

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005**

**SESSION LAW 2006-221
SENATE BILL 198**

AN ACT TO MAKE TECHNICAL, CLARIFYING, AND OTHER MODIFICATIONS
TO THE CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS
APPROPRIATIONS ACT OF 2006.

The General Assembly of North Carolina enacts:

SECTION 1. S.L. 2006-66 is amended by adding a new section to read:

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

'SECTION 5.1.(c) The Department of Crime Control and Public Safety shall modify the Crisis Housing Assistance Fund (CHAF) to provide money to persons who do not qualify for CHAF assistance solely because they failed to apply for federal assistance through FEMA or the Small Business Administration's (SBA) Real Property Disaster loan program. The Department shall review these persons' applications for CHAF assistance using the same criteria employed by the SBA to determine eligibility for an SBA Real Property Disaster loan. ~~The~~ Up to 110 applicants shall be eligible for CHAF assistance if it is determined that they would have failed to qualify for assistance under the SBA Real Property disaster loan criteria and that they otherwise meet the criteria for CHAF.'

SECTION 6.11.(b) This section applies to persons applying for Crisis Housing Assistance Fund (CHAF) assistance due to hurricane damage during the summer and fall of 2004.

SECTION 6.11.(c) This section expires on November 1, 2006."

SECTION 2. S.L. 2006-66 is amended by adding a new section to read:

"SECTION 6.17.(a) G.S. 143-16.3 reads as rewritten:

'§ 143-16.3. No expenditures for purposes for which the General Assembly has considered but not enacted an appropriation.

Notwithstanding any other provision of law, no funds from any source, except for gifts, public or private grants, funds allocated from the Repair and Renovations Account in accordance with G.S. 143-15.3A, and funds allocated from the Contingency and Emergency Fund in accordance with G.S. 143-12(b), may be expended for any new or expanded purpose, position, or other expenditure for which the General Assembly has considered but not enacted an appropriation of funds for the current fiscal period; provided, however, that in the event the Director of the Budget declares that it is necessary to deviate from this provision, he may do so after prior consultation with the Joint Legislative Commission on Governmental Operations. For the purpose of this section, the General Assembly has considered a purpose, position, or other expenditure

when that purpose is included in a bill, amendment, or petition and when any committee of the Senate or the House of Representatives deliberates on that purpose.'

SECTION 6.17.(b) This section is effective when this act becomes law."

SECTION 2A. Notwithstanding Page F-5, Item 37, of the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets dated June 30, 2006, funds appropriated to the Department of Public Instruction for Futures for Kids, Inc., a nonprofit corporation, may be used for operations during the 2006-2007 fiscal year while the corporation develops a plan for consolidation during the 2007-2008 fiscal year with the Pathways Program, which is administered by The University of North Carolina, General Administration. Futures for Kids, Inc., and the Pathways Program shall present a plan for consolidation of the two programs to the Joint Legislative Education Oversight Committee by March 1, 2007.

SECTION 3. S.L. 2006-66 is amended by adding a new section to read:

"**SECTION 6.18.** S.L. 2005-255 required the State of North Carolina to convey the property described by that section and to implement the Green Square Project in accordance with the provisions of that act. The Department of Administration shall report to the Joint Legislative Commission on Governmental Operations no later than September 1, 2006, on (i) why the property has not yet been transferred, (ii) why that act has not yet been implemented, and (iii) what the transfer and implementation timetable is."

SECTION 3A. S.L. 2006-66 is amended by adding a new section to read:

"**SECTION 6.19.(a)** If House Bill 914, 2005 Regular Session, becomes law, effective July 1, 2007, G.S. 143B-426.39A, G.S. 143B-426.39B, and G.S. 143B-426.39C as enacted by Section 9 of House Bill 914 are recodified as G.S. 143B-426.39D, G.S. 143B-426.39E, and G.S. 143B-426.39F. The Codifier is authorized to change the references to G.S. 143B-426.39A, G.S. 143B-426.39B, and G.S. 143B-426.39C in G.S. 143B-426.39, G.S. 53-245(b), G.S. 62A-22(d), G.S. 96-6, G.S. 147-9.3, and G.S. 174-9.4 as amended by sections 8, 17, 19, 23, 112, and 113 to the correct recodified statutory references.

SECTION 6.19.(b) If House Bill 914, 2005 Regular Session, becomes law, effective July 1, 2007, the same amendment to G.S. 143-3.3(g) made by Section 6.35 of S.L. 2005-276 is also made to G.S. 143B-426.39D(g), as enacted by Section 9 of House Bill 914 and recodified by Section 6.19(a) of this section.

SECTION 6.19.(c) If House Bill 914, 2005 Regular Session, becomes law, effective July 1, 2007, G.S. 143B-426.39(6) reads as rewritten:

'(6) Prescribe, develop, operate, and maintain a uniform payroll system, in accordance with ~~G.S. 143-3.2 and G.S. 143-34.1~~, G.S. 143B-426.39E and G.S. 143C-6-6 for all State agencies. This uniform payroll system shall be designed to assure compliance with all legal and constitutional requirements. When the State Controller finds it expedient to do so because of a State agency's size and location, the State Controller may authorize a State agency to operate its own payroll system. Any State agency authorized by the State Controller to operate its own payroll

system shall comply with the requirements adopted by the State Controller.'

SECTION 6.19.(d) To reflect the provisions of G.S. 143-16.6 which was enacted in Section 34.1(d) of S.L. 2005-276, if House Bill 914, 2005 Regular Session, becomes law, then effective July 1, 2007, Article 9 of Chapter 143C, as enacted by Section 3 of House Bill 914, 2005 Regular Session, is amended by adding a new section to read:

§ 143C-9-3A. Assignment to the State of rights to tobacco manufacturer escrow funds.

A tobacco product manufacturer that elects to place funds into escrow pursuant to G.S. 66-291(a)(2) may make an assignment of its interest in the funds to the benefit of the State. The assignment applies to all funds, and any earnings and appreciation, that are in the escrow account at the time of the assignment or are subsequently deposited into the escrow account and are not released under the provisions of subdivision (1) or (2) of G.S. 66-291(b) at any time on or before the expiration of 10 years from the date of assignment. The assignment is irrevocable and shall include any reversionary interest in the escrow account and the funds therein that would otherwise belong to the tobacco manufacturer, including the right to receive the escrowed funds pursuant to G.S. 66-291(b)(3).

An assignment of rights executed pursuant to this section shall be in writing and shall be signed by a duly authorized representative of the tobacco product manufacturer making the assignment. An assignment is effective upon delivery to the Attorney General and the financial institution where the escrow account is maintained.'

SECTION 6.19.(e) If a final judgment by a court of competent jurisdiction declares that G.S. 143C-9-3A, as enacted by subsection (d) of this section, is invalid or unenforceable, then the statute is repealed, and any assignment made under it is void. If, as a result of a final judgment, it is determined that G.S. 143C-9-3A as enacted by subsection (b) of this section, would subject payments to this State by participating manufacturers under the Master Settlement Agreement, as defined in G.S. 66-290, to a Non-Participating Manufacturer Adjustment under Section IX of that Agreement, then G.S. 143C-9-3A is repealed, and any assignment made under it is void.

SECTION 6.19.(f) If House Bill 914, 2005 Regular Session, becomes law, then effective July 1, 2007, Article 9 of Chapter 143C as enacted by Section 3 of House Bill 914, 2005 Regular Session is amended by adding a new section to read:

§ 143C-3B. JDIG Reserve Fund.

(a) The State Controller shall establish a reserve in the General Fund to be known as the JDIG Reserve. Funds from the JDIG Reserve shall not be expended or transferred except in accordance with G.S. 143B-437.63.

(b) It is the intent of the General Assembly to appropriate funds annually to the JDIG Reserve established in this section in amounts sufficient to meet the anticipated cash requirements for each fiscal year of the Job Development Investment Grant Program established pursuant to G.S. 143B-437.52.'

SECTION 6.19.(g) If House Bill 914, 2005 Regular Session, becomes law, then effective July 1, 2007, G.S. 143C-3-1 as enacted by Section 2 of House Bill 914, 2005 Regular Session reads as rewritten:

'§ 143C-3-1. Budget estimate for the legislative branch.

The Legislative ~~Administrative Services~~ Officer shall give the Director an estimate of the financial needs of the legislative branch for the upcoming fiscal period in accordance with the schedule prescribed by the Director. The estimates for the legislative branch shall be approved and certified by the President Pro Tempore of the Senate and the Speaker of the House of Representatives. The estimates shall be itemized in accordance with the accounting classifications adopted by the Controller. The Director shall include the estimates in the budget the Director submits to the General Assembly. The Director may recommend changes to these estimates in the budget submitted to the General Assembly.'

SECTION 6.19.(h) If House Bill 914, 2005 Regular Session, becomes law, then effective July 1, 2007, G.S. 143C-1-1(b) as enacted by Section 2 of House Bill 914, 2005 Regular Session reads as rewritten:

'(b) The provisions of this Chapter shall apply to every State agency and to every non-State entity that receives or expends any State funds. No State agency or non-State entity shall expend any State funds except in accordance with an act of appropriation and the requirements of this Chapter. The provisions of Chapter 120 of the General Statutes shall continue to apply to the General Assembly and to control its expenditures and in the event of a conflict with this Chapter, the provisions of Chapter 120 of the General Statutes shall control. Nothing in this Chapter abrogates or diminishes the inherent power of the legislative, executive, or judicial branch.' "

SECTION 3B. S.L. 2006-66 is amended by adding a new section to read:

"SECTION 6.20. There is created in the Office of State Budget and Management a Special Reserve for Lobbying Registration Reform. Of the funds appropriated to the Office of the Secretary of State in S.L. 2005-276 for Lobbyist Registration Enhancement and the funds appropriated in S.L. 2006-66 to the Office of the Secretary of State for Lobbyist Registration Reform, the sum of one hundred thirty-five thousand eight hundred two dollars (\$135,802) in recurring funds and twenty-four thousand dollars (\$24,000) in nonrecurring funds shall be transferred to the Reserve.

After consultation with the Joint Legislative Commission on Governmental Operations, the Director of the Budget may establish two positions and authorize the expenditure of these funds to implement the provisions of House Bill 1843 of the 2005 General Assembly, if enacted."

SECTION 5. S.L. 2006-66 is amended by adding a new section to read:

"SECTION 8.11.(a) G.S. 115D-41 reads as rewritten:

'§ 115D-41. ~~Restrictions—Contracts~~Restrictions on contracts with local school administrative units; use of community college facilities by public school students pursuant to cooperative programs.

(a) Community college contracts with local school administrative units shall not be used by these agencies to supplant funding for a public school high school teacher providing courses offered pursuant to G.S. 115D-20(4) who is already employed by the local school administrative unit. However, if a community college contracts with a local school administrative unit for a public high school teacher to teach a college level

course, the community college shall not generate budget FTE for that course. Its reimbursement in this case shall be limited to the direct instructional costs contained in the contract, plus fifteen percent (15%) for administrative costs. In no event shall a community college contract with a local school administrative unit to provide high school level courses.

(b) Community college facilities that comply with applicable State, county, and local fire codes for community college facilities may be used without modification for public school students in joint or cooperative programs such as middle or early college programs and dual enrollment programs.'

SECTION 8.11.(b) Part 5 of Article 1 of Chapter 116 of the General Statutes is amended by adding a new section to read:

'§ 116-44.5. Use of college or university facilities by public school students pursuant to cooperative programs.'

The facilities of any constituent institution of The University of North Carolina and the facilities of any private college or university licensed in accordance with G.S. 116-15 that comply with applicable State, county, and local fire codes for those facilities may be used without modification for public school students in joint or cooperative programs such as middle or early college programs and dual enrollment programs.'"

SECTION 5A.(a) S.L. 2006-66 is amended by adding a new section to read:

"SECTION 8.12. The State Board of Community Colleges shall create a consortium of colleges to address the training needs of the motorsports industry members and to direct training programs to meet those needs. The consortium membership shall consist of Catawba Valley Community College, Central Piedmont Community College, Davidson Community College, Forsyth Technical Community College, Guilford Technical Community College, Halifax Community College, Rowan-Cabarrus Technical Community College, and Wilkes Community College. Forsyth Technical Community College shall be the lead community college in the consortium for management and operations purposes. The consortium of community colleges shall focus its training efforts to provide specialized motorsports workforce training and to help create new jobs at the Advanced Vehicle Research Center located in Northampton County.

If the motorsports industry finds that additional training at the university level would be beneficial to the industry, the State Board of Community Colleges may consult with the Board of Governors of The University of North Carolina and the motorsports industry to determine how best to meet that need."

SECTION 5A.(b) If House Bill 1723 of the 2005 Regular Session becomes law, then Section 28 of that act is repealed.

SECTION 5B. S.L. 2006-66 is amended by adding a new section to read:

"SECTION 9.19. G.S. 115C-499.1 reads as rewritten:

'§ 115C-499.1. Definitions.

The following definitions apply to this Article:

- (1) Academic year. – A period of time in which a student is expected to complete the equivalent of at least two semesters' or three quarters' academic work.
- (2) Authority. – The State Education Assistance Authority created by Article 23 of Chapter 116 of the General Statutes.
- (3) Eligible postsecondary institution. – A school that is:
 - a. A constituent institution of The University of North Carolina as defined in G.S. 116-2(4);
 - b. A community college as defined in G.S. 115D-2(2); ~~or~~
 - c. A ~~nonpublic-nonprofit~~ postsecondary institution as defined in G.S. 116-22(1) or ~~116-43.5(a)(1);~~ G.S. 116-43.5(a)(1); or
 - d. A postsecondary institution owned or operated by a hospital authority as defined in G.S. 131E-16(14) or school of nursing affiliated with a nonprofit postsecondary institution as defined in G.S. 116-22(1).
- (4) Matriculated status. – Being recognized as a student in a defined program of study leading to a degree, diploma, or certificate at an eligible postsecondary institution.
- (5) Scholarship. – A scholarship for education awarded under this Article.
- (6) Title IV. – Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. § 1070, et seq.' "

SECTION 6. S.L. 2006-66 is amended by adding a new section to read:

"SECTION 9.19. Notwithstanding Page F-11, Item 81, of the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets dated June 30, 2006, funds appropriated to the Board of Governors of The University of North Carolina for the 2006-2007 fiscal year to expand the "Future Teachers of North Carolina Scholarship Loan Program" shall be used only for an additional 50 scholarship loans each year rather than 75 scholarship loans."

SECTION 7. Section 10.3(d)(1) of S.L. 2006-66 reads as rewritten:

"SECTION 10.3.(d) Eligibility. – Eligibility for Medicaid shall be determined in accordance with the following:

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

Family Size	Categorically Needy-WFFA* Standard Of Need	Medically Needy Families and Children Income	
		Level	AA,AB,AD*
1	\$4,344	\$2,172	\$2,900
2	5,664	2,832	3,900 <u>3,800</u>
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 8.(a) G.S. 108A-58.1(d)(1), as enacted by Section 10.5(b) of S.L. 2006-66, reads as rewritten:

"(d) Medical Services. –

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

SECTION 8.(b) G.S. 108A-58.1(h)(2), as enacted by Section 10.5(b) of S.L. 2006-66, reads as rewritten:

- "(2) A noninstitutionalized individual is any individual who (i) is not an institutionalized individual, (ii) is an aged, blind, or disabled person who is categorically or medically needy pursuant to 42 C.F.R. § 120 Subpart B, C, or D or a qualified Medicare beneficiary as defined in 42 U.S.C. § 1396d(p)(1), and ~~(3)~~ (iii) is not eligible for medical assistance under this Part based on his or her eligibility for an optional State supplement pursuant to 42 C.F.R. § 435.232."

SECTION 8.(c) G.S. 108A-58.1(j), as enacted by Section 10.5(b) of S.L. 2006-66, reads as rewritten:

"(j) Application to Life Estates and Income Producing Real Property. – The Department of Health and Human Services may apply federal transfer of assets policies in accordance with this section to (i) life estates purchased by or on behalf of the recipient, and (ii) to real property excluded as "income producing", tenancy-in-common, or as nonhomesite property made "income producing." ~~The transfer of assets policy shall apply only to an institutionalized individual or the individual's spouse, as defined in subsection (h) of this section.~~ The Department shall exclude from countable resources any life estate in real property that is in the recipient's home and is measured by the recipient's life. Federal transfer of assets policies applied to income producing real property shall become effective not earlier than October 1, 2001. Federal transfer of assets policies applied to real property excluded as tenancy-in-common, or as

nonhomesite property made income producing in accordance with this subsection, shall become effective not earlier than October 1, 2005."

SECTION 9.(a) G.S. 58-50-46, as enacted in Section 10.8 of S.L. 2006-66, is recodified as G.S. 108A-55.4.

SECTION 9.(b) G.S. 108A-55.4(b)(5), as recodified in subsection (a) of this section, reads as rewritten:

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

- a. The claim is submitted by the Division within the three-year period beginning on the date on which the item or service was furnished; and
- b. Any action by the Division to enforce its rights with respect to such claim is commenced within six years of the Division's submission of the claim."

SECTION 9.(c) Section 10.8 of S.L. 2006-66 is amended in the first sentence by inserting before the word "Part 1" the words "Effective January 1, 2007,".

SECTION 10. Section 10.26(b) of S.L. 2006-66 reads as rewritten:

"**SECTION 10.26.(b)** Of the funds appropriated in this act for consultants to aid the Division and LMEs to the Department of Health and Human Services, the sum of two hundred twenty-five thousand dollars (\$225,000) for the 2006-2007 fiscal year shall be used by the Department to enter into one or more ~~personal services~~ contracts to provide technical assistance to Local Management Entities to develop and implement the crisis plans required under subsection (a) of this section. In addition to any other factors the Department determines are relevant when selecting the consultant, the Department shall take into consideration whether an applicant has prior experience evaluating crisis services at a local, regional, and statewide level, prior experience assisting State and local public agencies develop and implement crisis services, and the ability to implement its responsibilities within the time frames established under this section. Funds not expended during the 2006-2007 fiscal year shall not revert to the General Fund but shall remain available for the purposes outlined in this subsection."

SECTION 11. Section 10.26(d) of S.L. 2006-66 is amended by deleting "24-hour beds" and substituting "23-hour beds."

SECTION 12. Section 10.32(b) of S.L. 2006-66 reads as rewritten:

"**SECTION 10.32.(b)** The Secretary shall review and revise the LME systems management cost model to provide adequate funds for LMEs to fully implement the functions outlined in G.S. 122C-115.4(b) as enacted in Section 4 of this act. The Secretary shall consult with the Joint Legislative Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services prior to implementing a revised cost model.

For the 2006-2007 fiscal year and until the revised cost model is implemented, the Department shall maintain the 2005-2006 level of funding to LMEs for all LME functions except the following:

- (1) Up to thirteen million three hundred thirty-three thousand four hundred ~~eighty four~~ eighty-one dollars (\$13,333,481) for utilization review; and
- (2) Up to twelve million one hundred fifty-six thousand forty-two dollars (\$12,156,042) for claims processing.

Any savings of State appropriations realized from the revised cost model shall be reallocated to State-funded services for mental health, developmental disabilities, and substance abuse services.

Funds withdrawn for LME administrative functions shall be reallocated to other LMEs to be used to provide mental health, developmental disabilities, and substance abuse services. The ten percent (10%) reduction authorized under G.S. 122C-155(a1), as enacted by this section, is in addition to funding limitations of this subsection."

SECTION 13A. Section 10.9D of S.L. 2006-66 reads as rewritten:

"SECTION 10.9D.(a) The General Assembly recognizes the critical need for pharmacy management services to Medicaid recipients enrolled in Medicare Part D. In light of the additional costs to pharmacists that provide pharmacy services to Medicaid recipients enrolled in Medicare Part D, and in light of the fact that federal law does not provide federal matching funds under the Medicaid program for these services, the Department of Health and Human Services shall study strategies for assisting pharmacists in providing these services to Medicaid recipients enrolled in Medicare Part D. In studying the strategies, the Department shall specifically address the special circumstances of pharmacists that provide pharmacy services to long-term care facilities. Among the strategies to be considered are those that address pharmacies adversely affected by the additional costs such that they may remain in business and thus continue to provide pharmacy services throughout the State. As part of this effort, the Department shall also assess the impact of the Deficit Reduction Act of 2005 on the payment for generic drugs under the Medicaid Program. The Department shall report its findings and recommended strategies 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 not later than ~~April~~ February 1, 2007.

SECTION 10.9D.(b) If a decrease in the average manufacturer's price ("AMP") of prescription drugs during the period January 1, 2007, through June 30, 2007, is estimated by the Department to result in average savings to the State Medicaid Program during that period, then the Department shall supplement the dispensing fee established by the General Assembly in this act by an amount calculated to be budget neutral and not to exceed average savings less administrative costs to the State to implement the supplemental fee. The supplemental fee shall be implemented no earlier than January 1, 2007, and no later than June 30, 2007. If an amendment to the State Medicaid Plan is required by the Centers for Medicare and Medicaid ("CMS") in order to implement this subsection, then implementation of this subsection is contingent upon receipt of approval of the State Plan amendment prior to June 30, 2007. If a State Plan amendment is required, the Department shall submit the amendment to CMS not later than 60 days

"PART XVI-B. DEPARTMENT OF JUSTICE

SECTION 16B.1. Notwithstanding G.S. 143-34.1(a1), the Department of Justice may use up to one hundred six thousand five hundred seventy dollars (\$106,570) in receipts in the 2006-2007 fiscal year to establish one Attorney III position in the Department to provide legal services for the Department of Cultural Resources."

SECTION 18. S.L. 2006-66 is amended by adding a new section to read:

"SECTION 17.2A.(a) The State Energy Office shall study the State's ability to respond adequately to an energy emergency or crisis and shall update the North Carolina Energy Emergency Plan consistent with the findings of its study and with the findings of the Joint Study Committee on Emergency Preparedness and Disaster Management Recovery as set out in Section 1 of House Bill 2194 and Senate Bill 1489 of the 2005 Regular Session. As part of this study, the State Energy Office shall:

- (1) Review and recommend the revision of existing energy emergency plans of appropriate State agencies and units of local government or recommend to a particular unit of government that it should develop an energy emergency plan, if it currently has none.
- (2) Clarify the roles and responsibilities among State agencies, federal agencies, and units of local government in the event of an emergency petroleum shortage.
- (3) Review, in consultation with the Office of State Purchase and Contract, the current contracts for fuel for State purchases and purchases by units of local government and determine whether they adequately minimize the risk that the State and units of local government would experience supply curtailments for their highest fuel needs during an emergency fuel shortage.

SECTION 17.2A.(b) The State Energy Office shall report its findings, recommendations, and its draft updated North Carolina Energy Emergency Plan to the Joint Study Committee on Emergency Preparedness and Disaster Management Recovery no later than November 1, 2006. All recommendations to the Committee shall include a cost estimate of the recommended undertaking.

SECTION 17.2A.(c) Of the funds appropriated to the Department of Administration in this act, the sum of forty thousand dollars (\$40,000) for the 2006-2007 fiscal year shall be used to implement this section."

SECTION 19. S.L. 2006-66 is amended by adding a new section to read:

"SECTION 17.6. Notwithstanding Page L-3, Item 18, of the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets dated June 30, 2006, funds appropriated to a statewide reserve for pending ethics legislation shall be used to establish up to five positions in the Department of Administration for the North Carolina Board of Ethics and shall be used to implement House Bill 1843, House Bill 1844, or Senate Bill 1694, if either of those bills becomes law."

SECTION 19A. S.L. 2006-66 is amended by adding a new section to read:

"SECTION 17.7. Notwithstanding page J-5, Item 20, of the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets dated June 30, 2006, funds appropriated to the Department of Administration, Commission on Indian

Affairs Economic Development Initiative in the amount of one hundred seventeen thousand four hundred eleven dollars (\$117,411) are nonrecurring. These funds shall be transferred to the North Carolina Indian Economic Development Initiative, Inc., a nonprofit organization, to create jobs and economic growth in Indian communities."

SECTION 20. S.L. 2006-66 is amended by adding a new section to read:

"**SECTION 18.2.(a)** Section 68 of Chapter 830 of the 1987 Session Laws, as reenacted and amended by Section 13 of Chapter 1111 of the 1987 Session Laws, is repealed.

SECTION 18.2.(b) Section 1 of Chapter 1111 of the 1987 Session Laws, as amended by Section 1 of Chapter 35 of the 1989 Session Laws, is repealed.

SECTION 18.2.(c) The number of administrative law judges and employees in the Office of Administrative Hearings are established as follows:

<u>Position</u>	<u>Number</u>
Administrative Law Judge	10
Rules Review Commission	4
Other Employees	31.

SECTION 18.2.(d) Article 60 of Chapter 7A of the General Statutes is amended by adding a new section to read:

§ 7A-760. Number and status of employees; staff assignments; role of State Personnel Commission.

(a) The number of administrative law judges and employees of the Office of Administrative Hearings shall be established by the General Assembly. The Chief Administrative Law Judge is exempt from provisions of the State Personnel Act as provided by G.S. 126-5(c1)(26). All other employees of the Office of Administrative Hearings are subject to the State Personnel Act.

(b) The Chief Administrative Law Judge shall designate, from among the employees of the Office of Administrative Hearings, the Director and staff of the Rules Review Commission.'

SECTION 18.2.(e) G.S. 126-5(c1) is amended by adding a new subdivision to read:

(27) The Chief Administrative Law Judge of the Office of Administrative Hearings.'

SECTION 18.2.(f) G.S. 143B-30.1 reads as rewritten:

§ 143B-30.1. Rules Review Commission created.

(a) The Rules Review Commission is created. The Commission shall consist of 10 members to be appointed by the General Assembly, five upon the recommendation of the President Pro Tempore of the Senate, and five upon the recommendation of the Speaker of the House of Representatives. These appointments shall be made in accordance with G.S. 120-121, and vacancies in these appointments shall be filled in accordance with G.S. 120-122. Except as provided in subsection (b) of this section, all appointees shall serve two-year terms.

(b) In 1990, two of the appointments made by the General Assembly upon the recommendation of the President of the Senate shall expire June 30, 1991, and two shall expire June 30, 1992. In 1990, two of the appointments made by the General Assembly

upon the recommendation of the Speaker of the House of Representatives shall expire June 30, 1992, and two shall expire June 30, 1993. Subsequent terms shall be for two years.

(c) Any appointment to fill a vacancy on the Commission created by the resignation, dismissal, ineligibility, death, or disability of any member shall be for the balance of the unexpired term. The chairman shall be elected by the Commission, and he shall designate the times and places at which the Commission shall meet. The Commission shall meet at least once a month. A quorum of the Commission shall consist of six members of the Commission. ~~The Chief Administrative Law Judge, Office of Administrative Hearings, shall be responsible for the hiring and supervision of the Director and staff to the Commission.~~

(d) Members of the Commission who are not officers or employees of the State shall receive compensation of two hundred dollars (\$200.00) for each day or part of a day of service plus reimbursement for travel and subsistence expenses at the rates specified in G.S. 138-5. Members of the Commission who are officers or employees of the State shall receive reimbursement for travel and subsistence at the rate set out in G.S. 138-6.

(e) The Chief Administrative Law Judge, Office of Administrative Hearings, shall assign the staff and designate the Director of the Commission in accordance with G.S. 7A-760. ~~Any other provision of the General Statutes notwithstanding, the appointment of employees of the Commission shall be made by the Chief Administrative Law Judge, Office of Administrative Hearings. Nothing in this Article shall be construed to exempt employees of the Commission from the State Personnel Act.~~

(f) The Commission shall prescribe procedures and forms to be used in submitting rules to the Commission for review. The Commission may have computer access to the North Carolina Administrative Code to enable the Commission and its staff to view and copy rules in the Code."

SECTION 21.(a) If Senate Bill 774 of the 2005 Regular Session becomes law, Section 21.11 of S.L. 2006-66 is repealed.

SECTION 21.(b) Subsection (a) of this section repeals the amendment made by Section 21.11 of S.L. 2006-66, leaving in effect the identical enactment in Senate Bill 774 of the 2005 Regular Session, as ratified.

SECTION 21A.(a) Section 22.15A(b) of S.L. 2006-66 reads as rewritten:

"SECTION 22.15A.(b) Career-banded classifications approved by the State Personnel Commission on or before June 15, 2006, and for which the agency had begun implementation by that date, may continue to be implemented without suspension as otherwise provided for in this section if:

- (1) It is fully and completely implemented no later than February 1, 2007; and
- (2) It is implemented entirely using technical resources provided by the Office of State Personnel and the affected agency or constituent institution."

SECTION 21A.(b) There is created the Legislative Study Commission on the State Personnel Act ("Commission"). The Commission shall consist of 18 members appointed as follows:

- (1) Six members appointed by the Governor, to include:
 - a. One person who is a current State employee subject to the State Personnel Act and not currently working in human resources management.
 - b. One person who is a current State employee and currently working in human resources management.
 - c. One person having experience and expertise in human resources management in a large private sector organization with greater than 500 employees.
 - d. One person having experience and expertise in human resources management in a large public sector organization with greater than 500 employees.
 - e. Two persons representing the general public.
- (2) Six members appointed by the Speaker of the House of Representatives, to include:
 - a. Four members of the House of Representatives.
 - b. Two persons representing the general public.
- (3) Six members appointed by the President Pro Tempore of the Senate, to include:
 - a. Four members of the Senate.
 - b. Two persons representing the general public.

SECTION 21A.(c) The Commission shall:

- (1) Review Chapter 126 of the General Statutes, the State Personnel Act, to determine whether the Act should be revised or repealed, in whole or in part.
- (2) Consider the efficacy of changes in policy related to the following: classification system, compensation philosophy, salary structure, merit-based pay, pay equity, pay delivery, and performance evaluation.
- (3) Evaluate career banding as an alternative to the traditional classification system, considering career progression salary adjustments as compared to current compensation increase philosophy, government/private industry best practices, and the real and perceived impact to State employees of moving to a career banding classification system.
- (4) Review any other matter that the Commission finds relevant to its charge.

SECTION 21A.(d) The Commission may provide interim reports and shall provide its final report identifying its findings, recommendations, and legislative proposals by May 1, 2008. The Commission shall terminate upon filing its final report.

SECTION 21A.(e) The Speaker of the House of Representatives and the President Pro Tempore of the Senate shall each appoint a cochair for the Commission.

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 the Senate Directors of Legislative Assistants. The Commission may meet in the Legislative Building or the Legislative Office Building upon the approval of the Legislative Services Commission. With the permission of the Speaker of the House of Representatives and the President Pro Tempore of the Senate, the Commission may meet during the regular legislative session. Members of the Commission shall receive per diem, subsistence, and travel allowances at the rate established in G.S. 120-3.1. The appointing authority shall fill vacancies. The Commission, while in the discharge of its 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.

SECTION 23. S.L. 2006-66 is amended by adding a new section to read:

"**SECTION 22.22.(a)** G.S. 140-14 reads as rewritten:

'§ 140-14. North Carolina State Art Society as ~~membership arm of~~ within the North Carolina Museum of Art; promotion of public appreciation of art; ~~organization of art exhibits, etc.~~

The North Carolina State Art Society, Incorporated, ~~shall be the membership arm of the North Carolina Museum of Art, the means whereby citizens of North Carolina can support their museum through individual or corporate memberships in the Society and through participation in its diverse programs.~~ is administratively located within the North Carolina Museum of Art. It shall be the duty of the North Carolina State Art Society to promote the public appreciation of art and its role in the development of civilization; to organize State and regional ~~art exhibits, including works by contemporary North Carolina artists;~~ arts advocacy initiatives; and to do all other things deemed necessary to advance the objectives of the Society.' "

SECTION 22.22.(b) G.S. 140-5.13(b)(2) reads as rewritten:

'(b) The Board of Trustees of the North Carolina Museum of Art shall consist of 29 members, chosen as follows:

...
(2) The North Carolina State Art Society, Incorporated, shall elect four members;

....'

SECTION 22.22.(c) G.S. 140-12 reads as rewritten:

'§ 140-12. Department of Administration authorized to provide space for Art Society.

Subject to the approval of the Governor, the Department of Administration is authorized and empowered to set apart, for the administration of the affairs of the North Carolina State Art Society, Incorporated, space in any of the public buildings in Wake County which may be so used without interference with the conduct of the business of

the State. Prior to taking any action under this section, the Governor may consult with the Advisory Budget Commission.'

SECTION 22.22.(d) G.S. 140-13 reads as rewritten:

'§ 140-13. Audit.

The operations of the North Carolina State Art Society, Inc., shall be subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes.'

SECTION 22.22.(e) G.S. 143B-53 reads as rewritten:

'§ 143B-53. Organization of the Department.

The Department of Cultural Resources shall be organized initially to include the Art Commission, the Art Museum Building Commission, the North Carolina Historical Commission, the Tryon Palace Commission, the U.S.S. North Carolina Battleship Commission, the Sir Walter Raleigh Commission, the Executive Mansion Fine Arts Committee, the American Revolution Bicentennial Committee, the North Carolina Awards Committee, the America's Four Hundredth Anniversary Committee, the North Carolina Arts Council, the Public Librarian Certification Commission, the State Library Commission, the North Carolina Symphony Society, Inc., the North Carolina State Art Society, and the Division of the State Library, the Division of Archives and History, the Division of the Arts, and such other divisions as may be established under the provisions of the Executive Organization Act of 1973.'

SECTION 22.22.(f) Part 15 of Article 2 of Chapter 143B of the General Statutes reads as rewritten:

'Part 15. North Carolina State Art Society, Incorporated.

'§ 143B-89. North Carolina State Art Society, Incorporated.

The North Carolina State Art Society, Incorporated, shall continue to be under the patronage of the State as provided in Article 3 of Chapter 140 of the General Statutes of North Carolina. The governing body of the North Carolina Art Society, Incorporated, shall be a board of directors consisting of a minimum of 22 members as follows: the Governor, the Superintendent of Public Instruction, the State Treasurer, Secretary of Cultural Resources, and the Director of the North Carolina Museum of Art, who shall be ex officio members; six members who shall be named by the Governor; and a minimum of 12 directors who shall be chosen by members of the North Carolina Art Society, Incorporated, in such manner and for such terms as that body shall determine. The six directors named by the Governor shall serve for terms of three years each.'

SECTION 22.22.(g) G.S. 140-5.15(c) reads as rewritten:

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

SECTION 24. S.L. 2006-66 is amended by adding a new section to read:

"SECTION 22.23. G.S. 84-20 reads as rewritten:

'§ 84-20. Compensation of councilors.

The members of the Council and members of committees when actually engaged in the performance of their duties, including committees sitting upon disbarment proceedings, shall receive as compensation for the time spent in attending meetings an amount to be determined by the Council, subject to approval of the North Carolina

Supreme Court, and shall receive actual expenses of travel and subsistence while engaged in their duties provided that for transportation by use of private automobile the expense of travel shall not exceed ~~the rate per mile allowed by G.S. 138-6. the business standard mileage rate set by the Internal Revenue Service per mile of travel.~~ The Council shall determine per diem and mileage to be paid. The allowance fixed by the Council shall be paid by the secretary-treasurer of the North Carolina State Bar upon presentation of appropriate documentation by each member."

SECTION 27.(a) G.S. 105-134.6(d)(4), as enacted by Section 24.12(a) of S.L. 2006-66, reads as rewritten:

"(d) Other Adjustments. – The following adjustments to taxable income shall be made in calculating North Carolina taxable income:

- ...
- (4) A taxpayer whose adjusted gross income (AGI), as calculated under the Code, is less than the amount listed in this subdivision may deduct from taxable income the amount, not to exceed ~~seven hundred fifty dollars (\$750.00),~~ two thousand dollars (\$2,000), contributed to an account in the Parental Savings Trust Fund of the State Education Assistance Authority established pursuant to G.S. 116-209.25. In the case of a married couple filing a joint return, the maximum dollar amount of the deduction is ~~one thousand five hundred dollars (\$1,500).~~ four thousand dollars (\$4,000).

Filing Status	AGI
Married, filing jointly	\$100,000
Head of Household	80,000
Single	60,000
Married, filing separately	50,000".

SECTION 27.(b) This section is effective for taxable years beginning on or after January 1, 2007.

SECTION 28. Except as otherwise provided in this act, this act becomes effective July 1, 2006.

In the General Assembly read three times and ratified this the 28th day of July, 2006.

s/ Beverly E. Perdue
President of the Senate

s/ James B. Black
Speaker of the House of Representatives

s/ Michael F. Easley
Governor

Approved 3:34 p.m. this 10th day of August, 2006