

May 21, 2008

H 2436. MODIFY APPROPRIATIONS ACT OF 2007. Filed 05/21/08. *TO MODIFY THE CURRENT OPERATIONS AND CAPITAL APPROPRIATIONS ACT OF 2007.*

Blank bill.

Intro. by Michaux, Adams, Alexander, Crawford.

APPROP

June 3, 2008

H 2436. MODIFY APPROPRIATIONS ACT OF 2007. Filed 5/21/08. House committee substitute makes the following changes to 1st edition. Replaces blank bill with *AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL APPROPRIATIONS ACT OF 2007; TO CONFORM TO CHANGES IN THE INTERNAL REVENUE CODE AND REQUIRE AN ADDBACK OF EIGHTY-FIVE PERCENT OF BONUS DEPRECIATION; TO MAKE OTHER TAX LAW CHANGES RECOMMENDED BY THE REVENUE LAWS STUDY COMMITTEE; TO PROVIDE FOR A REFUNDABLE EARNED INCOME TAX CREDIT EQUAL TO FIVE PERCENT OF THE FEDERAL CREDIT; TO EXTEND AND INCREASE THE SMALL BUSINESS HEALTH INSURANCE TAX CREDIT; TO DECREASE DISABLED VETERANS PROPERTY TAX; TO EXTEND TAX CREDITS FOR LOW-INCOME HOUSING AND MILL REHABILITATION; TO ESTABLISH A SALES TAX HOLIDAY FOR CERTAIN ENERGY STAR RATED APPLIANCES; TO CREATE, SET, AND INCREASE VARIOUS FEES; AND TO AUTHORIZE SPECIAL OBLIGATION INDEBTEDNESS FOR VARIOUS CAPITAL PROJECTS.* Revised bill provides as follows:

PART I. INTRODUCTION AND TITLE OF ACT

The title of the act is "The Current Operations and Capital Improvements Appropriations Act of 2008."

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Increases and (decreases) appropriations from the General Fund for operating expenditures as follows:

Current Operations – General Fund

FY 2008-2009

EDUCATION

Community Colleges System Office	\$ 33,174,698
Department of Public Instruction	99,492,379
University of North Carolina System	
Appalachian State University	(599,584)
East Carolina University	
Academic Affairs	1,150,024
Health Affairs	
Elizabeth City State University	(35,213)
Fayetteville State University	(351,369)
NC Agricultural and Technical University	(543,155)
North Carolina Central University	(176,670)
North Carolina School of the Arts	(312,634)
North Carolina State University	
Academic Affairs	(1,638,163)
Agricultural Extension	(85,900)
Agricultural Research	(1,321,250)
University of North Carolina at Asheville	(610,621)
University of North Carolina at Chapel Hill	
Academic Affairs	(1,236,446)

Health Affairs	(977,373)
Area Health Education Centers	
University of North Carolina at Charlotte	(1,211,256)
University of North Carolina at Greensboro	(102,626)
University of North Carolina at Pembroke	(596,283)
University of North Carolina at Wilmington	(972,635)
Western Carolina University	(339,745)
Winston-Salem State University	(68,787)
General Administration	(406,601)
University Institutional Programs	38,112,369
Related Educational Programs	(51,215,000)
North Carolina School of Science and Mathematics	(93,693)
UNC Hospitals at Chapel Hill	0
Total University of North Carolina Board of Governors	\$ (23,632,611)

HEALTH AND HUMAN SERVICES

Department of Health and Human Services	
Central Management and Support	\$ (8,759,966)
Division of Aging	2,500,000
Division of Blind Services/Deaf/HH	75,000
Division of Child Development	(6,102,422)
Division of Education Services	698,940
Division of Facility Services	822,028
Division of Medical Assistance	(200,308,334)
Division of Mental Health	27,189,093
NC Health Choice	11,033,268
Division of Public Health	5,886,911
Division of Social Services	1,734,698
Division of Vocation Rehabilitation	(2,000,000)
Total Health and Human Services	\$ (167,230,784)

NATURAL AND ECONOMIC RESOURCES

Department of Agriculture and Consumer Services	\$ 5,010,589
Department of Commerce	
Commerce	9,349,970
Commerce State-Aid	7,639,635
NC Biotechnology Center	(155,834)
Rural Economic Development Center	59,756,974
Department of Environment and Natural Resources	
Environment and Natural Resources	13,117,510
Clean Water Management Trust Fund	0
Department of Labor	770,885

JUSTICE AND PUBLIC SAFETY

Department of Correction	\$ 747,470
Department of Crime Control and Public Safety	2,980,175
Judicial Department	(3,630,656)
Judicial Department – Indigent Defense	1,000,000
Department of Justice	(601,079)
Department of Juvenile Justice and Delinquency Prevention	21,068,601

GENERAL GOVERNMENT

Department of Administration	\$ 1,306,562
Office of Administrative Hearings	313,544
Department of State Auditor	(283,938)
Office of State Controller	(110,940)

Department of Cultural Resources	
Cultural Resources	1,865,579
Roanoke Island Commission	(15,000)
State Board of Elections	261,583
General Assembly	(636,000)
Office of the Governor	
Office of the Governor	(355,119)
Office of State Budget and Management	15,242
OSBM – Reserve for Special Appropriations	1,300,000
Housing Finance Agency	12,000,000
Department of Insurance	
Insurance	328,080
Insurance – Volunteer Safety Workers' Compensation	(1,000,000)
Office of Lieutenant Governor	0
Department of Revenue	(1,415,864)
Department of Secretary of State	132,056
Department of State Treasurer	
State Treasurer	0
State Treasurer – Retirement for Fire and Rescue Squad Workers	0

RESERVES, ADJUSTMENTS AND DEBT SERVICE

Compensation Increases	\$ 366,494,351
Salary Adjustment Fund 2007-2009 Biennium	0
Teachers' & State Employees' Retirement Contributions	30,237,400
State Health Plan	(5,000,000)
Reserve for Eliminated Positions	0
No Penalty for Teachers Taking Personal Leave Day	5,000,000
Contingency and Emergency Fund	0
Information Technology Fund	0
Job Development Incentive Grants Reserve	22,700,000
North Carolina Master Address Dataset	1,000,000
Pending Gang Prevention Legislation (HB 274)	10,000,000
Debt Service	
General Debt Service	(17,500,000)
Federal Reimbursement	0

TOTAL CURRENT OPERATIONS – GENERAL FUND **\$ 485,495,458**

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2. Repeals the General Fund availability statement in the 2007 Appropriations Act and substitutes the following:

	FY 2008-2009
Unappropriated Balance from FY 2007-2008, S.L. 2007-323	\$ 270,504,098
Net Adjustment – S.L. 2007-540	(1,000,000)
Adjustment from Estimated to Actual 2007-2008	
Beginning Unreserved Balance	47,867,864
Projected Reversions from FY 2007-2008	150,000,000
Projected Overcollections from FY 2007-2008	151,500,000
Less Earmarkings of Year End Fund Balance	
Credit to Savings Reserve	(62,224,083)
Credit to Repairs and Renovation Reserve Account	(65,000,000)
Beginning Unreserved Fund Balance	\$ 491,647,879
Revenues Based on Existing Tax Structure	\$ 19,903,800,000

Nontax Revenues	
Investment Income	\$ 247,300,000
Judicial Fees	204,800,000
Disproportionate Share	100,000,000
Insurance	160,600,000
Other Nontax Revenues	62,900,000
Highway Trust Fund Transfer	172,500,000
Highway Fund Transfer	17,600,000
Subtotal Nontax Revenues	\$ 965,700,000
Total General Fund Availability	\$ 21,361,147,879
Adjustments to Availability: 2008 Session	
Extend Sunset for State Ports Tax Credit	\$ (1,000,000)
Extend Credit for Research & Development	(1,000,000)
Sales Tax Exemption for American Red Cross	(500,000)
Sales Tax Holiday for Energy Efficient Products	(1,200,000)
Extend Sunset for Small Business Employee Health Benefits Tax Credit	(8,500,000)
Increase Tax Credit for Small Business Employee Health Benefits	(1,600,000)
Increase Earned Income Tax Credit to 5%	(20,600,000)
Provide Property Tax Homestead Exemption for Military/Disabled Veterans	(8,600,000)
Reserve for Tax Relief	(7,000,000)
Health Care Facility Construction Project Fee	
Service Regulation Fee Increase	822,028
Adjust Securities Filing Fee	1,993,500
Reduce Transfer from Highway Trust Fund	(25,000,000)
Transfer from Disaster Relief Reserve	21,000,000
Transfer from NC Rx Fund Balance	3,500,000
Transfer from Tobacco Trust Fund	5,000,000
Transfer from Health & Wellness Trust Fund	5,000,000
Transfer from Coaching Scholarship Loan Fund	267,000
Transfer from Principal Fellows Trust Fund	1,000,000
Transfer from NC Community College System Computer Information System Fund Balance	4,500,000
Transfer from Focused Industrial Training Fund Balance	783,246
Transfer from Nontax-Disproportionate Share Account	19,300,000
Adjust Transfer from Insurance Regulatory Fund	328,080
Subtotal Adjustments to Availability: 2008 Session	\$ (11,506,146)
Revised General Fund Availability for 2008-2009 Fiscal Year	\$ 21,349,641,733
Total General Fund Appropriations for 2008-2009 Fiscal Year	\$ (21,349,641,733)
Unappropriated Balance Remaining	\$ 0

Requires the State Controller to transfer \$65 million from the unreserved fund balance to the Repairs and Renovations Reserve Account on June 30, 2008, for use in accordance with GS 143C-4-3. Effective June 30, 2008.

Directs the State Controller to transfer only \$62,224,083 from the unreserved fund balance to the Savings Reserve Account on June 30, 2008, and provides that this is not an "appropriation made by law," as that phrase is used in Article V, Section 7(1), of the NC Constitution. Effective June 30, 2008.

Amends Section 2.2.(d) of SL 2007-323 to decrease the amount that is to be transferred under GS 105-187.9(b)(1) (taxes deposited in the Highway Trust Fund that are to be transferred to the General Fund) for fiscal year 2008-09 from \$170 million to \$145 million.

Requires \$5 million to be transferred from the Tobacco Trust Fund to support General Fund appropriations for the 2008-09 fiscal year.

Provides that of the funds credited to the Health Trust Account, \$5 million that would otherwise be deposited in the Fund Reserve must be transferred from the Department of State Treasurer, Health and Wellness Trust Fund to support General Fund appropriations for the 2008-09 fiscal year.

Requires the State Controller on July 1, 2008, to transfer the following amounts to support General Fund appropriations for the 2008-09 fiscal year: (1) \$21 million from the Disaster Reserve Fund and (2) \$19.3 million from the Disproportionate Share Receipt Reserve.

Provides that transfers of additional availability in the amount of \$10,050,246 are made to the General Fund pursuant to Sections 8.9 (Transfer of cash balances to the General Fund), 9.1 (Eliminate coaching scholarship loan program/transfer fund balance to General Fund), 9.4 (Optional scholarship for certain graduates of the principal fellows program), and 10.1 (NC RX funds transfer) of this act.

PART III. CURRENT OPERATIONS/HIGHWAY FUND

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

SECTION 3.1. Increase (and decreases) appropriations from the Highway Fund for operating expenditures as follows.

2008-2009

Department of Transportation	
Administration	(9,583,308)
Repairs and Renovations	14,334,221
Division of Highways	
Administration	0
Construction	1,807,592
Maintenance	19,342,804
Planning and Research	0
OSHA Program	0
Ferry Operations	1,000,000
Public Transportation	0
Airports	0
Railroads	1,000,000
Governor's Highway Safety Program	0
Division of Motor Vehicles	195,266
State Aid to Municipalities	1,807,592
Transfers to Other State Agencies	431,491
Reserve for Compensation Increases	14,762,342
Reserve for Teachers' and State Employees' Retirement Contributions	1,462,000
TOTAL	\$46,560,000

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. Repeals the Highway fund availability statement in the 2007 Appropriations Act and substitutes the following availability used in developing the budget.

Highway	Fund	Availability	Statement
2008-2009			
Unappropriated Balance From Previous Year			0
Beginning Fund Balance			35,000,000
Estimated Revenue			1,822,550,000

Total Highway Fund Availability \$1,857,550,000

PART IV HIGHWAY TRUST FUND APPROPRIATIONS

HIGHWAY TRUST FUND

SECTION 4.1. Increases and (decreases) appropriations from the Highway Trust Fund for various purposes as follows:

Current	Operations	–	Highway	Trust	Fund
2008-2009					
Intrastate System					(40,691,943)
Urban Loops					(16,454,126)
Aid to Municipalities					(4,269,533)
Secondary Roads					(7,687,965)
Program Administration					3,627,360
Transfer to General Fund					(25,143,793)
North Carolina Turnpike Authority					25,000,000
Total					(\$65,620,000)

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. Repeals the Highway Trust Fund Availability Statement in the 2007 Appropriations Act and substitutes the following Highway Trust Fund availability used in adjusting the 2008-09 fiscal year budget:

Highway Trust Fund Availability \$1,073,160,000

PART V. OTHER AVAILABILITY AND APPROPRIATIONS

CIVIL PENALTIES AND FORFEITURES/FUND AVAILABILITY AND APPROPRIATION

SECTION 5.1. Amends Section 5.1(a) of SL 2007-323 to provide the estimated collections of fines and forfeitures from agencies for 2008-09 used to support appropriations made in this act from the Civil Penalty and Forfeiture Fund as follows:

	FY 2008-2009
Department of Revenue	\$85.2 million
Department of Transportation	\$22 million
Employment Security Commission	\$4.2 million
Department of Insurance	\$600,000
University of North Carolina	\$3.6 million
Other Agencies	\$10.9 million
Total Funds Available	\$126.5 million

Amends Section 5.1(b) of SL 2007-323 to increase the appropriation made from the Civil Penalty and Forfeiture Fund for 2008-09 to the State Public School Fund to \$108.5 million and makes a conforming increase to the total appropriation amount.

EDUCATION LOTTERY

SECTION 5.2 Provides that \$385.5 million is transferred from the State Lottery Fund for 2008-09 to support appropriations in this act.

Requires that \$41,030,212 be transferred from the Education Lottery Reserve Fund to the Education Lottery Fund to support appropriations made in this act. Allocates \$19.75 million of these funds for class size reduction and \$21,280,212 to the Public School Building Capital Fund for 2008-09. Requires that any unexpended funds not needed for these purposes be transferred back to the Education Lottery Reserve Fund at the end of the fiscal year.

Makes the following appropriations from the Education Lottery Fund for 2008-09: (1) \$127,864,291 for class size reduction; (2) \$84,635,709 for prekindergarten program; (3) \$175,480,212 for Public School Building Capital Fund; and (4) \$38,550,000 for scholarships for needy students.

INFORMATION TECHNOLOGY FUND AVAILABILITY AND APPROPRIATION

SECTION 5.3. Amends Section 5.3 of SL 2007-323 to modify the availability of funds from the Information Technology Fund for 2008-09 as follows: (1) includes the receipts for ESRI at \$600,000 and (2) lists reversions at \$200,000. Makes a conforming change to increase the total funds available to \$19,230,000.

Also modifies appropriations from the Information Technology Fund for 2008-09 as follows: (1) increases the appropriation to Information Technology Operations from \$8,152,835 to \$9,451,778 and (2) decreases the amount appropriated for Information Technology Projects from \$4,497,165 to \$4,129,362.

Requires that state agencies supported by the ESRI licenses be billed for a proportionate share of the costs to provide the Office of Information Technology Services with the funding necessary to pay for enterprise licenses. Prohibits the state from entering into any information technology enterprise agreements without obtaining written agreements from state agencies. State agencies that agree to participate must ensure that sufficient funds are budgeted to support their share of enterprise agreements throughout the life of the contract and must transfer the funds to the Office of Information Technology Services in time to meet the contract requirements.

PART VI. GENERAL PROVISIONS

APPROPRIATION OF CASH BALANCES

SECTION 6.1. Amends Section 6.1 of SL 2007-323 to direct that any moneys, including federal funds deposited in the State treasury, except moneys deposited in a trust fund or agency fund, are appropriated according to the specified purposes for the 2007-09 fiscal biennium. Adds a new provision requiring that for all budget codes listed in the "Governor's Recommended Budget for Governmental and Proprietary Funds and Selected Component Units 2008-2009" but not otherwise covered, funds are appropriated as adjusted by the General Assembly in the appropriations act.

EXPENDITURES OF FUNDS IN RESERVES LIMITED

SECTION 6.2. Requires that all funds appropriated by the appropriations act into reserves be expended only for the purposes for which the reserves were established.

BUDGET CODE CONSOLIDATIONS

SECTION 6.3. Authorizes the Office of State Budget and Management (OSBM) to adjust the enacted budget by making transfers among purposes or programs for the purpose of consolidating budget and fund codes or eliminating inactive budget and fund codes. OSBM must change the authorized budget to reflect these adjustments.

CONSULTATION NOT REQUIRED PRIOR TO ESTABLISHING OR INCREASING FEES

PURSUANT TO THE STATE BUDGET ACT

SECTION 6.4. Authorizes an agency to establish or increase a fee as authorized or anticipated in the appropriations act without first consulting with the Joint Legislative Commission on Governmental Operations (Governmental Operations).

STUDY OF LAPSED SALARY USE

SECTION 6.5. Amends Section 6.18(b) of SL 2007-323 to require OSBM to include an estimate of the total amount of lapsed salaries by each state agency in its report to the Joint Legislative Commission on Governmental Operations and to require the report to be submitted by February 1, 2009 (was, April 30, 2008).

AUTHORIZATION TO ESTABLISH RECEIPT-SUPPORTED POSITIONS

SECTION 6.6. Authorizes a department, institution, or other agency of state government to establish receipt-supported positions authorized in the appropriations act upon approval by the Director of the Budget. The Director, if necessary, may establish a receipt-supported position pursuant to this section at an annual salary amount different from the salary amount set out in the appropriations act if: (1) funds are available from the proposed

funding source, and (2) the alternative salary amount remains within the established salary range grade identified for the job classification of the affected receipt-supported position established in this act. The Director must not change the job classifications or increase the number of receipt-supported positions specified in this act without prior consultation with the Joint Legislative Commission on Governmental Operations.

CONTINUATION REVIEW OF CERTAIN FUNDS, PROGRAMS, AND DIVISIONS

SECTION 6.7. Establishes the Continuation Review Program to assist the General Assembly in determining whether to continue, reduce, or eliminate funding for the State's funds, agencies, divisions, and programs subject to continuation review. Authorizes the Appropriations Committees of the House of Representatives and the Senate to direct state departments and agencies to conduct continuation reviews. Authorizes the Fiscal Research Division (FRD) to issue instructions to the departments and agencies subject to continuation review regarding the expected content and format of the reports required by this section. Directs the following agencies to report to the FRD by December 1, 2008: Tarheel Challenge, Department of Crime Control and Public Safety; Leaking Underground Storage Tank Fund, Department of Transportation; Safety Inspection Program, Department of Commerce; North Carolina Center for Textile Technology, Community College System; Adolescent Pregnancy Prevention Programs, Department of Health and Human Services; and Parking Office, Department of Administration. Specifies information to be included in continuation review reports. Also allows the departments and agencies to submit a final report to the General Assembly by March 1, 2009.

STATE SUPPORT OF OUR MILITARY PERSONNEL

SECTION 6.8. Directs that funding be provided for the following initiatives in support of the armed services: Defense and Security Technology Accelerator; Military Morale, Welfare, and Recreation Fund; "More at Four" for children of deployed military personnel; Traumatic Brain Injury (TBI) Services; Fayetteville Tech 3-D Technology Project; National Guard Pension Fund; National Guard Tuition Assistance Program; National Guard Armory Rehabilitations; Master Planning for Future Armory Needs; and Land Buffers and Latrines for Camp Butner.

FEDERAL AND OTHER RECEIPTS FROM PENDING GRANT AWARDS

SECTION 6.9. Authorizes state agencies, with the approval of the Director of the Budget, to spend funds received from grants awarded subsequent to the enactment of the appropriations act, provided the applications for the grants were made prior to May 14, 2008. Directs OSBM to work with the recipient state agencies to budget grant awards according to the annual program needs and within the parameters of the respective granting entities and requires OSBM to consult with the Joint Legislative Commission on Governmental Operations before expending any funds received from grant awards.

IMPROVE DISASTER RECOVERY AND BUSINESS CONTINUITY

SECTION 6.10. Directs the State Chief Information Officer (CIO) to utilize the business and disaster recovery plans submitted under GS 147-33.89 and any other information at the CIO's disposal to determine whether state agencies (except the General Assembly, the Judicial Department or the University of North Carolina and its constituent institutions) have made adequate preparations for backing up critical applications. If backup is not sufficient, directs the state CIO to develop plans to utilize the Western Data Center for providing backup. The CIO must report to the Joint Legislative Oversight Committee on Information Technology on the number of critical state applications without adequate backup, the state agencies utilizing the applications, and the plans for providing adequate backup by December 1, 2008.

MULTIYEAR CONTRACTS FOR INFORMATION TECHNOLOGY

SECTION 6.11. Authorizes the Office of Information Technology Services (ITS) to procure information technology goods and services for periods not exceeding three years where the terms require payment of all or a portion of the purchase price at the beginning of the agreement according to certain criteria. Directs ITS to report to OSBM on any state agency

budget impacts resulting from the multiyear contracts and to submit a report by January 1, 2009, and quarterly thereafter, of any authorizations granted to the Joint Legislative Oversight Committee on Information Technology and to the Fiscal Research Division.

DOCUMENT MANAGEMENT/DIGITAL SIGNATURE PILOT

SECTION 6.12. Directs that \$200,000 of the funds appropriated to ITS for 2008-09 be used to pilot a statewide electronic document management system that will include a digital signature capability and satisfy specified requirements. Directs ITS to submit a written report to the Joint Legislative Oversight Committee on Information Technology and to the Fiscal Research Division on the status and effectiveness of the electronic document management pilot by April 1, 2009.

STATE GEOGRAPHIC INFORMATION/CONSOLIDATION IMPLEMENTATION

SECTION 6.13. Directs the State Chief Information Officer (SCIO), OSBM, and the Geographic Information Coordinating Council (GICC) to develop a detailed plan to implement the recommendations contained in the Geographic Information System Study mandated by Section 6.13 of SL 2007-323. Requires the implementation plan to include specified details. Requires that the detailed implementation plan be submitted to the Chairs of the House and Senate Appropriations Committees and to the Fiscal Research Division of the Legislative Services Office by December 1, 2008.

SINGLE ELECTRONIC MAIL SYSTEM

SECTION 6.14. Directs the State Chief Information Officer to develop a detailed plan for transitioning state agencies, departments, and institutions to a single statewide electronic mail system by January 1, 2010, and to present the plan to the State Chief Information Officer and the Joint Legislative Oversight Committee on Information Technology by November 1, 2008. The provision does not apply to the General Assembly, the Judicial Department, or the University of North Carolina and its constituent institutions. These agencies may utilize the electronic mail service operated by ITS in accordance with the statutes, policies, and rules of ITS.

PART VII. PUBLIC SCHOOLS

CHILDREN WITH DISABILITIES

SECTION 7.1. Requires that the State Board of Education (SBE) allocate \$3,386.84 per child for a maximum of 172,079 children for the 2008-09 school year for children with disabilities. Directs that each local school administrative unit receive funds for children with disabilities that are the lesser of (1) all students who are identified as children with disabilities or (2) 12.5% of the average daily membership (ADM) for the local school administrative unit. Provides that the dollar amounts allocated under this section are to adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve children with disabilities.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 7.2. Requires that SBE allocate funds for academically or intellectually gifted children (AG) on the basis of \$1,137.19 per child. Provides that a local school administrative unit receive funds for a maximum of 4% of its 2008-09 ADM and caps the number of children at 59,063 for whom the SBE may allocate AG funds for the 2008-09 school year. Provides that the dollar amounts allocated under this section are to adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve the AG population.

FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION

SECTION 7.3. Requires the SBE to use the funds appropriated in this act for the State Aid to Local Administrative Units to provide incentive funding for

schools that met or exceeded projected levels of improvement in student performance in the 2007-08 school year as follows: (1) incentive awards in schools that achieved higher than expected improvements may be up to \$1,500 for each teacher and for certified personnel and \$500 for each teacher assistant and (2) incentive awards in schools that met expected improvements may be up to \$750 for each teacher and certified personnel and \$375 for each teaching assistant.

Permits the SBE to use funds that were appropriated to the State Public School Fund to implement the consolidated assistance program (CAP) as directed in SL 2006-66, Section 7.6(b). Directs the SBE to report on any restructuring of CAP under this section to the Joint Legislative Education Oversight Committee by January 15, 2009.

NORTH CAROLINA VIRTUAL PUBLIC SCHOOL

SECTION 7.4. Amends SL 2007-323, Section 7.20(d), to change the effective fiscal year in which the SBE is to implement an allotment formula for funding e-learning from 2008-09 to 2009-10. Also directs the SBE to report on the implementation of the allotment formula to the Fiscal Research Division by December 15, 2008. Provides that the funds appropriated for the North Carolina Virtual Public School (NCVPS) program do not revert at the end of the 2007-08 fiscal year but are to remain available for spending in the 2008-09 fiscal year. Effective June 30, 2008.

LEARN AND EARN ONLINE CARRYFORWARD

SECTION 7.5. Directs that funds appropriated for the Learn and Learn Online program that remain unspent or unencumbered at the end of each fiscal year are not to revert but are to remain available for expenditures. Effective June 30, 2008.

SCHOOL CONNECTIVITY INITIATIVE

SECTION 7.6. Amends SL 2007-323, Section 7.28.(c) to direct that expenditures of existing funds for instructional technologies and local infrastructure in public schools for each local school administrative unit be reported to the Office of State Budget and Management, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee annually by January 15.

Permits the transfer of up to \$300,000 to the Friday Institute at NC State University to evaluate the effectiveness of using technology and its impact on 21st Century Teaching and Learning outcomes approved by the SBE. Requires the Friday Institute to annually report to the SBE on the evaluation results.

Effective June 30, 2008, provides that funds appropriated for the connectivity initiative carry forward to the next fiscal year until the project is fully implemented by June 30, 2010.

FUNDS FOR CLASS-SIZE REDUCTION

SECTION 7.7. Directs the Governor to transfer \$19.75 million from the Education Lottery Reserve Fund to the Education Lottery Fund to support the class-size reduction by the General Assembly.

ALLOTMENT FOR MENTORING SERVICES

SECTION 7.8. Directs local school administrative units to provide mentoring support to eligible employees in accordance with a plan approved by the SBE. Requires the mentoring plan to include information as to how all mentors will be adequately trained to provide mentoring support.

Directs the SBE to allot funds for mentoring services to local school administrative units based on the number of employees who (1) are paid with state, federal, or local funds and (2) are teachers paid on step one or two of the teacher salary schedule or instructional support personnel paid on step one of the instructional support personnel salary schedule.

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING

SECTION 7.9. Makes no changes. Identical to SL 2007-323, Section 7.8(c).

MODIFY LOW-WEALTH SCHOOL FUNDING FORMULA

SECTION 7.10. Provides that local school administrative units are to receive the same amount of funds for the 2008-09 fiscal year under the low-wealth supplemental formula that they received for the 2007-08 fiscal year. Directs that the funding amount is to be adjusted to reflect the increases built into the continuation budget. Also directs that the provisions of SL 2007-323, Section 7.6 (regarding the use of supplemental funding in low-wealth counties), are to apply to low-wealth funds received for the 2008-09 fiscal year.

ADDITIONAL LOTTERY FUNDS FOR SCHOOL BLDGS

SECTION 7.11. Current law [GS 18C-164(e)] provides that the Governor may only transfer monies from the Education Lottery Reserve Fund (Reserve) if actual net revenues for the state lottery are less than the General Assembly's appropriation from the Education Lottery Fund (Fund) for that given year.

Directs that notwithstanding the provisions of GS 18C-164(e) and GS 18C-164(b) [providing that Reserve monies may only be transferred as permitted under subsection (e)], monies from the Reserve are to be transferred to the Public School Building Capital Fund (Capital Fund). The transferred funds are to be allocated on the basis of average daily membership (ADM) to local school administrative units (local units) that did not qualify for funding for the 2008-09 fiscal year under GS 115C-546.2(d)(2) (provides for the transfer of the net Fund revenues to local units for capital expenditures, allocating 30% of net Fund revenues based on the effective county tax rate and 65% based on ADM). Directs that the maximum allocation under this act is to be the amount received by other local units on the basis of ADM. Requires that any monies not needed for capital expenditures be transferred back to the Reserve. Applies only to funds in the Reserve for the 2008-09 fiscal year.

STUDY OF STUDENTS WITH DISABILITIES

SECTION 7.12. Directs the Department of Public Instruction (DPI) to conduct an analysis that considers enrollment, graduation, and dropout rates for students with disabilities participating in Learn and Earn Early College High Schools, Redesigned High Schools, the North Carolina Virtual Public School, and North Carolina public high schools that are on block schedules. Requires DPI to report its findings and any recommendations to the Joint Legislative Education Oversight Committee and the Committee on Dropout Prevention by March 15, 2009.

FOCUSED ED. REFORM PROG. FUNDS DO NOT REVERT

SECTION 7.13. Provides that unexpended and unencumbered funds appropriated for the Focused Education Reform Pilot Program do not revert at the end of each fiscal year but remain available for expenditures for the duration of the pilot program. Effective June 30, 2008.

REESTABLISH COMMITTEE ON DROPOUT PREVENTION

SECTION 7.14. Reestablishes the Committee on Dropout Prevention (Committee). Amends SL 2007-323, Section 7.32(e) to set a new termination date for the Committee of December 31, 2010 (was, December 1, 2007).

Provides that the Committee is to continue to be located administratively in the Department of Public Instruction (DPI) but directs that the Committee is to exercise its powers and duties independently of DPI. Directs DPI to contract with an independent consultant to serve as staff to the Committee, provide technical assistance, and to assist the Committee in evaluating the impact of the grants awarded. Of the funds appropriated for the Committee, designates \$100,000 to be used to issue a request for proposals from qualified vendors to contract as consultants.

Designates that the purpose of the Committee, created in SL 2007-323, Section 7.32, continues to be to award dropout prevention grants to qualifying local school administrative units, schools, agencies, and nonprofits; determine the amounts to be awarded; and set parameters for the eligible uses of the grants.

Specifies that the Committee is to use the applications received during the submission process outlined in Section 7.32(d) of SL 2007-323 (regarding the Committee's criteria for the selection of grant recipients) and the process for reviewing the 2007 grant applications in establishing a new cut-off score for applicants. Directs the Committee to award grants of up to a maximum of \$150,000 to applicants that (1) meet the new cut off score and (2) did not previously receive funding under SL 2007-323. Adds to the criteria established in SL 2007-323, Section 7.32(d), to require that a priority for grants be given to programs serving students in local schools with a 4-year cohort graduation rate of less than 65% and that are in counties that did not receive funding under SL 2007-323. Also directs the Committee to establish a process to award additional funds to recipients of grants awarded in the 2007 grant cycle under SL 2007-323. Permits the Committee to award grants to new applicants using the process outlined in SL 2007-323, Section 7.32(d), and the 2007 grant review criteria. Directs that grants be distributed geographically throughout the eight educational districts as defined in GS 115C-65. Prohibits more than three grants from being awarded in any one county in a single fiscal year. Provides additional criteria regarding grant selection, distribution, and use. Directs the Committee to report on the grants that are awarded to the Joint Legislative Commission on Dropout Prevention and High School Graduation and the Joint Legislative Education Oversight Committee by March 1, 2009.

Directs that \$5.5 million of the funds appropriated for the Committee be used to award 40 additional dropout prevention grants under this section, no later than November 1, 2008. Directs that the remaining funds be used to (1) provide additional funding to recipients awarded grants under SL 2007-323 or (2) award grants to applicants that did not previously receive funding under SL 2007-323.

Directs that, effective June 30, 2008, funds appropriated for the dropout prevention grants for 2007-08 do not revert but remain available for expenditure until August 31, 2009. Also directs that dropout grant prevention funds appropriated for 2008-09 are not to revert but are to remain available for expenditure until August 31, 2010.

Provides that DPI may use up to \$50,000 of the appropriated funds for its administrative assistance to the Committee.

Requires the Committee to evaluate the impact of the dropout prevention grants awarded under SL 2007-323 and under this section and delineates the criteria for the evaluation process.

Requires the recipients of 2007-08 dropout prevention grants under SL 2007-323 to make reports to the Committee, by January 31, 2009, and September 30, 2009. Directs the Committee to make an interim report of the results of its evaluation of the grants awarded under SL 2007-323 by March 31, 2009, and a final report by November 15, 2009, to the Joint Legislative Commission on Dropout Prevention and High School Graduation and the Joint Legislative Education Oversight Committee.

Also requires the recipients of 2008-09 dropout prevention grants under this act to make reports to the Committee, by January 31, 2010, and September 30, 2010. Directs the Committee to make an interim report of the results of its evaluation of the grants awarded under SL 2007-323 by March 31, 2010, and a final report by November 15, 2010, to the Joint Legislative Commission on Dropout Prevention and High School Graduation and the Joint Legislative Education Oversight Committee.

Directs the Joint Legislative Commission on Dropout Prevention and High School Graduation, established under SL 2007-323, Section 7.32, to (1) study the development of an effective network to share best practices among the grant recipients, the public schools, and other interested organizations and (2) report its findings and any recommendations to the 2009 General Assembly.

USE OF LEARN AND EARN ONLINE FOR ADJUNCT UNIVERSITY FACULTY

SECTION 7.15. Provides that local school administrative units may use funds appropriated for learn and earn online for expenses related to college-level courses taught by university

instructors at public schools providing that a portion of the instruction for the courses is delivered online. Directs the SBE to adopt policies to establish guidelines and reimbursement procedures.

COMPREHENSIVE SUPPORT FOR SCHOOL SYSTEMS AND SCHOOLS

SECTION 7.16. Provides that if a local school administrative unit (local unit) is designated by the SBE as a targeted school district for comprehensive support the SBE may: (1) authorize additional flexibility with regard to state funding allotments and (2) allot time-limited funds to implement strategies that have been identified by the SBE support team assigned to the local unit and the local unit's leadership team. Directs that the additional flexibility is not to increase the overall state funding available to the local unit.

MORE AT FOUR PROGRAM

SECTION 7.17. Amends SL 2007-323, Section 7.24(f), to provide that a county that cannot provide the local required contribution for "More at Four" (M4) expansion slots because of a documented lack of available resources for the 2008-09 fiscal year (was, only for the 2007-08 fiscal year) may appeal to the Office of School Readiness for an exception to the required local amount for the additional slots. Current law provides that the Office of School Readiness may grant an exception and allot funds to pay up to 90% of the full cost of the additional slots for the county providing that (1) the lack of available county resources is documented and (2) granting the exception will not reduce access statewide to M4 slots.

PLANT OPERATION FUNDING

SECTION 7.18. Amends GS 115C-546.2 to provide that the SBE may allocate up to \$1 million each year to DPI from the monies credited to the Public School Building Capital Fund (Capital Fund) by the Secretary of Revenue under GS 115C-546.1(b) (provides criteria for calculating the amount to be credited to the Capital Fund each calendar quarter). Directs that the Plant Operation Section of the School Support Division is to use the funds to assist each local school administrative unit with support for safe, effective environmental practices. Provides that the remainder of the funds are to continue to be allocated to the counties based on a membership basis as determined and certified by the SBE. Requires DPI to report to the Joint Legislative Education Oversight Committee by April 15 annually on the program.

PART VIII. COMMUNITY COLLEGES

REORGANIZATION OF THE NORTH CAROLINA COMMUNITY COLLEGES SYSTEM OFFICE

SECTION 8.1. Authorizes the President of the North Carolina Community College System to reorganize the System Office in accordance with recommendations and plans submitted to and approved by the State Board of Community Colleges consistent with the authority established in G.S. 115D-3. The authority expires June 30, 2009.

USE OF FUNDS FOR THE COLLEGE INFORMATION SYSTEM

SECTION 8.2. Directs that funds appropriated to the Community Colleges System Office for the College Information System will not revert at the end of the 2008-09 fiscal year but will remain available until expended. The funds may be used only to purchase periodic system upgrades.

Authorizes the Community Colleges System Office to, subject to the approval of the Office of State Budget and Management (OSBM) and in consultation with the Office of Information Technology Services (ITS), use appropriated funds for the College Information System to create a maximum of three positions dedicated to maintaining and administering information technology and software upgrades to the College Information System. Directs the Community Colleges System Office to report, by January 1, 2009, to the Joint Legislative

Education Oversight Committee on the transition from the implementation phase to the ongoing operations and maintenance phase of the College Information System Project.

REPORT ON EFFECT OF ADDITIONAL ALLIED HEALTH FUNDING

SECTION 8.3. Directs the Community Colleges System Office to report, by March 1, 2009, to the Joint Legislative Education Oversight Committee, the Fiscal Research Division (FRD), and OSBM specified information about the impact of the additional funding received for nursing and allied health programs during the 2006-07, 2007-08, and 2008-09 fiscal years.

REPORT ON COST OF ALL PROGRAMS

SECTION 8.4. Directs the Community Colleges System Office to report, by May 15, 2009, to FRD and OSBM regarding the instructional cost of all curriculum and non-curriculum programs, including an explanation of the differences in costs between programs, including faculty salaries and equipment costs.

MINORITY MALE MENTORING PROGRAM FUNDS

SECTION 8.5. Effective June 30, 2008, specifies that funds appropriated for the Minority Male Mentoring Program will not revert at the end of the fiscal year.

LEARN AND EARN ONLINE FUNDS

SECTION 8.6. Effective June 30, 2008, specifies that funds reimbursed to the Community College System for full-time equivalent (FTE) students participating in learn and earn online courses will not revert at the end of a fiscal year, but will remain available for expenditure up to 12 months after the close of a fiscal year.

CONSOLIDATE WORKFORCE DEVELOPMENT PROGRAMS

SECTION 8.7. Amends GS 115D-5.1 to eliminate provisions related to the North Carolina Community College System's New and Expanding Industry Training Program. Establishes the Customized Training Program (was, Customized Industry Training Program) within the North Carolina Community College System to offer programs and training services to assist new and existing businesses and industry to remain productive, profitable, and within the state. Before a business or industry qualifies to receive assistance under the Customized Training Program, the President of the North Carolina Community College System must determine, among other things, that the business or individual is creating jobs, expanding an existing workforce, or enhancing the productivity and profitability of the operations within the state. Authorizes the State Board of Community Colleges to adopt rules and guidelines to allow the Customized Training Program and the Focused Industrial Training Program to use funds appropriated for the programs to support training projects for the various branches of the US Armed Forces. Specifies that funds available to the Customized Training Program will not revert at the end of a fiscal year and authorizes up to 10% of the college-delivered training expenditures and up to 5% of the contractor-delivered training expenditures for the prior fiscal year for Customized Training to be allotted to each college for capacity building. Authorizes the State Board of Community Colleges to approve the use of up to 8% of appropriated funds for the Customized Training Programs for the training and support of regional community college personnel to deliver Customized Industry Training Program services to business and industry. Directs the State Board of Community Colleges to transfer funds appropriated for the New and Expanding Industry Training Program and the Focused Industrial Training Program to the Customized Industry Training Programs appropriation by September 1, 2008.

BASIC SKILLS BLOCK GRANT

SECTION 8.8. Directs the Community Colleges System Office to develop a new formula for the Basic Skills Block Grant which incorporates specified changes for consideration during the 2009 Session of the General Assembly.

TRANSFERS OF CASH BALANCES TO THE GENERAL FUND

SECTION 8.9. Directs that \$4.5 million of the cash balance remaining in the North Carolina Community College System Information Technology CIS Fund on July 1, 2008, be deposited in Intra State Transfers, to be used to support the General Fund appropriations for 2008-09 for expansion funding for the North Carolina Community College System.

Directs that \$783,256 of the cash balance remaining in the Focused Industrial Training (FIT) programs on July 1, 2008, be deposited in Intra State Transfers, to be used to support the General Fund appropriations for the 2008-09 for expansion funding for the North Carolina Community College System.

FUNDS FOR CAMPUS SECURITY

SECTION 8.10. Authorizes a community college to use up to 2% of the noninstructional state funds allocated to it in the institutional support allotment for 2008-09 for campus security. The funds must supplement, not supplant, existing local funding for campus security.

CLARIFY USE OF FEES COLLECTED FOR GED TESTING

SECTION 8.11. Adds new subsection to GS 115C-5 that authorizes the State Board of Community Colleges to retain and budget fees charged to students taking the General Education Development (GED) test. The fees may be used only to (1) offset the costs of the GED test, (2) offset the costs of printing GED certificates, and (3) meet federal and state reporting requirements related to the test.

CARRYFORWARD OF NORTH CAROLINA RESEARCH CAMPUS BIOTECHNOLOGY TRAINING FUNDS

SECTION 8.12 Effective June 30, 2008, specifies that funds appropriated in SL 2006-66 and SL 2007-323 for the Rowan-Cabarrus Community College Biotechnology Training Center and Greenhouse at the North Carolina Research Campus in Kannapolis will not revert.

USE OF BASIC SKILLS FUNDS

SECTION 8.13. Authorizes a local community college to use up to 5% of the Literacy Funds allocated to it by the State Board of Community Colleges to procure instructional technology for literacy labs, including computers, instructional software and software licenses, scanners for testing, and classroom projection equipment.

SURRY COMMUNITY COLLEGE VITICULTURE & ENOLOGY CENTER FUNDS

SECTION 8.14. Effective June 30, 2008, specifies that funds appropriated for the 2007-08 fiscal year to the Community Colleges System Office for the operations of the North Carolina Viticulture and Enology Center located at Surry Community College will not revert at the end of the fiscal year. Authorizes Surry Community College to use these funds for capital construction for the Center.

STUDY OF CHANGES NECESSARY TO IMPROVE FINANCIAL AID TO COMMUNITY COLLEGE STUDENTS

SECTION 8.15. Directs the Joint Legislative Education Oversight Committee to study the changes necessary to improve financial aid for community college students and make recommendations on how to better serve nontraditional students and to increase the number of community colleges that participate in federal student loan programs.

USE OF HOSIERY CENTER FUNDS.

SECTION 8.16. Authorizes funds appropriated to the Community Colleges System Office for the Hosiery Technology Center at Catawba Valley Community College to be expended for the Center for Emerging Manufacturing Solutions (CEMS), which was established by Catawba Valley Community College in February 2008.

PART IX. UNIVERSITIES

ELIMINATE COACHING SCHOLARSHIP LOAN PROGRAM/TRANSFER FUND BALANCE TO GENERAL FUND

SECTION 9.1. Repeals GS 116-209.36, which established a physical education—coaching scholarship loan fund. Directs that all financial obligations to any student that is awarded a scholarship loan from the Coaching Scholarship Loan Fund before July 1, 2008, will be fulfilled provided the student remains eligible under the provisions of the Coaching Scholarship Loan Fund. Effective June 30, 2008, directs that the unencumbered balance of funds in the Coaching Scholarship Loan Fund will revert to the General Fund.

PRIVATE COLLEGE STUDENT ELIGIBILITY FOR EARN SCHOLARSHIP/USE OF ESCHEAT FUNDS FOR CERTAIN EARN SCHOLARSHIPS

SECTION 9.2. Amends GS 116-209.26(a) to add an institution defined in GS 116-22(1) to the list of eligible postsecondary institutions. Applies only for academic years beginning on or after July 1, 2008.

Adds new subsection to GS 116-209.26 which prohibits any funds appropriated from the Escheat Fund to the Education Access Rewards North Carolina Scholars Fund from being used to award a grant to a student who is an undergraduate at an institution defined in GS 116-22(1), but authorizes funds appropriated from the General Fund to be used for this purpose. Applies only for academic years beginning on or after July 1, 2008.

Amends Section 9.7(b) of SL 2007-323 to decrease the amount appropriated from the General Fund to the State Education Assistance Authority for 2008-09 from \$60 million to \$10 million.

Amends Section 9.7(c) of SL 2007-323 to increase the amount appropriated from the Escheat Fund to the State Education Assistance Authority for 2008-09 from \$40 million to \$60 million.

CLOSING THE ACHIEVEMENT GAP/GRANTS

SECTION 9.3. Authorizes North Carolina Central University to use up to 10% of the funds appropriated by the appropriations act for 2008-09 to the Board of Governors of the University of North Carolina to be used for the North Carolina Historically Minority Colleges and Universities initiative for "Closing the Achievement Gap" for the cost of administering the grants. Directs North Carolina Central University to use 90% of the funds as grants to the public and private institutions of higher education.

Directs North Carolina Central University to report to the Joint Education Legislative Oversight Committee and to FRD by April 1, 2009, regarding the number of grants awarded, the recipients of the grants, the amount of the grant awarded, the programs and purposes for which the grant was awarded, the cost of administering the grant, and any other information requested by the Committee or Fiscal Research Division. The grants awarded pursuant to this section must also require that the recipient of the grant report to the Joint Education Legislative Oversight Committee and to the FRD regarding the amount of the grant received, the program and purposes for which the grant was requested, the methodology used to implement the grant program and purposes, the results of the program funded by the grant, and any other information requested by the Joint Education Legislative Oversight Committee and FRD.

OPTIONAL SCHOLARSHIP FOR CERTAIN GRADUATES OF THE PRINCIPAL FELLOWS PROGRAM

SECTION 9.4. Directs the North Carolina Principal Fellows Commission to make available an optional six-month scholarship in the amount of \$20,000 to any person who was a recipient of a scholarship loan through the Principal Fellows Program and who: (1) was in Class 10 of the Principal Fellows Program for the 2003-04 academic year, (2) completed the Principal Fellows Program, (3) has either served as a school administrator for four years at a North Carolina public school or at a school operated by the US as required by GS 116-74.43 or who has had the loan forgiven by the State Education Assistance Authority pursuant to GS 116-74.43, and (4) meets other specified requirements.

Directs the Principal Fellows Commission to develop the criteria for awarding the scholarship, including a requirement that the person agree to work at least another six months as

a school administrator in a North Carolina public school or at a school operated by the US after satisfying the four-year work requirement set out in GS 116-74.43. Directs the Commission, in collaboration with the State Education Assistance Authority, to develop a process for evaluating a scholarship recipient's work performance and for issuing a final approval and certification of the work performance and directs the State Education Assistance Authority to provide all administrative functions related to the scholarship.

Effective June 30, 2008, directs that \$1 million revert from the Principal Fellows Trust Fund to the General Fund and that \$1,740,000 in the Principal Fellows Trust Fund be held in reserve to pay each participant in the optional scholarship program the stipend of \$20,000 upon successful completion of the optional scholarship program.

AHEC FUNDS

SECTION 9.5. Prohibits reduction of the \$1,190,562 appropriated to the Board of Governors of The University of North Carolina for 2008-09 for Area Health Education Centers (AHEC) to address health workforce shortages, primary care residency training, and patient safety in local health facilities.

REPORTING ON UNC FACULTY WORKLOAD

SECTION 9.6. Directs the Board of Governors to conduct a study on faculty workload using the Delaware Study Method of collecting data which includes specified information and to submit the study to the Joint Legislative Education Oversight Committee, OSBM, and FRD by August 1, 2008.

UNC-NCCCS 2+2 E-LEARNING INITIATIVE

SECTION 9.7. Directs that funds appropriated to the University of North Carolina and the North Carolina Community College System for the UNC-NCCCS 2+2 E-Learning Initiative be used to fund further development of online courses for 2+2 programs. Funds must be used first to develop online teacher education programs, including baccalaureate and associate pre-major programs. Directs the University of North Carolina and Community Colleges System Office to report specified information by September 1, 2008, and annually thereafter, to the Joint Legislative Education Oversight Commission, the State Board of Education, OSBM, and FRD on the implementation of the UNC-NCCCS 2+2 E-Learning Initiative.

UNC ENROLLMENT GROWTH REQUEST TO CONTAIN PREVIOUS ACADEMIC YEAR'S ACTUAL STUDENT CREDIT HOURS (SCH) AND FULL TIME EQUIVALENCIES (FTE)

SECTION 9.8. Amends GS 116-11(9) to require the Board of Governors to provide full documentation and justification of any enrollment change funding request, including the most recent academic year's actual enrollment numbers, in the same format in which the growth increase request is made.

REVERT THE 2007-2008 APPROPRIATION FOR THE EDUCATION ACCESS REWARDS NORTH CAROLINA (EARN) SCHOLARS FUND

SECTION 9.9. Effective June 30, 2008, directs that the unencumbered balance of the funds appropriated in 2007-08 to The University of North Carolina Board of Governors and the State Education Assistance Authority in Section 9.7 of SL 2007-323 revert to the General Fund. The amount reverted must be no less than \$27,605,210.

HIGHER EDUCATION STUDIES/DISTANCE EDUCATION AND UNC ENROLLMENT GROWTH FUNDING FORMULAS

SECTION 9.10. Directs the Program Evaluation Division of the General Assembly to study the start-up and ongoing cost of distance education and compare it with the start-up and ongoing cost of on-campus education and submit the study to the Joint Legislative Education Oversight Committee and FRD by March 1, 2009.

Directs the Program Evaluation Division to conduct a comprehensive review of the full-time equivalencies (FTE) and student credit hours (SCH) enrollment growth funding formulas

used by the University of North Carolina evaluating specified criteria and submit the study to the Joint Legislative Education Oversight Committee and the Fiscal Research Division by March 1, 2009. If the study recommends changes to the enrollment growth formulas, the revised formulas will be used to calculate the amount of funds needed for enrollment growth. The formulas will be used for calculating the enrollment growth funding recommendation to be submitted to the 2009 Session of the North Carolina General Assembly.

LEGISLATIVE TUITION GRANT/REDEFINE PART-TIME STUDENT

SECTION 9.11. Amends GS 116-21.2 to reduce the number of academic credit hours per semester required to qualify as a part-time North Carolina undergraduate student for purposes of qualifying for a legislative tuition grant from 9 hours to 6 hours. Applies to academic semesters beginning on or after July 1, 2008.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

NC RX FUNDS TRANSFER

SECTION 10.1. Transfers \$3.5 million from the NC Rx Program to support 2008-09 General Fund appropriations of \$700,000 for HealthNet, \$2.3 million for Community Health Centers, and \$500,000 for the NC Housing Trust Fund. Transfers \$1 million of Master Settlement Agreement funds in the Health Trust Account to support 2008-09 appropriations for the Sexual Assault and Rape Crisis Center Fund in the Department of Administration.

STATE COUNTY SPECIAL ASSISTANCE

SECTION 10.2. Effective January 1, 2009, amends section 10.13 of SL 2007-323 (the 2007 Appropriations Act) to set the maximum monthly rate for residents in adult care home facilities at \$1,203 unless adjusted by the Department of Health and Human Resources (DHHS) as part of a transfer to maximize the federal funding.

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.3. Amends section 10.26 of SL 2007-323 (the 2007 Appropriations Act) to permit DHHS to adjust the financial eligibility criterion of the AIDS Drug Assistance Program for 2008-09 up to an amount not exceeding 300% of the federal poverty level in order to serve as many eligible North Carolinians with HIV disease as possible within existing resources plus any new federal resources. If a waiting list develops, first priority must be given to waiting list individuals at or below 125% of the federal poverty level and second priority must be given to individuals between 125% and 250% of the federal poverty level.

CHANGES TO COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.4. Amends section 10.22 of SL 2007-323 (the 2007 Appropriations Act) to (1) increase from \$2 million to \$3 million the amount DHHS must allocate for 2008-09 to the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) and (2) extend through 2008-09 the report DHHS is required to make about the CFEHDI program funds. Modifies the required content of the report.

HIV PREVENTION FUNDS

SECTION 10.5. Of funds appropriated to DHHS, requires that \$2 million for 2008-09 be allocated for specified HIV prevention purposes.

CHILD CARE FUNDS MATCHING REQUIREMENT

SECTION 10.6. Amends section 10.17 of SL 2007-323 (the 2007 Appropriations Act) to increase from 15% to 20% the required match for child care funds above \$25,000 reallocated to local purchasing agencies.

CHANGES TO FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS

SECTION 10.7. Amends section 10.29 of SL 2007-323 (the 2007 Appropriations Act) to (1) increase maximum rates for state participation in the foster care assistance program and the adoption assistance program, (2) provide for the state and county to share equally in the nonfederal share of costs of care of certain children in foster care, (3) authorize DHHS to establish foster care and adoption assistance rates based on the index of expenditures on children by families, and (4) make section 10.29 effective for payments made on or after January 1, 2009.

TICKET TO WORK IMPLEMENTATION DATE

SECTION 10.8. Directs DHHS to implement the Ticket to Work Program on July 1, 2008, whether or not the new MMIS (Medicaid Management Information System) is operational.

IMPLEMENTATION OF MMIS

SECTION 10.9. Takes notice that the delay of the new MMIS system has caused delays in premium collection programs. Directs DHHS, Division of Medical Assistance, to first implement the following programs with premium collection capability: Ticket to Work, Families pay part of the cost of services under the CAP-MR/DD and CAP children's programs, and NC Health Choice.

MEDICAID POLICY CHANGE

SECTION 10.10. Amends section 10.36(b) of SL 2007-323 (the 2007 Appropriations Act) to require DHHS to submit to OSBM with a fiscal analysis any proposed medical policy changes exceeding \$3 million per year that are required for compliance with federal law.

DHHS STUDY PERFORMANCE BOND REQUIREMENT

SECTION 10.11. Requires DHHS to study the feasibility of requiring Medicaid-enrolled providers to provide a performance bond or letter of credit before enrollment, re-enrollment, or reinstatement. DHHS must report to specified legislative committees and FRD by January 1, 2009.

EXPAND HEALTH CHOICE/NC KIDS' CARE

SECTION 10.12. Amends section 10.48 of SL 2007-323 (the 2007 Appropriations Act) as follows. (1) Reduces from \$7 million to \$1,658,000 the amount allocated for 2008-09 to expand children's access to health insurance. (2) Directs DHHS to implement NC Kids' Care, a program to provide health insurance coverage to children in families with incomes above 200% but not more than 250% of the federal poverty level. The new program is an expansion of the existing Health Insurance Program for Children, Part 8 of Article 2 of GS Chapter 108A. Sets eligibility requirements for children 18 years old and younger. Directs DHHS to provide services under NC Kids' Care through Community Care of NC. Directs DHHS to require enrollees to contribute to the costs of NC Kids' Care through deductibles, co-payments, and monthly premiums; sets amounts of these contributions. Directs DHHS to set maximum annual contribution amounts. Caps enrollment in NC Kids' Care at 15,000 children for 2008-09. Specifies that counties are not required to contribute to the cost of NC Kids' Care. (3) Makes conforming change to the Health Insurance Program for Children in GS 108A-70.21(c) (annual enrollment fee) and GS 108A-70.21(g) (purchase of extended coverage). (4) Provides for transfer of coverage from the Health Insurance Program for Children to NC Kids' Care. (5) Makes section 10.48 of SL 2007-323 effective the later of April 1, 2009, or approval of the State Child Health Plan amendments and makes it contingent on federal funding.

NC HEALTH CHOICE TRANSITION

SECTION 10.13. For the period July 1, 2008, through July 1, 2010, amends GS 135-42 to provide that the health insurance program under that statute is renamed as *NC Health Choice for Children*. Repeals provisions in Part 2 (administrative structure) of Article 3 of GS Chapter 135 making the State Health Plan for Teachers and State Employees (State Health Plan) responsible for administering NC Health Choice for Children. For the period July 1, 2008, through July 1, 2010, amends GS 135-42 to (1) provide that NC Health Choice for Children is

administered by DHHS under Part 8 of Article 2 of GS Chapter 108A (Health Insurance Program for Children), (2) provide temporary authority for DHHS to delegate this administration to the State Health Plan, and (3) provide for transition of the NC Health Choice for Children benefits from being equivalent to the State Health Plan to being equivalent to the Health Insurance Program for Children.

Enacts new GS 135-43 and 135-44 creating a Child Health Insurance Fund to receive all receipts in connection with the Health Insurance Program for Children. The fund will be used to pay benefits and administrative costs of the Health Insurance Program for Children. Requires the State Health Plan to provide specified data to "the Department."

Amends GS 108A-70.20 to provide that the Health Insurance Program for Children will be known as NC Health Choice for Children. Amends GS 108A-70.21 (Health Insurance Program for Children) to (1) clarify the exclusion of certain dental services and materials; (2) provide coverage for selected over-the-counter medications; and (3) prohibit any maximum lifetime benefit for enrollees. Effective July 1, 2009, further amends GS 108A-70.21 to modify the dental services and materials for which benefits are provided. Makes conforming and transitional changes throughout Part 8 of Article 2 of GS Chapter 108A.

Effective when the act becomes law, directs the Secretary of DHHS to (1) develop a plan to transition into administration of NC Health Choice for Children by July 1, 2010, and (2) report to specified committees at least 30 days before the transition goes into effect. Effective when the act becomes law, directs the Secretary of DHHS to (1) develop a plan for operation of the most cost-effective program on a long-term basis, which may include a third-party administrator and/or benefits restructuring and (2) make a progress report to the General Assembly by May 15, 2009.

HEALTH CHOICE ENROLLMENT GROWTH CAP

SECTION 10.14. Repeals section 10.47 of SL 2007-323 (the 2007 Appropriations Act), which authorized DHHS to allow 6% enrollment growth in the NC Health Choice Program, and instead authorizes DHHS to allow up to 8.73% growth for 2008-09 over the number of children enrolled on June 30, 2008. Requires DHHS to report to the General Assembly in January 2009 information on the number of children enrolled and projected enrollment and costs for each month remaining in 2008-09.

If it appears that enrollment growth in 2008-09 will exceed the 8.73% cap, DHHS must notify the Centers for Medicare and Medicaid Services. If enrollment growth reaches the cap, DHHS must notify the Centers for Medicare and Medicaid Services, the chairs of designated legislative committees, OSBM, and FRD.

MENTAL HEALTH CHANGES

SECTION 10.15. Requires the DHHS Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (MH/DD/SAS) to mitigate cash-flow problems for non-single-stream local management entities (LMEs) by distributing at least one-twelfth of each non-single-stream LME's continuation allocation at the beginning of each fiscal year.

Appropriates \$2 million from the General Fund to the DHHS Division of MH/DD/SAS for 2008-09 to support LMEs in establishing additional regionally purchased and locally hosted substance abuse programs to enhance the American Society of Addiction Medicine continuum of care at the community level. Requires LMEs to report to DHHS on use of the funds.

Requires DHHS to encourage conversion of the remaining non-single-stream LMEs to single-stream funding as soon as possible. Specifies actions to accomplish conversion.

Directs DHHS to simplify the current State Integrated Payment and Reporting System.

Directs DHHS to study why there have been under- and over-expenditure of state service dollars by LMEs and take action necessary to address the problem. Requires DHHS to report by January 1, 2009, to specified appropriations committees, FRD, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services (LOC).

Directs DHHS to analyze services gaps in the MH/DD/SAS services system. Prohibits DHHS from contracting with a third party for the study. Directs DHHS to report by January 1, 2010, to specified appropriations committees, FRD, and LOC.

Directs the Secretary of DHHS to temporarily open and operate up to 60 adult acute psychiatric unit beds at the Central Regional Hospital Wake Unit on the Dorothea Dix Campus (Wake Unit) and maintain the Wake Unit until beds become available in the system. Exempts these beds from section 10.49(t) of SL 2007-323 (the 2007 Appropriations Act) regarding closure of Dorothea Dix Hospital.

Provides for the use of nonrecurring funds to support the Wake Unit and states the intent to fund it for three years.

From funds appropriated to the DHHS Division of MH/DD/SAS for mobile crisis teams, allocates \$5,755,000 for distribution to LMEs to support 30 mobile crisis teams according to the Cross-Area Service Program model.

From funds appropriated to the DHHS Division of MH/DD/SAS, allocates \$8 million for 10,000 local inpatient psychiatric bed days. The funds may also be used for detoxification bed days. DHHS may pay hospitals directly for these beds until LMEs are capable of managing the funds.

From funds appropriated to the DHHS Division of MH/DD/SAS, allocates \$3,444,147 for the START crisis model for developmental disability services, to be distributed to LMEs to support nine crisis teams according to the Cross-Area Service Program model.

From funds appropriated to the DHHS Division of MH/DD/SAS, allocates \$6,113,947 for walk-in crisis and immediate psychiatric aftercare, to be distributed to the LMEs to support 30 psychiatrists and related support staff. Specifies that \$1.65 million of the allocation must be used for telepsychiatry equipment owned by the LMEs.

Specifies that the independent and supportive living apartments for persons with disabilities constructed from funds appropriated in the act for that purpose must be affordable to persons with incomes at the Supplemental Security Income level.

Directs the DHHS Division of MH/DD/SAS to implement a tiered CAP-MR/DD waiver program. Specifies the four tiers and authorizes funding in excess of the \$100,000 maximum. From funds appropriated to the DHHS Division of MH/DD/SAS for 2008-09 for additional CAP-MR/DD slots, allocates \$8,232,411 for tier one slots. In addition, provides for allocation of the funds for slots statewide.

Directs DHHS to implement a plan to catch up Piedmont Behavioral Health (PBH) CAP-MR/DD slots to the state average.

Directs the North Carolina Institute of Medicine (IOM) to study the transition for persons with developmental disabilities from one life setting to another. The study is to be funded with funds appropriated for IOM in 2007. Specifies topics for the study.

Directs DHHS to (1) develop an appropriate State-County Special Assistance rate for special care units for persons with a mental health disability and (2) determine if additional standards are necessary pertaining to special care units for persons with a mental health disability. Requires DHHS to report by January 1, 2009, to specified appropriations committees, FRD, and LOC.

Directs DHHS to ensure that veterans and their families are eligible for existing funding for MH/DD/SAS.

Directs DHHS to develop a tiered rate structure for community support services so that services that do not require a professional are not paid at the same rate as services provided by a professional. Requires DHHS to notify specified appropriations committees and LOC at least 15 days before implementing the tiered rate structure. Requires DHHS to report to LOC by October 1, 2008, on development of the structure.

Amends section 10.49(ee) of SL 2007-323 (the 2007 Appropriations Act) to exempt from specified requirements those community support services that are offered under a Medicaid managed care, capitated, at-risk waiver.

Directs the DHHS Division of MH/DD/SAS to develop a service authorization process that separates the assessment function from the service delivery function whenever possible to avoid self-referral and that requires a comprehensive clinical assessment to be completed by a licensed clinician prior to service delivery. Directs DHHS to report to LOC by October 1, 2008, on

the development of the service authorization process. Requires DHHS to notify specified appropriations committees and LOC at least 15 days before implementing the service authorization process.

Directs DHHS to develop a plan to return the service authorization, utilization review, and utilization management functions to LMEs for all clients. Requires DHHS to report by February 1, 2009, to specified appropriations committees, LOC, and FRD. Sets a July 1, 2009, deadline for return of these functions to LMEs representing in total at least 50% of the state's population. Prohibits DHHS from obligating the state for these functions beyond September 30, 2009. Specifies requirements for LME service authorization, utilization management, and utilization review.

Directs the DHHS Division of MH/DD/SAS to study Medicaid waivers for all LMEs. If Medicaid waivers are not appropriate for an LME, directs DHHS to recommend strategies to increase LME flexibility. Requires DHHS to report by March 1, 2009, to specified appropriations committees, LOC, and FRD.

Directs DHHS to deem the Piedmont Behavioral Health (PBH) LME as a demonstration model in its catchment area. The demonstration model must also include the PBH 1915(b) and 1915(c) Medicaid waivers and single-stream funding for state services funds.

Prohibits the Secretary of DHHS from taking any action before January 1, 2010, that would result in the merger or consolidation of LMEs operating on January 1, 2008, or that would establish consortia or regional arrangements for the same purpose, with specified exceptions.

Directs that if the Secretary of DHHS desires to merge LMEs, the Secretary must, in consultation with LMEs, provide a detailed plan for General Assembly review. Directs the Secretary to provide the plan by March 1, 2009, to specified appropriations committees, LOC, and FRD.

NON-MEDICAID REIMBURSEMENT CHANGES

SECTION 10.16. Amends section 10.5 of SL 2007-323 (the 2007 Appropriations Act) to delete the provisions governing the eligibility level and state financial participation for the Atypical Antipsychotic Medication Program.

DHHS BLOCK GRANTS

SECTION 10.17.(a) Appropriates amounts from federal block grant funds for the fiscal year ending June 30, 2009, as follows:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT

Local Program Expenditures

Division of Social Services		
01.	Work First Family Assistance (Cash Assistance)	\$90,857,234
02.	Work First County Block Grants	94,653,315
03.	Work First Functional Assessment	2,721,787
04.	Child Protective Services – Child Welfare Workers for Local DSS	14,452,391
05.	Work First – Boys and Girls Clubs	2,000,000
06.	Work First – After-School Services for At-Risk Children	2,249,642
07.	Work First – After-School Programs for At-Risk Youth in Middle Schools	500,000
08.	Work First – Connect, Inc.	550,000
09.	Adoption Services – Special Children's Adoption Fund	3,000,000
10.	Family Violence Prevention	2,200,000
Division of Child Development		
11.	Subsidized Child Care Program	60,587,077
Division of Public Health		
12.	Teen Pregnancy Prevention Initiatives	450,000

DHHS Administration		
13.	Division of Social Services	995,142
14.	Office of the Secretary	66,101
15.	Office of the Secretary/DIRM – TANF Automation Projects	595,541
16.	Office of the Secretary/DIRM – NC FAST Implementation	1,800,000
Transfers to Other Block Grants		
Division of Child Development		
17.	Transfer to the Child Care and Development Fund	84,330,900
Division of Social Services		
18.	Transfer to Social Services Block Grant for Department of Juvenile Justice and Delinquency Prevention – Support Our Students	2,749,642
19.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	2,738,827
20.	Transfer to Social Services Block Grant for Maternity Homes	838,000
21.	Transfer to Social Services Block Grant for Teen Pregnancy Prevention Initiatives	2,500,000
22.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,620,619
23.	Transfer to Social Services Block Grant for Foster Care Services	2,371,957
24.	Transfer to Social Services Block Grant for Medically Fragile Children	190,000
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		\$378,018,805

SOCIAL SERVICES BLOCK GRANT

Local Program Expenditures

Divisions of Social Services and Aging and Adult Services		
01.	County Departments of Social Services (Transfer from TANF – \$4,620,619)	\$ 28,868,189
02.	State In-Home Services Fund	2,101,113
03.	State Adult Day Care Fund	2,155,301
04.	Child Protective Services/CPS Investigative Services-Child Medical Evaluation Program	238,321
05.	Foster Care Services (Transfer from TANF)	2,371,957
06.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	2,738,827
07.	Maternity Homes (Transfer from TANF)	838,000
08.	Special Children Adoption Incentive Fund	500,000
Division of Aging and Adult Services		
09.	Home and Community Care Block Grant (HCCBG)	1,834,077
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
10.	Mental Health Services Program	422,003
11.	Developmental Disabilities Services Program	5,000,000
12.	Mental Health Services-Adult and Child/Developmental Disabilities Program/	

Substance Abuse Services-Adult	3,234,601
Division of Child Development	
13. Subsidized Child Care Program	3,150,000
Division of Vocational Rehabilitation	
14. Vocational Rehabilitation Services – Easter Seal Society/UCP	188,263
Division of Public Health	
15. Teen Pregnancy Prevention Initiatives (Transfer from TANF)	2,500,000
16. Services to Medically Fragile Children	290,000
DHHS Program Expenditures	
Division of Aging and Adult Services	
17. UNC-CARES Training Contract	247,920
Division of Services for the Blind	
18. Independent Living Program	3,633,077
Division of Facility Services	
19. Adult Care Licensure Program	411,897
20. Mental Health Licensure and Certification Program	205,668
DHHS Administration	
21. Division of Aging and Adult Services	675,593
22. Division of Social Services	869,058
23. Office of the Secretary/Controller's Office	135,093
24. Office of the Secretary/DIRM	82,009
25. Division of Child Development	15,000
26. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	28,860
27. Division of Facility Services	216,418
28. Office of the Secretary-NC Inter-Agency Council For Coordinating Homeless Programs	250,000
29. Office of the Secretary-Housing Coalition	100,000
30. Office of the Secretary	46,819
Transfers to Other State Agencies	
Department of Administration	
31. NC Commission of Indian Affairs In-Home Services for the Elderly	203,198
Department of Juvenile Justice and Delinquency Prevention	
32. Support Our Students (Transfer from TANF)	2,749,642
Transfers to Other Block Grants	
Division of Public Health	
33. Transfer to Preventive Health Services Block Grant for HIV/STD Prevention and Community Planning	145,819
TOTAL SOCIAL SERVICES BLOCK GRANT	\$ 66,724,428
LOW-INCOME ENERGY BLOCK GRANT	
Local Program Expenditures	
Division of Social Services	
01. Low-Income Energy Assistance Program (LIHEAP)	\$ 19,510,559
02. Crisis Intervention Program (CIP)	14,588,514
Office of the Secretary – Office of Economic Opportunity	
03. Weatherization Program	6,268,946
04. Heating Air Repair & Replacement Program (HARRP)	2,923,950
Local Administration	
Division of Social Services	
05. County DSS Administration	2,259,757
Office of the Secretary – Office of Economic Opportunity	

06.	Local Residential Energy Efficiency Service Providers – Weatherization	268,146
07.	Local Residential Energy Efficiency Service Providers – HARRP	125,067
DHHS Administration		
08.	Division of Social Services	219,410
09.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	7,389
10.	Office of the Secretary/DIRM	245,395
11.	Office of the Secretary/Controller's Office	11,211
12.	Office of the Secretary/Office of Economic Opportunity – Weatherization	268,146
13.	Office of the Secretary/Office of Economic Opportunity – HARRP	125,067
Transfers to Other State Agencies		
14.	Department of Administration – N.C. State Commission of Indian Affairs	60,947
TOTAL LOW-INCOME ENERGY BLOCK GRANT		\$ 46,882,504

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

Local Program Expenditures

Division of Child Development		
01.	Subsidized Child Care Services	\$148,484,960
02.	Child Care Services Support-Contract	504,695
03.	Subsidized Child Care Services (TANF to CCDF)	84,330,900

DHHS Program Expenditures

Division of Child Development		
04.	Quality and Availability Initiatives	27,000,000

Local Administrations

Division of Child Development		
05.	Administrative Expenses (Nondirect Subsidy Services Support)	15,813,021

DHHS Administration

06.	DCD Administrative Expenses	6,540,707
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DHHS Central Management and Support

07.	DHHS Central Administration-DIRM Technical Services	749,081
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TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		\$283,916,162
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MENTAL HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

01.	Mental Health Services – Adult	\$ 6,954,932
02.	Mental Health Services – Child	3,921,991
03.	Comprehensive Treatment Service Program	1,500,000
04.	Mental Health Services – Schizophrenia Services for Young Adults	200,000

Local Administration

05.	Division of Mental Health	100,000
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TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		\$ 12,676,923
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SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

Local Program Expenditures

01.	Substance Abuse Services – Adult	\$ 21,938,080
02.	Substance Abuse Services – ADATC One-Time Expenses	70,000
03.	Substance Abuse Treatment Alternative for Women	8,069,524
04.	Substance Abuse – HIV and IV Drug	5,116,378
05.	Substance Abuse Prevention – Child	7,186,857
06.	Substance Abuse Services – Child Division of Public Health	4,940,500
07.	Risk Reduction Projects	633,980
08.	Aid-to-Counties	209,576
09.	Maternal Health	37,779
DHHS Administration		
10.	Division of Mental Health	500,000
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		\$ 48,702,674

MATERNAL AND CHILD HEALTH BLOCK GRANT

Local Program Expenditures

Division of Public Health		
01.	Children's Health Services	6,565,569
02.	Women's Health	6,654,019
03.	Oral Health	35,951

DHHS Program Expenditures

Division of Public Health		
04.	Children's Health Services	1,654,428
05.	Women's Health	121,285
06.	State Center for Health Statistics	120,364
07.	Quality Improvement in Public Health	14,646
08.	Health Promotion	84,843
09.	Office of Minority Health	51,562
10.	Immunization Program – Vaccine Distribution	2,010,667

DHHS Administration

11.	Division of Public Health Administration	631,966
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT		\$ 17,945,300

PREVENTIVE HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

01.	NC Statewide Health Promotion	\$1,755,653
02.	Services to Rape Victims	197,112
03.	HIV/STD Prevention and Community Planning (Transfer from Social Services Block Grant)	145,819

DHHS Program Expenditures

04.	NC Statewide Health Promotion	1,508,889
05.	Oral Health	70,000
06.	State Laboratory of Public Health	16,600
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT		\$3,694,073

COMMUNITY SERVICES BLOCK GRANT

Local Program Expenditures

Office of Economic Opportunity – Community Services Block Grant		
01.	Community Action Agencies	\$ 16,062,653
02.	Limited Purpose Agencies	892,370

DHHS Administration

03. Office of Economic Opportunity
TOTAL COMMUNITY SERVICES BLOCK GRANT

892,369
\$ 17,847,392

GENERAL PROVISIONS

SECTION 10.17.(b) Directs DHHS to submit a separate plan for each Block Grant and specifies information that must be included in the plan.

(c) Provides that if the US Congress increases or decreases the federal fund availability for any of the Block Grants administered by DHHS from the amounts appropriated in this section, DHHS must allocate the increase proportionally across the program and activity appropriations, and in the case of a decrease, after determining the state administration, the remaining reductions must be allocated proportionately across the program and activity appropriations identified for that Block Grant. Allocations must get prior approval from OSBM, and if allocations are adjusted due to changes in federal fund availability, then a report must be made to Governmental Operations, specified appropriations committees, and FRD.

(d) Provides that all changes to the Block Grants administered by DHHS, with the exception of those that are caused by legislative salary and benefit adjustments, must be approved by OSBM and reported to Governmental Operations for review before the changes are made. Changes that are made must be reported immediately to specified appropriations committees and FRD.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT (TANF)

SECTION 10.17.(e) Provides that \$995,142 appropriated for 2008-09 in the TANF Block Grant to the DHHS Division of Social Services (DSS) must be used for administration of TANF-funded programs.

(f) Provides that \$2.2 million appropriated for 2008-09 in the TANF Block Grant to DSS must be used for specified domestic violence services to Work First recipients. Authorizes DSS to use up to \$75,000 in TANF funds to support one administrative position within DSS to implement this provision. Directs each county department of social services and the local domestic violence shelter program serving the county to jointly plan for utilizing these funds. Specifies requirements for the joint plan and requires DSS to review the plans jointly with the Council for Women and provide any needed assistance to the departments of social services and local domestic violence shelter programs. Specifies the formula for DSS to allocate the funds to county departments of social services and authorizes DSS to reallocate unspent funds to counties that submit a written request for additional funds.

(g) Provides that \$2,249,642 appropriated for 2008-09 in the TANF Block Grant to DSS must be used to expand after-school programs and services for at-risk children. Directs DHHS to implement a program to award grants to community-based programs based on specified criteria. Authorizes use of the funds for one position within DSS to coordinate at-risk after-school programs.

(h) Provides that \$14,452,391 appropriated for 2008-09 in the TANF Block Grant to DSS for child welfare improvements must be allocated to the county departments of social services for staff for the following: services in Child Protective Services cases; foster care and support services; recruiting, training, licensing, and supporting prospective foster and adoptive families; and interstate and postadoption services for eligible families.

(i) Provides that \$3 million appropriated for 2008-09 in the TANF Block Grant to DHHS, Special Children Adoption Fund, must be used in accordance with the requirements of section 10.31 of SL 2007-323 (the 2007 Appropriations Act). Requires DSS to consult with the NC Association of County Directors of Social Services and representatives of licensed private adoption agencies to develop guidelines for awarding funds to public and private adoption agencies upon the adoption of children in foster care and hard-to-place children. Payments received from the Special Children Adoption Fund by participating agencies must be used only to enhance the adoption services program. No local match is required.

(j) Provides that \$1.8 million appropriated for 2008-09 in the TANF Block Grant to DHHS must be used to implement N.C. FAST (North Carolina Families Accessing Services through Technology) in compliance with federal regulations in order to ensure federal financial

participation in the project. Requires DHHS to report by January 1, 2009, to specified appropriations committees and FRD.

(k) Provides that \$500,000 appropriated for 2008-09 in the TANF Block Grant to DSS must be used to expand after-school programs for at-risk children attending middle school. Requires DHHS to implement a grant program to award funds to community-based programs based on specified factors.

(l) Directs DHHS, in implementing the TANF Block Grant, to review policies, programs, and initiatives to ensure that they support men in their role as fathers and strengthen fathers' involvement in their children's lives.

(m) Transfers \$550,000 appropriated for 2008-09 in the TANF Block Grant to DHHS to Connect, Inc. Requires Connect, Inc., to report specified information on the results from use of the funds and requires DHHS to ensure that services provided are not duplicative of local employment security commissions in the nine counties served by Connect, Inc. Requires DHHS to report by May 1, 2008, to specified appropriations committees and FRD.

(n) Provides that \$2 million appropriated for 2008-09 in the TANF Block Grant to DHHS for Boys and Girls Clubs must be used for grants for approved programs. Directs DHHS to administer the grant program in accordance with federal regulations, for programs that improve the motivation, performance, and self-esteem of youths, and for other initiatives that would be expected to reduce gang participation, school dropout, and teen pregnancy rates. DHHS must facilitate collaboration among various programs to submit joint applications.

(o) Directs DSS to continue implementing county demonstration grants that began in 2006-07 to identify best practices that can be used by counties to improve the work participation rates. Specifies that grants may be for up to three years and that all projects must end no later than June 30, 2010. Authorizes DSS to establish two time-limited positions to manage the grant award process and monitor the demonstration projects through June 30, 2010. Prohibits use of the county demonstration grant funds to supplant local funds. Requires DSS to report on the grants by February 1, 2009, to specified appropriations committees and FRD.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.17.(p) Provides that Social Services Block Grant matching requirements do not apply to block grant funds appropriated to the NC Inter-Agency Council for Coordinating Homeless Programs and the NC Housing Coalition.

(q) Provides that \$2,749,642 appropriated for 2008-09 in the Social Services Block Grant to DHHS and transferred to the Department of Juvenile Justice and Delinquency Prevention must be used for the existing Support Our Students Program, including gang prevention, and to expand the program statewide, focusing on low-income communities in unserved areas. Prohibits the use of these funds for administration.

(r) Provides that \$2,738,827 appropriated for 2008-09 in the Social Services Block Grant to DSS must be used to support various child welfare training projects, as specified.

(s) Provides that \$838,000 appropriated for 2008-09 in the Social Services Block Grant to DHHS must be used to purchase services at maternity homes throughout the state.

(t) Provides that \$2,371,957 appropriated for 2008-09 in the Social Services Block Grant for child-caring agencies must be allocated to the State Private Child-Caring Agencies Fund.

(u) Provides that \$290,000 appropriated for 2008-09 in the Social Services Block Grant for services to medically fragile children must be used for the child care component of pediatric day treatment centers for medically fragile children.

(v) Subject to approval by OSBM, authorizes DHHS to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

SECTION 10.17.(w) Authorizes the allocation of additional emergency contingency funds for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with Governmental Operations. Requires that additional funds received be reported to Governmental Operations and FRD. Prohibits DHHS from allocating funds for any activities,

including increasing administration, other than assistance payments, without first consulting with Governmental Operations.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.17.(x) Provides that up to \$400,000 appropriated for 2008-09 in the Child Care and Development Fund Block Grant to DHHS may be used for operations of the Medical Child Care Pilot.

(y) Directs that payment for subsidized child care services with federal TANF funds comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

(z) Authorizes DHHS to move to child care subsidies any funds appropriated through the Child Care and Development Fund Block Grant that cannot be obligated or spent with the deadlines set by the applicable federal grant.

MENTAL HEALTH BLOCK GRANT

SECTION 10.17.(aa) Provides that \$1.5 million appropriated for 2008-09 in the Mental Health Block Grant to the DHHS Division of MH/DD/SAS and \$422,003 appropriated for 2008-09 in the Social Services Block Grant to DSS must be used to continue a Comprehensive Treatment Services Program for Children created in section 10.10 of SL 2007-323 (the 2007 Appropriations Act).

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.17.(bb) Provides that \$1.7 million appropriated for 2008-09 in the Maternal and Child Health Block Grant to the DHHS Department of Public Health must be used for influenza vaccinations for children.

(cc) Provides that if federal funds are received for 2008-09 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), the funds are transferred to the State Board of Education to be administered by the Department of Public Instruction (DPI). DPI must use the funds to establish an Abstinence Until Marriage Education Program and must delegate to one or more persons the responsibility of implementing the program as well as the recommended list of abstinence until marriage programs required by GS 115C-81(e1)(4).

(dd) Requires DHHS to ensure that there will be follow-up testing in the Newborn Screening Program.

PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

STUDY CERTAIN DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES FEES

SECTION 11.1. Establishes a study by the Department of Agriculture and Consumer Services (Department), in consultation with the Office of State Budget and Management (OSBM) and the Fiscal Research Division (FRD), to analyze feasibility and advisability of: (1) increasing the fees imposed by either the Board of Agriculture or the Department regarding veterinarians; (2) establishing fees for soil testing services provided by the Agronomics Division of the Department; and (3) identifying alternative sources of funding for the "Agricultural Review," an agriculture newsletter published by the Department, including charging fees for advertisements or classified advertisements and soliciting private sponsors for the newsletter. Provides that the Department may consider other fees imposed by either the Board of Agriculture or the Department, the administrative costs associated with these fees, and current usage rates for various services provided by the Department. Requires the Department to report the results of the study no later than March 1, 2009, including any recommendations or legislative proposals, to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Natural and Economic Resources.

PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND AMENDMENTS

SECTION 12.1. Amends GS 87-98 to allow funds from the Bernard Allen Memorial Emergency Drinking Water Fund to be used to provide alternative drinking water supplies where contaminants of private drinking water wells do not have a federal maximum contaminant level or drinking water action level by applying the state groundwater standard for the concentration of that contaminant established by the Environmental Management Commission. Also authorizes the use of funds if the Department of Environment and Natural Resources (DENR) determines that the concentration of one or more contaminants in a private drinking water well is increasing over time and there is significant risk the contaminant will exceed the federal or state standard. Clarifies that DENR's determination is based on a water sample collected within the past 12 months. Eliminates the prohibition of using funds for temporary water supplies until all needs for permanent replacement water supplies have been met in a calendar quarter.

Establishes that preference in providing alternative water supplies will be given to connecting to a public water supply system or to the construction of a private water well over the use of a filtration system if DENR determines that maintaining the filtration system would be cost prohibitive to users. Limits DENR to using no more than \$10,000, or contributing 1/3 of the total cost of the project, per household or other service connection, for providing drinking water by extending a waterline. Clarifies that funds will only be used if DENR finds that the person or persons responsible for contamination are not financially viable or unidentifiable and if one of the following applies: (1) the contamination is naturally occurring; (2) the owner of the property did not cause, contribute to, or control the source of contamination; or (3) the source is the application or disposal of a hazardous substance or pesticide without the consent of the property owner. Authorizes DENR to use up to \$100,000 to pay personnel or other direct costs to implement this section. Preserves the obligation of responsible parties to assess contamination, identify receptors, and remediate groundwater or soil contamination. Makes technical changes and moves language prohibiting the use of funds for groundwater contamination remediation to its own subsection.

GRASSROOTS SCIENCE PROGRAM

SECTION 12.2. Amends section 12.5(a) of SL 2007-323 by decreasing the appropriation for 2008-09 to DENR for the Grassroots Science Program from \$3,481,340 to \$3,386,299 and decreasing the amounts allocated as grants-in-aid to the following amounts:

	2008-2009
Aurora Fossil Museum	\$57,445
Cape Fear Museum	\$156,611
Carolina Raptor Center	\$109,112
Catawba Science Center	\$142,360
Colburn Earth Science Museum, Inc.	\$72,510
Core Sound Waterfowl Museum	\$48,635
Discovery Place	\$644,769
Eastern NC Regional Science Center	\$48,635
Fascinate-U	\$78,859
Granville County Museum Commission, Inc.—Harris Gallery	\$54,882
Greensboro Children's Museum	\$131,388
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	\$151,363
Highlands Nature Center	\$77,104
Imagination Station	\$83,685
The Iredell Museums, Inc.	\$59,632
Kidsenses	\$79,063
Museum of Coastal Carolina	\$75,890
The Natural Science Center of Greensboro, Inc.	\$181,267

North Carolina Museum of Life and Science	\$369,457
Pisgah Astronomical Research Institute	\$48,635
Port Discover: Northeastern North Carolina's Center for Hands-On Science, Inc.	\$48,635
Rocky Mount Children's Museum	\$70,281
Schiele Museum of Natural History and Planetarium, Inc.	\$223,280
Sci Works Science Center and Environmental Park of Forsyth County	\$142,500
Sylvan Heights Waterfowl Park and Eco-Center	\$48,635
Western North Carolina Nature Center	\$109,797
Wilmington Children's Museum	\$71,869
Total	\$3,386,299

BEAVER DAMAGE CONTROL PROGRAM FUNDS

SECTION 12.3. Allocates \$500,000 for 2008-09 from the funds available to the Wildlife Resources Commission to be used to provide the state share necessary to support the beaver damage control program, provided at least \$25,000 in federal funds is available each fiscal year of the biennium to provide the federal share. Makes a conforming change to GS 113-291.10(f).

PART XIII. DEPARTMENT OF COMMERCE

ONE NORTH CAROLINA FUND

SECTION 13.1. Amends section 13.1 of SL 2007-323 by changing references to the fiscal year to 2008-09. Provides that funds recovered by the Department of Commerce that are unencumbered and unexpended as of June 30, 2008, may be used in 2008-09 for Client Relationship Management software and to upgrade the building and sites database and website for the Certified Sites Program.

NC GREEN BUSINESS FUND

SECTION 13.2. Authorizes the Department of Commerce to use up to \$50,000, if necessary, for 2008-09 from the funds appropriated to the NC Green Business Fund to cover expenses in administering the fund.

WELCOME/VISITOR CENTER CONSTRUCTION

SECTION 13.3. Amends SL 2007-356 by removing the provision requiring that the Department of Commerce operate the Randolph County visitor center with funding sources consistent with the existing nine welcome centers, excluding use of funds from the Special Registration Plate Account and Highway Fund.

WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS

SECTION 13.4. Amends section 13.3A of SL 2007-323 to change references to the fiscal year to 2008-09. Changes effective date to June 30, 2008.

NER BLOCK GRANTS

SECTION 13.5. Sets forth the appropriations from federal block grant funds, ending June 30, 2009, as follows:

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. Small Business/Entrepreneurship	1,000,000
06. Community Revitalization	13,000,000
07. State Technical Assistance	450,000
08. Housing Development	1,500,000
09. Infrastructure	5,140,000

TOTAL COMMUNITY DEVELOPMENT
BLOCK GRANT – 2009 Program Year
\$45,000,000

Provides that 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.

Provides that any block grant funds appropriated by Congress in addition to the funds specified in this section will be expended to increase funds for each program category under the Community Development Block Grant by the same percentage as the increase in federal funds.

Allocates funds for the Community Development Block Grant in each category for each program year as follows: (1) up to \$1 million to be used for State Administration; (2) not less than \$1 million to be used for Urgent Needs and Contingency; (3) up to \$13.2 million to be used for Scattered Site Housing; (4) \$8.71 million to be used for Economic Development; (5) up to \$1 million to be used for Small Business/Entrepreneurship; (6) not less than \$13 million to be used for Community Revitalization; (7) up to \$450,000 to be used for State Technical Assistance; (8) up to \$1.5 million to be used for Housing Development; and (9) up to \$5.14 million to be used for Infrastructure. Provides that if federal block grant funds are reduced or increased by Congress after the effective date of this act, then these reductions or increases will be allocated by the same percentage as the increase or decrease in federal funds.

Establishes that assistance to nonprofit organizations to increase their capacity to carry out CDBG-eligible (Community Development Block Grant) 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.

Requires that the Department of Commerce consult with the Joint Legislative Commission on Governmental Operations prior to reallocating Community Development Block Grant Funds. Creates exceptions if the Director of the Budget finds the following: (1) A reallocation is required because of an emergency that poses an imminent threat to public health or public safety. Requires the Department to report to the Commission on the reallocation no later than 30 days after it was authorized and identify in the report the emergency, the type of action taken, and how it was related to the emergency. (2) A reallocation is necessary because the state may lose federal block grant funds or receives less federal block grant funds in the next fiscal year. In this situation, also provides that (a) the Department must provide a written report to the Commission on the proposed reallocation and identify the reason that failure to take action will result in the loss of federal funds; and (b) that if the Commission did not hear the issue within 30 days of receipt of the report, the Department may take action without consulting the Commission.

EMPLOYMENT SECURITY COMMISSION FUNDS

SECTION 13.6. Amends section 13.4 of SL 2007-323 to change references to the fiscal year to 2008-09 and modify appropriations as follows.

Appropriates \$20 million (was, \$7.3 million in 2007-08) for 2008-09 from the Employment Security Commission Reserve Fund to the Employment Security Commission (ESC) and increases the allocation for the operation and support of local ESC offices to \$19.7 million (was, \$7 million).

Appropriates up to \$1 million (was, \$2.5 million for 2007-08) for 2008-09 from the Employment Security Commission Reserve Fund to ESC to fund state initiatives not currently funded through federal grants.

Changes effective date to July 1, 2008.

REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS

SECTION 13.7. Allocates funds appropriated to the Department of Commerce (Department) for regional economic development commissions to the following commissions: Western North Carolina Regional Economic Development Commission, Research Triangle Regional Partnership, Southeastern North Carolina Regional Economic Development Commission, Piedmont Triad Partnership, Northeastern North Carolina Regional Economic Development Commission, North Carolina's Eastern Region Economic Development Partnership, and Carolinas Partnership, Inc.

Allocates funds to each regional economic development commission according to the following: (1) requires the Department to 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 will be determined by dividing the county's development factor by the sum of the development factors for eligible counties and multiplying the resulting percentage by the amount of the appropriation), (2) requires the Department to subtract \$330,750 from funds allocated to the North Carolina's Eastern Region Economic Development Partnership in 2008-09, and (3) requires the Department to redistribute \$330,750 in 2008-09 to the seven regional economic development commissions.

Limits the state funds used for the annual salary of any one employee of a regional economic development commission to \$120,000.

Encourages the regional economic development commissions to seek supplemental funding from their county and municipal partners to continue and enhance their efforts to attract and retain business in the state.

FUNDS FOR LOCAL GOVERNMENT WATER AND SEWER IMPROVEMENT GRANTS

SECTION 13.8. Allocates \$50 million for 2008-09 of the funds appropriated to the Rural Economic Development Center, Inc., (the Rural Center) to be allocated as follows: (1) up to \$25 million to provide grants to local government units for wastewater-related projects; and (2) up to \$25 million to provide grants to local government units for public water system-related projects.

Sets forth definitions for *ability to pay*, *economically distressed area*, and *rural county*. Provides that wastewater collection systems, wastewater treatment works, public water systems, wastewater and drinking water infrastructure, and multijurisdictional wastewater, drinking water, water quality, and stormwater planning are eligible projects for planning or supplemental grants. Planning grants are available for costs of preliminary planning for wastewater collection, wastewater treatment works, and public water system projects. Provides that preliminary planning includes developing a capital improvement plan, developing a comprehensive land-use plan, conducting a study, developing a regional or multijurisdictional infrastructure or water quality improvement plan, assembling a financing plan to carry out a project, completing

a grant application, and preparing a preliminary engineering report for a proposed project.

Allows awards of planning grants to local governments based on the following eligibility requirements: (1) it is a rural county or is located in a rural county; (2) it is an economically distressed county or is located in an economically distressed county or an economically distressed area; and (3) it is applying for a regional or multijurisdictional planning project involving two or more units of local government. Sets a \$40,000 maximum grant for each unit of local government and requires that there be a dollar-for-dollar match for a planning grant, which may be reduced to less than 50% if it meets one or more of the following: (a) it is an economically distressed county or located in an economically distressed county; (b) its poverty rate is at least 150% of the state poverty rate; (c) if it is not a county, its ability to pay is less than 50% of the ability to pay of the county in which it is located.

Establishes that a supplemental grant is available to match other funds to be applied to the construction costs of an eligible project. Allows awards of supplemental grants to local governments based on the following eligibility requirements: (1) it is a rural county or is located in a rural county; and (2) adopts a resolution to set the household user fee for water and sewer service in the area served by the project at an amount that equals or exceeds the high-unit-cost threshold. Sets a \$500,000 maximum grant unless the applicant meets one or more of the following (also allows for a reduced matching rate of less than 50% under these criteria for local government units): (a) it is an economically distressed county or located in an economically distressed county; (b) its poverty rate is at least 150% of the state poverty rate; (c) if it is not a county, its ability to pay is less than 50% of the ability to pay of the county in which it is located.

Establishes guidelines for grant criteria and provides that a project that serves an economically distressed area has priority over a project that does not. Provides for application procedures and requires consideration of the need for an environmental assessment, with subsequent review by the Department of Environment and Natural Resources. Establishes criteria for consideration of applications by the Rural Center and requirements for disbursements or withdrawal of grants. Provides for the inspection of projects by the Rural Center, with disqualifications related to individuals authorized to conduct inspections.

Prohibits the the Rural Center from using more than 2% of the funds for administration of the program, which includes \$250,000 to be used to fund the ongoing work of the State Water Infrastructure Commission in the 2008-09 fiscal year.

Requires the Rural Center to report to the Joint Legislative Commission on Governmental Operations on a quarterly basis concerning the progress of the grant program, with the first report due no later than December 1, 2008.

Provides that each grant be administered through a separate account and that no funds may be used to make loans.

RURAL CENTER ECONOMIC INFRASTRUCTURE FUND

SECTION 13.9. Requires \$10 million of the funds appropriated for 2008-09 to the North Carolina Rural Economic Development Center, Inc., to be used to expand the North Carolina Rural Economic Infrastructure Fund with targeted priority to severely distressed rural areas.

Requires the Rural Center to use the funds to establish and implement the Rural Economic Transition Program to provide grants to carry out transformative economic development and agricultural enhancement projects that will generate jobs and expand business activity.

Provides that units of local government and nonprofit organizations in rural areas are eligible for grants, with priority to applicants in development tier one areas, as defined in GS 143B-437.08.

Establishes priority for grant funds for economic development projects that satisfy one or more of the following criteria: (1) it is located in a county or census area with a persistently high poverty rate of at least 150% of the state's poverty rate according to the most recent decennial census; (2) it is located in a community that has experienced a sudden and severe economic downturn as reflected in numbers of business closings, layoffs, and unemployment rate during the previous 12 months; (3) it is located in a small town with a population under 10,000, an agrarian growth zone as defined in GS 143B-437.010, or an urban progress zone as defined in GS 143B-437.09; (4) it is identified in community-based strategic planning efforts and coordinated with other economic development and community-building initiatives, such as the North Carolina Rural Economic Development Center Small Town Economic Prosperity Program, the North Carolina Department of Commerce 21st Century Communities Program, the North Carolina Department of Commerce Main Street Program, and federally funded Comprehensive Economic Development Strategies; (5) it is supportive of strategies to expand entrepreneurial small business activity based on the natural, cultural, or historical assets of the community; or (6) it has the ability to demonstrate benefits to small farm business diversifying into value-added production and marketing, and it increases opportunities in food and beverage manufacturing and distribution for small farm entrepreneurs.

Requires eligible units of local government and nonprofit organizations to demonstrate the commitment of other funds to the project, but does not require matching funds.

Allows for up to 20% of the funds to be used for equity investments and loans through the Rural Venture Fund to private business ventures that will substantially transform and improve the economic status of rural areas, with priority to businesses locating or expanding in development tier one areas. Provides that the Rural Center to use up to 2% of the funds for the administration of the program.

Authorizes the Rural Center to contract with other state agencies and branches of UNC for certain aspects of the programs, including the design of program guidelines and evaluation of program results.

Requires the Rural Center to report to the Joint Legislative Commission on Governmental Operations on a quarterly basis concerning the progress of the programs, with the first report due no later than December 1, 2008.

PART XIV. JUDICIAL DEPARTMENT

PILOT PROGRAM FOR ALTERNATIVE SCHEDULING

SECTION 14.1. Authorizes the Office of Indigent Defense Services to spend up to \$25,000 to support one or more pilot programs of alternative scheduling in district or superior court that would reduce defense attorney wait time and state expense. Pilot programs require prior agreement of the district attorney, chief district court judge, and senior resident superior court judge for the district.

STUDY TO IDENTIFY MISDEMEANORS THAT SHOULD BE DECRIMINALIZED

SECTION 14.2. Authorizes the Office of Indigent Defense Services (IDS) to spend up to \$10,000 to conduct a study to determine whether there are offenses that are currently classified as misdemeanors that should be infractions because jail sentences are rarely or never imposed and because significant state funds are being spent for the representation of indigent persons accused of the misdemeanors. The study is to be conducted in consultation with the Administrative Office of the Court's and the Sentencing and Policy Advisory Commission. The results of the study must be included in the IDS's annual report due March 1, 2009.

OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION OF EXISTING PUBLIC DEFENDER OFFICES

SECTION 14.3. Amends Section 14.4(a) of SL 2007-323 to increase the amount of funds that IDS may use in 2008-09 to create up to 20 new attorney and 10 new support staff positions in existing offices from \$2,082,510 to \$2,300,850.

AUTHORIZE REGIONAL PUBLIC DEFENDER OFFICES

SECTION 14.4. Amends Section 14.4(b) of SL 2007-323 to authorize the Indigent Defense Services Commission to establish additional regional public defender offices during the 2007-09 fiscal biennium. Directs IDS to report to the chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety and to the Fiscal Research Division by October 1, 2008, on the location and establishment of the new public defender offices.

REPEAL JUDICIAL DEPARTMENT GRANT FUNDS MATCHING AUTHORIZATION AND REPORTING REQUIREMENT

SECTION 14.5. Repeals Section 14.2 of SL 2007-323, which authorized the Judicial Department to use up to \$1,500,000 to provide the State match needed in order to receive grant funds.

ADDITIONAL ASSISTANT DISTRICT ATTORNEYS

SECTION 14.6. Amends GS 7A-60(a1) to increase the number of full-time assistant district attorneys in the following counties: Beaufort, Hyde, Martin, Tyrrell, Washington (from 7 to 8); New Hanover, Pender (from 17 to 18); Edgecombe, Nash, Wilson (from 18 to 19); Person, Caswell (from 5 to 6); Wake (from 39 to 41); Harnett, Johnston, Lee (from 17 to 18); Cumberland (from 22 to 23); Durham (from 16 to 18); Alamance (from 10 to 11); Scotland, Hoke (from 6 to 7); Rockingham (from 6 to 7); Stokes, Surry (from 7 to 8); Guilford (from 31 to 32); Montgomery, Randolph (from 9 to 10); Rowan (from 7 to 8); Anson, Richmond (11 to 12); Union (from 9 to 10); Forsyth (24 to 25); Burke, Caldwell, Catawba (from 18 to 19); Mecklenburg (from 53 to 57); Gaston (from 14 to 15); Cleveland, Lincoln (from 10 to 11); and Buncombe (from 13 to 14).

FEASIBILITY STUDY ON PROVIDING THE OFFICE OF INDIGENT DEFENSE SERVICES WITH INDIGENT CASE INFORMATION WHEN CASES ARE INITIATED

SECTION 14.7. Directs IDS and the Administrative Office of the Courts (AOC) to develop a statewide system to enable IDS to obtain information about indigent cases when counsel is first appointed. Directs the proposal to be included in IDS's annual report due March 1, 2009.

JCPC EFFECTIVENESS STUDY

SECTION 14.8. Directs the Judicial Department, through the North Carolina Sentencing and Policy Advisory Commission, to conduct a feasibility study for measuring the effectiveness of programs that receive Juvenile Crime Prevention Council (JCPC) grant funds. Requires the Commission to provide an interim report on the results of the feasibility study to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee; 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 December 1, 2008, and a final report by May 1, 2009.

Repeals GS 143B-519, which required the Department of Juvenile Justice to report to the General Assembly on the effectiveness and cost benefit of certain programs.

PART XV. DEPARTMENT OF JUSTICE

FUNDS FOR PENDING CIVIL LITIGATION EXPENSES

SECTION 15.1. Directs the Department of Environment and Natural Resources to transfer \$1 million for 2008-09 from the Water and Air Quality Account to the Office of State Budget and Management, Litigation Reserve, to be used solely for expenses related to either *ex rel. Cooper v. Tennessee Valley Authority*, No. 1:06CV20 (W.D.N.C. filed Jan 30, 2006) or *South Carolina v. North Carolina*, No. 220138 ORG (U.S. Sup. Ct. filed June 7, 2007). Funds remaining as of June 30, 2009, revert to the Water and Air Quality Account.

USE OF SEIZED AND FORFEITED RECEIPTS FOR REPLACEMENT LABORATORY EQUIPMENT AND FORENSIC FIREARMS ANALYST START-UP COSTS

SECTION 15.2. Authorizes the Department of Justice to use up to \$140,000 of receipts transferred to the Department pursuant to applicable federal law to purchase

replacement laboratory equipment and for start-up costs associated with the forensic firearms analyst positions approved in this act. The Department is not required to seek prior approval to use these funds.

PART XVI. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION

JCPC GRANT REPORTING AND CERTIFICATION

SECTION 16.1. Amends Section 18.2(a) of SL 2007-323 to change the date that the Department of Juvenile Justice and Delinquency Prevention must submit its annual report to the Joint Legislative Commission on Governmental Operations and the Appropriations Committees of the Senate and House of Representatives on the 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 to October 1. Also adds additional information that must be reported.

Repeals Section 18.2(d) of SL 2007-323, which required the Department of Juvenile Justice to withhold fourth-quarter payments for local Juvenile Crime Prevention Council grants pending receipt of the annual report required by GS 143B-519.

SUPPORT OUR STUDENTS (SOS) GRANT ELIGIBILITY

SECTION 16.2. Amends GS 143B-152.4(a) to (1) add local government agencies, school systems, and a community-based, public or private nonprofit, tax exempt organizations and (2) remove consortiums consisting of one or more local 501(c)(3) entities from the list of entities that may apply for a Support Our Students grant.

JUVENILE CRIME PREVENTION COUNCILS (JCPC) FORMULA REVISION

SECTION 16.3. Directs the Department of Juvenile Justice and Delinquency Prevention, the NC Juvenile Services Association, and the Community Alternatives for Youth to develop and propose a revision to the county allocation formula for Juvenile Crime Prevention Councils and report the recommendations to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the Subcommittees on Justice and Public Safety of the House of Representatives and Senate Appropriations Committees by December 1, 2008.

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 16.4. Amends Section 18.5 of SL 2007-323 to continue to authorize state funds appropriated to the Department of Juvenile Justice and Delinquency Prevention to be used as federal matching funds for certain grant programs during the 2008-09 fiscal year. Makes conforming changes.

PART XVII. DEPARTMENT OF CORRECTION

TEMPORARY HOUSING FUNDS

SECTION 17.1. Authorizes the Department of Correction to use funds available during 2008-09 to secure appropriate temporary housing for offenders on post-release supervision, probation, or parole.

FEDERAL GRANT MATCHING FUNDS

SECTION 17.2. Amends Section 17.12 of SL 2007-323 to authorize the Department of Correction to use up to \$1.5 million during 2008-09 to provide the state match needed in order to receive federal grant funds.

RESERVE FUND FOR PROBATION AND PAROLE STAFFING AND RESOURCES

SECTION 17.3. Establishes a reserve in the Officer of State Budget and Management of \$3 million from funds appropriated to the Department of Correction to address critical staffing and resource needs in Probation and Parole Field Services, Department of Correction. The designation of these funds is pending the outcome of a National Institute of Corrections review. Directs that \$1 million in nonrecurring funds in the reserve remain available at

the end of the fiscal year to the Department for the purposes identified in the NIC review. Requires the Department of Correction to consult with the Joint Legislative Commission on Governmental Operations and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the proposed use of the funds and the reasons for the proposal.

REPORT ON PROBATION AND PAROLE CASELOADS

SECTION 17.4. Amends Section 17.16 of SL 2007-323 to: (1) alter data that must be reported to the Chairs of the House of Representatives and Senate 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 each year; and (2) direct the Office of State Personnel to conduct a compensation study of Probation Parole Officers and report the results and its recommendations for any adjustments to the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by March 1, 2009.

PART XVIII. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

GOVERNOR'S CRIME COMMISSION STUDY/EXPAND JUVENILE JURISDICTION

SECTION 18.1. Directs the Governor's Crime Commission and its adjunct committees to study the legal, systematic, and organizational impact of expanding the jurisdiction of the Department of Juvenile Justice and Delinquency Prevention to include persons 16 and 17 years of age who commit crimes or infractions under state law or under an ordinance of local government. Specifies issues that must be addressed. Authorizes the Commission to contract with an independent group or groups for the oversight and management of this study project, a service needs study, and a courts study, and to periodically report those findings to the Commission. Directs the Department of Juvenile Justice and Delinquency Prevention and all other departments, agencies, institutions, or officers of the state or any political subdivision of the state to cooperate with the Commission in this study and provide the Commission with any requested facilities, data, or other assistance, and help the Commission identify any collateral effect which might result from implementation of the proposal on the program and operations of the relevant state department, agency, or the political subdivision. The Commission must report quarterly on the progress of the study beginning October 1, 2008, and must submit a final report of its findings and legislative, administrative, and funding recommendations by April 1, 2009, to the General Assembly, specified committees, and the Governor. Authorizes the Commission to use up to \$200,000 of the funds appropriated by this act to the Department of Crime Control and Public Safety, the Governor's Crime Commission for 2008-09, and to apply for, receive, or accept grants and contributions from any source of money or any other thing of value to be held and used for the purposes of the study.

ENHANCE RAPE VICTIMS ASSISTANCE PROGRAM

SECTION 18.2. Amends GS 143B-480.2 to reduce the time period for reporting a sexual assault or receiving a forensic medical examination after a sexual assault in order to qualify for assistance under the Rape Victim Assistance Program from 5 days to 72 hours. Caps the amount of financial assistance for a victim's forensic medical examination at \$800 and prescribes a payment schedule for specific services provided pursuant to the examination. Requires attending physicians and licensed registered nurses to seek payment from the hospital, not the Program directly. Also requires that payment for forensic medical examinations be conditioned on a signed agreement by the recipient that the payment constitutes payment in full for the amount owed for the cost of the examination and expenses related to the examination. Makes conforming changes.

Amends GS 143B-480.3 to allow the Rape Victim Assistance Program to pay any co-payment that the victim is required to pay in connection with the forensic medical examination up to the maximum amount of \$800.

Authorizes the Department of Crime Control and Public Safety to expend up to \$1,078,078 to enhance the ability of the Assistance Program for Victims of Rape and Sex Offenses to provide assistance to victims of rape and sexual offenses during 2008-09.

REPORT ON THE USE OF ILLEGAL IMMIGRATION PROJECT FUNDS

SECTION 18.3. Directs the North Carolina Sheriffs' Association to submit a report to the Chairs of the House and Senate Appropriations Committees and the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety on the operations and effectiveness of the Illegal Immigration Project by March 1, 2009. Specifies issues to be addressed in the report.

PART XIX. DEPARTMENT OF ADMINISTRATION

SEXUAL ASSAULT AND RAPE CRISIS CENTER FUND

SECTION 19.1. Enacts new Part 3B to Article 11 of GS Chapter 143B to establish a Sexual Assault and Rape Crisis Center Fund (Fund) within the State Treasury to make grants to centers for victims of sexual assault or rape crisis and to the North Carolina Coalition Against Sexual Assault, Inc., according to certain specified criteria. Directs that funds appropriated for the Fund be distributed in two shares—35 percent of the funds may be allocated to entities whose services are confined to rape crisis or sexual assault services and 65 percent of the funds may be allocated to organizations whose services contain sexual assault or rape crisis services and domestic violence services or other support services.

SCHOLARSHIPS FOR CHILDREN OF WAR VETERANS

SECTION 19.2. Amends GS 165-21 to direct that a scholarship for children of war veterans includes tuition at a state educational institution only, not a private educational institution, standard room and board allowances, and an allowance of \$500 per academic year for charges or fees for books, supplies, and equipment. Requires that the scholarship not exceed the cost of attendance at the state educational institution at which the student is enrolled and that the scholarship must be reduced by the amount of any other scholarship or grant covering the cost of attendance by the student at the state educational institution.

Amends GS 165-20(6) to define state educational institution as any constituent institution of the University of North Carolina or any community college operated under the provisions of GS Chapter 115D.

PART XX. OFFICE OF THE STATE CONTROLLER

BEACON STAFF TO SUPPORT STATEWIDE ENTERPRISE TRAINING PROGRAM

SECTION 20.1. Directs the Office of the State Controller to use existing BEACON receipts to establish eight designated time-limited positions to support the statewide enterprise training program.

PART XXI. HOUSING FINANCE AGENCY

HOUSING FINANCE AGENCY SHALL CONTINUE AND EXPAND THE HOME PROTECTION PROGRAM

SECTION 21.1. Enacts new GS 122A-5.14 directing the NC Housing Finance Agency (HFA) to administer a new Home Protection Program (program) to assist NC workers who have lost jobs due to economic changes and who need assistance to avoid losing their homes to foreclosure. Requires HFA to engage in prescribed activities, including providing access to loans and developing and administering procedures under which workers in the state may qualify for assistance to avoid losing their homes to foreclosure. Establishes a 120-day "home protection period" after a homeowner files for assistance under the program, during which a mortgagee is prohibited from beginning any legal action, including foreclosure, accelerating the maturity of the mortgage obligation, or taking any actions to take or initiate taking possession of the homeowner's property. Provides for injunctive relief. Requires HFA to promptly notify the

mortgagee when a homeowner has applied for assistance under the program. Gives HFA a limited exemption from rule making requirements of the Administrative Procedure Act. Requires HFA to report annually to specified legislative committees. Amends GS 122A-3 (definitions) to add definitions of *counseling agency* and *mortgagee* and to make technical changes; makes a conforming change to a cross-reference in GS 122A-5.4(b). Requires that at least two-thirds of the funds allocated by the act to the Home Protection Program Fund must be used for loans to NC workers who have lost jobs due to economic changes.

PART XXII. OFFICE OF STATE BUDGET AND MANAGEMENT

STAFFING ANALYSIS OF THE ETHICS COMMISSION AND THE LOBBYIST REGISTRATION SECTION OF THE DEPARTMENT OF SECRETARY OF STATE

SECTION 22.1. Directs the Office of State Budget and Management (OSBM) to analyze whether the staffing of the Ethics Commission and of the Lobbyist Registration Section of the Department of Secretary of State is appropriate for the workload volume generated by new ethics laws. OSBM must submit a final report by March 1, 2009, to specified legislative subcommittees and to FRD.

MODIFY STATE FIRE PROTECTION GRANT FUND

SECTION 22.2. Amends GS 58-85A-1(c) to provide that it is the General Assembly's intent to annually appropriate \$4.18 million (was, \$3.88 million) from the General Fund to the State Fire Protection Grant Fund.

MILITARY MORALE, RECREATION, AND WELFARE FUNDS

SECTION 22.3. Requires that funds appropriated to the Reserve for the Military Morale, Recreation, and Welfare Fund and distributed to each military installation on a per capita basis must be deposited in the Military Morale, Recreation, and Welfare Fund for each installation and used only for community services and other expenditures to improve quality of life programs for military members and their families in North Carolina.

STAFFING ANALYSIS OF THE YOUTH ADVOCACY & INVOLVEMENT OFFICE

SECTION 22.4. Requires OSBM to analyze whether staffing of the Youth Advocacy and Involvement Office of the Department of Administration is appropriate for the workload volume. Requires OSBM to submit a final report by March 1, 2009, to designated legislative subcommittees and to FRD.

STAFFING SURVEY OF STATE AGENCIES AND UNIVERSITIES THAT USE THE BEACON SYSTEM

SECTION 22.5. Requires OSBM to survey all state agencies and universities that use the BEACON system and to determine the number of FTE staff assigned to BEACON training. Requires OSBM to submit a final report by March 1, 2009, to designated legislative subcommittees and to FRD.

PART XXIII. DEPARTMENT OF REVENUE

USE OF COLLECTION ASSISTANCE FEE

SECTION 23.1. Amends section 6.9(b) of SL 2007-323 (the 2007 Appropriations Act) to authorize the Department of Revenue to use up to \$25 million for 2008-09 from the proceeds of the collection assistance fee in GS 105-243.1 to replace the department's computer system. Specifies that the funds do not revert at the end of the fiscal biennium. Makes technical and format changes.

PART XXIV. STATE BOARD OF ELECTIONS

2008 EARLY VOTING FUNDS

SECTION 24.1. Amends section 25.1 of SL 2007-323 (the 2007 Appropriations Act) to require the State Board of Elections to use \$1 million of nonrecurring funds in the Maintenance of Effort Reserve in 2008-09 for operating support for early voting sites in the 2008 general election.

PART XXV. DEPARTMENT OF TRANSPORTATION

INCREASE ADMINISTRATIVE APPROPRIATION FOR THE HIGHWAY TRUST FUND

SECTION 25.1. Amends GS 136-176(b) to increase the percentage of funds in the Highway Trust Fund that may be used for administrative expenses from 4.2 percent to 4.8 percent.

DEPARTMENT OF TRANSPORTATION TO PRODUCE BIENNIAL STATE TRANSPORTATION MAPS AND COASTAL BOATING GUIDES

SECTION 25.2. Directs the Department of Transportation (DOT) to produce a biennial North Carolina State Transportation Map and Coastal Boating Guide instead of an annual map and guide beginning in 2008-09. DOT must provide a written report to the Joint Legislative Transportation Oversight Committee on the biennial map production plan and identify any cost savings for nonproduction years by November 14, 2008. The report shall also include historical budget and production information for the past five years.

ONE-STOP SHOPS FOR DRIVERS LICENSE AND REGISTRATION PLATES

SECTION 25.3. Directs the DOT (DMV) to develop a plan that outlines the operational plans of combined function centers designated as One-Stop Shops—providing drivers license issuance, vehicle registration issuance, and renewal services. The Division of Motor Vehicles (DMV) must submit the report to the Joint Legislative Transportation Oversight Committee, the Joint Appropriations Subcommittee for Transportation, and the Fiscal Research Division by October 31, 2008. DMV is prohibited from opening drivers license issuance, vehicle registration issuance, and renewal One-Stop Shops until the General Assembly has considered and appropriated funds for the purpose of One-Stop Shops.

REALIGN THE CONTINUATION AND CERTIFIED BUDGETS OF EACH DIVISION WITHIN THE DEPARTMENT

SECTION 25.4. Directs DOT and the Office of State Budget and Management (OSBM) to review each DOT division's expenditure patterns and realign the continuation and certified budget. Directs DOT to prepare reports on the cash spending plan based on the certified budget's line item detail. DOT and OSBM must report on the realignment of the budget and cash spending plan based on the certified budget to the Joint Legislative Transportation Oversight Committee, Appropriations Subcommittee for Transportation, and the Fiscal Research Division by August 1, 2008, on the 2008-09 fiscal year cash expenditure plan and by March 15 for the next biennium's budget.

TRANSFER HIGHWAY TRUST FUND MONIES IN THE AMOUNT OF TWENTY-FIVE MILLION DOLLARS BEGINNING IN FISCAL YEAR 2008-2009 AND FORTY-NINE MILLION DOLLARS BEGINNING IN FISCAL YEAR 2009-2010 TO THE NC TURNPIKE AUTHORITY FOR DEBT SERVICE ON BONDS

SECTION 25.5. Effective July 1, 2008, amends GS 105-187.9(b) to reduce the amount transferred from the Highway Trust Fund to the General Fund from \$170 million to \$145 million.

Effective July 1, 2008, adds new section to GS 136-176 to appropriate \$25 million annually from the Highway Trust Fund to the North Carolina Turnpike Authority to be used to service debt on bonds issued for the construction of the Triangle Expressway.

Effective July 1, 2009, amends GS 105-187.9(b) to reduce the amount transferred from the Highway Trust Fund to the General Fund from \$145 million to \$121 million.

Effective July 1, 2009, amends GS 136-176(b2) to increase the annual appropriation from the Highway Trust Fund to the North Carolina Turnpike Authority from \$25 million to \$49 million.

million. Of these funds, \$25 million must be used to service debt on bonds issued for the construction of the Triangle Expressway and \$24 million must be used to service debt on bonds issued for the construction of the Monroe Bypass.

FUNDS FOR UNSAFE AND OBSOLETE FIELD FACILITIES

SECTION 25.6. Repeals Section 27.6 of SL 2007-323, which authorized DOT to use up to .75 percent of its appropriated funds for maintenance and construction programs for major repair, renovation, or replacement of its field facilities that fail to meet safety standards or that are obsolete for current or future use.

CASH FLOW HIGHWAY FUNDS AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 25.7. Repeals Section 27.2 of SL 2007-323, which authorized and certified anticipated revenues of the Highway Fund and the Highway Trust Fund for fiscal years 2009-2010 through 2012-2013, and replaces it with the following schedule of authorized and certified anticipated revenues. The General Assembly authorizes and certifies anticipated revenues of the Highway Fund as follows:

For Fiscal Year 2009-2010	\$2,070.8 million
For Fiscal Year 2010-2011	\$2,066.0 million
For Fiscal Year 2011-2012	\$2,064.5 million
For Fiscal Year 2012-2013	\$2,075.6 million

The General Assembly authorizes and certifies anticipated revenues of the Highway Trust Fund as follows:

For Fiscal Year 2009-2010	\$1,178.4 million
For Fiscal Year 2010-2011	\$1,199.8 million
For Fiscal Year 2011-2012	\$1,226.9 million
For Fiscal Year 2012-2013	\$1,263.4 million

DEPARTMENT OF TRANSPORTATION TO APPLY FOR INTERSTATE CORRIDOR GRANT FUNDS

SECTION 25.8. Directs DOT and the North Carolina Turnpike Authority to apply for all federal grant monies available for Interstate corridors. The grant funds must be used for the preservation of the highway infrastructure and to provide for improvements and enhancements to the Interstate. DOT must report on the status of all grant applications made and any funding awarded for Interstate corridors to the Joint Legislative Transportation Oversight Committee by December 1, 2008.

PART XXVI SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES

SECTION 26.1. Amends GS 147-11(a) to set the Governor's salary at \$139,590 annually (was, \$135,854). Amends SL 2007-323, Section 28.1(b), to set the salary for the members of the Council of State for the 2008-09 fiscal year at \$123,198 annually (was, \$119,901).

NONELECTED DEPARTMENT HEAD/SALARY INCREASES

SECTION 26.2. Amends SL 2007-323, Section 28.2, to set the salaries of nonelected department heads at \$120,363 (was, \$117,142) for the 2008-09 fiscal year.

CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES

SECTION 26.3. Amends SL 2007-323, Section 28.3, to set the salaries of certain executive branch officials for the 2008-09 fiscal year as follows:

Executive Branch Officials	Annual Salary
Chairman, Alcoholic Beverage Control Commission	\$109,553
State Controller	153,319
Commissioner of Motor Vehicles	109,553
Commissioner of Banks	123,198

Chairman, Employment Security Commission	133,161
State Personnel Director	120,363
Chairman, Parole Commission	100,035
Members of the Parole Commission	46,178
Chairman, Utilities Commission	137,203
Members of the Utilities Commission	123,198
Executive Director, Agency for Public Telecommunications	92,356
Director, Museum of Art	112,256
Executive Director, North Carolina Agricultural Finance Authority	106,635
State Chief Information Officer	153,227

JUDICIAL BRANCH OFFICIALS/SALARY INCREASES

SECTION 26.4. Amends SL 2007-323, Section 28.4, to set salaries for the 2008-09 fiscal year as follows:

Judicial Branch Officials	Annual Salary
Chief Justice, Supreme Court	\$140,932
Associate Justice, Supreme Court	137,249
Chief Judge, Court of Appeals	133,817
Judge, Court of Appeals	131,531
Judge, Senior Regular Resident Superior Court	127,957
Judge, Superior Court	124,382
Chief Judge, District Court	112,946
Judge, District Court	109,372
District Attorney	119,305
Administrative Officer of the Courts	126,738
Assistant Administrative Officer of the Courts	115,763
Public Defender	119,305

Requires the minimum salary of any assistant district attorney or assistant public defender to be set at \$37,182 and provides that average salaries of those positions cannot exceed \$70,946 in each district. Also increases the salaries of permanent full-time and permanent part-time Judicial Department employees whose salaries are not itemized above by the greater of \$1,100 or 2.75%.

CLERK OF SUPERIOR COURT/SALARY INCREASES

SECTION 26.5. Amends GS 7A-101(a) to establish the annual salary of the clerk of the superior court in each county, based upon the population of that county, as follows:

Population	Annual Salary
Less than 100,000	\$82,401
100,000 to 149,999	92,468
150,000 to 249,999	102,536
250,000 and above	112,607

ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES

SECTION 26.6. Amends GS 7A-102(c1) to establish salary ranges for assistant clerks and head bookkeepers from \$32,222 to \$54,767 and deputy clerks from \$27,788 to \$42,596.

MAGISTRATES' SALARY INCREASES

SECTION 26.7. Amends GS 7A-171.1(a) to establish salary ranges for full-time magistrates from \$32,633 to \$55,238 and a prorated amount for part-time magistrates. Further amends GS 7A-171.1(a1) (1) to establish salary ranges for magistrates credited with less than five years of service as of June 30, 1994. Effective July 1, 2008.

GENERAL ASSEMBLY PRINCIPAL CLERKS/SALARY INCREASES

SECTION 26.8. Amends GS 120-37(c) to establish the salary of principal clerks at \$104,084 annually.

SERGEANT-AT-ARMS AND READING CLERKS/SALARY INCREASES

SECTION 26.9. Amends GS 120-37(b) to set the salary of the sergeant-at-arms and reading clerk at \$380 per week.

LEGISLATIVE EMPLOYEES/SALARY INCREASES

SECTION 26.10. Requires the Legislative Services Officer to increase the salaries of nonelected employees of the General Assembly by whichever is greater of \$1,100 or 2.75%. Provides that nothing in the act limits any of the provisions of GS 120-32 (Legislative Services Commission Duties). Effective July 1, 2008.

COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES

SECTION 26.11. Amends Section 28.11 of SL 2007-323 to require the Director of the Budget to transfer the necessary funds from the Reserve for Compensation Increases, for 2008-09, to the North Carolina Community Colleges System Office to provide (1) an annual salary increase of 3% for all community college faculty and professional staff supported by state funds and (2) an additional annual salary increase of \$1,100 or 2.75%, whichever is greater, for all other community college employees supported by state funds.

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES

SECTION 26.12. Amends SL 2007-323, Section 28.12, to direct the Director of the Budget to transfer from the Reserve for Compensation Increases, for fiscal year 2008-09, to the UNC Board of Governors funds necessary to provide an annual salary increase of 3% for all employees of the University of North Carolina, (does not include teachers of the NC School of Science and Mathematics) whose positions are supported by state funds and whose salaries are *exempt* from the State Personnel Act (EPA). Requires that the 3% annual salary increase be made on an aggregated average basis according to rules adopted by the UNC Board of Governors and that the funds not be used for any purpose other than for salary increases and necessary employer contributions.

Additionally provides for an *average* annual salary increase of 3% or at minimum an annual increase of \$470 for all EPA teaching employees of the NC School of Science and Mathematics who are supported by state funds. Requires that funds be allocated to individuals according to the rules adopted by the Board of Trustees of the NC School of Science and Mathematics and not be used for any purpose other than for salary increases and necessary employer contributions.

MOST STATE EMPLOYEES/SALARY INCREASES

SECTION 26.13. Amends SL 2007-323, Section 28.14, to increase salaries for the following categories of state employees by the greater of \$1,100 or 2.75%: (1) all permanent, full-time state employees whose salaries are set in accordance with the State Personnel Act (SPA) and who are paid from the General Fund or the Highway Fund; and (2) permanent, full-time state officials and persons in EPA positions that are recommended by the Governor and set by the General Assembly. Increases the salaries of permanent, part-time state employees by the greater of pro rata amounts of \$1,100 or 2.75%. Also authorizes state agencies and departments to increase by the greater of pro rata amounts of \$1,100 or 2.75% the rate of pay of temporary and permanent hourly state employees, subject to availability of funds in the particular agency or department. Makes conforming changes.

ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES

SECTION 26.14. Amends SL 2007-323, Section 28.15, to provide that salary increases do not apply to persons separated from state service due to resignation, dismissal, reduction in force, death, or retirement before July 1, 2008. Directs the Director of the Budget to transfer from

the Reserve for Compensation Increases, for the 2008-09 fiscal year, all funds necessary for the salary increases provided by the act, including funds for the employer's retirement and Social Security contributions. For the 2008-09 fiscal year, gives permanent full-time employees who work a nine-, ten-, or eleven-month work-year schedule a annual salary increase that is the greater of \$1,100 or 2.75%.

OFFICE OF STATE PERSONNEL TO PERFORM LABOR MARKET ANALYSIS OF CERTAIN POSITIONS

SECTION 26.15. Directs the Office of State Personnel (OSP) to conduct a labor market analysis of the (1) Administrative Support and the (2) Information Technology and Law Enforcement positions in the Department of Transportation (DOT) to determine whether current employees are compensated appropriately relative to market rates for similar positions. Provides that if appropriate, with regards to the DOT Administrative Support positions, the OSP is to recommend to the State Personnel Commission a Salary Range Revision or establishment of a Special Minimum Rate as defined in the State Personnel Manual. Requires the OSP to report on the respective market analyses to the House and Senate Appropriations Committees no later than two weeks after the convening of the 2009 legislative session.

Also directs the OSP to conduct an analysis of the Department of Health and Human Services Division of Mental Health's proposal to increase salaries of Health Care Technicians, Developmental Disability Trainers, and Youth Program Assistants based on defined skill and competency sets. Provides that if the OSP analysis determines that the Division's goals may be accomplished through current State Personnel Policy regulating "reallocations," then the OSP is to advise and assist the Division by processing any reallocation requests. Requires the OSP to report its findings to the House and Senate Appropriations Committees no later than two weeks after the convening of the 2009 legislative session.

TEACHER SALARY SCHEDULES

SECTION 26.16. Provides that effective for the 2008-09 school year, the Director of the Budget is to transfer funds from the Reserve for Compensation necessary to implement the salary schedules and benefits for all teachers whose salaries are supported from the state's General Fund. Adopts salary schedule for certified personnel classified as teachers as follows: "A" teachers, \$3,022 to \$5,255 per month; National Board for Professional Teaching Standards (NBPTS) certified "A" teachers, \$3,656 to \$5,886 per month; "M" teachers, \$3,324 to \$5,781 per month; and NBPTS certified "M" teachers, \$4,021 to \$6,475 per month. Provides for annual lump sum longevity payments for teachers at the following rates based on percentage of base salary: 1.5% for 10-14 years; 2.25% for 15 to 19 years; 3.25% for 20 to 24 years; and 4.5% for 25 or more years of state service. In addition to the compensation provided for certified public school personnel classified as "M" teachers, provides a salary supplement in the following amounts: \$126 monthly to certified public school teachers at the six-year degree level and \$253 monthly to those at the doctoral degree level. Specifies salary schedules for school psychologists, speech pathologists, and school nurses and salary supplements for school psychologists and speech pathologists. (For purposes of this section, the term "teacher" includes instructional support personnel.)

SCHOOL BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 26.17. Effective for the 2008-09 school years, requires the Director of the Budget to transfer funds necessary to implement the salary schedule from the Reserve for Compensation Increases. Adopts salary schedules for principals, from \$4,243 to \$8,340 per month, and assistant principals, \$3,781 to \$5,839 per month. Provides for a salary supplement for principals and assistant principals of \$126 per month at the six-year degree level and \$253.00 per month at the doctoral degree level. Classifies assistant principals and principals (except for principals of alternative and cooperative innovative high schools) for salary purposes according to the number of state-funded teachers and assistant principals supervised. Provides that the beginning classification for principals in alternative schools and in innovative high school programs is Principal II level. Principals in alternative high schools who supervise 33 or more teachers are

classified based on the number of teachers supervised. Provides that principals or assistant principals continue to receive state-funded percentage increases earned in school years from 1997-98 through 1999-2000 for improvement in student performance or maintaining a safe and orderly school. Directs that longevity pay for principals and assistant principals be as provided for state employees under the State Personnel Act. Makes additional provisions governing salary schedule placement related to school reassignment and transfers, changes in job classification, internship in a school administration program, and provisional status.

CENTRAL OFFICE SALARIES

SECTION 26.18. Adopts a salary schedule for public school assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers of \$3,309 to \$8,336 per month. Directs that the local board of education determine the appropriate placement on the salary schedule for assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers. Adopts a salary schedule for public school superintendents of \$4,720 to \$11,196 per month. Directs that the local board of education determine the appropriate placement on the salary schedule for the superintendent based on the average daily membership (ADM) of the local school administrative unit. Provides for a monthly salary supplement of \$126 per month for six-year degree level and \$253 per month for doctoral degree. Directs that longevity pay for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers is to be as provided for state employees under the State Personnel Act. Provides an annual salary increase for all permanent full-time personnel paid from the Central Office Allotment that is the greater of \$1,100 or 2.75%. Prohibits the State Board of Education (SBE) from allowing school districts to transfer state funds from other funding categories for public school central office administrators.

NONCERTIFIED PERSONNEL SALARIES

SECTION 26.19. Beginning July 1, 2008, provides for an annual salary increase for permanent, full-time, noncertified public school employees whose salaries are supported from the General Fund that is the greater of \$1,100 or 2.75%. Directs local boards of education to increase pay rates for employees employed for all or part of fiscal year 2007-08 who continue their employment for 2008-09 with an annual salary increase of the greater of \$1,100 or 2.75%. Directs that part-time employees receive a pro rata pay increase based on the number of hours worked. Provides that the SBE may adopt salary ranges for noncertified personnel to support the proposed increases of the greater than \$1,100 or 2.75% for the 2008-09 fiscal year.

BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY SCHEDULES

SECTION 26.20. Effective July 1, 2008, provides for a one-time bonus equivalent to 1.8% for permanent personnel (1) employed on July 1, 2008, and (2) paid on the teacher salary schedule with 31+ years of experience. Also provides for a one-time bonus equivalent to 2% for any permanent personnel (1) employed on July 1, 2008, and (2) paid at the top of the principal and assistant principal salary schedule. Excludes personnel defined as "retired teacher" under GS 115C-325(a)(5a) from eligibility for the one-time bonus.

NO PENALTY FOR TEACHERS TAKING ONE DAY OF PERSONAL LEAVE

SECTION 26.21. Amends GS 115C-302.1(d) to permit teachers who use up to one day of personal leave per year to receive full salary for the day of personal leave that is used. Also provides that teachers who use more than one day per year are to receive full salary minus the required substitute deduction. Defines teachers to mean classroom teachers and media specialists who require a substitute. Expires June 30, 2009.

SALARY-RELATED CONTRIBUTIONS/EMPLOYER

SECTION 26.22. Amends SL 2007-323, Section 28.19(c) to increase the state's employer contribution rates that are budgeted for retirement and related benefits as a percentage of

covered salaries for the 2008-09 fiscal year to 8.14% (was 7.83%) for Teachers and State Employees and 13.14% (was, 12.83%) for State Law Enforcement Officers.

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 26.23. Amends GS 135-5 (teachers and state employees retirement system), GS 135-65 (judicial retirement act), and GS 120-4.22A (legislative retirement system), to adopt retirement allowance increases of 2.2%, effective July 1, 2008.

INCLUDE THE DIRECTOR OF THE OFFICE OF INDIGENT DEFENSE SERVICES AS A MEMBER OF THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

SECTION 26.24. Amends GS 135-51 to transfer the Director of the Office of Indigent Defense Services (Director) who is serving in that position on July 1, 2008, and those who subsequently serve in the position after that date, to the consolidated judicial retirement system. Makes conforming and technical changes to the following provisions of GS Chapter 135, Article 4, the Consolidated Judicial Retirement Act: GS 135-50(b), 135-53, 135-54, 135-55, and 135-58(a5). Enacts new GS 135-58(a6) to provide guidelines regarding service retirement benefits for members retiring under the provisions of GS 135-37(a) or GS 135-57(c) on or after July 1, 2008. Amends GS 135-56 to provide that on or after July 1, 2008, the creditable service of a member who (1) is the Director and (2) was a member of the Teachers and State Employees Retirement System at the time of the transfer to the judicial retirement system, is to include service as the Director and as a public defender that was creditable in the previous system immediately prior to July 1, 2008. Also provides for the transfer of creditable service of a member as a clerk of the Supreme Court or the Court of Appeals to the judicial retirement system.

PART XXVII. CAPITAL APPROPRIATIONS.

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 27.1. Appropriates the following amounts from the General Fund for 2008-09 for capital improvements:

Capital Improvements – General Fund	2008-2009
Department of Administration	
Capital Area Visitors Center and Parking Garage Planning	\$ 2,600,000
North Carolina Freedom Monument Planning	500,000
Department of Agriculture and Consumer Services	
Agriculture Building Comprehensive Renovation Planning	1,225,000
Motor Fuels/Metrology Laboratory Planning	1,000,000
Governor James B. Hunt Horse Complex – Horse Barn	3,338,068
Southeastern North Carolina Agricultural Center Pavilion Planning	314,585
Study Evaluation of the Veterinary Diagnostic Laboratory System	620,000
Department of Commerce	
Port of Morehead City Port-wide Berth Structure Construction	2,500,000
Port of Wilmington Berth 8 Replacement – Phase I	5,000,000
Wanchese Seafood Industrial Park – Capital Improvements	605,700
Department of Correction	
Lanesboro Correctional Institution – Medium Security	
Addition Planning and Site Development	6,950,000
Department of Crime Control and Public Safety	
Butner Training Site Buffer – Phase II	126,200
Butner Training Site Sewer Extension and Latrine Replacement	245,430
Gastonia Armory Rehabilitation Addition and Alteration	527,100
Master Facilities Planning Statewide – Phase II	300,300
Siler City Armory Rehabilitation Addition and Alteration	929,600
Department of Cultural Resources	

Charlotte Hawkins Brown State Historic Site	1,000,000
Mattamuskeet Lodge Renovations – Phase II	6,615,500
Museum of History Chronology Exhibit – Phase I to 1900 (Supplement)	1,000,000
Department of Environment and Natural Resources	
Land for Tomorrow Parks and Conservation Land Acquisition	50,000,000
Water Resources Development Projects	20,000,000
Zoo Africa Pavilion Replacement Planning	600,000
Zoo Polar Bear Exhibit Addition and Renovation	2,700,000
Department of Justice	
Addition to SBI Buildings 17 and 18	1,792,006
State Highway Patrol	
Training Academy Facilities and Dormitory Planning	1,790,300
University of North Carolina System	
Appalachian State University – College of Nursing and Health Sciences Building Planning	2,100,000
Elizabeth City State University – School of Aviation Complex Planning and Site Development	1,500,000
East Carolina University – New Family Medicine/Geriatric Center Planning	1,874,932
Fayetteville State University – Teaching Education and General Classroom Building Planning	1,700,000
Millennium Campus – Joint Primary Data Center Planning	1,852,016
North Carolina School of Science and Mathematics Discovery Center Planning and Site Development	7,250,000
North Carolina School of the Arts – Central Storage Facility Planning	444,000
North Carolina State University – 4-H Camps Improvements	2,500,000
University of North Carolina at Asheville – Replace Carmichael Hall & University Lecture Hall Planning	1,100,000
University of North Carolina at Chapel Hill	
Biomedical Research Imaging Center Planning	4,000,000
School of Law Replacement Planning	3,500,000
University of North Carolina at Charlotte – Science Building Planning	2,400,000
University of North Carolina at Pembroke – Information Commons Building Planning	2,000,000
University of North Carolina at Wilmington – Allied Health and Human Sciences Building Planning	1,700,000
Western Carolina University– Education and Allied Professions Building Planning	1,900,000
Winston-Salem State University	
Sciences and General Office Building Planning	3,000,000
Student Activity Center – Budget Supplement	9,799,000
University of North Carolina General Administration Upper Coastal Plain Education and Health Center Planning	1,000,000
University of North Carolina System Wide	
Fire Safety Improvements – Student Residence Halls	3,000,000
Land Acquisition	5,000,000
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$169,899,737

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 27.2. Directs the Department of Environment and Natural Resources (DENR) to allocate funds appropriated for water resources development projects to the following projects:

Name of Project	2008-2009
(1) Wilmington Harbor Deepening	\$ 1,000,000

(2)	Wilmington Harbor Maintenance	500,000
(3)	Morehead City Harbor Maintenance	0
(4)	B. Everett Jordan Water Supply Storage	200,000
(5)	Dredging Contingency Fund	2,500,000
(6)	Deep Creek Structure 5-D (Yadkin County)	5,444,000
(7)	North Carolina Beach and Inlet Management Plan	250,000
(8)	Neuse River Basin Study	33,000
(9)	Manteo (Shallowbag Bay) Channel Maintenance	100,000
(10)	Currituck Sound Water Management Study	50,000
(11)	Planning Assistance to Communities	100,000
(12)	Bogue Banks Beach Protection	120,000
(13)	West Onslow Beach (Topsail Beach, Pender County)	0
(14)	Belhaven Harbor Feasibility Study	15,000
(15)	Princeville Flood Control	0
(16)	Surf City – N. Topsail Beach Protection (Pender County)	0
(17)	North Carolina International Terminal	500,000
(18)	AIWW Dredging	1,638,000
(19)	State-Local Projects	2,000,000
(20)	Swan Quarter Dike Project (Hyde County)	250,000
(21)	Aquatic Plant Control, Statewide and Lake Gaston	200,000
(22)	Aquatic Weed Program Storage Facility	100,000
(23)	Hammocks Beach SP – Cow Channel Dredging	2,600,000
(24)	Dillsboro Dam Removal	400,000
(25)	Topsail Beach Emergency Nourishment	2,000,000
TOTAL		\$20,000,000

Authorizes DENR to adjust allocations among projects and to use any extra funds available for project feasibility studies or for specified projects. Requires DENR to report semiannually on use of the funds to Governmental Operations, FRD, and OSBM.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 27.3. Allocates \$5 million of the funds in the Reserve for Repairs and Renovations for 2008-09 to the Energy Efficiency Reserve. Directs the State Energy Office to administer the Energy Efficiency Reserve to fund projects designed to make state, university, and community college facilities more energy efficient. Lists examples of the types of projects that may be eligible. Provides that funds appropriated to the reserve for 2008-09 do not revert. Requires the State Energy Office to report by May 1, 2009, to House and Senate Appropriations Committees on use of the funds.

Of the funds remaining in the Reserve for Repairs and Renovations for 2008-09 after the allocation to the Energy Efficiency Reserve, allocates 46% to the UNC Board of Governors and 54% to OSBM. Authorizes the UNC Board of Governors to allocate funds for facilities not supported from the General Fund if sufficient funds are not available from other sources. Requires the Board of Governors and OSBM to consult with Governmental Operations before allocating funds.

Directs the UNC Board of Governors to use part of the funds to install fire sprinklers in residence halls and directs the president of UNC to consider specified factors in determining the allocation of the funds. Requires the Board of Governors to make semiannual progress reports to Governmental Operations until all residence halls have fire sprinklers.

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 27.4. Authorizes the following capital projects to be funded with receipts or other non-General Fund sources:

Name of Project	Amount of Non-General Fund Funding Authorized for 2008-2009
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Department of Agriculture and Consumer Services	
Caswell Research Farm – Repair Shop	\$ 450,000
Piedmont Research Station – Grain Storage Facility Renovation	400,000
Raleigh Farmers Market – Capital Improvements	900,000
Research Stations – Irrigation System Renovation	200,000
Research Stations – Storage Facilities	225,000
Senator Bob Martin Eastern Agricultural Center – Capital Improvements	500,000
State Fair – Campground	6,341,601
State Fair – Infrastructure Improvements	200,000
State Fair – Pond Improvements	500,000
Tidewater Research Station – Steer Barn	350,000
Triad Farmers Market – Capital Improvements	3,000,000
WNC Agricultural Center – New Vision Plan	900,000
Department of Correction	
Broughton Correctional Center – Laundry Steam Plant	1,400,000
Umstead Correctional Center – Laundry Steam Plant	1,322,965
Wayne Correctional Center – Chase Laundry Steam Plant	1,368,926
Department of Crime Control and Public Safety	
NC National Guard – Armory Improvements	8,402,273
NC National Guard – Asheville Field Maintenance Shop	3,743,000
NC National Guard – Camp Butner Training Site – Cantonment Complex	15,617,000
NC National Guard – Fixed Wing Hanger Complex – Morrisville	6,466,000
Department of Cultural Resources	
Museum of Art – Enhanced Landscaping	7,500,000
USS North Carolina Battleship Memorial – Phase 3 Renovations	1,977,000
Department of Environment and Natural Resources	
Bladen Lakes State Forest – Shop Building	943,800
Forest Resources – Region 2 Training Building	460,500
Department of Transportation	
Statewide Transportation Operations Center	7,650,000
Wildlife Resources Commission	
Armstrong Hatchery – Lower Raceway Renovation	1,725,000
Boating Access Area Improvements	2,800,000
Centennial Campus Center for Wildlife Education – Exhibit Completion	200,000
Centennial Campus Center for Wildlife Education – Heat and Humidity Controls	6,000
Chowan Bridge Fishing Pier and Boating Access	2,000,000
Land Acquisitions – State Game Lands	62,660,000
Marion Depot – Drainage Repairs	200,000
McKinney Lake Hatchery – Kettle Replacement	1,955,000
New Coldwater Fish Hatchery	7,900,000
New Construction Depot	500,000
Outer Banks Center for Wildlife Education – Repairs and Improvements	223,000
Outer Banks Center for Wildlife Education – Teaching Facility	700,000
Pisgah Center for Wildlife Education – Gift Shop Extension	200,000
Pisgah Center for Wildlife Education – Outdoor Exhibit	450,000
Pisgah Center for Wildlife Education – Repairs and Improvements	148,000
Pisgah Center for Wildlife Education – Storage Building	150,000
Pisgah Center for Wildlife Education – Teaching Facility	564,905
Pisgah Center for Wildlife Education – Teaching Facility Upfit and Pavilion	280,000

Rhodes Pond Dam Repairs	500,000
Table Rock Hatchery – New Building	575,000
Table Rock Hatchery – Office Building and Workshop	345,000
Watha Fish Hatchery – Residence Replacement	707,250
TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL PROJECTS AUTHORIZED	\$155,607,220

Transfers \$30,000 from a Department of Agriculture and Consumer Services (DACS) capital improvement account for 2008-09 to DACS for land acquisition administration and land management for its plant conservation program under Article 19B of GS Chapter 106.

Authorizes the Department of Correction to redirect \$1.5 million from construction of a manufacturing facility at Maury Correctional Institution to upfitting a general industry operation at Tabor Correctional Institution.

STUDY RELOCATION OF HIGHWAY PATROL TRAINING FACILITIES

SECTION 27.5. Directs the Department of Crime Control and Public Safety (DCCPS) to study relocation of the Highway Patrol's Garner Road complex, in consultation with the Department of Administration. Requires DCCPS to report to specified legislative appropriations chairs by February 1, 2009.

ACCESS TO DRY CLEANING SOLVENT CLEANUP FUND FOR GREEN SQUARE PROJECT

SECTION 27.6. Provides that the prohibition in GS 143-215.104N(b)(9) against using funds in the Dry Cleaning Solvent Cleanup Fund for state projects does not apply to costs incurred by DENR in connection with the Green Square Project site in downtown Raleigh.

CHRONOLOGY EXHIBIT ON FIRST FLOOR OF NC MUSEUM OF HISTORY

SECTION 27.7. Authorizes the Department of Cultural Resources to use funds appropriated for the NC Museum of History chronology exhibit for capital improvements to ensure that the entire exhibit is located on the first floor of the museum.

SPECIAL INDEBTEDNESS PROJECTS

SECTION 27.8. Effective when the act becomes law, authorizes the state, with the prior approval of the State Treasurer and the Council of State, to issue or incur special indebtedness in the maximum aggregate principal amounts provided below in order to provide funds to the state to be used, together with other available funds, to pay the capital facility costs of the projects described below. For each project, the total amount cannot be issued immediately, but is subject to a designated schedule. The total new debt authorized is \$542,900,500.

Total	Project
\$62,000,000	Completing a School of Dentistry building at East Carolina University and up to ten satellite dental clinics across NC.
18,000,000	A School of Education building at Elizabeth City State University.
20,490,000	Completing a general classroom building at NC A&T State University.
24,500,000	Completing a School of Nursing building at NCCU.
109,100,000	Completing the Centennial Campus library at NCSU.
69,000,000	Completing a School of Dentistry expansion at UNC-Chapel Hill.
42,670,000	Completing an academic classroom and office building at UNC-Greensboro.
45,170,500	Completing a health care and mental health facility at the North Carolina Correctional Institute for Women.
13,010,000	Completing a minimum security addition at Scotland Correctional Institution.
18,950,000	Completing a medium security addition at Bertie Correctional Institution.
13,010,000	Completing a minimum security addition at Tabor Correctional Institution.
107,000,000	Completing the Green Square Project in DENR.

Amends the special indebtedness authorization in section 1.1 of SL 2004-179, as amended, to increase from \$10 million to \$11.5 million the debt authorized for a Center for Design

Innovation in the Piedmont Triad Research Park to be operated jointly by Winston-Salem State University and the North Carolina School of the Arts. Amends the special indebtedness authorization in section 23.12(a) of SL 2006-66 to increase from \$40 million to \$45.13 million the debt authorized for construction and renovation at the NC Museum of Art.

PART XXVIII. TAX LAW CHANGES

IRC UPDATE

SECTION 28.1. Substantively identical to H 2416, filed 5/21/08.

EXTEND CREDIT FOR RESEARCH AND DEVELOPMENT

SECTION 28.2. Like section 1 of H 2336, 2nd edition, amends GS 105-129.51(b) to extend the sunset on tax credits provided under GS Chapter 105, Article 3F (Research and Development) by five years, from January 1, 2009, to January 1, 2014.

EXTEND LOW-INCOME HOUSING CREDIT

SECTION 28.3. Like section 2 of H 2336, 2nd edition, amends GS 105-129.45 to extend the sunset on the low-income housing tax credit for five years, from January 1, 2010, to January 1, 2015.

EXTEND MILL REHABILITATION TAX CREDIT

SECTION 28.4. Effective beginning with the 2008 tax year, amends the tax credit for income-producing rehabilitated mill property, GS 105-129.75, to extend the sunset to rehabilitation projects for which an application for an eligibility certification is submitted on or after January 1, 2011 (was, for qualified rehabilitation expenditures and expenses incurred on or after January 1, 2011). Makes clarifying changes to GS 105-129.70, 105-129.71, and 105-129.72. Similar to section 3 of H 2336, 2nd edition.

EXTEND SUNSET FOR STATE PORTS TAX CREDIT

SECTION 28.5. Identical to S 1731, filed 5/20/08.

EXEMPT DISASTER ASSISTANCE DEBIT SALES

SECTION 28.6. Like section 4 of H 2336, 2nd edition, amends GS 105-164.13 to exempt from sales tax purchases of tangible personal property using a client assistance debit card issued for disaster relief by a state or federal agency, or instrumentality. Effective for purchases made on or after July 1, 2008.

CLOSE FRANCHISE TAX LOOPHOLES BY REQUIRING A LIMITED LIABILITY COMPANY THAT ELECTS TO BE TREATED AS A CORPORATION AND A CAPTIVE REIT TO PAY FRANCHISE TAX

SECTION 28.7. Like sections 1 through 3 of H 2508, 2nd edition, makes the following changes relating to franchise taxes, effective beginning with the 2009 tax year. Amends GS 105-114(b) by modifying the definition of corporation to include a limited liability company (LLC) that elects to be treated as a corporation (was, C corporation) for tax purposes, making that LLC subject to the franchise tax. Makes a conforming change to GS 105-114.1(a)(5). Amends GS 105-125(b) by excluding captive REITs, which are real estate investment trusts owned or controlled by a single entity, from applying deductions allowed for regulated investment companies and non-captive REITs in determining franchise tax valuation. Also makes stylistic changes.

PUBLICLY TRADED PARTNERSHIPS

SECTION 28.8. Like section 4 of H 2508, 2nd edition, enacts new GS 105-154(e) effective beginning with the 2008 tax year to provide that (1) the information return requirements for partnerships do not apply to a partner in a publicly traded partnership if the partner's distributive share for the year was no more than \$500 and (2) the requirement to pay tax on behalf of nonresident partners does not apply to publicly traded partnerships.

INCREASE EARNED INCOME TAX CREDIT TO FIVE PERCENT

SECTION 28.9. The earned income tax credit, GS 105-151.31, was enacted in 2007 to become effective beginning with the 2008 tax year. This bill, like H 2642, filed 5/27/08, amends GS 105-151.31 to change the credit rate from 3.5% to 5% when the credit goes into effect.

INCREASE THE CREDIT FOR SMALL BUSINESS EMPLOYEE HEALTH BENEFITS AND EXTEND THE SUNSET

SECTION 28.10. Like H 2335, 2nd edition, amends the credit for small business employee health benefits, GS 105-129.16E, to (1) increase the dollar amount of the credit per eligible employee from \$250 to \$300 and (2) extend the sunset on the credit five years, from January 1, 2009, to January 1, 2014. Effective beginning with the 2009 tax year.

PROVIDE A PROPERTY TAX EXCLUSION FOR HONORABLY DISCHARGED DISABLED VETERANS AND THEIR SURVIVING SPOUSES AND TO REIMBURSE LOCAL GOVERNMENTS FOR THE RESULTING REVENUE LOSS

SECTION 28.11. Repeals GS 105-275(21) (\$38,000 homestead exclusion for disabled veterans). Enacts GS 105-277.1C, creating a new homestead exclusion for qualifying disabled veterans and their surviving spouses, equal to the greater of \$48,000 or half the appraised value of the residence, but not more than 50% of the maximum amount of a conventional mortgage authorized by 12 U.S.C § 1717(b)(2) (Federal National Mortgage Association Charter Act). Enacts new GS 105-277.1D providing procedures for reimbursement by the state of local governments for 100% of the revenue lost as a result of the exclusion under new GS 105-277.1C. Makes conforming changes and annually appropriates funds for the reimbursement and its administration. Effective beginning with the 2008-09 tax year, and allows applications for that year to be filed through September 1, 2008. Similar to H 2631, filed 5/27/08.

SALES TAX HOLIDAY FOR CERTAIN ENERGY STAR RATED APPLIANCES

SECTION 28.12. Enacts new GS 105-164.13D exempting from sales tax certain Energy Star qualified products sold on the first Friday of November and the Saturday and Sunday immediately following. Products covered are (1) clothes washers, dishwashers, freezers, refrigerators; (2) room air conditioners, dehumidifiers and programmable thermostats; and (3) compact fluorescent light bulbs. Makes conforming changes to GS 105-467 and SL 1967-1096 (scope of local sales taxes). Makes conforming change to GS 105-164.3 (definitions).

SET INSURANCE REGULATORY FEE

SECTION 28.13. Sets the percentage rate to be used in calculating the insurance regulatory charge under GS 58-6-25 at 5.5% for the 2008 calendar year, effective when the act becomes law. This is the same rate as last year.

SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 28.14. Effective July 1, 2008, sets the percentage rate to be used in calculating the public utility regulatory fee under GS 62-302(b)(2) at 0.12% for 2008-09 and sets the electric membership corporation regulatory fee imposed under GS 62-302(b1) for 2008-09 at \$200,000. These are the same rates as last year.

PART XXIX FEES

FEE INCREASE FOR DOMESTIC VIOLENCE PROGRAMS

SECTION 29.1. Effective July 1, 2008, amends GS 161-10(a)(2) to increase the marriage license fee from \$50 to \$60 and amends GS 1612-11.2 to increase by \$10 the amount of each marriage license fee that is credited to the Domestic Violence Center Fund created in GS 50B-9. Amends GS 7A-305(a2) to increase the divorce filing fee from \$55 to \$65 and to provide that \$10 of each fee is credited to the Domestic Violence Center Fund.

FOREST DEVELOPMENT FUND/FOREST PRODUCTS ASSESSMENT RATES

SECTION 29.2. Repeals GS 113A-192(c), (d), and (e), which suspend the primary forest products assessment in years the General Assembly does not appropriate funds to the Forest Development Fund and in years that the unobligated balance carried forward in the fund is more than twice the amount appropriated to the fund. Amends GS 113A-194(b) to increase the assessment rates by 50%. Effective July 1, 2008.

ADJUST SECURITIES FILING FEES

SECTION 29.3. Amends GS 78A-31(a)(4) to increase from \$250 to \$1,000 the fee for renewing a notice filing of the offer of securities covered by federal law. Effective July 1, 2008.

NEWBORN SCREENING FEE CHANGES

SECTION 29.4. Amends GS 130A-125(c) to increase from \$14 to \$18.91 the fee for newborn screening tests performed by the State Laboratory of Public Health (laboratory). Specifies that the fees apply to all specimens of the non-Medicaid eligible population and requires the laboratory director to review the fee annually to assure that it covers the laboratory's newborn screening costs. Directs the DHHS Division of Public Health to use \$1.46 of the fee to support two new positions. Effective July 1, 2008.

HEALTH CARE FACILITY CONSTRUCTION PROJECT FEE INCREASES

SECTION 29.5. Amends GS 131E-267 to increase the fees DHHS charges for reviewing health care facility construction projects, effective July 1, 2008.

CHANGES TO ASBESTOS CONTAINING MATERIAL REMOVAL PERMIT FEES

SECTION 29.6. Effective July 1, 2008, amends GS 130A-450 to set a maximum of \$5,000 on the application fee for a permit for asbestos removal.

FEE FOR FLOODPLAIN MAP USE

SECTION 29.7. Effective January 1, 2009, enacts new GS 143-215.56(h) to authorize the Department of Crime Control and Public Safety to charge a fee of \$10 for commercial flood hazard determinations performed for improved real estate and mobile homes. The revenue generated by the fee is to be used for producing and maintaining flood insurance rate maps. Defines *commercial flood hazard determination*.

PART XXX. MISCELLANEOUS PROVISIONS

COMMITTEE REPORT

SECTION 30.2. Provides that the "N.C. House of Representatives Appropriations Committee Report On The Continuation, Expansion, and Capital Budgets," dated June 3, 2008, which was distributed in the House of Representatives is to be used to construe the act.

EFFECTIVE DATE

SECTION 30.6. Except as otherwise provided, this act becomes effective July 1, 2008.

H 2436. MODIFY APPROPRIATIONS ACT OF 2007. Filed 5/21/08. House appropriations committee substitute makes changes to 2nd edition, which will be digested in tomorrow's *Daily Bulletin*.

June 4, 2008

H 2436. MODIFY APPROPRIATIONS ACT OF 2007. Filed 5/21/08. House committee substitute makes the following changes to 2nd edition. Rewrites the title of the bill as: *AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL APPROPRIATIONS ACT OF 2007; TO CONFORM TO CHANGES IN THE INTERNAL REVENUE CODE AND REQUIRE AN ADDBACK OF EIGHTY-FIVE PERCENT OF BONUS DEPRECIATION; TO MAKE OTHER TAX LAW CHANGES RECOMMENDED BY THE REVENUE LAWS STUDY COMMITTEE; TO PROVIDE FOR A REFUNDABLE EARNED INCOME TAX CREDIT EQUAL TO FIVE PERCENT OF THE*

FEDERAL CREDIT; TO EXTEND AND INCREASE THE SMALL BUSINESS HEALTH INSURANCE TAX CREDIT; TO DECREASE DISABLED VETERANS PROPERTY TAX; TO EXTEND TAX CREDITS FOR LOW-INCOME HOUSING AND MILL REHABILITATION; TO ESTABLISH A SALES TAX HOLIDAY FOR CERTAIN ENERGY STAR RATED APPLIANCES; TO ALLOW FOR A NONREFUNDABLE CREDIT FOR REINVESTMENT IN A MAJOR RECYCLING FACILITY AND TO SUNSET THE CREDIT FOR INVESTMENTS IN A LARGE OR MAJOR RECYCLING FACILITY; TO CREATE, SET, AND INCREASE VARIOUS FEES; AND TO AUTHORIZE SPECIAL OBLIGATION INDEBTEDNESS FOR VARIOUS CAPITAL PROJECTS.

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Changes the amounts appropriated for the following purposes, to the amounts indicated:

Current Operations – General Fund	FY 2008-2009
...	
NATURAL AND ECONOMIC RESOURCES	
...	
Department of Commerce	
Commerce	8,140,470
Commerce State-Aid	8,259,635
...	
Department of Environment and Natural Resources	
Environment and Natural Resources	13,707,010
...	
JUSTICE AND PUBLIC SAFETY	
...	
Department of Crime Control and Public Safety	2,970,175
Judicial Department	(3,420,656)
...	
Department of Justice	(426,758)
Department of Juvenile Justice and Delinquency Prevention	20,694,280
GENERAL GOVERNMENT	
...	
Department of Cultural Resources	
...	
General Assembly	(881,000)
Office of the Governor	
...	
OSBM – Reserve for Special Appropriations	1,450,000
...	
Department of Insurance	
...	
Insurance – Volunteer Safety Workers' Compensation	(1,150,000)

Makes technical changes to Reserves, Adjustments, and Debt Service by replacing the phrase *State Health Plan* with *Hospitalization Reserves* and replacing the phrase *Job Development Incentive Grants Reserve* with *Job Development Investment Grants Reserve*.

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2. Modifies the nontax revenues by decreasing Insurance from \$160.6 million to \$62.9 million and increasing Other Nontax Revenues from \$62.9 million to \$160.6 million.

Revises the adjustments to availability by adding a \$1 million reduction for extending and amending the credit for reinvestment and by changing the reserve for tax relief from a \$7 million reduction to a \$6 million reduction. Makes a technical change to the adjustments to

availability by replacing the phrase *Transfer from Nontax-Disproportionate Share Account* with the phrase *Transfer from Disproportionate Share Receipt Reserve*.

PART VI. GENERAL PROVISIONS

CONTINUATION REVIEW OF CERTAIN FUNDS, PROGRAMS, AND DIVISIONS

SECTION 6.7. Requires the Department of Transportation to conduct a continuation review of the Spot Safety Program rather than the Leaking Underground Storage Tank Fund.

STATE SUPPORT OF OUR MILITARY PERSONNEL

SECTION 6.8. Adds the Property Tax Homestead Exemption for Disabled Veterans to the list of initiatives receiving funding.

PART VII. PUBLIC SCHOOLS

SCHOOL CONNECTIVITY ISSUE

SECTION 7.6. Increases funds that may be transferred to the Friday Institute at NCSU to evaluate the effectiveness of using technology and its impact on 21st Century Teaching and Learning outcomes to up to \$600,000 (was, up to \$300,000), transferred annually through June 30, 2013. Requires the annual report to the State Board of Education (SBE) to include recommendations for continued implementation of the school connectivity initiative. Authorizes the use of \$250,000 from School Connectivity Initiative funds to sustain the Education E-Learning Portal.

FUNDS FOR CLASS-SIZE REDUCTION

SECTION 7.7. Deletes this section, which would have required the Governor to transfer \$19.75 million from the Education Lottery Reserve Fund to the Education Lottery Fund to fund the class-size reduction.

ALLOTMENT FOR MENTORING SERVICES

SECTION 7.8. Revises the allotment formula for mentoring services funds to local school administrative units to be based on the highest number of employees in the preceding three school years, rather than the current number of employees.

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING

SECTION 7.9. Revises the ratios for allocating supplemental funds to (1) counties with wealth greater than 90% of the statewide average from 1:20.0 to 19.9 (apparently intends 1:19.9), (2) counties with wealth not less than 80% and not greater than 90% of the statewide average from 1:19.5 to 1:19.4, and (3) counties with wealth less than 80% of the statewide average from 1:19.3 to 1:19.1.

MODIFY LOW-WEALTH SCHOOL FUNDING FORMULA

SECTION 7.10. Provides that the allocation of funds will be adjusted in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel in 2007-08, rather than adjusted to reflect increases built into the continuation budget.

ADDITIONAL LOTTERY FUNDS FOR SCHOOL BLDGS

SECTION 7.11. Makes technical changes, including deleting reference that the provision is notwithstanding GS 18C-164(b) and (e).

REESTABLISH COMMITTEE ON DROPOUT PREVENTION

SECTION 7.14. Modifies subsection (b) by suggesting that any outside grant reviewers and raters the Committee on Dropout Prevention uses should represent public schools, universities,

and community-based organizations. In the event of vacancies on the committee, encourages the appointing authorities to provide representation from each of the eight educational districts. Adds to grant selection criteria in subsection (d) that a demonstrated need for a grant, level of collaboration, ability to increase attendance, persistence, academic success, and graduation be given more weight than the quality of the written grant. Requires the committee to report by March 1, 2009, to the Joint Legislative Commission on Dropout Prevention and the Joint Legislative Education Oversight Committee. Makes technical and clarifying changes.

SECTION 7.14A. Creates a new section 7.14A to amend section 7.32(c) of SL 2007-323 to clarify that the legislative appointments of ten members to the original Committee on Dropout Prevention were to be made by the General Assembly on the recommendation of the President Pro Tem. of the Senate and the Speaker of the House of Representatives.

COMPREHENSIVE SUPPORT FOR SCHOOL SYSTEMS AND SCHOOLS

SECTION 7.16. Clarifies that the funds the SBE may allocate to comprehensive support are those already appropriated to the SBE.

MORE AT FOUR PROGRAM

SECTION 7.17. Creates a new subsection to direct the Office of School Readiness to develop a plan to tier the local More at Four slots that are in child care facilities, based on child care subsidy market rates. Requires the Office to report to the Fiscal Research Division (FRD) and legislative committees and subcommittees by January 1, 2009.

PART VIII. COMMUNITY COLLEGES

MINORITY MALE MENTORING PROGRAM FUNDS

SECTION 8.5. Authorizes the State Board of Community Colleges to use up to \$100,000 of funds carried forward to recruit minority male students, market the thirty-two pilot programs, and contract for summer enrichment programs for participants.

PART IX. UNIVERSITIES

HIGHER EDUCATION STUDIES/DISTANCE EDUCATION AND UNC ENROLLMENT GROWTH FUNDING FORMULAS

SECTION 9.10. Requires the Joint Legislative Program Evaluation Oversight Committee to include the studies on higher education and distance education studies, as well as UNC enrollment growth funding formulas, in the 2009-10 Work Plan for the Program Evaluation Division of the General Assembly. Directs the Program Evaluation Division to submit the studies to the Joint Legislative Program Evaluation Oversight Committee, as well as the Joint Legislative Education Oversight Committee and FRD, at a date to be determined by the Joint Legislative Program Evaluation Oversight Committee (was, March 1, 2009). Removes the authorization to use the revised enrollment growth formulas if the study recommends a change.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

NC RX FUNDS TRANSFER

SECTION 10.1. Deletes proposed transfer of \$1 million of Master Settlement Agreement funds from the Health Trust Account to support 2008-09 appropriations for the Sexual Assault and Rape Crisis Center Fund in the Department of Administration.

EXPAND HEALTH CHOICE/NC KIDS' CARE

SECTION 10.12. Modifies proposed amendment to section 10.48 of SL 2007-323 (the 2007 Appropriations Act) by changing the amount allocated for 2008-09 to expand children's access to health insurance to \$1,809,000. Reorganizes the placement and wording of proposed amendments to GS 108A-70.21(c) (annual enrollment fee) and GS 108A-70.21(g) (purchase of extended coverage).

NC HEALTH CHOICE TRANSITION

SECTION 10.13. Repeals GS 135-42 (transitional provisions for NC Health Choice for Children), effective July 1, 2010.

MENTAL HEALTH CHANGES

SECTION 10.15.(n) Modifies the tier thresholds for the proposed tiered CAP-MR/DD waiver program, so that the first tier is \$20,000 and over, and the second tier is \$20,001 to \$45,000.

SECTION 10.15.(o) Revises the proposed allocation from funds appropriated to the DHHS Division of MH/DD/SAS for 2008-09 for additional CAP-MR/DD slots, providing undesignated amounts for various types of slots, as specified.

DHHS BLOCK GRANTS

SECTION 10.17. In subsection (a), changes the amount of the TANF Block Grant transfer to the Social Services Block Grant for Foster Care Services from \$2,371,957 to \$2,372,587 and changes the amount of the Social Services Block Grant for Foster Care Services from \$2,371,957 to \$2,372,587. Changes the total Child Care and Development Fund Block Grant amount from \$283,916,162 to \$283,423,364.

In subsection (j), reduces the proposed allocation of TANF Block Grant funds to implement N.C. FAST from \$1.8 million to \$1.3 million. In subsection (t), changes the amount of the proposed allocation of Social Services Block Grant funds to the State Private Child-Caring Agencies Fund from \$2,371,957 to \$2,372,587.

PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

STUDY CERTAIN DEPARTMENT OF AGRICULTURE AND CONSUMER FEES

SECTION 11.1. Makes a clarifying change to direct the Department of Agriculture and Consumer Services to study the feasibility and advisability of increasing fees imposed on services provided by the Rollins Laboratory System (was, veterinaries). Makes technical changes.

PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

AGRICULTURAL DROUGHT RESPONSE COST SHARE PROGRAM

SECTION 12.4. Creates a new section 12.4 to establish the Agricultural Drought Response Cost Share Program, which will provide cost share funds to assist farmers who suffered damage from drought conditions in 2007. Allows funds to be used for (1) redrilling damaged wells or drilling new wells to supply water to livestock or for irrigation, (2) renovating damaged or inadequate farm ponds or constructing new ponds for livestock or irrigation, and (3) renovating pastures depleted by the 2007 drought. Provides for administration and program criteria, including limits on funding and eligibility of applicants. Requires the Division of Soil and Water Conservation to report annually to the Environmental Review Commission by January 31, starting in 2009. Authorizes the Soil and Water Conservation Commission to use up to \$300,000 of the funds appropriated to the Department of Environment and Natural Resources for 2008-09 for the program. Provides that 25% of the remaining funds must not be allocated during the initial funding cycle, but will be held to address future drought needs.

PART XIII. DEPARTMENT OF COMMERCE

REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS

SECTION 13.7. Increases the amount subtracted from funds allocated to the North Carolina Eastern Region Economic Development Partnership from \$330,750 to \$469,740. Makes a conforming change to increase the amount the Department of Commerce is required to redistribute to the seven regional economic development commissions from \$330,750 to \$469,740 in 2008-09.

PART XIV. JUDICIAL DEPARTMENT

STUDY TO IDENTIFY MISDEMEANORS THAT SHOULD BE DECRIMINALIZED

SECTION 14.2. Directs the Sentencing and Policy Advisory Commission to use \$10,000 of the funds appropriated to the Office of Indigent Services for conducting the study. The commission is to conduct the study in consultation with the Office of Indigent Services and the Administrative Office of the Courts (was, the Office of Indigent Services to conduct the study in consultation with the commission and the Administrative Office of the Courts).

AUTHORIZE REGIONAL PUBLIC DEFENDER OFFICES

SECTION 14.4. Repeals section 14.4(b) of SL 2007-323, which established additional district public defender offices, and deletes the proposed addition of regional public defenders offices.

LEGAL ASSISTANCE TO HOMEOWNERS

SECTION 14.9. Creates a new section 14.9 to amend GS 7A-474.3 (related to eligible cases in the Access to Civil Justice Act) to add legal assistance for predatory mortgage lending, mortgage broker and loan services abuses, foreclosure defense, and other legal issues that help consumers avoid foreclosure and home loss.

PART XVII. DEPARTMENT OF CORRECTION

TEMPORARY HOUSING FUNDS

SECTION 17.1. Requires that if the Department of Correction secures housing for offenders who do not have viable home placement plans and are at risk of being homeless, the providers must already be under contract with the federal government in order to provide that housing (eliminated reference to temporary housing). Prohibits an offender from being placed in a hotel, motel, nursing home, adult care facility, group home containing the physically or developmentally disabled, or residential facility where minors are housed and does not allow funding for housing of an offender for a continuous period exceeding 30 days. Establishes a study by the Department of Correction on the feasibility of creating a central facility or facilities to provide temporary housing for offenders post-release. Requires a report to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee by January 1, 2009.

PART XVIII. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

GOVERNOR'S CRIME COMMISSION STUDY/EXPAND JUVENILE JURISDICTION

SECTION 18.1. Provides that the report to be submitted by the Governor's Crime Commission need not be a *final* report.

PART XIXA. CULTURAL RESOURCES

SECTION 19A.1. Creates a new part XIXA, Cultural Resources, and section 19A.1 to enact a new GS 121-7.5 to establish the Bentonville Battlefield Fund as a special fund within the Department of Cultural Resources, Division of State Historic Sites. The funds are to be allocated to the Bentonville Battlefield Historical Association to be used for operation, interpretation, maintenance, preservation, development, and expansion at Bentonville Battlefield. Provides that receipts derived from donations or from the division's property in Johnston County are credited to the fund and annually appropriates those funds to the Department.

PART XXV. DEPARTMENT OF TRANSPORTATION

TRANSFER HIGHWAY TRUST FUND MONIES IN THE AMOUNT OF TWENTY-FIVE MILLION DOLLARS BEGINNING IN FISCAL YEAR 2008-2009 AND FORTY-NINE MILLION DOLLARS BEGINNING IN FISCAL YEAR 2009-2010 TO THE NC TURNPIKE AUTHORITY FOR DEBT SERVICE ON BONDS

SECTION 25.5. Modifies proposed new GS 136-176(b2) to clarify the debt-related purposes for which the annual appropriations must be used by the North Carolina Turnpike Authority.

AVIATION FUNDS FOR THE MOUNT AIRY–SURRY COUNTY AIRPORT AUTHORITY

SECTION 25.9. Adds a new section transferring \$3 million for 2008-09 from the DOT Division of Aviation to the Mount Airy–Surry County Airport Authority for expansion and renovation.

PART XXVI. SALARIES AND BENEFITS

COMPREHENSIVE SALARY STUDY

SECTION 26.3A. Adds a new section directing the Legislative Research Commission to conduct a comprehensive study of the salaries paid to teachers, other school employees, and state officers and employees, including members of the General Assembly. The report is due by the convening of the 2009 Regular Session.

PART XXVII. CAPITAL APPROPRIATIONS.

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 27.1. Deletes the appropriation of \$3,338,068 for a horse barn for the Governor James B. Hunt Horse Complex and adds an appropriation of \$3,338,068 for horse barns at NC A&T State University.

PART XXVIII. TAX LAW CHANGES

EXTEND AND AMEND TAX CREDIT FOR REINVESTMENT

SECTION 28.15. Adds a new section 28.15 as follows. Amends GS 105-129.27 (credit for investing in large or major recycling facility) to add a sunset of January 1, 2013. Repeals the January 1, 2008, sunset on the credit for reinvestment for major recycling facilities (GS 105-129.28) and sets a new sunset of January 1, 2013. Effective beginning with the 2008 tax year, further amends GS 105-129.28 as follows. (1) Caps the credit at \$1 million a year for 2008 and thereafter (was, \$10.4 million). (2) Removes the provision that allowed the taxpayer to receive the credit as a cash payment if the credit exceeded the taxpayer's income tax liability; instead provides that the credit is taken against franchise and income tax, with any excess carried forward for up to five years. (3) Requires the Department of Commerce, rather than the taxpayer, to determine whether an exception applies to the requirement that the taxpayer invest the amount of the credit in specified infrastructure. (4) Make conforming changes.

PART XXIX. FEES

FEE INCREASE FOR DOMESTIC VIOLENCE PROGRAMS

SECTION 29.1. Deletes the proposed amendments to GS 161-10(a)(2) and GS 161-11.2 that would have increased the marriage license fee and credited the increase to the Domestic Violence Center Fund created in GS 50B-9. Modifies the proposed amendment to GS 7A-305(a2) to increase the divorce filing fee by \$20 rather than \$10 and to make a corresponding increase in the amount credited to the Domestic Violence Center Fund.

FOREST DEVELOPMENT FUND/FOREST PRODUCTS ASSESSMENT RATES

SECTION 29.2. Deletes proposed amendments to GS 113A-194(b), which would have increased the primary forest products assessment rates by 50%.

CHANGES TO ASBESTOS CONTAINING MATERIAL REMOVAL PERMIT FEES

SECTION 29.6. Modifies the proposed amendment to GS 130A-450 to set the proposed maximum on the application fee for a permit for asbestos removal at \$1,500 rather than \$5,000.

H 2436. MODIFY APPROPRIATIONS ACT OF 2007. Filed 5/21/08. House amendment makes the following changes to 3rd edition.

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Amendment #11 reduces the appropriation to the Department of Correction by \$342,691 and reduces the appropriation to the Judicial Department by \$412,691.

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2. Amendment #1 changes *Health Care Facility Construction Project Fee Service Regulation Fee Increase* to the *Health Care Facility Construction Project Fee Increase* in the adjustments to availability list.

PART VI. GENERAL PROVISIONS

CONTINUATION REVIEW OF CERTAIN FUNDS, PROGRAMS, AND DIVISIONS

SECTION 6.7. Amendment #1 adds the Forest Development Fund to the list of programs and funds that the legislative appropriations committees have selected for agency (here, the Department of Environment and Natural Resources) continuation review and report to the Fiscal Research Division.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

DHHS BLOCK GRANTS

SECTION 10.17. Amendment #1 decreases the amount appropriated to the Office of Secretary/DIRM for NC FAST implementation from \$1.8 million to \$1.3 million. Also increases the amount appropriated to the Subsidized Child Care Program from \$60,587,077 to \$61,087,077. Decreases the Social Service Block Grant total from \$66,724,428 to \$66,447,353.

MENTAL HEALTH CHANGES

SECTION 10.15. Amendment #5 adds a requirement that the IOM (North Carolina Institute of Medicine) report its findings and recommendations to specified legislative appropriations subcommittees, the Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services on or before March 1, 2009.

PART XIV. JUDICIAL DEPARTMENT

RESTORE FUNDING FOR CONFERENCE OF CLERKS OF SUPERIOR COURT AND CONFERENCE OF DISTRICT ATTORNEYS

SECTION 14.10. Amendment #11 creates a new section, 14.10, to restore funding and positions to the Conference of Clerks of the Superior Court and the Conference of District Attorneys by using \$121,402 and \$58,598, respectively, from the recurring funds appropriated for 2008-09 to the Judicial Department to provide training to judges, prosecutors, clerks of superior court, and magistrates.

Reduces funds appropriated to the Department of Correction for 2008-09 for contractual support positions for construction projects by \$342,691 in recurring funds and then distributes these funds instead to the Judicial Department to restore funding and positions to the Conference of District Attorneys.

Provides funding for telephone equipment by using \$70,000 from the nonrecurring funds appropriated for 2008-09 to the Judicial Department to provide training to judges, prosecutors, clerks of superior court, and magistrates.

PART XIXA. CULTURAL RESOURCES

SECTION 19A.1. Amendment #1 makes a technical change.

Amendment #9 clarifies that the Bentonville Battlefield Fund is a non-reverting special fund. Removes the allocation of funds to the Bentonville Battlefield Historical Association, which leaves the funds in control of the Department of Cultural Resources, Division of State Historic Sites, for operation, development, and maintenance of the Bentonville Battlefield State Historic Site.

PART XXV. DEPARTMENT OF TRANSPORTATION
REALIGN THE CONTINUATION AND CERTIFIED BUDGETS OF EACH DIVISION WITHIN THE
DEPARTMENT

SECTION 25.4. Amendment #1 makes technical section numbering changes.

CLOSURE OF EXITS ON INTERSTATE HIGHWAYS

SECTION 25.10. Amendment #7 creates a new section, 25.10, to prohibit the Department of Transportation (DOT) from expending funds, through July 1, 2009, to implement a permanent closure of an existing exit on an interstate highway, unless it is an exit created temporarily for the length of the construction project. Directs DOT to apply for a federal waiver if any exits, except for those created for temporary construction projects, are scheduled for permanent closure before July 1, 2009, in order to keep exits open to traffic.

PART XXVI. SALARIES AND BENEFITS

LOTTERY COMMISSION SALARY INCREASES

SECTION 26.12A. Amendment #10 creates a new section 26.12A to enact a new GS 18C-120.1, which prohibits the Director or any employee of the Lottery Commission from receiving a salary increase during any fiscal year that is greater than the across-the-board increase granted to all state employees by the General Assembly, except for promotions and reallocations approved by the State Personnel Commission.

PART XXVII. CAPITAL APPROPRIATIONS

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 27.1. Amendment #3 decreases the funds, by \$900,000, appropriated from the General Fund for 2008-09 to the North Carolina Agricultural and Technical State University for horse barns. Adds, under capital improvements for the Department of Agriculture and Consumer Services, an appropriation of \$900,000 to the Governor James B. Hunt Horse Complex–Horse Barn.

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 27.2. Amendment #1 makes technical section numbering changes.

PART XXVIII. TAX LAW CHANGES

IRC UPDATE

SECTION 28.1. Amendment #1 changes the effective date for the provisions of the act that relate to any amendments to the Internal Revenue Code and its impact on an increase in North Carolina taxable income for 2007, to when the act becomes law (was, effective for taxable years beginning on or after January 1, 2008).

EXTEND SUNSET FOR STATE PORTS TAX CREDIT

SECTION 28.5. Amendment #6 reorganizes and adds amendments to GS 105-130.41(c1) and GS 105-151.22(c1) requiring additional information on the amount of charges attributable to imports and exports to be included in the report published annually by the Department of Revenue.

PART XXX. MISCELLANEOUS PROVISIONS

COMMITTEE REPORT

SECTION 30.2. Amendment #1 makes a technical change.

June 5, 2008

H 2436. MODIFY APPROPRIATIONS ACT OF 2007. Filed 5/21/08. House amendments make the following changes to 3rd edition.

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Amendment #15 reduces the appropriation from the General Fund to the Department of Correction by \$100,000. Increases the appropriation to the Department of Crime Control and Public Safety by \$10,000 and decreases the scheduled reduction of \$3,420,656 in appropriated funds from the Judicial Department by \$90,000, in accordance with the adjustments in available funds made in PART XIV. SECTION 14.11 (ESTABLISH DOMESTIC VIOLENCE RESERVE).

Amendment #23 decreases the appropriation from the General Fund to the Judicial Department-Indigent Defense by \$2,570,057. Decreases the scheduled reduction of \$3,420,656 in appropriated funds from the Judicial Department by \$2,570,057 in accordance with the adjustments in available funds made in PART XIV. SECTION 14.10 (REPEAL THE REQUIREMENT THAT COUNTIES PROVIDE TELEPHONE EQUIPMENT AND INFRASTRUCTURE FOR COURT FACILITIES).

PART VII. PUBLIC SCHOOLS

TRANSFER FUNDS FOR AGRICULTURAL EDUCATION PROGRAMS

SECTION 7.19. Amendment #19 creates a new section 7.19 to direct the Agricultural Education Program (Program) in the Department of Agricultural and Extension Education at NC State University to develop secondary agricultural curricula. Requires the Program to make recommendations to the State Board of Education, which will adopt the curricula, with the Future Farmers of America (FFA) and the Supervised Agricultural Experience learning program as part of the core content, for inclusion in the Standard Course of Study. Effective with the 2008 federal grant, requires transfer by the State Board of Education of a prorated share of funds from all state-level available federal Career and Technical Education funds to the Agricultural Education Program and FFA Program. The funds must be used for development and operation of the secondary program and the FFA and the Supervised Agricultural Experience learning program. Requires the transfer to be a percentage based on the grades 9-12 duplicated agricultural education enrolled as compared to the total career and technical education grades 9-12 duplicated enrollment.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

MENTAL HEALTH COMMUNITY SERVICES APPEALS/PROVIDER ACCREDITATION/DEPARTMENTAL STUDY

SECTION 10.15A. Amendment #17 creates a new section 10.15A to establish a study by the Department of Health and Human Services (DHHS), on the feasibility of requiring providers of community support services to be accredited by an entity, approved by the Secretary, which accredits mental health, developmental disabilities, and substance abuse services. Requires DHHS to report on its findings to specified legislative appropriations subcommittees, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division by March 1, 2009.

Establishes a study by DHHS on the feasibility of expediting appeals by Medicaid recipients and providers by conducting appeals exclusively within DHHS through an independent departmental hearing officer. Requires that priority be given to pending appeals. Requires a report by DHHS on its findings to specified legislative appropriations subcommittees, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division by March 1, 2009.

PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

INACTIVE HAZARDOUS WASTE SITES REPORT REQUIREMENT

SECTION 12.1A. Amendment #20 creates a new section 12.1A to amend GS 130A-310.2 by reorganizing and adding a new subsection to require a report by the Department of Environment and Natural Resources, by January 1 of each year, to each member of the General Assembly on who has an inactive hazardous substance or waste disposal site in the member's district. Sets forth the necessary content to be included in the reports to indicate the current status of sites. Requires the initial report to be submitted by January 1, 2009. Makes technical changes.

PART XIV. JUDICIAL DEPARTMENT

REPEAL THE REQUIREMENT THAT COUNTIES PROVIDE TELEPHONE EQUIPMENT AND INFRASTRUCTURE FOR COURT FACILITIES

SECTION 14.10. Amendment #23 creates a new section 14.10 to repeal section 14.16 of SL 2007-323 (related to requiring counties to provide telephone systems in county court buildings), effective June 30, 2008. Provides that there will be no reduction in the Judicial Department budget for telephone services. Reduces the appropriation for 2008-09 to the Judicial Department for telephone equipment by \$88,192 in recurring funds and \$625,084 in non-recurring funds.

Reduces the appropriation for 2008-09 to the Office of Indigent Defense Services to establish additional public defender offices and for private-assigned counsel payments by \$1,570,057 in recurring funds and \$1 million in non-recurring funds. Appropriates \$2,570,057 from those reductions to the Judicial Department for 2008-09 to provide funding for telephone equipment and services. Makes conforming adjustments to funds in PART II. SECTION 2.1.

Directs the Administrative Office of the Courts (AOC), in consultation with the North Carolina Association of County Commissioners, to study alternative sources of paying for the cost of telephone services in county courthouses other than from the General Fund. Requires the AOC to submit a written report to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by March 1, 2009.

ESTABLISH DOMESTIC VIOLENCE RESERVE

SECTION 14.11. Amendment #15 creates a new section 14.11 to reduce the funds appropriated to the Judicial Department for a domestic violence reserve by \$10,000 and transfers those nonrecurring funds for 2008-09 to the Department of Crime and Control and Public Safety for a reserve for Sheriff's department grants. Reduces funds appropriated to the Department of Correction for 2008-09 for contractual support positions for construction projects by \$100,000 in recurring funds and transfers those funds to the Judicial Department for 2008-09 to establish a reserve contingent upon the passage of H 44 (DV Orders/Repeat Violaters). Makes conforming adjustments in funds to PART II. SECTION 2.1.

PART XVII. DEPARTMENT OF CORRECTION

INMATE DRUG AND ALCOHOL TREATMENT

SECTION 17.5. Amendment #21 creates a new section 17.5 to apply \$239,805 of the funds appropriated to the Department of Correction for contractual support positions for construction projects to be used instead to increase the capacity for intensive treatment for chemically dependent male inmates.

June 17, 2008

indicating the amount of the grant that the program will receive due to the revised formula.

Enacts a new GS 143B-273.15A to allow DOC to reallocate unspent or unclaimed funds distributed to counties participating in the State-County Criminal Justice Partnership Program to maintain the level of services realized in previous years. Provides that a program may apply for a grant from reallocated funds at least semi-annually beginning July 1 of each year.

PART XXV. DEPARTMENT OF TRANSPORTATION

REALIGN THE CONTINUATION AND CERTIFIED BUDGETS OF EACH DIVISION WITHIN THE DEPARTMENT

SECTION 25.4. Adds that the Department of Transportation is not authorized or required to spend funds to reprogram or upgrade existing accounting software. Requires reports on the plan for cash expenditures by certified budget codes. Changes the latest date the Department may report on the 2008-09 cash expenditure plan from August 1, 2008, to September 30, 2008.

PART XXVII. CAPITAL APPROPRIATIONS

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 27.1. Adds an appropriation of \$1 million to the UNC Board of Governors for Upper Coastal Plain Higher Education Center Planning. Reduces the appropriation to UNC-Chapel Hill for Biomedical Research Imaging Center Planning by \$1 million.

BIOMEDICAL RESEARCH IMAGING CENTER

SECTION 27.7B. Revises proposed new GS 116-29.5 by increasing the amount of funds appropriated to the UNC Board of Governors for the planning and construction of the Biomedical Research Imaging Center for 2009-10 from \$175 million to \$176 million.

June 18, 2008

H 2436. MODIFY APPROPRIATIONS ACT OF 2007. Filed 5/21/08. Senate amendments make the following changes to 6th edition.

PART VII. PUBLIC SCHOOLS

MORE AT FOUR PROGRAM

SECTION 7.17. Amendment #5 amends section 7.24(a)(11) of SL 2007-323 to require a yearly review of the More at Four program. Directs the Department of Public Instruction to contract with an independent research organization to produce an annual report to include longitudinal review of the program and academic, behavioral, and other child-specific outcomes. Specifies the criteria to be included in the review. Requires the review be presented to the Joint Legislative Oversight Committee on Education by January 31 of every year.

PART IX. UNIVERSITIES

AGRICULTURE RESEARCH STATIONS

SECTION 9.13. Amendment #4 directs the Commissioner of Agriculture and the deans of the NC State College of Agriculture and Life Sciences and the School of Agriculture and Environmental Sciences at NC Agricultural and Technical State University to *study* and develop a plan for the management of *both* (1) agricultural research stations jointly managed by the Department of Agriculture and Consumer Services and NC State and (2) the university research farm managed by NC Agricultural and Technical State University (was, agricultural research stations specified by a May 8, 2008, General Assembly report). Requires that the plan identify ways to improve efficiency and effectiveness of the research stations and university research farm. Changes the latest date the plan may be submitted to the legislative committees and subcommittees from October 1, 2008, to May 1, 2009.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CHOICE PENDING FEDERAL ACTION

SECTION 10.14. Amendment #1 makes clarifying changes by *requiring* the Department of Health and Human Services (DHHS) to begin enrolling new enrollees in the NC Health Choice program on April 1, 2009, if the *federal government* reauthorizes or provides additional federal funding. Adds that if the federal government reauthorizes the program or provides federal funding before April 1, 2009, DHHS must begin enrolling new enrollees using available existing funds.

PART XIII. DEPARTMENT OF COMMERCE

FUNDS FOR ONE NORTH CAROLINA SMALL BUSINESS AND FOR THE GREEN BUSINESS FUND

SECTION 13.14. Amendment #2 creates a new section 13.14 to appropriate \$3,410,500 in nonrecurring expansion budget funds to the Department of Commerce for the One North Carolina Small Business Fund.

Appropriates \$1 million in nonrecurring expansion budgets funds to the Department of Commerce for the Green Business Fund.

July 3, 2008

H 2436. MODIFY APPROPRIATIONS ACT OF 2007. Filed 5/21/08. Conference report recommending changes to 7th edition to reconcile matters in controversy will be published in Monday's *Daily Bulletin*.

July 7, 2008

H 2436. MODIFY APPROPRIATIONS ACT OF 2007. Filed 5/21/08. Conference report recommends the following changes to 7th edition to reconcile matters in controversy.

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1 Adopts compromise provision to make the following appropriations from the General Fund for the biennium ending June 30, 2009.

Current Operations – General Fund

FY 2008-2009

EDUCATION

Community Colleges System Office	\$	33,639,698
Department of Public Instruction		93,731,253
University of North Carolina – Board of Governors		
Appalachian State University		(175,179)
East Carolina University		
Academic Affairs		1,665,101
Health Affairs		0
Elizabeth City State University		0
Fayetteville State University		(250,409)
NC Agricultural and Technical University		(476,363)
North Carolina Central University		0
North Carolina School of the Arts		0
North Carolina State University		
Academic Affairs		(622,928)
Agricultural Extension		0
Agricultural Research		0
University of North Carolina at Asheville		(26,836)
University of North Carolina at Chapel Hill		
Academic Affairs		(589,752)
Health Affairs		(736,357)
Area Health Education Centers		0
University of North Carolina at Charlotte		(756,504)
University of North Carolina at Greensboro		0
University of North Carolina at Pembroke		(59,019)
University of North Carolina at Wilmington		(752,940)
Western Carolina University		(159,665)
Winston-Salem State University		0
General Administration		0
University Institutional Programs		74,741,366
Related Educational Programs		(44,990,000)

North Carolina School of Science and Mathematics	0
UNC Hospitals at Chapel Hill	0
Total University of North Carolina-Board of Governors	\$ 26,810,515

HEALTH AND HUMAN SERVICES

Department of Health and Human Services	
Division of Central Management and Support	\$ (9,809,966)
Division of Aging and Adult Services	2,500,000
Division of Blind Services/Deaf/Hard of Hearing	75,000
Division of Child Development	(6,102,422)
Office of Education Services	698,940
Division of Health Service Regulation	822,028
Division of Medical Assistance	(210,822,007)
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	21,347,833
NC Health Choice	10,056,864
Division of Public Health	6,805,537
Division of Social Services	1,144,782
Division of Vocation Rehabilitation	(2,000,000)
Total Health and Human Services	\$ (185,283,411)

NATURAL AND ECONOMIC RESOURCES

Department of Agriculture and Consumer Services	\$ 4,960,589
Department of Commerce	
Commerce	7,974,970
Commerce State-Aid	12,901,578
NC Biotechnology Center	3,844,166
Rural Economic Development Center	53,756,974
Department of Environment and Natural Resources	
Environment and Natural Resources	12,273,734
Clean Water Management Trust Fund	0
Department of Labor	901,392

JUSTICE AND PUBLIC SAFETY

Department of Correction	\$ 289,817
Department of Crime Control and Public Safety	2,580,175
Judicial Department	(1,558,255)
Judicial Department – Indigent Defense	(435,057)
Department of Justice	(426,758)
Department of Juvenile Justice and Delinquency Prevention	20,194,280

GENERAL GOVERNMENT

Department of Administration	\$ 1,277,048
Office of Administrative Hearings	313,544
Department of State Auditor	(283,938)
Office of State Controller	(110,940)
Department of Cultural Resources	
Cultural Resources	3,785,367
Roanoke Island Commission	(15,000)
State Board of Elections	582,934
General Assembly	(881,000)
Office of the Governor	
Office of the Governor	(84,205)
Office of State Budget and Management	15,242
OSBM – Reserve for Special Appropriations	16,950,000
Housing Finance Agency	12,000,000

Department of Insurance	
Insurance	633,492
Insurance – Volunteer Safety Workers' Compensation	(1,150,000)
Office of Lieutenant Governor	0
Department of Revenue	(1,415,864)
Department of Secretary of State	135,771
Department of State Treasurer	
State Treasurer	763,829
State Treasurer – Retirement for Fire and Rescue Squad Workers	1,027,851

TRANSPORTATION

Department of Transportation	0
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RESERVES, ADJUSTMENTS, AND DEBT SERVICE

Compensation Increases	\$ 368,844,588
Salary Adjustment Fund 2007-2009 Biennium	0
Teachers' and State Employees' Retirement System Contributions	30,237,400
Hospitalization Reserve	(5,000,000)
Reserve for Eliminated Positions	0
Grant to Counties for Teachers' Personal Leave Day	5,000,000
Contingency and Emergency Fund	0
Information Technology Fund	0
Job Development Investment Grants Reserve	15,000,000
North Carolina Master Address Dataset	1,000,000
Criminal Justice Data Integration Pilot	5,000,000
Pending Gang Prevention Legislation (HB 274)	10,000,000
Task Force on Preventing Pesticide Exposure	357,055
Debt Service	
General Debt Service	(17,500,000)
Federal Reimbursement	0

TOTAL CURRENT OPERATIONS – GENERAL FUND **\$ 532,638,834**

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2. Adopts compromise provision to provide the General Fund availability for 2008-2009 as follows:

	FY 2008-2009
Unappropriated Balance from FY 2007-2008, SL 2007-323	\$ 270,504,098
Net Adjustments – S.L. 2007-540	(1,000,000)
Adjustment from Estimated to Actual 2007-2008	
Beginning Unreserved Balance	47,867,864
Projected Reversions from FY 2007-2008	170,000,000
Projected Overcollections from FY 2007-2008	88,700,000
Less: Credit to Repairs and Renovations Reserve Account	69,839,238
Beginning Unreserved Credit Balance	\$ 506,232,724
Revenues Based on Existing Tax Structure	\$ 19,903,800,000
Nontax Revenues	
Investment Income	\$ 247,300,000
Judicial Fees	204,800,000
Disproportionate Share	100,000,000
Insurance	62,900,000
Other Nontax Revenues	160,600,000
Highway Trust Fund Transfer	172,500,000

Highway Fund Transfer	17,600,000
Subtotal Nontax Revenues	\$ 965,700,000
Total General Fund Availability	\$ 21,375,732,724

Adjustments to Availability: 2008 Session

Adjustments for Economic Uncertainty	\$ (45,000,000)
Extend Sunset for State Ports Tax Credit	(1,000,000)
Extend Credit for Research & Development	(1,000,000)
Modify Estate Tax Law	(2,000,000)
Exempt Disaster Assistance Debit Sales	(500,000)
Sales Tax Holiday for Certain Energy Star Rated Appliances	(1,400,000)
Extend Sunset for Small Business Employee Health Benefits Tax Credit	(8,500,000)
State Sales Tax Exemption for Baked Goods Sold By Artisan Bakeries	(1,600,000)
Small Business Protection Act	(2,200,000)
Excise Tax on Machinery Refurbishers	(300,000)
Expand Film Industry Credit and Extend Sunset	(100,000)
Expand Renewable Energy Tax Credit	(100,000)
Reserve for Tax Relief	(700,000)
Health Care Facility Construction Project Fee	
Service Regulation Fee Increase	822,028
Adjust Fee Receipts for Asbestos Hazard Management Program	71,615
Adjust Securities Filing Fee	1,993,500
Reduce Transfer to Highway Trust Fund	(25,000,000)
Transfer from Disaster Relief Reserve (Western NC Disasters)	26,000,000
Transfer from NC Rx Unexpended Balance	3,500,000
Transfer from Tobacco Trust Fund	5,000,000
Transfer from Health & Wellness Trust Fund	5,000,000
Transfer from Coaching Scholarship Fund	267,000
Transfer from Principal Fellows Trust Fund	1,000,000
Transfer from NC Community College System Computer Information System (CIS) Unexpended Balance	4,500,000
Transfer from Focused Industrial Training Unexpended Balance	783,246
Transfer from Disproportionate Share Receipt Reserve	19,300,000
Adjust Transfer from Insurance Regulatory Fund	633,492
Adjust Transfer from Treasurer's Office	763,829

Subtotal Adjustments to Availability: 2008 Session **\$ (19,765,290)**

Revised General Fund Availability for the 2008-2009 Fiscal Year **\$ 21,355,967,434**

Less: Total General Fund Appropriations for the 2008-2009 Fiscal Year **\$ (21,355,967,434)**

Unappropriated Balance Remaining **0**

SECTION 2.2.(b) Adopts compromise provision requiring \$69,839,238 to be transferred to the Repairs and Renovations Reserve Account.

SECTION 2.2.(c) No change—adopts identical House and Senate provisions.

SECTION 2.2.(c1) Adopts compromise provision prohibiting the State Controller from transferring any funds from the unreserved fund balance to the Savings Reserve Account on June 30, 2008.

SECTION 2.2.(d) No change—adopts identical House and Senate provisions.

SECTION 2.2.(e) Adopts identical House and Senate provisions, except, requires that the funds to be transferred on or after April 30, 2009.

SECTION 2.2.(f) No change—adopts identical House and Senate provisions.

SECTION 2.2.(g) Adopts identical House and Senate provisions, except increases the amount that the State Controller must transfer from the Disaster Reserve Fund to support General Fund appropriations from \$21 million to \$26 million.

SECTION 2.2.(h) No change—adopts identical House and Senate provisions.

SECTION 2.2.(i) Adopts House provision (4th edition).

SECTION 2.2.(j) Deletes Senate provision.

PART III. CURRENT OPERATIONS/HIGHWAY FUND

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

SECTION 3.1. Adopts Senate provision (7th edition).

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. No change—adopts identical House and Senate provisions.

PART IV HIGHWAY TRUST FUND APPROPRIATIONS

HIGHWAY TRUST FUND

SECTION 4.1. No change—adopts identical House and Senate provisions.

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. No change—adopts identical House and Senate provisions.

PART V. OTHER AVAILABILITY AND APPROPRIATIONS

CIVIL PENALTIES AND FORFEITURES/FUND AVAILABILITY AND APPROPRIATION

SECTION 5.1.(a) Adopts identical House and Senate provisions, except increases the estimated collection of fines and forfeitures for 2008-09 for the Department of Revenue from \$85,200,000, to \$90,738,000, and makes a conforming change to the total amount of funds available.

SECTION 5.1.(b) Adopts identical House and Senate provisions, except increase the amount appropriated from the Civil Penalty and Forfeiture Fund to the State Public School Fund from \$108,500,000 to \$114,038,000 and makes a conforming change to the total appropriation amount.

EDUCATION LOTTERY

SECTION 5.2.(a) No change—adopts identical House and Senate provisions.

SECTION 5.2.(a1) Adopts new provision providing that if the actual net lottery reserves for 2007-08 exceed the amount appropriated, the excess net revenue is also transferred from the State Lottery Fund to support appropriations made in this act for 2008-09.

SECTION 5.2.(b) Adopts Senate provision (7th edition).

SECTION 5.2.(c) Adopts Senate provision (7th edition).

SECTION 5.2.(d) Adopts new provision providing that the excess revenues for 2007-08 that are transferred from the State Lottery Fund under (a1) are appropriated from the Education Lottery Fund for 2008-09 for the Public School Building Capital Fund.

INFORMATION TECHNOLOGY FUND AVAILABILITY AND APPROPRIATION

SECTION 5.3. Adopts Senate provision (7th edition).

PART VI. GENERAL PROVISIONS

APPROPRIATION OF CASH BALANCES

SECTION 6.1. Adopts House provision (4th edition), except makes a technical change.

EXPENDITURES OF FUNDS IN RESERVES LIMITED

SECTION 6.2. No change—adopts identical House and Senate provisions.

BUDGET CODE CONSOLIDATIONS

SECTION 6.3. No change—adopts identical House and Senate provisions.

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

SECTION 6.4. No change—adopts identical House and Senate provisions.

AUTHORIZATION TO ESTABLISH RECEIPT-SUPPORTED POSITIONS

SECTION 6.6. No change—adopts identical House and Senate provisions.

CONTINUATION REVIEW OF CERTAIN FUNDS, PROGRAMS, AND DIVISIONS

SECTION 6.7. Adopts compromise provision by adding the Forest Development Fund – Department of Environment and Natural Resources and the Purchase of Medical Care Services Program – Department of Health and Human Services to the list of agencies required to submit continuation review reports to the Fiscal Research Division. Makes a technical change.

STATE SUPPORT OF OUR MILITARY PERSONNEL

SECTION 6.8. Adopts compromise provision by adding *Land Buffers and* Latrines for Camp Butner, Property Tax Homestead Exemption for Disabled Veterans, and Museum of the Marine to the list of initiatives receiving funding from the General Assembly and by also deleting National Guard Family Assistance Centers from that list. Removes reference to the more than 18,000 Army Reserve and National Guard personnel in North Carolina.

FEDERAL AND OTHER RECEIPTS FROM PENDING GRANT AWARDS

SECTION 6.9. No change—adopts identical House and Senate provisions.

STATE HOUSING SUPPORT

SECTION 6.9A. Adopts Senate provision (7th edition).

IMPROVE DISASTER RECOVERY AND BUSINESS CONTINUITY

SECTION 6.10. No change—adopts identical House and Senate provisions.

MULTIYEAR CONTRACTS FOR INFORMATION TECHNOLOGY

SECTION 6.11. Adopts Senate provision (7th edition).

DOCUMENT MANAGEMENT/ DIGITAL SIGNATURE PILOT

SECTION 6.12. Adopts House provision (4th edition).

STATE GEOGRAPHIC INFORMATION/CONSOLIDATION IMPLEMENTATION

SECTION 6.13. No change—adopts identical House and Senate provisions.

SINGLE ELECTRONIC MAIL SYSTEM

SECTION 6.14. Adopts compromise provision that is substantially similar to the House provision (4th edition), except maintains a deletion made in the Senate provision (7th edition) removing the requirement that the plan on transition to a single statewide electronic mail system be presented to the State Chief Information Officer.

CRIMINAL JUSTICE DATA INTEGRATION PILOT PROGRAM

SECTION 6.15. Adopts Senate provision (7th edition), except requires that the Criminal Justice Data Integration pilot program vendor be selected by October 1, 2008. Removes the requirement that the BEACON Project use the state's software enterprising licensing agreements to establish a foundation for data warehousing and business analytics to implement the pilot program. Deletes the exemption from the provisions of GS Chapter 143, Article 3 (purchases and contracts) and Article 3A (state surplus property agency) in developing the pilot program. Makes technical and clarifying changes.

BEACON DATA INTEGRATION

SECTION 6.16. Adopts Senate provision (7th edition).

PART VII. PUBLIC SCHOOLS

CHILDREN WITH DISABILITIES

SECTION 7.1 No change—adopts identical House and Senate provisions.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 7.2. No change—adopts identical House and Senate provisions.

FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION

SECTION 7.3. Adopts identical House and Senate provisions, except directs the State Board of Education (SBE) to limit the amount spent on this program to \$94,325,612, the average amount spent on the ABCs bonus funding over the last 11 years.

NORTH CAROLINA VIRTUAL PUBLIC SCHOOL

SECTION 7.4. Adopts Senate provision (7th edition).

LEARN AND EARN ONLINE CARRYFORWARD

SECTION 7.5. No change—adopts identical House and Senate provisions.

SCHOOL CONNECTIVITY INITIATIVE

SECTION 7.6. Adopts compromise provision similar to House provision (4th edition), except deletes proposed amendment to SL 2007-323, Section 7.28(c) requiring that the expenditure of existing funds for instructional technology and local infrastructure be reported annually.

ALLOTMENT FOR MENTORING SERVICES

SECTION 7.8. No change—adopts identical House and Senate provisions.

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING

SECTION 7.9. Adopts House provision (4th edition).

MODIFY LOW-WEALTH SCHOOL FUNDING FORMULA

SECTION 7.10. No change—adopts identical House and Senate provisions.

ADDITIONAL LOTTERY FUNDS FOR SCHOOL BLDGS

SECTION 7.11 Adopts House provision (4th edition), except directs that \$1.4 million of the money allocated to the Public School Building Fund (Fund) be allocated as prescribed in GS 115C-546.2(d) (regarding the allocation of monies transferred from the Education Lottery Reserve to the Fund under GS Chapter 18C for school construction projects). Provides that the remainder of the allocation to the Fund be allocated on the basis of average daily membership (ADM) to local school administrative units (local units) that did not qualify for funding for the 2008-09 fiscal year under GS 115C-546.2(d)(2) (provides for the transfer of the net Fund revenues to local units for capital expenditures, allocating 35% of net Fund revenues based on the effective county tax rate and 65% based on ADM).

STUDY OF STUDENTS WITH DISABILITIES

SECTION 7.12. No change—adopts identical House and Senate provisions.

FOCUSED ED. REFORM PROG. FUNDS DO NOT REVERT

SECTION 7.13. No change—adopts identical House and Senate provisions.

REESTABLISH COMMITTEE ON DROPOUT PREVENTION

SECTION 7.14. Adopts compromise provision similar to Senate provision (7th edition), except reinstates provision from the 4th edition providing that among the criteria to be considered for awarding dropout prevention grants is placing greater weight on the demonstrated need for a grant, level of collaboration, ability to increase parental involvement and other listed factors than to the quality of the written grant. Specifies that the required reports from dropout grant recipients include a statement that the recipients used grant funds for the purposes appropriated by the General Assembly and complied with applicable laws, regulations, and terms and conditions of the grant documents. Directs that \$5.5 million of the funds appropriated for the 2008-09 fiscal year for the Committee on Dropout Prevention be used to award grants to applicants that did not previously receive funding under SL 2007-323. Directs that the remaining funds be used to award (1) new grants and (2) grants to previous grant recipients. Makes conforming changes by re-numbering the section.

DROPOUT PREVENTION TECHNICAL CORRECTION

SECTION 7.14A. No change—adopts identical House and Senate provisions.

USE OF LEARN AND EARN ONLINE FOR HYBRID COURSES

SECTION 7.15. No change—adopts identical House and Senate provisions (7th edition).

COMPREHENSIVE SUPPORT FOR SCHOOL SYSTEMS AND SCHOOLS

SECTION 7.16. No change—adopts identical House and Senate provisions.

MORE AT FOUR PROGRAM

SECTION 7.17. Adopts Senate provision (7th edition), except amends proposed changes to SL 2007-323, Section 7.24.(a)(11) to delete the restrictions prohibiting the Department of Public Instruction from contracting with a state funded or state affiliated agency or office to research and prepare an annual report on the More-at-Four program.

PLANT OPERATION FUNDING

SECTION 7.18. No change—adopts identical House and Senate provisions.

REPORT ON THE USE OF FUNDS FOR AGRICULTURAL EDUCATION PROGRAMS

SECTION 7.19. Adopts House provision (4th edition) except removes proposed language and only directs the SBE to report, prior to the convening of the 2009 General Assembly, to the Joint Legislative Education Oversight Committee on its use of federal funds that support career and technical education.

ALLOTMENTS OF TEACHERS FOR SMALL SCHOOLS

SECTION 7.20. Adopts Senate provision (7th edition).

MATH AND SCIENCE TEACHERS PILOT PROGRAM MODIFIED

SECTION 7.21. Adopts Senate provision (7th edition).

INCREASES IN STUDENT POPULATION DUE TO BRAC ACTIVITY

SECTION 7.23. Adopts Senate provision (7th edition), except modifies the criteria for allocation of additional teachers due to Base Realignment and Closure (BRAC) to require SBE to allot additional teachers to the unit based on the greater of (1) the local school unit's first month average daily membership (ADM) or (2) 50% (was, 75%) of the projected ADM increase resulting from BRAC activity that is in excess of the increase anticipated in the ADM as allotted.

REPORT ON USE OF TEACHER ACADEMY FUNDS

SECTION 7.24. Adopts new provision directing the North Carolina Teacher Academy to report, by March 15, 2009, to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management, on the use of funds for literacy coach training. Requires the report to include (1) actual line item expenditures for the 2007-08 fiscal year and for the first two quarters of the 2008-09 fiscal year, (2) the total budgeted requirements by line item for both fiscal years, and (3) the activities supported by the funds.

CHILD NUTRITION

SECTION 7.25. Current law directs that the nutrition standards described in GS 115C-264.3 and adopted by the SBE be implemented initially in elementary schools. Adopts new provision amending GS 115C-264.3 to require that all elementary schools achieve a basic level of implementation of the SBE nutrition standards by the end of 2009-10 (was, 2008-09) school year. Encourages all local school administrative units to take steps to implement the nutrition program standards to the extent possible within existing funding by the end of the 2008-09 school year.

PART VIII. COMMUNITY COLLEGES

REORGANIZATION OF THE NORTH CAROLINA COMMUNITY COLLEGES SYSTEM OFFICE

SECTION 8.1.(a) No change—adopts identical House and Senate provisions.

USE OF FUNDS FOR THE COLLEGE INFORMATION SYSTEM

SECTION 8.2.(a) No change—adopts identical House and Senate provisions.

REPORT ON EFFECT OF ADDITIONAL ALLIED HEALTH FUNDING

SECTION 8.3. No change—adopts identical House and Senate provisions.

REPORT ON COST OF ALL PROGRAMS

SECTION 8.4. No change—adopts identical House and Senate provisions.

MINORITY MALE MENTORING PROGRAM FUNDS

SECTION 8.5. No change—adopts House provision (4th edition).

LEARN AND EARN ONLINE FUNDS

SECTION 8.6. No change—adopts identical House and Senate provisions.

CONSOLIDATE WORKFORCE DEVELOPMENT PROGRAMS

SECTION 8.7. No change—adopts identical House and Senate provisions.

BASIC SKILLS BLOCK GRANT

SECTION 8.8. No change—adopts identical House and Senate provisions.

TRANSFERS OF CASH BALANCES TO THE GENERAL FUND

SECTION 8.9. No change—adopts identical House and Senate provisions.

FUNDS FOR CAMPUS SECURITY

SECTION 8.10. No change—adopts identical House and Senate provisions.

CLARIFY USE OF FEES COLLECTED FOR GED TESTING

SECTION 8.11. No change—adopts identical House and Senate provisions.

CARRYFORWARD OF NORTH CAROLINA RESEARCH CAMPUS BIOTECHNOLOGY TRAINING FUNDS

SECTION 8.12. No change—adopts identical House and Senate provisions.

USE OF BASIC SKILLS FUNDS

SECTION 8.13. No change—adopts identical House and Senate provisions.

SURRY COMMUNITY COLLEGE VITICULTURE & ENOLOGY CENTER FUNDS

SECTION 8.14. No change—adopts identical House and Senate provisions.

STUDY OF CHANGES NECESSARY TO IMPROVE FINANCIAL AID TO COMMUNITY COLLEGE STUDENTS

SECTION 8.15. No change—adopts identical House and Senate provisions.

USE OF HOSIERY CENTER FUNDS.

SECTION 8.16. No change—adopts identical House and Senate provisions.

NO FEES FOR FIRST AID COURSES TAKEN BY SCHOOL EMPLOYEES

SECTION 8.17. Adopts Senate provision (7th edition).

STUDENTS IN THE GATEWAY TO COLLEGE PROGRAM MAY ENROLL IN DEVELOPMENTAL COURSES

SECTION 8.18. Adopts Senate provision (7th edition), except enacts provisions in new subdivision (t) instead of (s).

USE OF FUNDS FOR ISOTHERMAL COMMUNITY COLLEGE

SECTION 8.19. Adopts Senate provision (7th edition).

PART IX. UNIVERSITIES

ELIMINATE COACHING SCHOLARSHIP LOAN PROGRAM/TRANSFER FUND BALANCE TO GENERAL FUND

SECTION 9.1. No change—adopts identical House and Senate provisions.

PRIVATE COLLEGE STUDENT ELIGIBILITY FOR EARN SCHOLARSHIP/USE OF ESCHEAT FUNDS FOR CERTAIN EARN SCHOLARSHIPS

SECTION 9.2.(a). Adopts House provision (4th edition).

SECTION 9.2.(b). Adopts House provision (4th edition).

SECTION 9.2.(c). Adopts identical House and Senate provisions, except provides that \$16,225,000 of the funds appropriated to the UNC Board of Governors for 2008-09 must be allocated to the Education Access Rewards North Carolina Scholars Fund and deletes the 2008-09 appropriation to the State Education Assistance Authority.

SECTION 9.2.(d). Adopts House provision (4th edition).

SECTION 9.2.(e). Adopts House provision (4th edition).

CLOSING THE ACHIEVEMENT GAP/GRANTS

SECTION 9.3.(a) Adopts Senate provision (7th edition), except makes technical changes.

SECTION 9.3.(b) No change—adopts identical House and Senate provisions.

OPTIONAL SCHOLARSHIP FOR CERTAIN GRADUATES OF THE PRINCIPAL FELLOWS PROGRAM

SECTION 9.4 No change—adopts identical House and Senate provisions.

REPORTING ON UNC FACULTY WORKLOAD

SECTION 9.6. Adopts House provision (4th edition).

UNC-NCCCS 2+2 E-LEARNING INITIATIVE

SECTION 9.7. Adopts House provision (4th edition).

UNC ENROLLMENT GROWTH REQUEST TO CONTAIN PREVIOUS ACADEMIC YEAR'S ACTUAL STUDENT CREDIT HOURS (SCH) AND FULL TIME EQUIVALENCIES (FTE)

SECTION 9.8. No change—adopts identical House and Senate provisions.

REVERT THE 2007-2008 APPROPRIATION FOR THE EDUCATION ACCESS REWARDS NORTH CAROLINA (EARN) SCHOLARS FUND

SECTION 9.9. No change—adopts identical House and Senate provisions.

HIGHER EDUCATION STUDIES/DISTANCE EDUCATION AND UNC ENROLLMENT GROWTH FUNDING FORMULAS

SECTION 9.10. No change—adopts identical House and Senate provisions.

LEGISLATIVE TUITION GRANT/REDEFINE PART-TIME STUDENT

SECTION 9.11. Adopts House provision (4th edition).

UNIVERSITY OF NORTH CAROLINA TO STUDY COASTAL SOUNDS WIND ENERGY

SECTION 9.12. Adopts Senate provision (7th edition).

AGRICULTURE RESEARCH STATIONS

SECTION 9.13. Adopts Senate provision (7th edition).

STUDY OF STRUCTURE AND ORGANIZATION OF THE DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 9.14. Rewrites Senate provision (7th edition) to provide that the Joint Legislative Program Evaluation Oversight Division of the General Assembly must include in the 2008-09 Work Plan for the Program Evaluation Division of the General Assembly a review and study of the structure and organization of the Department of Public Instruction and the State Board of Education. Provides for reporting. Senate provision had required the UNC General Administration to conduct a review of those organizations.

BIENNIAL PROJECTION OF UNC ENROLLMENT GROWTH

SECTION 9.15. Adopts Senate provision (7th edition)

NORTH CAROLINA CENTER FOR NURSING

SECTION 9.16. Deletes Senate provision.

UNIVERSITY OF NORTH CAROLINA AND DEPARTMENT OF ENVIRONMENTAL AND NATURAL RESOURCES TO STUDY PLASTICS USE

SECTION 9.17. Adopts new provision as title indicates. Requires the UNC Board of Governors and the Secretary of the Department of Environment and Natural Resources to the House Committee on Energy and Energy Efficiency and the Senate Committee on Agriculture/Environment/Natural Resources by May 1, 2009.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

NC RX FUNDS TRANSFER

SECTION 10.1. Adopts House provision (4th edition).

DHHS BUDGET FLEXIBILITY

SECTION 10.1A. Adopts Senate provision (7th edition).

DHHS RECOMMENDATIONS ON CONSOLIDATION OF CERTAIN DIVISIONS

SECTION 10.1B. Deletes Senate provision.

STATE COUNTY SPECIAL ASSISTANCE

SECTION 10.2. Adopts Senate provision (7th edition), except reduces the maximum monthly rate for residents in adult care home facilities from \$1,211 to \$1,207.

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.3. No change—adopts identical House and Senate provisions.

CHANGES TO COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.4. No change—adopts identical House and Senate provisions.

NICOTINE REPLACEMENT THERAPY PROGRAMS

SECTION 10.4B. Adopts Senate provision (7th edition), except changes requirements for supervising physician to cover physicians under contract to or employed by the Trust Fund or the Department (Senate provision had specified only those under contract with the Trust Fund or Department).

HIV PREVENTION FUNDS

SECTION 10.5. Adopts House provision (4th edition), except changes provisions regarding approved purposes of HIV Prevention funds.

CHILD CARE FUNDS MATCHING REQUIREMENT

SECTION 10.6. No change—adopts identical House and Senate provisions.

CHANGES TO FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS

SECTION 10.7. No change—adopts identical House and Senate provisions.

TICKET TO WORK IMPLEMENTATION DATE

SECTION 10.8. No change—adopts identical House and Senate provisions.

IMPLEMENTATION OF MMIS/CONTRACT PROVISION

SECTION 10.9.(a). Adopts Senate provision (7th edition), except modifies provisions regarding enhancements to the system and contracting. Adds new provision pertaining to reporting. Also requires the Department to ensure that the solution developed in the Reporting and Analytics Project supports the capability, in initial implementation, to interface with the N.C. Teachers and State Employees Health Plan. Costs for this capability must be negotiated prior to the award of the Reporting and Analytics contract. The Reporting and Analytics solution must be completed simultaneously with the replacement Medicaid Management Information System. Makes technical changes.

MEDICAID POLICY CHANGE

SECTION 10.10.(a). Adopts identical House and Senate provision.

SECTION 10.10.(b). Adds Adopts Senate provision (7th edition).

SECTION 10.10.(c). Adopts Senate provision (7th edition), except makes Section 31.16.1(c) of SL 2007-323 apply to Medicaid claims paid by the State on and after June 1, 2009.

SECTION 10.10.(d). Adopts new provision amending Section 10.36(e)(1) of SL 2007-323 pertaining to provider performance bonds and visits. Specifies when the Department may require the purchase of a performance bond or the submission of an executed letter of credit or financial instrument as a condition of initial enrollment, reenrollment, or reinstatement. Modifies the provision on waiving or limiting performance bond requirements.

SECTION 10.10.(e). Adopts new provision providing that beginning August 1, 2008, the contractor managing the State Maximum Allowable Cost (SMAC) List must provide information to the Department on the savings attributable to adding certain specialty drugs to the SMAC List. Limits the subsection from July 1 to December 31, 2008, to specialty drugs costing more than \$1,500. If savings are not being achieved by December 31, 2008, requires the Department to report that information to Governmental Operations and FRD, and allows additional drugs to be added to the list to achieve savings by June 30, 2009. Requires a report to specified legislative commissions and FRD by March 1, 2009.

DMA BUDGET FLEXIBILITY

SECTION 10.10A.(a). Adopts Senate provision (7th edition), except makes the provision apply to the Division of Medical Assistance rather than the Department.

SECTION 10.10A.(b). Adopts Senate provision (7th edition), except provides that DHHS, Division of Medical Assistance shall take steps necessary to achieve required budget reductions and that notwithstanding GS 143C-6-4(b)(3), the Department may use funds appropriated by the Division of Medical Assistance to address shortfalls in funds for direct services within the Medical Assistance Payments budget of the Division of Medical Assistance.

SECTION 10.10A.(c). Adopts new provision stating that notwithstanding GS 143C-6-4(b)(3), DHHS may use funds appropriated to the Division of Medical Assistance to address contract shortfalls within the Division of Medical Assistance budget.

SECTION 10.10A.(d). Adopts new provision requiring reporting by DHHS by March 1, 2009, on its efforts to cover the contract shortfall in the Division of Medical Assistance to specified legislative committees and FRD.

PRESCRIPTION PADS/DHHS CERTIFICATION

SECTION 10.10B. Deletes Senate provision.

CCNC CHRONIC DISEASE/MEDICAL HOME AND PATIENT MODEL PROGRAM.

SECTION 10.10C. Adopts Senate provision (7th edition).

EXPAND HEALTH CHOICE/NC KIDS' CARE

SECTION 10.12. Adopts Senate provision (7th edition), except modifies the effective date of Section 10.48 of SL 2007-323 to make it effective July 1, 2009, or upon reauthorization of SCHIP. Provides that DHHS may not apply for a State Child Health Plan amendment to implement the NC Kids' Care until the US Congress reauthorizes the State Children's Health Insurance Program with sufficient funding to support the current NC Health Choice program and provisions of the section. When the Department has determined that SCHIP has been so reauthorized, it must move forward as quickly as possible to implement NC Kids' Care.

NC HEALTH CHOICE TRANSITION

SECTION 10.13. Adopts Senate provision (7th edition), except modifies amendment to GS 108A-70.21(b) (benefits) to provide that coverage includes routine diagnostic examinations and tests, including x-rays, blood and blood pressure checks, urine tests, tuberculosis tests, and general health check-ups that are medically necessary for the maintenance and improvement of individual health. Also modifies amendment to GS 108A-70.21(e) (cost-sharing limitations) specifying that the Department must establish maximum annual cost-sharing limits per individual or family, with same cap on total annual aggregate cost-sharing with respect to all children in a family as set out in Senate provision. Rewrites section 10.13.(m) (which had required the Secretary of DHHS to develop a plan to ensure operation of the most cost-effective program), so that effective July 1, 2008, amends GS 135-37(b), as amended to provide that the section does not prevent or restrict the information that is not a public record to DHHS for the purpose of

implementing the transitioning NC Health Choice from the plan to DHHS, pertaining to release of medical information to DHHS to implement the transition to NC Choice. Makes technical changes.

HEALTH CHOICE ENROLLMENT GROWTH CAP

SECTION 10.14.(a) No change—adopts identical House and Senate provisions.

SECTION 10.14.(b) Adopts House provision (4th edition), except reduces to 6% the allowed enrollment growth (instead of 8.73% growth in 4th edition) in the NC Health Choice Program for 2008-09 over the number of children enrolled on June 30, 2008 (reverting to the percent growth authorized in 10.47 of SL 2007-323 (the 2007 Appropriations Act)). Deletes the prohibition on exceeding the allowance even if state and federal funds are available for the 2008-09 fiscal year to enroll additional children for that year.

SECTION 10.14.(c) Adopts House provision (4th edition), except requires DHHS to report to the 2009 General Assembly on the status of current expenditures and availability of state and federal funds for the 2008-09 fiscal year, as well as on the number of children enrolled in NC Health Choice and on projected enrollment and program costs.

SECTION 10.14.(d) Adopts House provision (4th edition), excepts makes conforming changes to new cap of 6% (was 8.73%).

SECTION 10.14.(e) Adopts new provision prohibiting exceeding the 6% growth limitation unless Congress has reauthorized the State Children's Health Insurance Program (SCHIP) so as to provide sufficient federal funds or has appropriated additional federal funds for the 2008-09 fiscal year. Permits exceeding the 6% growth limitation up to 8.73% if Congress reauthorizes SCHIP to provide sufficient federal funds.

MENTAL HEALTH CHANGES

SECTION 10.15. Adopts identical Senate provisions (7th edition), except:

SECTION 10.15.(g) Revises language in Senate provision (7th edition) to prohibit the Secretary of Health and Human Services from transferring patients from John Umstead Hospital or Dorothea Dix Hospital to Central Regional Hospital unless and until the Secretary provides a written report to the Governor, based on the Secretary's findings, that on the day of its opening and thereafter, Central Regional Hospital will be operated in a manner that provides a safe and secure environment for its patients and staff. On or after the date that the Secretary provides this report, the Secretary may transfer patients from John Umstead Hospital to Central Regional Hospital. Permits the Secretary to transfer patients from Dorothea Dix Hospital only if the following conditions were met: (1) the Secretary has determined that an inspection of Central Regional Hospital indicates no findings of noncompliance with conditions of participation from the Centers for Medicare and Medicaid Services (CMS) and (2) the Secretary finds that the Central Regional Hospital is in compliance with Joint Commission on the Accreditation of Healthcare Organizations (JCAHO) standards for accreditation.

SECTION 10.15.(k) Adopts compromise provision that reduces from \$10,621,644 to \$8,121,644 the allowance for the purchase of local inpatient psychiatric beds. Clarifies that references to "beds" in this section includes "beds and bed days." Directs the Department of Health and Human Services (DHHS) to report by March 1, 2009, to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division on a uniform system for beds or bed days purchased (i) with local funds, (ii) from existing state appropriations, (iii) under the Hospital Utilization Pilot, and (iv) purchased using funds appropriated under this subsection.

SECTION 10.15.(l) Adopts section 10.15(k) of the House provisions (4th edition), with the following exceptions: from funds appropriated to the DHHS Division of MH/DD/SAS, allocates \$1,876,243 (was, \$3,444,147 in the House provision) for the START crisis model for developmental disability services, to be distributed to LMEs to support six crisis teams (was nine crisis teams in the House provision).

SECTION 10.15.(m) Identical to section 10.15(l) of the Senate provisions (7th edition).

SECTION 10.15.(n) Identical to section 10.15(m) of the Senate provisions (7th edition), except adds that the funds for telepsychiatry equipment must be distributed across the state

according to need as determined by DHHS. Deletes section 10.15(n) of the Senate provisions (7th edition).

SECTION 10.15.(p) Adopts section 10.15(p) of the Senate provisions (7th edition), but increases the first tier for the CAP-MR/DD waiver program from \$15,000 to \$17,500 (was \$20,000 in the House provisions).

SECTION 10.15.(t) Adopts the Senate provisions (7th edition).

SECTION 10.15.(w) Adopts section 10.15(w) of the Senate provisions (7th edition), except requires that the Department report the failure of a licensed professional to comply with the service authorization process to the licensed professional's occupational licensing board, and deletes the provision subjecting the licensed professional to disciplinary action by the licensed professional's board if the professional fails to comply.

SECTION 10.15.(x) Adopts section 10.15(y) of the Senate provisions (7th edition), except requires that an LME (1) be accredited for national accreditation under behavioral health care standards by a national accrediting entity approved by the Secretary and (2) demonstrate readiness to meet all requirements of the existing vendor contract with DHHS for such services in order to provide service authorization, utilization review, and utilization management to Medicaid recipients in the LME catchment area. Also prohibits DHHS from contracting with an outside vendor for these services after September 30, 2009 (the deadline in the House provisions (4th edition)). Deletes section 10.15(x) of the Senate provisions (7th edition).

SECTION 10.15.(y) Identical to section 10.15(z) of the Senate provisions (7th edition).

SECTION 10.15.(z) Identical to section 10.15(aa) of the Senate provisions (7th edition).

SECTION 10.15.(aa) Identical to section 10.15(z) of the House provisions (4th edition). Deletes section 10.15(bb) of the Senate provisions (7th edition.)

SECTION 10.15.(bb) Identical to section 10.15(cc) of the Senate provisions (7th edition), which was identical to section 10.15(aa) of the House provisions (4th edition).

SECTION 10.15.(cc) Identical to section 10.15(dd) of the Senate provisions (7th edition).

SECTION 10.15.(dd) Identical to section 10.15(ee) of the Senate provisions (7th edition).

SECTION 10.15.(ee) Identical to section 10.15(ff) of the Senate provisions (7th edition).

IMPROVE AND STRENGTHEN FISCAL OVERSIGHT OF COMMUNITY SUPPORT SERVICES

SECTION 10.15A. Adopts identical Senate provisions (7th edition), except:

SECTION 10.15A.(c) Adopts identical Senate provisions (7th edition), except adds definition of "provider" as applying to only those providers of services, including facilities, requiring national accreditation, which services are designated by the Secretary pursuant to GS 112C-81(b), and makes technical and conforming changes.

SECTION 10.15A.(d) Deletes Senate provision (7th edition).

SECTION 10.15A.(e) through (e4) Adopts new provision that directs DHHS to implement on a temporary basis a community support provider appeals process for providers of community support services (1) who is aggrieved by a decision by DHHS to reduce, deny, recoup, or recover reimbursement for services or revoke a provide agreement or (2) whose endorsement has been withdrawn or application for endorsement denied by a local management entity. This new provision provides basically the same appeals process set out in Section 10.15A.(e) of the Senate provision (7th edition), except that the new provision (1) does not codify the appeals process; (2) authorizes DHHS to suspend the endorsement or Medicaid participation of a provider of community supports services pending a final agency decision based on a fair hearing of the provider's appeal under the appeals process; (3) clarifies that the process expires on June 1, 2010; and (4) requires DHHS to make three reports on the effectiveness and efficiency of the appeals process, at 6-month intervals beginning March 1, 2009, to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division.

SECTION 10.15A.(f) Adopts identical Senate provisions (7th edition), except makes technical and conforming changes.

SECTION 10.15A.(h) Adopts identical Senate provision (7th edition), except adds new subsection (g) to GS 122C-151.4 that clarifies that GS 122C-151.4 does not apply to providers of

community support services who appeal directly to DHHS under the appeals process created in Section 10.15A(e) through (e4).

SECTION 10.15A.(h1) Adopts Senate provision (7th edition) except clarifies that DHHS must ensure that Medicaid applicants who have been determined to be eligible for Medicaid are eligible to receive community support services only if the services are determined to be medically necessary.

SECTION 10.15A.(i) Adopts identical Senate provision (7th edition), except deletes from Section 10.49(ee)(6) of SL 2007-323 the language limiting providers to four hours of community support for adults and eight hours of community support for children (a deletion which renders confusing the remaining language in Section 10.49(ee)(6) of SL 2007-323, which refers to the need for “additional hours”), and clarifies that not less than 50% of community support services must be delivered by qualified professionals *after* the tiered rates required under “subsection (b) of this Section” [apparently referring to subsection (b) of Section 10.15A, and not subsection (b) of SL, 2007-323, Section 10.49, the section being amended] have been implemented.

SECTION 10.15A.(j) Adopts identical Senate provision (7th edition), except clarifies that this subsection does not apply to community support services offered under a Medicaid managed care, capitated at-risk waiver.

NON-MEDICAID REIMBURSEMENT CHANGES

SECTION 10.16. No change—adopts identical House and Senate provisions.

ADULT CARE HOME TRAINING/TECHNICAL ASSISTANCE

SECTION 10.16A. Adopts Senate provision (7th edition), except specifies that \$35,000 of the funds appropriated to DHHS for implementation of rated certificates for adult care homes must be allocated to the Division of Aging and Adult Services for the Adult Care Home Quality Improvement Consultation Program.

DHHS BLOCK GRANTS

SECTION 10.17.(a). Adopts compromise provision to appropriate amounts from federal block grant funds for the fiscal year ending June 30, 2009, as follows:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance (Cash Assistance)	\$90,857,234
02.	Work First County Block Grants	94,653,315
03.	Work First Functional Assessment	2,721,787
04.	Child Protective Services – Child Welfare Workers for Local DSS	14,452,391
05.	Work First – Boys and Girls Clubs	2,000,000
06.	Work First – After-School Services for At-Risk Children	2,049,642
07.	Work First – After-School Programs for At-Risk Youth in Middle Schools	500,000
08.	Work First – Connect, Inc.	550,000
09.	Work First – Citizens Schools Program	600,000
10.	Adoption Services – Special Children's Adoption Fund	3,000,000
11.	Family Violence Prevention	2,200,000

Division of Child Development

12.	Subsidized Child Care Program	61,087,077
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Division of Public Health

13.	Teen Pregnancy Prevention Initiatives	450,000
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DHHS Administration

14.	Division of Social Services	995,142
15.	Office of the Secretary	66,101
16.	Office of the Secretary/DIRM – TANF Automation Projects	595,541
17.	Office of the Secretary/DIRM – NC FAST Implementation	1,200,000
Transfers to Other Block Grants		
Division of Child Development		
18.	Transfer to the Child Care and Development Fund	84,330,900
Division of Social Services		
19.	Transfer to Social Services Block Grant for Department of Juvenile Justice and Delinquency Prevention – Support Our Students	2,649,642
20.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	2,738,827
21.	Transfer to Social Services Block Grant for Maternity Homes	838,000
22.	Transfer to Social Services Block Grant for Teen Pregnancy Prevention Initiatives	2,500,000
23.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,620,619
24.	Transfer to Social Services Block Grant for Foster Care Services	2,372,587
25.	Transfer to Social Services Block Grant for Medically Fragile Children	190,000
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		\$378,018,805
SOCIAL SERVICES BLOCK GRANT		
Local Program Expenditures		
Divisions of Social Services and Aging and Adult Services		
01.	County Departments of Social Services (Transfer from TANF – \$4,620,619)	\$ 28,868,189
02.	State In-Home Services Fund	2,101,113
03.	State Adult Day Care Fund	2,155,301
04.	Child Protective Services/CPS Investigative Services – Child Medical Evaluation Program	238,321
05.	Foster Care Services (Transfer from TANF)	2,372,587
06.	Child Protective Services – Child Welfare Training for Counties (Transfer from TANF)	2,738,827
07.	Maternity Homes (Transfer from TANF)	838,000
08.	Special Children Adoption Incentive Fund	500,000
Division of Aging and Adult Services		
09.	Home and Community Care Block Grant (HCCBG)	1,834,077
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
10.	Mental Health Services Program	422,003
11.	Developmental Disabilities Services Program	5,000,000
12.	Mental Health Services – Adult and Child/Developmental Disabilities Program/ Substance Abuse Services – Adult	3,234,601
Division of Child Development		

13.	Subsidized Child Care Program	3,150,000
	Division of Vocational Rehabilitation	
14.	Vocational Rehabilitation Services – Easter Seal Society/UCP	188,263
	Division of Public Health	
15.	Teen Pregnancy Prevention Initiatives (Transfer from TANF)	2,500,000
16.	Services to Medically Fragile Children	290,000
	DHHS Program Expenditures	
	Division of Aging and Adult Services	
17.	UNC-CARES Training Contract	247,920
	Division of Services for the Blind	
18.	Independent Living Program	3,633,077
	Division of Facility Services	
19.	Adult Care Licensure Program	411,897
20.	Mental Health Licensure and Certification Program	205,668
	DHHS Administration	
21.	Division of Aging and Adult Services	675,593
22.	Division of Social Services	869,058
23.	Office of the Secretary/Controller's Office	135,093
24.	Office of the Secretary/DIRM	82,009
25.	Division of Child Development	15,000
26.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	28,860
27.	Division of Facility Services	216,418
28.	Office of the Secretary – NC Inter-Agency Council For Coordinating Homeless Programs	250,000
29.	Office of the Secretary – Housing Coalition	100,000
30.	Office of the Secretary	46,819
	Transfers to Other State Agencies	
	Department of Administration	
31.	NC Commission of Indian Affairs In-Home Services for the Elderly	203,198
	Department of Juvenile Justice and Delinquency Prevention	
32.	Support Our Students (Transfer from TANF)	2,649,642
	Transfers to Other Block Grants	
	Division of Public Health	
33.	Transfer to Preventive Health Services Block Grant for HIV/STD Prevention and Community Planning	145,819
	TOTAL SOCIAL SERVICES BLOCK GRANT	\$ 66,347,353
	LOW-INCOME ENERGY BLOCK GRANT	
	Local Program Expenditures	
	Division of Social Services	
01.	Low-Income Energy Assistance Program (LIHEAP)	\$ 19,510,559
02.	Crisis Intervention Program (CIP)	14,588,514
	Office of the Secretary – Office of Economic Opportunity	
03.	Weatherization Program	6,268,946
04.	Heating Air Repair & Replacement Program (HARRP)	2,923,950
	Local Administration	
	Division of Social Services	
05.	County DSS Administration	2,259,757
	Office of the Secretary – Office of Economic Opportunity	
06.	Local Residential Energy Efficiency Service Providers – Weatherization	268,146
07.	Local Residential Energy Efficiency Service	

Providers – HARRP	125,067
DHHS Administration	
08. Division of Social Services	219,410
09. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	7,389
10. Office of the Secretary/DIRM	245,395
11. Office of the Secretary/Controller's Office	11,211
12. Office of the Secretary/Office of Economic Opportunity – Weatherization	268,146
13. Office of the Secretary/Office of Economic Opportunity – HARRP	125,067
Transfers to Other State Agencies	
14. Department of Administration – N.C. State Commission of Indian Affairs	60,947
TOTAL LOW-INCOME ENERGY BLOCK GRANT	\$ 46,882,504
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
Local Program Expenditures	
Division of Child Development	
01. Subsidized Child Care Services	\$148,484,960
02. Child Care Services Support – Contract	504,695
03. Subsidized Child Care Services (TANF to CCDF)	84,330,900
DHHS Program Expenditures	
Division of Child Development	
04. Quality and Availability Initiatives	27,298,901
Local Administration	
Division of Social Services	
05. Administrative Expenses (Nondirect Subsidy Services Support)	15,813,021
DHHS Administration	
06. DCD Administrative Expenses	6,540,707
DHHS Central Management and Support	
07. DHHS Central Administration – DIRM Technical Services	749,081
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	\$283,722,265
MENTAL HEALTH SERVICES BLOCK GRANT	
Local Program Expenditures	
01. Mental Health Services – Adult	\$ 6,854,932
02. Mental Health Services – Child	3,921,991
03. Comprehensive Treatment Service Program	1,500,000
04. Mental Health Services – UNC School of Medicine, Department of Psychiatry	300,000
Local Administration	
05. Division of Mental Health	100,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	\$ 12,676,923
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	
Local Program Expenditures	
01. Substance Abuse Services – Adult	\$ 21,938,080
02. Substance Abuse Services – ADATC One-Time Expenses	70,000
03. Substance Abuse Treatment Alternative for Women	8,069,524
04. Substance Abuse – HIV and IV Drug	5,116,378

05.	Substance Abuse Prevention – Child	7,186,857
06.	Substance Abuse Services – Child	4,940,500
	Division of Public Health	
07.	Risk Reduction Projects	633,980
08.	Aid-to-Counties	209,576
09.	Maternal Health	37,779
	DHHS Administration	
10.	Division of Mental Health	500,000
	TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	\$ 48,702,674
	MATERNAL AND CHILD HEALTH BLOCK GRANT	
	Local Program Expenditures	
	Division of Public Health	
01.	Children's Health Services	7,415,569
02.	Women's Health	7,504,019
03.	Oral Health	35,951
	DHHS Program Expenditures	
	Division of Public Health	
04.	Children's Health Services	1,554,428
05.	Women's Health	121,285
06.	State Center for Health Statistics	120,364
07.	Quality Improvement in Public Health	14,646
08.	Health Promotion	84,843
09.	Office of Minority Health	51,562
10.	Immunization Program – Vaccine Distribution	310,667
11.	Task Force on Preventing Child Obesity	100,000
	DHHS Administration	
12.	Division of Public Health Administration	631,966
	TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	\$ 17,945,300
	PREVENTIVE HEALTH SERVICES BLOCK GRANT	
	Local Program Expenditures	
01.	NC Statewide Health Promotion	\$1,755,653
02.	Services to Rape Victims	197,112
03.	HIV/STD Prevention and Community Planning (Transfer from Social Services Block Grant)	145,819
	DHHS Program Expenditures	
04.	NC Statewide Health Promotion	1,508,889
05.	Oral Health	70,000
06.	State Laboratory of Public Health	16,600
	TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	\$3,694,073
	COMMUNITY SERVICES BLOCK GRANT	
	Local Program Expenditures	
	Office of Economic Opportunity – Community Services Block Grant	
01.	Community Action Agencies	\$ 16,062,653
02.	Limited Purpose Agencies	892,370
	DHHS Administration	
03.	Office of Economic Opportunity	892,369
	TOTAL COMMUNITY SERVICES BLOCK GRANT	\$ 17,847,392

GENERAL PROVISIONS

SECTION 10.17(b). No change—adopts identical House and Senate provisions.

SECTION 10.17(c). No change—adopts identical House and Senate provision.

SECTION 10.17(d). No change—adopts identical House and Senate provisions.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT (TANF)

SECTION 10.17.(e) No change—adopts identical House and Senate provisions.

SECTION 10.17.(f) No change—adopts identical House and Senate provisions.

SECTION 10.17.(g) Adopts House provision (4th edition).

SECTION 10.17.(h) No change—adopts identical House and Senate provisions.

SECTION 10.17.(i) No change—adopts identical House and Senate provisions.

SECTION 10.17.(j) Adopts identical House and Senate provisions except allocates \$1,200,000 (was \$1,300,000 in the House and Senate provisions) to DHHS for implementation of North Carolina Families Accessing Services through Technology (N.C. Fast).

SECTION 10.17.(k) No change—adopts identical House and Senate provisions.

SECTION 10.17.(l) No change—adopts identical House and Senate provisions.

SECTION 10.17.(m) No change—adopts identical House and Senate provisions.

SECTION 10.17.(n) No change—adopts identical House and Senate provisions.

SECTION 10.17.(o) No change—adopts identical House and Senate provisions.

SECTION 10.17.(p) Adopts Senate provision (7th edition), except adds that the Citizen Schools Program reduces the rate of teen pregnancy, and requires North Carolina State University to report on the results of its evaluation of the Citizen Schools Program 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 by January 1, 2009.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.17.(q) Adopts Senate provision (7th edition).

SECTION 10.17.(r) Adopts Senate provision (7th edition), except reduces the funds that must be used for the existing Support Our Students Program to \$2,649,642 (was, \$2,749,642).

SECTION 10.17.(s) Adopts Senate provision (7th edition).

SECTION 10.17.(t) Adopts Senate provision (7th edition).

SECTION 10.17.(u) Adopts Senate provision (7th edition).

SECTION 10.17.(v) Adopts Senate provision (7th edition).

SECTION 10.17.(w) Adopts Senate provision (7th edition).

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

SECTION 10.17.(x) Adopts Senate provision (7th edition).

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.17.(y) Identical to (z) in Senate provisions (7th edition). Deletes section (y) of the Senate provisions (7th edition) (which was (x) of the House provisions (4th edition)).

SECTION 10.17.(z) Identical to (aa) in Senate provisions (7th edition).

MENTAL HEALTH BLOCK GRANT

SECTION 10.17.(aa) Identical to (bb) of the Senate provisions (7th edition) and (aa) in House provisions (4th edition).

SECTION 10.17.(bb) Identical to (cc) of the Senate provisions (7th edition).

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.17.(cc) Adopts new provision allocating \$100,000 of the funds from the Maternal and Child Health Block Grant allocated to DHHS, Division of Public Health, for the 2008-09 fiscal year, to be used to establish a Task Force on Preventing Childhood Obesity to be cochaired by the State Health Director and the Chairman of the State Board of Education. The Task Force is to review current state activities in DHHS, the Department of Public Instruction, and the Health and Wellness Trust Fund and develop a comprehensive statewide strategic plan with recommendations for preventing childhood obesity. Sets goals of the strategic plan and establishes Task force membership from certain agencies and organizations. Requires the cochairs to report to the House of Representatives Chairs of the Appropriations Subcommittees on Health and Human Services and Education, and the Senate chairs of the Appropriations Committees on Health and Human Services and Education/Public Instruction, the Joint Legislative Oversight Committee on Education, the Joint Legislative Oversight Committee on Health, and the Fiscal Research Division by January 15, 2009, or upon the convening of the 2009 Session of the General Assembly, whichever occurs first.

SECTION 10.17.(dd) Identical to (ee) in the Senate provisions (7th edition) and (cc) in the House provisions (4th edition).

SECTION 10.17.(ee) Identical to (ff) in the Senate provisions (7th edition) and (dd) in the House provisions.

PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

STUDY CERTAIN DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES FEES

SECTION 11.1. No change—adopts identical House and Senate provisions.

PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND AMENDMENTS.

SECTION 12.1. No change—adopts identical House and Senate provisions.

INACTIVE HAZARDOUS WASTE SITES REPORT REQUIREMENT

SECTION 12.1A. No change—adopts identical House and Senate provisions.

AGRICULTURAL DROUGHT RESPONSE COST SHARE PROGRAM

SECTION 12.4. Adopts House provision (4th edition), except decreases the funds allocated to the Soil and Water Conservation Commission to be used for the Agricultural Drought Response Cost Share Program to \$115,000 (was, \$300,000).

INACTIVE HAZARDOUS WASTE SITES CLEANUP FUNDS

SECTION 12.5. Adopts Senate provision (7th edition), except clarifies that the \$400,000 appropriated from the Dry Cleaning Solvent Cleanup Fund to the Department of Environment and Natural Resources (DENR) for cleanup of contaminated inactive hazardous waste sites is from the interest earned on the Fund in 2007-08.

COMMERCIAL LEAKING PETROLEUM UNDERGROUND STORAGE TANK CLEANUP FUND

SECTION 12.6. Adopts Senate provision (7th edition).

FUNDS FOR PENDING CIVIL LITIGATION EXPENSES

SECTION 12.7. Adopts Senate provision (7th edition).

STORMWATER PILOT PROGRAM

SECTION 12.8. Deletes Senate provision (7th edition).

ESTABLISH NC CONSERVATION EASEMENT ENDOWMENT FUND

SECTION 12.9. Adopts Senate provision (7th edition), except further amends GS 147-69.2 (investments authorized for special funds held by State Treasurer) by adding a new subsection to

authorize the State Treasurer to invest funds from the NC Conservation Easement Endowment Fund as set forth in the statute. Provides that the State Treasurer may require a minimum deposit, up to \$100,000, and assess a reasonable fee, not to exceed 15 basis points, as a condition of participation.

YADKIN POWER AUTHORITY CREATION STUDY COMMISSION
SECTION 12.10. Deletes Senate provision (7th edition).

MARINE FISHERIES FUNDS FOR THE FISHERY RESOURCE GRANT PROGRAM

SECTION 12.11. Adopts Senate provision (7th edition), except increases the total funds appropriated to DENR for the Fishery Resource Grant Program (Program) to \$1 million for 2008-09, with \$853,688 to be used for the Program in accordance with GS 113-200 and retaining the \$146,312 allocated in the previous edition to be used for river herring research. Deletes the language that specified that the remaining funds appropriated to DENR for the Program should be used for research related to the Sea Grant College Program only and for no other purpose. Prohibits DENR and NC State from using the appropriated funds for administrative costs.

STUDY ADDING AREA SURROUNDING RUTHERFORD TRACE TO STATE PARKS SYSTEM

SECTION 12.12. Adopts Senate provision (7th edition).

CONSERVATION GRANT FUND INVESTMENTS

SECTION 12.13. Adopts Senate provision (7th edition).

PART XIII. DEPARTMENT OF COMMERCE

ONE NORTH CAROLINA FUND

SECTION 13.1. No change—adopts identical House and Senate provisions.

NC GREEN BUSINESS FUND

SECTION 13.2. No change—adopts identical House and Senate provisions.

CIAA BASKETBALL TOURNAMENT TOURISM AND MARKETING

SECTION 13.2A. Adopts Senate provision (7th edition).

FUNDS FOR ENVIROTHON AND WNC COMMUNITIES

SECTION 13.2B. Adopts a new provision to allocate funds appropriated to the Department of Commerce, Division of Tourism, Film and Sports Development, for 2008-09 as follows: (1) \$75,000 to the NC Foundation for Soil and Water Conservation, Inc., for activities related to hosting the 2009 North America Envirothon Competition; and (2) \$75,000 to WNC Communities.

WELCOME/VISITOR CENTER CONSTRUCTION

SECTION 13.3. Adopts identical House and Senate provisions, except makes a technical change.

WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS

SECTION 13.4. No change—adopts identical House and Senate provisions.

NER BLOCK GRANTS

SECTION 13.5. No change—adopts identical House and Senate provisions.

EMPLOYMENT SECURITY COMMISSION FUNDS

SECTION 13.6. No change—adopts identical House and Senate provisions.

NC WINE AND GRAPE GROWERS COUNCIL/ADDITIONAL FUNDS FOR RESEARCH AND DEVELOPMENT

SECTION 13.6A. Adopts Senate provision (7th edition).

STATE BANKING COMMISSION/GRANTS TO NONPROFIT AGENCIES TO PROVIDE HOUSING COUNSELING AND RELATED SERVICES

SECTION 13.6B. Adopts Senate provision (7th edition).

REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS

SECTION 13.7. No change—adopts identical House and Senate provisions..

RURAL CENTER/FUNDS FOR LOCAL GOVERNMENT WATER, SEWER, AND NATURAL GAS IMPROVEMENT GRANTS

SECTION 13.8. Adopts compromise provision that is substantially similar to the Senate provision (7th edition), except it removes natural gas line projects from the general list of projects eligible to receive NC Rural Economic Development Center, Inc., (Rural Center) grants from the \$50 million in funds allocated under this section. Instead, specifies that up to \$4 million of those funds may be used for natural gas line projects.

RURAL ECONOMIC TRANSITION PROGRAM FUNDS

SECTION 13.9. Adopts House provision (4th edition), except reorganizes and removes the general \$10 million allocation from funds appropriated to the Rural Center for use in expanding the NC Rural Economic Infrastructure Fund, with an unspecified amount to be used to establish and implement the Rural Economic Transition Program. Instead, allocates \$4 million from Rural Center funds to continue and expand the Rural Economic Transition Program to be used as follows: (1) to provide grants to local governments for building reuse and restoration projects leading to job or business creation, including brownfield assessment and remediation projects leading to productive reuse, with priority given to towns or communities with populations of less than 10,000; (2) to provide grants to support economic recovery and revitalization in small towns, with priority given to towns with populations less than 10,000 experiencing hardship; and (3) to provide grants for innovative local and regional economic development and agricultural diversification projects. Removes list of priority projects, except for specifying that priority will be given to eligible applicants in development tier one areas as defined in GS 143B-437.08. Authorizes the Rural Center to contract with *other agencies and institutions* (was, state agencies and branches of UNC) for certain aspects of the program. Modifies the Rural Center reporting requirements to the Joint Legislative Commission on Governmental Operations by removing quarterly reports and extending the initial report date to July 1, 2009 (was, December 1, 2008).

RURAL ECONOMIC DEVELOPMENT CENTER/INFRASTRUCTURE PROGRAM

SECTION 13.10. Deletes Senate provision (7th edition).

FUNDS FOR ONE NORTH CAROLINA SMALL BUSINESS AND FOR THE GREEN BUSINESS FUND

SECTION 13.14. Deletes Senate provision (7th edition).

PART XIV. JUDICIAL DEPARTMENT

PILOT PROGRAM FOR ALTERNATIVE SCHEDULING

SECTION 14.1. No change—adopts identical House and Senate provisions.

OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION OF EXISTING PUBLIC DEFENDER OFFICES

SECTION 14.3.(a) No change—adopts identical House and Senate provisions.

SECTION 14.3.(b) No change—adopts Senate provision (7th edition).

REPEAL PUBLIC DEFENDER EXPANSION AUTHORITY

SECTION 14.4. No change—adopts identical House and Senate provisions.

REPEAL JUDICIAL DEPARTMENT GRANT FUNDS MATCHING AUTHORIZATION AND REPORTING REQUIREMENT

SECTION 14.5. Adopts House provision (4th edition), except instead of repealing Section 14.2 of SL 2007-323, which authorizes the Judicial Department to use up to \$1.5 million to provide the State match needed in order to receive grant funds, amends that provision by adding a new subsection. Provides that of the \$1.5 million authorized for grant funding, the Judicial Department may use \$856,907 for the 2008-09 fiscal year to match block grant funding for 24 specific projects awarded by the Governor's Crime Commission as of June 20, 2008, without providing a prior report.

ADDITIONAL ASSISTANT DISTRICT ATTORNEYS

SECTION 14.6. Adopts Senate provision (7th edition).

**FEASIBILITY STUDY ON PROVIDING THE OFFICE OF INDIGENT DEFENSE SERVICES
WITH INDIGENT CASE INFORMATION WHEN CASES ARE INITIATED**

SECTION 14.7. No change—adopts identical House and Senate provisions.

JCPC EFFECTIVENESS STUDY

SECTION 14.8. No change—adopts identical House and Senate provisions.

LEGAL ASSISTANCE TO HOMEOWNERS

SECTION 14.9. No change—adopts identical House and Senate provisions.

ADDITIONAL DISTRICT COURT JUDGES

SECTION 14.13.(a) Adopts Senate provision (7th edition).

SECTION 14.13.(b) Adopts Senate provision (7th edition).

SECTION 14.13.(c) Adopts Senate provision (7th edition).

CONFERENCE OF DISTRICT ATTORNEYS AND CONFERENCE OF CLERKS OF SUPERIOR COURT SHALL NOT LOBBY OR CONDUCT STUDIES OF ADMINISTRATIVE MATTERS/STUDY DUPLICATION OF TRAINING

SECTION 14.14. Deletes Senate provision.

PROBATION OFFICER ACCESS TO AUTOMATED COURT INFORMATION SYSTEM

SECTION 14.15. Adopts Senate provision (7th edition).

COUNTY COURTHOUSE TELEPHONE COSTS

SECTION 14.16. Deletes Senate provision.

PART XV. DEPARTMENT OF JUSTICE

USE OF GRANT FUNDS OR OTHER RECEIPT FUNDS FOR REPLACEMENT LABORATORY EQUIPMENT AND FORENSIC FIREARMS ANALYST START-UP COSTS

SECTION 15.2. Adopts Senate provision (7th edition), except decreases maximum amount of funds that may be used from \$315,000 to \$140,000.

PART XVI. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION

JCPC GRANT REPORTING AND CERTIFICATION

SECTION 16.1. No change—adopts identical House and Senate provisions.

SUPPORT OUR STUDENTS (SOS) GRANT ELIGIBILITY

SECTION 16.2. No change—adopts identical House and Senate provisions.

JUVENILE CRIME PREVENTION COUNCILS (JCPC) FORMULA REVISION

SECTION 16.3. No change—adopts identical House and Senate provisions.

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 16.4. No change—adopts identical House and Senate provisions.

PART XVII. DEPARTMENT OF CORRECTION

TEMPORARY HOUSING FUNDS

SECTION 17.1.(a) Adopts Senate provision (7th edition), except also provides that the Department may not use funds to secure housing in hotels or motels.

SECTION 17.1.(b) No change—adopts identical House and Senate provisions.

SECTION 17.1.(c) Adopts Senate provision (7th edition).

FEDERAL GRANT MATCHING FUNDS

SECTION 17.2. No change—adopts identical House and Senate provisions.

RESERVE FUND FOR PROBATION AND PAROLE STAFFING AND RESOURCES

SECTION 17.3. Adopts Senate provision (7th edition).

REPORT ON PROBATION AND PAROLE CASELOADS

SECTION 17.4. Adopts Senate provision (7th edition).

LIABILITY INSURANCE/DEPARTMENT OF CORRECTION

SECTION 17.6. Deletes Senate provision.

**CRIMINAL JUSTICE PARTNERSHIP/NOTIFICATION OF AMOUNT OF FORMULA
FUNDING/SCHEDULE FOR APPLICATION TO RECEIVE REALLOCATION
OF UNOBLIGATED FUNDS**

SECTION 17.7. Adopts Senate provision (7th edition).

PART XVIII. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

GOVERNOR'S CRIME COMMISSION STUDY/EXPAND JUVENILE JURISDICTION

SECTION 18.1. No change—adopts identical House and Senate provisions.

ENHANCE RAPE VICTIMS ASSISTANCE PROGRAM

SECTION 18.2. No change—adopts identical House and Senate provisions.

REPORT ON THE USE OF ILLEGAL IMMIGRATION PROJECT FUNDS

SECTION 18.3. No change—adopts identical House and Senate provisions.

PART XIX. DEPARTMENT OF ADMINISTRATION

SEXUAL ASSAULT AND RAPE CRISIS CENTER FUND

SECTION 19.1. No change—adopts identical House and Senate provisions.

SCHOLARSHIPS FOR CHILDREN OF WAR VETERANS

SECTION 19.2. Adopts House provision (4th edition), except deletes provision specifying that a scholarship granted pursuant to the Article must include an allowance of \$500 per academic year for books, supplies, and equipment.

STATE AGENCIES TO PURCHASE WATER IN BIODEGRADABLE BOTTLES

SECTION 19.3. Deletes Senate provision.

PART XIXA. CULTURAL RESOURCES

BENTONVILLE BATTLEFIELD FUND

SECTION 19A.1. Adopts Senate provision (7th edition).

ESTABLISH AFRICAN-AMERICAN HERITAGE COMMISSION

SECTION 19A.2. Adopts Senate provision (7th edition), except modifies the provision on officers.

CARTWHEELS PROGRAM.

SECTION 19A.3.(a). Adopts new provision to provide that of funds appropriated in 2008-09 to the NC Arts Council to administer the cARTwheels Program, grants shall be based on a competitive application process and may be awarded to previous grantees. Specifies criteria for the competitive application process.

SECTION 19A.3.(b). Adopts new provision requiring reporting by the Department of Cultural Resources on the cARTwheels Program by September 1, 2008.

PART XX. OFFICE OF THE STATE CONTROLLER

BEACON STAFF TO SUPPORT STATEWIDE ENTERPRISE TRAINING PROGRAM

SECTION 20.1. No change—adopts identical House and Senate provisions.

PART XXI. HOUSING FINANCE AGENCY

HOUSING FINANCE AGENCY SHALL CONTINUE AND EXPAND THE HOME PROTECTION PROGRAM

SECTION 21.1.(a) No change—adopts identical House and Senate provisions.

SECTION 21.1.(b) No change—adopts identical House and Senate provisions.

SECTION 21.1.(c) Adopts Senate provision (7th edition).

SECTION 21.1.(d) No change—adopts identical House and Senate provisions.

PART XXII. OFFICE OF STATE BUDGET AND MANAGEMENT

STAFFING ANALYSIS OF THE ETHICS COMMISSION AND THE LOBBYIST REGISTRATION SECTION OF THE DEPARTMENT OF SECRETARY OF STATE

SECTION 22.1. No change—adopts identical House and Senate provisions.

MODIFY STATE FIRE PROTECTION GRANT FUND

SECTION 22.2. No change—adopts identical House and Senate provisions.

MILITARY MORALE, RECREATION, AND WELFARE FUNDS

SECTION 22.3. No change—adopts identical House and Senate provisions.

STAFFING ANALYSIS OF THE YOUTH ADVOCACY & INVOLVEMENT OFFICE

SECTION 22.4. No change—adopts identical House and Senate provisions.

STAFFING SURVEY OF STATE AGENCIES AND UNIVERSITIES THAT USE THE BEACON SYSTEM

SECTION 22.5. No change—adopts identical House and Senate provisions.

STUDY DOA ASSISTANCE TO COUNTY VETERANS SERVICE PROGRAMS

SECTION 22.6. Adopts Senate provision (7th edition).

NORTH CAROLINA STATE VETERANS PARK

SECTION 22.7. Adopts Senate provision (7th edition).

PART XXIII. DEPARTMENT OF REVENUE

USE OF COLLECTION ASSISTANCE FEE

SECTION 23.1. Adopts House provision (4th edition).

PART XXIV. STATE BOARD OF ELECTIONS

2008 EARLY VOTING FUNDS

SECTION 24.1. Adopts Senate provision (7th edition).

PART XXV. DEPARTMENT OF TRANSPORTATION

INCREASE ADMINISTRATIVE APPROPRIATION FOR THE HIGHWAY TRUST FUND

SECTION 25.1. No change—adopts identical House and Senate provisions.

DEPARTMENT OF TRANSPORTATION TO PRODUCE BIENNIAL STATE TRANSPORTATION MAPS AND COASTAL BOATING GUIDES

SECTION 25.2. No change—adopts identical House and Senate provisions, except changes due date for required reporting to March 1, 2009 (was, November 14, 2008).

ONE-STOP SHOPS FOR DRIVERS LICENSE AND REGISTRATION PLATES

SECTION 25.3. No change—adopts identical House and Senate provisions.

REALIGN THE CONTINUATION AND CERTIFIED BUDGETS OF EACH DIVISION WITHIN THE DEPARTMENT

SECTION 25.4.(a). Adopts identical House and Senate provisions, except states that the review shall be done notwithstanding GS 143C-6-1 and 143C-6-7, that the realignment of the continuation and certified budget shall be done for the 2009-2011 Fiscal Biennium, and that the certified budget shall become the current expenditure plan for each division based on anticipated expenditure patterns.

SECTION 25.4.(b). Adopts identical House and Senate provisions, except changes reporting requirements to only require a report of cash expenditure plans for 2008-09.

SECTION 25.4.(c). Rewrites identical House and Senate provisions to require the Department of Transportation and the Office of State Budget and Management to jointly study alternatives and enhancements to the current budgeting process.

SECTION 25.4.(d). Adopts new provision requiring the Department of Transportation to develop a quarterly report that evaluates the Department's achievement of certain performance measures.

SECTION 25.4.(e). Adopts new provision requiring the Department of Transportation and the Office of State Budget and Management to report on its cash spending plan for the 2008-09 fiscal year and present recommendations for a revised budget process to specified legislative committees and FRD by November 1, 2008. Also requires DOT to present the Fiscal Year 2009 first quarter performance report by November 15, 2008, to the Joint Legislative Transportation Oversight Committee and FRD.

TRANSFER HIGHWAY TRUST FUND MONIES IN THE AMOUNT OF TWENTY-FIVE MILLION DOLLARS BEGINNING IN FISCAL YEAR 2008-2009, SIXTY-FOUR MILLION DOLLARS BEGINNING IN FISCAL YEAR 2009-2010, AND NINETY-NINE MILLION DOLLARS BEGINNING IN FISCAL YEAR 2010-2011 TO THE NC TURNPIKE AUTHORITY FOR DEBT SERVICE ON BONDS

SECTION 25.5.(a) Adopts identical House and Senate provisions.

SECTION 25.5.(b) Adopts identical House and Senate provisions, except expands authorized use of funds to include funding debt service reserves, operating reserves, and similar reserves.

SECTION 25.5.(c) Adopts Senate provision (7th edition).

SECTION 25.5.(d) Adopts Senate provision (7th edition).

SECTION 25.5.(e) Adopts Senate provision (7th edition).

SECTION 25.5.(f) Adopts Senate provision (7th edition).

SECTION 25.5.(g) Adopts Senate provision (7th edition).

FUNDS FOR UNSAFE AND OBSOLETE FIELD FACILITIES

SECTION 25.6. No change-adopts identical House and Senate provisions.

CASH FLOW HIGHWAY FUNDS AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 25.7. No change-adopts identical House and Senate provisions.

DEPARTMENT OF TRANSPORTATION TO APPLY FOR INTERSTATE CORRIDOR GRANT FUNDS

SECTION 25.8. Adopts identical House and Senate provisions.

AVIATION FUNDS FOR THE MOUNT AIRY-SURRY COUNTY AIRPORT AUTHORITY AND THE ASHE COUNTY AIRPORT

SECTION 25.9.(a). Adopts House provision (4th edition).

SECTION 25.9.(b). Adopts new provision providing that of the funds appropriated to the Department of Transportation, Division of Aviation, for fiscal year 2008-09, \$2.5 million must be allocated to Ashe County for expansion and renovation of the Ashe County Airport.

CLOSURE OF EXITS ON INTERSTATE HIGHWAYS

SECTION 25.10. Adopts identical House and Senate provisions, except provides that the Department of Transportation shall apply to the US Department of Transportation for a waiver or request for reconsideration as to any interstate highway exits that are scheduled for permanent

closure before September 30, 2008 (was, July 1, 2008). Temporary exits are not included. If a decision is received from the US Department of Transportation on or before June 30, 2008, the Department of Transportation should proceed as directed. Removes the prohibition on the expenditures of funds for a permanent closure on an existing exit, except for temporary exits in a construction zone.

BLENDING OF PETROLEUM PRODUCT AND ETHANOL

SECTION 25.11. Deletes Senate provision.

DEPARTMENT OF TRANSPORTATION TO PLANT SEEDLINGS IN RIGHTS-OF-WAY

SECTION 25.12. Adopts Senate provision (7th edition).

DRIVERS LICENSE FORMAT CHANGE

SECTION 25.13. Adopts Senate provision (7th edition), except that the provision applies if the Commissioner is not required to reissue a drivers license in the horizontal format to drivers when they turn 21. Applies to up to \$50,000 of any funding received, not merely of private funding as provided in the Senate provision.

SHORT LINE RAIL IMPROVEMENTS FOR THE PIEDMONT & NORTHERN CORRIDOR

SECTION 25.14. Adopts Senate provision (7th edition).

FUNDS TRANSFER TO SUPPORT GLOBAL TRANSPARK FREIGHT TRANSPORTATION SYSTEM

SECTION 25.15. Adopts Senate provision (7th edition), except provides that the Department of Transportation may transfer the funds within the Department to contract for freight transportation system improvements for the Global TransPark.

KEEP AMERICA BEAUTIFUL ORGANIZATION STAFF FUNDS

SECTION 25.16. Adopts Senate provision (7th edition).

REPAIRS AND RENOVATIONS FUNDS

SECTION 25.17.(a). Adopts Senate provision (7th edition).

STORMWATER RUNOFF FROM BRIDGES

SECTION 25.18. Adopts Senate provision (7th edition), except no longer codifies the provision and rewrites provision to require a pilot study on 50 bridges. The Department may retrofit existing bridges as part of the pilot study. Requires construction or retrofitting on bridges on a specified timeline. Requires an interim report by July 1, 2009, and a final report by July 1, 2010, to the Joint Legislative Transportation Oversight Committee. Specifies information that must be included in the reports.

PART XXVI SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES

SECTION 26.1. No change—adopts identical House and Senate provisions.

NONELECTED DEPARTMENT HEAD/SALARY INCREASES

SECTION 26.2. No change—adopts identical House and Senate provisions.

CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES

SECTION 26.3. No change—adopts identical House and Senate provisions.

JUDICIAL BRANCH OFFICIALS/SALARY INCREASES

SECTION 26.4. Adopts identical House and Senate provisions, except amends SL 2007-323, Section 28.4 to add an annual salary of \$123,022 for the position of Director of Indigent Defense Services. Also amends GS 7A-498.6 (1) to direct that the salary of the Director be set in the Current Operations Appropriations Act, after consultation with the Commission on Indigent Defense Services, (2) to provide that the Director receive longevity pay based on years of service instead of merit and other increment raises paid to regular state employees, and (3) to define *service* as used in the statute. Effective July 1, 2008.

CLERK OF SUPERIOR COURT/SALARY INCREASES

SECTION 26.5. No change—adopts identical House and Senate provisions.

ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES

SECTION 26.6. No change—adopts identical House and Senate provisions.

MAGISTRATES' SALARY INCREASES

SECTION 26.7. No change—adopts identical House and Senate provisions.

GENERAL ASSEMBLY PRINCIPAL CLERKS/SALARY INCREASES

SECTION 26.8. No change—adopts identical House and Senate provisions.

SERGEANT-AT-ARMS AND READING CLERKS/SALARY INCREASES

SECTION 26.9. No change—adopts identical House and Senate provisions.

LEGISLATIVE EMPLOYEES/SALARY INCREASES

SECTION 26.10. No change—adopts identical House and Senate provisions.

COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES

SECTION 26.11. No change—adopts identical House and Senate provisions.

COMMUNITY COLLEGE FACULTY SALARIES

SECTION 26.11A. Adopts Senate provision (7th edition).

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES

SECTION 26.12. No change—adopts identical House and Senate provisions.

LOTTERY COMMISSION COMPENSATION INCREASES

SECTION 26.12A. Adopts Senate provision (7th edition), except deletes provision permitting the Commission to spend an amount for merit and performance-based increases equal to the amount that would have been paid for longevity pay if Commission employees were subject to the SPA.

MENTAL HEALTH NURSES/ SIGN-ON BONUS

SECTION 26.12B. Adopts Senate provision (7th edition).

LICENSED FERRY PERSONNEL/CLASSIFICATION STUDY/REPORT

SECTION 26.12C. Adopts Senate provision (7th edition).

SALARY ADJUSTMENT FUND CHANGES

SECTION 26.12D. Adopts Senate provision (7th edition).

MOST STATE EMPLOYEES/SALARY INCREASES

SECTION 26.13. No change—adopts identical House and Senate provisions.

ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES

SECTION 26.14. No change—adopts identical House and Senate provisions.

OFFICE OF STATE PERSONNEL TO PERFORM LABOR MARKET ANALYSIS OF CERTAIN POSITIONS

SECTION 26.15. Adopts House provision (4th edition), except directs the Office of State Personnel to conduct a classification study of Statewide Information Technology Procurement positions within the Office of Information Technology and to report, by the convening of the 2009 General Assembly, on any findings of the study, including related actions of the State Personnel Commission and salary increases or adjustments based on the study to the Appropriations Committees of the House and the Senate and to the Joint Legislative Committee on Information Technology.

TEACHER SALARY SCHEDULES

SECTION 26.16. Adopts identical House and Senate provisions, except increases the monthly salary schedule for Class “A” and Class “M” Teachers as follows:

Years of Experience	“A” Teachers	“M” Teachers
0	\$3,043 (was, \$3,022)	\$3,347 (was, \$3,324)
1	\$3,085 (was, \$3,064)	\$3,394 (was, \$3,370)
3	\$3,129 (was, \$3,108)	\$3,442 (was, \$3,419)

National Board Certification standards do not apply to teaching positions with zero to two years experience.

SCHOOL BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 26.17. No change—adopts identical House and Senate provisions.

CENTRAL OFFICE SALARIES

SECTION 26.18. No change—adopts identical House and Senate provisions.

NONCERTIFIED PERSONNEL SALARIES

SECTION 26.19. No change—adopts identical House and Senate provisions.

BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY SCHEDULES

SECTION 26.20. No change—adopts identical House and Senate provisions.

NO PENALTY FOR TEACHERS TAKING ONE DAY OF PERSONAL LEAVE

SECTION 26.21. No change—adopts identical House and Senate provisions.

SALARY-RELATED CONTRIBUTIONS/EMPLOYER

SECTION 26.22. No change—adopts identical House and Senate provisions.

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 26.23. No change—adopts identical House and Senate provisions.

INCLUDE THE DIRECTOR OF THE OFFICE OF INDIGENT DEFENSE SERVICES AS A MEMBER OF THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

SECTION 26.24. Adopts House provision (4th edition), except, notwithstanding any other provisions of law, (1) prohibits the transfer of any creditable service by a member from the Teachers' and State Employees' Retirement System (TSERS) to the Consolidated Judicial Retirement System (Judicial System) until the member has contributed to the Judicial System for five years beginning July 1, 2008; and (2) requires that a member's retirement allowance be calculated using and Average Final Compensation determined as of June 30, 2008, even though service beginning July 1, 2004, was transferred from TSERS to the Judicial System.

INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND

SECTION 26.25. Adopts Senate provision (7th edition).

PART XXVII. CAPITAL APPROPRIATIONS.

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 27.1. Adopts compromise provision appropriating the following amounts from the General Fund for the 2008-09 fiscal year for capital improvements:

Capital Improvements – General Fund	2008-2009
Department of Administration	
North Carolina Freedom Monument Phase I Planning	\$450,000
Capital Area Visitors Center and Parking Garage Planning	2,600,000
Department of Agriculture and Consumer Services	
Governor James B. Hunt Horse Complex – Horse Barn	900,000
Motor Fuels/Metrology Laboratory Planning	300,000
Veterinary Lab System Study	620,000
Department of Commerce	
Wanchese Seafood Industrial Park – Capital Improvements	605,700
Department of Crime Control and Public Safety	
Butner Training Site Land Buffer – Phase II	126,200
Butner Training Site Sewer Extension and Latrine Replacement	245,430
Master Facilities Planning Statewide – Phase II	300,300
Siler City Armory Rehabilitation Addition and Alteration	929,600
Department of Environment and Natural Resources	
Water Resources Development Projects	20,000,000
Zoo Africa Pavilion Planning	600,000
Department of Justice	
SBI Buildings 17 & 18 Addition	1,792,006
University of North Carolina System	
Appalachian State University – College of Nursing and	

Health Sciences Building Planning	4,200,000
Elizabeth City State University – School of Aviation Complex Planning and Site Development	1,500,000
Fayetteville State University – Teaching Education and General Classroom Building Planning	4,272,110
North Carolina Agricultural and Technical State University Millennium Campus Joint Primary Data Center	1,852,016
North Carolina School of Science and Mathematics Discovery Center Planning and Site Development	7,250,000
North Carolina State University Engineering Complex Planning	14,400,000
University of North Carolina – Board of Governors Upper Coastal Plain Higher Education Center Planning	1,000,000
University of North Carolina at Asheville – Replace Carmichael Hall & University Lecture Hall Planning	1,100,000
University of North Carolina at Chapel Hill Biomedical Research Imaging Center	35,000,000
Carolina North Phase I and Replacement Law School Planning	11,500,000
Morehead Planetarium Renovation/Expansion Planning	1,800,000
University of North Carolina at Charlotte Science Building Planning	2,400,000
University of North Carolina at Pembroke – Information Commons Building Planning	2,000,000
University of North Carolina at Wilmington – Allied Health and Human Sciences Building Planning	4,320,000
Western Carolina University– Education and Allied Professions Building Planning	4,018,700
Winston-Salem State University Sciences and General Office Building Planning	3,000,000
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$129,082,062

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 27.2.(a) Adopts Senate provision (7th edition).

SECTION 27.2.(b) No change—adopts identical House and Senate provisions.

SECTION 27.2.(c) No change—adopts identical House and Senate provisions.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 27.3.(a) Adopts Senate provisions (7th edition) except decreases the amount of the funds in the Reserve for Repairs and Renovations for the 2008-09 fiscal year to be allocated to the UNC Board of Governors from 50% to 46% and increases the amount allocated to the Office of State Budget and Management from 50% to 54% as provided in the House provision (4th edition).

SECTION 27.3.(b) No change—adopts identical House and Senate provisions.

SECTION 27.3.(c) Adopts House provision (4th edition).

SECTION 27.3.(d) Identical to Section 27.3(c) of the Senate provisions (7th edition), except directs that \$1 million of the funds allocated to the Office of State Budget and Management (OSBM) in subsection (a) of the section be used to renovate Charlotte Hawkins Brown State Historic Site, and that \$2.7 million of the funds be allocated to the Energy Efficiency Reserve created in Section 27.3(c). Provides that the OSBM may allocate or use the funds allocated to it in Section 27.3(a) for projects enumerated in this subsection without consulting with the Joint Legislative Commission on Governmental Operations.

SECTION 27.3.(e) Adopts new provision requiring that \$2.3 million the funds allocated to the Board of Governors of The University of North Carolina be allocated to the Energy Efficiency Reserve created in Section 27.3(c), and providing that the Board of Governors may allocate these funds without consulting with the Joint Legislative Commission on Governmental Operations.

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 27.4.(a) Adopts compromise provision authorizing the following capital projects to be funded with receipts or from other non-General Fund sources:

Name of Project	Amount of Non-General Fund Funding Authorized for 2008-2009
Department of Agriculture and Consumer Services	
Piedmont Research Station – Grain Storage Facility Renovation	400,000
Raleigh Farmers Market – Capital Improvements	900,000
Research Stations – Irrigation System Renovation	200,000
Senator Bob Martin Eastern Agricultural Center – Capital Improvements	500,000
State Fair – Campground	6,341,601
State Fair – Infrastructure Improvements	500,000
State Fair – Pond Improvements	500,000
Tidewater Research Station – Phase II of Headhouse/Greenhouse Facility Renovation	750,000
Triad Farmers Market – Capital Improvements	3,000,000
WNC Agricultural Center – New Vision Plan	900,000
Department of Correction	
Broughton Correctional Center – Laundry Steam Plant	1,400,000
Umstead Correctional Center – Laundry Steam Plant	1,322,965
Wayne Correctional Center – Chase Laundry Steam Plant	1,368,926
Department of Crime Control and Public Safety	
NC National Guard – Armory Improvements	8,402,273
NC National Guard – Asheville Field Maintenance Shop	3,743,000
NC National Guard – Camp Butner Training Site – Cantonment Complex	15,617,000
NC National Guard – Fixed Wing Hanger Complex – Morrisville	6,466,000
Department of Cultural Resources	
Museum of Art – Enhanced Landscaping	7,500,000
USS North Carolina Battleship Memorial – Phase 3 Renovations	1,977,000
Department of Environment and Natural Resources	
Bladen Lakes State Forest – Shop Building	943,800
Forest Resources – Region 2 Training Building	460,500
Department of Transportation	
Statewide Transportation Operations Center	7,650,000
Wildlife Resources Commission	
Armstrong Hatchery – Lower Raceway Renovation	1,725,000
Boating Access Area Improvements	2,800,000
Centennial Campus Center for Wildlife Education – Exhibit Completion	200,000
Centennial Campus Center for Wildlife Education – Heat and Humidity Controls	6,000
Chowan Bridge Fishing Pier and Boating Access	2,000,000
Hampstead – Waterfront Access Marine Industry Fund	10,000,000
Land Acquisitions – State Game Lands	62,660,000
Manns Harbor – Waterfront Access Marine Industry Fund	5,750,000
Marion Depot – Drainage Repairs	200,000
McKinney Lake Hatchery – Kettle Replacement	1,955,000
New Coldwater Fish Hatchery	7,900,000
New Construction Depot	500,000
Outer Banks Center for Wildlife Education – Repairs and Improvements	223,000
Outer Banks Center for Wildlife Education – Teaching Facility	700,000
Pisgah Center for Wildlife Education – Gift Shop Extension	200,000
Pisgah Center for Wildlife Education – Outdoor Exhibit	450,000
Pisgah Center for Wildlife Education – Repairs and Improvements	148,000

Pisgah Center for Wildlife Education – Storage Building	150,000
Pisgah Center for Wildlife Education – Teaching Facility	564,905
Pisgah Center for Wildlife Education – Teaching Facility Upfit and Pavilion	280,000
Rhodes Pond Dam Repairs	500,000
Sneads Ferry – Waterfront Access Marine Industry Fund	6,500,000
Sunset Harbor – Waterfront Access Marine Industry Fund	950,000
Swan Lake – Waterfront Access Marine Industry Fund	1,700,000
Table Rock Hatchery – New Building	575,000
Table Rock Hatchery – Office Building and Workshop	345,000
Watha Fish Hatchery – Residence Replacement	707,250

**TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL
PROJECTS AUTHORIZED**

\$180,532,220

SECTION 27.4.(b) No change—adopts identical House and Senate provisions.

SECTION 27.4.(c) No change—adopts identical House and Senate provisions.

STUDY RELOCATION OF HIGHWAY PATROL TRAINING FACILITIES

SECTION 27.5. Adopts Senate provision (7th edition).

ACCESS TO DRY CLEANING SOLVENT CLEANUP FUND FOR GREEN SQUARE PROJECT

SECTION 27.6. Adopts new provision permitting the transfer of up to \$2 million of the funds appropriated to the Department of Environment and Natural Resources, Environmental Management Commission, Dry-Cleaning Solvent Cleanup Fund, to the Green Square Project capital fund to cover the costs associated with remediation of dry cleaning contamination on the Green Square Complex site.

CHRONOLOGY EXHIBIT ON FIRST FLOOR OF NC MUSEUM OF HISTORY

SECTION 27.7. No change—adopts identical House and Senate provisions.

DESIGN AND CONSTRUCTION OF NORTH CAROLINA FREEDOM MONUMENT

SECTION 27.7A. Adopts Senate provision (7th edition).

BIOMEDICAL RESEARCH IMAGING CENTER

SECTION 27.7B. Adopts Senate provision (7th edition) except adds new subsection (b) noting the intent of the General Assembly that the 2009 Regular Session of the 2009 General Assembly authorize sufficient debt financing to complete the Biomedical Research Imaging Center at the University of North Carolina at Chapel Hill, and a new subsection (c) that provides that subsection (a) will expire if legislation authorizing sufficient debt financing to complete the Biomedical Research Imaging Center becomes law on or before June 30, 2009.

**TRANSFER OF PRAIRIE RIDGE LAND TO DEPARTMENT OF ENVIRONMENT AND
NATURAL RESOURCES**

SECTION 27.7C. Adopts Senate provision (7th edition).

SPECIAL INDEBTEDNESS PROJECTS

SECTION 27.8.(a) Adopts Senate provision (7th edition), except makes the following changes to the authorized special indebtedness:

- (1) Decreases from \$22 million to \$21 million the maximum aggregate amount of special indebtedness that may be issued or incurred prior to July 1, 2009, to finance the capital facility costs of completing a School of Dentistry building at East Carolina University and no more than 10 satellite dental clinics across the state.
- (2) Identical to Senate provision (7th edition).

- (3) Increases from \$5 million to \$7 million the maximum aggregate amount of special indebtedness that may be issued or incurred prior to July 1, 2009, to finance the capital facility costs of completing a School of Education building at Elizabeth City State University.
- (4) Identical to paragraph (5) in the Senate provision (7th edition).
- (5) Identical to paragraph (4) in the Senate provision (7th edition), except decreases from \$10 million to \$7 million the maximum aggregate amount of special indebtedness that may be issued or incurred prior to July 1, 2009, to finance the capital facility costs of completing a general classroom building at North Carolina Agricultural and Technical State University.
- (6) Authorizes the maximum aggregate principal amount of \$24.5 million of special indebtedness to finance the capital facility costs of completing a nursing building at North Carolina Central University. Provides that no more than a maximum aggregate amount of \$6 million of special indebtedness may be issued or incurred prior to July 1, 2009, and that no more than a maximum aggregate amount of \$17 million of special indebtedness may be issued or incurred prior to July 1, 2010.
- (7) Identical to paragraph (6) in the Senate provision (7th edition), except deletes the restriction on the maximum aggregate amount of special indebtedness that may be issued or incurred prior to July 1, 2009 to finance the capital facility costs of completing a central storage facility at the North Carolina School of the Arts.
- (8) Identical to paragraph (7) in the Senate provision (7th edition), except prohibits the issuance or incurrence of special indebtedness prior to July 1, 2009 to finance the capital facility costs of completing a film school production facility at the North Carolina School of the Arts.
- (9) Identical to paragraph (8) in the Senate provision (7th edition), except increases from \$30 million to \$49 million the maximum aggregate amount of special indebtedness that may be issued or incurred prior to July 1, 2009, and decreases from \$70.1 million to \$68.1 million the maximum aggregate amount of special indebtedness that may be issued or incurred prior to July 1, 2010, to finance the capital facility costs of completing the Centennial Campus library at North Carolina State University.
- (10) Authorizes the maximum aggregate principal amount of \$4 million of special indebtedness for the capital facility costs of completing the 4-H Campuses at North Carolina State University.
- (11) Identical to paragraph (9) in the Senate provision (7th edition).
- (12) Identical to paragraph (10) in the Senate provision (7th edition).
- (13) Identical to paragraph (11) in the Senate provision (7th edition).
- (14) Identical to paragraph (12) in the Senate provision (7th edition).
- (15) Identical to paragraph (13) in the Senate provision (7th edition), except decreases from \$35 million to \$25 million the maximum aggregate principal amount of special indebtedness that may be issued or incurred to finance the capital improvement costs of acquiring State land through The University of North Carolina System.
- (16) Identical to paragraph (20) in the Senate provision (7th edition), except deletes the provision making the subdivision effective only if the judicial department facilities fees created in Senate Bill 2107, 2007 Regular Session, or substantially similar legislation, becomes law.
- (17) Identical to paragraph (14) in the Senate provision (7th edition), except increases from \$17 million to \$27 million the maximum aggregate amount of special indebtedness that may be issued or incurred prior to July 1, 2009 and deletes the restrictions on the amount of special indebtedness that may be issued or incurred prior to July 1, 2010.
- (18) Identical to paragraph (15) in the Senate provision (7th edition).
- (19) Identical to paragraph (16) in the Senate provision (7th edition).

- (20) Identical to paragraph (17) in the Senate provision (7th edition).
- (21) Identical to paragraph (18) in the Senate provision (7th edition).
- (22) Authorizes the maximum aggregate principal amount of \$2,925,000 in special indebtedness to finance the capital facility costs of completing Phase I of the CSS Neuse State Historic Site.
- (23) Identical to paragraph (21) in the Senate provision (7th edition).
- (24) Authorizes the maximum aggregate principal amount of \$3.7 million in special indebtedness to finance the capital facility costs of completing a Southeastern North Carolina Agriculture Center Pavilion (was funded in the same amount through sales proceeds under paragraph (19) of the Senate provision (7th edition)).
- (25) Identical to paragraph (19) in the Senate provision (7th edition), except decreases from \$11.8 million to \$8.1 million the maximum aggregate principal amount of special indebtedness to finance the capital facility costs of Department of Agriculture and Consumer Services capital improvements and deletes allocation of any sales proceeds to the Southeastern North Carolina Agricultural Center Pavilion (see provision for same in paragraph (24) above).
- (26) Authorizes the maximum aggregate principal amount of \$4,303,944 in special indebtedness to finance the capital facility costs of completing an oyster hatchery.
- (27) Authorizes the maximum aggregate principal amount of \$2.7 million in special indebtedness to finance the capital improvement costs of completing an expansion and renovation to the polar bear exhibit at the North Carolina Zoo.
- (28) Authorizes the maximum aggregate principal amount of \$50 million in special indebtedness to finance the capital improvement costs of acquiring State park lands and conservation areas for the Land for Tomorrow initiative in the Department of Environment and Natural Resources. Provides that proceeds shall be allocated to support the conservation priorities of the One North Carolina Naturally program.

SECTION 27.8.(b) No change—adopts identical House and Senate provisions.

SECTION 27.8.(c) No change—adopts identical House and Senate provisions.

SECTION 27.8.(d) Adopts Senate provision (7th edition).

SECTION 27.8.(e) Adopts Senate provision (7th edition).

TWO-THIRDS BONDS ACT OF 2008

SECTION 27.9.(a) Adopts new provision titling new section the “Two-Thirds Bonds Act of 2008.”

SECTION 27.9.(b) Adopts new provision stating that it is the intent and purpose of the General Assembly to provide for the issuance of general obligation bonds or notes of the state in order to provide funds for the cost of state capital facilities.

SECTION 27.9.(c) Adopts new provision providing definitions for “bonds,” “costs,” “credit facilities,” “notes,” “par formula,” “State,” and “State agency,” for purposes of the new Act.

SECTION 27.9.(d) Adopts new provision authorizing the State Treasurer, by and with the consent of the Council of State, to issue and sell general obligation bonds of the State to be designated “State of North Carolina General Obligation Bonds,” with any additional designations as may be determined, or notes of the State, in the aggregate principal amount of \$107 million for the purpose of providing funds, with any other available funds, for the purposes authorized by this section. If the \$107 million is in excess of two-thirds of the amount by which the State’s outstanding indebtedness shall have been reduced during the biennium ended June 30, 2008, then the maximum amount of bonds and notes authorized in this section is reduced by such excess.

SECTION 27.9.(e) Adopts new provision providing that the proceeds of bonds and notes authorized by this section must be used for financing the cost of state capital facilities as provided

in the section. Directs the State Treasurer to place any additional moneys received by grant from the federal government or any federal agency or from any other source to aid in financing the cost of such capital facilities into a separate fund or funds, and to disburse those funds without regard to the limitations imposed by this section. Provides that the proceeds of the bonds and notes may be used with any other moneys, and shall be expended and disbursed under the direction and supervision of the Director of the Budget. The funds must be disbursed upon warrants drawn on the State Treasurer by the State Comptroller, but not until a requisition has been approved by the Director of the Budget after full compliance with the State Budget Act (Chapter 143C of the General Statutes). Requires the Office of State Budget and Management to provide semiannual reports to the Joint Legislative Oversight Committee on Capital Improvements, the Chairs of the Senate and House of Representatives Appropriation Committees, and the Fiscal Research Division on the expenditure of moneys authorized by this section, until the completion of the projects provided for in this section.

SECTION 27.9.(f) Adopts new provision allocating the proceeds of bonds and notes for paying the cost of the Green Square Project, Department of Environment and Natural Resources. Permits the allocation to be increased to reflect the availability of other funds. Permits the Director of the Budget, when the Director determines it is in the best interest of the state to do so, to use any excess funds to increase the allocation of the project. Requires the Office of State Budget and Management to provide semiannual reports to the Joint Legislative Oversight Committee on Capital Improvements, the Chairs of the Senate and House of Representatives Appropriation Committees, and the Fiscal Research Division as to any changes in projects and allocations made.

SECTION 27.9.(g) Adopts new provision setting requirements for the issuance of bonds and notes, including requirements for terms and conditions, signatures, forms, registration, manner of sales, expenses, repayment, refunding of bonds and notes, tax exemptions, and investment eligibility.

SECTION 27.9.(h) Adopts new provision providing the manner in which the State Treasurer may set interest rates for the bonds and notes authorized by this section.

SECTION 27.9.(i) Adopts new provision regarding the interpretation of the Act.

SECTION 27.9.(j) Adopts new provision making the Act effective when it becomes law.

PART XXVIII. TAX LAW CHANGES

IRC UPDATE

SECTION 28.1. Adopts House provision (4th edition), except makes a technical change.

EXTEND CREDIT FOR RESEARCH AND DEVELOPMENT

SECTION 28.2. Adopts House provision (4th edition).

EXTEND LOW-INCOME HOUSING CREDIT

SECTION 28.3. Adopts House provision (4th edition).

EXTEND MILL REHABILITATION TAX CREDIT

SECTION 28.4. Adopts House provision (4th edition).

EXTEND SUNSET FOR STATE PORTS TAX CREDIT

SECTION 28.5. Adopts House provision (4th edition).

EXEMPT DISASTER ASSISTANCE DEBIT SALES

SECTION 28.6. Adopts House provision (4th edition), except changes effective date from July 1, 2008, to August 1, 2008.

CLOSE FRANCHISE TAX LOOPHOLES BY REQUIRING A LIMITED LIABILITY COMPANY THAT ELECTS TO BE TREATED AS A CORPORATION AND A CAPTIVE REIT TO PAY FRANCHISE TAX

SECTION 28.7. Adopts House provision (4th edition), except makes a technical change.

PUBLICLY TRADED PARTNERSHIPS

SECTION 28.8. Adopts House provision (4th edition).

INCREASE EARNED INCOME TAX CREDIT TO FIVE PERCENT

SECTION 28.9. Adopts House provision (4th edition), except changes effective date to taxable years beginning on or after January 1, 2009 (was, 2008).

EXTEND SUNSET FOR SMALL BUSINESS EMPLOYEE HEALTH BENEFITS

SECTION 28.9A. Amends the credit for small business employee health benefits, GS 105-129.16E(d), to extend the sunset on the credit one year, from January 1, 2009, to January 1, 2010.

PROVIDE A PROPERTY TAX EXCLUSION FOR HONORABLY DISCHARGED DISABLED VETERANS AND THEIR SURVIVING SPOUSES

SECTION 28.11. Similar to House provision (4th edition) but makes changes as follows. Modifies the new homestead exclusion for honorably discharged disabled veterans and their unmarried surviving spouses, created in proposed new GS 105-277.1C, to equal the first \$45,000 of appraised value of the residence (was, an amount equal to the greater of \$48,000 or half the appraised value of the residence, but not more than 50% of the maximum amount of a conventional mortgage authorized by 12 U.S.C § 1717(b)(2) (Federal National Mortgage Association Charter Act)). Adds definitions related to veteran status and simplifies proposed definitions by cross referencing GS 105-277.1. Removes election provision. Makes technical changes to the application provision. Deletes new GS 105-277.1D, which provided procedures for reimbursement by the state of local governments for 100% of the revenue lost as a result of the exclusion under new GS 105-277.1C. Changes the main caption of GS 105-277.1 to specify that it is related to elderly or disabled property tax exclusion and makes conforming changes to GS 105-277.1(a) and (b)(3a). Also amends GS 105-277.1(d) to specify that the subsection refers to ownership by spouse rather than multiple owners and by amending GS 105-277.1(e) to reflect whether owners may qualify for more than one exclusion, either under this section, GS 105-277.1C, or both.

Effective when the act becomes law, recodifies GS 105-277.1C, as enacted by SL 2008-35, as GS 105-277.1D and authorizes conforming changes to be made by the Revisor of Statutes.

SALES TAX HOLIDAY FOR CERTAIN ENERGY STAR RATED APPLIANCES

SECTION 28.12. Adopts House provision (4th edition), except adds central air conditioners, air-source heat pumps, geothermal heat pumps, and ceiling fans to the list of Energy Star qualified products eligible for the sales and use tax holiday and also deletes dishwashers and compact fluorescent light bulbs from that list. Makes technical changes. Amends the definition of *energy star qualified product* in GS 105-154.3(8q).

SET INSURANCE REGULATORY FEE

SECTION 28.13. Adopts House provision (4th edition).

SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 28.14. Adopts House provision (4th edition).

SMALL BUSINESS PROTECTION ACT

SECTION 28.16. Adopts new provision similar to S 1952 (2nd edition), except uncodifies findings and expands findings to include specific complex areas of sales and use tax laws as applied to small businesses. Deletes provision requiring whether a business attempted to comply with tax laws by obtaining and following advice from the Department of Revenue (Department) before notice of the audit to be considered in reducing an assessment. Specifies application of

the section to certain assessments. Sets forth an expiration date of January 1, 2010, as applied to an assessment that becomes collectible under GS 105-241.22 on or after the expiration date or to a claim for a refund filed on or after the expiration date for a refund of an assessment paid before the expiration date. Makes conforming changes.

Makes clarifying changes to new proposed GS 105-258.2 and requires that the secretary be requested to document the advice. Retains a January 1, 2009 effective date, except for the provision related to the sales tax inquiries, which is effective July 1, 2009.

Modifies proposed revised GS 105-264 by incorporating in one subsection the requirements related to alleviating taxpayer liability based on erroneous written or verbal advice by the Department.

Makes stylistic changes to proposed revised GS 105-237.1. Deletes from the list of factors to be considered by the Secretary of Revenue when compromising a taxpayer's liability whether liability is under judicial review after a financial administrative decision and acceptance of an offer would be in the best interest of the state.

Requires the Department to establish a plan to record calls received at the Department's Taxpayer Assistance Center and to implement this plan by July 1, 2010. Authorizes the Department to retain up to \$700,000 of the amount collected under Article 5 of GS Chapter 105 in 2008-09 for this purpose. Provides that funds not used will not revert until the system is implemented.

Directs the Revenue Laws Study Committee to study issues listed in this section and report to the 2009 General Assembly, with certain criteria to be included.

Directs the Department to report to the Revenue Laws Study Committee on customer service improvement initiatives conducted by the Department prior to the convening of the 2009 General Assembly and sets forth minimum factors to be addressed.

Modifies the effective date to when the act becomes law, unless otherwise noted.

MODIFY ESTATE TAX LAW

SECTION 28.17. Adopts new provision identical to Section 1 of S 1756 (2nd edition), effective when it becomes law and applies retroactively to the estates of decedents for which the statute of limitations for claiming a refund had not expired as of December 28, 2007. A personal representative of an estate for which the statute of limitations has not expired as of December 28, 2007, may file a claim for refund under GS 105-241.6.

REPEAL GIFT TAX LAW

SECTION 28.18. Adopts new provision identical to Sections 2, 3, 4, and 5 of S 1756 (2nd edition), except makes conforming change to GS 105-241.10 by removing reference to GS 105-197.1 (federal corrections related to gift tax). Changes effective date to January 1, 2009, and applies to gift made on or after that date.

STATE SALES TAX EXEMPTION FOR BAKED GOODS SOLD BY ARTISAN BAKERIES

SECTION 28.19. Adopts new provision similar to S 761, except does not revise the definition section of GS 105-164.3 and expands the state tax exemption for prepared food to include (1) bakery items sold by an artisan bakery, identified by specific criteria related to its gross receipts, and (2) a definition for *bakery item*. Changes the effective date to January 1, 2009, and applies to sales made on or after that date.

PROHIBIT TAX ON INTERIOR DESIGN SERVICES

SECTION 28.20. Adopts new provision substantively similar to S 1657 (2nd edition), except makes a technical change to the proposed subdivision number and sets the effective date as August 1, 2008.

1% \$80 EXCISE TAX ON MACHINERY REFURBISHERS

SECTION 28.21. Adopts new provision substantively similar to S 1745 (2nd edition), except changes the effective date to July 1, 2008, as applied to purchase made on or after that date.

CLARIFY 501(C)(3) SALES TAX REFUND

SECTION 28.22. Adopts new provision identical to S 2106 (2nd edition).

EXTEND AVIATION FUEL REFUNDS

SECTION 28.23. Adopts new provision amending GS 105-164.14(a1) (related to interstate passenger air carriers) and GS 105-164.14(l) (related to professional motorsports racing teams or a motorsports sanctioning body) to extend the sunset date on aviation fuel refunds for purchase made on or after to January 1, 2011 (was, January 1, 2009).

EXPAND FILM INDUSTRY CREDIT AND EXTEND SUNSET

SECTION 28.24. Adopts new provision substantively similar to S 1968 (2nd edition), except makes technical changes and changes the sunset dates in GS 105-130.47 and GS 105-151.29 to January 1, 2014 (was, 2010).

EXPAND RENEWABLE ENERGY TAX CREDIT

SECTION 28.25. Adopts new provision substantively similar to H 2530 (2nd edition), except makes a conforming change to remove language that is specific to a credit taken by a *nonprofit organization*, since the amended section also applies to units of state and local government. Makes stylistic changes.

INCREASE QUALIFIED BUSINESS VENTURE TAX CREDIT CAP

SECTION 28.26. Adopts new provision similar to S 1628 (2nd edition), except changes the limit on the total amount of all tax credits from investments made in a calendar year to \$7.5 million.

TAX DEDUCTION FOR THE SALE OF MANUFACTURED HOME COMMUNITY TO MANUFACTURED HOMEOWNERS

SECTION 28.27. Adopts new provision substantively similar to H 1700 (4th edition), except makes technical changes.

PROCEDURE FOR TAX CLASS ACTIONS

SECTION 28.28. Adopts new provision similar to S 1715 (2nd edition), except makes clarifying changes by specifying, in proposed new GS 105-241.18, that the statute of limitations on filing a refund is only tolled for a taxpayer who is eligible to become a member of the class. Provides that the tolling begins on the date the class action is commenced. Differentiates between the tolling periods for taxpayers depending on whether or not they join the member class. Adds a new subdivision to set forth the effect of a class action on nonparticipating taxpayers. Makes a technical change.

PART XXIX (FEES).

FEE INCREASE FOR DOMESTIC VIOLENCE PROGRAMS

SECTION 29.1. Adopts House provision (4th edition), except changes effective date from July 1, 2008, to July 20, 2008.

ADJUST SECURITIES FILING FEES

SECTION 29.3. Adopts House provision (4th edition), except changes effective date from July 1, 2008, to July 20, 2008. Also amends 78A-31(a)(4) to increase the renewal fee to \$2,000 (4th edition proposed \$1,000).

NEWBORN SCREENING FEE CHANGES

SECTION 29.4(a). Adopts House provision (4th edition), except rewrites GS 130A-125(c) to set a fee of \$19 for a laboratory test performed by the State Laboratory of Public Health and to provide that the fee is a departmental receipt and must be used to offset the costs of the Newborn Screening Program. Effective July 20, 2008 (was, July 1, 2008). Also removes provision requiring the Director of the State Laboratory of Public Health to review the fee annually and recommend increases. Also deletes 29.4(b), allowing a portion of the fee to be used to support two positions in the Division of Public Health.

HEALTH CARE FACILITY CONSTRUCTION PROJECT FEE INCREASES

SECTION 29.5. Adopts House provision (4th edition), except changes effective date from July 1, 2008, to July 20, 2008.

CHANGES TO ASBESTOS CONTAINING MATERIAL REMOVAL PERMIT FEES FOR DEMOLITION PROJECTS

SECTION 29.6. Adopts House provision (4th edition), except modifies the section heading, provides that the fee is a departmental receipt that must be used to offset the cost the asbestos hazard management program, and sets separate fees for renovation or demolition. If the asbestos is to be removed as part of a renovation, the fee is an amount set by the Department and may not exceed 1% of the contracted price or \$.20 per square foot or linear foot of asbestos containing materials to be removed, whichever is greater. If the asbestos is to be removed as part of a demolition, the fee is set in a similar manner but may not exceed \$1,500. Changes effective date from July 1, 2008, to July 20, 2008.

INCREASE REGISTRATION FEE FOR DEEDS OF TRUST AND MORTGAGES FOR FLOODPLAIN MAP USE

SECTION 29.7. Adopts new provision amending GS 161-10(a) increasing the fee for registering or filing any deed of trust or mortgage from \$12 to \$22 for the first page. Enacts GS 161-11.3 requiring that \$10 of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage under GS 161-10(a)(1a) must be credited to the newly established Floodplain Mapping Fund. Adopts new provision enacting GS 143-215.56A establishing the Floodplain Mapping Fund as a special revenue fund. Provides for use of funds. Effective October 1, 2008, and applies to deeds of trust and mortgages registered or filed on or after that date.

ESTABLISH STATE COURT FACILITY FEE FOR PHONE SYSTEM

SECTION 29.8. Adopts new provision amending GS 7A-304(a), 7A-305(a), 7A-306(a), and 7A-307(a), all pertaining to costs, by adding new subsections establishing a \$1 cost for the upgrade, maintenance, and operation of the judicial and county courthouse phone systems, to be credited to the Court Information Technology Fund. Amends GS 7A-343.2, making the Court Information Technology Fund a special revenue fund, modifying provisions on use of funds and on reporting, and making conforming changes. Effective July 1, 2008, repeals Section 14.16 of SL 2007-323, providing that state funds may not be used for telephone service. All other provisions are effective July 20, 2008 and apply to costs assessed and collected on or after that date.

RESCUE SQUAD WORKERS' RELIEF FUND.

SECTION 29.9. Adopts new provision, effective October 1, 2008, amending GS 58-88-30 by increasing from 10% to 12% the amount withheld by the Association from the money received pursuant to GS 20-183.7(c) for the administration of the Rescue Squad Worker's Relief Fund.

AGENT LICENSING FEE CORRECTION AND CLARIFICATION.

SECTION 29.10. Adopts new provision amending GS 58-33-125, decreasing the annual license fee for agent appointment, individual from \$20 to \$10 and deleting the fee for agent appointment, Medicare supplement and long term care, nonindividual. Provides that the fee for an individual agent appointment applies to each license. Modifies provision on billing. Makes technical changes. Effective January 1, 2009, and applies to fees billed on or after that date.

PART XXX. MISCELLANEOUS PROVISIONS

APPROPRIATIONS LIMITATIONS AND DIRECTIONS APPLY

SECTION 30.4A. Adopts Senate provision (7th edition).

EFFECTIVE DATE

SECTION 30.6. Effective July 1, 2008.

July 16, 2008

SL 2008-107 (H 2436). MODIFY APPROPRIATIONS ACT OF 2007. AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL APPROPRIATIONS ACT OF 2007, TO AUTHORIZE INDEBTEDNESS FOR CAPITAL PROJECTS, AND TO MAKE VARIOUS TAX LAW AND FEE CHANGES. Summarized in *Daily Bulletin* 5/21/08, 6/3/08, 6/4/08, 6/5/08, 6/17/08, 6/18/08, and 7/7/08. Enacted July 16, 2008. Effective July 1, 2008, except as otherwise provided.