2003 fiscal biennium. The Department of Public Instruction may convert a State-paid contracted position to a State-paid employee position only if (i) the conversion will save State resources and (ii) the resulting number of State-funded positions does not exceed the total authorized in appropriations to the Department of Public Instruction. By June 30, 2002, the Department of Public Instruction shall convert sufficient State-paid contracted positions to State-paid employee positions to accomplish an annualized savings of at least three hundred ninety thousand dollars ($390,000).

The Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee prior to May 1, 2002, on implementation of this section, including the number of contracted positions converted, the State-paid positions eliminated, and the resulting savings in State resources.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

FUNDS FOR INSTRUCTIONAL SUPPLIES

SECTION 28.39.(a) The funds appropriated in this act for classroom materials/instructional supplies/equipment shall be used to enable classroom teachers to purchase up to one hundred dollars ($100.00) of supplies for their classrooms.

SECTION 28.39.(b) Local school administrative units shall report to the Department of Public Instruction by February 15, 2002, on the implementation of this section by the unit. The Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee and the Joint Legislative Commission on Governmental Operations by April 1, 2002, on the effectiveness of this initiative, the benefits to classroom instruction, and the costs of implementation.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

NC WISEOWL WEB SITE

SECTION 28.40.(a) The Department of Public Instruction shall use funds appropriated to continue the subscriptions currently available on the Department's NC WISEOWL web site for the 2001-2002 fiscal year. The Department of Public Instruction shall work collaboratively with the Department of Cultural Resources' NC LIVE Program to most efficiently use the funds appropriated and to facilitate the

process of accessing the subscriptions through the NC LIVE web site effective in fiscal year 2002-2003.

SECTION 28.40.(b) The Department of Public Instruction and the Department of Cultural Resources shall report the results of their collaboration and recommendations to the Joint Information Technology Appropriations Subcommittee by March 15, 2002. The Joint Information Technology Appropriations Subcommittee shall review all North Carolina State Government Internet sites that are designed for children and consider if the consolidation of resources or access is appropriate.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

OVERTIME FOR SCHOOL EMPLOYEES

SECTION 28.42. If a person employed as both a teacher assistant and a school bus driver works for a combined total of more than 40 hours per week, the employee shall receive overtime compensation at a rate of one and a half times the normal rate of pay. The appropriate number of hours shall be paid for teacher assistant duties from the teacher assistant allotment, and the appropriate number of hours shall be paid for bus driver duties from the transportation allotment. If agreed upon by both the employer and the employee, up to 240 hours may be granted as compensatory time off instead of overtime pay. Hours of compensatory time shall accrue at a rate of time and a half. Overtime compensation, in the form of overtime pay or compensatory time, shall be provided after 40 hours of work and shall not be waived by agreement between the employer and employee.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

FUNDS FOR TEACHER RECRUITMENT INITIATIVES

SECTION 28.43. The State Board of Education may use up to two hundred thousand dollars ($200,000) of the funds appropriated for State Aid to Local School Administrative Units for the 2001-2002 fiscal year and for the 2002-2003 fiscal year to enable teachers who have received NBPTS certification or who have otherwise received special recognition to advise the State Board of Education on teacher recruitment and other strategic priorities of the State Board.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

LIMITATION ON USE OF KINDERGARTEN FUNDS

SECTION 28.44. The maximum class size limits for kindergarten established by the State Board of Education for the 2001-2002 school year shall be reduced by one from the 2000-2001 limits, based on an allotment ratio of one teacher for every 19 students. The maximum class size limits for kindergarten established by the State Board of Education for the 2002-2003 school year shall be reduced by two from the 2000-2001 limits, based on an allotment ratio of one teacher for every 18 students. Local school administrative units shall use teacher positions allocated to reduce class in kindergarten only to hire classroom teachers for kindergarten.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

EXPLORNET AUDIT

SECTION 28.45. The State Auditor shall audit ExplorNet, Incorporated, for fiscal year 1999-2000 and fiscal year 2000-2001, under G.S. 143-6.1(f). No State funds

appropriated for distribution to ExplorNet, Incorporated, shall be disbursed until the State Auditor and the Office of State Budget and Management certify that ExplorNet, Incorporated, is capable of managing the funds in accordance with law and has established adequate financial procedures and controls. A copy of the State Auditor's report shall be sent to the Joint Legislative Education Oversight Committee and to the Joint Legislative Commission on Governmental Operations.

Eighty percent (80%) of any funds disbursed pursuant to this section shall be distributed in the form of grants to local school administrative units.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Rand, Plyler, Odom, Lee; Representatives Smith, Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Warner, Easterling, Oldham, Redwine, Thompson

LOW-WEALTH TRANSITION FUNDS

SECTION 28.46.(a) To the extent that funds remain in the Average Daily Membership Contingency Reserve after the State Board of Education allocates funds after the first month of school for unanticipated enrollment growth, the State Board of Education may allocate funds from the Average Daily Membership Contingency Reserve to local school administrative units in which low-wealth supplemental funding decreased by more than one million dollars ($1,000,000) from the 2000-2001 allotment. These allocations shall not exceed sixty percent (60%) of the decrease in funding for each such local school administrative unit. If the balance of funds in the Average Daily Membership Contingency Reserve is insufficient to cover these supplemental allocations, the State Board may allocate funds from State Aid to Local School Administrative Units for this purpose.

SECTION 28.46.(b) This section applies to the 2001-2002 fiscal year only.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

SUBSTITUTE SCHOOL PERSONNEL/UNEMPLOYMENT DEFINITION

SECTION 28.47. G.S. 96-8(10) is amended by adding a new sub-subdivision to read:

"e. No substitute teacher or other substitute school personnel shall be considered unemployed for days or weeks when not called to work unless the individual is or was a permanent school employee regularly employed as a full-time substitute during the period of time for which the individual is requesting benefits."

Requested by: Senator

SCHOOL BUS REPLACEMENT

SECTION 28.48. If the State replaces a school bus during the 2001-2002 fiscal year in one of the two county school administrative units with the lowest average daily membership, that local school administrative unit may retain at no cost one bus that would be declared surplus for use as a student activity bus for that local school administrative unit.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

IMMEDIATE ASSISTANCE TO THE HIGHEST PRIORITY ELEMENTARY SCHOOLS

SECTION 29.1. Of funds appropriated from the General Fund to State Aid to Local School Administrative Units, the sum of ten million eight hundred seventy-six thousand four hundred thirty-eight dollars ($10,876,438) for the 2001-2002 fiscal year

and the sum of twelve million two hundred thirty-seven thousand nine hundred thirteen dollars ($12,237,913) for the 2002-2003 fiscal year shall be used to provide the State's lowest-performing elementary schools with the tools needed to dramatically improve student achievement. These funds shall be used for the 37 elementary schools at which, for the 1999-2000 school year, over eighty percent (80%) of the students qualified for free or reduced-price lunches and no more than fifty-five percent (55%) of the students performed at or above grade level. Of these funds:

(1) The sum of $8,062,603 for the 2001-2002 fiscal year and the sum of $8,062,603 for the 2002-2003 fiscal year shall be used to reduce class size at each of these schools to ensure that no class in kindergarten through third grade has more than 15 students;

(2) The sum of $973,455 for the 2001-2002 fiscal year shall be used to pay those teachers at these schools who elect to extend their contracts by five days for staff development, including staff development on methods to individualize instruction in smaller classes, and preparation for the 2001-2002 school year and the sum of $2,334,930 for the 2002-2003 fiscal year shall be used to extend all teachers' contracts at these schools for a total of 10 days, including five additional days of instruction with related costs for other than teachers' salaries, for the 2002-2003 school year; and

(3) The sum of $1,840,380 for the 2001-2002 fiscal year and the sum of $1,840,380 for the 2002-2003 fiscal year shall be used to provide one additional instructional support position at each priority school.

No funds from the teacher assistant allotment category may be allotted to the local school administrative units for students assigned to these schools. Any teacher assistants displaced from jobs in these high-priority elementary schools shall be given preferential consideration for vacant teacher assistant positions at other schools, provided their job performance has been satisfactory. Nothing in this section prevents the local school administrative unit from placing teacher assistants in these schools.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

IMMEDIATE ACTIONS TO ADDRESS TEACHER SHORTAGE

SECTION 29.2.(a) Of the funds appropriated from the General Fund to State Aid to Local School Administrative Units, the sum of two million five hundred thousand dollars ($2,500,000) for the 2001-2002 fiscal year and the sum of two million five hundred thousand dollars ($2,500,000) for the 2002-2003 fiscal year shall be used to expand the pool of qualified teachers and to provide recruitment and retention incentives to attract and retain high-quality teachers to low-performing schools and schools with shortages of teachers in certain areas of certification. Of these funds:

(1) The sum of $1,000,000 for the 2001-2002 fiscal year and the sum of $1,000,000 for the 2002-2003 fiscal year shall be used to provide additional scholarship funds for teacher assistants taking courses that are prerequisites for teacher certification programs. Notwithstanding G.S. 115C-468(c) and G.S. 115C-471(1), scholarships shall be awarded in amounts to be determined by the State Board of Education; and

(2) The sum of $1,500,000 for the 2001-2002 fiscal year and the sum of $1,500,000 for the 2002-2003 fiscal year shall be used to provide annual bonuses of one thousand eight hundred dollars ($1,800) to teachers certified in and teaching in the fields of mathematics, science, or special education at middle and high schools with eighty percent (80%) or more of the students eligible for free or reduced lunch or with fifty percent (50%) or more of students performing below grade level

in Algebra I and Biology. The bonus shall be paid monthly with matching benefits. Teachers shall remain eligible for the bonuses so long as they continue to teach in one of these disciplines at a school that was eligible for the bonus program when the teacher first received the bonus.

SECTION 29.2.(b) In accordance with G.S. 115C-325 and by way of clarification, it shall not constitute a demotion as that term is defined in G.S. 115C-325(a)(4), if:

(1) A teacher who receives a bonus pursuant to this section is reassigned to a school at which there is no such bonus;

(2) A teacher who receives a bonus pursuant to this section is reassigned to teach in a field for which there is no such bonus; or

(3) A teacher receives a bonus pursuant to this section and the bonus is subsequently discontinued or reduced.

SECTION 29.2.(c) The Joint Legislative Education Oversight Committee shall study the effectiveness of providing benefits to part-time teachers as a means to recruit certified teachers back into the classroom. The Committee shall examine the effectiveness of different methods of providing these benefits. The Committee shall also examine the cost of the recruitment effort, including the cost of incorporating existing part-time teachers into the plan. The Committee shall make a report to the General Assembly by April 1, 2002.

SECTION 29.2.(d) The Joint Legislative Education Oversight Committee shall study the potential effectiveness of increasing the size of the Teaching Fellows Program to improve the supply of qualified teachers for the public schools. In its analysis the Committee shall consider the retention of Teaching Fellows in the teaching profession.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

COMPREHENSIVE ASSISTANCE TO CONTINUALLY LOW-PERFORMING SCHOOLS

SECTION 29.3. Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-105.37A. Continually low-performing schools; definition; assistance and intervention; reassignment of students.**

(a) Definition of Continually Low-Performing Schools. – A continually low-performing school is a school that has received State-mandated assistance and has been designated by the State Board as low performing for at least two of three consecutive years. If the State Board identifies a school as continually low performing, the school improvement team at that school shall review its school improvement plan to ensure consistency with the plan adopted pursuant to G.S. 115C- 105.38(3).

(b) Assistance to Schools That Are Low Performing for Two Years. – If a school that has received State-mandated assistance is designated by the State Board as low performing for two consecutive years or for two of three consecutive years, the State Board shall provide a series of progressive assistance and intervention strategies to that school. These strategies shall be designed to improve student achievement and to maintain student achievement at appropriate levels and may include, to the extent that funds are available for this purpose, assistance such as reductions in class size, extension of teacher and assistant principal contracts, extension of the instructional year, and grant-based assistance.

(c) Intervention in Schools That Are Low Performing for Three or More Years. – The State Board of Education shall develop and implement a series of actions for providing assistance and intervention to schools that have previously received State-mandated assistance and have been designated by the State Board as low performing for

three or more consecutive years or for at least three out of four years. These actions shall be the least intrusive actions that are consistent with the need to improve student achievement at each such school and shall be adapted to the unique characteristics of each such school and the effectiveness of other actions developed or implemented to improve student achievement at each such school."

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

ADDITIONS TO THE LOCAL SUPERINTENDENT'S PLAN TO IMPROVE A LOW-PERFORMING SCHOOL

SECTION 29.4.(a) G.S. 115C-105.37(a1) reads as rewritten:

"(a1) By July 10 of each year, each local school administrative unit shall do a preliminary analysis of test results to determine which of its schools the State Board may identify as low-performing under this section. The superintendent then shall proceed under G.S. 115C-105.39. In addition, within 30 days of the initial identification of a school as low-performing by the local school administrative unit or the State Board, whichever occurs first, the superintendent shall submit to the local board a preliminary plan for addressing the needs of that ~~school.~~ school, including how the superintendent and other central office administrators will work with the school and monitor the school's progress. Within 30 days of its receipt of this plan, the local board shall vote to approve, modify, or reject this plan. Before the board makes this vote, it shall make the plan available to the public, including the personnel assigned to that school and the parents and guardians of the students who are assigned to the school, and shall allow for written comments. The board shall submit the plan to the State Board within five days of the board's vote. The State Board shall review the plan expeditiously and, if appropriate, may offer recommendations to modify the plan. The local board shall consider any recommendations made by the State Board."

SECTION 29.4.(b) This section becomes effective when this act becomes law.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

APPROPRIATIONS FOR CONTINUALLY LOW-PERFORMING SCHOOLS

SECTION 29.5. Of funds appropriated from the General Fund to State Aid to Local School Administrative Units, the sum of one million eight hundred seven thousand two hundred fifty-six dollars ($1,807,256) for the 2001-2002 fiscal year and the sum of one million nine hundred eighty-six thousand six hundred ninety-one dollars ($1,986,691) for the 2002-2003 fiscal year shall be used to provide the State's chronically low-performing schools with tools needed to dramatically improve student achievement. These funds shall be used to implement any of the following strategies at the schools that have not previously been implemented with State or other funds:

(1) The sum of $471,366 for the 2001-2002 fiscal year and the sum of $471,366 for the 2002-2003 fiscal year shall be used to reduce class size at a continually low-performing school to ensure that the number of teachers allotted for students in grades four and five is one for every 17 students; and

(2) The sum of $1,207,595 for the 2001-2002 fiscal year and the sum of $1,207,595 for the 2002-2003 fiscal year shall be used to reduce class size at a continually low-performing school to ensure that the number of teachers allotted in grades six through eight is one for every 17 students, and that the number of teachers allotted in grades nine through twelve is one for every 20 students; and

(3a) The sum of $128,295 for fiscal year 2001-2002 shall be used to extend teachers' contracts at these schools by five days for staff development, including methods to individualize instruction in smaller classes and preparation for the 2001-2002 school year. Of these funds, the sum of $10,175 shall be used for the extension of contracts of the additional teachers in grades four and five provided in subdivision (1) of this section and the sum of $118,120 shall be used for the extension of all teachers' contracts at continually low-performing middle and high schools for the 2001-2002 school year; and

(3b) The sum of $307,730 for fiscal year 2002-2003 shall be used to extend teachers' contracts for a total of 10 days, including five days of additional instruction with related costs for other than teachers' salaries for the 2002-2003 school year. Of these funds, the sum of $24,405 shall be used for the extension of contracts of the additional teachers in grades four and five provided in subdivision (1) of this section and the sum of $283,325 shall be used for the extension of all teachers' contracts at continually low-performing middle and high schools for the 2002-2003 school year.

Notwithstanding any other provision of law, the State Board of Education may implement intervention strategies for the 2001-2002 school year that it deems appropriate.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

EVALUATION OF INITIATIVES TO ASSIST HIGH-PRIORITY SCHOOLS

SECTION 29.6.(a) In order for the high-priority schools identified in Section 29.1 of this act to remain eligible for the additional resources provided in this section, the schools must meet the expected growth for each year and must achieve high growth for at least two out of three years based on the State Board of Education's annual performance standards set for each school. No adjustment in the allotment of resources based on performance shall be made until the 2004-2005 school year.

SECTION 29.6.(b) All teaching positions allotted for students in high-priority schools and continually low-performing schools in those grades targeted for smaller class sizes shall be assigned to and teach in those grades and in those schools. In grades K-3 in high-priority schools, the maximum class size for the portion of the 2001-2002 school year beginning with January 1, 2002, shall be no more than two students above the allotment ratio in that grade. The maximum class size for subsequent school years in grades K-3 in high priority schools and in grades K-5 in continually low–performing schools shall be no more than one student above the allotment ratio in that grade. The Department of Public Instruction shall monitor class sizes at these schools at the end of the first month of school and report to the State Board of Education on the actual class sizes in these schools. If the local school administrative unit notifies the State Board of Education that they do not have sufficient resources to adhere to the class size maximum requirements, the State Board shall verify the accuracy of the request. If additional resources are determined necessary, the State Board of Education may allocate additional teaching positions to the unit from the Reserve for Average Daily Membership Adjustments.

SECTION 29.6.(c) If a local board of education determines that the local school administrative unit is unable to implement the class-size limitation in accordance with this section for any high-priority school located in the unit, the local board may request a waiver for the school for the 2001-2002 school year. The request shall include the documentation required in G.S. 115C-105.26(a). If the State Board grants the waiver, the State Board shall withdraw the additional teacher positions allotted to the

local school administrative unit for the school and reinstate the regular allotment for teacher assistants for the school.

SECTION 29.6.(d) Of funds appropriated from the General Fund to State Aid to Local School Administrative Units, the sum of five hundred thousand dollars ($500,000) for fiscal year 2001-2002 and the sum of five hundred thousand dollars ($500,000) for fiscal year 2002-2003 shall be used by the State Board of Education to contract with an outside organization to evaluate the initiatives set forth in this act.

The evaluation shall include:

(1) An assessment of the overall impact these initiatives have had on student achievement;

(2) An assessment of the effectiveness of each individual initiative set forth in this act in improving student achievement;

(3) An identification of changes in staffing patterns, instructional methods, staff development, and parental involvement as a result of these initiatives;

(4) An accounting of how funds and personnel resources made available for these schools were utilized and the impact of varying patterns of utilization on changes in student achievement;

(5) An assessment of the impact of bonuses for mathematics, science, and special education teachers on (i) the retention of these teachers in the targeted schools, (ii) the recruitment of teachers in these specialties into targeted schools, (iii) the recruitment of teachers certified in these disciplines into teaching, (iv) student achievement in schools at which these teachers receive these bonuses; and

(6) Recommendations for the continuance and improvement of these initiatives.

The State Board of Education shall make an initial report to the Joint Legislative Education Oversight Committee regarding the results of this evaluation by December 1, 2002, and annually thereafter. The State Board of Education shall submit its recommendations for changes to these initiatives to the Committee at any time.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

ALLOCATION OF FEDERAL FUNDS FOR PRIORITY SCHOOLS

SECTION 29.7. The State Board of Education shall make every effort to coordinate the use of State and federal funds to avoid duplication or overlap of services, and to ensure that the benefits of smaller class sizes accrue to as many at-risk students as possible.

PART XXX. COMMUNITY COLLEGES

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

COMMUNITY COLLEGE FUNDING FLEXIBILITY

SECTION 30.1. A local community college may use all State funds allocated to it, except for Literacy Funds and Funds for New and Expanding Industries, for any authorized purpose that is consistent with the college's Institutional Effectiveness Plan. Each local community college shall include in its Institutional Effectiveness Plan a section on how funding flexibility allows the college to meet the demands of the local community and to maintain a presence in all previously funded categorical programs.

No more than two percent (2%) systemwide shall be transferred from faculty salaries without the approval of the State Board of Community Colleges. The State

Board shall report on any such transfers above two percent (2%) systemwide to the Joint Legislative Commission on Governmental Operations at its next meeting.

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

PERMIT TRANSFERS OF FUNDS TO THE NEW AND EXPANDING INDUSTRY TRAINING PROGRAM

SECTION 30.2. Notwithstanding G.S. 143-16.3, G.S. 143-23, or any other provision of law, the Director of the Budget may, after consultation with the Joint Legislative Commission on Governmental Operations, transfer funds from any agency or program funded from the General Fund to the New and Expanding Industry Training Program to supplement the needs of this Program during the 2001-2003 biennium.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

REORGANIZATION OF THE HUMAN RESOURCES DEVELOPMENT PROGRAM

SECTION 30.3.(a) The State Board of Community Colleges shall establish a committee to develop and recommend to the Board a core series of employability skills training classes that should be coded in the Continuing Education Master Course List as Human Resources Development.

SECTION 30.3.(b) The State Board of Community Colleges may waive tuition and fees for enrollment in classes coded in the Continuing Education Master Course List as Human Resources Development if the individual enrolling:

(1) Is unemployed;
(2) Has received notification of a pending layoff;
(3) Is working and is eligible for the Federal Earned Income Tax Credit (FEITC); or
(4) Is working and earning wages at or below two hundred percent (200%) of the federal poverty guidelines.

Individuals for whom tuition and fees are waived must sign a form adopted by the State Board of Community Colleges verifying that they meet one of these criteria.

SECTION 30.3.(c) The State Board of Community Colleges shall study the feasibility of integrating the delivery of human resources development services into the framework of the JobLink Career Centers. The Board shall report its recommendations to the Joint Legislative Education Oversight Committee by May 1, 2002.

SECTION 30.3.(d) The State Board of Community Colleges shall report to the Joint Legislative Education Oversight Committee on its reorganization of the Human Resources Development Program by January 1, 2003.

SECTION 30.3.(e) The State Board of Community Colleges may adopt temporary rules to implement reorganization of the Human Resources Development Program.

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

MANAGEMENT INFORMATION SYSTEM FUNDS

SECTION 30.4. Funds appropriated for the Community Colleges System Office Management Information System shall not revert at the end of the 2001-2002 and 2002-2003 fiscal years but shall remain available until expended.

Requested by: Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

EMPLOYMENT SECURITY COMMISSION FUNDS/EXTEND TRAINING AND REEMPLOYMENT CONTRIBUTION-x

SECTION 30.5.(a) There is appropriated from the Employment Security Commission Training and Employment Account created in G.S. 96-6.1 to the North Carolina Community Colleges System Office the sum of twenty-eight million fifty-four thousand two hundred ninety-eight dollars ($28,054,298) for the 2001-2002 fiscal year. These funds shall be used as follows:

		2001-2002
1.	Equipment Funds	$19,154,298
2.	Regional and Cooperative Initiatives	400,000
3.	New and Expanding Industry Training Programs	7,000,000
4.	Focused Industrial Training Programs	1,500,000
	TOTAL	$28,054,298

Funds allocated for Equipment, New and Expanding Industry Training Programs, and Focused Industrial Training Programs shall be nonreverting.

Funds allocated for equipment shall be placed in the Equipment Reserve Fund and shall be allocated in accordance with the State Board's equipment allocation formula.

Funds allocated for Regional and Cooperative Initiatives shall be used for community college projects that foster regional cooperation among community colleges, public schools, universities, and private business and industry.

SECTION 30.5.(b) Of the funds appropriated by this act from the Employment Security Commission Training and Employment Account for Focused Industrial Training, the sum of two hundred fifty thousand dollars ($250,000) is allocated for the 2001-2002 fiscal year to Catawba Valley Community College for the operation of the Hosiery Technology Center and the sum of two hundred fifty thousand dollars ($250,000) for the 2001-2002 fiscal year is allocated to Guilford Technical Community College for the operation of the Piedmont Triad Center for Advanced Manufacturing.

SECTION 30.5.(c) There is appropriated from the Employment Security Commission Training and Employment Account created in G.S. 96-6.1 to the North Carolina Employment Security Commission the sum of seven million thirteen thousand five hundred seventy-four dollars ($7,013,574) for the 2001-2002 fiscal year for the cost of collecting and administrating the training and reemployment contribution and for enhanced reemployment services.

SECTION 30.5.(d) To the extent that the State receives more in the Employment Security Commission Training and Employment Account than the funds appropriated in subsections (a) and (c) of this section:

(1) Eighty percent (80%) of these funds are hereby appropriated for the 2001-2002 fiscal year to the Community Colleges System Office for the purposes set out in subsection (a) of this section, and the State Board of Community Colleges may allocate the additional funds for those purposes; and

(2) Twenty percent (20%) of these funds are hereby appropriated to the Employment Security Commission for the 2001-2002 fiscal year, and it may allocate the additional funds for those purposes.

SECTION 30.5.(e) G.S. 96-6.1(a) reads as rewritten:

"(a) Contribution. – A mandatory training and reemployment contribution is levied upon employers at a percentage rate of the amount of the employer's unemployment insurance contributions due under G.S. 96-9. The rate is the lesser of (i) twenty percent (20%) or (ii) a percentage of the unemployment insurance contributions

that yields an amount that, when added to the amount of the employer's unemployment insurance contributions due for the taxable period, is no greater than five and seven-tenths percent (5.7%) of wages for employment for the taxable period. The purpose of the training and reemployment contribution is to provide funds for Department of Community College training programs, Employment Security Commission reemployment services, administration and collection of the new contribution, and other needs of the State. The training and reemployment contribution is due and payable at the time and in the same manner as the unemployment insurance contributions under G.S. 96-9. The training and reemployment contribution does not apply in a calendar year if, as of August 1 of the preceding year, the amount in the Unemployment Insurance Fund equals or is less than ~~eight hundred million dollars ($800,000,000).~~nine hundred million dollars ($900,000,000) or if at any time during the 12 months preceding August 1, the State unemployment rate rises above four and three-tenths percent (4.3%). The collection of the training and reemployment contribution, the assessment of interest and penalties on unpaid contributions under this section, the filing of judgment liens, and the enforcement of the liens for unpaid contributions under this section are governed by the provisions of G.S. 96-10 where applicable.

Training and reemployment contributions collected under this section shall be credited to the Employment Security Commission Training and Employment Account created in this section, and refunds of these contributions shall be paid from the same account. Any interest or penalties collected on unpaid contributions under this section shall be credited to the Special Employment Security Administration Fund, and any interest or penalties refunded on contributions imposed by this section shall be paid from the same Fund."

SECTION 30.5.(f) Section 8 of S.L. 1999-321 reads as rewritten:

"Section 8. Section 1 of this act is effective with respect to calendar quarters beginning on or after April 1, 1999. Section 7 of this act becomes effective July 1, 1999. The remainder of this act is effective with respect to calendar quarters beginning on or after January 1, ~~2000, and is~~ 2000. G.S. 96-6.1, as enacted by Section 2 of this act, is repealed effective with respect to calendar quarters beginning on or after ~~January 1, 2002.~~ January 1, 2006."

SECTION 30.5.(g) G.S. 96-9(b)(1) reads as rewritten:

"(b) Rate of Contributions. –

(1) Beginning Rate. – The standard beginning rate of contributions for an employer is a percentage of wages paid by the employer during a calendar year for employment occurring during that year. ~~The~~ For any calendar year that the training and reemployment contribution in G.S. 96-6.1 applies, the rate is determined in accordance with the following table:

Percentage	Date After Which Employment Occurs
2.25%	December 31, 1986
1.8	December 31, 1993
1.2	December 31, 1995
1.0	December 31, 1999

For any calendar year that the training and reemployment contribution in G.S. 96-6.1 does not apply, the rate is determined in accordance with the following table:

Percentage	Date After Which Employment Occurs
2.25%	December 31, 1986
1.8	December 31, 1993
1.2	December 31, 1995".

SECTION 30.5.(h) G.S. 96-9(b)(3)d3. reads as rewritten:

"d3. The standard contribution rate set by subdivision (b)(1) of this section applies to an employer unless the employer's account

has a credit balance. Beginning January 1, 1999, for any calendar year that the training and reemployment contribution in G.S. 96-6.1 does not apply, the contribution rate of an employer whose account has a credit balance is determined in accordance with the rate set in the following Experience Rating Formula table for the applicable rate schedule. The contribution rate of an employer whose contribution rate is determined by this Experience Rating Formula table shall be reduced by fifty percent (50%) for any year in which the balance in the Unemployment Insurance Fund equals or exceeds eight hundred million dollars ($800,000,000) on the computation date and the fund ratio determined on that date is less than five percent (5%) and shall be reduced by sixty percent (60%) for any year in which the balance in the Unemployment Insurance Fund equals or exceeds eight hundred million dollars ($800,000,000) on the computation date, and the fund ratio determined on that date is five percent (5%) or more.

EXPERIENCE RATING FORMULA

When The Credit Ratio Is:

As Much As	But Less Than	Rate Schedules (%)								
		A	B	C	D	E	F	G	H	I
0.0%	0.2%	2.70%	2.70%	2.70%	2.70%	2.50%	2.30%	2.10%	1.90%	1.70%
0.2%	0.4%	2.70%	2.70%	2.70%	2.50%	2.30%	2.10%	1.90%	1.70%	1.50%
0.4%	0.6%	2.70%	2.70%	2.50%	2.30%	2.10%	1.90%	1.70%	1.50%	1.30%
0.6%	0.8%	2.70%	2.50%	2.30%	2.10%	1.90%	1.70%	1.50%	1.30%	1.10%
0.8%	1.0%	2.50%	2.30%	2.10%	1.90%	1.70%	1.50%	1.30%	1.10%	0.90%
1.0%	1.2%	2.30%	2.10%	1.90%	1.70%	1.50%	1.30%	1.10%	0.90%	0.80%
1.2%	1.4%	2.10%	1.90%	1.70%	1.50%	1.30%	1.10%	0.90%	0.80%	0.70%
1.4%	1.6%	1.90%	1.70%	1.50%	1.30%	1.10%	0.90%	0.80%	0.70%	0.60%
1.6%	1.8%	1.70%	1.50%	1.30%	1.10%	0.90%	0.80%	0.70%	0.60%	0.50%
1.8%	2.0%	1.50%	1.30%	1.10%	0.90%	0.80%	0.70%	0.60%	0.50%	0.40%
2.0%	2.2%	1.30%	1.10%	0.90%	0.80%	0.70%	0.60%	0.50%	0.40%	0.30%
2.2%	2.4%	1.10%	0.90%	0.80%	0.70%	0.60%	0.50%	0.40%	0.30%	0.20%
2.4%	2.6%	0.90%	0.80%	0.70%	0.60%	0.50%	0.40%	0.30%	0.20%	0.15%
2.6%	2.8%	0.80%	0.70%	0.60%	0.50%	0.40%	0.30%	0.20%	0.15%	0.10%
2.8%	3.0%	0.70%	0.60%	0.50%	0.40%	0.30%	0.20%	0.15%	0.10%	0.09%
3.0%	3.2%	0.60%	0.50%	0.40%	0.30%	0.20%	0.15%	0.10%	0.09%	0.08%
3.2%	3.4%	0.50%	0.40%	0.30%	0.20%	0.15%	0.10%	0.09%	0.08%	0.07%
3.4%	3.6%	0.40%	0.30%	0.20%	0.15%	0.10%	0.09%	0.08%	0.07%	0.06%
3.6%	3.8%	0.30%	0.20%	0.15%	0.10%	0.09%	0.08%	0.07%	0.06%	0.05%
3.8%	4.0%	0.20%	0.15%	0.10%	0.09%	0.08%	0.07%	0.06%	0.05%	0.04%
4.0% & OVER		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%"

SECTION 30.5.(i) G.S. 96-9(b)(3)d5. reads as rewritten:

d5. The standard contribution rate set by subdivision (b)(1) of this section applies to an employer unless the employer's account has a credit balance. Beginning January 1, 1999, for any calendar year that the training and reemployment contribution in G.S. 96-6.1 applies, the contribution rate of an employer whose account has a credit balance is determined in accordance

with the rate set in the following Experience Rating Formula table for the applicable rate schedule. The contribution rate of an employer whose contribution rate is determined by this Experience Rating Formula table shall be reduced by fifty percent (50%) for any year in which the balance in the Unemployment Insurance Fund equals or exceeds eight hundred million dollars ($800,000,000) on the computation date and the fund ratio determined on that date is less than five percent (5%) and shall be reduced by sixty percent (60%) for any year in which the balance in the Unemployment Insurance Fund equals or exceeds eight hundred million dollars ($800,000,000) on the computation date, and the fund ratio determined on that date is five percent (5%) or more.

EXPERIENCE RATING FORMULA

When The Credit Ratio Is:

As Much As	But Less Than	Rate Schedules (%)								
		A	B	C	D	E	F	G	H	I
0.0%	0.2%	2.16%	2.16%	2.16%	2.16%	2.00%	1.84%	1.68%	1.52%	1.36%
0.2%	0.4%	2.16%	2.16%	2.16%	2.00%	1.84%	1.68%	1.52%	1.36%	1.20%
0.4%	0.6%	2.16%	2.16%	2.00%	1.84%	1.68%	1.52%	1.36%	1.20%	1.04%
0.6%	0.8%	2.16%	2.00%	1.84%	1.68%	1.52%	1.36%	1.20%	1.04%	0.88%
0.8%	1.0%	2.00%	1.84%	1.68%	1.52%	1.36%	1.20%	1.04%	0.88%	0.72%
1.0%	1.2%	1.84%	1.68%	1.52%	1.36%	1.20%	1.04%	0.88%	0.72%	0.64%
1.2%	1.4%	1.68%	1.52%	1.36%	1.20%	1.04%	0.88%	0.72%	0.64%	0.56%
1.4%	1.6%	1.52%	1.36%	1.20%	1.04%	0.88%	0.72%	0.64%	0.56%	0.48%
1.6%	1.8%	1.36%	1.20%	1.04%	0.88%	0.72%	0.64%	0.56%	0.48%	0.40%
1.8%	2.0%	1.20%	1.04%	0.88%	0.72%	0.64%	0.56%	0.48%	0.40%	0.32%
2.0%	2.2%	1.04%	0.88%	0.72%	0.64%	0.56%	0.48%	0.40%	0.32%	0.24%
2.2%	2.4%	0.88%	0.72%	0.64%	0.56%	0.48%	0.40%	0.32%	0.24%	0.16%
2.4%	2.6%	0.72%	0.64%	0.56%	0.48%	0.40%	0.32%	0.24%	0.16%	0.12%
2.6%	2.8%	0.64%	0.56%	0.48%	0.40%	0.32%	0.24%	0.16%	0.12%	0.08%
2.8%	3.0%	0.56%	0.48%	0.40%	0.32%	0.24%	0.16%	0.12%	0.08%	0.07%
3.0%	3.2%	0.48%	0.40%	0.32%	0.24%	0.16%	0.12%	0.08%	0.07%	0.06%
3.2%	3.4%	0.40%	0.32%	0.24%	0.16%	0.12%	0.08%	0.07%	0.06%	0.06%
3.4%	3.6%	0.32%	0.24%	0.16%	0.12%	0.08%	0.07%	0.06%	0.06%	0.05%
3.6%	3.8%	0.24%	0.15%	0.12%	0.08%	0.07%	0.06%	0.06%	0.05%	0.04%
3.8%	4.0%	0.16%	0.12%	0.08%	0.07%	0.06%	0.06%	0.05%	0.04%	0.03%
4.0% & OVER		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%".

SECTION 30.5.(j) G.S. 96-9(b)(3)e. reads as rewritten:

"e. For any calendar year that the training and reemployment contribution in G.S. 96-6.1 applies, each ~~Each~~ employer whose account as of any computation date occurring after August 1, 1964, shows a debit balance shall be assigned the rate of contributions appearing on the line opposite ~~his~~ its debit ratio as set forth in the following Rate Schedule for Overdrawn Accounts:

RATE SCHEDULE FOR OVERDRAWN ACCOUNTS BEGINNING WITH THE CALENDAR YEAR 1978

When the Debit Ratio Is:

As Much As	But Less Than	Assigned Rate
0.0%	0.3%	2.3%
0.3	0.6	2.5
0.6	0.9	2.6
0.9	1.2	2.8
1.2	1.5	3.0
1.5	1.8	3.1
1.8	2.1	3.3
2.1	2.4	3.4
2.4	2.7	3.6
2.7	3.0	3.8
3.0	3.3	3.9
3.3	3.6	4.1
3.6	3.9	4.2
3.9	4.2	4.4
4.2	4.5	4.6
4.5	4.8	4.8
4.8	5.1	5.0
5.1	5.4	5.2
5.4 and over		5.4

For any calendar year that the training and reemployment contribution in G.S. 96-6.1 does not apply, each employer whose account as of any computation date occurring after August 1, 1964, shows a debit balance shall be assigned the rate of contributions appearing on the line opposite its debit ratio as set forth in the following Rate Schedule for Overdrawn Accounts:

RATE SCHEDULE FOR OVERDRAWN ACCOUNTS BEGINNING WITH THE CALENDAR YEAR 1978

When the Debit Ratio Is:

As Much As	But Less Than	Assigned Rate
0.0%	0.3%	2.9%
0.3	0.6	3.1
0.6	0.9	3.3
0.9	1.2	3.5
1.2	1.5	3.7
1.5	1.8	3.9
1.8	2.1	4.1
2.1	2.4	4.3
2.4	2.7	4.5
2.7	3.0	4.7
3.0	3.3	4.9
3.3	3.6	5.1
3.6	3.9	5.3
3.9	4.2	5.5
4.2 and over		5.7

The Rate Schedule for Overdrawn Accounts Beginning with the Calendar Year 1966 in force in any particular calendar year shall apply to all accounts for that calendar year subsequent replacement enactments notwithstanding."

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

MODIFY TERM OF COMMUNITY COLLEGE FACULTY CONTRACTS

SECTION 30.6. The General Assembly finds that standardization of the term of contracts with community college faculty members will provide the General Assembly with the data necessary to make informed decisions regarding faculty salaries and funding for the summer term. Therefore, the State Board of Community Colleges shall require community colleges to convert all faculty contracts to nine-month contracts covering the fall and spring semesters. Faculty members currently employed for more than nine months shall be placed on supplemental contracts for the summer term. These modifications in faculty contracts shall not change the salary of any faculty member.

All faculty members employed after the date this act becomes law shall be placed on nine-month contracts with supplemental contracts for the summer term.

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

REALIGNMENT OF ACCOUNTS FOR INSTITUTIONAL AND ADMINISTRATIVE SUPPORT

SECTION 30.7. In prior fiscal years, funds for Institutional and Administrative Support in the following have been appropriated in four separate accounts. Since these funds are allotted to community colleges on a formula basis, this level of detail is unnecessary. Therefore, beginning with the 2001-2002 fiscal year, State aid accounts 536938 through 536941 shall be consolidated into a single State aid account for Institutional and Academic Support to match actual practice.

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

STUDY OF DISCREPANCIES IN FACULTY SALARIES

SECTION 30.8. The Joint Legislative Education Oversight Committee shall study discrepancies in community college faculty salaries. In the course of the study, the Committee shall examine faculty salaries at various colleges to determine why salaries at some colleges are above the State average while others are well below it.

The Committee shall report its findings to the 2002 Regular Session of the 2001 General Assembly.

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

STATE BOARD RESERVE ALLOCATIONS

SECTION 30.9. The State Board of Community Colleges shall use funds from the State Board Reserve in the amount of one hundred thousand dollars ($100,000) for each fiscal year to assist small rural low-wealth community colleges with operation and maintenance of plant costs if they need to assist new or expanding industries in their service delivery areas.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Oldham, Redwine

CONSOLIDATE AND COORDINATE WORKFORCE DEVELOPMENT PROGRAMS

SECTION 30.10.(a) The Bureau of Training Initiatives funded by the Worker Training Trust Fund is transferred from the North Carolina Department of

Labor to the North Carolina Community Colleges System, as if by a Type I transfer as defined in G.S. 143A-6, with all the elements of such a transfer. The Bureau of Training Initiatives is designed to provide training services and develop new training innovations similar to the North Carolina Community Colleges System's Workforce Development programs. Consolidating these efforts at the North Carolina Community Colleges System will result in greater efficiencies and coordination.

No changes in the organizational structure of the programs transferred under this subsection, other than those provided by this subsection, shall take place prior to January 1, 2002. The State Board of Community Colleges shall present a plan for such changes to the Joint Legislative Education Oversight Committee no less than 30 days before they are proposed to become effective.

SECTION 30.10.(b) The Apprenticeship program currently housed within the North Carolina Department of Labor is transferred to the North Carolina Community Colleges System, as if by a Type I transfer as defined in G.S. 143A-6, with all the elements of such a transfer. Joint delivery of Apprenticeship and Community College workforce training programs will ensure coordination of program delivery and appropriate classroom training supporting the needs of the client and the employer. The community colleges already provide the majority of classroom training for Apprenticeship.

If the transfer made by this subsection is subject to approval by the United States Department of Labor, the effective date of this subsection is the date of such approval.

No changes in the organizational structure of the programs transferred under this subsection, other than those provided by this subsection, shall take place prior to January 1, 2002. The State Board of Community Colleges shall present a plan for such changes to the Joint Legislative Education Oversight Committee no less than 30 days before they are proposed to become effective.

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

TRANSFER OF CASH BALANCES

SECTION 30.11. The remaining cash balance on June 30, 2001, and any interest credited to the account in the 2001-2002 fiscal year in the North Carolina Community Colleges System Budget Code 66800, Fund Code 6101 DCC Scholarships, shall be transferred to Budget Code 66800, Fund Code 6102 CCS Financial Assistance to support Need Based Financial Aid programs.

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee, Metcalf, Carter; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

ASHEVILLE-BUNCOMBE TECHNICAL COMMUNITY COLLEGE FUNDS DO NOT REVERT

SECTION 30.12.(a) Funds appropriated to Asheville-Buncombe Technical Community College in S.L. 1999-237 for its Small Business Center shall not revert at the end of the 2000-2001 fiscal year, but shall remain available for expenditure in the 2001-2002 fiscal year. These funds may be used for the capital facilities and operating expenses of the Small Business Center.

SECTION 30.12.(b) This section becomes effective June 30, 2001.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

MAINTENANCE OF PLANT OPERATIONS

SECTION 30.13. G.S. 115D-31.2 reads as rewritten:

"**§ 115D-31.2. Maintenance of plant.**

Notwithstanding any provisions of law to the contrary, any community college that has an out-of-county student head count served on the main campus of the college in excess of fifty percent (50%) of the total student head count as defined by the State Board of Community Colleges, shall be provided funds for the purpose of "operations of plant". ~~These funds shall not exceed eighty-five percent (85%) of the funds allocated to these colleges during the 1990-91 fiscal year for this purpose.~~ Each college that qualifies for these funds shall receive a pro rata amount of the funds that are appropriated for this purpose."

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

FOCUSED INDUSTRIAL TRAINING PROGRAM

SECTION 30.15. Of the funds appropriated to the North Carolina Community Colleges System for the 2001-2003 fiscal biennium, the State Board of Community Colleges may use up to one hundred thousand dollars ($100,000) each year to pay registration fees and material costs for Occupational Continuing Education or Focused Industrial Training safety courses provided to companies that (i) are eligible to participate in the Focused Industrial Training Program, (ii) have less than 150 employees, and (iii) are found by community college representatives and regional customized training directors to face challenges in paying these fees and costs.

These funds shall not be expended without the prior approval of the North Carolina Community Colleges System Office, Division of Economic and Workforce Development.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Hackney, Morgan, Easterling, Oldham, Redwine, Thompson

COMMUNITY COLLEGE TRUSTEES/TRAVEL REIMBURSEMENT

SECTION 30.15A. G.S. 115D-17 reads as rewritten:

"**§ 115D-17. Compensation of trustees.**

Trustees shall receive no compensation for their services but shall receive reimbursement, according to regulations adopted by the State Board of Community Colleges, for cost of in-State travel, meals, and lodging while performing their official duties. Trustees may also, at the discretion of their local boards, receive reimbursement from local funds, for cost of out-of-state travel, meals, and lodging.

The reimbursement of the trustees from State funds shall not exceed the amounts permitted in G.S. 138-5. Trustees shall not be reimbursed from State funds for out-of-state travel."

PART XXXI. UNIVERSITITES

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

AID TO PRIVATE COLLEGES

SECTION 31.1.(a) Part 2 of Article 1 of Chapter 116 of the General Statutes is amended by adding the following new sections to read:

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

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

(b) The funds appropriated in compliance with this section shall be placed in a separate, identifiable account in each eligible institution's budget or chart of accounts. All funds in the 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 available for the tuition grant program as defined in G.S. 116-21.2.

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

(a) In addition to any funds appropriated pursuant to G.S. 116-19 and in addition to all other financial assistance made available to institutions, 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, a sum, to be determined by the General Assembly for each academic year which shall be distributed to the student as provided by this subsection.

(b) 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 shall 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 the times as it prescribes the grant to the approved institution on behalf, and to the credit, of the student.

(c) 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 tenth 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 behalf of the students.

(d) In the event there are not sufficient funds to provide each eligible student with a full grant:

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

(2) 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.

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

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

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

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

(c) 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. The

member's legislative tuition grant shall not exceed the cost of tuition less any tuition assistance paid by the member's employer.

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

"**§ 116-21.4. Limitations on expenditures.**

(a) Expenditures made pursuant to G.S. 116-19, 116-20, 116-21.1, or 116-21.2 may be used only for secular educational purposes at an institution as defined by G.S. 116-22.

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

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

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

SECTION 31.1.(b) G.S. 116-19 reads as rewritten:

"**§ 116-19. Contracts with private institutions to aid North Carolina ~~students.~~students; reporting requirement.**

(a) In order to encourage and assist private institutions to continue to educate North Carolina students, the State Education Assistance Authority may enter into contracts with the institutions under the terms of which an institution receiving any funds that may be appropriated pursuant to this section would agree that, during any fiscal year in which such funds were received, the institution would provide and administer scholarship funds for needy North Carolina students in an amount at least equal to the amount paid to the institution, pursuant to this section, during the fiscal year. Under the terms of the contracts the State Education Assistance Authority would agree to pay to the institutions, subject to the availability of funds, a fixed sum of money for each North Carolina student enrolled at the institutions for the regular academic year, said sum to be determined by appropriations that might be made from time to time by the General Assembly pursuant to this section. Funds appropriated pursuant to this section shall be paid by the State Education Assistance Authority to an institution on certification of the institution showing the number of North Carolina students enrolled at the institution as of October 1 of any year for which funds may be appropriated.

(b) The State Education Assistance Authority shall document the number of full-time equivalent North Carolina undergraduate students that are enrolled in off-campus programs and the State funds collected by each institution pursuant to G.S. 116-19 for those students. The State Education Assistance Authority shall also document the number of scholarships and the amount of the scholarships that are awarded under G.S. 116-19 to students enrolled in off-campus programs. An 'off-campus program' is any program offered for degree credit away from the institution's main permanent campus.

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

SECTION 31.1.(c) Funds are appropriated in this act to the Board of Governors of The University of North Carolina to be allocated and disbursed as provided by G.S. 116-19, 116-21, 116-21.1, and 116-22. These funds shall provide up to one thousand one hundred dollars ($1,100) per full-time equivalent North Carolina undergraduate student enrolled at an institution as of October 1, 2001, for the 2001-2002 fiscal year and up to one thousand one hundred dollars ($1,100) per full-time equivalent North Carolina undergraduate student enrolled at an institution as of October 1, 2002, for the 2002-2003 fiscal year.

SECTION 31.1.(d) Funds appropriated in this act to the Board of Governors of The University of North Carolina shall be allocated and disbursed for legislative tuition grants in compliance with G.S. 116-21.2. The funds shall be allocated as

follows: to each full-time North Carolina undergraduate student a sum not to exceed one thousand eight hundred dollars ($1,800) for the 2001-2002 academic year and one thousand eight hundred dollars ($1,800) for the 2002-2003 academic year.

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

ACADEMIC COMMON MARKET PILOT PROGRAM

SECTION 31.2.(a) The Southern Regional Education Board currently operates an Academic Common Market program. Under this program, qualified students from participating states may apply to attend programs at public universities in participating states that are not available in their home state's university system. North Carolina's participation for graduate programs would provide a cost-effective means of offering educational access for North Carolina residents. North Carolinians would be able to attend graduate programs that are not available at The University of North Carolina at reduced rates, and the State would avoid the cost associated with the development of new academic programs.

SECTION 31.2.(b) The Board of Governors of The University of North Carolina may establish a pilot program for participation in the Southern Regional Education Board's Academic Common Market at the graduate program level. The Board of Governors shall examine the graduate programs offered in The University of North Carolina system and select for participation only those graduate programs that are likely to be unique or are not commonly available in other Southern Regional Education Board states. Out-of-state tuition shall be waived for students who are residents of other Southern Regional Education Board states and who are participating in the Academic Common Market program. If accepted into The University of North Carolina graduate programs that are part of the Academic Common Market, these students shall pay in-State tuition and shall be treated for all purposes of The University of North Carolina as residents of North Carolina. Prior to the beginning of this pilot, the Board of Governors shall submit its list of graduate programs selected to be a part of the pilot program to the Joint Legislative Education Oversight Committee.

SECTION 31.2.(c) The pilot programs established under this section shall terminate July 1, 2005. However, once a student is enrolled in The University of North Carolina system under the Academic Common Market program, the student shall be entitled to pay in-State tuition as long as the student is enrolled in that graduate program. The Board of Governors shall report the success of the Academic Common Market program to the Joint Legislative Education Oversight Committee by December 31, 2003, and by January 31, 2005, and the Committee may recommend changes, if any are appropriate, to the pilot program at either of those times.

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

AID TO PRIVATE MEDICAL SCHOOLS/FUNDING FORMULA

SECTION 31.3. Part 2 of Article 1 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-21.5. Private medical schools–assistance funding formula.**

(a) Funds shall be appropriated each year in the Current Operations Appropriations 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. The funds 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 the appropriate fiscal year.

(b) 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 shall 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.

(c) 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.

(d) 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 of Governors 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 of Governors shall encourage the two schools to orient students toward primary care, consistent with the directives of G.S. 143-613(a). The two schools shall supply information necessary for the Board to comply with G.S. 143-613(d).

(e) If the funds appropriated in the Current Operations Appropriations 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 are insufficient to cover the enrolled students in accordance with this section, then the Board of Governors may transfer unused funds from other programs in the Related Educational Programs budget code to cover the extra students."

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

STUDY PROFESSIONAL DEVELOPMENT PROGRAMS FOR PUBLIC SCHOOL PROFESSIONALS

SECTION 31.4.(a) G.S. 115C-12(26) reads as rewritten:

"**§ 115C-12. Powers and duties of the Board generally.**

The general supervision and administration of the free public school system shall be vested in the State Board of Education. The State Board of Education shall establish policy for the system of free public schools, subject to laws enacted by the General Assembly. The powers and duties of the State Board of Education are defined as follows:

…

(26) Duty to Monitor and Make Recommendations Regarding Professional Development Programs. – The State Board of ~~Education, in collaboration with the Board of Governors of The University of North Carolina, shall identify and make recommendations regarding meaningful professional development programs for professional public school employees. The programs shall be aligned with State education goals and directed toward~~

~~improving student academic achievement.~~ Education shall identify State and local needs for professional development for professional public school employees based upon the State's educational priorities for improving student achievement. The State Board also shall recommend strategies for addressing these needs. The strategies must be research-based, proven in practice, and designed for data-driven evaluation. The State Board shall report its findings and recommendations to the Joint Legislative Education Oversight Committee, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Board of Governors of The University of North Carolina prior to January 15, 2002, and shall review, revise, and resubmit those findings and recommendations annually thereafter. The State Board shall ~~annually~~ evaluate ~~and, after consultation with the Board of Governors, make recommendations regarding professional development programs based upon~~ the reports submitted by the Board of Governors under ~~G.S. 116-11(12a).~~ G.S. 116-11(12a) to determine whether the programs for professional development provided by the Center for School Leadership Development address the State and local needs identified by the State Board and whether the programs are using the strategies recommended by the State Board. Prior to January 15th of each year, the State Board shall report the results of its analysis to the Board of Governors and to the Joint Legislative Education Oversight Committee.

...."

SECTION 31.4.(b) G.S. 116-11(12a) reads as rewritten:

"**§ 116-11. Powers and duties generally.**

The powers and duties of the Board of Governors shall include the following:

...

(12a) ~~The~~ Notwithstanding any other law, the Board of Governors of The University of North Carolina shall implement, administer, and revise programs for meaningful professional development for professional public school employees ~~based upon~~ in accordance with the evaluations and recommendations made by the State Board of Education under G.S. 115C-12(26). The programs shall be aligned with State education goals and directed toward improving student academic achievement. ~~The Board of Governors shall submit to the State Board of Education an annual report evaluating the professional development programs administered by the Board of Governors.~~ The Board of Governors shall submit to the State Board of Education an annual written report that uses data to assess and evaluate the effectiveness of the programs for professional development offered by the Center for School Leadership Development. The report shall clearly document how the programs address the State needs identified by the State Board of Education and whether the programs are utilizing the strategies recommended by the State Board. The Board of Governors also shall submit this report to the Joint Legislative Education Oversight Committee, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives prior to September 15th of each year."

SECTION 31.4.(c) The Joint Legislative Education Oversight Committee shall hire an independent consultant to study and make recommendations regarding professional development for public school professionals in North Carolina. The consultant shall study:

(1) The professional development programs administered under the UNC Center for School Leadership Development with regard to their mission, governance structure, efficiency, and objectively measurable effectiveness in increasing student achievement.
(2) The feasibility and merits of consolidating and reducing the number of professional development programs.
(3) The possibility of regionalizing professional development programs and using a cooperative arrangement between higher educational institutions and community colleges in a region to achieve the goal.
(4) The professional development support offered by the Department of Public Instruction.
(5) The use of professional development funds allocated to local school administrative units and individual schools.
(6) National research regarding effective methods for delivering professional development that is shown to improve student achievement.

The consultant shall report these findings to the Joint Legislative Education Oversight Committee and also shall make recommendations regarding how existing State funds should be utilized to provide effective and efficient professional development for public school professionals.

SECTION 31.4.(d) The Joint Legislative Education Oversight Committee shall review the consultant's findings and recommendations and shall submit to the 2002 Regular Session of the 2001 General Assembly recommendations to streamline, reorganize, and improve the delivery of professional development for public school professionals. The recommendations may address revisions to program governance and mission, reallocation of funds, methods of program delivery, and methods to institute ongoing program evaluation.

SECTION 31.4.(e) The Joint Legislative Education Oversight Committee shall review the reports that are required to be made to the Committee. The purpose of the review is to determine which reports must include information that is research-based, proven in practice, and designed for data-driven research. The Committee may make recommendations for changes in these reports based upon the Committee's findings.

Requested by: Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

TEACHER ASSISTANT SCHOLARSHIP FUND

SECTION 31.5.(a) Article 23 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-209.35. Teacher Assistant Scholarship Fund.**

(a) There is established the Teacher Assistant Scholarship Fund. The purpose of the Fund is to provide scholarships to teacher assistants who are pursuing college degrees to become teachers. The State Education Assistance Authority shall administer the Fund.

(b) Criteria for awarding the scholarships shall be developed by the Board of Governors of The University of North Carolina in consultation with the State Board of Education and the State Board of Community Colleges and shall include all of the following:

(1) An applicant shall be employed full time as a teacher assistant in North Carolina.
(2) An applicant shall be enrolled in an accredited bachelors degree program in an institution of higher education in North Carolina.
(3) An applicant shall be a resident of North Carolina. For purposes of this section, residency shall be determined by the same standard as residency for tuition purposes pursuant to G.S. 116-143.1.

(4) Any additional criteria that the Board of Governors considers necessary to administer the Fund effectively, including all of the following:

a. Consideration of the appropriate numbers of minority applicants and applicants from diverse socioeconomic backgrounds to receive scholarships pursuant to this section.

b. Consideration of the academic qualifications of the individuals applying to receive funds.

c. Consideration of the commitment an individual applying to receive funds demonstrates to the profession of teaching.

(c) The scholarships shall be available for part-time or full-time course work through all off-campus or distance education teacher education programs.

(d) The Board of Governors of The University of North Carolina, the State Board of Education, and the State Board of Community Colleges shall: (i) prepare a clear written explanation of the Teacher Assistant Scholarship Fund and the information regarding the availability and criteria for awarding the scholarships, and (ii) shall provide that information to the appropriate counselors in each local school system and shall charge those counselors to inform teacher assistants about the scholarships and to encourage teacher assistants to apply for the scholarships.

(e) The Board of Governors of The University of North Carolina shall adopt rules to implement this section.

(f) The Board of Governors of The University of North Carolina shall report to the Joint Legislative Education Oversight Committee by March 1 each year regarding the Fund and scholarships awarded from the Fund."

SECTION 31.5.(b) Of the funds appropriated by this Act to the Board of Governors of The University of North Carolina the sum of one million dollars ($1,000,000) shall be allocated to the State Education Assistance Authority to implement this section.

Requested by: Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

UNC BUDGET FLEXIBILITY/MUST HONOR BUDGET REDUCTIONS

SECTION 31.6.(a) Notwithstanding G.S. 116-30.2 or G.S. 116-30.3, neither the Office of General Administration of The University of North Carolina or any special responsibility constituent institution shall expend or use any of the following funds to modify the budget reductions imposed by this act:

(1) General Fund moneys appropriated by this act.

(2) General Fund current operations appropriations credit balances remaining at the end of any fiscal year that are carried forward to the next fiscal year.

SECTION 31.6.(b) Except as provided in subsection (a) of this section, G.S. 116-30.2 and G.S. 116-30.3 remain in full force and effect.

Requested by: Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

OFFER TEACHER EDUCATION PROGRAMS THROUGH DISTANCE EDUCATION

SECTION 31.7.(a) It is the intent of the General Assembly to make teacher education programs easily accessible statewide through distance education. The General Assembly finds that the "2 + 2" program is an excellent model for teacher credential programs and encourages its use as a model.

SECTION 31.7.(b) To achieve the goal of encouraging the "2 + 2" program as a model for teacher education programs and to make those model teacher education programs available and easily accessible statewide, any teacher education program that is offered by a constituent institution through distance education that does not require

campus residency is eligible for funds appropriated by this act for that purpose. The Board of Governors shall determine the eligibility of a constituent institution pursuant to this section. The Board of Governors shall also determine the amount of funds to be allocated to each eligible constituent institution based on the number of student credit hours taught in teacher preparation courses through distance education at that institution and shall distribute those funds to the institution. The Board of Governors of The University of North Carolina shall report to the Joint Legislative Education Oversight Committee annually regarding the implementation of this section and the amount and use of the funds allocated pursuant to this section.

equested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

UNC SURPLUS PROPERTY GUIDELINES

SECTION 31.8. No later than March 1, 2002, the Board of Governors of The University of North Carolina and the Department of Administration shall develop guidelines and methods to expedite the disposition of State surplus property of The University of North Carolina and its constituent institutions. The Board of Governors and the Secretary of Administration shall report to the Appropriations Committees of the Senate and House of Representatives and to the Fiscal Research Division by March 15, 2002, regarding the proposed guidelines and methods for the disposition of the State university system's surplus property. In its report the Board of Governors and the Department of Administration shall define the State surplus properties that are covered by the proposed guidelines and methods of disposition, and shall also make recommendations regarding the actual costs of disposing of the surplus property, the use of any receipts generated from the disposition of the surplus property, and any changes needed to existing law to implement the proposal.

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee; Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

SUBSTITUTION OF UNC-CH BOND PROJECTS

SECTION 31.9. Pursuant to Section 2(b) of S.L. 2000-3, the General Assembly finds that it is in the best interest of the State to substitute an Information Technology Office Facility for the Comprehensive Renovation and Conversion for Information Technology and Data Processing, both at the University of North Carolina at Chapel Hill, as contained in Section 2(a) of S.L. 2000-3. Section 2(a) of S.L. 2000-3 is therefore amended in the portion under the University of North Carolina at Chapel Hill, by adding "Information Technology Office Facility….$9,170,000" and deleting "Comprehensive Renovation and Conversion for Information Technology and Data Processing….$9,170,000".

Nothing in this section is intended to supersede any other requirement of law or policy for approval of the substituted capital improvement project.

Requested by: Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

MASTERS ED. ADMINISTRATION AT A&T STATE, NCCU, UNC-PEMBROKE/STUDY POSSIBLE PHARMACY SCHOOL AT ECSU/STUDY POSSIBLE DENTISTRY SCHOOL AT ECU AND POSSIBLE ENGINEERING SCHOOL AT ECU, WESTERN CAROLINA, AND UNC AT ASHEVILLE

SECTION 31.10.(a) G.S. 116-74.21(b) reads as rewritten:

"(b) No more than ~~nine~~ 12 school administrator programs shall be established under the competitive proposal program. In selecting campus sites, the Board of Governors shall be sensitive to the racial, cultural, and geographic diversity of the State. Special priority shall be given to the following factors: (i) the historical background of

the institutions in training educators; (ii) the ability of the sites to serve the geographic regions of the State, such as, the far west, the west, the triad, the piedmont, and the east; and, (iii) whether the type of roads and terrain in a region make commuting difficult. A school administrator program may provide for instruction at one or more campus sites."

SECTION 31.10.(b) The Board of Governors of The University of North Carolina shall include the Master of School Administration program at North Carolina Agricultural and Technical State University in Greensboro, North Carolina Central University in Durham, and the University of North Carolina at Pembroke as three of the 12 school administrator programs established pursuant to G.S. 116-74.21. These three programs shall be comparable in quality to the nine existing Master of School Administration programs and shall be operated within existing funds.

SECTION 31.10.(c) The Board of Governors of The University of North Carolina shall study the feasibility of establishing a School of Pharmacy at Elizabeth City State University. The Board of Governors shall report its findings and recommendations to the Joint Legislative Education Oversight Committee by April 1, 2002.

SECTION 31.10.(d) The Board of Governors of The University of North Carolina shall study the feasibility of establishing a School of Dentistry and a School of Engineering at East Carolina University. The Board shall also study the feasibility of establishing a School of Engineering at the University of North Carolina at Asheville and Western Carolina University.

Requested by: **Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson**

UNC BOARD OF GOVERNORS MAY AUTHORIZE CERTAIN MANAGEMENT FLEXI*B*ILITY FOR SPECIAL RESPONSIBILITY CONSTITUENT INSTITUTIONS

SECTION 31.11.(a) Article 1 of Chapter 116 of the General Statutes is amended by adding a new Part to read:

"Part 3A. Management Flexibility for Special Responsibility Constituent Institutions.

"**§ 116-40.20. Legislative findings.**

(a) The General Assembly finds that The University of North Carolina and its constituent institutions is one of the State's most valuable assets. The General Assembly further finds that to provide the best benefit to North Carolina, the constituent institutions of The University of North Carolina need special budgeting flexibility in order to maximize resources, to enhance competitiveness with other peer institutions regionally, nationally, and internationally, and to provide the strongest educational and economic opportunity for the citizens of North Carolina.

(b) To ensure the continued preeminence of The University of North Carolina and its constituent institutions, it is the intent of the General Assembly to strengthen and improve these assets. The General Assembly commits to responsible stewardship and improvement of The University of North Carolina and its constituent institutions as provided by this Part.

"**§ 116-40.21. Board of governors may authorize management flexibility.**

The Board of Governors of The University of North Carolina may authorize management flexibility for any special responsibility constituent institution as provided by this Part. The procedure for that authorization is the same as that to designate a constituent institution a special responsibility constituent institution under G.S. 116-30.1.

"**§ 116-40.22. Management flexibility.**

(a) Definition. – For purposes of this section, the term `institution' means a special responsibility constituent institution that is granted management flexibility by the Board of Governors in compliance with this Part.

(b) Appoint and Fix Compensation of Senior Personnel. – Notwithstanding any provision in Chapter 116 of the General Statutes to the contrary, the Board of Trustees

of an institution shall, on recommendation of the Chancellor, appoint and fix the compensation of all vice-chancellors, senior academic and administrative officers, and any person having permanent tenure at that institution. No later than January 1, 2002, the Board of Governors shall adopt policies, compensation structures, and pay ranges concerning the appointment and compensation of senior personnel appointed by the Board of Trustees pursuant to this section. Compensation for senior personnel fixed by the Board of Trustees pursuant to this section shall be consistent with the compensation structure, policies, and pay ranges set by the Board of Governors.

(c) Tuition and Fees. – Notwithstanding any provision in Chapter 116 of the General Statutes to the contrary, in addition to any tuition and fees set by the Board of Governors pursuant to G.S. 116-11(7), the Board of Trustees of the institution may recommend to the Board of Governors tuition and fees for program-specific and institution-specific needs at that institution without regard to whether an emergency situation exists and not inconsistent with the actions of the General Assembly. The institution shall retain any tuition and fees set pursuant to this subsection for use by the institution.

(d) Information Technology. – Notwithstanding any other provision of law, the Board of Trustees of an institution shall establish policies and rules governing the planning, acquisition, implementation, and delivery of information technology and telecommunications at the institution. These policies and rules shall provide for security and encryption standards; software standards; hardware standards; acquisition of information technology consulting and contract services; disaster recovery standards; and standards for desktop and server computing, telecommunications, networking, video services, personal digital assistants, and other wireless technologies; and other information technology matters that are necessary and appropriate to fulfill the teaching, educational, research, extension, and service missions of the institution. The Board of Trustees shall submit all initial policies and rules adopted pursuant to this subsection to the Office of Information Technology Services for review upon adoption by the Board of Trustees. Any subsequent changes to these policies and rules adopted by the Board of Trustees shall be submitted to the Office of Information Technology Services for review. Any comments by the Office of Information Technology Services shall be submitted to the Chancellor of that institution.

"**§ 116-40.23. Reporting requirement; effective date of reported policies, procedures, and rules.**

The Board of Trustees of a special responsibility constituent institution authorized to have management flexibility under this Part shall report to the Board of Governors and to the Joint Legislative Education Oversight Committee any policies, procedures, and rules adopted pursuant to G.S. 116-40.22 prior to implementation. The report shall be submitted to both at least 30 days before the next regularly scheduled meeting of the Board of Governors and shall become effective immediately following that same meeting unless otherwise provided for by the Board of Trustees. Any subsequent changes to the policies, procedures, or rules adopted by the Board of Trustees pursuant to G.S. 116-40.22 shall be reported to the Board of Governors and to the Joint Legislative Education Oversight Committee in the same manner. Failure of the Board of Governors to accept, review, or otherwise consider the report submitted by the Board of Trustees shall not affect in any manner the effective date of the policies, procedures, and rules contained in the report."

SECTION 31.11.(b) In the event that G.S. 116-40.22 as enacted by this section and Section 15.6 of this act conflict, then the provisions of Section 15.6 control.

SECTION 31.11.(c) The Joint Legislative Education Oversight Committee shall study the issue of whether management flexibility for special responsibility constituent institutions should be expanded to include personnel, property, and purchasing responsibilities. In its study the Committee shall consider the impact and effect that extending management flexibility in those areas may have on the University system as a whole, on each individual special responsibility constituent

institution, and on the State's budget, budgeting process, and fiscal accountability. The Committee shall also identify any statutory and budgetary changes that would be needed to implement the expanded flexibility and determine whether any additional State appropriations would be needed. The Committee may also consider any other issues relevant to its study. The Committee shall report its findings and recommendations to the 2003 General Assembly.

Requested by: Representatives Boyd-McIntyre, Rogers, Yongue, Easterling, Oldham, Redwine, Thompson

PROGRESS BOARD

SECTION 31.12.(a) G.S. 143B-372.1 reads as rewritten:

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

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

(b) The North Carolina Progress Board shall consist of ~~21~~ 24 members of statewide prominence as follows:

(1) The Governor, ex officio;

(2) Eight persons appointed by the Governor, none of whom shall be State employees or officers;

(3) ~~Four~~ Five persons appointed by the Speaker of the House of Representatives, ~~one~~ two of whom shall be ~~a member~~ members of the House of Representatives;

(4) ~~Four~~ Five persons appointed by the President Pro Tempore of the Senate, ~~one~~ two of whom shall be ~~a member~~ members of the Senate; and

(5) ~~Four~~ Five persons appointed by the North Carolina Progress Board.

(c) The Governor shall be chair of the North Carolina Progress Board. The Governor shall appoint a vice-chair from among the membership of the North Carolina Progress Board to serve at the pleasure of the Governor. The North Carolina Progress Board may elect such other officers as it sees fit.

(d) The North Carolina Progress Board shall meet at least twice annually on the call of the chair or as additionally provided by the North Carolina Progress Board. A quorum is ~~11~~ 12 members of the Board. Members may not send designees to board meetings, nor may they vote by proxy.

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

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

vacates membership on the North Carolina Progress Board when that person is no longer a member of the Senate, except that if that person is in office at the expiration of the term of office in the Senate but has not been elected to the next term, that person shall continue to serve until the convening of the regular session."

SECTION 31.12.(b) G.S. 143B-372.2 reads as rewritten:

"**§ 143B-372.2. Responsibilities.**

(a) The General Assembly notes that the Commission for a Competitive North Carolina developed goals in the following categories:

(1) Healthy Children and Families;
(2) Quality Education for All;
(3) A High Performance Workforce;
(4) A Prosperous Economy;
(5) A Sustainable Environment;
(6) Technology and Infrastructure Development;
(7) Safe and Vibrant Communities; and
(8) Active Citizenship/Accountable Government.

The Commission for a Competitive North Carolina adopted a report which established major goals and ways to measure progress toward these goals.

(a1) The General Assembly finds that the North Carolina Progress Board developed a report that focused on four of the Commission's recommended topics and issued 16 major targets for 2010. The objectives of the targets are to drive the State toward (i) a more expansive vision of education and environmental protection, (ii) strengthening families, and (iii) bringing more people into the economic mainstream.

(b) The General Assembly finds ~~that:~~ the following:

(1) The North Carolina economy of the future can provide unparalleled opportunity while maintaining North Carolina's traditional values, if the State pursues the future with clarity of purpose and ~~perseverance;~~ perseverance.
(2) The North Carolina economy is in the midst of a massive transition created by technological changes, global competition, and new production ~~practices; and~~ practices.
(3) In order to maintain employment opportunities, increase income levels, reduce poverty, and generate the public revenues necessary to provide public services, North Carolina must increasingly rely on an economy which adds value to its natural and human resources and provides a diverse mix of products.
(4) Regional Progress Boards, modeled after the North Carolina Progress Board, should be encouraged, and to the extent practicable, funded from local sources, public and private, to ensure that the several regions of North Carolina describe a clear regional vision, with measures, targets, and methods for keeping track of progress toward that regional vision, and each forming a strategic alliance with the North Carolina Progress Board.

(c) The North Carolina Progress Board shall:

(1) Encourage ~~the~~ a discussion ~~and~~ toward understanding ~~of~~ the critical ~~global~~ global, national, statewide, regional, and local demographic, social, economic, and environmental ~~and~~ trends and conditions that exist or are emerging in North Carolina today, and how those issues will impact living in North Carolina in 10 to 20 years. ~~national social and economic trends that will affect North Carolina in the coming decades;~~
(2) Examine the report of the Commission for a Competitive North Carolina and the 1997 and February 2000 reports of the North Carolina Progress Board to the General Assembly. ~~the 1997 report of the North Carolina Progress Board to the General Assembly;~~

(3) Track the eight issue areas set out in subsection (a) of this section and the objectives set out in subsection (a1) of this section and other issues identified by the Progress Board. The Progress Board may, upon vote of the Board, add to those issues identified by its predecessor Commission and ~~Board;~~ Board.

(4) Hold public hearings and other methods of public participation, including educational and outreach programs, to secure the views of citizens on priority goals for North Carolina and to disseminate findings and recommendations to ~~policymakers;~~ policymakers.

(5) Formulate and submit to North Carolinians a report every five years, beginning 2001, that updates the ~~20~~ 10- to ~~30~~ 20-year vision for North Carolina and that describes and explains a vision for North Carolina's progress over the next ~~20~~ 10 to ~~30~~ 20 ~~years;~~ years.

(6) Submit a report to the General Assembly prior to its convening the regular session every odd-numbered year, which reports on demographic, ~~social and~~ social, ~~economic~~ economic, or environmental trends and ~~issues~~ recommends specific targets and milestones to accomplish its ~~mission;~~ mission.

(7) ~~Recommend~~ Recommend, by reporting special legislative provisions, in draft form only, how ~~the~~ targets and milestones can be applied to increase ~~the~~ accountability of government to the people of this ~~State;~~ State.

(8) Report periodically to the people of North Carolina on progress toward meeting goals, targets, and ~~milestones;~~ milestones, together with an assessment of the failure to meet the same and, where possible, an estimate of the potential costs associated with failure to act.

(9) Undertake new and ongoing policy research and benchmarking ~~studies;~~ studies.

(10) Publish and distribute periodic reports on policies, performance improvement, and best practices for ~~meeting~~ achieving the ~~long-term~~ long-term, strategic goals for the ~~State; and~~ State.

(11) May apply for and accept gifts or ~~grants.~~ grants or engage in consulting activities, or other contractual assignments, consistent with its mission, for which applicable staff or Board members may expect to receive reasonable fees and expenses in exchange for specific work products.

(d) ~~The~~ Any Regular Session of the General Assembly shall further define the mission of the North Carolina Progress Board in continuing its ~~work.~~ work and may from time to time, and to the extent practicable, request staff assistance from the Board to standing, select, or independent legislative study committees or commissions.

(e) The General Assembly, after adopting the initial set of goals and measures as proposed or amended, may alter the goals and measures."

SECTION 31.12.(c) G.S. 143B-372.3 reads as rewritten:

"**§ 143B-372.3. Staff.**

(a) ~~The Chancellor of North Carolina State University~~ Upon the recommendation of the Board, the Governor shall appoint an Executive Director who shall serve at the pleasure of the ~~Chancellor.~~ Board and the Governor but, for administrative purposes, shall report to the Board of Governors of The University of North Carolina. The Executive Director shall report to the North Carolina Progress Board and the ~~Chancellor.~~ Governor. The Executive Director shall hire or contract with support staff, who shall work at the pleasure of the Executive Director.

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

(c) Repealed by Session Laws 1999-237, s. 10.12(a), effective June 30, 1999."

SECTION 31.12. (d) Of the funds appropriated in this act to the Board of Governors of The University of North Carolina for the Strategic Initiative Reserve for each year of the 2001-2003 fiscal biennium, the sum of two hundred fifty thousand dollars ($250,000) shall be allocated for the operation of the North Carolina Progress Board."

Requested by: Representative Cole

TRANSFER CHINQUA-PENN PLANTATION FUNDS

SECTION 31.13. All "Friends of Chinqua-Penn" funds and gift shop funds on deposit with The University of North Carolina shall be transferred to the Chinqua-Penn Foundation, Inc.

Requested by: Representative Creech

UNC BOARD OF GOVERNORS REPORT ON OVERHEAD RECEIPTS

SECTION 31.14. The Board of Governors of The University of North Carolina shall report to the Joint Legislative Education Oversight Committee by March 1, 2002, and annually thereafter, on the amount of overhead receipts for The University System and the use of those receipts.

PART XXXII. SALARIES AND EMPLOYEE BENEFITS

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

GOVERNOR AND COUNCIL OF STATE/NO SALARY INCREASES

SECTION 32.1.(a) For the 2001-2002 and 2002-2003 fiscal years, the salary of the Governor shall remain the amount set by G.S. 147-11(a).

SECTION 32.1.(b) Effective July 1, 2001, the annual salaries for the members of the Council of State, payable monthly, for the 2001-2002 and 2002-2003 fiscal years are:

Council of State	**Annual Salary**
Lieutenant Governor	$104,523
Attorney General	104,523
Secretary of State	104,523
State Treasurer	104,523
State Auditor	104,523
Superintendent of Public Instruction	104,523
Agriculture Commissioner	104,523
Insurance Commissioner	104,523
Labor Commissioner	104,523

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

NONELECTED DEPARTMENT HEAD/NO SALARY INCREASES

SECTION 32.2. In accordance with G.S. 143B-9, the maximum annual salaries, payable monthly, for the nonelected heads of the principal State departments for the 2001-2002 and 2002-2003 fiscal years are:

Nonelected Department Heads	**Annual Salary**
Secretary of Administration	$102,119
Secretary of Correction	102,119
Secretary of Crime Control and Public Safety	102,119
Secretary of Cultural Resources	102,119
Secretary of Commerce	102,119
Secretary of Environment and Natural Resources	102,119
Secretary of Health and Human Services	102,119

Secretary of Juvenile Justice and Delinquency Prevention	102,119
Secretary of Revenue	102,119
Secretary of Transportation	102,119

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

CERTAIN EXECUTIVE BRANCH OFFICIALS/NO SALARY INCREASES

SECTION 32.3. The annual salaries, payable monthly, for the 2001-2002 and 2002-2003 fiscal years for the following executive branch officials are:

Executive Branch Officials	**Annual Salary**
Chairman, Alcoholic Beverage Control Commission	$92,946
State Controller	130,078
Commissioner of Motor Vehicles	92,946
Commissioner of Banks	104,523
Chairman, Employment Security Commission	129,913
State Personnel Director	102,119
Chairman, Parole Commission	84,871
Members of the Parole Commission	78,356
Chairman, Utilities Commission	116,405
Members of the Utilities Commission	104,523
Executive Director, Agency for Public Telecommunications	78,356
General Manager, Ports Railway Commission	70,755
Director, Museum of Art	95,240
Executive Director, North Carolina Housing Finance Agency	115,031
Executive Director, North Carolina Agricultural Finance Authority	90,470
State Chief Information Officer	130,000

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

JUDICIAL BRANCH OFFICIALS/NO SALARY INCREASES

SECTION 32.4.(a) The annual salaries, payable monthly, for specified judicial branch officials for the 2001-2002 and 2002-2003 fiscal years are:

Judicial Branch Officials	**Annual Salary**
Chief Justice, Supreme Court	$118,430
Associate Justice, Supreme Court	115,336
Chief Judge, Court of Appeals	112,452
Judge, Court of Appeals	110,530
Judge, Senior Regular Resident Superior Court	107,527
Judge, Superior Court	104,523
Chief Judge, District Court	94,912
Judge, District Court	91,909
Administrative Officer of the Courts	107,527
Assistant Administrative Officer of the Courts	98,216

SECTION 32.4.(b) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district do not exceed sixty thousand one hundred ninety-one dollars ($60,191), and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-one thousand thirty-five dollars ($31,035), effective July 1, 2001.

SECTION 32.4.(c) The salaries in effect for the 2001-2002 and 2002-2003 fiscal years for permanent, full-time employees of the Judicial Department, except for those whose salaries are itemized in this Part, shall be increased by six hundred twenty-five dollars ($625.00), effective July 1, 2001.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

CLERK OF SUPERIOR COURT SALARY INCREASES

SECTION 32.5. Effective July 1, 2001, G.S. 7A-101(a) reads as rewritten:

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

Population	Annual Salary
Less than 100,000	~~$69,286~~$69,911
100,000 to 149,999	~~77,827~~78,452
150,000 to 249,999	~~86,369~~86,994
250,000 and above	~~94,912~~95,537

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

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

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

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASE

SECTION 32.6. Effective July 1, 2001, G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	~~$25,890~~$26,515
Maximum	~~45,839~~ 46,464

Deputy Clerks	Annual Salary
Minimum	~~$21,940~~$22,565
Maximum	~~35,309.~~35,934."

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

MAGISTRATES' SALARY INCREASES

SECTION 32.7. Effective July 1, 2001, G.S. 7A-171.1 reads as rewritten:

"(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the

next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	~~$26,264~~$26,889
Step 1	~~28,900~~29,525
Step 2	~~31,764~~32,393
Step 3	~~34,898~~35,523
Step 4	~~38,327~~38,952
Step 5	~~42,096~~42,721
Step 6	~~46,239~~46,864

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

(3) Notwithstanding any other provision of this subsection, an individual who, when initially appointed as a full-time magistrate, is licensed to practice law in North Carolina, shall receive the annual salary provided in the Table in subdivision (1) of this subsection for Step 4. This magistrate's salary shall increase to the next step every four years on the anniversary of the date the magistrate was originally appointed. An individual who, when initially appointed as a part-time magistrate, is licensed to practice law in North Carolina, shall be paid an annual salary based on that for Step 4 and determined according to the formula in subdivision (2) of this subsection. This magistrate's salary shall increase to the next step every four years on the anniversary of the date the magistrate was originally appointed. The salary of a full-time magistrate who acquires a license to practice law in North Carolina while holding the office of magistrate and who at the time of acquiring the license is receiving a salary at a level lower than Step 4 shall be adjusted to Step 4 and, thereafter, shall advance in accordance with the Table's schedule. The salary of a part-time magistrate who acquires a license to practice law in North Carolina while holding the office of magistrate and who at the time of acquiring the license is receiving an annual salary as determined by subdivision (2) of this subsection based on a salary level lower than Step 4 shall be adjusted to a salary based on Step 4 in the Table and, thereafter, shall advance in accordance with the provision in subdivision (2) of this subsection.

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

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

Less than 1 year of service	~~$20,700~~$21,325
1 or more but less than 3 years of service	~~21,764~~22,389
3 or more but less than 5 years of service	~~23,905.~~24,530.

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

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

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

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

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

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

(a2) The Administrative Officer of the Courts shall provide magistrates with longevity pay at the same rates as are provided by the State to its employees subject to the State Personnel Act.

(b) Notwithstanding G.S. 138-6, a magistrate may not be reimbursed by the State for travel expenses incurred on official business within the county in which the magistrate resides."

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 32.8. Effective July 1, 2001, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~eighty-seven thousand six hundred eighty-one dollars ($87,681)~~ eighty-eight thousand three hundred six dollars ($88,306) payable monthly. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and Advisory Budget Commission and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

SERGEANT-AT-ARMS AND READING CLERKS

SECTION 32.9. Effective July 1, 2001, G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~two hundred eighty-six dollars ($286.00)~~ two hundred ninety-two dollars ($292.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

LEGISLATIVE EMPLOYEES

SECTION 32.10. The Legislative Services Officer shall increase the salaries of nonelected employees of the General Assembly in effect for fiscal year 2000-2001 by six hundred twenty-five dollars ($625.00). Nothing in this act limits any of the provisions of G.S. 120-32.

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson

COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES

SECTION 32.11. The Director of the Budget shall transfer from the Reserve for Compensation Increases, created in this act for fiscal years 2001-2002 and 2002-2003, funds to the North Carolina Community Colleges System Office necessary to provide an annual salary increase of six hundred twenty-five dollars ($625.00) including funds for the employer's retirement and social security contributions, commencing July 1, 2001, for all permanent full-time community college institutional personnel supported by State funds. The State Board of Community Colleges shall establish guidelines for providing their salary increases to community college institutional personnel and shall have the flexibility to use any excess funds for merit increases. Salary funds shall be used to provide an annual salary increase of six hundred twenty-five dollars ($625.00) to all full-time employees and part-time employees on a pro rata basis.

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES

SECTION 32.12.(a) The Director of the Budget shall transfer to the Board of Governors of The University of North Carolina sufficient funds from the Reserve for Compensation Increases, created in this act for fiscal years 2001-2002 and 2002-2003, to provide an annual salary increase of six hundred twenty-five dollars ($625.00), including funds for the employer's retirement and social security contributions, commencing July 1, 2001, for all employees of The University of North Carolina, as well as employees other than teachers of the North Carolina School of Science and Mathematics, supported by State funds and whose salaries are exempt from the State Personnel Act (EPA). Excess funds shall be allocated to individuals according to the rules adopted by the Board of Governors or the Board of Trustees of the North Carolina School of Science and Mathematics, as appropriate, and may be used for merit increases. Funds provided under this subsection may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section.

SECTION 32.12.(b) The Director of the Budget shall transfer to the Board of Governors of The University of North Carolina sufficient funds from the Reserve for Compensation Increases, created in this act for fiscal years 2001-2002 and 2002-2003,

to provide an annual average salary increase of two and eighty-six hundredths percent (2.86%), including funds for the employer's retirement and social security contributions, commencing July 1, 2001, for all teaching employees of the North Carolina School of Science and Mathematics, supported by State funds and whose salaries are exempt from the State Personnel Act (EPA). These funds shall be allocated to individuals according to the rules adopted by the Board of Trustees of the North Carolina School of Science and Mathematics and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

MOST STATE EMPLOYEES

SECTION 32.13.(a) The salaries in effect June 30, 2001, of all permanent full-time State employees whose salaries are set in accordance with the State Personnel Act, and who are paid from the General Fund or the Highway Fund shall be increased, on or after July 1, 2001, unless otherwise provided by this act, by six hundred twenty-five dollars ($625.00) per year.

SECTION 32.13.(b) Except as otherwise provided in this act, the fiscal year 2001-2002 salaries for permanent full-time 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 by six hundred twenty-five dollars ($625.00) per year, commencing July 1, 2001.

SECTION 32.13.(c) The salaries in effect for fiscal year 2001-2002 for all permanent part-time State employees shall be increased on and after July 1, 2001, by pro rata amounts of the six hundred twenty-five dollars ($625.00) per year salary increase provided for permanent full-time employees covered under subsection (a) of this section.

SECTION 32.13.(d) 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, on and after July 1, 2001, in accordance with subsection (a), (b), or (c) of this section including funds for the employer's retirement and social security contributions, for the permanent full-time and part-time employees of the agency, provided the employing agency elects to make available the necessary funds.

SECTION 32.13.(e) 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 and permanent hourly State employees, subject to availability of funds in the particular agency or department, by pro rata amounts of the six hundred twenty-five dollars ($625.00) per year salary increase provided for permanent full-time employees covered by the provisions of subsection (a) of this section, commencing July 1, 2001.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

ALL STATE-SUPPORTED PERSONNEL

SECTION 32.14.(a) Salaries and related benefits for positions that are funded partially from the General Fund or Highway Fund and partially from sources other than the General Fund or Highway Fund shall be increased from the General Fund or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.

SECTION 32.14.(b) The granting of the salary increases under this act does not affect the status of eligibility for salary increments for which employees may be eligible unless otherwise required by this act.

SECTION 32.14.(c) The salary increases provided in this act are to be effective July 1, 2001, do not apply to persons separated from State service due to

resignation, dismissal, reduction in force, death, or retirement, or whose last workday is prior to July 1, 2001.

Payroll checks issued to employees after July 1, 2001, which represent payment of services provided prior to July 1, 2001, shall not be eligible for salary increases provided for in this act. This subsection shall apply to all employees, subject to or exempt from the State Personnel Act, paid from State funds, including public schools, community colleges, and The University of North Carolina.

SECTION 32.14.(d) The Director of the Budget shall transfer from the Reserve for Compensation Increases in this act for fiscal year 2001-2002 all funds necessary for the salary increases provided by this act, including funds for the employer's retirement and social security contributions.

SECTION 32.14.(e) Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

TEMPORARY SALES TAX TRANSFER FOR WILDLIFE RESOURCES COMMISSION SALARIES

SECTION 32.15. For the 2001-2002 and 2002-2003 fiscal years, the Secretary of Revenue shall transfer at the end of each quarter from the State sales and use tax net collections received by the Department of Revenue under Article 5 of Chapter 105 of the General Statutes to the State Treasurer for the Wildlife Resources Fund to fund the cost of any legislative salary increase for employees of the Wildlife Resources Commission.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

CLEAN WATER MANAGEMENT TRUST FUND PERSONNEL

SECTION 32.16.(a) G.S. 126-5(c1) is amended by adding a new subdivision to read:

"(21) Employees of the Clean Water Management Trust Fund."

SECTION 32.16.(b) G.S. 113-145.7 reads as rewritten:

"**§ 113-145.7. Clean Water Management Trust Fund: Executive Director and staff.**

The Clean Water Management Trust Fund Board of Trustees, as soon as practicable after its organization, shall select and appoint a competent person in accordance with this section as Executive Director of the Clean Water Management Trust Fund Board of Trustees. The Executive Director shall be charged with the supervision of all activities under the jurisdiction of the Trustees and shall serve as the chief administrative officer of the Trustees. Subject to the approval of the Trustees and the Director of the Budget, the Executive Director may employ such clerical and other assistants as may be deemed necessary.

The person selected as Executive Director shall have had training and experience in conservation, protection, and management of surface water resources. The salary of the Executive Director shall be fixed by the Trustees, and the Executive Director shall be allowed travel and subsistence expenses in accordance with G.S. 138-6. The Executive Director's salary and expenses shall be paid from the Fund. The term of office of the Executive Director shall be at the pleasure of the Trustees.

These employees shall be exempt from the State Personnel Act, as provided in G.S. 126-5(c1)."

SECTION 32.16.(c) This section is effective when it becomes law.

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson

LIMIT CLEAN WATER MANAGEMENT TRUST FUND ADMINISTRATIVE EXPENSES

SECTION 32.17. G.S. 113-145.3(d) reads as rewritten:

"(d) Limit on Operating and Administrative Expenses. – No more than two percent (2%) of the annual balance of the Fund on July 1 or a total sum of ~~eight hundred fifty thousand dollars ($850,000), whichever is less,~~ one million two hundred fifty thousand dollars ($1,250,000), whichever is greater, may be used each fiscal year for administrative and operating expenses of the Board of Trustees and its staff."

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson

SEVERANCE PAY/SALARY ADJUSTMENT FUND

SECTION 32.19.(a) Funds from the Salary Adjustment Fund shall first be used for severance wages for eligible separated employees.

SECTION 32.19.(b) The sum of up to five million dollars ($5,000,000) of any remaining appropriations for legislative salary increases not required for that purpose may be used to supplement the Salary Adjustment Fund. These funds may be used for reclassifications of positions already approved by the Office of State Personnel. Any funds in excess of five million dollars ($5,000,000) shall revert. The Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations prior to the allocation of salary adjustment funds for any State agency.

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson

NEW RECEIPT-SUPPORTED POSITIONS/CONSULTATION REQUIREMENT

SECTION 32.19A.(a) G.S. 143-34.1 is amended by adding a new subsection to read:

"(a1) A department, institution, or other agency of State government may establish new receipt-supported positions only after prior consultation with the Joint Legislative Commission on Governmental Operations. This subsection shall not apply to work-order funded positions in the Department of Transportation that are created for the purpose of highway construction or to positions at The University of North Carolina or its constituent institutions."

SECTION 32.19.(b) This section is effective when it becomes law.

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson

SALARY-RELATED CONTRIBUTIONS/EMPLOYERS

SECTION 32.21.(a) 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 the employees' salaries. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway 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 benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

SECTION 32.21.(b) The State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2001-2002 fiscal year and the 2002-2003 fiscal year are (i) five percent (5.00%) - Teachers and State Employees; (ii) ten percent (10.00%) - State Law Enforcement Officers; (iii) nine

and seventy-one hundredths percent (9.71%) - University Employees' Optional Retirement System; (iv) nine and seventy-one hundredths percent (9.71%) –Community College Optional Retirement Program; (v) sixteen and forty hundredths percent (16.40%) - Consolidated Judicial Retirement System; and (vi) twenty-five and fifty-five hundredths percent (25.55%) - Legislative Retirement System. Each of the foregoing contribution rates includes two and thirty-five hundredths percent (2.35%) for hospital and medical benefits. The rate for Teachers and State Employees, State Law Enforcement Officers, Community College Optional Retirement Program, and for the University Employees' Optional Retirement Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen-hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income.

SECTION 32.21.(c) Notwithstanding any other provision of law, the Board of Trustees of the Teachers' and State Employees' Retirement System shall adopt such assumptions as necessary to remove the asset cap of seventy-seven percent (77%) of market value and to allow for a five-year smooth market method of asset value.

SECTION 32.21.(d) The General Assembly directs the State Treasurer to adopt a fixed amortization period of nine years for the purposes of the unfunded accrued liability for the North Carolina National Guard Pension Fund.

SECTION 32.21.(e) The maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2001-2002 fiscal year to the Teachers' and State Employees' Comprehensive Major Medical Plan are: (i) Medicare-eligible employees and retirees - two thousand one hundred four dollars ($2,104), and (ii) non-Medicare-eligible employees and retirees - two thousand seven hundred sixty-four dollars ($2,764).

SECTION 32.21.(f) The maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2002-2003 fiscal year to the Teachers' and State Employees' Comprehensive Major Medical Plan are: (i) Medicare-eligible employees and retirees – two thousand two hundred thirty-three dollars ($2,233), and (ii) non-Medicare-eligible employees and retirees - two thousand nine hundred thirty-three dollars ($2,933).

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson

TEMPORARY EMPLOYEES OF THE GENERAL ASSEMBLY

SECTION 32.21A.(a) G.S. 120-32(1) reads as rewritten:

"(1) Determine the number, titles, classification, functions, compensation, and other conditions of employment of the joint legislative service employees of the General Assembly, including but not limited to the following departments:

a. Legislative Services Officer and personnel,
b. Electronic document writing system,
c. Proofreaders,
d. Legislative printing,
e. Enrolling clerk and personnel,
f. Library,
g. Research and bill drafting,
h. Printed bills,
i. Disbursing and supply;

Temporary employees of the General Assembly are exempt from the provisions of G.S. 135-3(8)c., as to compensation earned in that status."

SECTION 32.21A.(b) This section becomes effective January 1, 2001.

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson

PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM

SECTION 32.22.(a) G.S. 135-5 is amended by adding a new subsection to read:

"(iii) From and after July 1, 2001, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2000, shall be increased by two percent (2%) of the allowance payable on June 1, 2001, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2001, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2000, but before June 30, 2001, shall be increased by a prorated amount of two percent (2%) 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, 2000, and June 30, 2001."

SECTION 32.22.(b) G.S. 135-65 is amended by adding a new subsection to read:

"(v) From and after July 1, 2001, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2000, shall be increased by two percent (2%) of the allowance payable on June 1, 2001. Furthermore, from and after July 1, 2001, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2000, but before June 30, 2001, shall be increased by a prorated amount of two percent (2%) 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, 2000, and June 30, 2001."

SECTION 32.22.(c) G.S. 120-4.22A is amended by adding a new subsection to read:

"(p) In accordance with subsection (a) of this section, from and after July 1, 2001, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 2001, shall be increased by two percent (2%) of the allowance payable on June 1, 2001. Furthermore, from and after July 1, 2001, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 2001, but before June 30, 2001, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 2001, and June 30, 2001."

SECTION 32.22.(d) G.S. 128-27 is amended by adding a new subsection to read:

"(zz) From and after July 1, 2001, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2000, shall be increased by two percent (2%) of the allowance payable on June 1, 2001, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2001, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2000, but before June 30, 2001, shall be increased by a prorated amount of two percent (2%) 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, 2000, and June 30, 2001."

SECTION 32.22.(e) This section becomes effective July 1, 2001.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson, Tucker

INCREASE LOCAL RETIREMENT BENEFITS

SECTION 32.23.(a) G.S. 128-27(b18) reads as rewritten:

"(b18) Service Retirement Allowance of Member Retiring on or After July 1, ~~2000.~~ 2000, but Before July 1, 2001. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2000, but before July 1, 2001, 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 seventy-eight hundredths percent (1.78%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 128-27(b18)(1)a. 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 the month the member would have attained his 55th birthday;

2. The service retirement allowance as computed under G.S. 128-27(b18)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

(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 upon the completion of five years of creditable service 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, the allowance shall be equal to one and seventy-eight hundredths percent (1.78%) of average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 128-27(b18)(2)a. but shall be reduced by one-quarter of one percent (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 early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 128-27(b18)(2)a. but reduced by the sum of

five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 128-27(b18)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1995, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 128-27(b18)(2)b.

d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1965, shall not receive less than the benefit provided by G.S. 128-27(b)."

SECTION 32.23.(b) G.S. 128-27 is amended by adding a new subsection to read:

"(b19) Service Retirement Allowance of Member Retiring on or After July 1, 2001. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2001, 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 eighty-one hundredths percent (1.81%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 128-27(b19)(1)a. 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 the month the member would have attained his 55th birthday;

2. The service retirement allowance as computed under G.S. 128-27(b19)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

(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 upon the completion of five years of creditable service 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, the allowance shall be equal to one and eighty-one hundredths percent (1.81%) of average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 128-27(b19)(2)a. but shall be reduced by one-quarter of one percent (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 early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 128-27(b19)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 128-27(b19)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1995, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 128-27(b19)(2)b.

d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1965, shall not receive less than the benefit provided by G.S. 128-27(b)."

SECTION 32.23.(c) G.S. 128-27(m) reads as rewritten:

"(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the principal beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance provided by Option two of subsection (g) above computed by assuming that the member had retired on the first day of the month following the date of his death, provided that all three of the following conditions apply:

(1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, or

b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with ~~G.S. 128-27(b18)(1)b. or G.S. 128-27(b18)(2)c.,~~ G.S. 128-27(b19)(1)b. or G.S. 128-27(b19)(2)c., notwithstanding the requirement of obtaining age 50.

(2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who is living at the time of his death.

(3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection apply.

For the purpose of this benefit, a member is considered to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service. The last day of actual service shall be determined as provided in subsection (l) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as provided for under this Chapter for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after notification of the cost to make the purchase."

SECTION 32.23.(d) G.S. 128-27 is amended by adding a new subsection to read:

"(zz) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 2001. – From and after July 1, 2001, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 2001, shall be increased by one and seven-tenths percent (1.7%) of the allowance payable on June 1, 2001. This allowance shall be calculated on the allowance payable and in effect on June 30, 2001, so as not to be compounded on any other increase payable under subsection (k) of this section or otherwise granted by act of the 2001 General Assembly."

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson

OPTIONAL RETIREMENT PROGRAM FOR THE NORTH CAROLINA COMMUNITY COLLEGES SYSTEM

SECTION 32.24.(a) Article 1 of Chapter 135 of the General Statutes is amended by adding a new section to read:

"**§ 135-5.4. Optional retirement program for State-funded community colleges.**

(a) An Optional Retirement Program provided for in this section is authorized and established and shall be implemented by the North Carolina Community Colleges System, ("System"). The Optional Retirement Program shall be underwritten by the purchase of annuity contracts, which may be both fixed and variable contracts or a combination thereof, or financed through the establishment of a trust, for the benefit of the presidents of the community colleges all of whom are appointed after the implementation of the Program and who elect membership as required by subsection (b) of this section. Under the Optional Retirement Program, the State and the participant shall contribute, to the extent authorized or required, toward the purchase of such contracts or deposited in such trust on the participant's behalf.

(b) Participation in the Optional Retirement Program shall be governed as follows:

(1) Employees initially appointed on or after the implementation of the Optional Retirement Program shall at the same time of entering upon eligible employment elect (i) to join the Retirement System in accordance with the provisions of law applicable thereto or (ii) to participate in the Optional Retirement Program. This election shall be in writing and filed with the Retirement System and with the employing institution and shall be effective as of the date of entry into eligible service.

(2) An election to participate in the Optional Retirement Program shall be irrevocable. An eligible employee failing to elect to participate in the Optional Retirement Program at the time of entry into eligible service shall automatically be enrolled as a member of the Retirement System.

(3) No election by an eligible employee of the Optional Retirement Program shall be effective unless it is accompanied by an appropriate application for the issuance of a contract or contracts or trust participation under the Program.

(4) If any participant having less than five years coverage under the Optional Retirement Program leaves the employ of the System and either retires or commences employment with an employer not having a retirement program with the same company underwriting the participant's annuity contract, regardless of whether the annuity contract is held by the participant, a trust, or the Retirement System, the participant's interest in the Optional Retirement Program attributable to contributions of the employing institution shall be forfeited and shall either (i) be refunded to the employing institution and forthwith paid by it to the Retirement System and credited to the pension accumulation fund or (ii) be paid directly to the Retirement System and credited to the pension accumulation fund.

(c) Each employing institution shall contribute on behalf of each participant in the Optional Retirement Program an amount equal to a percentage of the participant's compensation as established from time to time by the General Assembly. Each participant shall contribute the amount that he or she would be required to contribute if a member of the Retirement System. Contributions authorized or required by the provisions of this subsection on behalf of each participant shall be made, consistent with section 414(h) of the Internal Revenue Code, by salary reduction according to rules and regulations established by the employing institution. Additional personal contributions may also be made by a participant by payroll deduction or salary reduction to an annuity or retirement income plan established pursuant to G.S. 115D-25. Payment of contributions shall be made by the employing institution to the designated company or companies underwriting the annuities or the trustees for the benefit of each participant, and this employer contribution shall not be subject to any State tax if made under the Optional Retirement Program or, otherwise, by salary reduction.

(d) The System shall designate the company or companies from which contracts are to be purchased or the trustee responsible for the investment of contributions under the Optional Retirement Program and shall approve the form and contents of such contracts or trust agreement. In making this designation and giving such approval, the Board shall give due consideration to the following:

(1) The nature and extent of the rights and benefits to be provided by these contracts or trust agreement for participants and their beneficiaries;

(2) The relation of these rights and benefits to the amount of contributions to be made;

(3) The suitability of these rights and benefits to the needs of the participants and the interest of the institutions of the System in recruiting and retaining faculty in a national market; and

(4) The ability of the designated company or companies underwriting the annuity contracts or trust agreement to provide these suitable rights and benefits under such contracts or trust agreement for these purposes.

In lieu of such designation and in order to provide a more efficient, cost-effective, and flexible Program, the System may designate the company or companies designated for the Optional Retirement Program for State institutions of higher education as prescribed in G.S. 135-5.1(d).

Notwithstanding the provisions of this subsection, no contractual relationship established under the Optional Retirement Program pursuant to the authority granted by Chapter 338, Session Laws of 1971, is deemed terminated by the provisions of this section.

(e) The System or employing institution may provide for the administration of the Optional Retirement Program and may perform or authorize the performance of all functions necessary for its administration.

(f) Any eligible employee electing to participate in the Optional Retirement Program is ineligible for membership in the Retirement System so long as he or she remains employed in any eligible position within the System, and, in this event, he or she shall continue to participate in the Optional Retirement Program.

(g) No retirement benefit, death benefit, or other benefit under the Optional Retirement Program shall be paid by the State of North Carolina, or the System, or the Board of Trustees of the Teachers' and State Employees' Retirement System with respect to any employee selecting and participating in the Optional Retirement Program or with respect to any beneficiary of that employee. Benefits shall be payable to participants or their beneficiaries only by the designated company in accordance with the terms of the contracts or trust agreement."

SECTION 32.24.(b) G.S. 135-1(25) reads as rewritten:

"(25) "Teacher" shall mean any teacher, helping teacher, librarian, principal, supervisor, superintendent of public schools or any full-time employee, city or county, superintendent of public instruction, or any full-time employee of Department of Public Instruction, president, dean or teacher, or any full-time employee in any educational institution supported by and under the control of the State: Provided, that the term "teacher" shall not include any part-time, temporary, or substitute teacher or employee, and shall not include those participating in an optional retirement program provided for in ~~G.S. 135-5.1.~~ G.S. 135-5.1 or G.S. 135-5.4. In all cases of doubt, the Board of Trustees, ~~hereinafter~~ hereinbefore defined, shall determine whether any person is a teacher as defined in this Chapter."

SECTION 32.24.(c) This section becomes effective January 1, 2002.

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson

OPTIONAL RETIREMENT PROGRAM STUDY COMMISSION

SECTION 32.24A.(a) The Optional Retirement Program Study Commission is created. The Commission shall consist of 17 voting members as follows:

(1) Four members of the House of Representatives to be appointed by the Speaker of the House of Representatives;
(2) Four members of the Senate to be appointed by the President Pro Tempore of the Senate;
(3) The State Treasurer or the State Treasurer's designee;
(4) A member of the faculty of a constituent institution of The University of North Carolina, to be appointed by the Speaker of the House of Representatives;
(5) An administrator at a constituent institution of The University of North Carolina, to be appointed by the President Pro Tempore of the Senate;
(6) A member of the faculty of a constituent institution of the North Carolina Community Colleges System, to be appointed by the President Pro Tempore of the Senate;
(7) An administrator at a constituent institution of the North Carolina Community Colleges System, to be appointed by the Speaker of the House of Representatives; and
(8) Four members, two of whom are practicing actuaries and two of whom are administrators of a private retirement system, to be appointed by the Governor.

The Speaker of the House of Representatives and the President Pro Tempore of the Senate shall each designate a cochair from the General Assembly membership

serving on the Commission. The Commission shall meet upon the call of the cochairs. A majority of the Commission shall constitute a quorum for the transaction of business.

SECTION 32.24A.(b) The Commission shall:

(1) Examine the feasibility and desirability of expanding eligibility under the Optional Retirement System of The University of North Carolina to include all university employees that are exempt from the State Personnel Act; and

(2) Examine the feasibility and desirability of establishing an optional retirement program for employees of the North Carolina Community Colleges System.

In conducting these studies, the Commission shall work cooperatively with the Retirement System Division of the Department of State Treasurer to obtain information addressing issues such as the attraction and retention of faculty and staff at the affected institutions and the actuarial impact of the potential changes in retirement options.

SECTION 32.24A.(c) The Commission may contract for consultant services as provided by G.S. 120-32.02. Upon approval of the Legislative Services Commission, the Legislative Services Officer shall assign professional and clerical staff to assist in the work of the Commission. Clerical staff shall be furnished to the Commission through the offices of the House of Representatives and Senate Supervisors of Clerks. The Commission may meet in the Legislative Building or the Legislative Office Building upon the approval of the Legislative Services Commission. The Commission, while in the discharge of official duties, may exercise all the powers provided under the provisions of G.S. 120-19 through G.S. 120-19.4, including the power to request all officers, agents, agencies, and departments of the State to provide any information, data, or documents within their possession, ascertainable from their records, or otherwise available to them, and the power to subpoena witnesses. Members of the Commission shall receive per diem, subsistence, and travel allowances as follows:

(1) Commission members who are members of the General Assembly at the rate established in G.S. 120-3.1;

(2) Commission members who are officials or employees of the State or of local government agencies at the rate established in G.S. 138-6; and

(3) All other Commission members at the rate established in G.S. 138-5.

SECTION 32.24A.(d) The Commission shall report the results of its study and its recommendations to the 2002 Regular Session of the 2001 General Assembly. The Commission shall terminate upon filing its report.

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson, Arnold

TO SHORTEN THE AMOUNT OF TIME RETIRED TEACHERS MUST BE RETIRED BEFORE THEY RETURN TO WORK

SECTION 32.25.(a) G.S. 135-3(8)c., as enacted by Section 28.24(a) of S.L. 1998-212, and rewritten by Section 67 of S.L. 1998-217 and by Section 8.24(a) of S.L. 2000-67, reads as rewritten:

"c. **(Effective until June 30, 2003)** Should a beneficiary who retired on an early or service retirement allowance under this Chapter be reemployed, or otherwise engaged to perform services, by an employer participating in the Retirement System on a part-time, temporary, interim, or on a fee-for-service basis, whether contractual or otherwise, and if such beneficiary earns an amount in any calendar year which exceeds fifty percent (50%) of the reported compensation, excluding terminal payments, during the 12 months of service preceding the effective date of retirement, or twenty thousand dollars ($20,000), whichever is greater, as hereinafter indexed, then the

retirement allowance shall be suspended as of the first day of the month following the month in which the reemployment earnings exceed the amount above, for the balance of the calendar year. The retirement allowance of the beneficiary shall be reinstated as of January 1 of each year following suspension. The amount that may be earned before suspension shall be increased on January 1 of each year by the ratio of the Consumer Price Index to the Index one year earlier, calculated to the nearest tenth of a percent (1/10 of 1%).

The computation of postretirement earnings of a beneficiary under this sub-subdivision, G.S. 135-3(8)c., who has been retired at least ~~12~~ six months and has not been employed in any capacity, except as a substitute ~~teacher,~~ teacher or a part-time tutor, with a public school for at least ~~12~~ six months immediately preceding the effective date of reemployment, shall not include earnings while the beneficiary is employed to teach on a substitute, interim, or permanent basis in a public school. The Department of Public Instruction shall certify to the Retirement System that a beneficiary is employed to teach by a local school administrative unit under the provisions of this sub-subdivision and as a retired teacher as the term is defined under the provisions of G.S. 115C-325(a)(5a). Beneficiaries employed under this sub-subdivision are not entitled to any benefits otherwise provided under this Chapter as a result of this period of employment."

SECTION 32.25.(b) G.S. 115C-325(a)(5a), as enacted by Section 28.24(b) of S.L. 1998-212 and rewritten by Section 67.1(a) of S.L. 1998-217, reads as rewritten:

"(a) Definition of Terms. – As used in this section unless the context requires otherwise:

…

(5a) **(Effective until June 30, 2003)** "Retired teacher" means a beneficiary of the Teachers' and State Employees' Retirement System of North Carolina who has been retired at least ~~12~~ six months, has not been employed in any capacity, other than as a substitute teacher, with a local board of education for at least ~~12~~ six months, immediately preceding the effective date of reemployment, is determined by a local board of education to have had satisfactory performance during the last year of employment by a local board of education, and who is employed to teach as provided in G.S. 135-3(8)c. A retired teacher shall be treated the same as a probationary teacher except that a retired teacher is not eligible for career status."

SECTION 32.25.(c) This section becomes effective July 1, 2001, and expires June 30, 2003.

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson

RETIREMENT SYSTEM ACTUARY

SECTION 32.26. The State Treasurer shall report to the General Assembly no later than January 31, 2002, as to the effectiveness and efficiency of actuarial services for the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System, the Death Benefit Plans, the Disability Income Plan, the Firemen's and Rescue Squad Workers' Pension Fund, and the National Guard Pension Fund, and whether future selection should be made after a competitive bid process.

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson

UNIVERSITY SYSTEM OPTIONAL RETIREMENT PLAN FOR SENIOR ADMINISTRATORS/AG EXTENSION

SECTION 32.27. G.S. 135-5.1(a) reads as rewritten:

"(a) An Optional Retirement Program provided for in this section is authorized and established and shall be implemented by the Board of Governors of The University of North Carolina. The Optional Retirement Program shall be underwritten by the purchase of annuity contracts, which may be both fixed and variable contracts or a combination thereof, or financed through the establishment of a trust, for the benefit of administrators and faculty of the University of North Carolina with the rank of instructor or ~~above~~ above, and for the benefit of:

(1) Employees of the University of North Carolina who are appointed by the Board of Governors on recommendation of the President pursuant to G.S. 116-14 or who are appointed by the Board of Trustees of a constituent institution of The University of North Carolina upon the recommendation of the Chancellor pursuant to G.S. 116-40.22(b); and

(2) Field faculty of the Cooperative Agriculture Extension Service, and tenure track faculty in North Carolina State University agriculture research programs who are exempt from the State Personnel Act and who are eligible for membership in the Teachers' and State Employees' Retirement System pursuant to GS 135-3(1),

who in any of the cases described in this subsection (i) had been members of the Optional Retirement Program under the provisions of Chapter 338, Session Laws of 1971, immediately prior to July 1, 1985, or (ii) have sought membership as required in subsection (b), below. Under the Optional Retirement Program, the State and the participant shall contribute, to the extent authorized or required, toward the purchase of such contracts or deposited in such trust on the participant's behalf."

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson, Gibson, Pope, Russell

REMOVE THE CAP ON SICK LEAVE CREDITABLE TO RETIREMENT FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

SECTION 32.28.(a) G.S. 135-4(e) reads as rewritten:

"(e) Creditable service at retirement on which the retirement allowance of a member shall be based shall consist of the membership service rendered by him since he last became a member, and also if he has a prior service certificate which is in full force and effect, the amount of service certified on his prior service certificate; and if he has sick leave standing to his credit upon retirement on or after July 1, 1971, one month of credit for each 20 days or portion ~~thereof not to exceed 12 days of credit for each year of membership service or fraction~~ thereof, but sick leave shall not be counted in computing creditable service for the purpose of determining eligibility for disability retirement or for a vested deferred allowance.

On and after July 1, 1971, a member whose account was closed on account of absence from service under the provisions of G.S. 135-3(3) and who subsequently returns to service for a period of five years, may thereafter repay in a lump sum the amount withdrawn plus regular interest thereon from the date of withdrawal through the year of repayment and thereby increase his creditable service by the amount of creditable service lost when his account was closed.

On and after July 1, 1973, a member whose account in the North Carolina Local Governmental Employees' Retirement System was closed on account of absence from service under the provisions of G.S. 128-24(1a) and who subsequently became or becomes a member of this System with credit for five years of service, may thereafter repay in a lump sum the amount withdrawn from the North Carolina Local

Governmental Employees' Retirement System plus regular interest thereon from the date of withdrawal through the year of repayment and thereby increase his creditable service in this System by the amount of creditable service lost when his account was closed.

On or after July 1, 1979, a member who has obtained 60 months of aggregate service, or five years of membership service, as an employee of the North Carolina General Assembly, except legislators, participants in the Legislative Intern Program and pages, may make a lump sum payment together with interest, and an administrative fee for such service, to the Teachers' and State Employees' Retirement System of an amount equal to what he would have contributed had he been a member on his first day of employment.

On and after January 1, 1985, 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 the State from that System to this Retirement System and whose accumulated contributions are transferred from that System to this Retirement System, shall include service that was creditable in the Law-Enforcement Officers' Retirement System; and membership service with that System shall be membership service with this Retirement System; provided, notwithstanding any provision 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 shall not be diminished and may be purchased as creditable service with this Retirement System under the same conditions which would have otherwise applied."

SECTION 32.28.(b) This section becomes effective July 1, 2001, and applies to persons retiring on or after that date.

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson

SICK LEAVE/JUDICIAL RETIREMENT

SECTION 32.29.(a) G.S. 135-58(a2) reads as rewritten:

"(a2) Any member who retires under the provisions of G.S. 135-57(a) or G.S. 135-57(c) on or after July 1, 1999, but before July 1, 2001, after the member has either attained the member's 65th birthday or has completed 24 years or more of creditable service, shall receive an annual retirement allowance, payable monthly, which shall commence on the effective date of the member's retirement and shall be continued on the first day of each month thereafter during the member's lifetime, the amount of which shall be computed as the sum of the amounts in subdivisions (1), (2), (3), (4), and (5) following, provided that in no event shall the annual allowance payable to any member be greater than an amount which, when added to the allowance, if any, to which the member is entitled under the Teachers' and State Employees' Retirement System, the Legislative Retirement System, or the Local Governmental Employees' Retirement System (prior in any case to any reduction for early retirement or for an optional mode of payment) would total three-fourths of the member's final compensation:

(1) Four and two-hundredths percent (4.02%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a justice of the Supreme Court or judge of the Court of Appeals;

(2) Three and fifty-two hundredths percent (3.52%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the superior court or as Administrative Officer of the Courts;

(3) Three and two-hundredths percent (3.02%) of the member's final compensation, multiplied by the number of years of creditable service, rendered as a judge of the district court, district attorney, or clerk of superior court;

(4) A service retirement allowance computed in accordance with the service retirement provisions of Article 3 of Chapter 128 of the General Statutes using an average final compensation as defined in G.S. 135-53(2a) and creditable service equal to the number of years of the member's creditable service that was transferred from the Local Governmental Employees' Retirement System to this System as provided in G.S. 135-56; and

(5) A service retirement allowance computed in accordance with the service retirement provisions of Article 1 of this Chapter using an average final compensation as defined in G.S. 135-53(2a) and creditable service equal to the number of years of the member's creditable service that was transferred from the Teachers' and State Employees' Retirement System to this System as provided in G.S. 135-56."

SECTION 32.29.(b) G.S. 135-58 is amended by adding a new subsection to read:

"(a3) Any member who retires under the provisions of G.S. 135-57(a) or G.S. 135-57(c) on or after July 1, 2001, after the member has either attained the member's 65th birthday or has completed 24 years or more of creditable service, shall receive an annual retirement allowance, payable monthly, which shall commence on the effective date of the member's retirement and shall be continued on the first day of each month thereafter during the member's lifetime, the amount of which shall be computed as the sum of the amounts in subdivisions (1), (2), (3), (4), and (5) following, provided that in no event shall the annual allowance payable to any member be greater than an amount which, when added to the allowance, if any, to which the member is entitled under the Teachers' and State Employees' Retirement System, the Legislative Retirement System, or the Local Governmental Employees' Retirement System (prior in any case to any reduction for early retirement or for an optional mode of payment) would total three-fourths of the member's final compensation:

(1) Four and two-hundredths percent (4.02%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a justice of the Supreme Court or judge of the Court of Appeals;

(2) Three and fifty-two hundredths percent (3.52%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the superior court or as Administrative Officer of the Courts;

(3) Three and two-hundredths percent (3.02%) of the member's final compensation, multiplied by the number of years of creditable service, rendered as a judge of the district court, district attorney, or clerk of superior court;

(4) A service retirement allowance computed in accordance with the service retirement provisions of Article 3 of Chapter 128 of the General Statutes using an average final compensation as defined in G.S. 135-53(2a) and creditable service equal to the number of years of the member's creditable service that was transferred from the Local Governmental Employees' Retirement System to this System as provided in G.S. 135-56; and

(5) A service retirement allowance computed in accordance with the service retirement provisions of Article 1 of this Chapter using an average final compensation as defined in G.S. 135-53(2a) and creditable service, including any sick leave standing to the credit of the member, equal to the number of years of the member's creditable service that was transferred from the Teachers' and State Employees' Retirement System to this System as provided in G.S. 135-56."

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson

AMEND MEMBERSHIP REQUIREMENTS

SECTION 32.30.(a) G.S. 120-4.11 reads as rewritten:

"**§ 120-4.11. Membership.**

The following members of the General Assembly and former members of the General Assembly are eligible for membership in the Retirement ~~System, provided they are not contributing to nor are qualified to contribute to the North Carolina Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Law Enforcement Officers' Retirement System or the Consolidated Judicial Retirement System of North Carolina:~~ System:

(1) Members of the General Assembly who serve on and after June 15, 1983; and

(2) Former members of the General Assembly who served prior to June 15, 1983; and

a. Who elect to transfer current and future entitlements, or contributions, from the Legislative Retirement Fund established by Chapter 1269 of the 1969 Session Laws; or

b. Who have five or more years of service as a member of the General Assembly."

SECTION 32.30.(b) G.S. 120-4.21(c) reads as rewritten:

"(c) Limitations. – In no event shall any member receive a service retirement allowance greater than seventy-five percent (75%) of his 'highest annual ~~salary"~~ salary'. ~~nor shall he receive any service retirement allowance whatever while employed in a position that makes him a contributing member of any of the following retirement systems: The Teachers' and State Employees' Retirement System, the North Carolina Local Governmental Employees' Retirement System, or the Consolidated Judicial Retirement System. If he should become a member of any of these systems, payment of his service retirement allowance shall be suspended until he withdraws from membership in that system.~~"

SECTION 32.30.(c) G.S. 120-4.22(d) reads as rewritten:

"(d) Limitations. – In no event shall any member receive a disability retirement allowance greater than seventy-five percent (75%) of his 'highest annual ~~salary"~~ salary'. ~~nor shall he receive any disability retirement allowance whatever while employed in a position that makes him a contributing member of any of the following retirement systems: The Teachers' and State Employees' Retirement System, the North Carolina Local Governmental Employees' Retirement System, the Law Enforcement Officers' Retirement System, the Uniform Judicial Retirement System of North Carolina, the Uniform Solicitorial Retirement System of North Carolina or the Uniform Clerks of Court Retirement System of North Carolina. If he should become a member of any of these systems payment of his disability retirement allowance shall be suspended until he withdraws from membership in that system.~~"

SECTION 32.30.(d) This section is effective when it becomes law.

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson

DUES DEDUCTION FOR RETIREES

SECTION 32.31. Article 3 of Chapter 128 of the General Statutes is amended by adding a new section to read:

"**§ 128-38.3. Deduction for payment to certain employees' associations allowed.**

Any member who is a member of a domiciled employees' or retirees' association that has at least 2,000 members, the majority of whom are active or retired employees of employers as defined in G.S. 128-21(11), may authorize, in writing, the periodic deduction from the member's retirement benefits a designated lump sum to be paid to

the employees' or retirees' association. The authorization shall remain in effect until revoked by the member. A plan of deductions pursuant to this section shall become void if the employees' or retirees' association engages in collective bargaining with the State, any political subdivision of the State, or any local school administrative unit.

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson, Nesbitt

ALLOW THE PURCHASE OF WITHDRAWAL SERVICE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

SECTION 32.32.(a) G.S. 135-4(k) reads as rewritten:

"(k) Notwithstanding any other provision of this Chapter, any person who withdrew his contributions in accordance with the provisions of G.S. 128-27(f) or G.S. 135-5(f) or the rules and regulations of the Law-Enforcement Officers' Retirement System and who subsequently returns to service may, upon completion of ~~10~~ five years of membership service, repay in a total lump sum any and all of the accumulated contributions previously withdrawn with ~~sufficient interest added thereto to cover one half of the cost of providing such additional credit plus a fee to cover expense of handling which shall be determined by the Board of Trustees and receive credit for the service forfeited at time of withdrawal(s), provided that he left service prior to July 1, 1974.~~ interest compounded annually at the rate of six and one-half percent (6.5%) for each calendar year from the year of withdrawal to the year of repayment plus a fee to cover expense of handling which shall be determined by the Board of Trustees, and receive credit for the service forfeited at time of withdrawal. ~~Any person who leaves service after June 30, 1974, and who withdraws his contributions in accordance with G.S. 128-27(f) or G.S. 135-5(f) or the rules and regulations of the Law-Enforcement Officers' Retirement System and who subsequently returns to service may, upon completion of 10 years of membership service, repay in a total lump sum any and all of the accumulated contributions previously withdrawn with sufficient interest added thereto to cover the full cost of providing such additional credit plus a fee to cover expense of handling which shall be determined by the Board of Trustees and receive credit for the service forfeited at time of withdrawal(s).~~ These provisions shall apply equally to retired members who had attained ~~10~~ five years of membership service prior to retirement. The retirement benefit shall be increased the month following the receipt of payment. The retirement benefit shall not include any benefit as a result of retirement adjustments or cost-of-living increases granted since the date of retirement. The retirement benefit will be calculated based in the accrual rate at the time of purchase. ~~Cost as used in this subsection shall mean the amount of money required to provide additional retirement benefits based on service credit allowed at the time any adjustment to the service credit of a member is made.~~

Notwithstanding any provision to the contrary, a law enforcement officer who was transferred from the Law Enforcement Officers' Retirement System to this Retirement System pursuant to Article 12C of Chapter 143 of the General Statutes and withdrew his accumulated contributions prior to January 1, 1985, in accordance with G.S. 128-27(f) or G.S. 135-5(f) for non-law enforcement service and who has ~~10~~ five years or more of membership service standing to his credit may repay in a total lump sum the accumulated contributions previously withdrawn with ~~sufficient interest added thereto to cover one-half the cost of providing such additional credits plus a fee to cover the expense of handling which shall be determined by the Board of Trustees and receive credit for the creditable service forfeited at the time of withdrawal.~~ interest compounded annually at the rate of six and one-half percent (6.5%) for each calendar year from the year of withdrawal to the year of repayment plus a fee to cover expense of handling which shall be determined by the Board of Trustees, and receive credit for the service forfeited at time of withdrawal. The retirement benefit shall be increased the month following the receipt of payment. The retirement benefit shall not include any benefit as a result of retirement adjustments or cost-of-living increases granted since the date of

retirement. The retirement benefit will be calculated based in the accrual rate at the time of purchase."

SECTION 32.32.(b) G.S. 135-4(m) reads as rewritten:

"(m) Notwithstanding any language to the contrary of any provision of this section, or of any repealed provision of this section that was repealed with the inchoate and accrued rights preserved, all repayments and purchases of service credits, allowed under the provisions of this section or of any repealed provision of this section that was repealed with inchoate and accrued rights preserved, must be made within three years after the member first becomes eligible to make such repayments and purchases. Any member who does not repay or purchase service credits within said three years after first eligibility to make such repayments and purchases may, under the same conditions as are otherwise required, repay or purchase service credits provided that the repayment or purchase equals the full cost of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the system's liabilities and shall take into account the additional retirement allowance arising on account of such additional service credit commencing at the earliest age at which such member could retire on an unreduced retirement allowance as determined by the Board of Trustees upon the advice of the consulting actuary. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual post-retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance. Notwithstanding the foregoing, on and after July 1, 2001, the provisions of this subsection shall not apply to the repayment of contributions withdrawn pursuant to subsection (k) of this section."

SECTION 32.32.(c) G.S. 135-4(x) is repealed.

SECTION 32.32.(d) This section becomes effective July 1, 2001.

Requested by: Senators Plyler, Odom, Lee; Representative Easterling, Oldham, Redwine, Thompson

DISABILITY INCOME PLAN CONFORMING CHANGE

SECTION 32.32A. G.S. 135-108 reads as rewritten:

"**§ 135-108. Post disability benefit adjustments.**

The compensation upon which the short-term or long-term disability benefit is calculated under the provisions of G.S. 135-105(c) or G.S. 135-106(b) may be increased by any ~~percentage~~ permanent across-the-board salary increase granted to employees of the State by the General Assembly and the benefits payable to beneficiaries shall be recalculated based upon the increased compensation, reduced by any percentage increase in Social Security benefits granted by the Social Security Administration times the amount used in the reduction of benefits for primary Social Security disability or retirement benefit as provided in G.S. 135-106(b). The provisions of this section shall be subject to future acts of the General Assembly."

PART XXXIII. CAPITAL APPROPRIATIONS

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 33.1. The appropriations made by the 2001 General Assembly for capital improvements are for constructing, repairing, or renovating State buildings, utilities, and other capital facilities, for acquiring sites for them where necessary, and acquiring buildings and land for State government purposes.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 33.2.(a) Appropriations are made from the General Fund of the State for the 2001-2002 fiscal year for use by the State departments, institutions, and agencies to provide for capital improvement projects according to the following schedule:

Capital Improvements - General Fund	**2001-2002**
Department of Environment and Natural Resources	$32,936,000
Repairs and Renovations Reserve Account	125,000,000
TOTAL	$157,936,000.

SECTION 33.2.(b) Notwithstanding G.S. 143-15.2 and G.S. 143-15.3A, for the 2000-2001 fiscal year only, funds shall not be reserved to the Repairs and Renovations Reserve Account, and the State Controller shall not transfer funds from the unreserved credit balance to the Repairs and Renovations Reserve Account on June 30, 2001.

This subsection becomes effective June 30, 2001.

TOTAL CAPITAL APPROPRIATION – GENERAL FUND

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 33.3.(a) The Department of Environment and Natural Resources shall allocate the funds appropriated in this act for water resources development projects to the following projects whose costs are as indicated:

	Name of Project		**2001-2002**
(1)	Wilmington Harbor Deepening		$22,000,000
(2)	Morehead City Harbor Maintenance		500,000
(3)	Wilmington Harbor Maintenance		200,000
(4)	Manteo (Shallowbag) Bay Channel Maintenance		2,500,000
(5)	B. Everett Jordan Lake Water Supply		100,000
(6)	John H. Kerr Reservoir Operations Evaluation		400,000
(7)	Brunswick County Beaches Nourishment Supplement		927,000
(8)	Wrightsville Beach Nourishment		518,000
(9)	Dare County Beaches design		338,000
(10)	Indian Beach – Salter Path Nourishment		900,000
(11)	Bogue Banks Beach Protection Study		350,000
(12)	Surf City/North Topsail Beach Protection Study		150,000
(13)	West Onslow Beach Protection Re-analysis (Topsail Beach)		116,000
(14)	Currituck Sound Water Management Study		200,000
(15)	Deep Creek Yadkin County		500,000
(16)	State Local Projects		2,000,000
	a. Town of Washington Park Maple Branch Water Management, Beaufort County	3,000	
	b. Pungo River Snagging, Hyde County	22,000	
	c. Muddy Creek Stream Restoration, McDowell County	50,000	
	d. Town of Chadbourn Water Management,		

	Columbus County	38,000	
	e. Perquimans River and Mill Creek Drainage, Perquimans County	38,000	
	f. Mitchell River Restoration, Surry County	111,875	
	g. Town of Candor Park Drainage, Montgomery County	18,000	
	h. Chowan River Restoration and Pembroke and Rocky Hock Creeks Drainage, Chowan County	67,000	
	i. Town of Pine Knoll Shores Westport Marina Maintenance Dredging, Carteret County	25,000	
	j. Town of Kenly Flood Control, Wilson and Johnston Counties	268,100	
	k. Southern Pines Drainage Improvements, Moore County	118,575	
	l. Other Projects	1,240,450	
(17)	Aquatic Weed Control Lake Gaston and Statewide		200,000
(18)	Adkin Branch Flood Control		120,000
(19)	Neuse River Basin Flood Control Feasibility Study		100,000
(20)	Little Sugar Creek Restoration Projects		360,000
(21)	Emergency Flood Control Projects		187,000
(22)	Projected Feasibility Studies		120,000
(23)	Planning Assistance to Communities		150,000
Total			$32,936,000

SECTION 33.3.(b) Where the actual costs are different from the estimated costs under subsection (a) of this section, the Department may adjust the allocations among projects as needed. If any projects listed in subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2001-2002 fiscal year, or if the projects listed in subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

(1) Corps of Engineers project feasibility studies.

(2) Corps of Engineers projects whose schedules have advanced and require State-matching funds in fiscal year 2001-2002.

(3) State-local water resources development projects. Funds not expended or encumbered for these purposes shall revert to the General Fund at the end of the 2002-2003 fiscal year.

SECTION 33.3.(c) The Department shall make quarterly reports on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. Each report shall include all of the following:

(1) All projects listed in this section.

(2) The estimated cost of each project.

(3) The date that work on each project began or is expected to begin.

(4) The date that work on each project was completed or is expected to be completed.

(5) The actual cost of each project.

The quarterly reports shall also show those projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

SECTION 33.3.(d) Notwithstanding G.S. 143-23, if additional federal funds that require a State match are received for water resources projects or for beach renourishment projects for the 2001-2002 fiscal year, the Director of the Budget may, after consultation with the Joint Legislative Commission on Governmental Operations, transfer funds from General Fund appropriations to match the federal funds.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

SECTION 33.4. The appropriations made by the 2001 General Assembly for capital improvements shall be disbursed for the purposes provided by this act. Expenditure of funds shall not be made by any State department, institution, or agency until an allotment has been approved by the Governor as Director of the Budget. The allotment shall be approved only after full compliance with the Executive Budget Act, Article 1 of Chapter 143 of the General Statutes. Prior to the award of construction contracts for projects to be financed in whole or in part with self-liquidating appropriations, the Director of the Budget shall approve the elements of the method of financing of those projects including the source of funds, interest rate, and liquidation period. Provided, however, that if the Director of the Budget approves the method of financing a project, the Director shall report that action to the Joint Legislative Commission on Governmental Operations at its next meeting.

Where direct capital improvement appropriations include the purpose of furnishing fixed and movable equipment for any project, those funds for equipment shall not be subject to transfer into construction accounts except as authorized by the Director of the Budget. The expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and approved by the Director of the Budget prior to commitment of funds.

Capital improvement projects authorized by the 2001 General Assembly shall be completed, including fixed and movable equipment and furnishings, within the limits of the amounts of the direct or self-liquidating appropriations provided, except as otherwise provided in this act. Capital improvement projects authorized by the 2001 General Assembly for the design phase only shall be designed within the scope of the project as defined by the approved cost estimate filed with the Director of the Budget, including costs associated with site preparation, demolition, and movable and fixed equipment.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

ENCUMBERED APPROPRIATIONS AND PROJECT RESERVE FUNDS

SECTION 33.5. When each capital improvement project appropriated by the 2001 General Assembly, other than those projects under the Board of Governors of The University of North Carolina, is placed under a construction contract, direct appropriations shall be encumbered to include all costs for construction, design, investigation, administration, movable equipment, and a reasonable contingency. Unencumbered direct appropriations remaining in the project budget shall be placed in a project reserve fund credited to the Office of State Budget and Management. Funds in the project reserve may be used for emergency repair and renovation projects at State facilities with the approval of the Director of the Budget. The project reserve fund may be used, at the discretion of the Director of the Budget, to allow for award of contracts where bids exceed appropriated funds, if those projects supplemented were designed within the scope intended by the applicable appropriation or any authorized change in it, and if, in the opinion of the Director of the Budget, all means to award contracts within the appropriation were reasonably attempted. At the discretion of the Director of the Budget, any balances in the project reserve fund shall revert to the original source.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

EXPENDITURES OF FUNDS FROM THE RESERVE FOR REPAIRS AND RENOVATIONS

SECTION 33.6. Of the funds in the Reserve for Repairs and Renovations for the 2001-2002 fiscal year, forty-six percent (46%) shall be allocated to the Board of Governors of The University of North Carolina for repairs and renovations pursuant to G.S. 143-15.3A, in accordance with guidelines developed in The University of North Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as approved by the Board of Governors of The University of North Carolina, and fifty-four percent (54%) shall be allocated to the Office of State Budget and Management for repairs and renovations pursuant to G.S. 143-15.3A.

Notwithstanding G.S. 143-15.3A, the Board of Governors may allocate funds for the repair and renovation of facilities not supported from the General Fund if the Board determines that sufficient funds are not available from other sources and that conditions warrant General Fund assistance. Any such finding shall be included in the Board's submission to the Joint Legislative Commission on Governmental Operations on the proposed allocation of funds.

The Board of Governors and the Office of State Budget and Management shall submit to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division of the Legislative Services Office, for their review, the proposed allocations of these funds. Subsequent changes in the proposed allocations shall be reported prior to expenditure to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division of the Legislative Services Office.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

CAPITAL IMPROVEMENT PROJECTS/SUPPLEMENTAL FUNDING APPROVAL/REPORTING REQUIREMENT

SECTION 33.7. Each department receiving capital improvement appropriations from the Highway Fund under this act shall report quarterly to the Director of the Budget on the status of those capital projects. The reporting procedure to be followed shall be developed by the Director of the Budget.

Highway Fund capital improvement projects authorized in this act that have not been placed under contract for construction due to insufficient funds may be supplemented with funds identified by the Director of the Budget, provided:

(1) That the project was designed and bid within the scope as authorized by the General Assembly;
(2) That the funds to supplement the project are from the same source as authorized for the original project;
(3) That the department to which the project was authorized has unsuccessfully pursued all statutory authorizations to award the contract; and
(4) That the action be reported to the Fiscal Research Division of the Legislative Services Office.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

PROJECT COST INCREASE

SECTION 33.8. Upon the request of the administration of a State agency, department, or institution, the Director of the Budget may, when in the Director's opinion it is in the best interest of the State to do so, increase the cost of a capital improvement project. Provided, however, that if the Director of the Budget increases the cost of a project, the Director shall report that action to the Joint Legislative Commission on Governmental Operations at its next meeting. The increase may be funded from gifts, federal or private grants, special fund receipts, excess patient receipts above those budgeted at the University of North Carolina Hospitals at Chapel Hill, or direct capital improvement appropriations to that department or institution.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

NEW PROJECT AUTHORIZATION

SECTION 33.9. Upon the request of the administration of any State agency, department, or institution, the Director of the Budget may authorize the construction of a capital improvement project not specifically authorized by the General Assembly if such project is to be funded by gifts, federal or private grants, special fund receipts, excess patient receipts above those budgeted at the University of North Carolina Hospitals at Chapel Hill, or self-liquidating indebtedness. Prior to authorizing the construction of a capital improvement project pursuant to this section, the Director shall consult with the Joint Legislative Commission on Governmental Operations.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

ADVANCE PLANNING OF CAPITAL IMPROVEMENT PROJECTS

SECTION 33.10. Funds that become available by gifts, excess patient receipts above those budgeted at the University of North Carolina Hospitals at Chapel Hill, federal or private grants, receipts becoming a part of special funds by act of the General Assembly, or any other funds available to a State department or institution may be utilized for advance planning through the working drawing phase of capital improvement projects, upon approval of the Director of the Budget. The Director of the Budget may make allocations from the Advance Planning Fund for advance planning through the working drawing phase of capital improvement projects, except that this revolving fund shall not be utilized by the Board of Governors of The University of North Carolina or the State Board of Community Colleges.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

APPROPRIATIONS LIMITS/REVERSION OR LAPSE

SECTION 33.11. Except as permitted in previous sections of this act, the appropriations for capital improvements made by the 2001 General Assembly may be expended only for specific projects set out by the 2001 General Assembly and for no other purpose. Construction of all capital improvement projects enumerated by the 2001 General Assembly shall be commenced, or self-liquidating indebtedness with respect to them shall be incurred, within 12 months following the first day of the fiscal year in which the funds are available. If construction contracts on those projects have not been awarded or self-liquidating indebtedness has not been incurred within that period, the direct appropriation for those projects shall revert to the original source, and the self-liquidating appropriation shall lapse; except that direct appropriations may be placed in a reserve fund as authorized in this act. This deadline with respect to both direct and self-liquidating appropriations may be extended with the approval of the Director of the Budget up to an additional 12 months if circumstances and conditions warrant such extension.

Requested by: Representative Miner

SAMARKAND TIMBER SALE

SECTION 33.12. The Department of Juvenile Justice and Delinquency Prevention shall harvest and sell a portion of the timber on the real property at Samarkand Youth Academy. Notwithstanding Chapter 146 of the General Statutes, G.S. 66-58, and any other provision of law, the net proceeds derived from the sale of the timber in an amount not to exceed two hundred fifty thousand dollars ($250,000) shall be deposited with the State Treasurer in a capital improvement and repair and renovation account to the credit of the Department of Juvenile Justice and Delinquency Prevention. The Department shall use the funds for major repair to the streets and

parking lots at the Samarkand Youth Academy and for additional street lighting and repairs of buildings at the Academy.

The remainder of the net proceeds from the sale of the timber at Samarkand Youth Academy, if any, shall revert to the General Fund.

PART XXXIV. EDUCATION/HUMAN RESOURCES/MENTAL HEALTH REVENUE INITIATIVES

Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee; Representatives Allen, Buchanan, Luebke, Wainwright, Easterling, Oldham, Redwine

INCREASE STATE SALES TAX BY ONE-HALF CENT UNTIL JULY 1, 2003

SECTION 34.13.(a) The introductory language of G.S. 105-164.4(a) reads as rewritten:

"(a) A privilege tax is imposed on a retailer at the following percentage rates of the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is ~~four percent (4%).~~ four and one-half percent (4 ½%)."

SECTION 34.13.(b) The provisions of this section increasing the general rate of State sales tax do not apply to construction materials purchased to fulfill a lump-sum or unit-price contract entered into or awarded before the effective date of the increase or entered into or awarded pursuant to a bid made before the effective date of the increase when the construction materials would otherwise be subject to the increased rate of tax provided under this section.

SECTION 34.13.(c) This section becomes effective October 16, 2001, and applies to sales made on or after that date. This section is repealed effective for sales made on or after July 1, 2003. This section does not affect the rights or liabilities of the State, a taxpayer, or another person arising under a statute amended or repealed by this section before the effective date of its amendment or repeal; nor does it affect the right to any refund or credit of a tax that accrued under the amended or repealed statute before the effective date of its amendment or repeal.

Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee; Representatives Allen, Buchanan, Luebke, Wainwright, Easterling, Oldham, Redwine

LOCAL OPTION SALES TAX/HOLD HARMLESS

SECTION 34.14.(a) Subchapter VIII of Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 44.

"Third One-Half Cent (½¢) Local Government Sales and Use Tax.

"**§ 105-515. Short title.**

This Article is the Third One-Half Cent (½¢) Local Government Sales and Use Tax Act.

"**§ 105-516. Limitations.**

This Article applies only to counties that levy the first one-cent (1¢) sales and use tax under Article 39 of this Chapter or under Chapter 1096 of the 1967 Session Laws, the first one-half cent (½¢) local sales and use tax under Article 40 of this Chapter, and the second one-half cent (½¢) local sales and use tax under Article 42 of this Chapter.

"**§ 105-517. Levy.**

(a) After Vote. – If a majority of those voting in a special election held pursuant to this Article vote for the levy of the taxes in a county, the board of commissioners of a county may, by resolution, levy one-half percent (½%) local sales and use taxes in addition to any other State and local sales and use taxes levied pursuant to law.

(b) Without Vote. – If the question of whether to levy taxes under this Article has not been defeated in a special election held in the county within two years, the board of commissioners of a county may, by resolution, levy one-half percent (½%) local sales and use taxes in addition to any other State and local sales and use taxes levied pursuant to law. Before adopting a resolution under this subsection, the board of commissioners

must give at least 10 days' public notice of its intent to adopt the resolution and must hold a public hearing on the issue of adopting the resolution.

(c) Effective Date. – A tax levied under this Article may not become effective before July 1, 2003.

"**§ 105-518. County election on adoption of tax.**

(a) Resolution. – The board of commissioners of a county may direct the county board of elections to conduct a special election on the question of whether to levy local one-half percent (½%) sales and use taxes in the county as provided in this Article. The election must be held on a date jointly agreed upon by the two boards and must be held in accordance with the procedures of G.S. 163-287.

(b) Ballot Question. – The question to be presented on a ballot for a special election concerning the levy of the taxes authorized by this Article must be in the following form:

'[ ] FOR [ ] AGAINST

one-half percent (½%) local sales and use taxes, to replace the current one-half percent (½%) State sales and use taxes that end July 1, 2003.'

"**§ 105-519. Administration of taxes.**

Except as provided in this Article, the adoption, levy, collection, administration, and repeal of these additional taxes must be in accordance with Article 39 of this Chapter. A tax levied under this Article does not apply to the sales price of food that is exempt from tax pursuant to G.S. 105-164.13B.

"**§ 105-520. Distribution of taxes.**

(a) Point of Origin. – The Secretary must, on a monthly basis, allocate to each taxing county one-half of the net proceeds of the tax collected in that county under this Article. If the Secretary collects taxes under this Article in a month and the taxes cannot be identified as being attributable to a particular taxing county, the Secretary must allocate one-half of the net proceeds of these taxes among the taxing counties in proportion to the amount of taxes collected in each county under this Article in that month.

(b) Per Capita. – The Secretary must, on a monthly basis, allocate the remaining net proceeds of the tax collected under this Article among the taxing counties on a per capita basis according to the most recent annual population estimates certified to the Secretary by the State Budget Officer. The Secretary must then adjust the amount allocated to each county as provided in G.S. 105-486(b).

(c) Distribution Between Counties and Cities. – The Secretary must divide and distribute the funds allocated under this section each month between each taxing county and the municipalities located in the county in accordance with the method by which the one percent (1%) sales and use taxes levied in that county pursuant to Article 39 of this Chapter or Chapter 1096 of the 1967 Session Laws are distributed. No municipality may receive any funds under this subsection for a month if it is not entitled to a distribution under G.S. 105-501 for the same month.

"**§ 105-521. Transitional local government hold harmless.**

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

(1) Local government. – A county or municipality that received a distribution of local sales taxes in the most recent fiscal year for which a local sales tax share has been calculated.

(2) Local sales tax share. – A local government's percentage share of the two-cent (2¢) sales taxes distributed during the most recent fiscal year for which data are available.

(3) Repealed reimbursement amount. – The total amount a local government would have been entitled to receive during the 2002-2003 fiscal year under G.S. 105-164.44C, 105-275.1, 105-275.2, 105-277.001, and 105-277.1A, if the Governor had not withheld any distributions under those sections.

(4) Two-cent (2¢) sales taxes. – The first one-cent (1¢) sales and use tax authorized in Article 39 of this Chapter and in Chapter 1096 of the 1967 Session Laws, the first one-half cent (½¢) local sales and use tax authorized in Article 40 of this Chapter, and the second one-half cent (½¢) local sales and use tax authorized in Article 42 of this Chapter.

(b) Distributions. – On or before September 15, 2003, and each September 15 thereafter, the Secretary must multiply each local government's local sales tax share by the estimated amount that all local governments would be expected to receive during the current fiscal year under G.S. 105-520 if every county levied the tax under this Article for the year. If the resulting amount is less than one hundred percent (100%) of the local government's repealed reimbursement amount, the Secretary must pay the local government the difference, but not less than one hundred dollars ($100.00).

On or before May 1, 2003, and each May 1 thereafter, the Office of State Budget and Management and the Fiscal Research Division of the General Assembly must each submit to the Secretary and to the General Assembly a final projection of the estimated amount that all local governments would be expected to receive during the upcoming fiscal year under G.S. 105-520 if every county levied the tax under this Article for the fiscal year. If the Secretary does not use the lower of the two final projections to make the calculation required by this subsection, the Secretary must report the reasons for this decision to the Joint Legislative Commission on Governmental Operations within 60 days after receiving the projections.

(c) Source of Funds. – The Secretary must draw the funds distributed under this section from sales and use tax collections under Article 5 of this Chapter.

(d) Reports. – The Secretary must report to the Revenue Laws Study Committee by January 31, 2004, and each January 31 thereafter, the amount distributed under this section for the current fiscal year."

SECTION 34.14.(b) Notwithstanding the provisions of G.S. 105-466(c), a tax levied during the 2003 calendar year under Article 44 of Chapter 105 of the General Statutes, as enacted by this act, may become effective on the first day of any calendar month beginning on or after July 1, 2003. Notwithstanding the provisions of G.S. 105-466(c), if a county levies a tax during the 2003 calendar year under Article 44 of Chapter 105 of the General Statutes, as enacted by this act, the county is required to give the Secretary of Revenue only 30 days' advance notice of the tax levy. For taxes levied on or after January 1, 2004, the provisions of G.S. 105-466(c) apply.

SECTION 34.14.(c) A tax levied under Article 44 of Chapter 105 of the General Statutes, as enacted by this act, does not apply to construction materials purchased to fulfill a lump-sum or unit-price contract entered into or awarded before the effective date of the levy or entered into or awarded pursuant to a bid made before the effective date of the levy when the construction materials would otherwise be subject to the tax levied under Article 44 of Chapter 105 of the General Statutes.

SECTION 34.14.(d) This section is effective when it becomes law.

Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee; Representatives Allen, Buchanan, Luebke, Wainwright, Easterling, Oldham, Redwine

LOCAL GOVERNMENT REIMBURSEMENTS

SECTION 34.15.(a) The following sections of the General Statutes are repealed:

(1) G.S. 105-164.44C. Reimbursement for sales taxes on food stamp foods and supplemental foods.

(2) G.S. 105-275.1. Reimbursement for exclusion of manufacturers' inventories and poultry and livestock.

(3) G.S. 105-275.2. Reimbursement to counties and municipalities for repeal of State tax on intangible personal property.

(4) G.S. 105-277.001. Reimbursement for exclusion of retailers' and wholesalers' inventories.

(5) G.S. 105-277.1A. Property classified for taxation at reduced valuation; duties of tax collectors; reimbursement of localities for portion of tax lost.

SECTION 34.15.(b) This section becomes effective July 1, 2003.

Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee; Representatives Allen, Buchanan, Luebke, Wainwright, Easterling, Oldham, Redwine

SALES TAX HOLIDAY

SECTION 34.16.(a) Part 3 of Article 5 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-164.13C. Sales and use tax holiday.**

(a) The taxes imposed by this Article do not apply to the following items of tangible personal property if sold between 12:01A.M. on the first Friday of August and 11:59 P.M. the following Sunday:

(1) Clothing with a sales price of one hundred dollars ($100.00) or less per item.

(2) Clothing accessories, such as hats, scarves, hosiery, and handbags, with a sales price of one hundred dollars ($100.00) or less per item.

(3) Footwear with a sales price of one hundred dollars ($100.00) or less per item.

(4) School supplies, such as pens, pencils, paper, binders, notebooks, textbooks, reference books, book bags, lunchboxes, and calculators, with a sales price of one hundred dollars ($100.00) or less per item.

(5) Computers, printers and printer supplies, and educational computer software, with a sales price of three thousand five hundred dollars ($3,500) or less per item.

(b) The exemption allowed by this section does not apply to the following:

(1) Sales of jewelry, cosmetics, eyewear, wallets, or watches.

(2) Sales of furniture.

(3) Sales involving a layaway contract or a similar deferred payment and delivery plan.

(4) Sales of an item for use in a trade or business.

(5) Rentals.

(c) For the purpose of this section, "computer" means a central processing unit for personal use and any peripherals sold with it and any computer software installed at the time of purchase."

SECTION 34.16.(b) G.S. 105-467, as amended by S.L. 2001-347, reads as rewritten:

"**§ 105-467. Scope of sales tax.**

(a) Sales Tax. – The sales tax that may be imposed under this Article is limited to a tax at the rate of one percent (1%) of the transactions listed in this subsection. The sales tax authorized by this Article does not apply to sales that are taxable by the State under G.S. 105-164.4 but are not specifically included in this subsection.

(1) The sales price of tangible personal property subject to the general rate of sales tax imposed by the State under G.S. 105-164.4(a)(1) and (a)(4b).

(2) The gross receipts derived from the lease or rental of tangible personal property when the lease or rental of the property is subject to the general rate of sales tax imposed by the State under G.S. 105-164.4(a)(2).

(3) The gross receipts derived from the rental of any room or other accommodations subject to the general rate of sales tax imposed by the State under G.S. 105-164.4(a)(3).

(4) The gross receipts derived from services rendered by laundries, dry cleaners, and other businesses subject to the general rate of sales tax imposed by the State under G.S. 105-164.4(a)(4).

(5) The sales price of food that is not otherwise exempt from tax pursuant to G.S. 105-164.13 but would be exempt from the State sales and use tax pursuant to G.S. 105-164.13 if it were purchased under the Food Stamp Program, 7 U.S.C. § 51.

(b) Exemptions and Refunds. – The State exemptions and exclusions contained in G.S. ~~105-164.13~~ 105-164.13, the State sales and use tax holiday contained in G.S. 105-164.13C, and the State refund provisions contained in G.S. 105-164.14 apply to the local sales and use tax authorized to be levied and imposed under this Article. A taxing county may not allow an exemption, exclusion, or refund that is not allowed under the State sales and use tax.

(c) Sourcing. – The local sales tax authorized to be imposed and levied under this Article applies to taxable transactions by retailers whose place of business is located within the taxing county. The sourcing principles in G.S. 105-164.4B apply in determining whether the local sales tax applies to a transaction."

SECTION 34.16.(c) The second paragraph of Section 4 of Chapter 1096 of the 1967 Session Laws is rewritten to read:

"The exemptions and exclusions contained in G.S. 105-164.13 and the sales and use tax holiday contained in G.S. 105-164.13C apply with equal force and like manner to the local sales tax authorized to be imposed and levied under this division. The county shall have no authority, with respect to the local sales and use tax imposed under this division, to change, alter, add, or delete any exemptions or exclusions contained under G.S. 105-164.13."

SECTION 34.16.(d) This section becomes effective January 1, 2002, and applies to sales made on or after that date.

Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee; Representatives Allen, Buchanan, Luebke, Wainwright, Easterling, Oldham, Redwine

EQUALIZE TAXATION OF SATELLITE TV AND CABLE TV

SECTION 34.17.(a) G.S. 105-164.4(a) is amended by adding a new subdivision to read:

"(6) The rate of five percent (5%) applies to the gross receipts derived from providing direct-to-home satellite service to subscribers in this State. A person engaged in the business of providing direct-to-home satellite service is considered a retailer under this Article."

SECTION 34.17.(b) G.S. 105-164.3 is amended by adding the following new subdivision to read:

"**§ 105-164.3. Definitions.**

The following definitions apply in this Article, except when the context clearly indicates a different meaning:

…

(4a) Direct-to-home satellite service. – Programming transmitted or broadcast by satellite directly to the subscribers' premises without the use of ground equipment or distribution equipment, except equipment at the subscribers' premises or the uplink process to the satellite."

SECTION 34.17.(c) This section becomes effective January 1, 2002, and applies to sales made on or after that date.

Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee; Representatives Allen, Buchanan, Luebke, Wainwright, Easterling, Oldham, Redwine

NEW TAX BRACKET FOR INCOME OVER $200,000

SECTION 34.18.(a) G.S. 105-134.2(a) reads as rewritten:

"(a) A tax is imposed upon the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually and shall be computed at the following percentages of the taxpayer's North Carolina taxable income.

(1) For married individuals who file a joint return under G.S. 105-152 and for surviving spouses, as defined in section 2(a) of the Code:

Over	Up To	Rate
-0-	$21,250	6%
$21,250	$100,000	7%
$100,000	$200,000	7.75%
$200,000	NA	8.25%

~~On the North Carolina taxable income up to twenty-one thousand two hundred fifty dollars ($21,250), six percent (6%).~~

~~On the amount over twenty-one thousand two hundred fifty dollars ($21,250) and up to one hundred thousand dollars ($100,000), seven percent (7%).~~

~~On the amount over one hundred thousand dollars ($100,000), seven and seventy-five one-hundredths percent (7.75%).~~

(2) For heads of households, as defined in section 2(b) of the Code:

Over	Up To	Rate
-0-	$17,000	6%
$17,000	$80,000	7%
$80,000	$160,000	7.75%
$160,000	NA	8.25%

~~On the North Carolina taxable income up to seventeen thousand dollars ($17,000), six percent (6%).~~

~~On the amount over seventeen thousand dollars ($17,000) and up to eighty thousand dollars ($80,000), seven percent (7%).~~

~~On the amount over eighty thousand dollars ($80,000), seven and seventy-five one-hundredths percent (7.75%).~~

(3) For unmarried individuals other than surviving spouses and heads of households:

Over	Up To	Rate
-0-	$12,750	6%
$12,750	$60,000	7%
$60,000	$120,000	7.75%
$120,000	NA	8.25%

~~On the North Carolina taxable income up to twelve thousand seven hundred fifty dollars ($12,750), six percent (6%).~~

~~On the amount over twelve thousand seven hundred fifty dollars ($12,750) and up to sixty thousand dollars ($60,000), seven percent (7%).~~

~~On the amount over sixty thousand dollars ($60,000), seven and seventy-five one-hundredths percent (7.75%).~~

(4) For married individuals who do not file a joint return under G.S. 105-152:

Over	Up To	Rate
-0-	$10,625	6%
$10,625	$50,000	7%
$50,000	$100,000	7.75%
$100,000	NA	8.25%

~~On the North Carolina taxable income up to ten thousand six hundred twenty-five dollars ($10,625), six percent (6%).~~

~~On the amount over ten thousand six hundred twenty-five dollars ($10,625) and up to fifty thousand dollars ($50,000), seven percent (7%).~~

~~On the amount over fifty thousand dollars ($50,000), seven and seventy-five one-hundredths percent (7.75%).~~"

SECTION 34.18.(b) This section becomes effective for taxable years beginning on or after January 1, 2001, and expires for taxable years beginning on or after January 1, 2004. Notwithstanding G.S. 105-163.15, no addition to tax may be made under that statute for a taxable year beginning on or after January 1, 2001, and before January 1, 2002, with respect to an underpayment of individual income tax to the extent the underpayment was created or increased by this section.

Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee; Representatives Allen, Buchanan, Luebke, Wainwright, Easterling, Oldham, Redwine

ELIMINATE THE MARRIAGE TAX PENALTY FOR THE STANDARD DEDUCTION

SECTION 34.19.(a) Effective for taxable years beginning on or after January 1, 2002, G.S. 105-134.6(c)(3) and (4) reads as rewritten:

"(c) Additions. – The following additions to taxable income shall be made in calculating North Carolina taxable income, to the extent each item is not included in taxable income:

. . .

(3) Any amount deducted from gross income under section 164 of the Code as state, local, or foreign income tax to the extent that the taxpayer's total itemized deductions deducted under the Code for the taxable year exceed the standard deduction allowable to the taxpayer under the Code reduced by the amount ~~by which the taxpayer's allowable standard deduction has been increased under section 63(c)(4) of the Code.~~the taxpayer is required to add to taxable income under subdivision (4) of this subsection.

(4) The amount by which the taxpayer's additional standard deduction for aged and blind has been increased for inflation under section 63(c)(4)(A) of the ~~Code.~~Code plus the amount by which the taxpayer's basic standard deduction, including adjustments for inflation, under the Code exceeds the appropriate amount in the following chart based on the taxpayer's filing status:

Filing Status	**Standard Deduction**
Married filing jointly/Surviving Spouse	$5,500
Head of Household	4,400
Single	3,000
Married filing separately	2,750".

SECTION 34.19.(b) Effective for taxable years beginning on or after January 1, 2003, G.S. 105-134.6(c)(4), as amended by this section, reads as rewritten:

"(c) Additions. – The following additions to taxable income shall be made in calculating North Carolina taxable income, to the extent each item is not included in taxable income:

. . .

(4) The amount by which the taxpayer's additional standard deduction for aged and blind has been increased for inflation under section 63(c)(4)(A) of the Code plus the amount by which the taxpayer's basic standard deduction, including adjustments for inflation, under the Code exceeds the appropriate amount in the following chart based on the taxpayer's filing status:

Filing Status	**Standard Deduction**
Married filing jointly/Surviving Spouse	~~$5,500~~$6,000
Head of Household	4,400
Single	3,000
Married filing separately	~~2,750~~3,000".

Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee; Representatives Allen, Buchanan, Luebke, Wainwright, Easterling, Oldham, Redwine

INCREASE TAX CREDIT FOR CHILDREN

SECTION 34.20.(a) Effective for taxable years beginning on or after January 1, 2002, G.S. 105-151.24 reads as rewritten:

"**§ 105-151.24. Credit for children.**

An individual whose adjusted gross income (AGI), as calculated under the Code, is less than the amount listed below is allowed a credit against the tax imposed by this Part in an amount equal to ~~sixty dollars ($60.00)~~ seventy-five dollars ($75.00) for each dependent child for whom the individual was allowed to deduct a personal exemption under section 151(c)(1)(B) of the Code for the taxable year:

Filing Status	**AGI**
Married, filing jointly	$100,000
Head of Household	80,000
Single	60,000
Married, filing separately	50,000.

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

SECTION 34.20.(b) Effective for taxable years beginning on or after January 1, 2003, G.S. 105-151.24, as amended by this section, reads as rewritten:

"**§ 105-151.24. Credit for children.**

An individual whose adjusted gross income (AGI), as calculated under the Code, is less than the amount listed below is allowed a credit against the tax imposed by this Part in an amount equal to ~~seventy-five dollars ($75.00)~~ one hundred dollars ($100.00) for each dependent child for whom the individual was allowed to deduct a personal exemption under section 151(c)(1)(B) of the Code for the taxable year:

Filing Status	**AGI**
Married, filing jointly	$100,000
Head of Household	80,000
Single	60,000
Married, filing separately	50,000.

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

Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee; Representatives Allen, Buchanan, Luebke, Wainwright, Easterling, Oldham, Redwine

ELIMINATE THE CHILDREN'S HEALTH INSURANCE CREDIT

SECTION 34.21.(a) G.S. 105-151.27 is repealed.

SECTION 34.21.(b) This section is effective for taxable years beginning on or after January 1, 2001.

Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee; Representatives Allen, Buchanan, Luebke, Wainwright, Easterling, Oldham, Redwine

EQUALIZE TAXATION OF HMOs AND MEDICAL SERVICE COMPANIES

SECTION 34.22.(a) G.S. 105-228.5 reads as rewritten:

"**§ 105-228.5. Taxes measured by gross premiums.**

(a) Tax Levied. – A tax is levied in this section on insurers, Article 65 corporations, health maintenance organizations, and self-insurers. An ~~insurer~~ insurer,

health maintenance organization, or Article 65 corporation that is subject to the tax levied by this section is not subject to franchise or income taxes imposed by Articles 3 and 4, respectively, of this Chapter.

(b) Tax Base. –

(1) Insurers. – The tax imposed by this section on an insurer or a health maintenance organization shall be measured by gross premiums from business done in this State during the preceding calendar year.

(2) Additional Local Fire and Lightning Rate. – The additional tax imposed by subdivision (d)(4) of this section shall be measured by gross premiums from business done in fire districts in this State during the preceding calendar year. For the purpose of this section, the term "fire district" has the meaning provided in G.S. 58-84-5.

(3) Article 65 Corporations. – The tax imposed by this section on an Article 65 corporation shall be measured by gross collections from membership dues, exclusive of receipts from cost plus plans, received by the corporation during the preceding calendar year.

(4) Self-insurers. – The tax imposed by this section on a self-insurer shall be measured by the gross premiums that would be charged against the same or most similar industry or business, taken from the manual insurance rate then in force in this State, applied to the self-insurer's payroll for the previous calendar year as determined under Article 2 of Chapter 97 of the General Statutes modified by the self-insurer's approved experience modifier.

(b1) Calculation of Tax Base. – In determining the amount of gross premiums from business in this State, all gross premiums received in this State, credited to policies written or procured in this State, or derived from business written in this State shall be deemed to be for contracts covering persons, property, or risks resident or located in this State unless one of the following applies:

(1) The premiums are properly reported and properly allocated as being received from business done in some other nation, territory, state, or states.

(2) The premiums are from policies written in federal areas for persons in military service who pay premiums by assignment of service pay.

Gross premiums from business done in this State in the case of life insurance contracts, including supplemental contracts providing for disability benefits, accidental death benefits, or other special benefits that are not annuities, means all premiums collected in the calendar year, other than for contracts of reinsurance, for policies the premiums on which are paid by or credited to persons, firms, or corporations resident in this State, or in the case of group policies, for contracts of insurance covering persons resident within this State. The only deductions allowed shall be for premiums refunded on policies rescinded for fraud or other breach of contract and premiums that were paid in advance on life insurance contracts and subsequently refunded to the insured, premium payer, beneficiary or estate. Gross premiums shall be deemed to have been collected for the amounts as provided in the policy contracts for the time in force during the year, whether satisfied by cash payment, notes, loans, automatic premium loans, applied dividend, or by any other means except waiver of premiums by companies under a contract for waiver of premium in case of disability.

Gross premiums from business done in this State for all other health care plans and contracts of insurance, including contracts of insurance required to be carried by the Workers' Compensation Act, means all premiums written during the calendar year, or the equivalent thereof in the case of self-insurers under the Workers' Compensation Act, for contracts covering property or risks in this State, other than for contracts of reinsurance, whether the premiums are designated as premiums, deposits, premium deposits, policy fees, membership fees, or assessments. Gross premiums shall be deemed to have been written for the amounts as provided in the policy contracts, new

and renewal, becoming effective during the year irrespective of the time or method of making payment or settlement for the premiums, and with no deduction for dividends whether returned in cash or allowed in payment or reduction of premiums or for additional insurance, and without any other deduction except for return of premiums, deposits, fees, or assessments for adjustment of policy rates or for cancellation or surrender of policies.

(c) Exclusions. – Every insurer, in computing the premium tax, shall exclude all of the following from the gross amount of ~~premiums:~~ premiums, and the gross amount of excluded premiums is exempt from the tax imposed by this section:

(1) All premiums received on or after July 1, 1973, from policies or contracts issued in connection with the funding of a pension, annuity, or profit-sharing plan qualified or exempt under section 401, 403, 404, 408, 457 or 501 of the Code as defined in G.S. 105-228.90.

(2) Premiums or considerations received from annuities, as defined in G.S. 58-7-15.

(3) Funds or considerations received in connection with funding agreements, as defined in G.S. 58-7-16.

(4) The following premiums, to the extent federal law prohibits their taxation under this Article:

a. Federal Employees Health Benefits Plan premiums.

b. Medicaid or Medicare premiums.

~~The gross amount of the excluded premiums, funds, and considerations shall be exempt from the tax imposed by this section.~~

(d) Tax Rates; Disposition. –

(1) ~~Workers~~ Workers' Compensation. – The tax rate to be applied to gross premiums, or the equivalent thereof in the case of self-insurers, on contracts applicable to liabilities under the Workers' Compensation Act ~~shall be~~ is two and five-tenths percent (2.5%). The net proceeds shall be credited to the General Fund.

(2) Other Insurance Contracts. – The tax rate to be applied to gross premiums on all other ~~insurance~~ taxable contracts issued by insurers ~~shall be~~ is one and nine-tenths percent (1.9%). The net proceeds shall be credited to the General Fund.

(3) Additional Statewide Fire and Lightning Rate. – An additional tax shall be applied to gross premiums on contracts of insurance applicable to fire and lightning coverage, except in the case of marine and automobile policies, at the rate of one and thirty-three hundredths percent (1.33%). Twenty-five percent (25%) of the net proceeds of this additional tax shall be deposited in the Volunteer Fire Department Fund established in Article 87 of Chapter 58 of the General Statutes. The remaining net proceeds shall be credited to the General Fund.

(4) Additional Local Fire and Lightning Rate. – An additional tax shall be applied to gross premiums on contracts of insurance applicable to fire and lightning coverage within fire districts at the rate of one-half of one percent (1/2 of 1%). The net proceeds shall be credited to the Department of Insurance for disbursement pursuant to G.S. 58-84-25.

(5) Article 65 Corporations. – The tax rate to be applied to gross premiums and/or gross collections from membership dues, exclusive of receipts from cost plus plans, received by Article 65 corporations ~~shall be one-half of one percent (1/2 of 1%).~~ is eight hundred thirty-three thousandths percent (0.833%). The net proceeds shall be credited to the General Fund.

(6) Health Maintenance Organizations. – The tax rate to be applied to gross premiums on insurance contracts issued by health maintenance

organizations is eight hundred thirty-three thousandths percent (0.833%). The net proceeds shall be credited to the General Fund.

(e) Report and Payment. – Each ~~insurer, Article 65 corporation, and self-insurer~~ taxpayer doing business in this State shall, within the first 15 days of March, file with the Secretary of Revenue a full and accurate report of the total gross premiums as defined in this section, the payroll and other information required by the Secretary in the case of a self-insurer, or the total gross collections from membership dues exclusive of receipts from cost plus plans collected in this State during the preceding calendar year. The report shall be verified by the oath of the official or other representative responsible for transmitting it; the taxes imposed by this section shall be remitted to the Secretary with the report.

In the case of an insurer liable for the additional local fire and lightning tax, the report shall include the information required under G.S. 58-84-1.

(f) Installment Payments Required. – ~~Insurers, Article 65 corporations, and self-insurers~~ Taxpayers that are subject to the tax imposed by this section and have a premium tax liability, not including the additional local fire and lightning tax, of ten thousand dollars ($10,000) or more for business done in North Carolina during the immediately preceding year shall remit three equal quarterly installments with each installment equal to at least thirty-three and one-third percent (33 1/3%) of the premium tax liability incurred in the immediately preceding taxable year. The quarterly installment payments shall be made on or before April 15, June 15, and October 15 of each taxable year. The company shall remit the balance by the following March 15 in the same manner provided in this section for annual returns.

The Secretary of Revenue may permit an insurance company to pay less than the required estimated payment when the insurer reasonably believes that the total estimated payments made for the current year will exceed the total anticipated tax liability for the year.

An underpayment of an installment payment required by this subsection shall bear interest at the rate established under G.S. 105-241.1(i). Any overpayment shall bear interest as provided in G.S. 105-266(b) and, together with the interest, shall be credited to the company and applied against the taxes imposed upon the company under this Article.

(g) Exemptions. – This section does not apply to farmers' mutual assessment fire insurance companies or to fraternal orders or societies that do not operate for a profit and do not issue policies on any person except members."

SECTION 34.22.(b) G.S. 58-6-25(a) reads as rewritten:

"(a) Charge Levied. – There is levied on each insurance company an annual charge for the purposes stated in subsection (d) of this section. The charge levied in this section is in addition to all other fees and taxes. The percentage rate of the charge is established pursuant to subsection (b) of this section. For each insurance company that is not an Article 65 corporation nor a health maintenance organization, the rate is applied to the company's premium tax liability for the taxable year. For Article 65 corporations and health maintenance organizations, the rate is applied to a ~~presumed~~ premium tax liability for the taxable year calculated as if the corporation or organization were ~~an insurer providing health insurance.~~ paying tax at the rate in G.S. 105-228.5(d)(2). In determining an insurance company's premium tax liability for a taxable year, the following shall be disregarded:

(1) Additional taxes imposed by G.S. 105-228.8.
(2) The additional local fire and lightning tax imposed by G.S. 105-228.5(d)(4).
(3) Any tax credits for guaranty or solvency fund assessments under G.S. 105-228.5A or G.S. 97-133(a).
(4) Any tax credits allowed under Chapter 105 of the General Statutes other than tax payments made by or on behalf of the taxpayer."

SECTION 34.22.(c) G.S. 58-6-25(e) reads as rewritten:

"(e) Definitions. – The following definitions apply in this section:

(1) Article 65 corporation. – Defined in G.S. 105-228.3.

(2) Insurance company. – A company that pays the gross premiums tax levied in G.S. 105-228.5 and G.S. ~~105-228.8 or a health maintenance organization.~~105-228.8.

(3) Insurer. – Defined in G.S. 105-228.3."

SECTION 34.22.(d) G.S. 105-228.5(d)(5), as amended by subsection (a) of this section, reads as rewritten:

"(5) Article 65 Corporations. – The tax rate to be applied to gross premiums and/or gross collections from membership dues, exclusive of receipts from cost plus plans, received by Article 65 corporations is ~~eight hundred thirty-three thousandths percent (0.833%).~~ one percent (1%). The net proceeds shall be credited to the General Fund."

SECTION 34.22.(e) G.S. 105-228.5(d)(6), as enacted by subsection (a) of this section, reads as rewritten:

"(6) Health Maintenance Organizations. – The tax rate to be applied to gross premiums on insurance contracts issued by health maintenance organizations is ~~eight hundred thirty-three thousandths percent (0.833%).~~ one percent (1%). The net proceeds shall be credited to the General Fund."

SECTION 34.22.(f) Subsections (d) and (e) of this section become effective for taxable years beginning on or after January 1, 2003. The remainder of this section is effective for taxable years beginning on or after January 1, 2002.

Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee; Representatives Allen, Buchanan, Luebke, Wainwright, Easterling, Oldham, Redwine

SPIRITUOUS LIQUOR SALES TAX AND EXCISE TAX

SECTION 34.23.(a) G.S. 105-164.13(37) is repealed.

SECTION 34.23.(b) G.S. 105-164.4(a) is amended by adding a new subdivision to read:

"(6) The rate of six percent (6%) applies to the sales price of spirituous liquor other than mixed beverages. As used in this subdivision, the terms 'spirituous liquor' and 'mixed beverage' have the meanings provided in G.S. 18B-101."

SECTION 34.23.(c) G.S. 105-113.80(c) reads as rewritten:

"(c) Liquor. – An excise tax of twenty-eight percent (28%) is levied on liquor sold in ABC stores. Pursuant to G.S. 18B-804(b), the price of liquor on which this tax is computed is the distiller's price plus (i) the State ABC warehouse freight and bailment charges, and (ii) a markup for local ABC boards. ~~This tax is in lieu of sales and use taxes; accordingly, liquor is exempt from those taxes as provided in G.S. 105-164.13(37).~~"

SECTION 34.23.(d) G.S. 105-113.80(c), as amended by subsection (c) of this section, reads as rewritten:

"(c) Liquor. – An excise tax of ~~twenty-eight percent (28%)~~ twenty-five percent (25%) is levied on liquor sold in ABC stores. Pursuant to G.S. 18B-804(b), the price of liquor on which this tax is computed is the distiller's price plus (i) the State ABC warehouse freight and bailment charges, and (ii) a markup for local ABC boards."

SECTION 34.23.(e) Subsection (d) of this section becomes effective February 1, 2002. The remainder of this section becomes effective December 1, 2001, and applies to sales made on or after that date.

Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee; Representatives Allen, Buchanan, Luebke, Wainwright, Easterling, Oldham, Redwine

NO TAX BREAK FOR LUXURY CARS/NO FIRE & RESCUE VEHICLE TAX

SECTION 34.24.(a) G.S. 105-187.3(a) reads as rewritten:

"(a) Amount. – The rate of the use tax imposed by this Article is three percent (3%) of the retail value of a motor vehicle for which a certificate of title is issued. The tax is payable as provided in G.S. 105-187.4. The tax may not be more than one thousand dollars ($1,000) for each certificate of title issued for a Class A or Class B motor vehicle that is a commercial motor vehicle, as defined in G.S. 20-4.01. ~~The tax may not be more than one thousand five hundred dollars ($1,500) for each certificate of title issued for any other motor vehicle.~~"

SECTION 34.24.(b) G.S. 105-187.5(b) reads as rewritten:

"(b) Rate. – The tax rate on the gross receipts from the short-term lease or rental of a motor vehicle is eight percent (8%) and the tax rate on the gross receipts from the long-term lease or rental of a motor vehicle is three percent (3%). Gross receipts does not include the amount of any allowance given for a motor vehicle taken in trade as a partial payment on the lease or rental price. The maximum tax in G.S. 105-187.3(a) on certain commercial motor vehicles applies to a continuous lease or rental of such a motor vehicle to the same person."

SECTION 34.24.(c) G.S. 105-187.9 reads as rewritten:

"**§ 105-187.9. Disposition of tax proceeds.**

(a) Taxes collected under this Article at the rate of eight percent (8%) shall be credited to the General Fund. Taxes collected under this Article at the rate of three percent (3%) shall be credited to the North Carolina Highway Trust Fund.

(b) In each fiscal year the State Treasurer shall transfer the ~~sum of one hundred seventy million dollars ($170,000,000) of~~ amounts provided below from the taxes deposited in the Trust Fund to the General Fund. The transfer of funds authorized by this section may be made by transferring one-fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue.

(1) The sum of one hundred seventy million dollars ($170,000,000).

(2) In the 2001-2002 fiscal year, the sum of one million seven hundred thousand dollars ($1,700,000). In the 2002-2003 fiscal year, the sum of two million four hundred thousand dollars ($2,400,000). In each fiscal year thereafter, the sum transferred under this subdivision in the previous fiscal year plus or minus a percentage of this sum equal to the percentage by which tax collections under this Article increased or decreased for the most recent 12-month period for which data are available."

SECTION 34.24.(d) G.S. 105-187.6(a) reads as rewritten:

"(a) Full Exemptions. – The tax imposed by this Article does not apply when a certificate of title is issued as the result of a transfer of a motor vehicle:

(1) To the insurer of the motor vehicle under G.S. 20-109.1 because the vehicle is a salvage vehicle.

(2) To either a manufacturer, as defined in G.S. 20-286, or a motor vehicle retailer for the purpose of resale.

(3) To the same owner to reflect a change or correction in the owner's name.

(4) By will or intestacy.

(5) By a gift between a husband and wife, a parent and child, or a stepparent and a stepchild.

(6) By a distribution of marital or divisible property incident to a marital separation or divorce.

(7) To a handicapped person from the Department of Health and Human Services after the vehicle has been equipped by the Department for use by the handicapped.

(8) To a local board of education for use in the driver education program of a public school when the motor vehicle is transferred:

a. By a retailer and is to be transferred back to the retailer within 300 days after the transfer to the local board.
b. By a local board of education.

(9) To a volunteer fire department or volunteer rescue squad that is not part of a unit of local government, has no more than two paid employees, and is exempt from State income tax under G.S. 105-130.11, when the motor vehicle is one of the following:
a. A fire truck, a pump truck, a tanker truck, or a ladder truck used to suppress fire.
b. A four-wheel drive vehicle intended to be mounted with a water tank and hose and used for forest fire fighting.
c. An emergency services vehicle."

SECTION 34.24.(e) G.S. 105-187.1 reads as rewritten:

"**§ 105-187.1. Definitions.**

The following definitions and the definitions in G.S. 105-164.3 apply to this Article:

(1) ~~"Commissioner" means the~~ Commissioner. – The Commissioner of Motor Vehicles.
(2) ~~"Division" means the~~ Division. – The Division of Motor Vehicles, Department of Transportation.
(3) ~~"Long-term lease or rental" means a~~ Long-term lease or rental. – A lease or rental made under a written agreement to lease or rent property to the same person for a period of at least 365 continuous days.
(3a) Rescue squad. – An organization that provides rescue services, emergency medical services, or both.
~~(3a)~~(3b) Retailer. – A retailer as defined in G.S. 105-164.3 who is engaged in the business of selling, leasing, or renting motor vehicles.
(4) ~~"Short-term lease or rental" means a~~ Short-term lease or rental. – A lease or rental that is not a long-term lease or rental."

SECTION 34.24.(f) Subsection (c) of this section is effective on and after July 1, 2001. The remainder of this section becomes effective October 1, 2001, and applies to certificates of title issued on or after that date.

Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee; Representatives Allen, Buchanan, Luebke, Wainwright, Easterling, Oldham, Redwine

UNIFORM TELECOMMUNICATIONS TAX AT 6%

SECTION 34.25.(a) If House Bill 571, 2001 General Assembly, becomes law on or before January 1, 2002, G.S. 105-164.4(a)(4c), as amended by House Bill 571, reads as rewritten:

"(4c) The rate of ~~four and one-half percent (4.5%)~~ six percent (6%) applies to the gross receipts derived from providing telecommunications service. A person who provides telecommunications service is considered a retailer under this Article. Telecommunications service is taxed in accordance with G.S. 105-164.4B."

SECTION 34.25.(b) If House Bill 571, 2001 General Assembly, becomes law on or before January 1, 2002, G.S. 105-164.44F(a), as enacted by House Bill 571, reads as rewritten:

"(a) Amount. – The Secretary must distribute to the cities part of the taxes imposed by G.S. 105-164.4(a)(4c) on telecommunications service. The Secretary must make the distribution within 75 days after the end of each calendar quarter. The amount the Secretary must distribute is ~~twenty-four and four-tenths percent (24.4%)~~ eighteen and twenty-six hundredths percent (18.26%) of the net proceeds of the taxes collected during the quarter, minus two million six hundred twenty thousand nine hundred forty-eight dollars ($2,620,948). This deduction is one-fourth of the annual amount by which the distribution to cities of the gross receipts franchise tax on telephone

companies, imposed by former G.S. 105-120, was required to be reduced beginning in fiscal year 1995-96 as a result of the 'freeze deduction.' The Secretary must distribute the specified percentage of the proceeds, less the 'freeze deduction' among the cities in accordance with this section."

SECTION 34.25.(c) This section becomes effective January 1, 2002, and applies to taxable services reflected on bills dated on or after January 1, 2002.

Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee; Representatives Allen, Buchanan, Luebke, Wainwright, Easterling, Oldham, Redwine

EFFECTIVE DATE

SECTION 34.26. Except as otherwise provided in this Part, this Part is effective when it becomes law.

PART XXXVI. MISCELLANEOUS PROVISIONS

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

EXECUTIVE BUDGET ACT APPLIES

SECTION 36.1. 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.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

COMMITTEE REPORT

SECTION 36.2.(a) The Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets, dated September 19, 2001, which was distributed in the Senate and House of Representatives and used to explain this act, shall indicate action by the General Assembly on this act and shall therefore be used to construe this act, as provided in G.S. 143-15 of the Executive Budget Act, and for these purposes shall be considered a part of this act and as such shall be printed as a part of the Session Laws.

SECTION 36.2.(b) The budget enacted by the General Assembly for the maintenance of the various departments, institutions, and other spending agencies of the State for the 2001-2003 fiscal biennium is a line item budget, in accordance with the Budget Code Structure and the State Accounting System Uniform Chart of Accounts set out in the Administrative Policies and Procedures Manual of the Office of the State Controller. This budget includes the appropriations made from all sources including the General Fund, Highway Fund, special funds, cash balances, federal receipts, and departmental receipts.

The Director of the Budget submitted the itemized budget requests to the General Assembly on March 12, 2001, in the document, "The North Carolina State Budget, Summary of Recommendations for 2001-2003". The beginning appropriation for the 2001-2002 fiscal year and the 2002-2003 fiscal year for the various departments, institutions, and other spending agencies of the State is referenced in this document as the recurring baseline budget. The recurring baseline budget was derived from the December 31, 2000, authorized budget by applying adjustments for nonrecurring items, building reserves, enrollment and entitlement changes, and transfers between budget codes.

The General Assembly revised the recurring baseline budget for the 2001-2002 fiscal year and the 2002-2003 fiscal year submitted by the Director of the Budget, in accordance with the steps that follow, and the line item detail in the budget enacted by the General Assembly may be derived accordingly:

(1) The recurring baseline budget was revised in accordance with reductions and additions that were set out in the Joint Conference

Committee Report on the Continuation, Expansion and Capital Budgets, dated September 19, 2001, together with any accompanying correction sheets.

(2) Transfers of funds supporting programs were made in accordance with the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets, dated September 19, 2001, together with any accompanying correction sheets.

SECTION 36.2.(c) The budget enacted by the General Assembly shall also be interpreted in accordance with the special provisions in this act and in accordance with other appropriate legislation.

In the event that there is a conflict between the line item budget certified by the Director of the Budget and the budget enacted by the General Assembly, the budget enacted by the General Assembly shall prevail.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

MOST TEXT APPLIES ONLY TO THE 2001-2003 FISCAL BIENNIUM

SECTION 36.3. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2001-2003 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2001-2003 fiscal biennium.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

EFFECT OF HEADINGS

SECTION 36.4. The headings to the parts and sections of this act are a convenience to the reader and are for reference only. The headings do not expand, limit, or define the text of this act, except for effective dates referring to a Part.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

SEVERABILITY CLAUSE

SECTION 36.5. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

EFFECTIVE DATE

SECTION 36.6. Except as otherwise provided, this act becomes effective July 1, 2001.

In the General Assembly read three times and ratified this the 21st day of September, 2001.

s/ Beverly E. Perdue
President of the Senate

s/ James B. Black
Speaker of the House of Representatives

s/ Michael F. Easley
Governor

Approved 11:15 a.m. this 26th day of September, 2001