

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007**

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**HOUSE BILL 1473
Committee Substitute Favorable 5/8/07
Committee Substitute #2 Favorable 5/9/07
Fourth Edition Engrossed 5/11/07
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Senate Appropriations/Base Budget Committee Substitute Adopted 5/29/07**

Short Title: 2007 Appropriations Act.

(Public)

Sponsors:

Referred to:

April 16, 2007

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

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

INTRODUCTION

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

TITLE OF ACT

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

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

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

	2007-2008	2008-2009
Current Operations – General Fund		
EDUCATION		
Community Colleges System Office	\$ 919,581,160	\$ 898,393,003
Department of Public Instruction	7,620,122,436	7,666,686,081
University of North Carolina – Board of Governors		
Appalachian State University	121,866,775	123,484,299
East Carolina University		
Academic Affairs	200,929,741	207,798,168
Health Affairs	48,700,539	48,649,036
Elizabeth City State University	31,770,080	32,587,386
Fayetteville State University	53,131,616	54,059,698
North Carolina Agricultural and Technical State University	91,017,204	91,671,185
North Carolina Central University	76,599,430	78,129,122
North Carolina School of the Arts	24,650,862	24,042,061
North Carolina State University		
Academic Affairs	349,253,626	358,675,869
Agricultural Extension	42,241,968	42,126,187
Agricultural Research	53,406,637	52,144,009
University of North Carolina at Asheville	33,648,196	34,151,586
University of North Carolina at Chapel Hill		
Academic Affairs	269,229,699	275,856,577
Health Affairs	188,883,060	194,407,363
Area Health Education Centers	47,818,875	47,818,875
University of North Carolina at Charlotte	161,588,211	167,100,852
University of North Carolina at Greensboro	145,859,443	149,948,462
University of North Carolina at Pembroke	53,241,514	54,967,129
University of North Carolina at Wilmington	94,683,871	97,233,616
Western Carolina University	84,117,070	85,393,621
Winston-Salem State University	66,379,070	69,552,386
General Administration	42,489,469	42,647,024
University Institutional Programs	136,338,874	112,449,559
Related Educational Programs	149,629,645	149,933,562
North Carolina School of Science and Mathematics	16,859,174	17,065,422
UNC Hospitals at Chapel Hill	45,673,970	45,673,970
Total University of North Carolina – Board of Governors	\$ 2,630,008,619	\$ 2,657,567,024
HEALTH AND HUMAN SERVICES		
Department of Health and Human Services		
Office of the Secretary	62,593,587	63,866,411
Division of Aging	35,643,589	35,006,179
Division of Blind Services/Deaf/HH	10,552,646	10,521,452
Division of Child Development	306,644,018	312,004,939
Division of Education Services	38,537,264	38,310,972
Division of Facility Services	19,108,545	19,061,591
Division of Medical Assistance	2,793,185,861	3,067,189,551
Division of Mental Health	714,116,560	720,375,784

1	NC Health Choice	59,391,155	59,391,155
2	Division of Public Health	191,420,132	183,966,681
3	Division of Social Services	212,788,902	216,008,788
4	Division of Vocation Rehabilitation	43,374,525	44,712,409
5	Total Health and Human Services	\$ 4,487,356,784	\$ 4,770,415,912
6			
7	NATURAL AND ECONOMIC RESOURCES		
8			
9	Department of Agriculture and Consumer Services	51,749,141	51,424,944
10			
11	Department of Commerce		
12	Commerce	62,466,647	40,086,833
13	Commerce State-Aid	22,976,478	0
14	NC Biotechnology Center	15,583,395	15,583,395
15	Rural Economic Development Center	43,802,607	24,302,607
16			
17	Department of Environment and Natural Resources	201,599,459	191,550,404
18			
19	Clean Water Management Trust Fund	100,000,000	100,000,000
20			
21	Department of Labor	16,594,758	16,594,951
22			
23	JUSTICE AND PUBLIC SAFETY		
24			
25	Department of Correction	\$ 1,213,715,078	\$ 1,219,540,012
26			
27	Department of Crime Control and Public Safety	47,830,429	36,404,601
28			
29	Judicial Department	450,847,007	452,781,617
30	Judicial Department – Indigent Defense	106,540,251	113,414,917
31			
32	Department of Justice	94,861,199	91,671,670
33			
34	Department of Juvenile Justice and		
35	Delinquency Prevention	156,864,584	129,694,269
36			
37	GENERAL GOVERNMENT		
38			
39	Department of Administration	66,347,940	68,969,534
40			
41	Office of Administrative Hearings	3,858,741	3,689,018
42			
43	Department of State Auditor	12,672,540	12,685,993
44			
45	Office of State Controller	20,710,191	20,727,698
46			
47	Department of Cultural Resources		
48	Cultural Resources	73,422,441	72,361,683
49	Roanoke Island Commission	2,020,023	2,020,023
50			
51	State Board of Elections	6,188,472	6,046,868

1			
2	General Assembly	54,538,665	55,740,786
3			
4	Office of the Governor		
5	Office of the Governor	6,262,319	6,300,587
6	Office of State Budget and Management	5,930,060	5,936,765
7	OSBM – Reserve for Special Appropriations	6,438,446	4,938,446
8	Housing Finance Agency	17,108,417	9,608,417
9			
10	Department of Insurance		
11	Insurance	30,922,133	30,936,704
12	Insurance – Volunteer Safety Workers' Compensation	4,500,000	4,500,000
13			
14	Office of Lieutenant Governor	914,122	915,109
15			
16	Department of Revenue	83,949,579	84,041,959
17			
18	Department of Secretary of State	11,412,917	10,686,083
19			
20	Department of State Treasurer		
21	State Treasurer	9,329,130	9,326,190
22	State Treasurer – Retirement for Fire and		
23	Rescue Squad Workers	9,458,957	9,458,957
24			
25	TRANSPORTATION		
26			
27	Department of Transportation	0	0
28			
29	RESERVES, ADJUSTMENTS AND DEBT SERVICE		
30			
31	Reserve for Compensation Increases	496,685,523	488,655,673
32			
33	Salary Adjustment Fund: 2007-09 Biennium	23,688,000	23,688,000
34			
35	Reserve for Teachers' and State Employees'		
36	Retirement Contribution	29,600,000	29,600,000
37			
38	Reserve for Retirement System Payback	10,000,000	10,000,000
39			
40	Reserve for State Health Plan	120,118,352	127,270,489
41			
42	Public Defenders Retirement	573,000	573,000
43			
44	Judicial Longevity	717,577	717,577
45			
46	Contingency and Emergency Fund	5,000,000	5,000,000
47			
48	Information Technology Fund	29,140,000	7,840,000
49			
50	Reserve for Job Development		
51	Investment Grants (JDIG)	12,400,000	12,400,000

1			
2	Reserve for Eliminated Positions	(34,403,179)	(34,403,179)
3			
4	Internal Auditing	1,000,000	1,000,000
5			
6	Debt Service		
7	General Debt Service	619,793,004	678,387,871
8	Federal Reimbursement	1,616,380	1,616,380
9			
10	TOTAL CURRENT OPERATIONS –		
11	GENERAL FUND	\$ 19,984,413,782	\$ 20,247,348,871
12			

GENERAL FUND AVAILABILITY STATEMENT

13
14 **SECTION 2.2.(a)** The General Fund availability used in developing the
15 2007-2009 biennial budget is shown below:

16		FY 2007-2008	FY 2008-2009
17			
18	Unappropriated Balance Remaining		
19	from Previous Year	\$ 0	\$ 279,711,230
20	Projected Reversions FY 2006-07	125,000,000	0
21	Projected Overcollections FY 2006-07	1,135,200,000	0
22	Less Earmarkings of Year End Fund Balance		
23	Savings Reserve Account	(150,000,000)	0
24	Repairs and Renovations Reserve Account	(145,000,000)	0
25	Beginning Unreserved Fund Balance	\$ 965,200,000	\$ 279,711,230
26			
27	Revenues Based on Existing Tax Structure	\$ 18,532,400,000	\$ 19,551,000,000
28			
29	Nontax Revenues		
30	Investment Income	201,600,000	211,100,000
31	Judicial Fees	173,000,000	177,100,000
32	Disproportionate Share	100,000,000	100,000,000
33	Insurance	55,500,000	57,900,000
34	Other Nontax Revenues	140,400,000	154,300,000
35	Tobacco Trust Fund Transfer	2,000,000	0
36	Highway Trust Fund/Use Tax		
37	Reimbursement Transfer	172,500,000	172,500,000
38	Highway Fund Transfer	18,190,000	17,610,000
39	Subtotal Nontax Revenues	\$ 863,190,000	\$ 890,510,000
40			
41	Total General Fund Availability	\$ 20,360,790,000	\$ 20,721,221,230
42			
43	Adjustments to Availability: 2007 Session		
44	IRC Conformity	(56,900,000)	(49,100,000)
45	Reserve for Tax Adjustments	(30,000,000)	(30,000,000)
46	Health & Human Services/Facility Services Fees	1,705,501	1,642,407
47	Secretary of State Corporate Annual Report Fees	563,016	563,016
48	Net Increase Judicial Fees	39,075,320	39,075,320
49	Transfer from Closed Capital Account	3,506,143	0
50	Adjust Transfer from Treasurer's Office	110,758	98,758
51	Adjust Transfer from Insurance Regulatory Fund	80,274	56,274

1			
2	Subtotal Adjustments to Availability:		
3	2007 Session	\$ (41,858,988)	\$ (37,664,225)
4			
5	Revised General Fund Availability	\$ 20,318,931,012	\$ 20,683,557,005
6			
7	Less: General Fund Appropriations	(20,039,219,782)	(20,247,348,871)
8			
9	Unappropriated Balance Remaining	\$ 279,711,230	\$ 436,208,134
10			

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

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

19 **SECTION 2.2.(c1)** Notwithstanding G.S. 143-15.2, G.S. 143-15.3, and G.S.
20 143C-4-2, the State Controller shall transfer only one hundred fifty million dollars
21 (\$150,000,000) from the unreserved credit balance to the Savings Reserve Account on
22 June 30, 2007. This is not an "appropriation made by law", as that phrase is used in
23 Article V, Section 7(1) of the North Carolina Constitution. This subsection becomes
24 effective June 30, 2003.

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

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

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

37 **SECTION 2.2.(g)** Notwithstanding G.S. 143C-9-3, of the funds credited to
38 the Tobacco Trust Fund from the Master Settlement Agreement pursuant to Section
39 6.(2) of S.L. 1999-2 during the 2007-2009 fiscal biennium, the sum of two million
40 dollars (\$2,000,000) for the 2007-2008 fiscal year shall be transferred from the
41 Department of Agriculture and Consumer Services, Budget Code 23703 (Tobacco Trust
42 Fund) to the State Controller to be deposited in Non-tax Budget Code 19978 (Intra State
43 Transfers) to support General Fund appropriations for the 2007-2008 fiscal year.

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

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

46 **SECTION 3.1.** Appropriations from the State Highway Fund for the
47 maintenance and operation of the Department of Transportation and for other purposes
48 as enumerated are made for the fiscal biennium ending June 30, 2009, according to the
49 following schedule:
50
51

	2007-2008	2008-2009
Current Operations – Highway Fund		
Department of Transportation		
Administration	\$ 84,037,661	\$ 83,204,187
Division of Highways		
Administration	32,651,442	32,703,136
Construction	161,233,869	150,173,949
Maintenance	908,123,260	909,934,281
Planning and Research	4,700,000	4,700,000
OSHA Program	425,000	425,000
Ferry Operations	31,313,921	31,313,921
State Aid		
Municipalities	93,046,035	93,073,949
Public Transportation	73,466,447	73,466,447
Airports	21,860,122	19,730,033
Railroads	21,951,153	20,951,153
Governor's Highway Safety	334,314	335,449
Division of Motor Vehicles	103,676,924	119,130,944
Transfers, Other State Agencies, And Reserves	293,619,852	292,437,551
TOTAL	\$1,830,440,000	\$1,831,580,000

HIGHWAY FUND AVAILABILITY STATEMENT

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

Highway Fund Availability Statement	2007-2008	2008-2009
Unappropriated Balance From Previous Year	\$ 0	\$ 0
Beginning Credit Balance	30,000,000	-
Estimated Revenue	1,800,440,000	1,831,580,000
Total Highway Fund Availability	\$ 1,830,440,000	\$ 1,831,580,000
Unappropriated Balance	\$ 0	\$ 0

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

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

Current Operations – Highway Trust Fund	2007-2008	2008-2009
Intrastate System	\$ 540,326,825	\$ 550,107,613

1	Urban Loops	218,485,665	222,440,608
2	Aid to Municipalities	56,692,887	57,719,120
3	Secondary Roads	94,808,677	96,786,225
4	Program Administration	42,722,640	43,386,880
5	Transfer to General Fund	172,543,306	172,619,554

6
 7 **GRAND TOTAL CURRENT OPERATIONS**
 8 **AND EXPANSION** **\$ 1,125,580,000** **\$ 1,143,060,000**

9
 10 **HIGHWAY TRUST FUND AVAILABILITY STATEMENT**

11 **SECTION 4.2.** The Highway Trust Fund availability used in developing the
 12 2007-2009 biennial budget is shown below:

13
 14 **Total Highway Trust Fund Availability** **\$ 1,125,580,000** **\$ 1,143,060,000**

15
 16 **PART V. OTHER AVAILABILITY AND APPROPRIATIONS**

17
 18 **CIVIL PENALTIES AND FORFEITURE FUND AVAILABILITY AND**
 19 **APPROPRIATION**

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

	FY 2007-2008	FY 2008-2009	
24			
25	Department of Revenue	\$63,000,000	\$63,000,000
26	Department of Transportation	\$15,000,000	\$15,000,000
27	Employment Security Commission	\$3,000,000	\$3,000,000
28	Department of Insurance	\$1,000,000	\$1,000,000
29	University of North Carolina	\$3,500,000	\$3,500,000
30	Other Agencies	\$10,000,000	\$10,000,000
31	Total Funds Available	\$95,500,000	\$95,500,000

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

	FY 2007-2008	FY 2008-2009	
34			
35	School Technology Fund	\$18,000,000	\$18,000,000
36	State Public School Fund	\$77,500,000	\$77,500,000
37	Total Appropriation	\$95,500,000	\$95,500,000

38
 39 **EDUCATION LOTTERY**

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

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

45		
46	Class Size Reduction	\$ 90,364,291
47	Prekindergarten Program	84,635,709
48	Public School Building Capital Fund	140,000,000
49	Scholarships for Needy Students	35,000,000
50		
51	Total Appropriation	\$ 350,000,000

1
2 **SECTION 5.2.(c)** Notwithstanding G.S. 18C-164(f), if the actual net
3 revenues exceed the amounts appropriated for the 2007-2008 fiscal year in subsection
4 (b) of this section, the excess net revenues shall remain in the Education Lottery Fund,
5 and then may be transferred by the Director of the Budget among the four categories in
6 that subsection in the discretion of the Director and are appropriated for those purposes.

7 **SECTION 5.2.(d)** This section becomes effective June 30, 2007.
8

9 **INFORMATION TECHNOLOGY FUND AVAILABILITY AND**
10 **APPROPRIATION**

11 **SECTION 5.3.(a)** The availability used to support appropriations made in
12 this act from the Information Technology Fund established in G.S. 147-33.72H is as
13 follows:
14

	FY 2007-2008	FY 2008-2009
15 Receipts from Information		
16 Technology Enterprise Fee	\$9,800,000	\$9,800,000
17		
18 BEACON/Data Integration Funds	\$5,000,000	\$5,000,000
19		
20 Interest Income	\$100,000	\$100,000
21		
22 IT Fund Balance June 30	\$600,000	\$690,000
23		
24 Appropriation from General Fund	\$4,140,000	\$2,840,000
25		
26 Total Funds Available	\$19,640,000	\$18,430,000

27
28 **SECTION 5.3.(b)** Appropriations are made from the Information
29 Technology Fund for the 2007-2009 fiscal biennium as follows:
30

Office of Information Technology Services	FY 2007-2008	FY 2008-2009
31		
32 Information Technology Operations	\$9,452,835	\$8,152,835
33		
34 Information Technology Projects	\$4,497,165	\$4,497,165
35		
36 BEACON/Data Integration Funds	\$5,000,000	\$5,000,000
37		
38 Total	\$18,950,000	\$17,650,000

39
40 **PART VI. GENERAL PROVISIONS**
41

42 **APPROPRIATION OF CASH BALANCES AND RECEIPTS**

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

- 47 (1) For all budget codes listed in "North Carolina State Budget,
48 Recommended Operating Budget 2007-2009, Volumes 1 through 6,"
49 cash balances and receipts are appropriated up to the amounts
50 specified in Volumes 1 through 6, as adjusted by the General
51 Assembly, for the 2007-2008 fiscal year and the 2008-2009 fiscal year.

1 Funds may be expended only for the programs, purposes, objects, and
2 line items specified in Volumes 1 through 6, or otherwise authorized
3 by the General Assembly.

4 (2) For all budget codes that are not listed in "North Carolina State
5 Budget, Recommended Operating Budget 2007-2009, Volumes 1
6 through 6," cash balances and receipts are appropriated for each year
7 of the 2007-2009 fiscal biennium up to the level of actual expenditures
8 for the 2006-2007 fiscal year, unless otherwise provided by law. Funds
9 may be expended only for the programs, purposes, objects, and line
10 items authorized for the 2006-2007 fiscal year.

11 (3) Notwithstanding subdivisions (1) and (2) of this subsection, any
12 receipts that are required to be used to pay debt service requirements
13 for various outstanding bond issues and certificates of participation are
14 appropriated up to the actual amounts received for the 2007-2008
15 fiscal year and the 2008-2009 fiscal year and shall be used only to pay
16 debt service requirements.

17 (4) Notwithstanding subdivisions (1) and (2) of this subsection, cash
18 balances and receipts of funds that meet the definition issued by the
19 Governmental Accounting Standards Board of a trust or agency fund
20 are appropriated for and in the amounts required to meet the legal
21 requirements of the trust agreement for the 2007-2008 fiscal year and
22 the 2008-2009 fiscal year.

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

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

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

33 In addition to the consultation and reporting requirements set out in
34 G.S. 143C-6-4, the Office of State Budget and Management shall report to the Joint
35 Legislative Commission on Governmental Operations and to the Fiscal Research
36 Division of the Legislative Services Office within 30 days after the end of each quarter
37 on any overrealized receipts approved for expenditure under this subsection by the
38 Director of the Budget. The report shall include the source of the receipt, the amount
39 overrealized, the amount authorized for expenditure, and the rationale for expenditure.

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

44 **EXPENDITURES OF FUNDS IN RESERVES LIMITED**

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

47 **REVISE FREQUENCY OF FEE REPORT**

48 **SECTION 6.3.** G.S. 143C-9-4 reads as rewritten:
49 "**§ 143C-9-4. Annual Fee Report. Biennial fee report.**"
50
51

1 The Office of State Budget and Management shall prepare a report ~~annually~~
2 biennially on the fees charged by each State department, bureau, division, board,
3 commission, institution, and agency during the previous two ~~fiscal-year-years~~. The
4 report shall include the statutory or regulatory authority for each fee, the amount of the
5 fee, when the amount of the fee was last changed, the number of times the fee was
6 collected during the prior fiscal year, and the total receipts from the fee during the prior
7 fiscal year."
8

9 BUDGET REALIGNMENT

10 **SECTION 6.4.** Notwithstanding G.S. 143C-6-4(b), the Office of State
11 Budget and Management, in consultation with the Office of the State Controller and the
12 Fiscal Research Division, may adjust the enacted budget by making transfers among
13 purposes or programs for the sole purpose of correctly aligning authorized positions and
14 associated operating costs with the appropriate purposes or programs as defined in
15 G.S. 143C-1-1(d)(23). The Office of State Budget and Management shall change the
16 certified budget to reflect these adjustments only after reporting the proposed
17 adjustments to the Joint Legislative Commission on Governmental Operations and the
18 Fiscal Research Division. Under no circumstances shall total General Fund
19 expenditures for a State department exceed the amount appropriated to that department
20 from the General Fund for the fiscal year.
21

22 CONSULTATION NOT REQUIRED PRIOR TO ESTABLISHING OR 23 INCREASING FEES PURSUANT TO THE STATE BUDGET ACT

24 **SECTION 6.5.** Notwithstanding G.S. 12-3.1, an agency is not required to
25 consult with the Joint Legislative Commission on Governmental Operations prior to
26 establishing or increasing a fee as authorized or anticipated in this act, or in the Senate
27 Appropriations Committee Reports on the Continuation, Expansion and Capital
28 Budgets, that were distributed in the Senate Appropriations and Base Budget
29 Committees and used to explain this act.
30

31 STAFFING ANALYSIS OF STATE AGENCY BUSINESS FUNCTIONS AND 32 REDEPLOYMENT OF RESOURCES FROM HR/PAYROLL 33 MANAGEMENT

34 **SECTION 6.7.(a)** The Office of State Budget and Management, in
35 consultation with the Office of State Controller and the Office of State Personnel, shall
36 conduct annual follow-up analyses of the Human Resources/Payroll Function Mapping
37 Analysis that was completed in fiscal year 2007 by the BEACON staff and the Office of
38 State Budget and Management. This initial analysis was conducted to provide not only
39 a pre-implementation assessment of State agency Human Resources/Payroll staffing
40 prior to BEACON HR/Payroll implementation but also to provide a basis on which new
41 HR/Payroll roles required by BEACON implementation can be mapped. These
42 follow-up analyses of State agency HR/Payroll staffing shall be completed by January 1
43 of each year to assure the staffing levels remain appropriate. The annual staffing
44 analyses shall be conducted throughout the implementation of the BEACON HR/Payroll
45 System and shall continue for a reasonable time after the implementation to assure that
46 the staffing levels are adjusted based on the increased efficiency provided by the
47 implementation.
48

49 **SECTION 6.7.(b)** The Office of State Budget and Management, in
50 consultation with the Office of State Controller, shall conduct a staffing analysis of the
51 business functions of State government to include, but not be limited to, agency fiscal
offices, budget offices, and procurement offices to be completed by April 30, 2008.

1 This initial analysis will serve as a pre-implementation assessment of State agency
2 business functions staffing prior to the proposed implementation of the remaining
3 components of the BEACON ERP System. Follow-up analyses shall be conducted
4 annually and completed by January 1 of each year to assure the staffing levels remain
5 appropriate. The annual staffing analyses shall be conducted throughout the
6 implementation of future BEACON components and shall continue for a reasonable
7 time after the implementation to assure that the staffing levels are adjusted based on the
8 increased efficiency provided by the implementation.

9 **SECTION 6.7.(c)** By April 30, 2008, the Office of State Budget and
10 Management, in consultation with the Office of State Controller, and then by January 1,
11 2009, and annually thereafter, the Office of State Budget and Management, in
12 consultation with the Office of State Controller and the Office of State Personnel, shall
13 report to the Chairs of the House of Representatives Appropriations Committee, to the
14 Chairs of the Senate Committee on Appropriations/Base Budget, to the Joint Legislative
15 Oversight Committee on Information Technology, and to the Fiscal Research Division
16 on the results of the annual staffing analyses of State government business functions
17 conducted pursuant to subsection (a) of this section and on the implementation of the
18 BEACON HR/Payroll System.

19 **SECTION 6.7.(d)** Prior to any staffing changes that result from the staffing
20 analyses conducted pursuant to subsection (b) of this section, the Office of State Budget
21 and Management, in consultation with the Office of State Controller and the Office of
22 State Personnel, shall report to the Chairs of the House of Representatives
23 Appropriations Committee, to the Chairs of the Senate Committee on
24 Appropriations/Base Budget, to the Joint Legislative Oversight Committee on
25 Information Technology, and to the Fiscal Research Division on the annual staffing
26 analyses of State government business functions conducted pursuant to subsection (b) of
27 this section and on the proposed implementation of the remaining components of the
28 BEACON ERP System.

29 **SECTION 6.7.(e)** Notwithstanding any other provision of law, the Office of
30 State Budget and Management may evaluate the impact of the BEACON Program on
31 affected agencies and develop a plan for addressing resources affected by the Program.
32 The State Redeployment Plan shall be implemented to the extent possible. When
33 compliance with federal or State law requires, a new position may be created if a current
34 or contracted position is eliminated. The Office of State Budget and Management, in
35 consultation with the Office of the State Controller, shall report to the Joint Legislative
36 Commission on Governmental Operations within 30 days for each employee change
37 made under the State Redeployment Plan and shall include a five-year fiscal impact
38 incurred by the State when converting any contracted position to a permanent position.
39 This subsection expires June 30, 2008.

40 **BEACON DATA INTEGRATION**

41 **SECTION 6.8.(a)** The Office of the State Controller, in cooperation with the
42 State Chief Information Officer, shall develop a Strategic Implementation Plan for the
43 integration of databases and the sharing of information among State agencies and
44 programs. This plan shall be developed and implemented under the governance of the
45 BEACON Project Steering Committee and in conjunction with leadership in State
46 agencies and with the support and cooperation of the Office of State Budget and
47 Management. This plan shall include the following:

- 49 (1) Definition of requirements for achieving statewide data integration.
- 50 (2) An implementation schedule to be reviewed and adjusted by the
51 General Assembly annually based on funding availability.

- 1 (3) Priorities for database integration, commencing with the integration of
2 databases that the BEACON Project Steering Committee identifies as
3 most beneficial in terms of maximizing fund availability and realizing
4 early benefits.
- 5 (4) Identification of current statewide and agency data integration efforts
6 and a long-term strategy for integrating those projects into this effort.
- 7 (5) Detailed cost information for development and implementation, as
8 well as five years of operations and maintenance costs.

9 While it is the intent that this initiative provide broad access to information
10 across State government, the plan shall comply with all necessary security measures and
11 restrictions to ensure that access to any specific information held confidential under
12 federal and State law shall be limited to appropriate and authorized persons.

13 **SECTION 6.8.(b)** Of the funds appropriated from the General Fund to the
14 North Carolina Information Technology Fund, the sum of five million dollars
15 (\$5,000,000) for the 2007-2008 fiscal year shall be used for BEACON data integration
16 as provided by subsection (a) of this section. The Office of the State Controller, in
17 coordination with State agencies and with the support of the Office of State Budget and
18 Management, shall identify and make all efforts to secure any federal matching funds or
19 other resources to assist in funding this initiative.

20 Funds authorized in this section may be used for the following purposes:

- 21 (1) To support the cost of a project manager to conduct the activities
22 outlined herein reportable to the Office of the State Controller.
- 23 (2) To support two business analysts to provide support to the program
24 manager and agencies in identifying requirements under this program.
- 25 (3) To engage a vendor to develop the Strategic Implementation Plan as
26 required herein.
- 27 (4) To conduct integration activities as approved by the Governor and the
28 North Carolina General Assembly.

29 **SECTION 6.8.(c)** The Office of the State Controller, with the assistance of
30 the State Chief Information Officer, shall present the Strategic Implementation Plan
31 directed herein to the 2008 Session of the General Assembly for action as deemed
32 appropriate. Prior to the convening of the 2008 General Assembly, the Office of the
33 State Controller shall provide status reports of this activity to the Joint Legislative
34 Commission on Governmental Operations or the Fiscal Research Division of the
35 General Assembly as requested.

36 **SECTION 6.8.(d)** This effort shall not place any new or additional
37 requirements upon The University of North Carolina or the North Carolina Community
38 College System.

39 40 **USE OF COLLECTION ASSISTANCE FEE**

41 **SECTION 6.9.(a)** G.S. 105-243.1(e)(4) reads as rewritten:

- 42 "(4) To pay for postage or other delivery charges for correspondence
43 directly and primarily relating to collecting overdue tax debts, not to
44 exceed ~~three hundred fifty three thousand dollars (\$353,000)~~ five
45 hundred thousand dollars (\$500,000) a year."

46 **SECTION 6.9.(b)** The General Assembly finds that a computer system that
47 records tax payments and determines when the payments are overdue directly and
48 primarily relates to the collection of overdue tax debts and that the cost of the computer
49 system is subject to the collection assistance fee set forth in G.S. 105-243.1. The
50 Department of Revenue is authorized to use funds in the 20% Collection Assistance Fee
51 Account, Budget Code 24704-2474, during the 2007-2009 fiscal biennium to replace

1 the Department's current computer system, and these funds are appropriated to the
2 Department for that purpose. The Department shall not use more than forty million
3 dollars (\$40,000,000) from the Account to replace the Department's current computer
4 system. Funds appropriated to the Department in this subsection remain in the Account
5 until withdrawn for expenditures for a replacement computer system and shall remain in
6 the Account if not expended during the 2007-2009 fiscal biennium for the purposes set
7 forth in this subsection.

8 9 **OFFICE OF INFORMATION TECHNOLOGY SERVICES BUDGET REVIEW**

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

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

18 19 **OFFICE OF INFORMATION TECHNOLOGY SERVICES REVIEW OF** 20 **STATE IT BUDGET SUBMISSIONS**

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

- 26 (1) Identify the purpose of the information technology project or system.
- 27 (2) Identify whether the project or system would result in any duplication
28 of effort across governmental agencies, including State, local, and
29 federal agencies.
- 30 (3) Determine the completeness, timeliness, and accessibility of the data
31 developed and used by the system.
- 32 (4) Estimate the cost and actual staffing for the project or system.
- 33 (5) Ascertain the organizational location of the system as well as the
34 hardware and software inventories associated with the system or
35 project.
- 36 (6) Assess the current and potential benefits that the technology
37 investment would provide to the State.
- 38 (7) Identify any opportunities for the State to leverage federal and local
39 support of the information technology system or project.
- 40 (8) Consider any other information pertinent to the utility, functionality,
41 and cost-effectiveness of the project or system.

42 The SCIO shall submit the detailed analysis of each information technology
43 budget request to the Office of State Budget and Management (OSBM). Based on that
44 analysis, the OSBM may require State departments, agencies, and institutions to
45 coordinate information technology budget requests and projects to increase efficiency
46 and eliminate duplication in the governance, organization, staffing, and functionality of
47 information technology projects and systems across State government.

48 **SECTION 6.12.(b)** By February 1, 2008, the Office of State Budget and
49 Management shall report to the General Assembly on its efforts and outcomes relative
50 to increasing the efficiency and cost-effectiveness of the State's information technology

1 projects and programs as prescribed by this section. This report shall include detailed
2 information on initiatives to eliminate duplication.

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

6 **GEOGRAPHIC INFORMATION SYSTEM (GIS) STUDY**

7 **SECTION 6.13.(a)** The Office of State Budget and Management (OSBM),
8 in consultation with the Center for Geographic Information and Analysis (CGIA), the
9 State Chief Information Officer, and the chair of the Geographic Information
10 Coordinating Council (GICC), shall conduct a study to identify the development and
11 use of Geographical Information Systems (GIS) in North Carolina by State agencies.
12 The study shall identify the purpose of each system; any duplication of effort across
13 agencies, including local governments and federal agencies; the completeness,
14 timeliness, and accessibility of the data developed and used by the systems; the cost and
15 actual staffing for each system; the organizational location of each system; and the
16 hardware and software inventories associated with each system. The study shall also
17 assess the current and potential benefits that GIS investments provide to the State and
18 identify opportunities for the State to leverage federal and local support for North
19 Carolina GIS systems.

20 **SECTION 6.13.(b)** OSBM shall make recommendations on the governance,
21 organization, and staffing of GIS in and across State agencies and on a coherent and
22 cost-effective State investment strategy for GIS that appropriately leverages local and
23 federal support and eliminates duplication of capabilities. The report shall include a
24 recommended strategy for consolidating State GIS initiatives. The OSBM shall make a
25 written report of these findings and recommendations to the General Assembly by April
26 30, 2008.

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

30 **E-COMMERCE LONG-RANGE STRATEGY REPORT**

31 **SECTION 6.14.** The Office of the State Controller shall evaluate the
32 opportunities for efficiencies in State government through the use of electronic
33 commerce as it relates to both disbursement and collection of funds, and shall report the
34 results of that evaluation to the 2008 Regular Session of the 2007 General Assembly.
35 The report shall include all of the following:

- 36 (1) Input from the entire State government user base, including State
37 agencies, universities, community colleges, local education agencies,
38 and other units of government that may be disbursing or collecting
39 State funds. Input is also to be obtained from the various central
40 agencies involved in the financial affairs of State government and from
41 the Office of Information Technology.
- 42 (2) Specific proposals that would, if implemented, expand electronic
43 commerce activity in the State government fiscal environment, and
44 which shall include the establishment of an ongoing function within
45 State government to execute the expansion. The recommendations
46 should address activities that are suitable for statewide contractual
47 arrangements, as well as those suitable for governmental entities to
48 pursue individually. The recommendations should include expected
49 costs and benefits of these implementations; recommendations for
50 funding recurring and nonrecurring costs of the specific proposals; and
51 a business case to support the recommendations.

1 (3) Proposed legislation that may be considered by the 2008 Regular
2 Session of the 2007 General Assembly to ensure compliance with
3 merchant card industry policies and standards for operations and
4 security.

5 (4) Proposed legislation that may be considered by the 2008 Regular
6 Session of the 2007 General Assembly that addresses any
7 inconsistencies or conflicts in existing statutes relating to electronic
8 commerce activities.

9 Periodic updates on this activity may be requested by the Joint Legislative
10 Commission on Governmental Operations. The final report is due no later than April 30,
11 2008.

12
13 **UNC DISTINGUISHED PROFESSOR CHALLENGE-GRANT**
14 **INITIATIVE/REDUCE BACKLOG FOR DISTINGUISHED PROFESSOR**
15 **ENDOWMENT TRUST FUND PROFESSORSHIPS**

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

27 **SECTION 6.15.(b)** Funds are allocated in the North Carolina Senate
28 Committee Report on the Continuation, Expansion and Capital Budget for the purpose
29 of addressing the existing backlog of professorships under the Distinguished Professors
30 Endowment Trust Fund.

31
32 **MEDICAID COUNTY SHARE RELIEF**

33 **SECTION 6.16.** In recognition of the increasing cost of Medicaid services
34 and the burden this places on county finances, it is the intent of the General Assembly to
35 develop a method for relieving counties of the county share of the nonfederal share of
36 Medicaid expenditures. It is the further intent of the General Assembly that this relief
37 will be in place by July 1, 2008. Methods being considered will allow counties to use
38 those funds the counties would otherwise spend on Medicaid to support improvements
39 in education at the local level without limiting the State's ability to provide critical
40 State-funded services, including education.

41
42 **ELIMINATION OF VACANT POSITIONS**

43 **SECTION 6.17.** The Office of State Budget and Management shall
44 eliminate all positions across State government that are funded through the General
45 Fund and vacant for more than six months on June 30, 2007, by transferring from the
46 various State departments, agencies, and institutions the salary and benefits-related
47 funding appropriated for State government positions vacant on that date. There is
48 established in the Office of State Budget and Management a Reserve for Eliminated
49 Positions. Notwithstanding G.S. 143C-6-9, the sum of thirty-four million four hundred
50 three thousand one hundred seventy-nine dollars (\$34,403,179) shall be credited to the
51 Reserve for Eliminated Positions from the savings associated with the elimination of

1 vacant positions required by this section, effective July 1, 2007. The provisions of this
2 section do not apply to The University of North Carolina, the community colleges, and
3 the public schools.

4 **SALARY RESERVE BALANCES**

5 **SECTION 6.19.** Notwithstanding G.S. 143C-6-4(b)(2), during the
6 2007-2009 fiscal biennium, a State agency may, with approval of the Director of the
7 Budget, spend more than was authorized in the certified budget for a purpose or
8 program if the overexpenditure is required to accommodate the redistribution of salary
9 reserve balances within a State department.
10

11 **CLARIFY THE TERMS AND CONDITIONS OF EMPLOYMENT OF THE** 12 **DIRECTOR OF A LOCAL MANAGEMENT ENTITY**

13 **SECTION 6.20.(a)** G.S. 122C-121 reads as rewritten:

14 **"§ 122C-121. Area director.**

15 (a) The area director is an employee of the area board board, shall serve at the
16 pleasure of the board, and shall be appointed in accordance with G.S. 122C-117(7). The
17 area director is the administrative head of the area program. As used in this subsection,
18 "employee" means an individual and does not include a corporation, a partnership, a
19 limited liability corporation, or any other business association.
20

21 (a1) The area board shall establish the area director's salary under Article 3 of
22 Chapter 126 of the General Statutes. An area board may request an adjustment to the
23 salary ranges under G.S. 126-9(b). The request shall include specific information
24 supporting the need for the adjustment, including comparative salary and patient
25 caseload data for other LMEs, and shall also include the specific amount the area board
26 proposes to pay the director. The area board shall not request a salary adjustment that is
27 more than ten percent (10%) above the normal allowable salary range as determined by
28 the State Personnel Commission.

29 (a2) The area board shall not provide the director with any benefits that are not
30 also provided by the area board to all permanent employees of the area program. The
31 director shall be reimbursed only for allowable employment-related expenses at the
32 same rate and in the same manner as other employees of the area program.

33 (b) The area board shall evaluate annually the area director for performance
34 based on criteria established by the Secretary and the area board. In conducting the
35 evaluation, the area board shall consider comments from the board of county
36 commissioners.

37 (c) The area director is the administrative head of the area program. In addition
38 to the duties under G.S. 122C-111, the area director shall:

- 39 (1) ~~Appoint and supervise~~ Appoint, supervise, and terminate area program
40 staff.
41 (2) Administer area authority services.
42 (3) Develop the budget of the area authority for review by the area board.
43 (4) Provide information and advice to the board of county commissioners
44 through the county manager.
45 (5) Act as liaison between the area authority and the Department.

46 (d) Except when specifically waived by the Secretary, the area director shall meet
47 all the following minimum qualifications:

- 48 (1) Masters degree.
49 (2) Related experience.
50 (3) Management experience.
51 (4) Any other qualifications required under G.S. 122C-120.1."

1 **SECTION 6.20.(b)** G.S. 122C-121(a1), as enacted in subsection (a) of this
2 section, applies to salary plans submitted and contracts entered into, extended, modified,
3 or renewed on or after July 1, 2007.

4
5 **CONTINUATION REVIEW OF CERTAIN FUNDS, PROGRAMS, AND**
6 **DIVISIONS**

7 **SECTION 6.21.(a)** No later than February 1, 2008, the Administrative
8 Office of the Courts shall provide a written report to the Appropriations Committees of
9 the Senate and House of Representatives on the following funds, programs, or divisions:

- 10 (1) Dispute Resolution and Community Mediation Programs.
11 (2) Association of Clerks of Superior Court.
12 (3) The Conference of District Attorneys.

13 The report shall include all of the information listed in subsection (j) of this
14 section.

15 **SECTION 6.21.(b)** No later than February 1, 2008, the Office of Indigent
16 Defense Services shall provide a written report to the Appropriations Committees of the
17 Senate and House of Representatives on the Division of Sentencing Services. The
18 report shall include all of the information listed in subsection (j) of this section.

19 **SECTION 6.21.(c)** No later than February 1, 2008, the Department of
20 Correction shall provide a written report to the Appropriations Committees of the
21 Senate and House of Representatives on the following funds, programs, or divisions:

- 22 (1) Criminal Justice Partnership Program.
23 (2) Harriet's House.
24 (3) Women at Risk.
25 (4) Summit House.
26 (5) Contracts for long-term residential treatment beds: Evergreen; Mary
27 Frances Center.

28 The report shall include all of the information listed in subsection (j) of this
29 section.

30 **SECTION 6.21.(d)** No later than February 1, 2008, the Department of
31 Juvenile Justice and Delinquency Prevention shall provide a written report to the
32 Appropriations Committees of the Senate and House of Representatives on the
33 following funds, programs, or divisions:

- 34 (1) The Boys and Girls Clubs.
35 (2) Juvenile Assessment Center.
36 (3) Project Challenge.
37 (4) Juvenile Crime Prevention Council.
38 (5) The Governor's One-on-One Program.
39 (6) Support Our Students (SOS).

40 The report shall include all of the information listed in subsection (j) of this
41 section.

42 **SECTION 6.21.(e)** No later than February 1, 2008, the Department of
43 Justice shall provide a written report to the Appropriations Committees of the Senate
44 and House of Representatives on the North Carolina Legal Education Assistance Fund.
45 The report shall include all of the information listed in subsection (j) of this section.

46 **SECTION 6.21.(f)** No later than February 1, 2008, the Department of Crime
47 Control and Public Safety shall provide a written report to the Appropriations
48 Committees of the Senate and House of Representatives on the following funds,
49 programs, or divisions:

- 50 (1) North Carolina Victims Assistance Network.
51 (2) National Guard Tarheel Challenge Program.

1 (3) Butner Public Safety Division.
2 The report shall include all of the information listed in subsection (j) of this
3 section.

4 **SECTION 6.21.(g)** No later than February 1, 2008, the Department of
5 Environment and Natural Resources shall provide a written report to the Appropriations
6 Committees of the Senate and House of Representatives on the Environmental
7 Stewardship Initiative. The report shall include all of the information listed in
8 subsection (j) of this section.

9 **SECTION 6.21.(h)** No later than February 1, 2008, the Department of
10 Commerce shall provide a written report to the Appropriations Committees of the
11 Senate and House of Representatives on the following funds, programs, or divisions:

- 12 (1) Regional Partnerships.
- 13 (2) Council of Government funds.
- 14 (3) State Aid to Nonprofits.

15 The report shall include all of the information listed in subsection (j) of this
16 section.

17 **SECTION 6.21.(i)** No later than February 1, 2008, the Department of Health
18 and Human Services shall provide a written report to the Appropriations Committees of
19 the Senate and House of Representatives on the following funds, programs, or divisions:

- 20 (1) Office of Policy and Planning.
- 21 (2) Senior Games.
- 22 (3) Dental Supplies/Division of Public Health.

23 The report shall include all of the information listed in subsection (j) of this
24 section.

25 **SECTION 6.21.(j)** The reports required in subsections (a) through (i) of this
26 section shall include the following information for each program:

- 27 (1) A description of the program, including information on services
28 provided, the recipients of the services, and the resource requirements.
- 29 (2) Meaningful measures of program performance and whether the
30 program is meeting these measures.
- 31 (3) The rationale for continuing, reducing, or eliminating funding.
- 32 (4) The consequences of discontinuing program funding.
- 33 (5) Recommendations for improving services.
- 34 (6) Recommendations for reducing costs.
- 35 (7) The identification of policy issues that should be brought to the
36 attention of the General Assembly.

37 **SECTION 6.21.(k)** The Appropriations Committees of the Senate and
38 House of Representatives may review the funds, programs, and divisions listed in this
39 section and shall determine whether to continue, reduce, or eliminate funding for the
40 funds, programs, and divisions, subject to the continuation review program. The Fiscal
41 Research Division may issue instructions to the State departments and agencies
42 referenced in subsections (a) through (i) of this section regarding the expected content
43 and format of the reports required by this section.

44 **AT LEAST 20% OF PARKING LOT MUST BE PERVIOUS**

45 **SECTION 6.22.(a)** G.S. 143-214.7 is amended by adding a new subsection
46 to read:

47 "(d2) At least twenty percent (20%) of any area designed to be used for vehicular
48 parking, except for a covered area or a multilevel area, shall be a pervious surface."

49 **SECTION 6.22.(b)** G.S. 143-215.6A(a)(11) reads as rewritten:
50

1 (a) A civil penalty of not more than twenty-five thousand dollars (\$25,000) may
2 be assessed by the Secretary against any person who:

3 ...

4 (11) Violates or fails to act in accordance with
5 ~~G.S. 143-214.7(d1)~~.G.S. 143-214.7(d1) or (d2)."

6 **SECTION 6.22.(c)** This section becomes effective July 1, 2008, and applies
7 to any area designed to be used for vehicular parking for which an application for a
8 building permit, a zoning application, or a subdivision plat, is submitted on or after that
9 date.

10 **UNIVERSITY CANCER RESEARCH FUND**

11 **SECTION 6.23.(a)** Effective July 1, 2007, Chapter 116 of the General
12 Statutes is amended by adding a new section to read:

13 "**§ 116-29.1. University Cancer Research Fund.**

14 (a) The University Cancer Research Fund is established as a special revenue fund
15 in the Office of the President of The University of North Carolina. Allocations from the
16 fund shall be made to UNC Hospitals at the discretion of the President of The
17 University of North Carolina only for the purpose of cancer research.

18 (b) The General Assembly finds that it is imperative that the State provide a
19 minimum of sixteen million dollars (\$16,000,000) each calendar year to the University
20 Cancer Research Fund; therefore, effective July 1 of each calendar year:

21 (1) Notwithstanding G.S. 143C-9-3, the unobligated balance of the funds credited to
22 the Tobacco Trust Account in an amount not to exceed sixteen million dollars
23 (\$16,000,000) is hereby transferred from the Tobacco Trust Account to the University
24 Cancer Research Fund and appropriated for this purpose.

25 (2) There is appropriated from the General Fund to the University Cancer Research
26 Fund an amount equal to the difference between the amount transferred pursuant to
27 subdivision (1) of this subsection and sixteen million dollars (\$16,000,000).

28 (c) The University Cancer Research Fund may also receive revenue from other
29 sources.

30 (d) Fund Earnings, Assets, and Balances. – The State Treasurer shall hold the
31 Fund separate and apart from all other moneys, funds, and accounts. Investment
32 earnings credited to the assets of the Fund shall become part of the Fund. Any balance
33 remaining in the Fund at the end of any fiscal year shall be carried forward in the Fund
34 for the next succeeding fiscal year."

35 **SECTION 6.23.(b)** Effective July 1, 2008, G.S. 116-29.1(b), as enacted in
36 subsection (a) of this section, is amended by deleting "sixteen million dollars
37 (\$16,000,000)" each place it appears and substituting "thirty-two million dollars
38 (\$32,000,000)".

39 **SECTION 6.23.(c)** Effective July 1, 2009, G.S. 116-29.1(b), as amended in
40 subsection (b) of this section, is amended by deleting "thirty-two million dollars
41 (\$32,000,000)" each place it appears and substituting "fifty million dollars
42 (\$50,000,000)".

43 **STATE SUPPORT OF OUR MILITARY PERSONNEL**

44 **SECTION 6.24.** The General Assembly finds that North Carolina has a rich
45 military heritage and is the site of some of the nation's major military installations,
46 including Camp Lejeune, Fort Bragg, Pope Air Force Base, Seymour Johnson Air Force
47 Base, New River Marine Corps Air Station, United States Coast Guard Air Station,
48 Elizabeth City, and Cherry Point Marine Corps Air Station. The General Assembly
49 further finds that North Carolina is the home to more than 770,000 veterans of our
50
51

1 nation's armed forces and about 120,000 active-duty military personnel, one of the
 2 largest active-duty military populations in our entire country. In appreciation of and
 3 gratitude to those North Carolinians, both living and deceased, who have served in our
 4 armed forces in service to our country, the General Assembly provides funding for and
 5 support of the following initiatives:

- 6 (1) Defense and Security Technology Accelerator.
- 7 (2) Mental Health Services for Returning Veterans.
- 8 (3) The Soldier Institute for Regenerative Medicine.
- 9 (4) Military Morale, Welfare, and Recreation Fund.
- 10 (5) National Guard Family Assistance Centers.
- 11 (6) National Guard Pension Fund.

12
 13 **PART VII. PUBLIC SCHOOLS**

14
 15 **TEACHER SALARY SCHEDULES**

16 **SECTION 7.1.(a)** Effective for the 2007-2008 school year, the Director of
 17 the Budget shall transfer from the Reserve for Compensation Increases funds necessary
 18 to implement the teacher salary schedules set out in subsection (b) of this section and
 19 for longevity in accordance with subsection (d) of this section, including funds for the
 20 employer's retirement and social security contributions for all teachers whose salaries
 21 are supported from the State's General Fund.

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

24 **SECTION 7.1.(b)** The following monthly salary schedules shall apply for
 25 the 2007-2008 fiscal year to certified personnel of the public schools who are classified
 26 as teachers. The schedule contains 31 steps with each step corresponding to one year of
 27 teaching experience.

28
 29 2007-2008 Monthly Salary Schedule

30 "A" Teachers

31 Years of Experience	"A" Teachers	NBPTS Certification
32 0	\$2,975	N/A
33 1	\$3,017	N/A
34 2	\$3,061	N/A
35 3	\$3,217	\$3,603
36 4	\$3,357	\$3,760
37 5	\$3,491	\$3,910
38 6	\$3,620	\$4,054
39 7	\$3,724	\$4,171
40 8	\$3,772	\$4,225
41 9	\$3,821	\$4,280
42 10	\$3,871	\$4,336
43 11	\$3,920	\$4,390
44 12	\$3,971	\$4,448
45 13	\$4,022	\$4,505
46 14	\$4,075	\$4,564
47 15	\$4,129	\$4,624
48 16	\$4,184	\$4,686
49 17	\$4,239	\$4,748
50 18	\$4,298	\$4,814
51 19	\$4,356	\$4,879

1	20	\$4,414	\$4,944
2	21	\$4,476	\$5,013
3	22	\$4,537	\$5,081
4	23	\$4,603	\$5,155
5	24	\$4,667	\$5,227
6	25	\$4,732	\$5,300
7	26	\$4,798	\$5,374
8	27	\$4,866	\$5,450
9	28	\$4,937	\$5,529
10	29	\$5,008	\$5,609
11	30+	\$5,106	\$5,719

2007-2008 Monthly Salary Schedule

"M" Teachers

Years of Experience	"M" Teachers	NBPTS Certification
16	0	N/A
17	1	N/A
18	2	N/A
19	3	\$3,964
20	4	\$4,136
21	5	\$4,301
22	6	\$4,460
23	7	\$4,588
24	8	\$4,647
25	9	\$4,707
26	10	\$4,769
27	11	\$4,829
28	12	\$4,892
29	13	\$4,955
30	14	\$5,021
31	15	\$5,087
32	16	\$5,154
33	17	\$5,223
34	18	\$5,295
35	19	\$5,367
36	20	\$5,438
37	21	\$5,515
38	22	\$5,590
39	23	\$5,671
40	24	\$5,750
41	25	\$5,830
42	26	\$5,911
43	27	\$5,995
44	28	\$6,083
45	29	\$6,170
46	30+	\$6,291

SECTION 7.1.(c) Annual longevity payments for teachers shall be at the rate of one and one-half percent (1.5%) of base salary for 10 to 14 years of State service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19 years of State service, three and twenty-five hundredths percent (3.25%) of base salary

1 for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary
2 for 25 or more years of State service. The longevity payment shall be paid in a lump
3 sum once a year.

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

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

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

27 **SECTION 7.1.(f)** Speech pathologists who are certified as speech
28 pathologists at the master's degree level and audiologists who are certified as
29 audiologists at the master's degree level and who are employed in the public schools as
30 speech and language specialists and audiologists shall be paid on the school
31 psychologist salary schedule.

32 Speech pathologists and audiologists with certification based on academic
33 preparation at the six-year degree level shall receive a salary supplement of one hundred
34 twenty-six dollars (\$126.00) per month in addition to the compensation provided for
35 speech pathologists and audiologists. Speech pathologists and audiologists with
36 certification based on academic preparation at the doctoral degree level shall receive a
37 salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to
38 the compensation provided for speech pathologists and audiologists.

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

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

43 **SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE**

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

48 **SECTION 7.2.(b)** The base salary schedule for school-based administrators
49 shall apply only to principals and assistant principals. The base salary schedule for the
50 2007-2008 fiscal year, commencing July 1, 2007, is as follows:
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2007-2008 Principal and Assistant Principal Salary Schedules
Classification

Years of Exp	Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)
0-4	\$3,730	-	-	-	-
5	\$3,878	-	-	-	-
6	\$4,022	-	-	-	-
7	\$4,137	-	-	-	-
8	\$4,190	\$4,190	-	-	-
9	\$4,245	\$4,245	-	-	-
10	\$4,301	\$4,301	\$4,355	-	-
11	\$4,355	\$4,355	\$4,412	-	-
12	\$4,412	\$4,412	\$4,468	\$4,528	-
13	\$4,468	\$4,468	\$4,528	\$4,587	\$4,648
14	\$4,528	\$4,528	\$4,587	\$4,648	\$4,710
15	\$4,587	\$4,587	\$4,648	\$4,710	\$4,775
16	\$4,648	\$4,648	\$4,710	\$4,775	\$4,840
17	\$4,710	\$4,710	\$4,775	\$4,840	\$4,904
18	\$4,775	\$4,775	\$4,840	\$4,904	\$4,973
19	\$4,840	\$4,840	\$4,904	\$4,973	\$5,041
20	\$4,904	\$4,904	\$4,973	\$5,041	\$5,114
21	\$4,973	\$4,973	\$5,041	\$5,114	\$5,185
22	\$5,041	\$5,041	\$5,114	\$5,185	\$5,257
23	\$5,114	\$5,114	\$5,185	\$5,257	\$5,331
24	\$5,185	\$5,185	\$5,257	\$5,331	\$5,407
25	\$5,257	\$5,257	\$5,331	\$5,407	\$5,485
26	\$5,331	\$5,331	\$5,407	\$5,485	\$5,564
27	\$5,407	\$5,407	\$5,485	\$5,564	\$5,675
28	\$5,485	\$5,485	\$5,564	\$5,675	\$5,789
29	\$5,564	\$5,564	\$5,675	\$5,789	\$5,905
30	\$5,675	\$5,675	\$5,789	\$5,905	\$6,023
31	\$5,789	\$5,789	\$5,905	\$6,023	\$6,143
32	-	\$5,905	\$6,023	\$6,143	\$6,266
33	-	-	\$6,143	\$6,266	\$6,391
34	-	-	\$6,266	\$6,391	\$6,519
35	-	-	-	\$6,519	\$6,649
36	-	-	-	\$6,649	\$6,782
37	-	-	-	-	\$6,918

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2007-2008 Principal and Assistant Principal Salary Schedules
Classification

Years of Exp	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
0-14	\$4,775	-	-	-
15	\$4,840	-	-	-
16	\$4,904	\$4,973	-	-
17	\$4,973	\$5,041	\$5,185	-
18	\$5,041	\$5,114	\$5,257	\$5,331
19	\$5,114	\$5,185	\$5,331	\$5,407
20	\$5,185	\$5,257	\$5,407	\$5,485

1	21	\$5,257	\$5,331	\$5,485	\$5,564
2	22	\$5,331	\$5,407	\$5,564	\$5,675
3	23	\$5,407	\$5,485	\$5,675	\$5,789
4	24	\$5,485	\$5,564	\$5,789	\$5,905
5	25	\$5,564	\$5,675	\$5,905	\$6,023
6	26	\$5,675	\$5,789	\$6,023	\$6,143
7	27	\$5,789	\$5,905	\$6,143	\$6,266
8	28	\$5,905	\$6,023	\$6,266	\$6,391
9	29	\$6,023	\$6,143	\$6,391	\$6,519
10	30	\$6,143	\$6,266	\$6,519	\$6,649
11	31	\$6,266	\$6,391	\$6,649	\$6,782
12	32	\$6,391	\$6,519	\$6,782	\$6,918
13	33	\$6,519	\$6,649	\$6,918	\$7,056
14	34	\$6,649	\$6,782	\$7,056	\$7,197
15	35	\$6,782	\$6,918	\$7,197	\$7,341
16	36	\$6,918	\$7,056	\$7,341	\$7,488
17	37	\$7,056	\$7,197	\$7,488	\$7,638
18	38	\$7,197	\$7,341	\$7,638	\$7,791
19	39	-	\$7,488	\$7,791	\$7,947
20	40	-	\$7,638	\$7,947	\$8,106
21	41	-	-	\$8,106	\$8,268

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

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

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

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

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

1 school years for improvement in student performance or maintaining a safe and orderly
2 school.

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

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

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

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

20 This subsection applies to all transfers on or after the effective date of this
21 section, except transfers in school systems that have been created, or will be created, by
22 merging two or more school systems. Transfers in these merged systems are exempt
23 from the provisions of this subsection for one calendar year following the date of the
24 merger.

25 **SECTION 7.2.(h)** Participants in an approved full-time master's in school
26 administration program shall receive up to a 10-month stipend at the beginning salary of
27 an assistant principal during the internship period of the master's program. For the
28 2006-2007 fiscal year and subsequent fiscal years, the stipend shall not exceed the
29 difference between the beginning salary of an assistant principal plus the cost of tuition,
30 fees, and books and any fellowship funds received by the intern as a full-time student,
31 including awards of the Principal Fellows Program. The Principal Fellows Program or
32 the school of education where the intern participates in a full-time master's in school
33 administration program shall supply the Department of Public Instruction with
34 certification of eligible full-time interns.

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

39
40 **CENTRAL OFFICE SALARIES**

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

44	School Administrator I	\$3,217	\$6,041
45	School Administrator II	\$3,414	\$6,407
46	School Administrator III	\$3,624	\$6,797
47	School Administrator IV	\$3,770	\$7,068
48	School Administrator V	\$3,922	\$7,354
49	School Administrator VI	\$4,161	\$7,799
50	School Administrator VII	\$4,328	\$8,113

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

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

9 Superintendent I	\$4,594	\$8,606
10 Superintendent II	\$4,877	\$9,126
11 Superintendent III	\$5,174	\$9,682
12 Superintendent IV	\$5,491	\$10,270
13 Superintendent V	\$5,828	\$10,896

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

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

21 **SECTION 7.3.(d)** Superintendents, assistant superintendents, associate
22 superintendents, directors/coordinators, supervisors, and finance officers with
23 certification based on academic preparation at the six-year degree level shall receive a
24 salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to
25 the compensation provided pursuant to this section. Superintendents, assistant
26 superintendents, associate superintendents, directors/coordinators, supervisors, and
27 finance officers with certification based on academic preparation at the doctoral degree
28 level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per
29 month in addition to the compensation provided for under this section.

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

33 **SECTION 7.3.(f)** The annual salary increase for all permanent full-time
34 personnel paid from the Central Office Allotment shall be four percent (4%),
35 commencing July 1, 2007. The State Board of Education shall allocate these funds to
36 local school administrative units. The local boards of education shall establish
37 guidelines for providing salary increases to these personnel.

38 39 **NONCERTIFIED PERSONNEL SALARIES**

40 **SECTION 7.4.(a)** The annual salary increase for permanent, full-time
41 noncertified public school employees whose salaries are supported from the State's
42 General Fund shall be four percent (4%) commencing July 1, 2007.

43 **SECTION 7.4.(b)** Local boards of education shall increase the rates of pay
44 for such employees who were employed for all or part of fiscal year 2006-2007 and who
45 continue their employment for fiscal year 2007-2008 by providing an annual salary
46 increase for employees of four percent (4%).

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

49 **SECTION 7.4.(c)** The State Board of Education may adopt salary ranges for
50 noncertified personnel to support increases of four percent (4%) for the 2007-2008
51 fiscal year.

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2 **BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY**
3 **SCHEDULES**

4 **SECTION 7.5.** Effective July 1, 2007, any permanent certified personnel
5 employed during the 2006-2007 school year and paid on the teacher salary schedule
6 with 30+ years of experience during the 2006-2007 school year shall receive a one-time
7 bonus equivalent to one and sixty-six hundredths of one percent (1.66%), the average
8 increase of the 27 to 30 year steps on the 2006-2007 teacher salary schedule. Effective
9 July 1, 2007, any permanent personnel employed during the 2006-2007 school year and
10 paid at the top of the principal and assistant principal salary schedule during the
11 2006-2007 school year shall receive a one-time bonus equivalent to two percent (2%).

12 For permanent part-time personnel, the one-time bonus shall be adjusted pro
13 rata. Personnel defined under G.S. 115C-325(a)(5a) are not eligible to receive the
14 bonus.
15

16 **USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES**

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

23 **SECTION 7.6.(b)** Use of Funds for Supplemental Funding. – All funds
24 received pursuant to this section shall be used only: (i) to provide instructional
25 positions, instructional support positions, teacher assistant positions, clerical positions,
26 school computer technicians, instructional supplies and equipment, staff development,
27 and textbooks; (ii) for salary supplements for instructional personnel and instructional
28 support personnel; and (iii) to pay an amount not to exceed ten thousand dollars
29 (\$10,000) of the plant operation contract cost charged by the Department of Public
30 Instruction for services.

31 Local boards of education are encouraged to use at least twenty-five percent
32 (25%) of the funds received pursuant to this section to improve the academic
33 performance of children who are performing at Level I or II on either reading or
34 mathematics end-of-grade tests in grades 3-8 and children who are performing at Level
35 I or II on the writing tests in grades 4 and 7. Local boards of education shall report to
36 the State Board of Education on an annual basis on funds used for this purpose, and the
37 State Board shall report this information to the Joint Legislative Education Oversight
38 Committee. These reports shall specify how these funds were targeted and used to
39 implement specific improvement strategies of each local school administrative unit and
40 its schools, such as teacher recruitment, closing the achievement gap, improving student
41 accountability, addressing the needs of at-risk students, and establishing and
42 maintaining safe schools.

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

- 44 (1) "Anticipated county property tax revenue availability" means the
45 county-adjusted property tax base multiplied by the effective State
46 average tax rate.
47 (2) "Anticipated total county revenue availability" means the sum of the:
48 a. Anticipated county property tax revenue availability,
49 b. Local sales and use taxes received by the county that are levied
50 under Chapter 1096 of the 1967 Session Laws or under
51 Subchapter VIII of Chapter 105 of the General Statutes,

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

- 1 (10) "Effective State average tax rate" means the average of effective
2 county tax rates for all counties.
- 3 (10a) "Local current expense funds" means the most recent county current
4 expense appropriations to public schools, as reported by local boards
5 of education in the audit report filed with the Secretary of the Local
6 Government Commission pursuant to G.S. 115C-447.
- 7 (11) "Per capita income" means the average for the most recent three years
8 for which data are available of the per capita income according to the
9 most recent report of the United States Department of Commerce,
10 Bureau of Economic Analysis, including any reported modifications
11 for prior years as outlined in the most recent report.
- 12 (12) "Sales assessment ratio studies" means sales assessment ratio studies
13 performed by the Department of Revenue under G.S. 105-289(h).
- 14 (13) "State average current expense appropriations per student" means the
15 most recent State total of county current expense appropriations to
16 public schools, as reported by local boards of education in the audit
17 report filed with the Secretary of the Local Government Commission
18 pursuant to G.S. 115C-447.
- 19 (14) "State average adjusted property tax base per square mile" means the
20 sum of the county-adjusted property tax bases for all counties divided
21 by the number of square miles of land area in the State.
- 22 (14a) "Supplant" means to decrease local per student current expense
23 appropriations from one fiscal year to the next fiscal year.
- 24 (15) "Weighted average of the three most recent annual sales assessment
25 ratio studies" means the weighted average of the three most recent
26 annual sales assessment ratio studies in the most recent years for which
27 county current expense appropriations and adjusted property tax
28 valuations are available. If real property in a county has been revalued
29 one year prior to the most recent sales assessment ratio study, a
30 weighted average of the two most recent sales assessment ratios shall
31 be used. If property has been revalued the year of the most recent sales
32 assessment ratio study, the sales assessment ratio for the year of
33 revaluation shall be used.

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

38 **SECTION 7.6.(e)** Allocation of Funds. – Except as provided in subsection
39 (g) of this section, the amount received per average daily membership for a county shall
40 be the difference between the State average current expense appropriations per student
41 and the current expense appropriations per student that the county could provide given
42 the county's wealth and an average effort to fund public schools. (To derive the current
43 expense appropriations per student that the county could be able to provide given the
44 county's wealth and an average effort to fund public schools, multiply the county wealth
45 as a percentage of State average wealth by the State average current expense
46 appropriations per student.)

47 The funds for the local school administrative units located in whole or in part
48 in the county shall be allocated to each local school administrative unit located in whole
49 or in part in the county based on the average daily membership of the county's students
50 in the school units.

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

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

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

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

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

28 **SECTION 7.6.(h)** Nonsupplant Requirement. – A county in which a local
29 school administrative unit receives funds under this section shall use the funds to
30 supplement local current expense funds and shall not supplant local current expense
31 funds. For the 2007-2009 fiscal biennium, the State Board of Education shall not
32 allocate funds under this section to a county found to have used these funds to supplant
33 local per student current expense funds. The State Board of Education shall make a
34 finding that a county has used these funds to supplant local current expense funds in the
35 prior year, or the year for which the most recent data are available, if:

- 36 (1) The current expense appropriation per student of the county for the
37 current year is less than ninety-five percent (95%) of the average of the
38 local current expense appropriations per student for the three prior
39 fiscal years; and
40 (2) The county cannot show: (i) that it has remedied the deficiency in
41 funding or (ii) that extraordinary circumstances caused the county to
42 supplant local current expense funds with funds allocated under this
43 section.

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

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

48 **SECTION 7.6.(j)** Department of Revenue Reports. – The Department of
49 Revenue shall provide to the Department of Public Instruction a preliminary report for
50 the current fiscal year of the assessed value of the property tax base for each county
51 prior to March 1 of each year and a final report prior to May 1 of each year. The reports

1 shall include for each county the annual sales assessment ratio and the taxable values of
2 (i) total real property, (ii) the portion of total real property represented by the
3 present-use value of agricultural land, horticultural land, and forestland as defined in
4 G.S. 105-277.2, (iii) property of public service companies determined in accordance
5 with Article 23 of Chapter 105 of the General Statutes, and (iv) personal property.
6

7 **SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

8 **SECTION 7.7.(a)** Funds for Small School Systems. – Except as provided in
9 subsections (b) and (g) of this section, the State Board of Education shall allocate funds
10 appropriated for small school system supplemental funding (i) to each county school
11 administrative unit with an average daily membership of fewer than 3,175 students and
12 (ii) to each county school administrative unit with an average daily membership from
13 3,175 to 4,000 students if the county in which the local school administrative unit is
14 located has a county-adjusted property tax base per student that is below the
15 State-adjusted property tax base per student and if the total average daily membership of
16 all local school administrative units located within the county is from 3,175 to 4,000
17 students. The allocation formula shall:

- 18 (1) Round all fractions of positions to the next whole position.
- 19 (2) Provide five and one-half additional regular classroom teachers in
20 counties in which the average daily membership per square mile is
21 greater than four and seven additional regular classroom teachers in
22 counties in which the average daily membership per square mile is
23 four or fewer.
- 24 (3) Provide additional program enhancement teachers adequate to offer
25 the standard course of study.
- 26 (4) Change the duty-free period allocation to one teacher assistant per 400
27 average daily membership.
- 28 (5) Provide a base for the consolidated funds allotment of at least seven
29 hundred eighty-eight thousand seven hundred eighty-nine dollars
30 (\$788,789), excluding textbooks for the 2007-2008 fiscal year and a
31 base of at least seven hundred eighty-eight thousand seven hundred
32 eighty-nine dollars (\$788,789) for the 2008-2009 fiscal year.
- 33 (6) Allot vocational education funds for grade 6 as well as for grades 7-12.

34 If funds appropriated for each fiscal year for small school system
35 supplemental funding are not adequate to fully fund the program, the State Board of
36 Education shall reduce the amount allocated to each county school administrative unit
37 on a pro rata basis. This formula is solely a basis for distribution of supplemental
38 funding for certain county school administrative units and is not intended to reflect any
39 measure of the adequacy of the educational program or funding for public schools. The
40 formula is also not intended to reflect any commitment by the General Assembly to
41 appropriate any additional supplemental funds for such county school administrative
42 units.

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

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

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

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

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

- 17 (1) "Average daily membership" means within two percent (2%) of the
18 average daily membership as defined in the North Carolina Public
19 Schools Allotment Policy Manual adopted by the State Board of
20 Education.
21 (2) "County-adjusted property tax base per student" means the total
22 assessed property valuation for each county, adjusted using a weighted
23 average of the three most recent annual sales assessment ratio studies,
24 divided by the total number of students in average daily membership
25 who reside within the county.
26 (2a) "Local current expense funds" means the most recent county current
27 expense appropriations to public schools, as reported by local boards
28 of education in the audit report filed with the Secretary of the Local
29 Government Commission pursuant to G.S. 115C-447.
30 (3) "Sales assessment ratio studies" means sales assessment ratio studies
31 performed by the Department of Revenue under G.S. 105-289(h).
32 (4) "State-adjusted property tax base per student" means the sum of all
33 county-adjusted property tax bases divided by the total number of
34 students in average daily membership who reside within the State.
35 (4a) "Supplant" means to decrease local per student current expense
36 appropriations from one fiscal year to the next fiscal year.
37 (5) "Weighted average of the three most recent annual sales assessment
38 ratio studies" means the weighted average of the three most recent
39 annual sales assessment ratio studies in the most recent years for which
40 county current expense appropriations and adjusted property tax
41 valuations are available. If real property in a county has been revalued
42 one year prior to the most recent sales assessment ratio study, a
43 weighted average of the two most recent sales assessment ratios shall
44 be used. If property has been revalued during the year of the most
45 recent sales assessment ratio study, the sales assessment ratio for the
46 year of revaluation shall be used.

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

50 **SECTION 7.7.(f) Use of Funds.** – Local boards of education are encouraged
51 to use at least twenty percent (20%) of the funds they receive pursuant to this section to

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

11 **SECTION 7.7.(g)** Of the expansion funds appropriated for small school
12 system supplemental funding in this act, the sum of seven hundred eighty-four thousand
13 seven hundred three dollars (\$784,703) shall be distributed to county school
14 administrative units that have less than 1,300 students and have experienced a decline in
15 average daily membership since the 2001-2002 school year. These funds shall be used
16 to reduce the ratio of students to teachers in grades K-5 by one, in grades 6-8 by two,
17 and in grades 9-12 by three.

18 **DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING**

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

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

- 33 (1) Provide instructional positions or instructional support positions and/or
34 professional development;
- 35 (2) Provide intensive in-school and/or after-school remediation;
- 36 (3) Purchase diagnostic software and progress-monitoring tools; and
- 37 (4) Provide funds for teacher bonuses and supplements. The State Board
38 of Education shall set a maximum percentage of the funds that may be
39 used for this purpose.

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

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

- 49 (1) Evaluate the strategies implemented by local school administrative
50 units with Disadvantaged Student Supplemental Funds and
51

1 Low-Wealth Funds and assess their impact on student performance;
2 and

- 3 (2) Evaluate the efficiency and effectiveness of the technical assistance
4 and support provided to local school administrative units by the
5 Department of Public Instruction.

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

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

- 13 (1) For counties with wealth greater than ninety percent (90%) of the
14 statewide average, a ratio of 1:20.2;
15 (2) For counties with wealth not less than eighty percent (80%) and not
16 greater than ninety percent (90%) of the statewide average, a ratio of
17 1:19.7;
18 (3) For counties with wealth less than eighty percent (80%) of the
19 statewide average, a ratio of 1:19.4; and
20 (4) For LEAs receiving DSSF funds in 2005-2006, a ratio of 1:16. These
21 LEAs shall receive no less than the DSSF amount allotted in
22 2006-2007.

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

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

28 **STUDENTS WITH LIMITED ENGLISH PROFICIENCY**

29 **SECTION 7.9.(a)** The State Board of Education shall develop guidelines for
30 identifying and providing services to students with limited proficiency in the English
31 language.
32

33 The State Board shall allocate these funds to local school administrative units
34 and to charter schools under a formula that takes into account the average percentage of
35 students in the units or the charters over the past three years who have limited English
36 proficiency. The State Board shall allocate funds to a unit or a charter school only if (i)
37 average daily membership of the unit or the charter school includes at least 20 students
38 with limited English proficiency or (ii) students with limited English proficiency
39 comprise at least two and one-half percent (2.5%) of the average daily membership of
40 the unit or charter school. For the portion of the funds that is allocated on the basis of
41 the number of identified students, the maximum number of identified students for whom
42 a unit or charter school receives funds shall not exceed ten and six-tenths percent
43 (10.6%) of its average daily membership.

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

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

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

4 Students in the head count shall be assessed at least once every three years to
5 determine their level of English proficiency. A student who scores "superior" on the
6 standard English language proficiency assessment instrument used in this State shall not
7 be included in the head count of students with limited English proficiency.
8

9 **CHILDREN WITH DISABILITIES**

10 **SECTION 7.10.** The State Board of Education shall allocate funds for
11 children with disabilities on the basis of three thousand one hundred eighty-six dollars
12 and fifty-seven cents (\$3,186.57) per child for a maximum of 172,317 children for the
13 2007-2008 school year. Each local school administrative unit shall receive funds for the
14 lesser of (i) all children who are identified as children with disabilities or (ii) twelve and
15 five-tenths percent (12.5%) of the 2007-2008 allocated average daily membership in the
16 local school administrative unit.

17 The dollar amounts allocated under this section for children with disabilities
18 shall also adjust in accordance with legislative salary increments, retirement rate
19 adjustments, and health benefit adjustments for personnel who serve children with
20 disabilities.
21

22 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

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

30 The dollar amounts allocated under this section for academically or
31 intellectually gifted children shall also adjust in accordance with legislative salary
32 increments, retirement rate adjustments, and health benefit adjustments for personnel
33 who serve academically or intellectually gifted children.
34

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

36 **SECTION 7.12.(a)** Funds appropriated for the 2007-2008 and 2008-2009
37 fiscal years for Student Accountability Standards shall be used to assist students to
38 perform at or above grade level in reading and mathematics in grades 3-8 as measured
39 by the State's end-of-grade tests. The State Board of Education shall allocate these funds
40 to local school administrative units based on the number of students who score at Level
41 I or Level II on either reading or mathematics end-of-grade tests in grades 3-8. Funds in
42 the allocation category shall be used to improve the academic performance of (i)
43 students who are performing at Level I or II on either reading or mathematics
44 end-of-grade tests in grades 3-8 or (ii) students who are performing at Level I or II on
45 the writing tests in grades 4 and 7. These funds may also be used to improve the
46 academic performance of students who are performing at Level I or II on the high
47 school end-of-course tests. These funds shall not be transferred to other allocation
48 categories or otherwise used for other purposes. Except as otherwise provided by law,
49 local boards of education may transfer other funds available to them into this allocation
50 category.

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

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

8 These funds shall be allocated to local school administrative units for the
9 2007-2008 fiscal year within 30 days of the date this act becomes law.

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

13 14 **LITIGATION RESERVE FUNDS**

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

19 20 **REPLACEMENT SCHOOL BUSES FUNDS**

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

- 24 (1) The local board of education shall use the funds only to make the first,
25 second, or third year's payment on a financing contract entered into
26 pursuant to G.S. 115C-528.
- 27 (2) The term of a financing contract entered into under this section shall
28 not exceed three years.
- 29 (3) The local board of education shall purchase the buses only from
30 vendors selected by the State Board of Education and on terms
31 approved by the State Board of Education.
- 32 (4) The Department of Administration, Division of Purchase and Contract,
33 in cooperation with the State Board of Education, shall solicit bids for
34 the direct purchase of school buses and activity buses and shall
35 establish a statewide term contract for use by the State Board of
36 Education. Local boards of education and other agencies shall be
37 eligible to purchase from the statewide term contract. The State Board
38 of Education shall also solicit bids for the financing of school buses.
- 39 (5) A bus financed pursuant to this section shall meet all State and federal
40 motor vehicle safety regulations for school buses.
- 41 (6) Any other condition the State Board of Education considers
42 appropriate.

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

46 47 **DISCREPANCIES BETWEEN ANTICIPATED AND ACTUAL ADM**

48 **SECTION 7.15.(a)** If the State Board of Education does not have sufficient
49 resources in the ADM Contingency Reserve line item to make allotment adjustments in
50 accordance with the Allotment Adjustments for ADM Growth provisions of the North

1 Carolina Public Schools Allotment Policy Manual, the State Board of Education may
2 use funds appropriated to State Aid for Public Schools for this purpose.

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

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

13 14 **MENTOR TEACHER FUNDS MAY BE USED FOR FULL-TIME MENTORS**

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

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

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

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

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

41 42 **FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION**

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

- 48 (1) Incentive awards in schools that achieve higher than expected
49 improvements may be:
50 a. Up to one thousand five hundred dollars (\$1,500) for each
51 teacher and for certified personnel; and

- 1 b. Up to five hundred dollars (\$500.00) for each teacher assistant.
2 (2) Incentive awards in schools that meet the expected improvements may
3 be:
4 a. Up to seven hundred fifty dollars (\$750.00) for each teacher and
5 for certified personnel; and
6 b. Up to three hundred seventy-five dollars (\$375.00) for each
7 teacher assistant.

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

13 14 **LEARN AND EARN HIGH SCHOOLS**

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

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

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

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

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

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

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

49 **SECTION 7.19.(g)** Payment of fees from these funds by local school
50 administrative units to partnering community colleges and universities are restricted to
51 technology or course fees. Funds appropriated in this act shall not be used to support the

1 cost of athletic or other student activity or campus fees not required by enrollment in a
2 specific course.

3 **SECTION 7.19.(h)** The State Board of Education shall allot funds for
4 university enrollment, tuition and fees, and textbooks on the basis of and after
5 verification of the credit hour enrollment of Learn and Earn students in university
6 courses. The State Board of Education shall allot funds for community college fees and
7 textbooks on the basis of and after verification of the credit hour enrollment of Learn
8 and Earn students in community college courses.

9 **SECTION 7.19.(i)** Of the funds appropriated to the State Public School
10 Fund for the 2007-2008 fiscal year, the State Board of Education may use up to eight
11 hundred fifty thousand dollars (\$850,000) to establish additional Learn and Earn high
12 schools that become certified as operational.

13 14 **NORTH CAROLINA VIRTUAL PUBLIC SCHOOL**

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

18 **SECTION 7.20.(b)** The Director of NCVPS shall continue to ensure that
19 course quality standards are established and met and that all e-learning opportunities
20 offered by State-funded entities to public school students are consolidated under the
21 North Carolina Virtual Public School Program, eliminating course duplication.

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

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

31 **SECTION 7.20.(e)** The North Carolina Virtual Public School (NCVPS)
32 shall be available at no cost to all students in North Carolina who are enrolled in North
33 Carolina's public schools, Department of Defense schools, and schools operated by the
34 Bureau of Indian Affairs. The Department of Public Instruction shall communicate to
35 local school administrative units all applicable guidelines regarding the enrollment of
36 nonpublic school students in these courses.

37 38 **SMALL RESTRUCTURED HIGH SCHOOLS**

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

47 48 **NC WISE POSITIONS**

49 **SECTION 7.22.** Notwithstanding G.S. 143C-6-4, the State Board of
50 Education may, subject to the approval of the Office of State Budget and Management,
51 in consultation with the Office of Information Technology Services, and after

1 consultation with the Joint Legislative Commission on Governmental Operations, use
2 funds appropriated in this act for NC WISE to create a maximum of 10 positions and
3 incur expenditures necessary to maintain and administer the NC WISE system within
4 the Department of Public Instruction.

6 **21ST CENTURY LITERACY COACHES**

7 **SECTION 7.23.** Funds are appropriated in this act to support the selection
8 and hiring of new literacy coaches for middle schools or other public schools with an
9 eighth grade class. No more than one literacy coach shall be placed in each such school.
10 The State Board of Education, in consultation with the North Carolina Teacher
11 Academy, shall develop a site selection process including formal criteria. The site must
12 receive formal approval by the State Board of Education to receive funds for this
13 purpose. To be selected schools must:

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

18 **MORE AT FOUR PROGRAM AND OFFICE OF SCHOOL READINESS**

19 **SECTION 7.24.(a)** The Department of Public Instruction shall continue the
20 implementation of the "More at Four" prekindergarten program for at-risk
21 four-year-olds who are at risk of failure in kindergarten. The program is available
22 statewide to all counties that choose to participate, including underserved areas. The
23 goal of the program is to provide quality prekindergarten services to a greater number of
24 at-risk children in order to enhance kindergarten readiness for these children. The
25 program shall be consistent with standards and assessments established jointly by the
26 Department of Health and Human Services and the Department of Public Instruction.
27 The program shall include:

- 28 (1) A process and system for identifying children at risk of academic
29 failure.
- 30 (2) A process and system for identifying children who are not being
31 served in formal early education programs, such as child care, public
32 or private preschools, Head Start, Early Head Start, early intervention
33 programs, or other such programs, who demonstrate educational needs,
34 and who are eligible to enter kindergarten the next school year, as well
35 as children who are underserved.
- 36 (3) A curriculum or several curricula that are research-based and/or built
37 on sound instructional theory. These curricula shall: (i) focus primarily
38 on oral language and emergent literacy; (ii) engage children through
39 key experiences and provide background knowledge requisite for
40 formal learning and successful reading in the early elementary years;
41 (iii) involve active learning; (iv) promote measurable kindergarten
42 language-readiness skills that focus on emergent literacy and
43 mathematical skills; and (v) develop skills that will prepare children
44 emotionally and socially for kindergarten.
- 45 (4) An emphasis on ongoing family involvement with the prekindergarten
46 program.
- 47 (5) Evaluation of child progress through a statewide evaluation, as well as
48 ongoing assessment of the children by teachers.
- 49 (6) Guidelines for a system to reimburse local school boards and systems,
50 private child care providers, and other entities willing to establish and
51 provide prekindergarten programs to serve at-risk children.

- 1 (7) A system built upon existing local school boards and systems, private
2 child care providers, and other entities that demonstrate the ability to
3 establish or expand prekindergarten capacity.
- 4 (8) A quality-control system. Participating providers shall comply with
5 standards and guidelines as established by the Department of Health
6 and Human Services and the Department of Public Instruction. The
7 Department may use the child care rating system to assist in
8 determining program participation.
- 9 (9) Standards for minimum teacher qualifications. A portion of the
10 classroom sites initially funded shall have at least one teacher who is
11 certified or provisionally certified in birth-to-kindergarten education.
- 12 (10) A local contribution. Programs must demonstrate that they are
13 accessing resources other than "More at Four."
- 14 (11) A system of accountability.
- 15 (12) Consideration of the reallocation of existing funds. In order to
16 maximize current funding and resources, the Department of Health and
17 Human Services and the Department of Public Instruction shall
18 consider the reallocation of existing funds from State and local
19 programs that provide prekindergarten-related care and services.

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

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

34 **SECTION 7.24.(c)** The Department of Public Instruction shall submit a
35 report by February 1, 2008, to the Joint Legislative Commission on Governmental
36 Operations, the Joint Legislative Education Oversight Committee, the Senate
37 Appropriations Committee on Education, the House of Representatives Appropriations
38 Subcommittee on Education, and the Fiscal Research Division. This final report shall
39 include the following:

- 40 (1) The number of children participating in the program.
- 41 (2) The number of children participating in the program who have never
42 been served in other early education programs, such as child care,
43 public or private preschool, Head Start, Early Head Start, or early
44 intervention programs.
- 45 (3) The expected expenditures for the programs and the source of the local
46 match for each grantee.
- 47 (4) The location of program sites and the corresponding number of
48 children participating in the program at each site.
- 49 (5) A comprehensive cost analysis of the program, including the cost per
50 child served by the program.

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

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

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

13 14 **ADMINISTRATIVE FUNDING FOR TEACHING FELLOWS PROGRAM**

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

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

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

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

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

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

36 (2) Initiatives to recruit minorities to the Program.

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

40 41 **NO COST SUMMER SCHOOL OR OTHER REMEDIATION ACTIVITIES**

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

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

LEARN AND EARN ONLINE

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

SECTION 7.27.(b) Funds shall be used for course tuition, and only those technology and course fees, and textbooks required for course participation. Funds shall also support a liaison position to be housed at the Department of Public Instruction to coordinate with The University of North Carolina and the North Carolina Community College System, and to communicate course availability and related information to high school administrators, teachers, and counselors.

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

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

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

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

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

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

SCHOOL CONNECTIVITY INITIATIVE

SECTION 7.28.(a) Funds are appropriated in this act to support the enhancement of the technology infrastructure for public schools. These funds shall be used for broadband access, equipment, and support services that create, improve, and sustain equity of access for instructional opportunities for public school students and educators.

SECTION 7.28.(b) As recommended in the Joint Report on Information Technology February 2007, the State Board of Education shall contract with an entity

1 that has existing core network capability and demonstrated success in providing
2 network services to education institutions within the State to serve as the administrator
3 of the School Connectivity Initiative. The funds appropriated in this act shall be used to
4 implement a plan approved by the State Board of Education to enhance the technology
5 infrastructure for public schools that supports teaching and learning in the classrooms.
6 The plan shall include the following components:

- 7 (1) A business plan with time lines, clearly defined outcomes, and an
8 operational model including a governance structure, personnel, e-Rate
9 reimbursement, support services to local school administrative units
10 and schools, and a budget;
- 11 (2) Assurances for a fair and open bidding and contracting process;
- 12 (3) Technology assessment site survey template;
- 13 (4) Documentation of technology assessments;
- 14 (5) Documentation of how the technology will be used to enhance
15 teaching and learning;
- 16 (6) Documentation of how existing State-invested funds for technology
17 are maximized to implement the School Connectivity Initiative; and
- 18 (7) The number, location, and schedule of sites to be served in 2007-2008
19 and in 2008-2009.

20 **SECTION 7.28.(c)** Funds currently used for the services covered by these
21 new funds shall not be supplanted by this additional funding and shall be used to
22 support instructional technologies and local infrastructure in schools in support of
23 acquisition and delivery of instructional technology resources to the classroom. Any
24 refunds received for services paid with these technology funds shall return to the
25 originating technology fund.

26 **SECTION 7.28.(d)** The State Board of Education shall report January 15,
27 2008, on its progress towards achieving the connectivity initiative and annually
28 thereafter to the Joint Legislative Oversight Committee on Information Technology, the
29 Joint Legislative Education Oversight Committee, the Office of State Budget and
30 Management, the State Information Technology Officer, and the Fiscal Research
31 Division.

32 **SECTION 7.28.(e)** As recommended in the E-Learning Report, February
33 2006, the Education Cabinet shall develop a plan to:

- 34 (1) Coordinate E-learning activities across the public and private
35 universities and colleges, the community colleges, and the public
36 schools;
- 37 (2) Establish a clear purpose and goals for the NCVirtual based on
38 stakeholder needs and requirements;
- 39 (3) Develop a strategic plan with measurable goals with reports provided
40 to the Education Cabinet;
- 41 (4) Develop, track, and report regularly to the Education Cabinet on
42 appropriate accountability measures for those goals;
- 43 (5) Develop and manage an E-learning portal for the NCVirtual; and
- 44 (6) Use State-invested funds for E-Learning to eliminate duplication of
45 service.

46 **SECTION 7.28.(f)** Up to three hundred thousand dollars (\$300,000) may be
47 transferred to the Office of the Governor to establish NCVirtual (NCV) within the
48 Education Cabinet. These funds may be used for services to coordinate E-learning
49 activities across all State educational agencies.

50 **SECTION 7.28.(g)** The Education Cabinet shall report on its progress towards
51 developing the plan on January 1, 2008, and annually thereafter to the Joint Legislative

1 Oversight Committee on Information Technology, the Joint Legislative Education
2 Oversight Committee, the Office of State Budget and Management, the State
3 Information Technology Officer, and the Fiscal Research Division.

4 5 **REORGANIZATION OF THE DEPARTMENT OF PUBLIC INSTRUCTION**

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

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

11 12 **HIGH PRIORITY SCHOOLS**

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

17 **SECTION 7.34.(b)** The State Board of Education shall not use funds
18 appropriated for State Aid to Local Administrative Units to contract with an outside
19 organization to evaluate the high priority schools initiative begun in the 2001-2002
20 fiscal year. The Board may, however, use up to five hundred thousand dollars
21 (\$500,000) previously identified for this purpose to support the ongoing evaluation of
22 the Disadvantaged Student Supplemental Funding Initiative.

23 24 **DISTANCE EDUCATION**

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

29 30 **CHILD NUTRITION OPERATING FUNDS**

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

35 36 **PART VIII. COMMUNITY COLLEGES**

37 38 **USE OF FUNDS FOR THE COLLEGE INFORMATION SYSTEM PROJECT**

39 **SECTION 8.1.(a)** Funds appropriated to the Community Colleges System
40 Office for the College Information System Project shall not revert at the end of the
41 2006-2007 fiscal year but shall remain available until expended.

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

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

4 **SECTION 8.1.(d)** Subsection (a) of this section becomes effective June 30,
5 2007.

6 7 **CARRYFORWARD OF EQUIPMENT FUNDS FOR COMMUNITY** 8 **COLLEGES**

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

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

16 17 **INSTRUCTIONAL RESOURCE ALLOCATION FORMULA**

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

24 25 **REPORT ON NCCCS DISTANCE LEARNING AND ONLINE CAPABILITIES**

26 **SECTION 8.4.** The Community Colleges System Office shall report by
27 March 1, 2008, to the Joint Legislative Education Oversight Committee, the Fiscal
28 Research Division, and the Office of State Budget and Management on its efforts
29 regarding distance learning opportunities. This report shall complement the report
30 authorized by the General Assembly in Part 6 of S.L. 2004-179 and shall address the
31 following:

- 32 (1) The expenditure of funds appropriated in this act for bandwidth at
33 community colleges, including a description of each community
34 college's current bandwidth capacity;
- 35 (2) A five-year history of the number of courses offered and number of
36 FTE students served through distance learning;
- 37 (3) Results from student and instructor evaluations of distance learning
38 courses;
- 39 (4) Current and anticipated future joint efforts between the North Carolina
40 Community College System and The University of North Carolina and
41 North Carolina private colleges, regarding distance learning; and
- 42 (5) Analysis of necessary changes or enhancements to improve the sharing
43 of distance learning and online opportunities with The University of
44 North Carolina and the Department of Public Instruction.

45 46 **COMMUNITY COLLEGE FACULTY SALARY PLAN**

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

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

- 3 (1) Vocational Diploma/Certificate or Less. – This education level
- 4 includes faculty members who are high school graduates, have
- 5 vocational diplomas, or have completed one year of college.
- 6 (2) Associate Degree or Equivalent. – This education level includes
- 7 faculty members who have an associate degree or have completed two
- 8 or more years of college but have no degree.
- 9 (3) Bachelor's Degree.
- 10 (4) Master's Degree or Education Specialist.
- 11 (5) Doctoral Degree.

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

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

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

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

24 **SECTION 8.5.(d)**

- 25 (1) It is the intent of the General Assembly to encourage community
 26 colleges to make faculty salaries a priority and to reward colleges that
 27 have taken steps to achieve the national average, therefore:
 - 28 a. If the average faculty salary at a community college is one
 29 hundred percent (100%) or more of the national average
 30 community college faculty salary, the college may transfer up
 31 to eight percent (8%) of the State funds allocated to it for
 32 faculty salaries.
 - 33 b. If the average faculty salary at a community college is at least
 34 ninety-five percent (95%) but less than one hundred percent
 35 (100%) of the national average community college faculty
 36 salary, the college may transfer up to six percent (6%) of the
 37 State funds allocated to it for faculty salaries.
 - 38 c. If the average faculty salary at a community college is at least
 39 ninety percent (90%) but less than ninety-five percent (95%) of
 40 the national average community college faculty salary, the
 41 college may transfer up to five percent (5%) of the State funds
 42 allocated to it for faculty salaries.
 - 43 d. If the average faculty salary at a community college is at least
 44 eighty-five percent (85%) but less than ninety percent (90%) of
 45 the national average community college faculty salary, the
 46 college may transfer up to three percent (3%) of the State funds
 47 allocated to it for faculty salaries.
 - 48 e. If the average faculty salary at a community college is
 49 eighty-five percent (85%) or less of the national average
 50 community college faculty salary, the college may transfer up

1 to two percent (2%) of the State funds allocated to it for faculty
2 salaries.

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

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

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

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

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

- 20 (1) "Average faculty salary at a community college" means the total
21 nine-month salary from all sources of all nine-month, full-time,
22 curriculum faculty at the college, as determined by the North Carolina
23 Community College System on October 1 of each year.
24 (2) "National average community college faculty salary" means the
25 nine-month, full-time, curriculum salary average, as published by the
26 Integrated Postsecondary Education Data System (IPEDS), for the
27 most recent year for which data are available.

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

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

35
36 **STUDY COMMUNITY COLLEGE ACCESS**

37 **SECTION 8.6.** The Joint Legislative Education Oversight Committee shall
38 conduct a study to determine whether the North Carolina Community College System is
39 appropriately organized to provide adequate geographic access, while minimizing
40 overhead costs. Specifically, the Committee shall review the organization and structure
41 of the Community College System, the number of colleges and satellite campuses
42 within the System, and the location and size of the colleges. The Committee shall also
43 study the State Board of Community Colleges' policy and procedure for approving new
44 programs and whether the State could realize any savings from consolidating high-cost
45 programs at regional locations.

46
47 **COMMUNITY COLLEGE CONNECTIVITY FUNDS**

48 **SECTION 8.7.** In expending funds appropriated for increasing the
49 bandwidth capacity among the colleges of the North Carolina Community College
50 System, the Community Colleges System Office shall seek the best value among

1 information technology providers in order to maximize online instruction, provide
2 accurate data transmission, and utilize video services.

3 4 **STUDY OF FTE FUNDING FORMULA**

5 **SECTION 8.8.** The Fiscal Research Division, in consultation with the North
6 Carolina Community College System, shall consider modifications to community
7 college funding formulas to ensure that colleges have sufficient funds to adequately
8 serve students when enrollment increases. In the course of the study, the Fiscal
9 Research Division shall:

- 10 (1) Make findings and recommendations for a new formula budget
11 computation for the Basic Skills Block Grant, which has not been
12 reviewed for at least two decades and may be impacted by potential
13 changes in the allocation of federal funds for literacy education
14 through the Workforce Investment Act, Title II;
- 15 (2) Consider whether funding for equipment and instructional resources
16 should be incorporated into the FTE funding formula;
- 17 (3) Make findings and recommendations regarding the appropriateness of
18 adjusting the "Other Costs" factors in the Instructional and Institutional
19 Support formulas; and
- 20 (4) Review the Institutional Support formula to determine whether
21 funding is appropriately allocated between the Base Allotment and
22 Enrollment Allotment.

23 The Fiscal Research Division shall report the results of its study to the Joint Legislative
24 Education Oversight Committee and to the chairs of the Senate Committee on
25 Appropriations/Base Budget and the House of Representatives Appropriations
26 Committee by April 15, 2008.

27 28 **REALIGNMENT OF STATE AID ALLOCATIONS**

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

34 35 **EDUCATION INSIGHT PROJECT EXEMPT FROM CERTAIN** 36 **INFORMATION TECHNOLOGY LAWS**

37 **SECTION 8.12.(a)** Except as provided by subsection (b) of this section, and
38 notwithstanding any other provision of law, the North Carolina Community College
39 System and the Department of Public Instruction are exempt from the provisions of
40 Article 3D of Chapter 147 of the General Statutes with regard to their participation in
41 the Birth-20 Education Insight Project, which is a collaborative effort between The
42 University of North Carolina, the North Carolina Community College System, the
43 Department of Public Instruction, and private information technology providers.

44 **SECTION 8.12.(b)** The exemption provided by this act does not relieve the
45 North Carolina Community College System and the Department of Public Instruction
46 from information technology security responsibilities under G.S. 147-33.111.

47 48 **PART IX. UNIVERSITIES**

49 50 **NC SCHOOL OF SCIENCE AND MATHEMATICS ENROLLMENT GROWTH** 51 **FORMULA**

1 **SECTION 9.1.** The Office of State Budget and Management jointly with
2 The University of North Carolina and the Fiscal Research Division of the General
3 Assembly shall conduct a study to create a formula for enrollment growth at the North
4 Carolina School of Science and Mathematics. This formula shall be used to calculate the
5 amount of funds needed for enrollment growth for the North Carolina School of Science
6 and Mathematics. The formula shall also be used for calculating the enrollment growth
7 funding request to be submitted to the 2008 Session of the North Carolina General
8 Assembly.

9 10 **REPORTING ON UNC FACULTY WORKLOAD**

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

- 15 (1) The faculty workload data for each constituent institution of The
16 University of North Carolina compared to The University of North
17 Carolina enrollment model.
- 18 (2) The University of North Carolina faculty workload average as
19 compared to The University of North Carolina enrollment model
20 student credit hours per instructional position.
- 21 (3) The faculty workload of regional and peer institutions as compared to
22 each constituent institution faculty average and to The University of
23 North Carolina faculty workload average.

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

28 29 **USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS**

30 **SECTION 9.3.(a)** There is appropriated from the Escheat Fund income to
31 the Board of Governors of The University of North Carolina the sum of seventy-five
32 million six hundred thirty-eight thousand sixteen dollars (\$75,638,016) for the
33 2007-2008 fiscal year and the sum of seventy-five million six hundred thirty-eight
34 thousand sixteen dollars (\$75,638,016) for the 2008-2009 fiscal year. There is
35 appropriated from the Escheat Fund income to the State Board of Community Colleges
36 the sum of thirteen million nine hundred eighty-one thousand two hundred two dollars
37 (\$13,981,202) for the 2007-2008 fiscal year and the sum of thirteen million nine
38 hundred eighty-one thousand two hundred two dollars (\$13,981,202) for the 2008-2009
39 fiscal year. There is appropriated from the Escheat Fund income to the Department of
40 Administration, Division of Veterans Affairs, the sum of six million two hundred
41 twenty-eight thousand six hundred thirty-three dollars (\$6,228,633) for the 2007-2008
42 fiscal year and the sum of six million five hundred twenty thousand nine hundred
43 sixty-four dollars (\$6,520,964) for the 2008-2009 fiscal year. The funds appropriated by
44 this subsection shall be allocated by the State Educational Assistance Authority for
45 need-based student financial aid in accordance with G.S. 116B-7.

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

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

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

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

30 **BOARD OF GOVERNORS' MEDICAL SCHOLARSHIPS**

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

33 **"§ 116-40.9. Board of Governors' Medical Scholarship Loan Program.**

34 (a) Administration of Medical Scholarship Loan Program. – The Board of
35 Governors' Medical Scholarship Loan Program was established by the Board of
36 Governors of The University of North Carolina. The Board of Governors' Medical
37 Scholarship Loan Program operates under the purview of the Board of Governors and is
38 administered by the Board of Governors.

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

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

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

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

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

20 **BOARD OF GOVERNORS' DENTAL SCHOLARSHIPS**

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

23 **"§ 116-40.10. Board of Governors' Dental Scholarship Loan Program.**

24 (a) Administration of Dental Scholarship Program. – The Board of Governors'
25 Dental Scholarship Loan Program was established by the Board of Governors of The
26 University of North Carolina. The Board of Governors' Dental Scholarship Loan
27 Program operates under the purview of the Board of Governors and is administered by
28 the Board of Governors.

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

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

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

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

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

9
10 **GRADUATE NURSE SCHOLARSHIP LOANS FOR FULL-TIME NURSING**
11 **FACULTY IN THE NC COMMUNITY COLLEGE SYSTEM**

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

13 **"§ 90-171.100. Graduate Nurse Scholarship Program for Faculty Production**
14 **established; administration.**

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

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

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

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

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

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

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

45 (d) The Commission shall adopt stringent standards, which may include
46 minimum grade point average, scholastic aptitude test scores, and other standards
47 deemed appropriate by the Commission, to ensure that only the best potential students
48 receive loans under the Graduate Nurse Scholarship Program for Faculty Production.
49 Standards adopted by the Commission shall include provisions for ensuring that the
50 qualifications of applicants who are or would be nontraditional students are considered
51 fairly in providing them with opportunities to compete for the loans. Standards adopted

1 by the Commission shall also provide that community college nursing faculty receive
2 preference in awarding scholarship loans under this section. Loans under the Graduate
3 Nurse Scholarship Program for Faculty Production shall be awarded only to applicants
4 who meet the standards set by the Commission and who agree to teach in a North
5 Carolina public or private nursing program upon completion of the nursing education
6 program supported by the loan. If a recipient under this section is a nursing faculty
7 member at a community college, then as a condition of a scholarship loan received
8 under G.S. 90-171.100(b)(3), the recipient shall agree to continue to work for the
9 community college system in North Carolina as provided in G.S. 90-171.101(b).

10 (e) The Commission shall develop and administer the Graduate Nurse
11 Scholarship Program for Faculty Production in cooperation with nursing schools at
12 institutions approved by the Commission and the North Carolina Board of Nursing. The
13 Graduate Nurse Scholarship Program for Faculty Production shall provide for
14 participants to be exposed to a range of extracurricular activities while in school, which
15 activities shall be aimed at instilling in students a strong motivation to remain in the
16 practice of nursing education and to provide leadership for the nursing profession.

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

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

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

28 "(b) The State Education Assistance Authority shall forgive the loan if, within
29 seven years after graduation from a nursing education program, the recipient teaches in
30 a public or private nursing education program in a public or private educational
31 institution in North Carolina for one year for every year a scholarship loan was
32 ~~provided.~~ provided; unless the recipient was a nursing faculty member of a community
33 college. In those circumstances, the State Education Assistance Authority shall forgive
34 the loan if, within seven years after graduation from a nursing education program, the
35 recipient teaches in a community college nursing education program in North Carolina
36 for one year for every year a scholarship loan was provided. If the recipient repays the
37 scholarship loan by cash payments, all indebtedness shall be repaid within 10 years. The
38 Authority may provide for accelerated repayment and for less than full-time
39 employment options to encourage the practice of nursing education in either geographic
40 or nursing specialty shortage areas. The Authority shall adopt specific rules to designate
41 these geographic areas and these nursing specialty shortage areas, upon
42 recommendations of the North Carolina Center for Nursing. The North Carolina Center
43 for Nursing shall base its recommendations on objective information provided by
44 interested groups or agencies and upon objective information collected by the Center.
45 The Authority may forgive the scholarship loan if it determines that it is impossible for
46 the recipient to teach in a public or private nursing ~~program-program,~~ or in a community
47 college nursing program if that was a condition of the scholarship loan, in North
48 Carolina for a sufficient time to repay the loan because of the death or permanent
49 disability of the recipient within 10 years following graduation or termination of
50 enrollment in a nursing education program."
51

1 **ESTABLISH THE EDUCATION ACCESS REWARDS NORTH CAROLINA**
2 **SCHOLARS FUND (EARN)**

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

5 **"§ 116-209.26. Education Access Rewards North Carolina Scholars Fund.**

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

7 (1) Academic year. – A period of time in which a student in matriculated
8 status is expected to complete the equivalent of at least two semesters'
9 or three quarters' academic work.

10 (2) Eligible postsecondary institution. – A school that is:

11 a. A constituent institution of The University of North Carolina as
12 defined in G.S. 116-2(4); or

13 b. A community college as defined in G.S. 115D-2(2).

14 (3) Matriculated status. – Being recognized as a first-time candidate for a
15 degree or certificate, exclusive of any course credits earned while in
16 high school, in a defined program of study at an eligible postsecondary
17 institution.

18 (4) Title IV. – Title IV of the Higher Education Act of 1965, as amended.

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

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

27 (1) The student must qualify as a legal resident of North Carolina, a legal
28 resident of the United States, and as a resident for tuition purposes in
29 accordance with G.S. 116-143.1.

30 (2) Within seven months of the fiscal year in which the grant is to be
31 disbursed, the student must have:

32 a. Graduated from a North Carolina high school;

33 b. Received a General Education Development (GED) Certificate
34 from a North Carolina institution; or

35 c. Completed a high school education in a home school setting
36 meeting the qualifications and requirements under
37 G.S. 115C-564.

38 (3) The student must meet enrollment standards by being admitted,
39 enrolled, and classified as an undergraduate student in a matriculated
40 status on a full-time basis at an eligible postsecondary institution in
41 North Carolina.

42 (4) The student must be an eligible dependent student. For purposes of this
43 subdivision, an "eligible dependent student" is a student who:

44 a. Either is classified as dependent for the Title IV programs or is
45 a ward or dependent of the court; and

46 b. Demonstrates total family income not exceeding two hundred
47 percent (200%) of the applicable federal poverty guideline,
48 according to standards set by the SEAA and measured using
49 data elements available to the SEAA from the Free Application
50 for Federal Student Aid (FAFSA) or such other source as the
51 SEAA may deem appropriate.

1 (5) The student must meet all other eligibility requirements for the federal
2 Pell Grant.

3 (6) In order to retain eligibility for a grant for the student's second
4 academic year, the student must meet achievement standards by
5 maintaining satisfactory academic progress in a course of study in
6 accordance with the standards and practices used for Title IV programs
7 by the eligible postsecondary institution in which the student is
8 enrolled.

9 (7) The student may not receive a grant in an amount that, when combined
10 with the federal Pell Grant, exceeds the student's cost of attendance as
11 defined under Title IV.

12 (8) The student may not receive a grant under this section for more than
13 the equivalent of two academic years.

14 (d) The maximum grant for which a student is eligible under this section shall be
15 four thousand dollars (\$4,000) per academic year. In the event there are not sufficient
16 funds to provide each eligible student with the maximum grant, it is the intent of the
17 General Assembly that eligible students who have matriculated into an eligible
18 postsecondary institution in North Carolina with at least one academic year of college
19 credit receive the maximum grant amount and all other eligible students shall receive a
20 reduced grant amount.

21 (e) The grants provided for in this section shall be administered by the State
22 Education Assistance Authority pursuant to rules adopted by the SEAA not inconsistent
23 with this section.

24 (f) The State Education Assistance Authority shall report to the Joint Legislative
25 Education Oversight Committee by December 1, 2009, and by each December 1
26 thereafter, regarding the Fund and grants awarded from the Fund.

27 (g) Grant funds unexpended shall remain available to the SEAA for future grants
28 to be awarded under this section."

29 **SECTION 9.7.(b)** There is appropriated from the Escheat Fund to the State
30 Education Assistance Authority the sum of fifty million dollars (\$50,000,000) for the
31 2007-2008 fiscal year and the sum of fifty million dollars (\$50,000,000) for the
32 2008-2009 fiscal year to implement this section. Notwithstanding subsection (a) of this
33 section, no grant shall be disbursed to an eligible student under G.S. 116-209.26, as
34 enacted by this act, before July 1, 2008.

35
36 **MANAGEMENT FLEXIBILITY TO REORGANIZE BUDGET CODE 16012**
37 **UNC BOARD OF GOVERNORS RELATED EDUCATIONAL PROGRAMS**

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

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

FUTURE TEACHERS OF NC SCHOLARSHIP LOAN PROGRAM

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

"(a) There is established the Future Teachers of North Carolina Scholarship Loan Fund. The purpose of the Fund is to provide a two-year scholarship loan of six thousand five hundred dollars (\$6,500) per year for any North Carolina student pursuing a college degree to teach in the public schools of the State. The scholarship loan shall be paid only for the student's junior and senior years. The scholarship loan is available if the student is enrolled in a State institution of higher education or a private institution of higher education located in this State that has an accredited teacher preparation program for students planning to become certified teachers in North Carolina. The State Education Assistance Authority shall administer the Fund and shall award ~~400-~~150 scholarship loans annually."

PRINCIPALS' EXECUTIVE PROGRAM

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

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

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

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

REPEAL NORTH CAROLINA PROGRESS BOARD

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

REVERT MOTORSPORTS CAPITAL ACCOUNT

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

ELIMINATE CENTER FOR NURSING

SECTION 9.14.(a) Article 9F of Chapter 90 of the General Statutes is repealed.

SECTION 9.14.(b) G.S. 90-171.62(b) reads as rewritten:

"(b) The State Education Assistance Authority shall forgive the loan if, within seven years after graduation from a nursing education program, the recipient practices

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

16 **SECTION 9.14.(c)** G.S. 90-171.101(b) reads as rewritten:

17 "(b) The State Education Assistance Authority shall forgive the loan if, within
18 seven years after graduation from a nursing education program, the recipient teaches in
19 a public or private nursing education program in a public or private educational
20 institution in North Carolina for one year for every year a scholarship loan was
21 provided. If the recipient repays the scholarship loan by cash payments, all indebtedness
22 shall be repaid within 10 years. The Authority may provide for accelerated repayment
23 and for less than full-time employment options to encourage the practice of nursing
24 education in either geographic or nursing specialty shortage areas. The Authority shall
25 adopt specific rules to designate these geographic areas and these nursing specialty
26 shortage areas, ~~upon recommendations of the North Carolina Center for Nursing. The~~
27 ~~North Carolina Center for Nursing shall base its recommendations on objective~~
28 ~~information provided by interested groups or agencies and upon objective information~~
29 ~~collected by the Center.~~ areas and may seek information from appropriate sources
30 regarding geographic or nursing specialty shortage areas. The Authority may forgive the
31 scholarship loan if it determines that it is impossible for the recipient to teach in a public
32 or private nursing program in North Carolina for a sufficient time to repay the loan
33 because of the death or permanent disability of the recipient within 10 years following
34 graduation or termination of enrollment in a nursing education program."

35 **SECTION 9.14.(d)** G.S. 126-5(c1)(16) is repealed.

36
37 **TRANSFER AGRICULTURAL RESEARCH STATIONS AND RESEARCH**
38 **FARMS FROM THE DEPARTMENT OF AGRICULTURE AND**
39 **CONSUMER SERVICES TO UNC BOARD OF GOVERNORS FOR NC**
40 **STATE UNIVERSITY**

41 **SECTION 9.15.(a)** The Division of Research Stations is transferred from
42 the Department of Agriculture and Consumer Services to the Board of Governors of
43 The University of North Carolina to be allocated to North Carolina State University.
44 This transfer shall have all of the elements of a Type I transfer, as defined in
45 G.S. 143A-6. The agricultural research stations and research farms transferred by this
46 section shall be under the direction and control of North Carolina State University, in
47 consultation with North Carolina Agricultural and Technical State University.

48 **SECTION 9.15.(b)** North Carolina State University is designated as the lead
49 agency for all of the State's agricultural research stations and research farms, including
50 those already under the direction and control of North Carolina State University on June
51 30, 2007, and those that are transferred to North Carolina State University by subsection

1 (a) of this section. As lead agency for the management of all of the State's agricultural
 2 research stations and research farms, North Carolina State University shall do all of the
 3 following:

- 4 (1) Manage the agricultural research stations and research farms pursuant
 5 to G.S. 116-40.9.
- 6 (2) Consolidate and downsize the agricultural research stations and
 7 research farms to make them operate more efficiently and to reduce
 8 administrative costs beginning with the 2008-2009 fiscal year.
- 9 (3) Evaluate each agricultural research station and research farm to
 10 determine which of the stations or farms should be retained by the
 11 State and which are noncritical and should be divested by the State.

12 **SECTION 9.15.(c)** North Carolina State University shall consult with North
 13 Carolina Agricultural and Technical State University, the Department of Agriculture
 14 and Consumer Services, the Farm Bureau, and other interested parties as appropriate in
 15 implementing subdivisions (2) and (3) of subsection (b) of this section. The Board of
 16 Governors of The University of North Carolina shall consult with North Carolina
 17 Agricultural and Technical State University prior to consolidating, downsizing, or
 18 closing any agricultural research station or research farm at which North Carolina
 19 Agricultural and Technical State University has ongoing research.

20 **SECTION 9.15.(d)** By March 15, 2008, North Carolina State University
 21 shall report its findings and recommendations regarding the implementation of this
 22 section to the Board of Governors of The University of North Carolina.

23 **SECTION 9.15.(e)** Notwithstanding G.S. 146-30, the proceeds from the sale
 24 of any agricultural research station or research farm sold pursuant to this section shall be
 25 reinvested in the State's agricultural research efforts, as determined by the Board of
 26 Governors of The University of North Carolina.

27 **SECTION 9.15.(f)** Part 3 of Article 1 of the General Statutes is amended by
 28 adding a new section to read:

29 "**§ 116-40.9. State farms.**

30 State-owned farmland, including timberland, allocated to North Carolina State
 31 University, shall be managed by North Carolina State University, in consultation with
 32 North Carolina Agricultural and Technical State University, for research, teaching, and
 33 demonstration in agriculture, forestry, and aquaculture. Research projects on the State
 34 farms shall be approved by North Carolina State University. North Carolina State
 35 University may sell surplus commodities produced on the farms."

36 **SECTION 9.15.(g)** G.S. 106-22.1 is repealed.

37 **SECTION 9.15.(h)** G.S. 66-58(c)(1b) reads as rewritten:

38 "(c) The provisions of subsection (a) shall not prohibit:

39 ...

- 40 (1b) The sale by North Carolina State University at University-owned
 41 facilities of dairy products, including ice cream, cheeses, milk-based
 42 beverages, and the by-products of heavy cream, produced by the Dairy
 43 and Process Applications Laboratory, so long as any profits are used to
 44 support the Department of Food Science and College of Agriculture
 45 and Life Sciences at North Carolina State University. The sale by
 46 North Carolina State University of surplus commodities on State
 47 farms, as allowed by G.S. 116-40.9.

48"

49 **UNC ITEMIZED BUDGET REQUEST FOR 2009-2011 FISCAL BIENNIUM**

1 **SECTION 9.16.** Notwithstanding any other provisions of law, for the
2 2009-2010 fiscal year and for the 2010-2011 fiscal year, the Board of Governors of The
3 University of North Carolina shall submit an itemized budget request to the Director of
4 the Budget for each of the constituent institutions, affiliated entities, and General
5 Administration. The request shall contain the following information:

- 6 (1) A description of State-funded activities and a justification for the
7 existence of each activity as aligned with the mission of The
8 University of North Carolina.
- 9 (2) An itemized account of expenditures by personnel and non-personnel
10 costs required to maintain the activity at the current level of service.
- 11 (3) An itemized account of progress made toward implementation of
12 recommendations of the President's Advisory Committee on
13 Efficiency and Effectiveness (PACE) and additional recommendations
14 proposed and implemented by the chancellors of the constituent
15 institutions.
- 16 (4) An itemized account of actual PACE cost savings and cost avoidance
17 and the uses of the repurposed funds.
- 18 (5) A request for total required expenditures for the 2009-2010 fiscal year
19 and for the 2010-2011 fiscal year showing increases and decreases that
20 are properly and correctly aligned to reflect how the funds are to be
21 expended for each activity.

22 23 **STATE SUPPORT FOR HIGHER EDUCATION COSTS**

24 **SECTION 9.17.(a)** Article 1 of Chapter 116 of the General Statutes is
25 amended by adding a new Part to read:

26 "Part 2C. State Support Received By Students for Higher Education Costs.

27 "**§ 116-30.25. Information regarding State support received by students for higher**
28 **education costs at constituent institutions.**

29 (a) The University of North Carolina General Administration shall develop
30 methodology for reporting the approximate amount of total State support provided to
31 students attending constituent institutions of The University of North Carolina.

32 (b) Each constituent institution shall provide to students, upon graduation, a letter
33 detailing the approximate amount that the State of North Carolina contributed to the
34 support of their education. The amount of State support shall be based on the
35 methodology developed by the University of North Carolina General Administration
36 pursuant to subsection (a) of this section.

37 (c) Each letter shall also provide an opportunity for students to donate to
38 need-based scholarships. The President of The University of North Carolina shall
39 establish a Need-Based Scholarship Trust Fund for receiving donations, and the
40 proceeds shall be administered by the State Education Assistance Authority."

41 **SECTION 9.17.(b)** This section applies to the fall term of the 2007-2008
42 academic year and each subsequent academic term.

43 44 **PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

45 46 **PHYSICIAN SERVICES**

47 **SECTION 10.1.** With the approval of the Office of State Budget and
48 Management, the Department of Health and Human Services may use funds
49 appropriated in this act for across-the-board salary increases and performance pay to
50 offset similar increases in the costs of contracting with private and independent
51 universities for the provision of physician services to clients in facilities operated by the

1 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.
2 This offsetting shall be done in the same manner as is currently done with the
3 constituent institutions of The University of North Carolina.

4 5 **LIABILITY INSURANCE**

6 **SECTION 10.2.(a)** The Secretary of the Department of Health and Human
7 Services, the Secretary of the Department of Environment and Natural Resources, and
8 the Secretary of the Department of Correction may provide medical liability coverage
9 not to exceed one million dollars (\$1,000,000) per incident on behalf of employees of
10 the Departments licensed to practice medicine or dentistry, on behalf of all licensed
11 physicians who are faculty members of The University of North Carolina who work on
12 contract for the Division of Mental Health, Developmental Disabilities, and Substance
13 Abuse Services for incidents that occur in Division programs, and on behalf of
14 physicians in all residency training programs from The University of North Carolina
15 who are in training at institutions operated by the Department of Health and Human
16 Services. This coverage may include commercial insurance or self-insurance and shall
17 cover these individuals for their acts or omissions only while they are engaged in
18 providing medical and dental services pursuant to their State employment or training.

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

24 **SECTION 10.2.(c)** The coverage provided pursuant to this section shall not
25 require any additional appropriations and shall not apply to any individual providing
26 contractual service to the Department of Health and Human Services, the Department of
27 Environment and Natural Resources, or the Department of Correction, with the
28 exception that coverage may include physicians in all residency training programs from
29 The University of North Carolina who are in training at institutions operated by the
30 Department of Health and Human Services and licensed physicians who are faculty
31 members of The University of North Carolina who work for the Division of Mental
32 Health, Developmental Disabilities, and Substance Abuse Services.

33 34 **FUNDS FOR JIM "CATFISH" HUNTER CHAPTER OF THE ALS** 35 **ASSOCIATION**

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

39 40 **DHHS PAYROLL DEDUCTION FOR CHILD CARE SERVICES**

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

46 47 **NON-MEDICAID REIMBURSEMENT CHANGES**

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

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

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

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

<u>Family Size</u>	<u>Rehabilitation Except DSB Over 55 Grant</u>	<u>Other</u>
19 1	\$8,364	\$4,200
20 2	10,944	5,300
21 3	13,500	6,400
22 4	16,092	7,500
23 5	18,648	7,900
24 6	21,228	8,300
25 7	21,708	8,800
26 8	22,220	9,300

27 The eligibility level for children in the Medical Eye Care Program in the
 28 Division of Services for the Blind shall be one hundred percent (100%) of the federal
 29 poverty guidelines, as revised annually by the United States Department of Health and
 30 Human Services and in effect on July 1 of each fiscal year. The eligibility level for
 31 adults in the Medical Eye Care Program in the Division of Services for the Blind shall
 32 be up to one hundred twenty-five percent (125%) of the federal poverty guidelines, as
 33 revised annually by the United States Department of Health and Human Services and in
 34 effect on July 1 of each fiscal year. The eligibility level for adults 55 years of age or
 35 older who qualify for services through the Division of Services for the Blind,
 36 Independent Living Rehabilitation Program, shall be two hundred percent (200%) of the
 37 federal poverty guidelines, as revised annually by the United States Department of
 38 Health and Human Services and in effect on July 1 of each fiscal year. The eligibility
 39 level for adults in the Atypical Antipsychotic Medication Program in the Division of
 40 Mental Health, Developmental Disabilities, and Substance Abuse Services shall be one
 41 hundred fifty percent (150%) of the federal poverty guidelines, as revised annually by
 42 the United States Department of Health and Human Services and in effect on July 1 of
 43 each fiscal year. Additionally, those adults enrolled in the Atypical Antipsychotic
 44 Medication Program who become gainfully employed may continue to be eligible to
 45 receive State support, in decreasing amounts, for the purchase of atypical antipsychotic
 46 medication and related services up to three hundred percent (300%) of the poverty level.

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

<u>Income</u> (% of poverty)	<u>State Participation</u>	<u>Client Participation</u>
49 0-150%	100%	0%

1	151-200%	75%	25%
2	201-250%	50%	50%
3	251-300%	25%	75%
4	300% and over	0%	100%

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

8
9 **COMMUNITY HEALTH CENTER CHANGES**

10 **SECTION 10.6.(a)** Of the funds appropriated in this act for Community
11 Health Grants, the sum of seven million dollars (\$7,000,000) in recurring funds for the
12 2007-2008 fiscal year and the sum of two million dollars (\$2,000,000) for the 2008-2009
13 fiscal year shall be allocated to federally qualified health centers and those health
14 centers that meet the criteria for federally qualified health centers, State-designated rural
15 health centers, free clinics, public health departments, school-based health centers, and
16 other nonprofit organizations that provide primary and preventative medical services to
17 uninsured or medically indigent patients to:

- 18 (1) Increase access to preventative and primary care services by uninsured
19 or medically indigent patients in existing or new health center
20 locations;
- 21 (2) Establish community health center services in counties where no such
22 services exist;
- 23 (3) Create new services or augment existing services provided to
24 uninsured or medically indigent patients, including primary care and
25 preventative medical services, dental services, pharmacy, and
26 behavioral health; and
- 27 (4) Increase capacity necessary to serve the uninsured by enhancing or
28 replacing facilities, equipment, or technologies.

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

37 **SECTION 10.6.(a1)** Notwithstanding subsection (a) of this section, of the
38 funds allocated in this section for the 2007-2008 fiscal year, the sum of three hundred
39 seventy-five thousand dollars (\$375,000) shall be used to provide a cost of operations
40 increase to eligible school-based and school-linked adolescent health centers.

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

48 **SECTION 10.6.(c)** Recipients of grant funds shall provide to the Office
49 annually a written report detailing the number of additional uninsured and medically
50 indigent patients that are cared for, the types of services that were provided, and any

1 other information requested by the Office as necessary for evaluating the success of the
2 grant program.

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

9
10 **COLLABORATION AMONG DEPARTMENTS OF ADMINISTRATION,
11 HEALTH AND HUMAN SERVICES, JUVENILE JUSTICE AND
12 DELINQUENCY PREVENTION, AND PUBLIC INSTRUCTION ON
13 SCHOOL-BASED CHILD AND FAMILY TEAM INITIATIVE**

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

- 16 (1) Purpose and duties. – There is established the School-Based Child and
17 Family Team Initiative. The purpose of the Initiative is to identify and
18 coordinate appropriate community services and supports for children
19 at risk of school failure or out-of-home placement in order to address
20 the physical, social, legal, emotional, and developmental factors that
21 affect academic performance. The Department of Health and Human
22 Services, the Department of Public Instruction, the State Board of
23 Education, the Department of Juvenile Justice and Delinquency
24 Prevention, the Administrative Office of the Courts, and other State
25 agencies that provide services for children shall share responsibility
26 and accountability to improve outcomes for these children and their
27 families. The Initiative shall be based on the following principles:
28 a. The development of a strong infrastructure of interagency
29 collaboration;
30 b. One child, one team, one plan;
31 c. Individualized strengths-based care;
32 d. Accountability;
33 e. Cultural competence;
34 f. Children at risk of school failure or out-of-home placement may
35 enter the system through any participating agency;
36 g. Services shall be specified, delivered, and monitored through a
37 unified Child and Family Plan that is outcome-oriented and
38 evaluation-based;
39 h. Services shall be the most efficient in terms of cost and
40 effectiveness and shall be delivered in the most natural settings
41 possible;
42 i. Out-of-home placements for children shall be a last resort and
43 shall include concrete plans to bring the children back to a
44 stable, permanent home, their schools, and their community;
45 and
46 j. Families and consumers shall be involved in decision making
47 throughout service planning, delivery, and monitoring.
48 (2) Program goals and services. – In order to ensure that children
49 receiving services are appropriately served, the affected State and local
50 agencies shall:

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

- c. The local department of public health shall take the lead role for those children and their families whose primary unmet needs are health-related.
- d. Local departments of social services shall take the lead for those children and their families whose primary unmet needs are related to child welfare, abuse, or neglect.
- e. The chief district court counselor shall take the lead for those children and their families whose primary unmet needs are related to juvenile justice issues.

A representative from each named or otherwise identified publicly supported children's agency shall participate as a member of the Team as needed. Team members shall coordinate, monitor, and assure the successful implementation of a unified Child and Family Plan.

- (4) Reporting requirements. – School-Based Child and Family Team Leaders shall provide data to the Council for inclusion in their report to the North Carolina General Assembly. The report shall include the following:

- a. The number of and other demographic information on children screened and assigned to a team and a description of the services needed by and provided to these children;
- b. The number of and information about children assigned to a team who are placed in programs or facilities outside the child's home or outside the child's county and the average length of stay in residential treatment;
- c. The amount and source of funds expended to implement the Initiative;
- d. Information on how families and consumers are involved in decision making throughout service planning, delivery, and monitoring;
- e. Other information as required by the Council to evaluate success in local programs and ensure appropriate outcomes; and
- f. Recommendations on needed improvements.

- (5) Local advisory committee. – In each county with a participating school, the superintendent of the local LEA shall either identify an existing cross agency collaborative or council, or shall form a new group, to serve as a local advisory committee to work with the Initiative. Newly formed committees shall be chaired by the superintendent and one other member of the committee to be elected by the committee. The local advisory committee shall include the directors of the county departments of social services and health, the directors of the local management entity, the chief district court judge, the chief district court counselor, and representatives of other agencies providing services to children, as designated by the Committee. The members of the Committee shall meet as needed to monitor and support the successful implementation of the School-Based Child and Family Team Initiative.

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

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

- 1 (1) Leadership Council established; location. – There is established the
2 North Carolina Child and Family Leadership Council (Council). The
3 Council shall be located within the Department of Administration for
4 organizational and budgetary purposes.
- 5 (2) Purpose. – The purpose of the Council is to review and advise the
6 Governor in the development of the School-Based Child and Family
7 Team Initiative and to ensure the active participation and collaboration
8 in the Initiative by all State agencies and their local counterparts
9 providing services to children in participating counties in order to
10 increase the academic success and reduce out-of-home and
11 out-of-county placements of children at risk of academic failure.
- 12 (3) Membership. – The Superintendent of Public Instruction and the
13 Secretary of Health and Human Services shall serve as cochairs of the
14 Council. Council membership shall include the Secretary of the
15 Department of Juvenile Justice and Delinquency Prevention, the
16 Chairman of the State Board of Education, the Director of the
17 Administrative Office of the Courts, and other members as appointed
18 by the Governor.
- 19 (4) The Council shall:
 - 20 a. Sign an annual memorandum of agreement (MOA) among the
21 named State agencies to define the purposes of the program and
22 to ensure that program goals are accomplished.
 - 23 b. Resolve State policy issues, as identified at the local level,
24 which interfere with effective implementation of the
25 School-Based Child and Family Team Initiative.
 - 26 c. Direct the integration of resources, as needed, to meet goals and
27 ensure that the Initiative promotes the most effective and
28 efficient use of resources and eliminates duplication of effort.
 - 29 d. Establish criteria for defining success in local programs and
30 ensure appropriate outcomes.
 - 31 e. Develop an evaluation process, based on expected outcomes, to
32 ensure the goals and objectives of this Initiative are achieved.
 - 33 f. Review progress made on integrating policies and resources
34 across State agencies, reaching expected outcomes, and
35 accomplishing other goals.
 - 36 g. Report semiannually, on January 1 and July 1, on progress
37 made and goals achieved to the Office of the Governor, the
38 Joint Appropriations Committees and Subcommittees on
39 Education, Justice and Public Safety, and Health and Human
40 Services, and the Fiscal Research Division of the Legislative
41 Services Office.

42 The Council may designate existing cross agency collaboratives or
43 councils as working groups or to provide assistance in accomplishing
44 established goals.

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

50 **SECTION 10.9.(d)** Department of Juvenile Justice and Delinquency
51 Prevention. – The Secretary of the Department of Juvenile Justice and Delinquency

1 Prevention shall ensure that all agencies within the Department collaborate in the
2 development and implementation of the School-Based Child and Family Team Initiative
3 and provide all required support to ensure that the Initiative is successful.

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

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

12
13 **COMPREHENSIVE TREATMENT SERVICES PROGRAM/ESTABLISHMENT**
14 **OF TASK FORCE ON THE COORDINATION OF CHILDREN'S SERVICES**

15 **SECTION 10.10.(a)** The Department of Health and Human Services shall
16 continue the Comprehensive Treatment Services Program for children at risk for
17 institutionalization or other out-of-home placement. The Program shall be implemented
18 by the Department in consultation with the Department of Juvenile Justice and
19 Delinquency Prevention, the Department of Public Instruction, and other affected State
20 agencies. The purpose of the Program is to provide appropriate and medically necessary
21 nonresidential and residential treatment alternatives for children at risk of
22 institutionalization or other out-of-home placement. Program funds shall be targeted for
23 non-Medicaid eligible children. Program funds may also be used to expand a
24 system-of-care approach for services to children and their families statewide. The
25 program shall include the following:

- 26 (1) Behavioral health screening for all children at risk of
27 institutionalization or other out-of-home placement.
- 28 (2) Appropriate and medically necessary nonresidential and residential
29 services for children within the child mental health deaf and hard of
30 hearing target population.
- 31 (3) Appropriate and medically necessary nonresidential and residential
32 treatment services, including placements for sexually aggressive youth.
- 33 (4) Appropriate and medically necessary nonresidential and residential
34 treatment services, including placements for youth needing substance
35 abuse treatment services and children with serious emotional
36 disturbances.
- 37 (5) Multidisciplinary case management services, as needed.
- 38 (6) A system of utilization review specific to the nature and design of the
39 Program.
- 40 (7) Mechanisms to ensure that children are not placed in department of
41 social services custody for the purpose of obtaining mental health
42 residential treatment services.
- 43 (8) Mechanisms to maximize current State and local funds and to expand
44 use of Medicaid funds to accomplish the intent of this Program.
- 45 (9) Other appropriate components to accomplish the Program's purpose.
- 46 (10) The Secretary of the Department of Health and Human Services may
47 enter into contracts with residential service providers.
- 48 (11) A system of identifying and tracking children placed outside of the
49 family unit in group homes, therapeutic foster care home settings, and
50 other out-of-home placements.

1 (12) The development of a strong infrastructure of interagency
2 collaboration.

3 (13) Individualized strengths-based care.

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

10 (1) Provide only those treatment services that are medically necessary.

11 (2) Implement utilization review of services provided.

12 (3) Adopt the following guiding principles for the provision of services:

13 a. Service delivery system must be outcome-oriented and
14 evaluation-based.

15 b. Services should be delivered as close as possible to the child's
16 home.

17 c. Services selected should be those that are most efficient in
18 terms of cost and effectiveness.

19 d. Services should not be provided solely for the convenience of
20 the provider or the client.

21 e. Families and consumers should be involved in decision making
22 throughout treatment planning and delivery.

23 f. Services shall be specified, delivered, and monitored through a
24 unified Child and Family Plan incorporating the principles of
25 one-child-one-team-one-plan.

26 g. Out-of-home placements for children shall be a last resort and
27 shall include concrete plans to bring the children back to a
28 stable, permanent home, their schools, and their community.

29 (4) Implement all of the following cost-reduction strategies:

30 a. Preauthorization for all services except emergency services.

31 b. Levels of care to assist in the development of treatment plans.

32 c. Clinically appropriate services.

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

39 **SECTION 10.10.(d)** The Department shall not allocate funds appropriated
40 for Program services until a Memorandum of Agreement has been executed between the
41 Department of Health and Human Services, the Department of Public Instruction, and
42 other affected State agencies. The Memorandum of Agreement shall address
43 specifically the roles and responsibilities of the various departmental divisions and
44 affected State agencies involved in the administration, financing, care, and placement of
45 children at risk of institutionalization or other out-of-home placement. The Department
46 shall not allocate funds appropriated in this act for the Program until the Memoranda of
47 Agreement between local departments of social services, area mental health programs,
48 local education agencies, the Administrative Office of the Courts, and the Department
49 of Juvenile Justice and Delinquency Prevention, as appropriate, are executed to
50 effectuate the purpose of the Program. The Memoranda of Agreement shall address
51 issues pertinent to local implementation of the Program, including provision for the

1 immediate availability of student records to a local school administrative unit receiving
2 a child placed in a residential setting outside the child's home county.

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

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

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

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

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

- 32 (1) The amount of Program funding allocated and expended by each LME.
- 33 (2) The amount of Program funds each LME transferred out of the
34 Program to serve purposes other than those outlined by this Program
35 and an explanation of why LMEs transferred the funding.
- 36 (3) Recommendations to improve the penetration rate of Program funds to
37 serve the intended populations across the State.

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

40 "Article 24.

41 "The Legislative Study Commission on Children and Youth.

42 **"§ 120-215. Commission created; purpose.**

43 There is created the Legislative Study Commission on Children and Youth. The
44 purpose of the Commission is to study and evaluate the system of delivery of services to
45 children and youth and to make recommendations to improve service delivery to meet
46 present and future needs of the children and youth of this State. This study shall be a
47 continuing one and the evaluation ongoing.

48 **"§ 120-216. Commission duties.**

49 The Commission shall have the following duties:

- 50 (1) Study the needs of children and youth. This study shall include, but is
51 not limited to:

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

37 **"§ 120-217. Commission membership; terms; compensation.**

- 38 (a) The Commission shall consist of ~~25-26~~ members, as follows:
 - 39 (1) Eleven members appointed by the Speaker of the House of
 - 40 Representatives, among them:
 - 41 a. ~~Four~~ Five shall be members of the House of Representatives at
 - 42 the time of their appointment, of whom at least one shall also
 - 43 serve on the House of Representatives Appropriations
 - 44 Subcommittee on Health and Human Services, one of whom
 - 45 also serves on the Joint Legislative Education Oversight
 - 46 Committee, one of whom also serves on the Joint Legislative
 - 47 Oversight Committee on Mental Health, Developmental
 - 48 Disabilities, and Substance Abuse Services, and one of whom
 - 49 also serves on the House of Representatives Appropriations
 - 50 Subcommittee on Justice and Public Safety,
 - 51 b. One shall be the director of a local health department,

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

1 for two years. Members may be reappointed for two consecutive terms and may be
2 appointed again after having been off the Commission for two years.

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

7 **"§ 120-218. Commission meetings; public hearings; staff.**

8 (a) The Commission shall hold its initial meeting at the call of the Speaker of the
9 House of Representatives and the President Pro Tempore of the Senate. Subsequent
10 meetings shall be held upon the call of the Commission cochairs. The Speaker of the
11 House of Representatives and the President Pro Tempore of the Senate shall appoint a
12 cochair each from the membership of the Commission.

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

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

23 **"§ 120-219. Commission reports.**

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

27 **"§ 120-220. Commission authority.**

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

32 **"§ 120-221. Task Force on the Coordination of Children's Services.**

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

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

38 a. The Commission member who serves on the House of
39 Representatives Appropriations Subcommittee on Health and
40 Human Services, and the Commission member who is a
41 member of the House of Representatives and who also serves
42 on the Legislative Oversight Committee on Mental Health,
43 Developmental Disabilities, and Substance Abuse Services.

44 b. The Commission member who is a local health director,

45 c. The Commission member who is the parent of a child at risk for
46 behavioral, social, health, or safety problems or academic
47 failure, and

48 d. The Commission member who is the director of a county
49 department of social services.

50 (2) Five of the Commission members appointed by the President Pro
51 Tempore of the Senate, as follows:

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

- 1 b. Services should be child- and family-centered, giving priority to
2 keeping children with their families, in their home, school, and
3 community.
4 c. Services should actively promote early identification and
5 intervention.
6 d. Services should be designed to protect the rights of children.
7 e. Services shall be integrated and comprehensive, addressing the
8 child's physical, educational, social, and emotional needs
9 through a single child and family team.
10 f. Services shall be outcomes-accountable and tied to a unified
11 child and family plan.
12 g. Agency resources and services shall be shared and coordinated.
13 h. Services shall be provided as close to home as appropriate in
14 the least restrictive setting consistent with what is known to be
15 effective.
16 i. Services shall be culturally competent.
17 j. Services shall address the unique strengths, needs, and potential
18 of each child and family, and shall be sufficiently flexible to
19 meet highly individualized child and family needs.
20 k. Management of the child-serving system is a responsibility
21 shared among all public and private child-serving agencies that
22 should be held collectively accountable for outcomes.

23 (4) In reviewing principles relating to a system of care, the Task Force
24 shall determine whether they articulate goals that are measurable and if
25 not, determine whether they could be modified to reflect measurable
26 goals.

27 (5) Study any other issues the Task Force determines would improve
28 coordination and collaboration among child-serving agencies.

29 (c) The Task Force shall report at least annually to the Commission or more
30 frequently at the request of the cochairs of the Commission, and shall also report on
31 April 1 of each year to the House of Representatives Appropriations Subcommittee on
32 Health and Human Services, the Senate Appropriations Committee on Health and
33 Human Services, the Joint Legislative Oversight Committee on Mental Health,
34 Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research
35 Division."

36 **SECTION 10.10.(j)** Upon approval of the Legislative Services Commission,
37 the Legislative Services Officer shall assign professional and clerical staff to assist in
38 the work of the Task Force. Professional staff shall be those assigned to subject areas or
39 agencies involving child-serving programs administered by the Department of Health
40 and Human Services, the Department of Juvenile Justice and Delinquency Prevention,
41 the Administrative Office of the Courts, and the Department of Public Instruction.
42 Clerical staff shall be furnished to the Task Force through the offices of the House of
43 Representatives and Senate Directors of Legislative Assistants.

44 **SECTION 10.10.(k)** The Department shall report on April 1, 2008, and
45 April 1, 2009, on the implementation of subsections (a) through (h) of this section. The
46 reports required under this subsection shall be made to the House of Representatives
47 Appropriations Subcommittee on Health and Human Services, the Senate
48 Appropriations Committee on Health and Human Services, the Joint Legislative
49 Oversight Committee on Mental Health, Developmental Disabilities, and Substance
50 Abuse Services, and the Fiscal Research Division.

1 SENIOR CENTER OUTREACH

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

- 6 (1) To expand the outreach capacity of senior centers to reach unserved or
7 underserved areas; or
- 8 (2) To provide start-up funds for new senior centers.

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

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

- 13 (1) Formally endorse the need for such a center;
- 14 (2) Formally agree on the sponsoring agency for the center; and
- 15 (3) Make a formal commitment to use local funds to support the ongoing
16 operation of the center.

17 **SECTION 10.11.(c)** State funding shall not exceed seventy-five percent
18 (75%) of reimbursable costs.

**19 QUALITY IMPROVEMENT CONSULTATION PROGRAM FOR ADULT
20 CARE HOMES**

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

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

32 The Program will address the following topics:

- 33 (1) Principles and philosophies that are resident-centered and promote
34 independence, dignity, and choice for residents;
- 35 (2) Approaches to develop continuous quality improvement with a focus
36 on resident satisfaction and optimal outcomes;
- 37 (3) Dissemination of best practice models that have been used successfully
38 elsewhere;
- 39 (4) A determination of the availability of standardized instruments, and
40 their use to the extent possible, to assess and measure adult care home
41 performance according to quality of life indicators;
- 42 (5) Utilization of quality improvement plans for adult care homes that
43 identify and resolve issues that adversely affect quality of care and
44 services to residents. The plans include agreed upon time frames for
45 completion of improvements and identification of needed resources;
- 46 (6) Training required to equip county departments of social services' staff
47 to implement the Program;
- 48 (7) A distinction of roles between the regulatory role of the Department's
49 Division of Facility Services and the quality improvement consultation
50

- 1 and monitoring responsibilities of the county departments of social
2 services; and
3 (8) Identification of staffing and other resources needed to implement the
4 Program.

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

20 STATE-COUNTY SPECIAL ASSISTANCE

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

27 **SECTION 10.13.(b)** Effective January 1, 2007, the maximum monthly rate
28 for residents in adult care home facilities shall be one thousand one hundred forty-eight
29 dollars (\$1,148) per month per resident unless adjusted by the Department in
30 accordance with subsection (d) of this section.

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

35 **SECTION 10.13.(d)** Notwithstanding any other provision of this section, the
36 Department of Health and Human Services shall review activities and costs related to
37 the provision of care in adult care homes and shall determine what costs may be
38 considered to properly maximize allowable reimbursement available through Medicaid
39 personal care services for adult care homes (ACH-PCS) under federal law. As
40 determined, and with any necessary approval from the Centers for Medicare and
41 Medicaid Services (CMS), and the approval of the Office of State Budget and
42 Management, the Department may transfer necessary funds from the State-County
43 Special Assistance program within the Division of Social Services to the Division of
44 Medical Assistance and may use those funds as State match to draw down federal
45 matching funds to pay for such activities and costs under Medicaid's personal care
46 services for adult care homes (ACH-PCS), thus maximizing available federal funds. The
47 established rate for State-County Special Assistance set forth in subsections (b) and (c)
48 of this section shall be adjusted by the Department to reflect any transfer of funds from
49 the Division of Social Services to the Division of Medical Assistance and related
50 transfer costs and responsibilities from State-County Special Assistance to the Medicaid
51 personal care services for adult care homes (ACH-PCS). Subject to approval by the

1 Centers for Medicare and Medicaid Service (CMS) and prior to implementing this
2 section, the Department may disregard a limited amount of income for individuals
3 whose countable income exceeds the adjusted State-County Special Assistance rate. The
4 amount of the disregard shall not exceed the difference between the Special Assistance
5 rate prior to the adjustment and the Special Assistance rate after the adjustment and
6 shall be used to pay a portion of the cost of the ACH-PCS and reduce the Medicaid
7 payment for the individual's personal care services provided in an adult care home. In
8 no event shall the reimbursement for services through the ACH-PCS exceed the average
9 cost of the services as determined by the Department from review of cost reports as
10 required and submitted by adult care homes. The Department shall report any transfers
11 of funds and modifications of rates to the House of Representatives Appropriations
12 Subcommittee on Health and Human Services, the Senate Appropriations Committee on
13 Health and Human Services, and the Fiscal Research Division.

14 **SECTION 10.13.(e)** Effective July 1, 2007, the Department of Health and
15 Human Services shall recommend rates for State-County Special Assistance and for
16 Adult Care Home Personal Care Services. The Department may recommend rates
17 appropriate cost methodology and cost reports submitted by adult care homes that
18 receive State-County Special Assistance funds and shall ensure that cost reporting is
19 done for State-County Special Assistance and Adult Care Home Personal Care Services
20 to the same standards as apply to other residential service providers.

21 **SPECIAL ASSISTANCE IN-HOME**

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

24 **"§ 108A-47.1. Special Assistance in-home payments.**

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

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

44 **CHILD CARE SUBSIDY RATES**

45 **SECTION 10.15.(a)** The maximum gross annual income for initial
46 eligibility, adjusted biennially, for subsidized child care services shall be seventy-five
47 percent (75%) of the State median income, adjusted for family size.
48
49

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

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

4
5
6
7
8 **SECTION 10.15.(c)** Payments for the purchase of child care services for
9 low-income children shall be in accordance with the following requirements:

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

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

- 30 (1) Except as applicable in subdivision (2) of this subsection, payment
31 rates shall be set at the statewide or regional market rate for licensed
32 child care centers and homes.
33 (2) If it can be demonstrated that the application of the statewide or
34 regional market rate to a county with fewer than 50 children in each
35 age group is lower than the county market rate and would inhibit the
36 ability of the county to purchase child care for low-income children,
37 then the county market rate may be applied.

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

44 **SECTION 10.15.(f)** Facilities licensed pursuant to Article 7 of Chapter 110
45 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate
46 in the program that provides for the purchase of care in child care facilities for minor
47 children of needy families. No separate licensing requirements shall be used to select
48 facilities to participate. In addition, child care facilities shall be required to meet any
49 additional applicable requirements of federal law or regulations. Child care
50 arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the

1 General Statutes shall meet the requirements established by other State law and by the
2 Social Services Commission.

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

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

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

- 15 (1) The child for whom a child care subsidy is sought is receiving child
16 protective services or foster care services.
- 17 (2) The child for whom a child care subsidy is sought is developmentally
18 delayed or at risk of being developmentally delayed.
- 19 (3) The child for whom a child care subsidy is sought is a citizen of the
20 United States.

21 **CHILD CARE ALLOCATION FORMULA**

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

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

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

40 **SECTION 10.16.(c)** Notwithstanding subsection (a) of this section, the
41 Department of Health and Human Services shall allocate up to twelve million dollars
42 (\$12,000,000) in federal block grant funds and State funds appropriated for fiscal years
43 2007-2008 and 2008-2009 for child care services. These funds shall be allocated to
44 prevent termination of child care services. Funds appropriated for specific purposes,
45 including market rate adjustments, may also be allocated by the Department separately
46 from the allocation formula described in subsection (a) of this section.

47 **CHILD CARE FUNDS MATCHING REQUIREMENT**

48 **SECTION 10.17.(a)** No local matching funds may be required by the
49 Department of Health and Human Services as a condition of any locality's receiving its
50 initial allocation of child care funds appropriated by this act unless federal law requires
51

1 a match. If the Department reallocates additional funds above twenty-five thousand
2 dollars (\$25,000) to local purchasing agencies beyond their initial allocation, local
3 purchasing agencies must provide a fifteen percent (15%) local match to receive the
4 reallocated funds. Matching requirements shall not apply when funds are allocated
5 because of a disaster as defined in G.S. 166A-4(1).

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

14 15 **CHILD CARE REVOLVING LOAN**

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

22 23 **CHILD CARE MARKET RATE ADJUSTMENTS**

24 **SECTION 10.18A.** Not later than October 1, 2007, the Department shall
25 implement an adjustment to child care market rates, by region, based upon the 2007
26 Child Care Market Rate Study. Rate adjustments shall be implemented as follows:

- 27 (1) For three- to five-star child care center-based rates, counties in Region
28 1 shall receive twenty percent (20%) of the recommended rate
29 adjustment as defined in the 2007 Child Care Market Rate Study.
- 30 (2) For three- to five-star child care center-based rates, counties in
31 Regions 2-5 shall receive thirty percent (30%) of the recommended
32 rate adjustment as defined in the 2007 Child Care Market Rate Study.
- 33 (3) For three- to five-star child care home-based rates, all counties shall
34 receive ten percent (10%) of the recommended rate adjustment as
35 defined in the 2007 Child Care Market Rate Study.

36 37 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES** 38 **ENHANCEMENTS**

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

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

- 48 (1) For amounts of five thousand dollars (\$5,000) or less, the procedures
49 specified by a written policy to be developed by the Board of Directors
50 of the North Carolina Partnership for Children, Inc.

- 1 (2) For amounts greater than five thousand dollars (\$5,000), but less than
- 2 fifteen thousand dollars (\$15,000), three written quotes.
- 3 (3) For amounts of fifteen thousand dollars (\$15,000) or more, but less
- 4 than forty thousand dollars (\$40,000), a request for proposal process.
- 5 (4) For amounts of forty thousand dollars (\$40,000) or more, a request for
- 6 proposal process and advertising in a major newspaper.

7 **SECTION 10.19.(c)** The North Carolina Partnership for Children, Inc., and
8 all local partnerships shall, in the aggregate, be required to match no less than fifty
9 percent (50%) of the total amount budgeted for the program in each fiscal year of the
10 biennium as follows: contributions of cash equal to at least fifteen percent (15%) and
11 in-kind donated resources equal to no more than five percent (5%) for a total match
12 requirement of twenty percent (20%) for each fiscal year. The North Carolina
13 Partnership for Children, Inc., may carry forward any amount in excess of the required
14 match for a fiscal year in order to meet the match requirement of the succeeding fiscal
15 year. Only in-kind contributions that are quantifiable shall be applied to the in-kind
16 match requirement. Volunteer services may be treated as an in-kind contribution for the
17 purpose of the match requirement of this subsection. Volunteer services that qualify as
18 professional services shall be valued at the fair market value of those services. All other
19 volunteer service hours shall be valued at the statewide average wage rate as calculated
20 from data compiled by the Employment Security Commission in the Employment and
21 Wages in North Carolina Annual Report for the most recent period for which data are
22 available. Expenses, including both those paid by cash and in-kind contributions,
23 incurred by other participating non-State entities contracting with the North Carolina
24 Partnership for Children, Inc., or the local partnerships, also may be considered
25 resources available to meet the required private match. In order to qualify to meet the
26 required private match, the expenses shall:

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

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

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

3 **SECTION 10.19.(e)** The Department of Health and Human Services and the
4 North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds
5 for Early Childhood Education and Development Initiatives for State fiscal years
6 2007-2008 and 2008-2009 shall be administered and distributed in the following
7 manner:

8 (1) Capital expenditures are prohibited for fiscal years 2007-2008 and
9 2008-2009. For the purposes of this section, "capital expenditures"
10 means expenditures for capital improvements as defined in
11 G.S. 143-34.40.

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

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

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

25 26 **EQUAL ALLOCATIONS FOR EARLY CHILDHOOD EDUCATION AND** 27 **DEVELOPMENT INITIATIVES**

28 **SECTION 10.19A.** The one million two hundred eighty-five thousand eight
29 hundred seventy dollars (\$1,285,870) appropriated in this act for the 2007-2008 fiscal
30 year and the six million six hundred thirty-one thousand four hundred seventy-one
31 dollars (\$6,631,471) appropriated in this act for the 2008-2009 fiscal year to the
32 Department of Health and Human Services, Division of Child Development, for the
33 North Carolina Partnership for Children, Inc., shall be allocated equally in each fiscal
34 year among the counties whose percent of need funded is below fifty percent (50%).
35

36 **NCPC PERSONNEL RECORD PROTECTION**

37 **SECTION 10.19B.(a)** G.S. 143B-168.12(a)(2) reads as rewritten:

38 "(a) In order to receive State funds, the following conditions shall be met:

39 ...

40 (2) The North Carolina Partnership and the local partnerships shall agree
41 to adopt procedures for its operations that are comparable to those of
42 Article 33C of Chapter 143 of the General Statutes, the Open Meetings
43 Law, and Chapter 132 of the General Statutes, the Public Records
44 Law, and provide for enforcement by the Department. The procedures
45 may provide for the confidentiality of personnel files comparable to
46 Article 7 of Chapter 126 of the General Statutes.

47 "

48 **SECTION 10.19B.(b)** G.S. 143B-168.14(a)(2) reads as rewritten:

49 "(a) In order to receive State funds, the following conditions shall be met:

50 ...

- 1 (2) Each local partnership shall agree to adopt procedures for its
 2 operations that are comparable to those of Article 33C of Chapter 143
 3 of the General Statutes, the Open Meetings Law, and Chapter 132 of
 4 the General Statutes, the Public Records Law, and provide for
 5 enforcement by the Department. The procedures may provide for the
 6 confidentiality of personnel files comparable to Article 7 of Chapter
 7 126 of the General Statutes.

8"

9
 10 **EVALUATION OF EDUCATIONAL SERVICES TO STUDENTS WITH**
 11 **HEARING AND VISUAL IMPAIRMENTS**

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

- 15 (1) Collaborate in an evaluation of the State's entire service delivery
 16 model for deaf and blind students, including special needs of the
 17 students resulting from additional disabilities other than hearing and
 18 visual impairments, the training needs of professional staff, access to
 19 assistive technology, and curriculum content.
 20 (2) Determine whether the State's schools for the deaf and blind should
 21 remain under the purview of the Department of Health and Human
 22 Services or if management of the schools should be transferred to the
 23 Department of Public Instruction.
 24 (3) Develop a plan to reduce institutional capacity to an appropriate level
 25 for meeting the needs of hearing and visually impaired students in
 26 North Carolina.

27 **SECTION 10.20.(b)** The Department of Health and Human Services and the
 28 Department of Public Instruction shall report their findings and recommendations to the
 29 Senate Appropriations Committee on Health and Human Services, the House of
 30 Representatives Appropriations Subcommittee on Health and Human Services, the
 31 Senate Appropriations Committee on Education/Public Instruction, the House of
 32 Representatives Appropriations Subcommittee on Education, and the Fiscal Research
 33 Division by April 1, 2008.

34
 35 **EARLY INTERVENTION SERVICES REPORT**

36 **SECTION 10.21.(a)** The Department of Health and Human Services,
 37 Division of Public Health, shall report on Early Intervention services. The report shall
 38 include the following information for all children, ages birth to three years, entering the
 39 Early Intervention system as of July 1, 2007, through December 31, 2007:

- 40 (1) Children served: the number of children referred and the source of
 41 referral, the number of children receiving initial evaluations, the
 42 number of children determined eligible, the number of children
 43 enrolled, and the number of IFS Plans developed.
 44 (2) Services provided: the number and types of evaluation services,
 45 treatment services, and other services provided and whether the service
 46 was provided by an employee of a children's developmental services
 47 agency or a private provider.
 48 (3) Sliding scale participation: the percentage of enrolled children whose
 49 family income falls into each of the following categories: at or below
 50 two hundred percent (200%) of the federal poverty level, between two
 51 hundred fifty percent (250%) and three hundred percent (300%) of the

1 federal poverty level, between three hundred fifty percent (350%) and
2 four hundred percent (400%) of the federal poverty level, and over
3 four hundred percent (400%) of the federal poverty level. These
4 percentages shall be reported based on gross income and net income
5 after allowable deductions.

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

10 **SECTION 10.21.(b)** In order to reduce the amount of State funds
11 appropriated for the Child Development Service Agency program and to increase the
12 amount of receipts collected for the services provided by this program, a portion of the
13 funding for the Child Development Service Agency is designated as a nonrecurring
14 appropriation for the 2007-2008 and the 2008-2009 fiscal years. To achieve the
15 purposes of this action by the General Assembly, the Department of Health and Human
16 Services, Division of Public Health, shall engage in vigorous efforts to collect additional
17 Medicaid and other third-party reimbursements from clients and their families. These
18 efforts are necessary to offset any potential shortfall and may yield additional revenue
19 that could be used to provide increased services to additional children. The Department
20 of Health and Human Services, Division of Public Health, shall report on these efforts
21 and the results to the Senate Appropriations Committee on Health and Human Services,
22 the House of Representatives Appropriations Subcommittee on Health and Human
23 Services, and the Fiscal Research Division not later than March 1, 2008.

24
25 **COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES**
26 **INITIATIVE**

27 **SECTION 10.22.(a)** Of funds appropriated in this act from the General Fund
28 to the Department of Health and Human Services, the sum of two million three hundred
29 fifty-two thousand four hundred sixty-eight dollars (\$2,352,468) for the 2007-2008
30 fiscal year and the sum of two million dollars (\$2,000,000) for the 2008-2009 fiscal year
31 shall be allocated for the Community-Focused Eliminating Health Disparities Initiative
32 (CFEHDI) to provide grants-in-aid to local public health departments, American Indian
33 tribes, and faith-based and community-based organizations to close the gap in the health
34 status of African-Americans, Hispanics/Latinos, and American Indians as compared to
35 the health status of white persons. These grants shall focus on the use of preventive
36 measures to support healthy lifestyles. The areas of focus on health status shall be infant
37 mortality, HIV-AIDS and sexually transmitted infections, cancer, diabetes, and
38 homicides and motor vehicle deaths.

39 The three hundred fifty-two thousand four hundred sixty-eight dollars
40 (\$352,468) in nonrecurring funds appropriated in this act to the Department of Health
41 and Human Services, Division of Public Health, for the Health Disparities Initiative in
42 the 2007-2008 fiscal year, shall be deposited into a special fund to be established by the
43 Department as the Bernard Allen, John Hall, Robert Holloman, Howard Hunter, Jeanne
44 Lucas, and William Martin Minority Health Initiative Fund to honor the memory of and
45 in recognition of the recent deaths of Senators Robert Holloman, Jeanne Lucas, and
46 William Martin and Representatives Bernard Allen, John Hall, and Howard Hunter.
47 These funds shall be used for concerted efforts to address large gaps in health status
48 among North Carolinians who are African-American, as well as disparities among other
49 minority populations in North Carolina. These efforts shall include:

- 1 (1) Providing enhanced education and outreach to minority populations on
2 the prevention, diagnosis, and treatment of heart disease, breast cancer,
3 diabetes, obesity, hypertension, sickle cell anemia, and HIV infection.
- 4 (2) Addressing cultural and communication barriers to quality care by
5 improving interpersonal processes between clinicians and patients.

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

- 10 (1) Which community programs and local health departments received
11 CFEHDI grants.
- 12 (2) What amount of funding did each program or local health department
13 receive.
- 14 (3) Which of the minority populations were served by the programs or
15 local health departments.
- 16 (4) Which counties were served by the programs or local health
17 departments.
- 18 (5) What activities were planned and implemented by the programs or
19 local health departments to fulfill the community focus of the CFEHDI
20 program.

21 The report shall also contain a comprehensive evaluation of all grantees with
22 regard to fulfilling the goals of the program, assessing the difference the funded
23 activities have made in the community, and addressing and mitigating the health
24 disparities identified in the Racial and Ethnic Health Disparities in North Carolina,
25 Report Card 2006. In addition, the Department shall solicit from the grantees their
26 observations and recommendations on ways the CFEHDI program can best accomplish
27 its goals. The report shall also include specific activities undertaken pursuant to
28 subsection (a) of this section to address large gaps in health status among North
29 Carolinians who are African-American and other minority populations in this State. The
30 Department shall submit the report not later than March 1, 2008, to the House of
31 Representatives Appropriations Subcommittee on Health and Human Services, the
32 Senate Appropriations Committee on Health and Human Services, and the Fiscal
33 Research Division.

34 35 **FUNDS FOR SCHOOL NURSES**

36 **SECTION 10.23.(a)** Of the funds appropriated in this act to the Department
37 of Health and Human Services, the sum of two million one hundred thousand dollars
38 (\$2,100,000) for the 2007-2008 fiscal year and the sum of three million one hundred
39 thousand dollars (\$3,100,000) for the 2008-2009 fiscal year shall be used for the school
40 nurse initiative. All funds appropriated or allocated for school nurses shall be used to
41 supplement and not supplant other State, local, or federal funds appropriated or
42 allocated for this purpose. Communities shall maintain their current level of effort and
43 funding for school nurses. These funds shall not be used for funding nurses for State
44 agencies. All funds shall be used for direct services.

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

47 48 **HEALTH PROMOTION AND DISEASE PREVENTION INVENTORY AND** 49 **PLAN**

50 **SECTION 10.25.(a)** In order to reduce costs and eliminate duplication of
51 effort, the Department of Health and Human Services shall create an inventory of all of

1 the health promotion and disease prevention activities, including funding, staffing, and
2 other resources for these activities and also including funding and resources for related
3 task forces and committees. The inventory shall include at a minimum State and local
4 health department activities that address tobacco-use prevention and cessation, obesity,
5 improved nutrition and diet, physical exercise, public awareness and education
6 concerning asthma, cancer, diabetes, heart disease, stroke, and accomplishment of the
7 goals of the federal government's Healthy People 2010 Report.

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

- 15 (1) Rate of infant mortality.
- 16 (2) Rate of adolescent pregnancy.
- 17 (3) Rates of cancer, heart disease, and diabetes.
- 18 (4) Number of persons without health insurance.
- 19 (5) Median income.
- 20 (6) Percent of county population enrolled in Medicaid.
- 21 (7) Percent of the population that is minority.

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

26 27 **FUNDS FOR HEALTH CARE IN HONOR OF THE MEMORY OF SENATOR** 28 **JEANNE H. LUCAS**

29 **SECTION 10.25A.** Funds appropriated in this act to the Department of
30 Health and Human Services, Division of Public Health, for the Eliminating Health
31 Disparities Initiative, the Breast and Cervical Cancer Control Program, and the Purchase
32 of Medical Care for Cancer Treatment shall be allocated to a special fund established
33 for each of those purposes and allocated as provided in this act and are appropriated to
34 honor the memory of Senator Jeanne H. Lucas.

35 36 **AIDS DRUG ASSISTANCE PROGRAM**

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

46 47 **DISEASE PREVENTION PROGRAMS**

48 **SECTION 10.27.(a)** Funds appropriated in this act to the Department of
49 Health and Human Services, Division of Public Health, for HIV prevention may also be
50 used by the State Health Director and local health departments to implement subsection

(b) of this section and other services that will further the purpose of communicable disease prevention. Funds may also be used to support peer-to-peer counseling.

SECTION 10.27.(b) Article 6 of Chapter 130A of the General Statutes is amended by adding the following new section to read:

"§ 130A-150. Community-based safe-syringe program.

(a) The State Health Director may designate up to three local health department applicants to develop and implement community-based programs ("safe-syringe programs") for safe-syringe services as part of a comprehensive disease prevention program. The State Health Director shall designate a local health department as one of the three programs only if the local board of health submits to the State Health Director letters of support for such a program from all of the following:

- (1) The county board of commissioners.
- (2) The local board of health.
- (3) The local health director.
- (4) The local director of the Mental Health, Developmental Disabilities, and Substance Abuse Services area or county program.

Selected programs shall include case management, outreach, and transportation services, and referrals for housing and medical care. A local board of health may adopt rules establishing additional criteria that shall be included in the safe-syringe program in that county or district. The State Health Director shall establish a mechanism for evaluating the implementation and effectiveness of selected safe-syringe programs.

(b) G.S. 90-113.22 and G.S. 90-113.23 do not apply to persons who are employees, volunteers, or participants in a community-based clean-syringe-safe-syringe program approved by the local board of health as authorized under this section. This immunity from prosecution under G.S. 90-113.22 and G.S. 90-113.23 applies only to acts committed while carrying out the person's duties as an employee or volunteer of a clean-syringe-safe-syringe program or during the course of a client's participation in the clean-syringe-safe-syringe exchange program."

CHILD SUPPORT PROGRAM/ENHANCED STANDARDS

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

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

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

SECTION 10.28.(b) The Department of Health and Human Services shall report on its progress, in compliance with this section, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives

1 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
2 Division by May 1 of each even-numbered year beginning in 2008.

4 **FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS**

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

- 7 (1) \$390.00 per child per month for children aged birth through 5;
- 8 (2) \$440.00 per child per month for children aged 6 through 12; and
- 9 (3) \$490.00 per child per month for children aged 13 through 18.

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

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

- 14 (1) \$390.00 per child per month for children aged birth through 5;
- 15 (2) \$440.00 per child per month for children aged 6 through 12; and
- 16 (3) \$490.00 per child per month for children aged 13 through 18.

17 **SECTION 10.29.(c)** In addition to providing board payments to foster and
18 adoptive families of HIV-infected children, as prescribed in Section 23.28 of Chapter
19 324 of the 1995 Session Laws, any additional funds remaining that were appropriated
20 for this purpose shall be used to provide medical training in avoiding HIV transmission
21 in the home.

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

- 24 (1) \$800.00 per child per month with indeterminate HIV status;
- 25 (2) \$1,000 per child per month confirmed HIV-infected, asymptomatic;
- 26 (3) \$1,200 per child per month confirmed HIV-infected, symptomatic; and
- 27 (4) \$1,600 per child per month terminally ill with complex care needs.

28 **CHILD CARING INSTITUTIONS**

29 **SECTION 10.30.** Until the Social Services Commission adopts rules setting
30 standardized rates for child caring institutions as authorized under G.S. 143B-153(8),
31 the maximum reimbursement for child caring institutions shall not exceed the rate
32 established for the specific child caring institution by the Department of Health and
33 Human Services, Office of the Controller. In determining the maximum reimbursement,
34 the State shall include county and IV-E reimbursements.
35

36 **SPECIAL CHILDREN ADOPTION FUND**

37 **SECTION 10.31.(a)** Of the funds appropriated to the Department of Health
38 and Human Services in this act, the sum of one hundred thousand dollars (\$100,000)
39 shall be used to support the Special Children Adoption Fund for the 2007-2008 and
40 2008-2009 fiscal years. The Division of Social Services, in consultation with the North
41 Carolina Association of County Directors of Social Services and representatives of
42 licensed private adoption agencies, shall develop guidelines for the awarding of funds to
43 licensed public and private adoption agencies upon the adoption of children described in
44 G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption
45 Fund by participating agencies shall be used exclusively to enhance the adoption
46 services. No local match shall be required as a condition for receipt of these funds. In
47 accordance with State rules for allowable costs, the Special Children Adoption Fund
48 may be used for post-adoption services for families whose income exceeds two hundred
49 percent (200%) of the federal poverty level.
50

1 **SECTION 10.31.(b)** Of the total funds appropriated for the Special Children
2 Adoption Fund each year, twenty percent (20%) of the total funds available shall be
3 reserved for payment to participating private adoption agencies. If the funds reserved in
4 this subsection for payments to private agencies have not been spent on or before March
5 31, 2008, the Division of Social Services may reallocate those funds, in accordance with
6 this section, to other participating adoption agencies.

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

12 13 **LIMITATION ON STATE ABORTION FUND**

14 **SECTION 10.32.** The limitations on funding of the performance of abortion
15 established in Section 23.27 of Chapter 324 of the 1995 Session Laws, as amended by
16 Section 23.8A of Chapter 507 of the 1995 Session Laws, apply to the 2007-2008 and
17 2008-2009 fiscal years.

18 19 **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND** 20 **PERFORMANCE ENHANCEMENTS**

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

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

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

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

50 **SECTION 10.33.(d)** The Department shall report on the Intensive Family
51 Preservation Services Program, including the information and data under subdivisions

(b)(2) through (b)(6) of this section, each even-numbered year beginning in 2008, 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.

TANF BENEFIT IMPLEMENTATION

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

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

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

CLARIFY REVIEW AND SUBMISSION PROCESS FOR TANF STATE PLAN

SECTION 10.35A.(a) G.S. 108A-27.9(a) reads as rewritten:

"(a) The Department shall prepare and submit to the Director of the Budget a biennial State Plan that proposes the goals and requirements for the State and the terms of the Work First Program for each fiscal year. Prior to submitting a State Plan to the General Assembly, the Department ~~shall submit the State Plan to the Senate Appropriations Committee on Health and Human Services and the House of Representatives Appropriations Subcommittee on Health and Human Services for its review and then consult with local governments and private sector organizations regarding the design of the State Plan and allow 45 days to receive comments from them.~~ shall:

- (1) Consult with local government and private sector organizations regarding the design of the State Plan and allow 45 days to receive comments from those organizations; and
- (2) Upon complying with subdivision (1) of this subsection, submit the State Plan to the Senate Appropriations Committee on Health and Human Services and the House of Representatives Appropriations Subcommittee on Health and Human Services for review."

SECTION 10.35A.(b) G.S. 108A-27.10(a) reads as rewritten:

"(a) The Director of the Budget shall, by May 15 of each ~~even-numbered~~ calendar ~~odd-numbered~~ year, approve and recommend adoption by the General Assembly of the State Plan."

MEDICAID

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

- 1 (1) Use of Funds. – Funds appropriated in this act for services provided in
2 accordance with Title XIX of the Social Security Act (Medicaid) are
3 for both the categorically needy and the medically needy.
- 4 (2) Allocation of Nonfederal Cost of Medicaid. – Except as otherwise
5 provided in this act, the State shall pay eighty-five percent (85%); the
6 county shall pay fifteen percent (15%) of the nonfederal costs of all
7 applicable services listed in this section. In addition, the State shall pay
8 eighty-five percent (85%); the county shall pay fifteen percent (15%)
9 of the federal Medicare Part D clawback payments under the Medicare
10 Modernization Act of 2004.
- 11 (3) Use of Funds for Development and Acquisition of Equipment and
12 Software. – If first approved by the Office of State Budget and
13 Management, the Division of Medical Assistance, Department of
14 Health and Human Services, may use funds that are identified to
15 support the cost of development and acquisition of equipment and
16 software and related operational costs through contractual means to
17 improve and enhance information systems that provide management
18 information and claims processing. The Department of Health and
19 Human Services shall identify adequate funds to support the
20 implementation and first year's operational costs that exceed funds
21 allocated for the 2007-2008 and 2008-2009 fiscal years for the new
22 contract for the fiscal agent for the Medicaid Management Information
23 System.
- 24 (4) Reports. – Unless otherwise provided, whenever the Department of
25 Health and Human Services is required by this section to report to the
26 General Assembly, the report shall be submitted to the House of
27 Representatives Appropriations Subcommittee for Health and Human
28 Services, the Senate Appropriations Committee on Health and Human
29 Services, and the Fiscal Research Division of the Legislative Services
30 Office. Reports shall be submitted on the date provided in the
31 reporting requirement.
- 32 **SECTION 10.36.(b) Policy. –**
- 33 (1) Volume purchase plans and single source procurement. – The
34 Department of Health and Human Services, Division of Medical
35 Assistance, may, subject to the approval of a change in the State
36 Medicaid Plan, contract for services, medical equipment, supplies, and
37 appliances by implementation of volume purchase plans, single source
38 procurement, or other contracting processes in order to improve cost
39 containment.
- 40 (2) Cost-containment programs. – The Department of Health and Human
41 Services, Division of Medical Assistance, may undertake
42 cost-containment programs, including contracting for services,
43 preadmissions to hospitals, and prior approval for certain outpatient
44 surgeries before they may be performed in an inpatient setting.
- 45 (3) Fraud and abuse. – The Division of Medical Assistance, Department of
46 Health and Human Services, shall provide incentives to counties that
47 successfully recover fraudulently spent Medicaid funds by sharing
48 State savings with counties responsible for the recovery of the
49 fraudulently spent funds.
- 50 (4) Medical policy. – Unless required for compliance with federal law, the
51 Department shall not change medical policy affecting the amount,

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

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

(1) Medicaid and Work First Family Assistance.

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

	CATEGORICALLY NEEDY – WFFA*		MEDICALLY NEEDY
	Standard of Need & Families and Children Income Level		Families and Children & AA, AB, AD* Income Level
Family Size		WFFA* Payment Level	
1	\$4,344	\$2,172	\$2,900
2	5,664	2,832	3,800
3	6,528	3,264	4,400
4	7,128	3,564	4,800
5	7,776	3,888	5,200
6	8,376	4,188	5,600
8	9,256	4,680	6,300

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

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

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

- 1 d. Medicaid enrollment of categorically needy families with
2 children shall be continuous for one year without regard to
3 changes in income or assets.
- 4 (2) For the following Medicaid eligibility classifications for which the
5 federal poverty guidelines are used as income limits for eligibility
6 determinations, the income limits will be updated each April 1
7 immediately following publication of federal poverty guidelines. The
8 Department of Health and Human Services, Division of Medical
9 Assistance, shall provide Medicaid coverage to the following:
- 10 a. All elderly, blind, and disabled people who have incomes equal
11 to or less than one hundred percent (100%) of the federal
12 poverty guidelines.
- 13 b. Pregnant women with incomes equal to or less than one
14 hundred eighty-five percent (185%) of the federal poverty
15 guidelines and without regard to resources. Services to pregnant
16 women eligible under this subsection continue throughout the
17 pregnancy but include only those related to pregnancy and to
18 those other conditions determined by the Department as
19 conditions that may complicate pregnancy.
- 20 c. Infants under the age of one with family incomes equal to or
21 less than two hundred percent (200%) of the federal poverty
22 guidelines and without regard to resources.
- 23 d. Children aged one through five with family incomes equal to or
24 less than two hundred percent (200%) of the federal poverty
25 guidelines and without regard to resources.
- 26 e. Children aged six through 18 with family incomes equal to or
27 less than the federal poverty guidelines and without regard to
28 resources.
- 29 f. Family planning services to men and women of childbearing
30 age with family incomes equal to or less than one hundred
31 eighty-five percent (185%) of the federal poverty guidelines
32 and without regard to resources.
- 33 (3) The Department of Health and Human Services, Division of Medical
34 Assistance, shall provide Medicaid coverage to adoptive children with
35 special or rehabilitative needs regardless of the adoptive family's
36 income.
- 37 (4) The Department of Health and Human Services, Division of Medical
38 Assistance, shall provide Medicaid coverage to "independent foster
39 care adolescents", ages 18, 19, and 20, as defined in Section
40 1904(w)(1) of the Social Security Act [42 U.S.C. § 1396d(w)(1)],
41 without regard to the adolescent's assets, resources, or income levels.
- 42 (5) ICF and ICF/MR Work Incentive Allowances. – The Department of
43 Health and Human Services may provide an incentive allowance to
44 Medicaid-eligible recipients of ICF and ICF/MR services, who are
45 regularly engaged in work activities as part of their developmental
46 plan, and for whom retention of additional income contributes to their
47 achievement of independence. The State funds required to match the
48 federal funds that are required by these allowances shall be provided
49 from savings within the Medicaid budget or from other unbudgeted
50 funds available to the Department. The incentive allowances may be as
51 follows:

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

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

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

- (1) Hospital inpatient.
- (2) Hospital outpatient. – Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.
- (3) Nursing facilities. – Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program. Residents of nursing facilities who are eligible for Medicare coverage of nursing facility services must be placed in a Medicare-certified bed. Medicaid shall cover facility services only after the appropriate services have been billed to Medicare.
- (4) Physicians, certified nurse midwife services, certified registered nurse anesthetists, nurse practitioners. – Fee schedules as developed by the Department of Health and Human Services.
- (5) Community Alternative Program, EPSDT Screens. – Payments in accordance with rate schedule developed by the Department of Health and Human Services.
- (6) Home health and related services, durable medical equipment. – Payments according to reimbursement plans developed by the Department of Health and Human Services.
- (7) Hearing aids. – Wholesale cost plus dispensing fee to provider.
- (8) Rural health clinical services. – Provider-based, reasonable cost; nonprovider-based, single-cost reimbursement rate per clinic visit.
- (9) Family planning. – Negotiated rate for local health departments. For other providers see specific services, e.g., hospitals, physicians.
- (10) Independent laboratory and X-ray services. – Uniform fee schedules as developed by the Department of Health and Human Services.
- (11) Ambulatory surgical centers.
- (12) Private duty nursing, clinic services, prepaid health plans.
- (13) Intermediate care facilities for the mentally retarded.
- (14) Chiropractors, podiatrists, optometrists, dentists.
- (15) Limitations on Dental Coverage. – Dental services shall be provided on a restricted basis in accordance with criteria adopted by the Department to implement this subsection.

- 1 (16) Medicare Buy-In. – Social Security Administration premium.
2 (17) Ambulance services. – Uniform fee schedules as developed by the
3 Department of Health and Human Services. Public ambulance
4 providers will be reimbursed at cost.
5 (18) Optical supplies. – Payment for materials is made to a contractor in
6 accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing
7 providers are negotiated fees established by the State agency based on
8 industry charges.
9 (19) Medicare crossover claims. – The Department shall apply Medicaid
10 medical policy to Medicare claims for dually eligible recipients. The
11 Department shall pay an amount up to the actual coinsurance or
12 deductible or both, in accordance with the State Plan, as approved by
13 the Department of Health and Human Services. The Department may
14 disregard application of this policy in cases where application of the
15 policy would adversely affect patient care.
16 (20) Physical therapy, occupational therapy, and speech therapy. – Services
17 limited to EPSDT-eligible children. Payments are to be made only to
18 qualified providers at rates negotiated by the Department of Health and
19 Human Services. Physical therapy, occupational therapy, and speech
20 therapy services are subject to prior approval and utilization review.
21 (21) Personal care services. – The Department of Health and Human
22 Services shall impose prior authorization on personal care services for
23 all recipients. Criteria for prior authorization shall be developed in
24 consultation with the Physician Advisory Group of the North Carolina
25 Medical Society. The Department shall provide periodic data on
26 recipients of personal care services to Community Care of North
27 Carolina. Community Care of North Carolina shall assist the
28 Department in assessing personal care services for medical necessity.
29 (22) Case management services. – Reimbursement in accordance with the
30 availability of funds to be transferred within the Department of Health
31 and Human Services.
32 (23) Hospice.
33 (24) Medically necessary prosthetics or orthotics. – In order to be eligible
34 for reimbursement, providers must be licensed or certified by the
35 occupational licensing board or the certification authority having
36 authority over the provider's license or certification. Medically
37 necessary prosthetics and orthotics are subject to prior approval and
38 utilization review.
39 (25) Health insurance premiums.
40 (26) Medical care/other remedial care. – Services not covered elsewhere in
41 this section include related services in schools; health professional
42 services provided outside the clinic setting to meet maternal and infant
43 health goals; and services to meet federal EPSDT mandates.
44 (27) Pregnancy-related services. – Covered services for pregnant women
45 shall include nutritional counseling, psychosocial counseling, and
46 predelivery and postpartum home visits by maternity care coordinators
47 and public health nurses.
48 (28) Drugs. – Reimbursements. Reimbursements shall be available for
49 prescription drugs as allowed by federal regulations plus a professional
50 services fee per month, excluding refills for the same drug or generic
51 equivalent during the same month. Payments for drugs are subject to

1 the provisions of this subdivision or in accordance with the State Plan
2 adopted by the Department of Health and Human Services, consistent
3 with federal reimbursement regulations. Payment of the professional
4 services fee shall be made in accordance with the State Plan adopted
5 by the Department of Health and Human Services, consistent with
6 federal reimbursement regulations. The professional services fee shall
7 be five dollars and sixty cents (\$5.60) per prescription for generic
8 drugs and four dollars (\$4.00) per prescription for brand-name drugs.
9 Adjustments to the professional services fee shall be established by the
10 General Assembly. In addition to the professional services fee, the
11 Department may pay an enhanced fee for pharmacy services.

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

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

46 Prior authorization. – The Department of Health and Human
47 Services may impose prior authorization requirements or other
48 restrictions under the state Medical Assistance Program on
49 medications prescribed for Medicaid recipients for the treatment of (i)
50 mental illness, including but not limited to, medications for

1 schizophrenia, bipolar disorder, or (ii) HIV/AIDS only when all of the
2 following conditions are met:

3 a. Evidence-based criteria must be available regarding efficacy or
4 safety of the covered treatments and must be used as the basis
5 for any policy restrictions.

6 b. Restrictions or authorization requirements must not be
7 implemented without approval by majority vote of the
8 Physician Advisory Group of the North Carolina Medical
9 Society.

10 c. Community Care of North Carolina will provide targeted
11 outreach and assistance to any individual encountering changes
12 due to prior authorization of treatment for (i) mental illness, or
13 (ii) HIV/AIDS.

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

16 a. Services as defined by the Division of Mental Health,
17 Developmental Disabilities, and Substance Abuse Services and
18 approved by the Centers for Medicare and Medicaid Services
19 (CMS) when provided in agencies meeting the requirements of
20 the rules established by the Commission for Mental Health,
21 Developmental Disabilities, and Substance Abuse Services and
22 reimbursement is made in accordance with a State Plan
23 developed by the Department of Health and Human Services
24 not to exceed the upper limits established in federal regulations,
25 and

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

27 1. Licensed or certified psychologists, licensed clinical
28 social workers, certified clinical nurse specialists in
29 psychiatric mental health advanced practice, nurse
30 practitioners certified as clinical nurse specialists in
31 psychiatric mental health advanced practice, licensed
32 psychological associates, licensed professional
33 counselors, licensed marriage and family therapists,
34 certified clinical addictions specialists, and certified
35 clinical supervisors, when Medicaid-eligible children are
36 referred by the Community Care of North Carolina
37 primary care physician, a Medicaid-enrolled psychiatrist,
38 or the area mental health program or local management
39 entity, and

40 2. Institutional providers of residential services as defined
41 by the Division of Mental Health, Developmental
42 Disabilities, and Substance Abuse Services and approved
43 by the Centers for Medicare and Medicaid Services
44 (CMS) for children and Psychiatric Residential
45 Treatment Facility services that meet federal and State
46 requirements as defined by the Department.

47 c. For Medicaid-eligible adults, services provided by licensed or
48 certified psychologists, licensed clinical social workers,
49 certified clinical nurse specialists in psychiatric mental health
50 advanced practice, and nurse practitioners certified as clinical
51 nurse specialists in psychiatric mental health advanced practice,

1 licensed psychological associates, licensed professional
2 counselors, licensed marriage and family therapists, licensed
3 clinical addictions specialists, and licensed clinical supervisors,
4 Medicaid-eligible adults may be self-referred.

- 5 d. Payments made for services rendered in accordance with this
6 subdivision shall be to qualified providers in accordance with
7 approved policies and the State Plan. Nothing in
8 sub-subdivision b. or c. of this subdivision shall be interpreted
9 to modify the scope of practice of any service provider,
10 practitioner, or licensee, nor to modify or attenuate any
11 collaboration or supervision requirement related to the
12 professional activities of any service provider, practitioner, or
13 licensee. Nothing in sub-subdivision b. or c. of this subdivision
14 shall be interpreted to require any private health insurer or
15 health plan to make direct third-party reimbursements or
16 payments to any service provider, practitioner, or licensee.

17 Notwithstanding G.S. 150B-21.1(a), the Department of Health and
18 Human Services may adopt temporary rules in accordance with
19 Chapter 150B of the General Statutes further defining the
20 qualifications of providers and referral procedures in order to
21 implement this subdivision. Coverage policy for services defined by
22 the Division of Mental Health, Developmental Disabilities, and
23 Substance Abuse Services under sub-subdivisions a. and b.2. of this
24 subdivision shall be established by the Division of Medical Assistance.

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

- 26 (1) Payment is limited to Medicaid-enrolled providers that purchase a
27 performance bond in an amount not to exceed one hundred thousand
28 dollars (\$100,000) naming as beneficiary the Department of Health
29 and Human Services, Division of Medical Assistance, or provide to the
30 Department a validly executed letter of credit or other financial
31 instrument issued by a financial institution or agency honoring a
32 demand for payment in an equivalent amount. The Department may
33 waive or limit the requirements of this paragraph for one or more
34 classes of Medicaid-enrolled providers based on the provider's dollar
35 amount of monthly billings to Medicaid or the length of time the
36 provider has been licensed in this State to provide services. In waiving
37 or limiting requirements of this paragraph, the Department shall take
38 into consideration the potential fiscal impact of the waiver or
39 limitation on the State Medicaid Program. The Department may adopt
40 temporary rules in accordance with G.S. 150B-21.1 as necessary to
41 implement this provision.

- 42 (2) Reimbursement is available for up to 30 visits per recipient per fiscal
43 year for the following services: hospital outpatient providers,
44 physicians, nurse practitioners, nurse midwives, clinics, health
45 departments, optometrists, chiropractors, and podiatrists. The
46 Department of Health and Human Services shall adopt medical
47 policies in accordance with G.S. 108A-54.2 to distribute the allowable
48 number of visits for each service or each group of services consistent
49 with federal law. In addition, the Department shall establish a
50 threshold of some number of visits for these services. The Department
51 shall ensure that primary care providers or the appropriate CCNC

1 network are notified when a patient is nearing the established threshold
2 to facilitate care coordination and intervention as needed.

3 Prenatal services, all EPSDT children, emergency room services,
4 and mental health services subject to independent utilization review
5 are exempt from the visit limitations contained in this subdivision. The
6 Department may authorize exceptions where the life of the patient
7 would be threatened without such additional care.

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

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

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

- 24 (1) Rules. – The Department of Health and Human Services may adopt
25 temporary or emergency rules according to the procedures established
26 in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that:
27 a. These rules are necessary to maximize receipt of federal funds
28 within existing State appropriations, to reduce Medicaid
29 expenditures, and to reduce fraud and abuse, or
30 b. These rules are necessary to address the requirements and
31 procedures for enrollment and disenrollment of Medicaid
32 providers and to enhance the quality of care of services.

33 Prior to the filing of these temporary or emergency rules with the
34 Rules Review Commission and the Office of Administrative Hearings,
35 the Department shall consult with the Office of State Budget and
36 Management on the possible fiscal impact of the temporary or
37 emergency rule and its effect on State appropriations and local
38 governments.

- 39 (2) Changes to Medicaid program; reports. – The Department shall report
40 on any change it anticipates making in the Medicaid program that
41 impacts the type or level of service, reimbursement methods, or
42 waivers, any of which require a change in the State Plan or other
43 approval by the Centers for Medicare and Medicaid Services (CMS).
44 The reports shall be provided at the same time they are submitted to
45 CMS for approval. In addition to the entities listed in subsection (a)(4)
46 of this section, the report shall be submitted to the Joint Legislative
47 Health Care Oversight Committee.

49 **MEDICAID COST-CONTAINMENT ACTIVITIES**

50 **SECTION 10.37.** The Department of Health and Human Services may use
51 up to five million dollars (\$5,000,000) in the 2007-2008 fiscal year and up to five

1 million dollars (\$5,000,000) in the 2008-2009 fiscal year in Medicaid funds budgeted
2 for program services to support the cost of administrative activities when
3 cost-effectiveness and savings are demonstrated. The funds shall be used to support
4 activities that will contain the cost of the Medicaid Program, including contracting for
5 services, hiring additional staff, or providing grants through the Office of Rural Health
6 and Community Care to plan, develop, and implement cost-containment programs.

7 Medicaid cost-containment activities may include prospective reimbursement
8 methods, incentive-based reimbursement methods, service limits, prior authorization of
9 services, periodic medical necessity reviews, revised medical necessity criteria, service
10 provision in the least costly settings, plastic magnetic stripped Medicaid identification
11 cards for issuance to Medicaid enrollees, fraud detection software or other fraud
12 detection activities, technology that improves clinical decision making, credit balance
13 recovery and data mining services, and other cost-containment activities. Funds may be
14 expended under this section only after the Office of State Budget and Management has
15 approved a proposal for the expenditure submitted by the Department. Proposals for
16 expenditure of funds under this section shall include the cost of implementing the
17 cost-containment activity and documentation of the amount of savings expected to be
18 realized from the cost-containment activity. The Department shall provide a copy of
19 proposals for expenditures under this section to the House of Representatives
20 Appropriations Subcommittee on Health and Human Services, the Senate
21 Appropriations Committee on Health and Human Services, and the Fiscal Research
22 Division. On or before October 1, 2007, the Department shall also report the amounts
23 paid for cost-containment activities in fiscal years 2003-2004 through 2006-2007, and
24 the amount of savings realized from cost-containment activities in fiscal years
25 2003-2004 through 2006-2007.

26 27 **COUNTY MEDICAID COST-SHARE**

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

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

36 37 **DISPOSITION OF DISPROPORTIONATE SHARE RECEIPTS**

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

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

49 50 **MEDICAID SPECIAL FUND TRANSFER**

1 **SECTION 10.40.** Of the funds transferred to the Department of Health and
 2 Human Services for Medicaid programs pursuant to G.S. 143C-9-1, there is
 3 appropriated from the Medicaid Special Fund to the Department of Health and Human
 4 Services the sum of forty-three million dollars (\$43,000,000) for the 2007-2008 fiscal
 5 year and the sum of forty-three million dollars (\$43,000,000) for the 2008-2009 fiscal
 6 year. These funds shall be allocated as prescribed by G.S. 143C-9-1(b) for Medicaid
 7 programs. Notwithstanding the prescription in G.S. 143C-9-1(b) that these funds not
 8 reduce State general revenue funding, these funds shall replace the reduction in general
 9 revenue funding effected in this act. The Department may also use funds in the
 10 Medicaid Special Fund to fund the settlement of the Disproportionate Share Hospital
 11 payment audit issues between the Department of Health and Human Services and the
 12 federal government related to fiscal years 1997-2002, and funds are appropriated from
 13 the fund for the 2007-2009 fiscal biennium for this purpose.

14 15 **REQUIRED DATA SHARING BY PRIVATE INSURERS**

16 **SECTION 10.40A.** G.S. 108A-55.4 reads as rewritten:

17 **"§ 108A-55.4. Insurers to provide certain information to Department of Health 18 and Human Services.**

19 (a) As used in this section, the terms:

- 20 (1) "Department" means the Department of Health and Human
 21 ~~Services.~~Services and any contracted parties working on behalf of the
 22 Department of Health and Human Services.
- 23 (2) "Division" means the Division of Medical Assistance of the
 24 Department of Health and Human ~~Services.~~Services and any
 25 contracted parties working on behalf of the Department of Health and
 26 Human Services.
- 27 (3) "Health insurer" includes self-insured plans, group health plans (as
 28 defined in section 607(1) of the Employee Retirement Income Security
 29 Act of 1974, [29 USC Section 1167(1)]), service benefit plans,
 30 managed care organizations, or other parties that are, by statute,
 31 contract, or agreement, legally responsible for payment of a claim for a
 32 health care item or service as a condition of doing business in the
 33 State.
- 34 (4) "Medical assistance" means medical assistance benefits provided
 35 under the State Medical Assistance Plan.
- 36 (5) 'Subscriber' means the policyholder of the insurance.
- 37 (6) 'Applicant/recipient' means an applicant or former applicant, or a
 38 present or former recipient of medical assistance benefits.
- 39 (7) 'Request' means any inquiry by the Department or Division for the
 40 purpose of determining the existence of insurance where the
 41 Department or Division may have expended public assistance benefits
 42 or to enforce or establish child or medical support enforcement orders.

43 (b) Health insurers, and pharmacy benefit managers regulated as third-party
 44 administrators under Article 56 of Chapter 58 of the General Statutes, shall provide,
 45 with respect to ~~individuals who are eligible for, or are provided, medical assistance,~~an
 46 applicant/recipient, upon request of the Division, information to determine during what
 47 period the individual or the individual's spouse or dependents may be ~~for~~ or may have
 48 ~~been~~been covered by a health insurer and the nature of the coverage that is or was
 49 provided by the health insurer (including the subscriber's name, subscriber's address,
 50 subscriber's identification number, and—identifying number of the planplan,
 51 applicant/recipient's social security number, applicant/recipient's name, and

1 applicant/recipient's date of birth) in a manner prescribed by the Division.
 2 Notwithstanding any other provision of law, and in addition to the requirements set
 3 forth in subdivision (6) of this subsection, every health insurer issuing a health benefit
 4 plan shall provide, not more frequently than twelve times in a year and at no cost, to the
 5 Department of Health and Human Services, Division of Medical Assistance, upon its
 6 request, ~~information, including automated data matches conducted under the direction~~
 7 ~~of the Department of Health and Human Services, Division of Medical Assistance,~~
 8 information as necessary to so that the Division may (i) identify individuals who may
 9 also be applicants/recipients covered under the insurer's health benefit plans of the
 10 health insurer; who are also recipients of medical assistance; (ii) determine the period
 11 during which the ~~individual or the individual's spouses~~ individual, the individual's
 12 spouse, or the individual's dependents may be or may have been covered by the health
 13 benefit plan; and (iii) determine the nature of the coverage. To facilitate the Division in
 14 obtaining this and other related information, every health insurer shall:

- 15 (1) ~~Cooperate with the Division to determine whether a named individual~~
 16 ~~who is a recipient of medical assistance may be covered under the~~
 17 ~~insurer's health benefit plan and eligible to receive benefits under the~~
 18 ~~health benefit plan for services provided under the State Medical~~
 19 ~~Assistance Plan.~~
 20 (2) Respond to the request for ~~information~~ payment within 90 ~~working~~
 21 days after receipt of written proof of loss or claim for payment for
 22 health care services provided to a recipient of medical assistance who
 23 is covered by the ~~insurer's health benefit plan.~~ benefit plan of the health
 24 insurer.
 25 (3) Accept the Division's right of recovery and the assignment to the
 26 Division of any right of an individual or other entity to payment from
 27 the party for an item or service for which payment has been made
 28 under the State Medical Assistance Plan.
 29 (4) Respond to any inquiry by the Division regarding a claim for payment
 30 for any health care item or service that is submitted not later than three
 31 years after the date of the provision of the health care item or service.
 32 (5) Agree not to deny a claim submitted by the Division solely on the
 33 basis of the date of submission of the claim, the type of format of the
 34 claim form, or a failure to present proper documentation at the
 35 point-of-sale that is the basis of the claim, if:
 36 a. The claim is submitted by the Division within the three-year
 37 period beginning on the date on which the item or service was
 38 furnished; and
 39 b. Any action by the Division to enforce its rights with respect to
 40 such claim is commenced within six years of the Division's
 41 submission of the claim.
 42 (6) Cooperate with the Division's requests to determine a named
 43 individual's eligibility or payment information under the benefit plan
 44 of the health insurer.
 45 (c) ~~An A~~ health insurer that complies with this section shall not be liable on that
 46 account in any civil or criminal actions or proceedings."
 47

48 LIMITATION ON PROVIDER INCREASES

49 **SECTION 10.40B.** Notwithstanding any other provision of this act to the
 50 contrary, if in this act funds are appropriated to the Department of Health and Human
 51 Services for a rate increase for providers and funds are also appropriated in this act to

1 the Department of Health and Human Services for an inflationary increase for
2 providers, the Department shall ensure that providers receive either a rate increase or an
3 inflationary increase, whichever is less.

4 5 **TRANSFER OF ASSETS PERMANENT RULE EFFECTIVE DATE**

6 **SECTION 10.40C.** In order to maximize potential savings to the State
7 Medicaid program as soon as possible, notwithstanding G.S. 150B-21.3(b1), 10A
8 NCAC 21B .0314, adopted by the Department of Health and Human Services on
9 January 19, 2007, and approved by the Rules Review Commission on March 15, 2007,
10 becomes effective on the day this act becomes law.

11 12 **MMIS CAPABILITIES**

13 **SECTION 10.40D.(a)** The Department of Health and Human Services,
14 when contracting for a new or redesigned MMIS, shall ensure that the new or
15 redesigned system is capable of the following:

- 16 (1) Receiving and tracking premium or other payments required by law.
- 17 (2) Compatibility with the administration of NC Health Choice, NC KIDS
18 Care, the State Employees' Health Plan, and Medicaid waivers and the
19 Medicare 646 waiver.

20 **SECTION 10.40D.(b)** The Department of Health and Human Services shall
21 report to the Senate Appropriations Committee on Health and Human Services, the
22 House of Representatives Appropriations Subcommittee on Health and Human
23 Services, and the Fiscal Research Division, on the date and implementation of the new
24 MMIS system in accordance with the requirements of this section. The Department of
25 Health and Human Services shall submit its report not later than May 1, 2008.

26 27 **CRITICAL ACCESS PHARMACY SUPPLEMENTAL PAYMENTS**

28 **SECTION 10.40E.** Of the funds appropriated in this act to the Department
29 of Health and Human Services, Division of Medical Assistance, the sum of two million
30 two hundred sixty thousand dollars (\$2,260,000) for the 2007-2008 fiscal year and the
31 sum of two million six hundred eighty thousand dollars (\$2,680,000) for the 2008-2009
32 fiscal year shall be used to provide supplemental payments to critical access pharmacies
33 as defined by the Division of Medical Assistance. The Division of Medical Assistance
34 shall develop a methodology for identifying critical access pharmacies and providing
35 supplemental payments that are equal to eighty percent (80%) of the difference between
36 prescription drug payments at Average Wholesale Price minus ten percent (10%) and
37 prescription drug payments at Average Wholesale Price minus fifteen percent (15%).

38 39 **PILOT PROGRAM/MEDICAID DUAL ELIGIBLE SPECIAL NEEDS PLAN**

40 **SECTION 10.40F.(a)** The Department of Health and Human Services,
41 Division of Medical Assistance, shall evaluate and establish a pilot program in at least
42 two but not more than four regions of the State to offer nursing facility certifiable
43 (NFC) dual eligible Medicaid recipients services through a Special Needs Plan (SNP).
44 The SNP will work with the Department's Community Care Networks. The SNP must
45 be currently licensed in the State, have expertise in managing NFC dually eligible
46 Medicaid recipients, have expertise or a relationship with experts in geriatrics and be
47 capable and willing to work directly with Community Care North Carolina (CCNC).
48 The SNP must also have no citations or ongoing investigations from the State, the
49 Centers for Medicaid and Medicare Services, or other regulatory agency.

50 **SECTION 10.40F.(b)** In establishing the pilot program, the Department
51 shall select up to four regions (county clusters) based on the number of NFC dual

1 eligible Medicaid recipients, number of skilled nursing facilities, and other factors.
2 These regions and their respective CCNC will work with the SNP to promote enhanced
3 care, greater efficiency, and cost savings.

4 **SECTION 10.40F.(c)** The Department shall report on the evaluation,
5 selection, and implementation of the pilot program to the Senate Appropriations
6 Committee on Health and Human Services, the House of Representatives
7 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
8 Division not later than May 1, 2008. The Department shall include in its report
9 information on increased primary care visits, hospital admission and readmission rates,
10 mortality rates, results of pharmacy management, measurable quality outcomes, and
11 associated cost savings for NFC managed through this pilot. The Department shall also
12 include in its report the feasibility of expansion of the pilot to other regions of the State
13 or expansion into the assisted living and home-based populations.

14 15 **IMPLEMENT ELECTRONIC QUALITY PRESCRIPTION MANAGEMENT** 16 **PROGRAM**

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

25 26 **TICKET TO WORK EFFECTIVE DATE CHANGE**

27 **SECTION 10.43.** Section 10.18(c) of S.L. 2005-276, as amended by Section
28 10.9(a) of S.L. 2006-66, reads as rewritten:

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

31 32 **EXTEND IMPLEMENTATION OF COMMUNITY ALTERNATIVES** 33 **PROGRAMS REIMBURSEMENT SYSTEM**

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

38 39 **FAMILIES PAY PART OF THE COST OF SERVICES UNDER THE** 40 **CAP-MR/DD PROGRAM AND THE CAP-CHILDREN'S PROGRAM BASED** 41 **ON FAMILY INCOME**

42 **SECTION 10.45.(a)** Subject to approval from the Centers for Medicare and
43 Medicaid Services (CMS), the Department of Health and Human Services, Division of
44 Medical Assistance, shall develop a schedule of cost-sharing requirements for families
45 of children with incomes above the Medicaid allowable limit to share in the costs of
46 their child's Medicaid expenses under the CAP-MR/DD (Community Alternatives
47 Program for Mental Retardation and Developmentally Disabled) Program and the
48 CAP-C (Community Alternatives Program for Children). The cost-sharing amounts
49 shall be based on a sliding scale of family income and shall take into account the impact
50 on families with more than one child in the CAP programs. In developing the schedule,
51 the Department shall also take into consideration how other states have implemented

1 cost-sharing in their CAP programs. The Division of Medical Assistance may establish
2 monthly deductibles as a means of implementing this cost-sharing. The Department
3 shall provide for at least one public hearing and other opportunities for individuals to
4 comment on the imposition of cost-sharing under the CAP program.

5 **SECTION 10.45.(b)** This section becomes effective July 1, 2008, for
6 children enrolled in CAP-MR/DD or CAP-C on and after that date. For currently
7 enrolled CAP-MR/DD and CAP-C recipients, this section becomes effective at the
8 recipient's first certification period following July 1, 2008.

9 **SECTION 10.45.(c)** The Division of Medical Assistance shall report on
10 savings realized due to the cost-sharing implemented pursuant to this section. The
11 Department shall submit the report to the House of Representatives Appropriations
12 Subcommittee on Health and Human Services, the Senate Appropriations Committee on
13 Health and Human Services, and the Fiscal Research Division on or before March 1,
14 2009.

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

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

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

42 43 **NC HEALTH CHOICE ENROLLMENT**

44 **SECTION 10.47.** The Department of Health and Human Services may allow
45 up to six percent (6%) enrollment growth annually over the prior fiscal year's
46 enrollment in the NC Health Choice Program. The cap in enrollment growth shall be
47 based on the month of highest Program enrollment in the prior fiscal year.

48 49 **NC KIDS' CARE STUDY**

50 **SECTION 10.48.** The Department of Health and Human Services, Division
51 of Medical Assistance, shall determine the most cost-efficient and cost-effective method

1 for implementing a limited benefit medical assistance program, NC Kids' Care. In
2 developing the Program, the Department shall include the following:

- 3 (1) Eligibility for benefits under NC Kids' Care is not an entitlement and is
4 subject to availability of funds and State and federal requirements.
- 5 (2) NC Kids' Care shall provide health coverage to children whose income
6 is not less than two hundred percent (200%) and not more than two
7 hundred twenty-five percent (225%) of the federal poverty level.
- 8 (3) Children enrolled in NC Kids' Care must be ineligible for Medicaid,
9 Medicare, or other government-sponsored health insurance.
- 10 (4) The premium for enrollment in NC Kids' Care shall be not more than
11 twenty-five dollars (\$25.00) per member per month except that the
12 premium for a family shall not exceed seventy-five dollars (\$75.00)
13 per family per month.
- 14 (5) Providers of services to children enrolled in NC Kids' Care shall be
15 paid at Medicaid rates.

16 The Department of Health and Human Services shall report its findings and
17 recommendations on the scope and benefits of NC Kids' Care to the Senate
18 Appropriations Committee on Health and Human Services, the House of
19 Representatives Appropriations Subcommittee on Health and Human Services, and the
20 Fiscal Research Division not later than April 1, 2008.

21
22 **BUILD COMMUNITY INFRASTRUCTURE FOR MENTAL HEALTH,
23 DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES**

24
25 **INCREASE AVAILABILITY OF SUBSTANCE ABUSE TREATMENT.**

26 **SECTION 10.49.(a)** Except as otherwise provided in this subsection, funds
27 appropriated in this act to the Department of Health and Human Services, Division of
28 Mental Health, Developmental Disabilities, and Substance Abuse Services for
29 regionally funded, locally hosted substance abuse services shall be allocated for the
30 purpose of developing and enhancing the American Society of Addiction Medicine
31 (ASAM) continuum of care at the community level. In coordination with local
32 management entities, the Division shall develop and direct purchasing mechanisms to
33 improve the availability of substance abuse services offered on a local, regional, and
34 statewide basis in coordination with one or more local management entities. In the
35 event a local management entity is unable or unwilling to contract with a substance
36 abuse provider for substance abuse services envisioned in this section, the Division may
37 enter into a contract with substance abuse service providers, and, in such cases, the
38 requirements of G.S. 122C-124.1 shall not apply. Of the funds allocated in this
39 subsection for regionally funded, locally hosted substance abuse services, the sum of
40 five hundred seventy-one thousand sixty-one dollars (\$571,061) for the 2007-2008
41 fiscal year and the sum of seven hundred thirty-six thousand sixty-one dollars
42 (\$736,061) for the 2008-2009 fiscal year shall be allocated for residential substance
43 abuse programs with a vocational component.

44 **SECTION 10.49.(b)** G.S. 122C-147.1 is amended by adding the following
45 new subsection to read:

46 "(d1) Notwithstanding subsections (b) and (d) of this section, each area program
47 shall determine whether to earn the funds for crisis services and funds for services to
48 substance abuse clients in a purchase-for-service basis, under a grant, or some
49 combination of the two. Area programs shall account for funds expended on a grant
50 basis according to procedures required by the Secretary and in a manner that is similar
51 to funds expended in a purchase-for-service basis."

1 **SECTION 10.49.(c)** Consistent with G.S. 122C-2, the General Assembly
2 strongly encourages LMEs to use a portion of the funds appropriated for substance
3 abuse treatment services to support prevention and education activities.

4 **SECTION 10.49.(d)** An LME may use up to one percent (1%) of funds
5 allocated to it for substance abuse treatment services to provide nominal incentives for
6 consumers who achieve specified treatment benchmarks.

7 **SECTION 10.49.(e1)** In providing treatment and services for adult offenders
8 and increasing the number of TASC case managers, for which funds are allocated in this
9 act to local management entities, each local management entity shall consult with TASC
10 to improve offender access to substance abuse treatment and match evidence-based
11 interventions to individual needs at each stage of substance abuse treatment. Special
12 emphasis should be placed on intermediate punishment offenders, community
13 punishment offenders at risk for revocation, and DOC releasees who have completed
14 substance abuse treatment while in custody.

15 In addition to the funds appropriated in this act to the Department of Health
16 and Human Services, Division of Mental Health, Developmental Disabilities, and
17 Substance Abuse Services to provide substance abuse services for adult offenders and to
18 increase the number of TASC case managers, the Department shall allocate up to three
19 hundred thousand dollars (\$300,000) to Treatment Accountability for Safer
20 Communities (TASC). These funds shall be allocated to TASC before funds are
21 allocated to local management entities for mental health services, substance abuse
22 services, and crisis services.

23 **SECTION 10.49.(e2)** In providing Drug Treatment Court services for which
24 funds are allocated in this act to local management entities, the local management entity
25 shall consult with the local drug treatment court team and shall select a treatment
26 provider that meets all provider qualification requirements and the drug treatment
27 court's needs. A single treatment provider may be chosen for non-Medicaid-eligible
28 participants only. A single provider may be chosen who can work with all of the
29 non-Medicaid-eligible drug treatment court participants in a single group. During the
30 52-week Drug Treatment Court program, participants shall receive an array of treatment
31 and after-care services that meets the participant's level of need, including step-down
32 services that support continued recovery.

33 **SECTION 10.49.(f)** Within available State and county resources, local
34 management entities shall work with county public health departments and county
35 sheriffs to provide medical assessments and medication, if appropriate, for inmates
36 housed in county jails who are suicidal, hallucinating, or delusional. LMEs shall also
37 examine ways to provide additional treatment to persons who are determined to be
38 psychotic, severely depressed, suicidal, or who have substance abuse disorders. LMEs,
39 county public health departments, and county sheriffs shall work together to develop all
40 of the following:

- 41 (1) A statewide standardized evidence-based screening instrument to be
42 used when offenders are booked.
- 43 (2) A designated LME employee who is responsible for screening the
44 daily jail booking log for known mental health consumers.
- 45 (3) Protocols for effective communication between the LME and the jail
46 staff including collaborative development of medication management
47 protocols between the jail staff and the mental health providers.
- 48 (4) Training to help detention officers recognize signals of mental illness.

49
50 **ADDITIONAL HOUSING ASSISTANCE.**

1 **SECTION 10.49.(g)** The independent and supportive living apartments for
2 persons with disabilities constructed from funds appropriated in this act to the
3 Department of Health and Human Services, Division of Mental Health, Developmental
4 Disabilities, and Substance Abuse Services, and the North Carolina Housing Finance
5 Agency for that purpose shall be affordable to persons with incomes at the
6 Supplemental Security Income (SSI) level. The Department shall maximize the number
7 of subsidies that can be paid for with these funds by giving first priority to North
8 Carolina Housing Agency-financed apartments, giving second priority to other publicly
9 subsidized apartments, and third priority to market-rate apartments.

10 **SECTION 10.49.(h1)** The Department of Health and Human Services and
11 the North Carolina Housing Finance Agency shall work together to develop a plan for
12 the most efficient and effective use of State resources in the financing and construction
13 of additional independent- and supportive-living apartments for individuals with mental
14 health, developmental, or substance abuse disabilities. This plan shall address gaps in
15 the housing continuum identified by the study that DHHS will conduct during fiscal
16 year 2006-2007 and fiscal year 2007-2008. DHHS and NCHFA shall report this plan
17 and also the progress of the Housing 400 Initiative to the Joint Legislative Oversight
18 Committee on Mental Health, Developmental Disabilities, and Substance Abuse
19 Services by March 1, 2008.

20 **SECTION 10.49.(h2)** The Department of Health and Human Services,
21 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services,
22 may transfer funds appropriated for operating cost subsidies for independent- and
23 supportive-living apartments for individuals with disabilities to the North Carolina
24 Housing Finance Agency (NCHFA) to be used for these purposes. If funds
25 appropriated in this act for operating assistance for the independent supportive living
26 apartments for people with disabilities exceed the amount necessary to finance those
27 apartments for which funds were appropriated, then the excess funds may be used in
28 each fiscal year to subsidize other apartments for individuals with disabilities that are
29 affordable for individuals with income at the SSI level.

30 For the purposes of ensuring that State supported assisted housing is available
31 to all disability groups, the NCHFA and the Department of Health and Human Services
32 shall do the following:

- 33 (1) The NCHFA shall provide to the Division of Medical Assistance the
34 name, address, and date of birth of each resident that receives housing
35 assistance in NCHFA properties because of the recipient's disability.
- 36 (2) The Department of Health and Human Services shall review the
37 Medicaid database to determine which of these residents receives
38 Medicaid and, of those, the type of disability of each Medicaid
39 recipient for whom information was provided under subdivision (1) of
40 this subsection.
- 41 (3) The Department of Health and Human Services shall report to the
42 General Assembly the aggregate statewide total by type of disability.
43 The types of disability for which aggregate data is reported shall be
44 mental illness, developmental disability, physical disability, and the
45 multiple combination of these types. The report shall ensure that
46 individuals with multiple diagnoses are counted only one time for each
47 aggregate report. The Department of Health and Human Services shall
48 ensure that information reported does not include information that
49 would identify or lead to the identity of a Medicaid recipient. The
50 Department of Health and Human Services shall submit the report to
51 the Senate Appropriations Committee on Health and Human Services,

1 the House of Representatives Appropriations Subcommittee on Health
2 and Human Services, the Joint Legislative Oversight Committee on
3 Mental Health, Developmental Disabilities, and Substance Abuse
4 Services, and the Fiscal Research Division not later than May 1, 2008,
5 and again not later than May 1, 2009.

6 Of the funds appropriated in this act to the Department of Health and Human
7 Services for operating cost subsidies for independent- and supportive-living apartments
8 for individuals with disabilities, not more than one hundred fifty thousand dollars
9 (\$150,000) may be used for administration of the subsidies and for evaluation and
10 reporting requirements under this subsection.

11 **SECTION 10.49.(i)** The Department of Health and Human Services shall
12 develop a "Transitional Residential Treatment Program" service definition to provide
13 24-hour residential treatment and rehabilitation for adults who have a pattern of difficult
14 behaviors related to mental illness, which exceeds the capabilities of traditional
15 community residential settings. DHHS shall submit the new service definition to the
16 Centers for Medicare and Medicaid for approval no later than 90 days after the
17 enactment of the Current Operations and Capital Appropriations Act for the 2007-2009
18 biennium.

19 **SECTION 10.49.(j)** The joint ad hoc subcommittee regarding the mentally
20 ill in adult care homes convened by the Joint Legislative Oversight Committee on
21 Mental Health, Developmental Disabilities, and Substance Abuse Services and the
22 North Carolina Commission on Aging may continue to study and identify rules and
23 laws that are necessary to regulate facilities that provide housing for adults with mental
24 illness in the same location with adults without mental illness.

25 **SECTION 10.49.(k)** The Department of Health and Human Services shall
26 complete the development of a Uniform Screening Tool (UST) to be used by LMEs to
27 determine the mental health of any individual admitted to any long-term care facility
28 within an LME's catchment area. The UST shall be available for use no later than 90
29 days after the enactment of the Current Operations and Capital Appropriations Act for
30 the 2007-2009 fiscal biennium.

31 **SECTION 10.49.(l)** Notwithstanding any other provision of law to the
32 contrary, local management entities may directly provide case management and may bill
33 for the services provided.

34 35 **CRISIS AND ACUTE CARE SERVICES.**

36 **SECTION 10.49.(m)** The fourteen million one hundred thirty-seven
37 thousand eight hundred fifty-seven dollars (\$14,137,857) appropriated in this act for
38 crisis services in each fiscal year to the Department of Health and Human Services,
39 Division of Mental Health, Developmental Disabilities, shall be allocated to local
40 management entities to continue to implement the crisis plans developed under S.L.
41 2006-66, Section 10.26. In allocating these funds, the Department shall consider the
42 impact of the closure of any State institution on each local management entity. The
43 Department of Health and Human Services may use up to two hundred fifty thousand
44 dollars (\$250,000) in each fiscal year of the funds allocated under this subsection to
45 extend its contract with the crisis services consultant authorized under Section 10.26(b)
46 of S.L. 2006-66.

47 **SECTION 10.49.(n)** S.L. 2006-66, Section 10.26(d), as amended by Section
48 11 of S.L. 2006-221, reads as rewritten:

49 **"SECTION 10.26.(d)** With the assistance of the consultant, the LMEs within a
50 crisis region shall work together to identify gaps in their ability to provide a continuum
51 of crisis services for all consumers and use the funds allocated to them to develop and

1 implement a plan to address those needs. At a minimum, the plan must address the
2 development over time of the following components: 24-hour crisis telephone lines,
3 walk-in crisis services, mobile crisis outreach, crisis respite/residential services, crisis
4 stabilization units, 23-hour beds, facility-based crisis, in-patient crisis, detox, and
5 transportation. Options for voluntary admissions to a secured facility must include at
6 least one service appropriate to address the mental health, developmental disability, and
7 substance abuse needs of adults, and the mental health, developmental disability, and
8 substance abuse needs of children. Options for involuntary commitment to a secured
9 facility must include at least one option in addition to admission to a State facility.

10 If all LMEs in a crisis region determine that a facility-based crisis center is needed
11 and sustainable on a long-term basis, the crisis region shall first attempt to secure those
12 services through a community hospital or other community facility. If all LMEs in the
13 crisis region determine the region's crisis needs are being met, the LMEs may use the
14 funds to meet local crisis service needs."

15 **SECTION 10.49.(o)** LMEs shall report monthly to the Department and to
16 the consultant regarding the use of the funds, whether there has been a reduction in the
17 use of State psychiatric hospitals for acute admissions, and any remaining gaps in local
18 and regional crisis services. The consultant and the Department shall report quarterly to
19 the Senate Appropriations Committee on Health and Human Services, the House of
20 Representatives Appropriations Subcommittee on Health and Human Services, the
21 Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental
22 Health, Developmental Disabilities, and Substance Abuse Services regarding each
23 LME's proposed and actual use of the funds appropriated under this section. The
24 reporting requirements under this subsection shall expire July 1, 2008.

25 **SECTION 10.49.(q)** G.S. 122C-147.1 is amended by adding the following
26 new subsection to read:

27 "(b1) Notwithstanding subsection (b) of this section, funds appropriated by the
28 General Assembly for crisis services shall not be allocated in broad disability or
29 age/disability categories. Subsection (c) of this section shall apply to funds appropriated
30 by the General Assembly for crisis services."

31 **SECTION 10.49.(r)** The Department of Health and Human Services shall
32 develop a system for reporting to LMEs information regarding all visits to community
33 hospital emergency departments by individuals who are in crisis due to a mental illness,
34 a developmental disability, or a substance abuse disorder. The system shall be
35 implemented no later than 90 days after the enactment of the Current Operations and
36 Capital Appropriations Act for the 2007-2009 fiscal biennium.

37 **SECTION 10.49.(s1)** Of the funds appropriated in this act to the Department
38 of Health and Human Services, Division of Mental Health, Developmental Disabilities,
39 and Substance Abuse Services (Division), the sum of two million five hundred thousand
40 dollars (\$2,500,000) for the 2007-2008 fiscal year and the sum of five million dollars
41 (\$5,000,000) for the 2008-2009 fiscal year shall be used to develop a pilot program to
42 reduce State psychiatric hospital use and to increase local services for persons with
43 mental illness. Of these funds, the sum of two hundred fifty thousand dollars
44 (\$250,000) in each fiscal year shall be retained by the Department. The remainder in
45 each fiscal year shall be allocated to LMEs to be used in accordance with subdivision
46 (c)(6) of this section. The Division and each selected LME shall implement an
47 18-month pilot beginning in the 2007-2008 fiscal year, as provided in subsections (s2)
48 and (s3) of this section. It is the intent of the General Assembly to provide funds to
49 expand the pilot program in the 2008-2009 fiscal year. To this end, the Division shall
50 develop a plan for expanded pilots as provided in subsection (d) of this section.

1 **SECTION 10.49.(s2)** The purpose of the 18-month pilot program developed
2 under subsection (s1) of this section and to be implemented during the 2007-2008 fiscal
3 year is to test a mechanism to reduce psychiatric hospital use by holding an LME
4 financially and clinically responsible for the cost of that use and by providing additional
5 resources to build community capacity. The Department shall select at least three
6 LMEs that submit a proposal to participate in the pilot to the Division no later than
7 October 15, 2007. The proposal shall include a plan by the LME to reduce hospital use
8 by a specified amount and an explanation of how the LME expects to accomplish this
9 goal. To facilitate pilot implementation, the Division shall do all of the following:

- 10 (1) Calculate the cost of each LME's 2006-2007 use of State psychiatric
11 hospital services based roughly on that hospital's total budget and the
12 percentage of patients at the hospital admitted from the LME's
13 catchment area.
- 14 (2) Calculate a daily rate for hospital usage based on 2006-2007 statewide
15 usage. The daily rate shall be higher for subsequent admissions by the
16 same patient and higher for patients admitted with a primary diagnosis
17 of substance abuse.
- 18 (3) Provide the results from subdivisions (1) and (2) of this subsection to
19 all LMEs not later than September 1, 2007.
- 20 (4) Award pilot participation not later than November 1, 2007, based upon
21 the proposals that project the largest decrease in use and that the
22 Division believes has the greatest likelihood of succeeding.
- 23 (5) Commence pilot implementation not later than January 1, 2008.

24 **SECTION 10.49.(s3)** Parameters of the pilot developed under subsection
25 (s1) of this section are as follows:

- 26 (1) The pilot LMEs will have a virtual budget account for January 1, 2008,
27 through June 30, 2008, based on one-half of the LME's cost of State
28 psychiatric hospital use during the 2006-2007 fiscal year minus the
29 LME's proposed reduction in hospital use. The virtual budget account
30 will be for the full amount less an agreed upon reduction in the second
31 year of the pilot.
- 32 (2) Every bed day used by patients from that LME's catchment area will
33 be debited against that LME's virtual account.
- 34 (3) The cost of bed days will increase by the agreed upon amount for
35 patients who are repeatedly admitted to the hospital.
- 36 (4) The cost of bed days will increase by the agreed upon amount for
37 patients who are admitted with a primary diagnosis of substance abuse.
- 38 (5) The LME shall have one or more representatives on site at the State
39 psychiatric hospital. The LME representatives shall be involved with
40 patient admissions, development of treatment plans, supervision and
41 delivery of treatment, and development and implementation of
42 discharge plans.
- 43 (6) The pilot LMEs shall use their allocated funds to: (i) build community
44 capacity through start-up operations or payment for local services; (ii)
45 pay for the on-site representative at State psychiatric hospitals; and
46 (iii) pay for patient bed days that are in excess of RFP's projected use.
- 47 (7) As of June 30, 2008, any savings to the State realized from the LMEs'
48 reduced hospital usage, plus any funds remaining in the LMEs' virtual
49 hospital budget account, will be transferred to the LMEs to be used to
50 purchase hospital use in the 2008-2009 fiscal year. Any funds
51 remaining from the two million two hundred twenty-five thousand

1 dollar (\$2,225,000) allocation shall carry over to be used by the LMEs
2 to pay for services to the mentally ill.

3 **SECTION 10.49.(s4)** Based on the experiences of the pilot programs
4 authorized under subsections (s2) and (s3) of this section, the Division of Mental
5 Health, Developmental Disabilities, and Substance Abuse Services (Division) shall
6 work with the existing hospital use study group to develop a proposal for subsequent
7 pilots to reduce hospital use and build community services. The Division may use up to
8 two hundred fifty thousand dollars (\$250,000) in each fiscal year to develop the
9 proposal. The Division shall submit an interim report on its progress to the Joint
10 Legislative Oversight Committee on Mental Health, Developmental Disabilities, and
11 Substance Abuse Services (Oversight Committee) by October 15, 2007, and a second
12 interim report by February 1, 2008. The Division shall submit its final report to the
13 Oversight Committee by February 1, 2009.

14 **SECTION 10.49.(s5)** The budgets for the State psychiatric hospitals shall
15 not be reduced during the 2007-2008 fiscal year as a result of the pilot developed under
16 subsection (s1) of this section. However, those budgets shall be adjusted in following
17 years to reflect the previous year's use by the LMEs participating in the pilot program.

18 **SECTION 10.49.(t)** Notwithstanding G.S. 122C-112.1(a)(30) and
19 G.S. 122C-181, the Secretary of Health and Human Services may close Dorothea Dix
20 Hospital, and the Secretary of Health and Human Services may close John Umstead
21 Hospital or any unit or section of that hospital, provided that all of the following
22 conditions have been met prior to closure of each hospital or unit thereof:

- 23 (1) The Secretary has notified the Joint Legislative Commission on
24 Governmental Operations, the Joint Legislative Oversight Committee
25 on Mental Health, Developmental Disabilities, and Substance Abuse
26 Services, and members of the General Assembly who represent
27 catchment areas affected by the closure.
- 28 (2) The Secretary has presented a plan for the closure of each hospital or
29 unit thereof to the Joint Legislative Oversight Committee on Mental
30 Health, Developmental Disabilities, and Substance Abuse Services
31 (Oversight Committee) for its review, advice, and recommendations.
32 The Secretary shall also provide a copy of the plan to each member of
33 the General Assembly in a timely manner to permit each member of
34 the General Assembly to comment at the presentation of the plan to the
35 Oversight Committee. The plan shall address specifically all of the
36 following: (i) the capacity of any replacement facility and the
37 catchment area to meet the needs of those consumers who require
38 long-term secure services as well as acute care; (ii) an inventory of
39 existing capacity in the communities within the catchment area for
40 patients to access crisis services, appropriate housing, and other
41 necessary supports; (iii) how the State and the LMEs in the catchment
42 area will attract and retain qualified private providers that will provide
43 services to State-paid non-Medicaid-eligible consumers; and (iv) the
44 impact of the closure on remaining State facilities. In implementing the
45 plan, the Secretary shall take into consideration the comments and
46 recommendations of the Oversight Committee and other members of
47 the General Assembly.
- 48 (3) The Central Regional Hospital is operational and patient transfers from
49 Dorothea Dix Hospital and John Umstead Hospital have been
50 completed.

- 1 (4) Notwithstanding any other provision of law, the Secretary shall not
2 close a State facility if there are not adequate replacement services
3 available prior to the date of closure.

4 **SECTION 10.49.(u)** In keeping with the United States Supreme Court
5 decision in Olmstead v. L.C. & E.W. and State policy to provide appropriate services to
6 clients in the least restrictive and most appropriate environment, the Department of
7 Health and Human Services shall continue to implement a plan for the transition of
8 patients from State psychiatric hospitals to the community or to other long-term care
9 facilities, as appropriate. The goal is to develop mechanisms and identify resources
10 needed to enable patients and their families to receive the necessary services and
11 supports based on the following guiding principles:

- 12 (1) Individuals shall be provided acute psychiatric care in non-State
13 facilities when appropriate.
14 (2) Individuals shall be provided acute psychiatric care in State facilities
15 only when non-State facilities are unavailable.
16 (3) Individuals shall receive evidence-based psychiatric services and care
17 that are cost-efficient.
18 (4) The State shall minimize cost shifting to other State and local facilities
19 or institutions.

20 The Department of Health and Human Services shall conduct an analysis of
21 the individual patient service needs and shall develop and implement an individual
22 transition plan, as appropriate, for patients in each hospital. The State shall ensure that
23 each individual transition plan, as appropriate, shall take into consideration the
24 availability of appropriate alternative placements based on the needs of the patient and
25 within resources available for the mental health, developmental disabilities, and
26 substance abuse services system. In developing each plan, the Department shall consult
27 with the patient and the patient's family or other legal representative.

28 The Department of Health and Human Services shall submit reports on the
29 status of implementation of this section to the Joint Legislative Commission on
30 Governmental Operations, the Senate Appropriations Committee on Health and Human
31 Services, the House of Representatives Appropriations Subcommittee on Health and
32 Human Services, the Joint Legislative Oversight Committee on Mental Health,
33 Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research
34 Division. These reports shall be submitted on December 1, 2007, and May 1, 2008.
35

36 **USE OF MENTAL HEALTH TRUST FUNDS.**

37 **SECTION 10.49.(v)** Funds allocated to area programs to be spent on
38 community-based programs that are remaining in the Trust Fund for Mental Health,
39 Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs
40 (Trust Fund) as of June 30, 2007, shall be dispersed to the area programs to be spent
41 according to the purposes for which the funds were allocated. The Department shall
42 limit the LME fund balance to ensure that LMEs fully utilize funds dispersed to the
43 LME for the stated purposes.

44 **SECTION 10.49.(w1)** G.S. 143C-9-2 reads as rewritten:

45 **"§ 143C-9-2. Trust Fund for Mental Health, Developmental Disabilities, and** 46 **Substance Abuse Services and Bridge Funding Needs.**

47 (a) The Trust Fund for Mental Health, Developmental Disabilities, and
48 Substance Abuse Services and Bridge Funding Needs is established as an
49 interest-bearing, nonreverting special trust fund in the Office of State Budget and
50 Management. Moneys in the Trust Fund shall be held in trust and used solely to increase
51 community-based services that meet the mental health, developmental disabilities, and

1 substance abuse services needs of the State. The Trust Fund shall be used to supplement
2 and not to supplant or replace existing State and local funding available to meet the
3 mental health, developmental disabilities, and substance abuse services needs of the
4 State.

5 The State Treasurer shall hold the Trust Fund separate and apart from all other
6 moneys, funds, and accounts. The State Treasurer shall be the custodian of the Trust
7 Fund and shall invest its assets in accordance with G.S. 147-69.2 and G.S. 147-69.3.
8 Investment earnings credited to the assets of the Trust Fund shall become part of the
9 Trust Fund. Any balance remaining in the Trust Fund at the end of any fiscal year shall
10 be carried forward in the Trust Fund for the next succeeding fiscal year.

11 Moneys in the Trust Fund shall be expended only in accordance with subsection (b)
12 of this section and in accordance with limitations and directions enacted by the General
13 Assembly.

14 (b) Moneys in the Trust Fund for Mental Health, Developmental Disabilities, and
15 Substance Abuse Services and Bridge Funding Needs shall be allocated to area
16 programs to be used only to:

- 17 (1) Provide start-up funds and operating support for programs and services
18 that provide more appropriate and cost-effective community treatment
19 alternatives for individuals currently residing in the State's mental
20 health, developmental disabilities, and substance abuse services
21 institutions.
- 22 (2) ~~Facilitate the State's compliance with the United States Supreme Court~~
23 ~~decision in *Olmstead v. L.C. and E.W.*~~
- 24 (3) Facilitate reform of the mental health, developmental disabilities, and
25 substance abuse services system and expand and enhance treatment
26 and prevention services in these program areas to remove waiting lists
27 and provide appropriate and safe services for clients.
- 28 (4) Provide bridge funding to maintain appropriate client services during
29 transitional periods as a result of facility closings, including
30 departmental restructuring of services.
- 31 (5) ~~Construct, repair, and renovate State mental health, developmental~~
32 ~~disabilities, and substance abuse services facilities.~~

33 (c) Notwithstanding G.S. 143C-1-2, any nonrecurring savings in State
34 appropriations realized from the closure of any State psychiatric hospitals that are in
35 excess of the cost of operating and maintaining a new State psychiatric hospital shall not
36 revert to the General Fund but shall be placed in the Trust Fund and shall be used for the
37 purposes authorized in this section. Notwithstanding G.S. 143C-1-2, recurring savings
38 realized from the closure of any State psychiatric hospitals shall not revert to the
39 General Fund but shall be credited to the Department of Health and Human Services to
40 be used only for the purposes of subsections ~~(b)(1)~~ ~~(b)(2)~~ and (b)(3) of this section.

41 (d) Beginning July 1, 2007, the Secretary of the Department of Health and
42 Human Services shall report annually to the Fiscal Research Division on the
43 expenditures made during the preceding fiscal year from the Trust Fund. The report
44 shall identify each expenditure by recipient and purpose and shall indicate the authority
45 under subsection (b) of this section for the expenditure."

46 **SECTION 10.49.(w2)** Notwithstanding G.S. 143C-9-2(c), additional savings
47 in the 2007-2008 and 2008-2009 fiscal years shall be used to fund the State's
48 contribution for local management entity system administration.

49 **SECTION 10.49.(x)** Notwithstanding G.S. 143C-9-2, as amended by this
50 act, the Secretary of Health and Human Services may use funds for the 2007-2008 fiscal
51 year from the Trust Fund for Mental Health, Developmental Disabilities, and Substance

1 Abuse Services and Bridge Funding Needs (Trust Fund) or, if funds in the Trust Fund
2 are insufficient, from other available sources in the Department of Health and Human
3 Services, to support up to 66 new positions in the Julian F. Keith Alcohol and Drug
4 Abuse Treatment Center, provided that these funds may be used only if the Julian F.
5 Keith Alcohol and Drug Abuse Treatment Center opens before July 1, 2008.

6
7 **STRENGTHEN THE SERVICES NETWORK.**

8 **SECTION 10.49.(y)** The Department of Health and Human Services shall
9 designate two additional local management entities to receive all State allocations
10 through single stream funding. If DHHS has not made the designations by July 1, 2007,
11 the designations shall be as enacted by the 2007 General Assembly. The Department
12 shall develop clear standards for how an LME qualifies for single stream funding and
13 shall award single stream funding to any other LME that meets those standards within
14 the 2007-2008 and 2008-2009 fiscal years. In addition to the LMEs designated by the
15 Department, the Piedmont, New River, Smoky Mountain, Guilford, and Mecklenburg
16 LMEs shall continue to receive State allocations through single stream funding.

17 **SECTION 10.49.(z)** The Joint Legislative Oversight Committee for Mental
18 Health, Developmental Disabilities, and Substance Abuse Services shall study the
19 effectiveness of the 1915(b) Medicaid waiver and of those LMEs operating under a
20 waiver.

21 **SECTION 10.49.(aa)** No later than July 1, 2008, the Department of Health
22 and Human Services shall commence the process for three additional local management
23 entities to apply for Medicaid waivers.

24
25 **FILLING SERVICE GAPS.**

26 **SECTION 10.49.(bb)** Funds appropriated in this act for mental health
27 services and supported employment shall be allocated to local management entities such
28 that each local management entity receives a percentage of the total allocation that is
29 equal to that local management entity's percentage of the State's total population that is
30 below the federal poverty level. Funds appropriated to the Department of Health and
31 Human Services for the 2006-2007 fiscal year for mental health services, substance
32 abuse services, and crisis services and allocated based on the poverty level shall
33 continue to be allocated by the Department to local management entities such that each
34 local management entity receives a percentage of the total allocation that is equal to that
35 local management entity's percentage of the State's total population that is below the
36 federal poverty level.

37 **SECTION 10.49.(cc)** G.S. 122C-147.1(c) shall apply to the State-funded
38 service of developmental therapies.

39 **SECTION 10.49.(dd)** The Department of Health and Human Services shall
40 develop and apply to the Centers for Medicare and Medicaid Services for additional
41 home and community-based waivers for persons with developmental disabilities. In
42 conjunction with the existing CAP MR/DD waiver, the new waivers will create a tiered
43 system of services. Not later than March 1, 2008, the Department shall report to the
44 Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities,
45 and Substance Abuse Services on the status of the waivers required under this section.

46 **SECTION 10.49.(ee)** For the purpose of avoiding overutilization of
47 community support services and overexpenditure of funds for these services, the
48 Department of Health and Human Services shall immediately conduct an in-depth
49 evaluation of the use and cost of community support services to identify existing and
50 potential areas of overutilization and overexpenditure. The Department shall also adopt

1 or revise as necessary management policies and practices that will ensure that at a
2 minimum:

- 3 (1) There is in place a list of community support services that are
4 appropriate to meet the critical needs of the client and are cost
5 effective;
- 6 (2) Community support services are appropriately utilized based on the
7 critical needs of the client, and utilization is monitored routinely to
8 ensure against overutilization;
- 9 (3) That expenditures for services are controlled to the maximum extent
10 possible without unnecessarily impairing service quality and
11 efficiency;
- 12 (4) Service providers are fully competent to provide each service, to
13 provide the service in the most efficient manner, and that services and
14 providers meet standards of protocol adopted by the Department. To
15 this end, endorsement shall be based on compliance with: a Medicaid
16 service-specific checklist, rules for Mental Health, Developmental
17 Disabilities, and Substance Abuse Services, client rights rules in
18 community Mental Health, Developmental Disabilities, and Substance
19 Abuse Services, the Medicaid service records manual, and other
20 Medicaid requirements as stipulated in the participation agreement
21 with the Division of Medical Assistance. In accordance with
22 G.S. 122C-115.4, an LME may remove a provider's endorsement;
- 23 (5) All community support services are subject to prior approval after the
24 initial assessment and development of a person-centered plan has been
25 completed;
- 26 (6) The initial assessment and development of person-centered plan
27 provides for up to three service hours for adults and up to six service
28 hours for community support for children/adolescents. If a provider
29 determines that more time is needed for adults or child/adolescent
30 services to complete the person-centered plan, additional hours may be
31 provided as authorized by the contract entity. If additional hours are
32 authorized, the LME may participate in the development of the
33 person-centered plan, as part of its care coordination and quality
34 management function as defined in G.S. 122C-115.4;
- 35 (7) Based on standards of care and practice, a stringent clinical review
36 process for authorization of services is implemented uniformly and in
37 accordance with State guidelines;
- 38 (8) Additional record audits of providers are conducted on a routine basis
39 to continually ensure compliance with Medicaid requirements;
- 40 (9) Post-payment clinical reviews are conducted at the local level to
41 ensure that consumers receive the appropriate level and intensity of
42 care;
- 43 (10) Monitoring and reporting are conducted at least monthly to ensure
44 appropriate utilization of all enhanced services. The reports shall
45 include authorization by service, paid claims data by service,
46 post-payment reviews, provider enrollment and termination, outlier
47 utilization by provider and individual recipient;
- 48 (11) The Department shall tier the rates for the service of community
49 supports. The rates shall be based on the level of qualifications of the
50 individuals delivering the services and the types of services being
51 delivered by these individuals; and

- 1 (12) The Department of Health and Human Services and the Department of
2 Public Instruction shall amend their Memorandum of Agreement to
3 ensure that each LME develops its own list of approved providers and
4 individual service providers authorized to provide services on campus
5 as provided under the Federal Safe Schools Act.

6 The Department shall report not later than November 1, 2007, on the list of
7 community support services determined to be appropriate. Not later than March 1, 2008,
8 the Department shall provide a detailed report on the implementation and status of each
9 of the activities required by this subsection to the Joint Legislative Oversight Committee
10 on Mental Health, Developmental Disabilities, and Substance Abuse Services, the
11 Senate Appropriations Committee on Health and Human Services, the House of
12 Representatives Appropriations Subcommittee on Health and Human Services, and the
13 Fiscal Research Division. The report shall also include clear standards for determining
14 local management entity capability to perform utilization review and utilization
15 management and clear statewide standards for utilization review and utilization
16 management.

17 In order to assure full compliance with the laws of this State on the
18 implementation of mental health reform, the Department shall not extend or enter into a
19 new contract with an outside vendor to provide utilization review for behavioral health
20 services until after the Department has (i) adopted statewide standards for transitioning
21 Medicaid utilization review responsibilities to local management entities, (ii) has
22 reported on the implementation of this subsection to the Joint Legislative Oversight
23 Committee on Mental Health, Developmental Disabilities, and Substance Abuse
24 Services, and (iii) has otherwise met all requirements imposed by law for the
25 implementation of mental health reform.

26 27 **LME ADMINISTRATIVE FUNDING.**

28 **SECTION 10.49.(ff)** The General Assembly finds that counties have
29 budgeted almost one hundred twenty-one million dollars (\$121,000,000) to LMEs to
30 pay for mental health, developmental disabilities, and substance abuse services.
31 However, the General Assembly lacks information regarding the specific services that
32 are purchased with those county funds. The General Assembly also lacks data
33 regarding the incomes of persons receiving mental health, developmental disabilities,
34 and substance abuse services that are paid for by either State or county funds. This lack
35 of data severely limits the General Assembly's ability to determine the distribution of
36 services that are being paid for with public funds, whether persons who are eligible for
37 Medicaid are being enrolled in that program, and whether expanding the State's
38 Medicaid eligibility criteria would impact a significant number of mental health,
39 developmental disabilities, and substance abuse services consumers. Therefore, LMEs
40 shall report annually to the Division all expenditures from county funds by the LME for
41 services, start-up expenses, and capital and operational expenditures, regardless of the
42 source of the funds and regardless of whether the funds were earned on a payment for
43 service or grant basis. This reporting shall include specific information regarding the
44 expenditure of all funds provided to the LME by the county or counties contained in the
45 LME's catchment area and the amount of expenditures for services provided by the
46 multicounty LME to residents of each county in the multicounty LME's catchment area.
47 To the extent possible, the information shall be submitted through the Integrated
48 Payment and Reimbursement System. LMEs shall also gather income data for all
49 individuals receiving services. Notwithstanding G.S. 143C-6-4, Budget Adjustments
50 Authorized, the Department of Health and Human Services shall use funds available to
51 the Department to fully fund the State's contribution for LME system administration.

1 **SECTION 10.49.(gg)** It is the intent of the General Assembly that the deficit
2 in State funding for local management entity system administration will be eliminated in
3 future years through savings from hospital downsizing. The General Assembly
4 anticipates that full funding for this purpose will be available in the 2009-2011 fiscal
5 biennium.

6 **SECTION 10.49.(hh)** G.S. 122C-115.4(d) reads as rewritten:

7 "(d) Except as provided in G.S. 122C-142.1 and G.S. 122C-125, the Secretary
8 may ~~not~~neither remove from an LME nor designate another entity as eligible to
9 implement any function enumerated under subsection (b) of this section unless all of the
10 following applies:

- 11 (1) The LME fails during the previous three months to achieve a
12 satisfactory outcome on any of the critical performance measures
13 developed by the Secretary under G.S. 122C-112.1(33).
- 14 (2) The Secretary provides focused technical assistance to the LME in the
15 implementation of the function. The assistance shall continue for at
16 least six months or until the LME achieves a satisfactory outcome on
17 the performance measure, whichever occurs first.
- 18 (3) If, after six months of receiving technical assistance from the
19 Secretary, the LME still fails to achieve or maintain a satisfactory
20 outcome on the critical performance measure, the Secretary shall enter
21 into a contract with another LME or agency to implement the function
22 on behalf of the LME from which the function has been removed."

23 **SECTION 10.49.(ii)** The State Auditor shall use available resources to
24 conduct performance audits on local management entity billing and STR (screening,
25 triage, and referral) functions. The State Auditor shall specifically focus on those local
26 management entities identified as not meeting the primary functions required under
27 G.S. 122C-115.4 and as set forth in guidelines adopted by the Department pursuant to
28 Section 10.28 of S.L. 2006-66. The State Auditor shall begin the audit process once the
29 guidelines adopted by the Department pursuant to Section 10.28 of S.L. 2006-66 are in
30 place. The State Auditor shall report his findings and recommendations to the 2009
31 General Assembly upon its convening.

32 **SECTION 10.49.(jj)** The Department of Health and Human Services shall
33 use available funds not to exceed two hundred fifty thousand dollars (\$250,000) in each
34 fiscal year to contract with the University of North Carolina at Chapel Hill, Kenan
35 Flagler Business School, to provide administrative training to local management
36 entities. The Department of Health and Human Services shall advise the Kenan Flagler
37 Business School on prioritizing those local management entities that would most benefit
38 from the training. The Department of Health and Human Services shall use funds
39 available for the contract.

40 **SECTION 10.49.(kk)** In allocating funds from existing resources to local
41 management entities for administrative costs, the Department shall ensure that each
42 local management entity receives not less in service dollars than that local management
43 entity expended for services in the 2006-2007 fiscal year.

44 **DEVELOPMENTAL CENTER DOWNSIZING**

45 **SECTION 10.50.(a)** In accordance with the Department of Health and
46 Human Services' plan for mental health, developmental disabilities, and substance abuse
47 services system reform, the Department shall ensure that the downsizing of the State's
48 Developmental Centers is based upon individual needs and the availability of
49 community-based services with a targeted goal of four percent (4%) each year. The
50 Department shall implement cost-containment and reduction strategies to ensure the
51

1 corresponding financial and staff downsizing of each facility. The Department shall
2 manage the client population of the Developmental Centers in order to ensure that
3 placements for ICF-MR level of care shall be made to appropriate community-based
4 settings. Admissions to a State-operated ICF-MR facility is permitted only as a last
5 resort and only upon approval of the Department. The corresponding budgets for each
6 of the Developmental Centers shall be reduced, and positions shall be eliminated as the
7 census of each facility decreases in accordance with the Department's budget reduction
8 formula. At no time shall mental retardation center positions be transferred to other
9 units within a facility or assigned nondirect care activities such as outreach.

10 **SECTION 10.50.(b)** The Department of Health and Human Services shall
11 apply any savings in State appropriations in each year of the 2007-2009 biennium that
12 result from reductions in beds or services as follows:

- 13 (1) The Department shall place nonrecurring savings in the Trust Fund for
14 Mental Health, Developmental Disabilities, and Substance Abuse
15 Services and Bridge Funding Needs and use the savings to facilitate
16 the transition of clients into appropriate community-based services and
17 support in accordance with G.S. 143C-9-2;
- 18 (2) The Department of Health and Human Services, Division of Mental
19 Health, Developmental Disabilities, and Substance Abuse Services,
20 shall retain recurring savings realized through implementation of this
21 section to support the recurring costs of additional community-based
22 placements from Division facilities in accordance with Olmstead v.
23 L.C. & E.W. In determining the savings in this section, savings shall
24 include all savings realized from the downsizing of the Developmental
25 Centers, including the savings in direct State appropriations in the
26 budgets of the Developmental Centers; and
- 27 (3) The Department of Health and Human Services, Division of Medical
28 Assistance, shall transfer any recurring Medicaid savings resulting
29 from the downsizing of State-operated Developmental Centers from
30 the ICF-MR line in Medicaid to support Medicaid services to assist in
31 continued community service opportunities for people with
32 developmental disabilities.

33 **SECTION 10.50.(c)** Consistent with the requirements of this section, the
34 Secretary of Health and Human Services shall update the existing plan to ensure that
35 there are sufficient developmental disability/mental retardation regional centers to
36 correspond with service catchment areas. The plan shall address:

- 37 (1) Methods of funding for community services necessitated by
38 downsizing;
- 39 (2) How many State-operated beds and non-State-operated beds are
40 needed to serve the population; and
- 41 (3) Alternative uses for facilities.

42 Not later than April 1, 2008, the Department shall provide an updated report
43 on the development of the plan, and not later than April 1, 2009, shall report the final
44 plan, including recommendations for legislative action, to the House of Representatives
45 Appropriations Subcommittee on Health and Human Services, the Senate
46 Appropriations Committee on Health and Human Services, and the Fiscal Research
47 Division.

48 **SECTION 10.50.(d)** The Department of Health and Human Services shall
49 provide an updated report on its progress in complying with this section to the Senate
50 Appropriations Committee on Health and Human Services, the House of
51 Representatives Appropriations Subcommittee on Health and Human Services, and the

1 Fiscal Research Division. The Department shall submit the progress report no later than
2 January 15, 2008, and submit a final report no later than May 1, 2009.

3
4 **DHHS POLICIES AND PROCEDURES IN DELIVERING COMMUNITY**
5 **MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND**
6 **SUBSTANCE ABUSE SERVICES**

7 **SECTION 10.51.(a)** The Department of Health and Human Services,
8 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services,
9 shall in cooperation with area mental health authorities and county programs, identify
10 and eliminate administrative and fiscal barriers created by existing State and local
11 policies and procedures in the delivery of community-based mental health,
12 developmental disabilities, and substance abuse services provided through the area
13 programs and county programs, including services provided through the Comprehensive
14 Treatment Services Program for Children and services delivered to multiply diagnosed
15 adults. The Department shall implement changes in policies and procedures in order to
16 facilitate all of the following:

- 17 (1) The provision of services to adults and children as defined in the
18 Mental Health System Reform State Plan as priority or targeted
19 populations.
- 20 (2) The provision of services to children not deemed eligible for the
21 Comprehensive Treatment Services Program for Children, but who
22 would otherwise be in need of medically necessary treatment services
23 to prevent out-of-home placement.
- 24 (3) The provision of services in the community to adults remaining in and
25 being placed in State institutions addressed in Olmstead v. L.C.

26 **SECTION 10.51.(b)** The Department shall rework the revised system of
27 allocating State and federal funds to area mental health authorities and county programs
28 to better reflect projected needs, including the impact of system reform efforts rather
29 than historical allocation practices and spending patterns. The reworked allocation shall
30 include the following:

- 31 (1) For each LME, the current allocation by source and age/disability
32 category, and the newly proposed allocation by source and
33 age/disability category;
- 34 (2) A clear formula for how the new allocations are derived with a
35 detailed methodology for how the formula was created; and
- 36 (3) A plan for moving to the new formula.

37 The Department shall submit the reworked language to the House of
38 Representatives Appropriations Subcommittee on Health and Human Services, the
39 Senate Appropriations Committee on Health and Human Services, and the Fiscal
40 Research Division not later than October 1, 2007, for review. The Department shall
41 implement the system only after review and approval by the 2007 General Assembly,
42 Regular Session 2008.

43 **SECTION 10.51.(c)** Area mental health, developmental disabilities, and
44 substance abuse services authorities and county programs shall use all funds
45 appropriated for and necessary to provide mental health, developmental disabilities, and
46 substance abuse services to meet the need for these services. If excess funds are
47 available after expending appropriated funds to fully meet service needs, one-half of
48 these excess funds shall not revert to the General Fund but shall be transferred to the
49 Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse
50 Services and Bridge Funding Needs, except that one-half of the funds appropriated for
51 the Comprehensive Treatment Services Program for Children that are unexpended and

1 unencumbered shall not revert to the General Fund but shall be carried forward and used
2 only for services for children and adolescents.

3 The Department, in consultation with the area mental health authorities and
4 county programs, shall report to the House of Representatives Appropriations
5 Subcommittee on Health and Human Services, the Senate Appropriations Committee on
6 Health and Human Services, and the Joint Legislative Oversight Committee on Mental
7 Health, Developmental Disabilities, and Substance Abuse Services on the progress in
8 implementing these changes. The report shall be submitted on October 1, 2007, and
9 February 1, 2008.

10 **SERVICES TO MULTIPLY DIAGNOSED ADULTS**

11 **SECTION 10.52.(a)** In order to ensure that multiply diagnosed adults are
12 appropriately served by the mental health, developmental disabilities, and substance
13 abuse services system, the Department of Health and Human Services, Division of
14 Mental Health, Developmental Disabilities, and Substance Abuse Services, shall do the
15 following with respect to services provided to these adults:

- 16 (1) Implement the following guiding principles for the provision of
17 services:
18 a. Service delivery system must be outcome-oriented and
19 evaluation-based.
20 b. Services should be delivered as close as possible to the
21 consumer's home.
22 c. Services selected should be those that are most efficient in
23 terms of cost and effectiveness.
24 d. Services should not be provided solely for the convenience of
25 the provider or the client.
26 e. Families and consumers should be involved in decision making
27 throughout treatment planning and delivery.
28 (2) Provide those treatment services that are medically necessary.
29 (3) Implement utilization review of services provided.

30 **SECTION 10.52.(b)** The Department of Health and Human Services shall
31 implement all of the following cost-reduction strategies:

- 32 (1) Preauthorization for all services except emergency services.
33 (2) Criteria for determining medical necessity.
34 (3) Clinically appropriate services.
35

36 **SECTION 10.52.(c)** No State funds shall be used for the purchase of
37 single-family or other residential dwellings to house multiply diagnosed adults.

38 **SECTION 10.52.(d)** The Department shall report on implementation of this
39 section on May 1, 2008, and again on May 1, 2009, to the Senate Appropriations
40 Committee on Health and Human Services, the House of Representatives
41 Appropriations Subcommittee on Health and Human Services, the Joint Legislative
42 Oversight Committee on Mental Health, Developmental Disabilities, and Substance
43 Abuse Services, and the Fiscal Research Division.
44

45 **DEPARTMENTAL FLEXIBILITY IN SCHEDULING THE TRANSFER OF** 46 **POSITIONS PERTAINING TO THE CLOSURE OF DOROTHEA DIX AND** 47 **JOHN UMSTEAD HOSPITALS AND THE OPENING OF CENTRAL** 48 **REGIONAL HOSPITAL**

49 **SECTION 10.53.(a)** The Department of Health and Human Services may
50 schedule the transfer of positions relating to the closure of Dorothea Dix Hospital and
51 John Umstead Hospital and the opening of Central Regional Hospital in accordance

1 with appropriations and reductions in funding enacted in this act in a manner that is
2 timely and with minimal disruption in services. The Department may not transfer more
3 positions than are authorized in the House of Representatives Appropriations
4 Committee Report on Health and Human Services, referenced in this act, for the closure
5 of Dorothea Dix Hospital and John Umstead Hospital, the opening of Central Regional
6 Hospital, the transfer of Whitaker School and R. J. Blackley ADATC to Central
7 Regional Hospital, and the transfer of Dorothea Dix Hospital Forensic Unit beds to
8 Broughton Hospital.

9 **SECTION 10.53.(b)** Of the funds appropriated in this act to the Department
10 of Health and Human Services for Broughton Hospital, the sum of up to two hundred
11 fifty thousand dollars (\$250,000) may be used by Broughton Hospital to purchase a CT
12 Scanner.

13 14 **INSTITUTE OF MEDICINE TASK FORCE/STUDY OF SUBSTANCE ABUSE** 15 **SERVICES IN NORTH CAROLINA**

16 **SECTION 10.53A.(a)** The three hundred thousand dollars (\$300,000)
17 appropriated in this act to the Department of Health and Human Services for allocation
18 to the North Carolina Institute of Medicine (NC IOM) shall be used by the IOM to hire
19 new staff, to undertake additional studies annually at the request of the General
20 Assembly, and to support a rapid-response capacity to analyze secondary data sources
21 on health or health-related data to the General Assembly and to State and local
22 government agencies.

23 **SECTION 10.53A.(b)** The North Carolina Institute of Medicine shall use a
24 portion of the funds allocated to it in subsection (a) of this section to convene a task
25 force to study substance abuse services in North Carolina. The NC IOM shall provide
26 staff and arrange for meeting facilities for the Task Force.

27 **SECTION 10.53A.(c)** The Task Force shall include the following:

- 28 (1) Members of the North Carolina Senate and the North Carolina House
29 of Representatives. Senate members shall be appointed by the
30 President Pro Tempore of the Senate. Members of the House of
31 Representatives shall be appointed by the Speaker of the House of
32 Representatives.
- 33 (2) Representatives of the North Carolina Department of Health and
34 Human Services, local management entities, the North Carolina
35 Department of Justice, the NC Office of the Attorney General, the
36 North Carolina Community College System, and the North Carolina
37 Department of Public Instruction.
- 38 (3) Providers of substance abuse services, academics and researchers with
39 substance abuse expertise, local governmental agencies, business and
40 industry, domestic violence organizations, consumer and family
41 members, and other interested members of the public.

42 The IOM shall appoint as cochairs of the Task Force one member of the
43 North Carolina House of Representatives, one member of the North Carolina Senate,
44 and one member who provides substance abuse services selected from the Task Force.

45 **SECTION 10.53A.(d)** The Task Force shall:

- 46 (1) Identify the continuum of services needed for treatment of substance
47 abuse services, including, but not limited to, prevention, outpatient
48 services, residential treatment, and recovery supports. The Task Force
49 shall examine what public and private organizations currently provide
50 services, where services are offered, and gaps in the current service
51 delivery system. The Task Force shall examine services that are

1 available through public and private systems, but shall focus on the
2 availability of substance abuse services through the Division of Mental
3 Health, Developmental Disabilities, and Substance Abuse Services and
4 local management entities. The Task Force shall identify which
5 services should be available locally throughout the State, and which
6 services should be offered regionally or statewide.

- 7 (2) Identify evidence-based models of care or promising practices in
8 coordination with the NC Practice Improvement Collaborative for the
9 prevention and treatment of substance abuse and develop
10 recommendations to incorporate these models into the current
11 substance abuse service system of care.
- 12 (3) Examine different financing options to pay for substance abuse
13 services at the local, regional, and State levels. The Task Force shall
14 also consider different reimbursement methodology, including, but not
15 limited to, fee-for-service, grant funding, case rates, and capitation.
- 16 (4) Examine the adequacy of the current and future substance abuse
17 workforce, including, but not limited to, credentialed substance abuse
18 counselors, availability of substance abuse workers throughout the
19 State, and reimbursement levels. The Task Force shall develop a
20 workforce education plan, if needed, to address current or future
21 workforce shortages.
- 22 (5) Develop strategies to identify people in need of substance abuse
23 services, including people who are dually diagnosed as having mental
24 health and substance abuse problems. In addition, the Task Force shall
25 examine strategies for providing substance abuse services to people
26 with substance abuse problems identified through the State hospitals,
27 and the judicial and social services systems.
- 28 (6) Examine barriers that people with substance abuse problems have in
29 accessing publicly funded substance abuse services and explore
30 possible strategies for improving access.
- 31 (7) Examine current outcome measures and identify other appropriate
32 outcome measures to assess the effectiveness of substance abuse
33 services, if necessary.
- 34 (8) Examine the economic impact of substance abuse in North Carolina. If
35 data are available, the Task Force shall estimate the impact of
36 substance abuse on the court system, health care system (e.g., through
37 preventable hospitalizations), social services, and worker productivity.
- 38 (9) Make recommendations on the implementation of a cost-effective plan
39 for prevention, early screening, diagnosis, and treatment of North
40 Carolinians with substance abuse problems. In so doing, the Task
41 Force shall identify any policy changes needed to implement the plan
42 and develop cost estimates associated with different recommendations.
43 The Task Force shall also examine existing public and private
44 financing options and explore how existing funding could be used
45 more effectively to pay for the recommended services.

46 **SECTION 10.53A.(e)** The North Carolina Institute of Medicine's Substance
47 Abuse Services Task Force shall submit its interim report and recommendations to the
48 2008 General Assembly upon its convening and to the chairs of the Senate Health
49 Committee, the House of Representatives Health Committee, the Joint Legislative
50 Oversight Committee on Mental Health, Developmental Disabilities, and Substance
51 Abuse Services, and the Governor. The final report shall be submitted no later than the

1 convening of the 2009 General Assembly. Upon submission of this report, the Task
2 Force shall terminate.

3
4 **DHHS BLOCK GRANTS**

5 **SECTION 10.55.(a)** Appropriations from federal block grant funds are
6 made for the fiscal year ending June 30, 2008, according to the following schedule:

7
8 **TEMPORARY ASSISTANCE TO NEEDY FAMILIES**
9 **(TANF) BLOCK GRANT**

10
11 **Local Program Expenditures**

12
13 **Division of Social Services**

14	01.	Work First Family Assistance (Cash Assistance)	\$94,857,234	
15	16	02.	Work First County Block Grants	94,653,315
17	18	03.	Child Protective Services – Child Welfare Workers for Local DSS	14,452,391
19	20	04.	Work First – Boys and Girls Clubs	2,000,000
21	22	05.	Work First – After-School Services for At-Risk Children	2,249,642
23	24	06.	Work First – After-School Programs for At-Risk Youth in Middle Schools	500,000
25	26	07.	Work First – Connect, Inc.	550,000
27	28	08.	Adoption Services – Special Children's Adoption Fund	3,000,000
29	30	09.	Family Violence Prevention	2,200,000

31
32
33
34
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36
37 **Division of Child Development**

38	39	10.	Subsidized Child Care Program	48,563,266
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41 **DHHS Administration**

42	43	11.	Division of Social Services	762,626
44	45	12.	Office of the Secretary	65,836
46	47	13.	Office of the Secretary/DIRM – TANF Automation Projects	592,500
48	49	14.	Office of the Secretary/DIRM – NC FAST Implementation	1,800,000

1		
2	Division of Public Health	
3		
4	15. Teen Pregnancy Prevention Initiatives	450,000
5		
6	Transfers to Other Block Grants	
7		
8	Division of Child Development	
9		
10	16. Transfer to the Child Care and	
11	Development Fund	81,292,880
12		
13	Division of Social Services	
14		
15	17. Transfer to Social Services Block Grant for	
16	Department of Juvenile Justice and Delinquency	
17	Prevention – Support Our Students	2,749,642
18		
19	18. Transfer to Social Services Block Grant for Child	
20	Protective Services – Child Welfare Training in	
21	Counties	2,550,000
22		
23	19. Transfer to Social Services Block Grant for	
24	Maternity Homes	838,000
25		
26	20. Transfer to Social Services Block Grant for Teen	
27	Pregnancy Prevention Initiatives	2,500,000
28		
29	21. Transfer to Social Services Block Grant for County	
30	Departments of Social Services for Children's Services	4,500,000
31		
32	22. Transfer to Social Services Block Grant for	
33	Foster Care Services	1,181,907
34		
35	TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES	
36	(TANF) BLOCK GRANT	\$362,309,239
37		
38	SOCIAL SERVICES BLOCK GRANT	
39		
40	Local Program Expenditures	
41		
42	Divisions of Social Services and Aging and Adult Services	
43		
44	01. County Departments of Social Services	\$ 28,868,189
45	(Transfer from TANF – \$4,500,000)	
46		
47	02. State In-Home Services Fund	2,101,113
48		
49	03. State Adult Day Care Fund	2,155,301
50		
51	04. Child Protective Services/CPS Investigative	

1	Services-Child Medical Evaluation Program	238,321
2		
3	05. Foster Care Services	2,649,662
4	(Transfer from TANF – \$1,181,907)	
5		
6	06. Foster Care Maintenance Payments	2,636,587
7		
8	07. Child Protective Services-Child Welfare Training	
9	for Counties	2,550,000
10	(Transfer from TANF)	
11		
12	08. Maternity Homes	838,000
13	(Transfer from TANF)	
14		
15	Division of Aging and Adult Services	
16		
17	09. Home and Community Care Block Grant (HCCBG)	1,834,077
18		
19	Division of Mental Health, Developmental Disabilities, and Substance	
20	Abuse Services	
21		
22	10. Mental Health Services Program	422,003
23		
24	11. Developmental Disabilities Services Program	5,000,000
25		
26	12. Mental Health Services-Adult and	
27	Child/Developmental Disabilities Program/	
28	Substance Abuse Services-Adult	3,234,601
29		
30	Division of Child Development	
31		
32	13. Subsidized Child Care Program	3,195,000
33		
34	Division of Vocational Rehabilitation	
35		
36	14. Vocational Rehabilitation Services – Easter Seal	
37	Society/UCP	188,263
38		
39	Office of the Secretary – Office of Economic Opportunity	
40		
41	15. Elderly Supplemental Grant Program	41,302
42		
43	Division of Public Health	
44		
45	16. Teen Pregnancy Prevention Initiatives	2,500,000
46	(Transfer from TANF)	
47		
48	DHHS Program Expenditures	
49		
50	Division of Aging and Adult Services	
51		

1	17.	UNC-CARES Training Contract	247,920
2			
3		Division of Services for the Blind	
4			
5	18.	Independent Living Program	3,480,133
6			
7		Division of Facility Services	
8			
9	19.	Adult Care Licensure Program	411,897
10			
11	20.	Mental Health Licensure and Certification Program	205,668
12			
13		DHHS Administration	
14			
15	21.	Division of Aging and Adult Services	658,674
16			
17	22.	Division of Social Services	869,058
18			
19	23.	Office of the Secretary/Controller's Office	126,155
20			
21	24.	Office of the Secretary/DIRM	82,009
22			
23	25.	Division of Child Development	15,000
24			
25	26.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	28,860
26			
27			
28	27.	Division of Facility Services	159,218
29			
30	28.	Office of the Secretary-NC Inter-Agency Council For Coordinating Homeless Programs	250,000
31			
32			
33	29.	Office of the Secretary-Housing Coalition	100,000
34			
35	30.	Office of the Secretary	46,819
36			
37		Transfers to Other State Agencies	
38			
39		Department of Administration	
40			
41	31.	NC Commission of Indian Affairs In-Home Services for the Elderly	203,198
42			
43			
44		Department of Juvenile Justice and Delinquency Prevention	
45			
46	32.	Support Our Students (Transfer from TANF)	2,749,642
47			
48			
49		Transfers to Other Block Grants	
50			
51		Division of Public Health	

1		
2	33. Transfer to Preventive Health Services Block Grant for	
3	HIV/STD Prevention and Community Planning	145,819
4		
5	TOTAL SOCIAL SERVICES BLOCK GRANT	\$ 68,232,489
6		
7	LOW-INCOME ENERGY BLOCK GRANT	
8		
9	Local Program Expenditures	
10		
11	Division of Social Services	
12		
13	01. Low-Income Energy Assistance Program (LIHEAP)	\$ 17,315,919
14		
15	02. Crisis Intervention Program (CIP)	12,904,706
16		
17	Office of the Secretary – Office of Economic Opportunity	
18		
19	03. Weatherization Program	5,578,702
20		
21	04. Heating Air Repair & Replacement Program (HARRP)	2,602,008
22		
23	Local Administration	
24		
25	Division of Social Services	
26		
27	05. County DSS Administration	2,215,016
28		
29	Office of the Secretary – Office of Economic Opportunity	
30		
31	06. Local Residential Energy Efficiency Service	
32	Providers – Weatherization	262,837
33		
34	07. Local Residential Energy Efficiency Service	
35	Providers – HARRP	122,591
36		
37	DHHS Administration	
38		
39	08. Division of Social Services	215,000
40		
41	09. Division of Mental Health, Developmental	
42	Disabilities, and Substance Abuse Services	7,389
43		
44	10. Office of the Secretary/DIRM	245,395
45		
46	11. Office of the Secretary/Controller's Office	11,211
47		
48	12. Office of the Secretary/Office of Economic	
49	Opportunity – Weatherization	262,837
50		
51	13. Office of the Secretary/Office of Economic	

1	Opportunity – HARRP	122,591
2		
3	Transfers to Other State Agencies	
4		
5	14. Department of Administration –	
6	N.C. State Commission of Indian Affairs	59,740
7		
8	TOTAL LOW-INCOME ENERGY BLOCK GRANT	\$ 41,925,942
9		
10	CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
11		
12	Local Program Expenditures	
13		
14	Division of Child Development	
15		
16	01. Subsidized Child Care Services	\$163,231,913
17		
18	02. Subsidized Child Care Services	
19	(TANF to CCDF)	81,292,880
20		
21	DHHS Program Expenditures	
22		
23	Division of Child Development	
24		
25	03. Quality and Availability Initiatives	31,463,419
26		
27	Local Administrations	
28		
29	Division of Child Development	
30		
31	04. Administrative Expenses (Nondirect Subsidy	
32	Services Support)	1,849,000
33		
34	DHHS Administration	
35		
36	05. DCD Administrative Expenses	6,028,354
37		
38	TOTAL CHILD CARE AND DEVELOPMENT FUND	
39	BLOCK GRANT	\$283,865,566
40		
41	MENTAL HEALTH SERVICES BLOCK GRANT	
42		
43	Local Program Expenditures	
44		
45	01. Mental Health Services – Adult	\$ 5,654,932
46		
47	02. Mental Health Services – Child	3,921,991
48		
49	03. Comprehensive Treatment Service	
50	Program	1,500,000
51		

1	Local Administration	
2		
3	04. Division of Mental Health	100,000
4		
5	TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	\$ 11,176,923
6		
7	SUBSTANCE ABUSE PREVENTION	
8	AND TREATMENT BLOCK GRANT	
9		
10	Local Program Expenditures	
11		
12	01. Substance Abuse Services – Adult	\$ 20,287,390
13		
14	02. Substance Abuse Treatment Alternative for	
15	Women	8,069,524
16		
17	03. Substance Abuse – HIV and IV Drug	4,816,378
18		
19	04. Substance Abuse Prevention – Child	5,835,701
20		
21	05. Substance Abuse Services – Child	4,940,500
22		
23	06. Substance Abuse Strengthening Families –	
24	Prevention	851,156
25		
26	Division of Public Health	
27		
28	07. Risk Reduction Projects	633,980
29		
30	08. Aid-to-Counties	209,576
31		
32	09. Maternal Health	37,779
33		
34	DHHS Administration	
35		
36	10. Division of Mental Health	500,000
37		
38	TOTAL SUBSTANCE ABUSE PREVENTION	
39	AND TREATMENT BLOCK GRANT	\$ 46,181,984
40		
41	MATERNAL AND CHILD HEALTH BLOCK GRANT	
42		
43	Local Program Expenditures	
44		
45	Division of Public Health	
46		
47	01. Children's Health Services	6,657,275
48		
49	02. Family Planning	4,078,338
50		
51	03. Maternal Health	3,441,129

1		
2	04. Teen Pregnancy Prevention Initiatives	85,710
3		
4	05. Oral Health	35,951
5		
6	DHHS Program Expenditures	
7		
8	Division of Public Health	
9		
10	06. Children's Health Services	2,444,445
11		
12	07. Maternal Health	106,927
13		
14	08. State Center for Health Statistics	33,134
15		
16	09. Local Technical Assistance & Training	17,318
17		
18	10. Injury and Violence Prevention	142,850
19		
20	11. Office of Minority Health	37,068
21		
22	12. Immunization Program – Vaccine Distribution	310,667
23		
24	DHHS Administration	
25		
26	13. Division of Public Health Administration	600,586
27		
28	TOTAL MATERNAL AND CHILD	
29	HEALTH BLOCK GRANT	\$ 17,991,398
30		
31	PREVENTIVE HEALTH SERVICES BLOCK GRANT	
32		
33	Local Program Expenditures	
34		
35	01. NC Statewide Health Promotion	\$1,755,653
36		
37	02. Services to Rape Victims	197,112
38		
39	03. HIV/STD Prevention and Community Planning	
40	(Transfer from Social Services Block Grant)	145,819
41		
42	DHHS Program Expenditures	
43		
44	04. NC Statewide Health Promotion	718,451
45		
46	05. Oral Health	70,000
47		
48	DHHS Administration	
49		
50	06. Division of Public Health	163,806
51		

1	TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	\$3,070,841
2		
3	COMMUNITY SERVICES BLOCK GRANT	
4		
5	Local Program Expenditures	
6		
7	Office of Economic Opportunity – Community Services Block Grant	
8		
9	01. Community Action Agencies	\$ 15,071,666
10		
11	02. Limited Purpose Agencies	823,136
12		
13	DHHS Administration	
14		
15	03. Office of Economic Opportunity	823,136
16		
17	TOTAL COMMUNITY SERVICES BLOCK GRANT	\$ 16,717,938
18		

GENERAL PROVISIONS

20 **SECTION 10.55.(b)** Information to Be Included in Block Grant Plans. –
 21 The Department of Health and Human Services shall submit a separate plan for each
 22 Block Grant received and administered by the Department, and each plan shall include
 23 the following:

- 24 (1) A delineation of the proposed allocations by program or activity,
 25 including State and federal match requirements.
- 26 (2) A delineation of the proposed State and local administrative
 27 expenditures.
- 28 (3) An identification of all new positions to be established through the
 29 Block Grant, including permanent, temporary, and time-limited
 30 positions.
- 31 (4) A comparison of the proposed allocations by program or activity with
 32 two prior years' program and activity budgets and two prior years'
 33 actual program or activity expenditures.
- 34 (5) A projection of current year expenditures by program or activity.
- 35 (6) A projection of federal Block Grant funds available, including unspent
 36 federal funds from the current and prior fiscal years.

37 **SECTION 10.55.(c)** Changes in Federal Fund Availability. – If the Congress
 38 of the United States increases the federal fund availability for any of the Block Grants
 39 administered by the Department of Health and Human Services from the amounts
 40 appropriated in this section, the Department shall allocate the increase proportionally
 41 across the program and activity appropriations identified for that Block Grant in this
 42 section. In allocating an increase in federal fund availability, the Department shall not
 43 propose funding for new programs or activities not appropriated in this section or
 44 increase State administrative expenditures.

45 If the Congress of the United States decreases the federal fund availability for
 46 any of the Block Grants administered by the Department of Health and Human Services
 47 from the amounts appropriated in this section, the Department shall reduce State
 48 administration by at least the percentage of the reduction in federal funds. After
 49 determining the State administration, the remaining reductions shall be allocated
 50 proportionately across the program and activity appropriations identified for that Block
 51 Grant in this section. In allocating a decrease in federal fund availability, the

1 Department shall not eliminate the funding for a program or activity appropriated in this
2 section unless it is related to the State administration.

3 Prior to allocating the change in federal fund availability, the proposed
4 allocation must be approved by the Office of State Budget and Management. If the
5 Department adjusts the allocation of any Block Grant due to changes in federal fund
6 availability, then a report shall be made to the Joint Legislative Commission on
7 Governmental Operations, the House of Representatives Appropriations Subcommittee
8 on Health and Human Services, the Senate Appropriations Committee on Health and
9 Human Services, and the Fiscal Research Division.

10 **SECTION 10.55.(d)** All changes to the budgeted allocations to the Block
11 Grants administered by the Department of Health and Human Services that are not
12 specifically addressed in this section shall be approved by the Office of State Budget
13 and Management, and a report shall be submitted to the Joint Legislative Commission
14 on Governmental Operations for review prior to implementing the changes. All changes
15 to the budgeted allocations to the Block Grant shall be reported immediately to the
16 House of Representatives Appropriations Subcommittee on Health and Human
17 Services, the Senate Appropriations Committee on Health and Human Services, and the
18 Fiscal Research Division. This subsection does not apply to Block Grant changes
19 caused by legislative salary increases and benefit adjustments.
20

21 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT** 22 **(TANF)**

23 **SECTION 10.55.(e)** The sum of seven hundred sixty-two thousand six
24 hundred twenty-six dollars (\$762,626) appropriated in this section in the TANF Block
25 Grant to the Department of Health and Human Services, Division of Social Services, for
26 the 2007-2008 fiscal year shall be used to support administration of TANF-funded
27 programs.

28 **SECTION 10.55.(f)** The sum of two million two hundred thousand dollars
29 (\$2,200,000) appropriated under this section in the TANF Block Grant to the
30 Department of Health and Human Services, Division of Social Services, for the
31 2007-2008 fiscal year shall be used to provide domestic violence services to Work First
32 recipients. These funds shall be used to provide domestic violence counseling, support,
33 and other direct services to clients. These funds shall not be used to establish new
34 domestic violence shelters or to facilitate lobbying efforts. The Division of Social
35 Services may use up to seventy-five thousand dollars (\$75,000) in TANF funds to
36 support one administrative position within the Division of Social Services to implement
37 this subsection.

38 Each county department of social services and the local domestic violence
39 shelter program serving the county shall jointly develop a plan for utilizing these funds.
40 The plan shall include the services to be provided and the manner in which the services
41 shall be delivered. The county plan shall be signed by the county social services director
42 or the director's designee and the domestic violence program director or the director's
43 designee and submitted to the Division of Social Services by December 1, 2007. The
44 Division of Social Services, in consultation with the Council for Women, shall review
45 the county plans and shall provide consultation and technical assistance to the
46 departments of social services and local domestic violence shelter programs, if needed.

47 The Division of Social Services shall allocate these funds to county
48 departments of social services according to the following formula: (i) each county shall
49 receive a base allocation of five thousand dollars (\$5,000); and (ii) each county shall
50 receive an allocation of the remaining funds based on the county's proportion of the
51 statewide total of the Work First caseload as of July 1, 2007, and the county's proportion

1 of the statewide total of the individuals receiving domestic violence services from
2 programs funded by the Council for Women as of July 1, 2007. The Division of Social
3 Services may reallocate unspent funds to counties that submit a written request for
4 additional funds.

5 **SECTION 10.55.(g)** The sum of two million two hundred forty-nine
6 thousand six hundred forty-two dollars (\$2,249,642) appropriated in this section in the
7 TANF Block Grant to the Department of Health and Human Services, Division of
8 Social Services, for the 2007-2008 fiscal year shall be used to expand after-school
9 programs and services for at-risk children. The Department shall develop and
10 implement a grant program to award grants to community-based programs that
11 demonstrate the ability to reach children at risk of teen pregnancy, school dropout, and
12 gang participation. The Department shall award grants to community-based
13 organizations that demonstrate the ability to develop and implement linkages with local
14 departments of social services, area mental health programs, schools, and other human
15 services programs in order to provide support services and assistance to the child and
16 family. These funds may be used to fund one position within the Division of Social
17 Services to coordinate at-risk after-school programs and shall not be used for other State
18 administration.

19 **SECTION 10.55.(h)** The sum of fourteen million four hundred fifty-two
20 thousand three hundred ninety-one dollars (\$14,452,391) appropriated in this section to
21 the Department of Health and Human Services, Division of Social Services, in the
22 TANF Block Grant for the 2007-2008 fiscal year for child welfare improvements shall
23 be allocated to the county departments of social services for hiring or contracting staff
24 to investigate and provide services in Child Protective Services cases; to provide foster
25 care and support services; to recruit, train, license, and support prospective foster and
26 adoptive families; and to provide interstate and postadoption services for eligible
27 families.

28 **SECTION 10.55.(i)** The sum of three million dollars (\$3,000,000)
29 appropriated in this section in the TANF Block Grant to the Department of Health and
30 Human Services, Special Children Adoption Fund, for the 2007-2008 fiscal year shall
31 be used in accordance with Section 10.31 of this act. The Division of Social Services,
32 in consultation with the North Carolina Association of County Directors of Social
33 Services and representatives of licensed private adoption agencies, shall develop
34 guidelines for the awarding of funds to licensed public and private adoption agencies
35 upon the adoption of children described in G.S. 108A-50 and in foster care. Payments
36 received from the Special Children Adoption Fund by participating agencies shall be
37 used exclusively to enhance the adoption services program. No local match shall be
38 required as a condition for receipt of these funds.

39 **SECTION 10.55.(j)** The sum of one million eight hundred thousand dollars
40 (\$1,800,000) in this section appropriated to the Department of Health and Human
41 Services in the TANF Block Grant for the 2007-2008 fiscal year shall be used to
42 implement N.C. FAST (North Carolina Families Accessing Services through
43 Technology). The N.C. FAST Program involves the entire automation initiative through
44 which families access services and local departments of social services deliver benefits,
45 supervised by the Department of Health and Human Services, Divisions of Social
46 Services, Aging and Adult Services, Medical Assistance, and Child Development. The
47 statewide automated initiative shall be implemented in compliance with federal
48 regulations in order to ensure federal financial participation in the project. The
49 Department of Health and Human Services shall report on its compliance with this
50 subsection to the House of Representatives Appropriations Subcommittee on Health and

1 Human Services, the Senate Appropriations Committee on Health and Human Services,
2 and the Fiscal Research Division no later than January 1, 2008.

3 **SECTION 10.55.(k)** The sum of five hundred thousand dollars (\$500,000)
4 appropriated in this section to the Department of Health and Human Services, Division
5 of Social Services, in the TANF Block Grant for the 2007-2008 fiscal year shall be used
6 to expand after-school programs for at-risk children attending middle school. The
7 Department shall develop and implement a grant program to award funds to
8 community-based programs demonstrating the capacity to reach children at risk of teen
9 pregnancy, school dropout, and gang participation. These funds shall not be used for
10 training or administration at the State level. All funds shall be distributed to
11 community-based programs, focusing on those communities where similar programs do
12 not exist in middle schools.

13 **SECTION 10.55.(l)** In implementing the TANF Block Grant, the
14 Department of Health and Human Services shall review policies, programs, and
15 initiatives to ensure that they support men in their role as fathers and strengthen fathers'
16 involvement in their children's lives. The Department shall encourage county
17 departments of social services to ensure their Work First programs emphasize
18 responsible fatherhood and increased participation by noncustodial fathers.

19 **SECTION 10.55.(m)** The sum of five hundred fifty thousand dollars
20 (\$550,000) appropriated in this section to the Department of Health and Human
21 Services in the TANF Block Grant for the 2007-2008 fiscal year shall be transferred to
22 Connect, Inc. Connect, Inc., shall report on the number of people served and the
23 services received as a result of the receipt of funds. The report shall contain expenditure
24 data, including the amount of funds used for administration and direct training. The
25 report shall also include the number of people who have been employed as a direct
26 result of services provided by Connect, Inc., including the length of employment in the
27 new position. The Department of Health and Human Services shall evaluate the
28 program and ensure that services provided are not duplicative of local employment
29 security commissions in the nine counties served by Connect, Inc. The evaluation report
30 shall be submitted to the House of Representatives Appropriations Subcommittee on
31 Health and Human Services, the Senate Appropriations Committee on Health and
32 Human Services, and the Fiscal Research Division no later than May 1, 2008.

33 **SECTION 10.55.(n)** The sum of one million five hundred thousand dollars
34 (\$1,500,000) appropriated in this section to the Department of Health and Human
35 Services in the TANF Block Grant for Boys and Girls Clubs for the 2007-2008 fiscal
36 year shall be used to make grants for approved programs. The Department of Health and
37 Human Services, in accordance with federal regulations for the use of TANF Block
38 Grant funds, shall administer a grant program to award funds to the Boys and Girls
39 Clubs across the State in order to implement programs that improve the motivation,
40 performance, and self-esteem of youths and to implement other initiatives that would be
41 expected to reduce gang participation, school dropout, and teen pregnancy rates. The
42 Department shall encourage and facilitate collaboration between the Boys and Girls
43 Clubs and Support Our Students, Communities in Schools, and similar programs to
44 submit joint applications for the funds if appropriate.

45 **SECTION 10.55.(o)** The Department of Health and Human Services,
46 Division of Social Services, shall continue implementing county demonstration grants
47 that began in the 2006-2007 fiscal year. The county demonstration grants may be
48 awarded for up to three years with all projects ending no later than the end of fiscal year
49 2009-2010. The purpose of the county demonstration grants is to identify best practices
50 that can be used by counties to improve the work participation rates. The Division of

1 Social Services is authorized to establish two time-limited positions to manage the grant
2 award process and monitor the demonstration projects through fiscal year 2009-2010.

3 Funding provided under the county demonstration grants shall not be used to
4 supplant local funds, and counties shall be required to maintain the current level of
5 effort and funding for the Work First program.

6 The Department of Health and Human Services, Division of Social Services,
7 shall report on the status of county demonstration grants implemented pursuant to this
8 subsection to the House of Representatives Appropriations Subcommittee on Health and
9 Human Services, the Senate Appropriations Committee on Health and Human Services,
10 and the Fiscal Research Division no later than February 1, 2008.

11 12 **SOCIAL SERVICES BLOCK GRANT**

13 **SECTION 10.55.(p)** Social Services Block Grant funds appropriated to the
14 North Carolina Inter-Agency Council for Coordinating Homeless Programs and the
15 North Carolina Housing Coalition are exempt from the provisions of 10A NCAC 71R
16 .0201(3).

17 **SECTION 10.55.(q)** The sum of two million seven hundred forty-nine
18 thousand six hundred forty-two dollars (\$2,749,642) appropriated in this section in the
19 Social Services Block Grant to the Department of Health and Human Services and
20 transferred to the Department of Juvenile Justice and Delinquency Prevention for the
21 2007-2008 fiscal year shall be used to support the existing Support Our Students
22 Program, including gang prevention, and to expand the Program statewide, focusing on
23 low-income communities in unserved areas. These funds shall not be used for
24 administration of the Program.

25 **SECTION 10.55.(r)** The sum of two million five hundred fifty thousand
26 dollars (\$2,550,000) appropriated in this section in the Social Services Block Grant to
27 the Department of Health and Human Services, Division of Social Services, for the
28 2007-2008 fiscal year shall be used to support various child welfare training projects as
29 follows:

- 30 (1) Provide a regional training center in southeastern North Carolina.
- 31 (2) Support the Master's Degree in Social Work/Baccalaureate Degree in
32 Social Work Collaborative.
- 33 (3) Provide training for residential child caring facilities.
- 34 (4) Provide for various other child welfare training initiatives.

35 **SECTION 10.55.(s)** The sum of eight hundred thirty-eight thousand dollars
36 (\$838,000) appropriated in this section in the Social Services Block Grant to the
37 Department of Health and Human Services for the 2007-2008 fiscal year shall be used
38 to purchase services at maternity homes throughout the State.

39 **SECTION 10.55.(t)** The sum of two million six hundred forty-nine thousand
40 six hundred sixty-two dollars (\$2,649,662) appropriated in this section in the Social
41 Services Block Grant for child caring agencies for the 2007-2008 fiscal year shall be
42 allocated to the State Private Child Caring Agencies Fund.

43 **SECTION 10.55.(u)** The Department of Health and Human Services is
44 authorized, subject to the approval of the Office of State Budget and Management, to
45 transfer Social Services Block Grant funding allocated for departmental administration
46 between divisions that have received administrative allocations from the Social Services
47 Block Grant.

48 49 **LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM**

50 **SECTION 10.55.(v)** Additional emergency contingency funds received may
51 be allocated for Energy Assistance Payments or Crisis Intervention Payments without

1 prior consultation with the Joint Legislative Commission on Governmental Operations.
2 Additional funds received shall be reported to the Joint Legislative Commission on
3 Governmental Operations and the Fiscal Research Division upon notification of the
4 award. The Department of Health and Human Services shall not allocate funds for any
5 activities, including increasing administration, other than assistance payments, without
6 prior consultation with the Joint Legislative Commission on Governmental Operations.
7

8 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

9 **SECTION 10.55.(w)** The sum of no more than four hundred thousand
10 dollars (\$400,000) appropriated in this section to the Department of Health and Human
11 Services in the Child Care and Development Fund Block Grant for the 2007-2008 fiscal
12 year may be used for the operations of the Medical Child Care Pilot.

13 **SECTION 10.55.(x)** Payment for subsidized child care services provided
14 with federal TANF funds shall comply with all regulations and policies issued by the
15 Division of Child Development for the subsidized child care program.

16 **SECTION 10.55.(y)** If funds appropriated through the Child Care and
17 Development Fund Block Grant for any program cannot be obligated or spent in that
18 program within the obligation or liquidation periods allowed by the federal grants, the
19 Department may move funds to child care subsidies, unless otherwise prohibited by
20 federal requirements of the grant, in order to use the federal funds fully.
21

22 **MENTAL HEALTH BLOCK GRANT**

23 **SECTION 10.55.(z)** The sum of one million five hundred thousand dollars
24 (\$1,500,000) appropriated in this section in the Mental Health Block Grant to the
25 Department of Health and Human Services, Division of Mental Health, Developmental
26 Disabilities, and Substance Abuse Services, for the 2007-2008 fiscal year and the sum
27 of four hundred twenty-two thousand three dollars (\$422,003) appropriated in this
28 section in the Social Services Block Grant to the Department of Health and Human
29 Services, Division of Social Services, for the 2007-2008 fiscal year shall be used to
30 continue a Comprehensive Treatment Services Program for Children in accordance with
31 Section 10.10 of this act.

32 **SECTION 10.55.(aa)** The Department of Health and Human Services shall
33 contract with the University of North Carolina at Chapel Hill for the purpose of
34 providing psychology student stipends in the amount of fifty thousand dollars (\$50,000)
35 for the 2007-2008 fiscal year. Twenty-five thousand dollars (\$25,000) of this contract
36 shall be paid from the Mental Health Block Grant.
37

38 **MATERNAL AND CHILD HEALTH BLOCK GRANT**

39 **SECTION 10.55.(bb)** If federal funds are received under the Maternal and
40 Child Health Block Grant for abstinence education, pursuant to section 912 of Public
41 Law 104-193 (42 U.S.C. § 710), for the 2007-2008 fiscal year, then those funds shall be
42 transferred to the State Board of Education to be administered by the Department of
43 Public Instruction. The Department of Public Instruction shall use the funds to establish
44 an Abstinence Until Marriage Education Program and shall delegate to one or more
45 persons the responsibility of implementing the program and G.S. 115C-81(e1)(4). The
46 Department of Public Instruction shall carefully and strictly follow federal guidelines in
47 implementing and administering the abstinence education grant funds.

48 **SECTION 10.55.(cc)** The Department of Health and Human Services shall
49 ensure that there will be follow-up testing in the Newborn Screening Program.
50

51 **PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES**

1
2 **SALE OF TIMBER**

3 **SECTION 11.1.** G.S. 143-64.05(a) reads as rewritten:

4 "(a) The State agency for surplus property may assess and collect a service charge
5 for the acquisition, receipt, warehousing, distribution, or transfer of any State surplus
6 property and for the transfer or sale of recyclable material. The service charge
7 authorized by this subsection does not apply to the transfer or sale of timber on land
8 owned by the Wildlife Resources ~~Commission.~~ Commission or the Department of
9 Agriculture and Consumer Services."

10
11 **PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL**
12 **RESOURCES**

13
14 **COMMERCIAL AND NONCOMMERCIAL LEAKING PETROLEUM**
15 **UNDERGROUND STORAGE TANK PROGRAM ADMINISTRATIVE**
16 **COSTS**

17 **SECTION 12.1.(a)** G.S. 143-215.94B is amended by adding a new
18 subsection to read:

19 "(g) The Commercial Fund may be used to support the administrative functions of
20 the program for underground storage tanks under this Part and Part 2B of this Article up
21 to the amounts allowed by law, which amounts may be changed from time to time. In
22 the case of a legislated increase or decrease in salaries and benefits, the administrative
23 allowance existing at the time of the increase or decrease shall be correspondingly
24 increased or decreased an amount equal to the legislated increase or decrease in salaries
25 and benefits."

26 **SECTION 12.1.(b)** G.S. 143-215.94D is amended by adding a new
27 subsection to read:

28 "(g) The Noncommercial Fund may be used to support the administrative
29 functions of the program for underground storage tanks under this Part and Part 2B of
30 this Article up to the amounts allowed by law, which amounts may be changed from
31 time to time. In the case of a legislated increase or decrease in salaries and benefits, the
32 administrative allowance existing at the time of the increase or decrease shall be
33 correspondingly increased or decreased an amount equal to the legislated increase or
34 decrease in salaries and benefits."

35
36 **BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND**

37 **SECTION 12.2.(a)** G.S. 87-98 reads as rewritten:

38 "**§ 87-98. Bernard Allen Memorial Emergency Drinking Water Fund.**

39 (a) The Bernard Allen Memorial Emergency Drinking Water Fund is established
40 within—under the control and direction of the Department. The Fund shall be a
41 nonreverting, interest-bearing fund consisting of monies appropriated by the General
42 Assembly or made available to the Fund from any other source and investment interest
43 credited to the Fund.

44 (b) The Fund may be used to pay for notification, to the extent practicable, of
45 persons aged 18 and older who reside in any dwelling unit, and the senior official in
46 charge of any business, at which drinking water is supplied from a private drinking
47 water well or improved spring that is located within 1,500 feet of, and at risk from,
48 known groundwater contamination. The senior official in charge of the business shall
49 take reasonable measures to notify all employees of the business of the groundwater
50 contamination, including posting a notice of the contamination in a form and at a
51 location that is readily accessible to the employees of the business. ~~The funds~~ Fund may

1 also be used to ~~cover~~ pay the costs of testing by the Department of private drinking
2 water wells and improved springs for suspected contamination up to once every three
3 years upon request by a person who uses the well for ~~contamination~~ and for the
4 temporary or permanent provision of alternative drinking water supplies to persons
5 whose drinking water well or improved spring is contaminated.

6 (c) The Department shall disburse monies from the Fund based on financial need
7 and on the risk to public health posed by groundwater contamination and shall give
8 priority to the provision of services under this section to instances when an alternative
9 source of funds is not available. ~~The funds~~ Fund shall not be used for remediation of
10 groundwater contamination. Nothing in this section expands, contracts, or modifies the
11 obligation of responsible parties under Article 9 or 10 of Chapter 130A of the General
12 Statutes, this Article, or Article 21A of this Chapter to assess contamination, identify
13 receptors, or remediate groundwater or soil contamination. The Fund shall not be used
14 to provide alternative water supply to households with incomes greater than two
15 hundred percent (200%) of the current poverty level. The Fund shall not be used to
16 provide alternative drinking water supplies unless the concentration of one or more
17 contaminants in the private drinking water well or improved spring exceeds the
18 Maximum Contaminant Level, or the federal drinking water action level as defined in
19 40 Code of Federal Regulations § 141.1 through § 141.571 (1 July 2006) and 40 Code
20 of Federal Regulations § 143.3 (1 July 2006). The Fund shall not be used to provide
21 temporary water supplies in any calendar quarter until all needs for permanent
22 replacement water supplies that have been identified in that calendar quarter have been
23 met through hookups to public water supplies, repair, or replacement of contaminated
24 wells. In disbursing monies from the Fund, preference shall be given to providing
25 permanent replacement water supplies by connection to public water supplies and repair
26 or replacement of contaminated wells over the provision of temporary water supplies.

27 (d) The Department shall establish criteria by which the Department is to
28 evaluate applications and disburse ~~funds~~ monies from this Fund and may adopt any
29 rules necessary to implement this section.

30 (e) The Department, in consultation with the Commission for Health Services
31 and local health departments, shall report no later than 1 October of each year to the
32 Environmental Review Commission, the House of Representatives and Senate
33 Appropriations Subcommittees on Natural and Economic Resources, and the Fiscal
34 Research Division of the General Assembly on the implementation of this section. The
35 report shall include the purpose and amount of all expenditures from the Fund during
36 the prior fiscal year, a discussion of the benefits and deficiencies realized as a result of
37 the section, and may also include recommendations for any legislative action."

38 **SECTION 12.2.(b)** The first report required by G.S. 87-98(e), as enacted by
39 subsection (a) of this section, shall be submitted on or before 1 October 2008.

41 NEW LEASE PURCHASE/INSTALLMENT CONTRACTS FOR FORESTRY 42 EQUIPMENT

43 **SECTION 12.4.** Prior to the Division of Forest Resources of the Department
44 of Environment and Natural Resources entering into either a new lease purchase
45 contract for the purchase of forestry equipment or a new installment contract for the
46 purchase of forestry equipment, the Division of Forest Resources shall submit a detailed
47 list of the forestry equipment to be purchased under the contract to the Joint Legislative
48 Commission on Governmental Operations and the Fiscal Research Division. Prior to the
49 Department of Administration entering into either a new lease purchase contract for the
50 purchase of forestry equipment or a new installment contract for the purchase of
51 forestry equipment on behalf of the Division of Forest Resources, the Department of

1 Administration shall submit a detailed list of the forestry equipment to be purchased
 2 under the contract to the Joint Legislative Commission on Governmental Operations
 3 and the Fiscal Research Division. If a list is modified after it is submitted under this
 4 section, the modified list shall be submitted to the Joint Legislative Commission on
 5 Governmental Operations and the Fiscal Research Division prior to entering into the
 6 contract.

7 8 **GRASSROOTS SCIENCE PROGRAM**

9 **SECTION 12.5.(a)** Of the funds appropriated in this act to the Department
 10 of Environment and Natural Resources for the Grassroots Science Program, the sum of
 11 three million three hundred eighty-one thousand three hundred forty dollars
 12 (\$3,381,340) for the 2007-2008 fiscal year and the sum of three million three hundred
 13 eighty-one thousand three hundred forty dollars (\$3,381,340) for the 2008-2009 fiscal
 14 year is allocated as grants-in-aid for each fiscal year as follows:

	2007-2008	2008-2009
17 Aurora Fossil Museum	\$59,057	\$59,057
18 Cape Fear Museum	\$161,007	\$161,007
19 Carolina Raptor Center	\$112,174	\$112,174
20 Catawba Science Center	\$146,356	\$146,356
21 Colburn Earth Science Museum, Inc.	\$74,545	\$74,545
22 Core Sound Waterfowl Museum	\$50,000	\$50,000
23 Discovery Place	\$662,865	\$662,865
24 Eastern NC Regional Science Center	\$50,000	\$50,000
25 Fascinate-U	\$81,072	\$81,072
26 Granville County Museum Commission, 27 Inc.–Harris Gallery	\$56,422	\$56,422
28 Greensboro Children's Museum	\$135,076	\$135,076
29 The Health Adventure Museum of Pack 30 Place Education, Arts and 31 Science Center, Inc.	\$155,611	\$155,611
32 Highlands Nature Center	\$79,268	\$79,268
33 Imagination Station	\$86,034	\$86,034
34 The Iredell Museums, Inc.	\$61,306	\$61,306
35 Kidsenses	\$81,282	\$81,282
36 Museum of Coastal Carolina	\$78,020	\$78,020
37 The Natural Science Center 38 of Greensboro, Inc.	\$186,354	\$186,354
39 North Carolina Museum of Life 40 and Science	\$379,826	\$379,826
41 Port Discover: Northeastern 42 North Carolina's Center for 43 Hands-On Science, Inc.	\$50,000	\$50,000
44 Rocky Mount Children's Museum	\$72,254	\$72,254
45 Schiele Museum of Natural History 46 and Planetarium, Inc.	\$229,547	\$229,547
47 Sci Works Science Center and 48 Environmental Park of Forsyth County	\$146,499	\$146,499
49 Western North Carolina Nature Center	\$112,879	\$112,879
50 Wilmington Children's Museum	\$73,886	\$73,886

1 Total \$3,381,340 \$3,381,340

2 **SECTION 12.5.(b)** No later than March 1, 2008, the Department of
3 Environment and Natural Resources shall report to the Fiscal Research Division all of
4 the following information for each museum that receives funds under this section:

- 5 (1) The operating budget for the 2006-2007 fiscal year.
- 6 (2) The operating budget for the 2007-2008 fiscal year.
- 7 (3) The total attendance at the museum during the 2007 calendar year.

8 **SECTION 12.5.(c)** No later than March 1, 2009, the Department of
9 Environment and Natural Resources shall report to the Fiscal Research Division all of
10 the following information for each museum that receives funds under this section:

- 11 (1) The operating budget for the 2007-2008 fiscal year.
- 12 (2) The operating budget for the 2008-2009 fiscal year.
- 13 (3) The total attendance at the museum during the 2008 calendar year.

14 **SECTION 12.5.(d)** As a condition for qualifying to receive funding under
15 this section, all of the following documentation shall be submitted for each museum
16 under this section to the Department of Environment and Natural Resources for fiscal
17 years ending between July 1, 2005, and June 30, 2006, and only those costs that are
18 properly documented under this subsection are allowed by the Department in
19 calculating the distribution of funds under this section:

- 20 (1) Each museum under this section shall submit its IRS (Internal Revenue
21 Service) Form 990 to show its annual operating expenses, its annual
22 report, and a reconciliation that explains any differences between
23 expenses as shown on the IRS Form 990 and the annual report.
- 24 (2) Each friends association of a museum under this section shall submit
25 its IRS Form 990 to show its reported expenses for the museum, its
26 annual report, and a reconciliation that explains any differences
27 between expenses as shown on the IRS Form 990 and the annual
28 report, unless the association does not have both an IRS Form 990 and
29 an annual report available, in which case, it shall submit either an IRS
30 Form 990 or an annual report.
- 31 (3) The chief financial officer of each county or municipal government
32 that provides funds for the benefit of the museum shall submit a
33 detailed signed statement of documented costs spent for the benefit of
34 the museum that includes documentation of the name, address, title,
35 and telephone number of the person making the assertion that the
36 museum receives funds from the county or municipality for the benefit
37 of the museum.
- 38 (4) The chief financial officer of each county or municipal government or
39 each friends association that provides indirect or allocable costs that
40 are not directly charged to a museum under this section but that benefit
41 the museum shall submit in the form of a detailed statement
42 enumerating each cost by type and amount that is verified by the
43 financial officer responsible for the completion of the documentation
44 and that includes the name, address, title, and telephone number of the
45 person making the assertion that the county, municipality, or
46 association provides indirect or allocable costs to the museum.

47 **SECTION 12.5.(e)** As used in subsection (d) of this section, "friends
48 association" means a nonprofit corporation established for the purpose of supporting
49 and assisting a museum that receives funding under this section.

50 **SECTION 12.5.(f)** The Fiscal Research Division shall study the current
51 formula used to calculate the allocations for members of the Grassroots collaborative

1 and shall report no later than January 15, 2008, its findings and any recommendations
2 for revising this formula to be used for the 2008-2009 fiscal year to the Appropriations
3 Subcommittees on Natural and Economic Resources in both the Senate and the House
4 of Representatives.
5

6 **RETAIN EARNINGS OF PARKS AND RECREATION TRUST FUND**

7 **SECTION 12.8.** G.S. 113-44.15(a) reads as rewritten:

8 "(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the
9 State Treasurer's Office. The Trust Fund shall be a nonreverting special revenue fund
10 consisting of gifts and grants to the Trust Fund, monies credited to the Trust Fund
11 pursuant to G.S. 105-228.30(b), and other monies appropriated to the Trust Fund by the
12 General Assembly. Investment earnings credited to the assets of the Fund shall become
13 part of the Fund."
14

15 **PART XIII. DEPARTMENT OF COMMERCE**

16 **ONE NORTH CAROLINA FUND**

17 **SECTION 13.1.** Of the funds appropriated in this act to the One North
18 Carolina Fund, the Department of Commerce may use up to three hundred thousand
19 dollars (\$300,000) to cover its expenses in administering the One North Carolina Fund
20 and other economic development incentive grant programs in the 2007-2008 fiscal year.
21
22

23 **NC GREEN BUSINESS FUND**

24 **SECTION 13.2.(a)** Article 10 of Chapter 143B of the General Statutes is
25 amended by adding a new Part to read:

26 "Part 2B. NC Green Business Fund.

27 **"§ 143B-437.4. NC Green Business Fund established as a special revenue fund.**

28 (a) Establishment. – The NC Green Business Fund is established as a special
29 revenue fund in the Department of Commerce, and the Department shall be responsible
30 for administering the Fund.

31 (b) Purposes. – Moneys in the NC Green Business Fund shall be allocated
32 pursuant to this subsection. The Department of Commerce shall make grants from the
33 Fund to private businesses with less than 100 employees, nonprofit organizations, local
34 governments, and State agencies to encourage the expansion of small to medium size
35 businesses with less than 100 employees to help grow a green economy in the State.
36 Moneys in the NC Green Business Fund shall be used for projects that will focus on the
37 following three priority areas:

38 (1) To encourage the development of the biofuels industry in the State.
39 The Department of Commerce may make grants available to maximize
40 development, production, distribution, retail infrastructure, and
41 consumer purchase of biofuels in North Carolina, including grants to
42 enhance biofuels workforce development.

43 (2) To encourage the development of the green building industry in the
44 State. The Department of Commerce may make grants available to
45 assist in the development and growth of a market for environmentally
46 conscious and energy efficient green building processes. Grants may
47 support the installation, certification, or distribution of green building
48 materials; energy audits; and marketing and sales of green building
49 technology in North Carolina, including grants to enhance workforce
50 development for green building processes.

- 1 (3) To attract and leverage private-sector investments and entrepreneurial
2 growth in environmentally conscious clean technology and renewable
3 energy products and businesses, including grants to enhance workforce
4 development in such businesses.

5 **"§ 143B-437.5. Green Business Fund Advisory Committee.**

6 The Department of Commerce may establish an advisory committee to assist in the
7 development of the specific selection criteria and the grant-making process of the NC
8 Green Business Fund.

9 **"§ 143B-437.6. Agreements required.**

10 Funds may be disbursed from the NC Green Business Fund only in accordance with
11 agreements entered into between the Department of Commerce and an eligible grantee.
12 Each agreement must contain the following provisions:

- 13 (1) A description of the acceptable uses of grant proceeds. The agreement
14 may limit the use of funds to specific purposes or may allow the funds
15 to be used for any lawful purposes.
16 (2) A provision allowing the Department of Commerce to inspect all
17 records of the business that may be used to confirm compliance with
18 the agreement or with the requirements of this Part.
19 (3) A provision establishing the method for determining compliance with
20 the agreement.
21 (4) A provision establishing a schedule for disbursement of funds under
22 the agreement.
23 (5) A provision requiring recapture of grant funds if a grantee
24 subsequently fails to comply with the terms of the agreement.
25 (6) Any other provision the State finds necessary to ensure the proper use
26 of State funds.

27 **"§ 143B-437.7. Program guidelines.**

28 The Department of Commerce shall develop guidelines related to the administration
29 of the NC Green Business Fund and to the selection of projects to receive allocations
30 from the Fund, including project evaluation measures. At least 20 days before the
31 effective date of any guidelines or nontechnical amendments to guidelines, the
32 Department of Commerce must publish the proposed guidelines on the Department's
33 Web site and provide notice to persons who have requested notice of proposed
34 guidelines. In addition, the Department must accept oral and written comments on the
35 proposed guidelines during the 15 business days beginning on the first day that the
36 Department has completed these notifications. For the purpose of this section, a
37 technical amendment is either of the following:

- 38 (1) An amendment that corrects a spelling or grammatical error.
39 (2) An amendment that makes a clarification based on public comment
40 and could have been anticipated by the public notice that immediately
41 preceded the public comment.

42 **"§ 143B-437.8. Reports.**

43 Grants made to non-State entities through the NC Green Business Fund shall be
44 subject to the oversight and reporting requirements of G.S. 143C-6-23. The Department
45 of Commerce shall publish a report on the commitment, disbursement, and use of funds
46 allocated from the NC Green Business Fund at the end of each fiscal year. The report is
47 due no later than September 1 and must be submitted to the following:

- 48 (1) The Joint Legislative Commission on Governmental Operations.
49 (2) The chairs of the House of Representatives and Senate Finance
50 Committees.

1 (3) The chairs of the House of Representatives and Senate Appropriations
2 Committees.

3 (4) The Fiscal Research Division of the General Assembly.

4 **"§§ 143B-437.9 through 143B-437.11: Reserved for future codification purposes."**

5 **SECTION 13.2.(b)** G.S. 147-68(d1) reads as rewritten:

6 "(d1) The Treasurer shall report to the Joint Legislative Commission on
7 Governmental Operations, ~~to the Chairman, Appropriations Base Budget Committee~~
8 ~~and the Chairman, Appropriations Expansion Budget Committee of the House of~~
9 ~~Representatives, and to the Chairman, Committee on Appropriations and the Chairman,~~
10 ~~Committee on Base Budget of the Senate~~the chairs of the House of Representatives and
11 Senate Appropriations Committees, the chairs of the House of Representatives and
12 Senate Finance Committees, and the Fiscal Research Division of the General Assembly,
13 on a quarterly basis, concerning all investments and deposits made by and through his
14 office. The report shall include a listing of all investments with or on behalf of the State
15 or any of its agencies or institutions and shall include the particular agency or
16 institution, fund, rate of return, duration of the investment, and the amount of deposit on
17 all noninterest bearing accounts. The first report is due 90 days after July 1, 1982, and
18 shall include all investments and deposits made during the 1981-82 fiscal year and all
19 investments made during the first quarter of the 1982-83 fiscal year; thereafter, reports
20 shall be made on a quarterly basis including all investments and deposits made during
21 that reporting period. The report shall include a specific listing of all investments made
22 with certified green managers and companies and funds that support sustainable
23 practices, including the names of the companies, managers, and funds, the amount
24 invested, and the State's return on investment."

25 **SECTION 13.2.(c)** G.S. 150B-1(d) is amended by adding the following new
26 subdivision to read:

27 "(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to
28 the following:

29 ...
30 (17) The Department of Commerce in developing guidelines for the NC
31 Green Business Fund under Part 2B of Article 10 of Chapter 143B of
32 the General Statutes."

33 **SECTION 13.2.(d)** Of the funds appropriated in this act to the NC Green
34 Business Fund, the Department of Commerce may use up to fifty thousand dollars
35 (\$50,000), if necessary, to cover the Department's expenses in administering the NC
36 Green Business Fund.

37 38 EXECUTIVE AIRCRAFT/USES

39 **SECTION 13.3.** Part 2 of Article 10 of Chapter 143B is amended by adding
40 a new section to read:

41 **"§ 143B-437.011. Executive aircraft used for economic development; other uses.**

42 The use of executive aircraft by the Department of Commerce for economic
43 development purposes shall take precedence over all other uses. The Department of
44 Commerce shall annually review the rates charged for the use of executive aircraft and
45 shall adjust the rates, as necessary, to account for upgraded aircraft and inflationary
46 increases in operating costs, including jet fuel prices. If an executive aircraft is not being
47 used for economic development purposes, priority of use shall be given first to the
48 Governor, second to the Council of State, and third to other State officials traveling on
49 State business. If an executive aircraft is used to attend athletic events or for any other
50 purpose related to collegiate athletics, the rate charged shall be equal to the direct cost

1 of operating the aircraft as established by the aircraft's manufacturer, adjusted for
2 inflation."

3 4 **WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS**

5 **SECTION 13.3A.(a)** Funds appropriated to the Department of Commerce
6 for the 2006-2007 fiscal year for the Wanchese Seafood Industrial Park that are
7 unexpended and unencumbered as of June 30, 2007, shall not revert to the General Fund
8 on June 30, 2007, but shall remain available to the Department to be expended by the
9 Wanchese Seafood Industrial Park for operations, maintenance, repair, and capital
10 improvements in accordance with Article 23C of Chapter 113 of the General Statutes.
11 These funds shall be in addition to funds available to the North Carolina Seafood
12 Industrial Park Authority for operations, maintenance, repair, and capital improvements
13 under Article 23C of Chapter 113 of the General Statutes.

14 **SECTION 13.3A.(b)** Funds appropriated to the Department of Commerce
15 for the 2006-2007 fiscal year for the Oregon Inlet Project that are unexpended and
16 unencumbered as of June 30, 2007, shall not revert to the General Fund on June 30,
17 2007, but shall remain available to the Department to be expended by the Wanchese
18 Seafood Industrial Park for securing adequate channel maintenance of the Oregon Inlet
19 and for operations, maintenance, repair, and capital improvements in accordance with
20 Article 23C of Chapter 113 of the General Statutes. These funds shall be in addition to
21 funds available to the North Carolina Seafood Industrial Park Authority for operations,
22 maintenance, repair, and capital improvements under Article 23C of Chapter 113 of the
23 General Statutes.

24 **SECTION 13.3A.(c)** This section becomes effective June 30, 2007.

25 26 **EMPLOYMENT SECURITY COMMISSION FUNDS**

27 **SECTION 13.4.(a)** Funds from the Employment Security Commission
28 Reserve Fund shall be available to the Employment Security Commission of North
29 Carolina to use as collateral to secure federal funds and to pay the administrative costs
30 associated with the collection of the Employment Security Commission Reserve Fund
31 surcharge. The total administrative costs paid with funds from the Reserve in the
32 2007-2008 fiscal year shall not exceed two million five hundred thousand dollars
33 (\$2,500,000).

34 **SECTION 13.4.(b)** There is appropriated from the Employment Security
35 Commission Reserve Fund to the Employment Security Commission of North Carolina
36 the sum of seven million three hundred thousand dollars (\$7,300,000) for the 2007-2008
37 fiscal year to be used for the following purposes:

- 38 (1) Seven million dollars (\$7,000,000) for the operation and support of
39 local offices.
- 40 (2) Two hundred thousand dollars (\$200,000) for the State Occupational
41 Information Coordinating Committee to develop and operate an
42 interagency system to track former participants in State education and
43 training programs.
- 44 (3) One hundred thousand dollars (\$100,000) to maintain compliance with
45 Chapter 96 of the General Statutes, which directs the Commission to
46 employ the Common Follow-Up Management Information System to
47 evaluate the effectiveness of the State's job training, education, and
48 placement programs.

49 **SECTION 13.4.(c)** There is appropriated from the Employment Security
50 Commission Reserve Fund to the Employment Security Commission of North Carolina
51 an amount not to exceed two million five hundred thousand dollars (\$2,500,000) for the

1 2007-2008 fiscal year to fund State initiatives not currently funded through federal
2 grants.

3 **SECTION 13.4.(d)** There is appropriated from the Employment Security
4 Commission Reserve Fund to the Employment Security Commission of North Carolina
5 an amount not to exceed three hundred fifty thousand dollars (\$350,000) for the
6 2007-2008 fiscal year to allow the Commission to continue to work with Connect, Inc.,
7 to provide dislocated workers with assistance in obtaining health care benefits, receiving
8 vocational training, and securing employment.

9 **SECTION 13.4.(e)** This section becomes effective July 1, 2007.

10 **INDUSTRIAL COMMISSION STRATEGIC PLAN/REPORT**

11 **SECTION 13.4A.(a)** G.S. 97-78 is amended by adding two new subsections
12 to read:

13 "(f) No later than September 1, 2007, the Commission shall prepare and
14 implement a strategic plan for accomplishing all of the following:

15 (1) Tracking compliance with the provisions of G.S. 97-18(b), (c), and (d),
16 and establishing a procedure to enforce compliance with the
17 requirements of these subsections.

18 (2) Expeditiously resolving requests for, or disputes involving, medical
19 compensation under G.S. 97-25, including selection of a physician,
20 change of physician, the specific treatment involved, and the provider
21 of such treatment.

22 (g) The Commission shall demonstrate its success in implementing its strategic
23 plan under subsection (f) of this section by including all of the following in its annual
24 report under subsection (e) of this section:

25 (1) The total number of claims made during the preceding calendar year,
26 the total number of claims in which compliance was not timely made,
27 and, for each claim, the date the claim was filed, the date by which
28 compliance was required, the date of actual compliance, and any
29 sanctions or other remedial action imposed by the Commission.

30 (2) The total number of requests for, and disputes involving, medical
31 compensation under G.S. 97-25 in which final disposition was not
32 made within 45 days of the filing of the motion with the Commission,
33 and, for each such request or dispute, the date the motion or other
34 initial pleading was filed, the date on which final disposition was made
35 and, where reasonably ascertainable, the date on which any ordered
36 medical treatment was actually provided."

37 **SECTION 13.4A.(b)** G.S. 97-78(e) reads as rewritten:

38 "(e) ~~The~~ No later than March 1 of each year, the Commission shall publish
39 annually for free distribution a report of the administration of this Article, together with
40 such recommendations as the Commission deems advisable. No later than March 1 of
41 each year, the Commission shall submit this report to the Joint Legislative Commission
42 on Governmental Operations."

43 **COUNCIL OF GOVERNMENT FUNDS**

44 **SECTION 13.6.(a)** Of the funds appropriated in this act to the Department
45 of Commerce, seven hundred ninety thousand five hundred fifty-one dollars (\$790,551)
46 for the 2007-2008 fiscal year shall only be used as provided by this section. Each
47 regional council of government or lead regional organization is allocated up to forty-six
48 thousand five hundred three dollars (\$46,503) for the 2007-2008 fiscal year.
49
50

1 **SECTION 13.6.(b)** A regional council of government may use funds
2 appropriated by this section only to assist local governments in grant applications,
3 economic development, community development, support of local industrial
4 development activities, and other activities as deemed appropriate by the member
5 governments.

6 **SECTION 13.6.(c)** Funds appropriated by this section shall be paid by
7 electronic transfer in two equal installments, the first no later than September 1, 2007,
8 and the second subsequent to acceptable submission of the annual report due to the Joint
9 Legislative Commission on Governmental Operations and the Fiscal Research Division
10 by January 15, 2008, as specified in subdivision (e)(1) of this section.

11 **SECTION 13.6.(d)** Funds appropriated by this section shall not be used for
12 payment of dues or assessments by the member governments and shall not supplant
13 funds appropriated by the member governments.

14 **SECTION 13.6.(e)** Each council of government or lead regional
15 organization shall do the following:

- 16 (1) By January 15, 2008, and more frequently as requested, report to the
17 Joint Legislative Commission on Governmental Operations and the
18 Fiscal Research Division the following information:
19 a. State fiscal year 2006-2007 program activities, objectives, and
20 accomplishments;
21 b. State fiscal year 2006-2007 itemized expenditures and fund
22 sources;
23 c. State fiscal year 2007-2008 planned activities, objectives, and
24 accomplishments, including actual results through December
25 31, 2007; and
26 d. State fiscal year 2007-2008 estimated itemized expenditures
27 and fund sources, including actual expenditures and fund
28 sources, through December 31, 2007.
- 29 (2) By January 15, 2009, and more frequently as requested, report to the
30 Joint Legislative Commission on Governmental Operations and the
31 Fiscal Research Division the following information:
32 a. State fiscal year 2007-2008 program activities, objectives, and
33 accomplishments;
34 b. State fiscal year 2007-2008 itemized expenditures and fund
35 sources;
36 c. State fiscal year 2008-2009 planned activities, objectives, and
37 accomplishments, including actual results through December
38 31, 2008; and
39 d. State fiscal year 2008-2009 estimated itemized expenditures
40 and fund sources, including actual expenditures and fund
41 sources, through December 31, 2008.
- 42 (3) Provide to the Fiscal Research Division a copy of the organization's
43 annual audited financial statement within 30 days of issuance of the
44 statement.
45

46 **REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS**

47 **SECTION 13.7.(a)** Funds appropriated in this act to the Department of
48 Commerce for regional economic development commissions shall be allocated to the
49 following commissions in accordance with subsection (b) of this section: Western North
50 Carolina Regional Economic Development Commission, Research Triangle Regional
51 Commission, Southeastern North Carolina Regional Economic Development

1 Commission, Piedmont Triad Partnership, Northeastern North Carolina Regional
2 Economic Development Commission, North Carolina's Eastern Region Economic
3 Development Partnership, and Carolinas Partnership, Inc.

4 **SECTION 13.7.(b)** Funds appropriated pursuant to subsection (a) of this
5 section shall be allocated to each regional economic development commission as
6 follows:

- 7 (1) First, the Department shall establish each commission's allocation by
8 determining the sum of allocations to each county that is a member of
9 that commission. Each county's allocation shall be determined by
10 dividing the county's development factor by the sum of the
11 development factors for eligible counties and multiplying the resulting
12 percentage by the amount of the appropriation. As used in this
13 subdivision, the term "development factor" means a county's
14 development factor as calculated under G.S. 143B-437.08; and
- 15 (2) Next, the Department shall subtract from funds allocated to the North
16 Carolina's Eastern Region Economic Development Partnership the
17 sum of three hundred thirty thousand seven hundred fifty dollars
18 (\$330,750) in the 2007-2008 fiscal year, which sum represents: (i) the
19 total interest earnings in the prior fiscal year on the estimated balance
20 of seven million five hundred thousand dollars (\$7,500,000)
21 appropriated to the Global TransPark Development Zone in Section 6
22 of Chapter 561 of the 1993 Session Laws; and (ii) the total interest
23 earnings in the prior fiscal year on loans made from the seven million
24 five hundred thousand dollars (\$7,500,000) appropriated to the Global
25 TransPark Development Zone in Section 6 of Chapter 561 of the 1993
26 Session Laws; and
- 27 (3) Next, the Department shall redistribute the sum of three hundred thirty
28 thousand seven hundred fifty dollars (\$330,750) in the 2007-2008
29 fiscal year to the seven regional economic development commissions
30 named in subsection (a) of this section. Each commission's share of
31 this redistribution shall be determined according to the development
32 factor formula set out in subdivision (1) of this subsection. This
33 redistribution shall be in addition to each commission's allocation
34 determined under subdivision (1) of this subsection.

35 **SECTION 13.7.(c)** Each regional economic development commission may
36 use up to fifty percent (50%) of the funds allocated in this section for administrative
37 purposes, including personal services; purchased services; supplies, except marketing
38 brochures or other advertising related supplies; and equipment. The remaining fifty
39 percent (50%) of the funds allocated in this section shall be used only for expenditures
40 related to the following: (i) marketing efforts that are aligned with the State's overall
41 economic development and marketing strategies; (ii) economic development grants to
42 counties and municipalities that are located within the region served by the commission;
43 and (iii) activities directly related to the implementation of the commission's vision
44 plan.

45 **SECTION 13.7.(d)** No later than September 1, 2007, the Department of
46 Commerce shall submit a report in writing on the implementation of the provisions of
47 G.S. 158-8.6 to the chairs of the House of Representatives and Senate Appropriations
48 Subcommittees on Natural and Economic Resources, the Office of State Budget and
49 Management, and the Fiscal Research Division. The Department shall include in the
50 report a detailed plan to address any impediments to the development of uniform
51 standards for the commissions.

1 **SECTION 13.7.(e)** G.S. 158-8.5 reads as rewritten:

2 "**§ 158-8.5. Annual reporting requirement.**

3 By February 15 of each year, the commissions created pursuant to G.S. 158-8.1,
4 158-8.2, 158-8.3, and 158-33 shall publish a report containing the information required
5 by this section. As a condition on the receipt of State funds, the Charlotte Regional
6 Partnership, Inc., the Piedmont Triad Regional Partnership, and the Research Triangle
7 Regional Partnership shall, by February 15 of each year, publish a report containing the
8 information required by this section. The commissions and partnerships shall also
9 submit a copy of the report to the Department of Commerce, the Office of State Budget
10 and Management, the Joint Legislative Commission on Governmental Operations, the
11 Joint Legislative Economic Development Oversight Committee, and the Fiscal Research
12 Division of the General Assembly. The report shall include all of the following:

- 13 (1) A summary of the preceding year's program activities, objectives, and
14 accomplishments.
- 15 (2) The preceding fiscal year's itemized expenditures ~~of State funds and~~
16 fund sources. Itemized expenditures shall be reported separately for
17 each fund source.
- 18 (3) A demonstration of how the commission's or partnership's regional
19 economic development and marketing strategy aligns with the State's
20 overall economic development and marketing strategies.
- 21 (4) A demonstration of how the commission's or partnership's involvement
22 in promotion activities has generated leads.
- 23 (5) The most recent audited annual financial statement regarding State
24 funds.
- 25 (6) A demonstration of the commission's efforts to obtain funds from
26 local, private, and federal sources."

27
28 **BIOTECHNOLOGY CENTER**

29 **SECTION 13.10.(a)** The North Carolina Biotechnology Center shall
30 recapture funds spent in support of successful research and development efforts in the
31 for-profit private sector.

32 **SECTION 13.10.(b)** The North Carolina Biotechnology Center shall
33 provide funding for biotechnology, biomedical, and related bioscience applications
34 under its Business and Science Technology Programs.

35 **SECTION 13.10.(c)** The North Carolina Biotechnology Center shall:

- 36 (1) By January 15, 2008, and more frequently as requested, report to the
37 Joint Legislative Commission on Governmental Operations and the
38 Fiscal Research Division the following information:
39 a. State fiscal year 2006-2007 program activities, objectives, and
40 accomplishments;
41 b. State fiscal year 2006-2007 itemized expenditures and fund
42 sources;
43 c. State fiscal year 2007-2008 planned activities, objectives, and
44 accomplishments, including actual results through December
45 31, 2007; and
46 d. State fiscal year 2007-2008 estimated itemized expenditures
47 and fund sources, including actual expenditures and fund
48 sources through December 31, 2007.
- 49 (2) By January 15, 2009, and more frequently as requested, report to the
50 Joint Legislative Commission on Governmental Operations and the
51 Fiscal Research Division the following information:

- 1 a. State fiscal year 2007-2008 program activities, objectives, and
2 accomplishments;
3 b. State fiscal year 2007-2008 itemized expenditures and fund
4 sources;
5 c. State fiscal year 2008-2009 planned activities, objectives, and
6 accomplishments, including actual results through December
7 31, 2008; and
8 d. State fiscal year 2008-2009 estimated itemized expenditures
9 and fund sources, including actual expenditures and fund
10 sources through December 31, 2008.
11 (3) Provide to the Fiscal Research Division a copy of the organization's
12 annual audited financial statement within 30 days of issuance of the
13 statement.

14 **SECTION 13.10.(d)** The North Carolina Biotechnology Center shall
15 provide a report containing detailed budget, personnel, and salary information to the
16 Office of State Budget and Management and to the Fiscal Research Division in the same
17 manner as State departments and agencies in preparation for biennium budget requests.
18

19 **NONPROFIT REPORTING REQUIREMENTS**

20 **SECTION 13.11.(a)** The N.C. Institute for Minority Economic
21 Development, Inc., Land Loss Prevention Project, North Carolina Minority Support
22 Center, North Carolina Community Development Initiative, Inc., North Carolina
23 Association of Community Development Corporations, Inc., Coalition of Farm and
24 Rural Families, and Partnership for the Sounds, Inc., shall do the following:

- 25 (1) By January 15, 2008, and more frequently as requested, report to the
26 Joint Legislative Commission on Governmental Operations and the
27 Fiscal Research Division the following information:
28 a. State fiscal year 2006-2007 program activities, objectives, and
29 accomplishments;
30 b. State fiscal year 2006-2007 itemized expenditures and fund
31 sources;
32 c. State fiscal year 2007-2008 planned activities, objectives, and
33 accomplishments including actual results through December 31,
34 2007; and
35 d. State fiscal year 2007-2008 estimated itemized expenditures
36 and fund sources including actual expenditures and fund
37 sources through December 31, 2007.
38 (2) By January 15, 2009, and more frequently as requested, report to the
39 Joint Legislative Commission on Governmental Operations and the
40 Fiscal Research Division the following information:
41 a. State fiscal year 2007-2008 program activities, objectives, and
42 accomplishments;
43 b. State fiscal year 2007-2008 itemized expenditures and fund
44 sources;
45 c. State fiscal year 2008-2009 planned activities, objectives, and
46 accomplishments including actual results through December 31,
47 2008; and
48 d. State fiscal year 2008-2009 estimated itemized expenditures
49 and fund sources including actual expenditures and fund
50 sources through December 31, 2008.

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

SECTION 13.11.(b) No funds appropriated under this act shall be released to a nonprofit organization listed in subsection (a) of this section until the organization has satisfied the reporting requirement for January 15, 2007. Fourth quarter allotments shall not be released to any nonprofit organization that does not satisfy the reporting requirements by January 15, 2008, or January 15, 2009.

RURAL ECONOMIC DEVELOPMENT CENTER

SECTION 13.12.(a) Of the funds appropriated in this act to the Rural Economic Development Center, Inc., the sum of one million nine hundred thirteen thousand one hundred twelve dollars (\$1,913,112) for the 2007-2008 fiscal year and the sum of one million nine hundred thirteen thousand one hundred twelve dollars (\$1,913,112) for the 2008-2009 fiscal year shall be allocated as follows:

	2007-2008	2008-2009
Research and Demonstration Grants	\$370,000	\$370,000
Technical Assistance and Center Administration of Research and Demonstration Grants	444,399	444,399
Center Administration, Oversight, and Other Programs	604,298	604,298
Administration of Clean Water/ Natural Gas Critical Needs Bond Act of 1998	87,137	87,137
Additional Administration of Supplemental Funding Program	138,278	138,278
Administration of Capacity Building Assistance Program (1998 Bond Act)	125,000	125,000
Institute for Rural Entrepreneurship	144,000	144,000.

SECTION 13.12.(b) The Rural Economic Development Center, Inc., shall provide a report containing detailed budget, personnel, and salary information to the Office of State Budget and Management in the same manner as State departments and agencies in preparation for biennium budget requests.

SECTION 13.12.(c) For purposes of this section, the term "community development corporation" means a nonprofit corporation:

- (1) Chartered pursuant to Chapter 55A of the General Statutes;
- (2) Tax-exempt pursuant to section 501(c)(3) of the Internal Revenue Code of 1986;
- (3) Whose primary mission is to develop and improve low-income communities and neighborhoods through economic and related development;
- (4) Whose activities and decisions are initiated, managed, and controlled by the constituents of those local communities; and
- (5) Whose primary function is to act as deal maker and packager of projects and activities that will increase their constituencies' opportunities to become owners, managers, and producers of small businesses, affordable housing, and jobs designed to produce positive cash flow and curb blight in the targeted community.

SECTION 13.12.(d) Of the funds appropriated in this act to the Rural Economic Development Center, Inc., the sum of two million four hundred fifteen

1 thousand nine hundred ten dollars (\$2,415,910) for the 2007-2008 fiscal year and the
2 sum of two million four hundred fifteen thousand nine hundred ten dollars (\$2,415,910)
3 for the 2008-2009 fiscal year shall be allocated as follows:

- 4 (1) \$1,047,410 in each fiscal year for community development grants to
5 support development projects and activities within the State's minority
6 communities. Any new or previously funded community development
7 corporation as defined in this section is eligible to apply for funds. The
8 Rural Economic Development Center, Inc., shall establish
9 performance-based criteria for determining which community
10 development corporation will receive a grant and the grant amount.
11 The Rural Economic Development Center, Inc., shall allocate these
12 funds as follows:
- 13 a. \$997,410 for direct grants to local community development
14 corporations to support operations and project activities.
- 15 b. \$50,000 in each fiscal year to the Rural Economic Development
16 Center, Inc., to be used to cover expenses in administering this
17 section.
- 18 (2) \$195,000 in each fiscal year to the Microenterprise Loan Program to
19 support the loan fund and operations of the Program; and
- 20 (3) \$983,000 in each fiscal year shall be used for a program to provide
21 supplemental funding for matching requirements for projects and
22 activities authorized under this subsection. The Center shall allocate
23 these funds as follows:
- 24 a. \$675,000 in each fiscal year to make grants to local
25 governments and nonprofit corporations to provide funds
26 necessary to match federal grants or other grants for:
- 27 1. Necessary economic development projects and activities
28 in economically distressed areas;
- 29 2. Necessary water and sewer projects and activities in
30 economically distressed communities to address health
31 or environmental quality problems except that funds
32 shall not be expended for the repair or replacement of
33 low-pressure-pipe wastewater systems. If a grant is
34 awarded under this sub-subdivision, then the grant shall
35 be matched on a dollar-for-dollar basis in the amount of
36 the grant awarded; or
- 37 3. Projects that demonstrate alternative water and waste
38 management processes for local governments. Special
39 consideration should be given to cost-effectiveness,
40 efficacy, management efficiency, and the ability of the
41 demonstration project to be replicated.
- 42 b. \$208,000 in each fiscal year to make grants to local
43 governments and nonprofit corporations to provide funds
44 necessary to match federal grants or other grants related to
45 water, sewer, or business development projects.
- 46 c. \$100,000 in each fiscal year to support the update of the
47 statewide water and sewer database and to support the
48 development of a statewide water management plan.
- 49 (4) \$190,500 in each fiscal year for the Agricultural Advancement
50 Consortium. These funds shall be placed in a reserve and allocated as
51 follows:

- 1 a. \$75,000 in each fiscal year for operating expenses associated
2 with the Consortium; and
3 b. \$115,500 in each fiscal year for research initiatives funded by
4 the Consortium.

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

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

9 **SECTION 13.12.(e)** The Rural Economic Development Center, Inc., shall:

- 10 (1) By January 15, 2008, and more frequently as requested, report to the
11 Joint Legislative Commission on Governmental Operations and the
12 Fiscal Research Division the following information:
13 a. State fiscal year 2006-2007 program activities, objectives, and
14 accomplishments;
15 b. State fiscal year 2006-2007 itemized expenditures and fund
16 sources;
17 c. State fiscal year 2007-2008 planned activities, objectives, and
18 accomplishments, including actual results through December
19 31, 2007; and
20 d. State fiscal year 2007-2008 estimated itemized expenditures
21 and fund sources, including actual expenditures and fund
22 sources through December 31, 2007.
23 (2) By January 15, 2009, and more frequently as requested, report to the
24 Joint Legislative Commission on Governmental Operations and the
25 Fiscal Research Division the following information:
26 a. State fiscal year 2007-2008 program activities, objectives, and
27 accomplishments;
28 b. State fiscal year 2007-2008 itemized expenditures and fund
29 sources;
30 c. State fiscal year 2008-2009 planned activities, objectives, and
31 accomplishments, including actual results through December
32 31, 2008; and
33 d. State fiscal year 2008-2009 estimated itemized expenditures
34 and fund sources, including actual expenditures and fund
35 sources through December 31, 2008.
36 (3) Provide to the Fiscal Research Division a copy of each grant
37 recipient's annual audited financial statement within 30 days of
38 issuance of the statement.

39 **SECTION 13.12.(f)** No funds appropriated in this act shall be released to a
40 community development corporation, as defined in this section, unless the corporation
41 can demonstrate that there are no outstanding or proposed assessments or other
42 collection actions against the corporation for any State or federal taxes, including
43 related penalties, interest, and fees.
44

45 **RURAL ECONOMIC DEVELOPMENT CENTER/INFRASTRUCTURE** 46 **PROGRAM**

47 **SECTION 13.13.(a)** Of the funds appropriated in this act to the Rural
48 Economic Development Center, Inc., the sum of nineteen million five hundred thousand
49 dollars (\$19,500,000) for the 2007-2008 fiscal year and the sum of nineteen million five
50 hundred thousand dollars (\$19,500,000) for the 2008-2009 fiscal year shall be allocated
51 as follows:

1 (1) To continue the North Carolina Infrastructure Program. The purpose of
2 the Program is to provide grants to local governments to construct
3 critical water and wastewater facilities and to provide other
4 infrastructure needs, including technology needs, to sites where these
5 facilities will generate private job-creating investment. At least fifteen
6 million dollars (\$15,000,000) of the funds appropriated in this act for
7 each year of the biennium must be used to provide grants under this
8 Program.

9 (2) To provide matching grants to local governments in distressed areas
10 and equity investments in public-private ventures that will
11 productively reuse vacant buildings and properties, with priority given
12 to towns or communities with populations of less than 5,000.

13 (3) To provide economic development research and demonstration grants.

14 **SECTION 13.13.(b)** The Rural Economic Development Center, Inc., may
15 contract with other State agencies, constituent institutions of The University of North
16 Carolina, and colleges within the North Carolina Community College System for certain
17 aspects of the North Carolina Infrastructure Program, including design of Program
18 guidelines and evaluation of Program results.

19 **SECTION 13.13.(c)** During each year of the 2007-2009 biennium, the Rural
20 Economic Development Center, Inc., may use up to two percent (2%) of the funds
21 appropriated in this act to cover its expenses in administering the North Carolina
22 Economic Infrastructure Program.

23 **SECTION 13.13.(d)** No later than January 15 of each year, the Rural
24 Economic Development Center, Inc., shall submit an annual report to the Joint
25 Legislative Commission on Governmental Operations concerning the progress of the
26 North Carolina Economic Infrastructure Program.

27 **RURAL ECONOMIC DEVELOPMENT CENTER FUNDS**

28 **SECTION 13.14.(a)** Of the funds appropriated in this act to the North
29 Carolina Rural Economic Development Center, Inc. (Rural Center), the sum of nineteen
30 million dollars (\$19,000,000) for the 2007-2008 fiscal year shall be used to expand the
31 North Carolina Rural Economic Infrastructure Fund with targeted priority to severely
32 distressed rural areas.

33 **SECTION 13.14.(b)** The Rural Center shall use the funds appropriated in
34 this act to establish and implement the Rural Economic Transition Program. This
35 program shall provide grants and equity investments to carry out transformative
36 economic development and agricultural enhancement projects that will generate jobs
37 and expand business activity.

38 **SECTION 13.14.(c)** Units of local government and nonprofit organizations
39 in rural areas are eligible for grants, with priority to applicants in development tier one
40 areas as defined in G.S. 143B-437.08.

41 **SECTION 13.14.(d)** Priority for grant funds shall be given to economic
42 development projects that satisfy one or more of the following criteria:

43 (1) It is located in a county or census area with a persistently high poverty
44 rate of at least one hundred fifty percent (150%) of the State's poverty
45 rate according to the most recent decennial census.

46 (2) It is located in a community that has experienced a sudden and severe
47 economic downturn as reflected in numbers of business closings,
48 layoffs, and unemployment rate during the previous 12 months.
49

- 1 (3) It is located in a small town with a population under 10,000, an
2 agrarian growth zone as defined in G.S. 143B-437.10, or an urban
3 progress zone as defined in G.S. 143B-437.09.
- 4 (4) It is identified in community-based strategic planning efforts and
5 coordinated with other economic development and
6 community-building initiatives, such as the North Carolina Rural
7 Economic Development Center Small Town Economic Prosperity
8 Program, the North Carolina Department of Commerce 21st Century
9 Communities Program, the North Carolina Department of Commerce
10 Main Street Program, and federally funded Comprehensive Economic
11 Development Strategies.
- 12 (5) It is supportive of strategies to expand entrepreneurial small business
13 activity based on the natural, cultural, or historical assets of the
14 community.
- 15 (6) It has the ability to demonstrate benefits to small farm business
16 diversifying into value-added production and marketing, and it
17 increases opportunities in food and beverage manufacturing and
18 distribution for small farm entrepreneurs.

19 **SECTION 13.14.(e)** Eligible units of local government and nonprofit
20 organizations are not required to match grants received under this section, but shall
21 demonstrate the commitment of other funds to the project.

22 **SECTION 13.14.(f)** Up to twenty percent (20%) of the funds appropriated in
23 this section may be used for equity investments and loans through the Rural Venture
24 Fund to private business ventures that will substantially transform and improve the
25 economic status of rural areas, with priority to businesses locating or expanding in
26 development tier one areas as defined in G.S. 143B-437.08.

27 **SECTION 13.14.(g)** The Rural Center may use a portion of the funds
28 appropriated under this section, not to exceed four percent (4%), for administration of
29 the programs created by this section.

30 **SECTION 13.14.(h)** The Rural Center may contract with other State
31 agencies and branches of The University of North Carolina for certain aspects of the
32 programs created under this section, including the design of program guidelines and
33 evaluation of program results.

34 **SECTION 13.14.(i)** The Rural Center shall report to the Joint Legislative
35 Commission on Governmental Operations on a quarterly basis concerning the progress
36 of the programs created under this section. The first report is due no later than February
37 15, 2008.

38 **SECTION 13.14.(j)** This section becomes effective July 1, 2007.

39 **STUDY EQUINE INDUSTRY IN NORTH CAROLINA**

40 **SECTION 13.14A.(a)** Of the funds appropriated in this act to the Rural
41 Economic Development Center, Inc., the sum of five hundred thousand dollars
42 (\$500,000) for the 2007-2008 fiscal year shall be allocated to the Agricultural
43 Advancement Consortium for the purpose of assessing the numbers, composition, and
44 value of the equine industry in North Carolina, analyzing the direct and indirect impact
45 of the industry on the State's economy, and developing a comprehensive plan to
46 maximize the economic opportunities presented by the industry.

47 **SECTION 13.14A.(b)** The assessment of the equine industry shall provide
48 data on both a statewide and countywide basis. The assessment shall include the
49 following:
50

- 1 (1) A census of equines in the State, including numbers, breeds, and
2 disciplines.
- 3 (2) The value of equines in the State.
- 4 (3) The number of equine owners.
- 5 (4) The number of equine operations.
- 6 (5) The size of equine operations.
- 7 (6) The total acreage devoted to equine operations.
- 8 (7) The value of equine-related assets.
- 9 (8) The number of equines and owners participating in various activities
10 within the State.
- 11 (9) An analysis of the economic impact of the existing exhibition facilities
12 including the Hunt Horse Complex, the Senator Bob Martin Horse
13 Complex, the WNC Agricultural Center, and the Carolina Horse Park.
- 14 (10) An analysis of the programs, contributions, and industry support
15 provided by the North Carolina State University College of Veterinary
16 Medicine and other equine programs, at both private and public
17 education institutions including the College of Agriculture and Life
18 Sciences at North Carolina State University, Martin Community
19 College, and St. Andrews College.
- 20 (11) An analysis of the economic impact of breeding, training, and other
21 horse operations.
- 22 (12) An analysis of the economic impact of services provided to the equine
23 industry including farrier, veterinary, design and planning, farm
24 management and consulting, show management, and other services
25 related to equines and equine operations.
- 26 (13) An analysis of the economic impact, including manufacturing,
27 agricultural production and employment, and wholesale and retail
28 sales, of the purchase of equines, feed and grain, hay, tack and other
29 horse equipment, riding clothes, insurance, vehicles and trailers, farm
30 and pasture inputs, capital improvements such as barns, sheds, and
31 fencing, and real estate, including planned equestrian communities.
- 32 (14) An analysis of the economic impact of other recreational uses of
33 equines, including trail riding, camping with horses, therapeutic riding
34 programs, other recreational activities, and equine-related agritourism.
- 35 (15) An analysis of the impact of the equine industry on State and local
36 governments including the generation of tax revenues.

37 **SECTION 13.14A.(c)** The Agricultural Advancement Consortium, in
38 developing a plan to maximize the economic impact of the equine industry, shall:

- 39 (1) Evaluate existing equine-related facilities, programs, and services in
40 the State and make recommendations for enhancing those facilities,
41 programs, and services so as to maximize their economic impact on
42 the State.
- 43 (2) Identify opportunities for the growth of the equine industry, including
44 the production of feed crops, improved pasture, and high quality horse
45 hays, attracting industry engaged in the production of horse-related
46 products, equipment, and pharmaceuticals, the addition of exhibition
47 and show facilities, including the development of a world-class
48 equestrian park, and other horse-related programs, activities, and
49 facilities, and evaluate the potential economic contribution to the
50 State's economy of each of these potential undertakings.

- 1 (3) Evaluate the need to create an equine industry board tasked with the
2 market development, education, publicity, research, and promotion of
3 the North Carolina equine industry and other such measures it deems
4 appropriate to promote the objectives, findings, and recommendations
5 of the equine industry survey and analysis.
- 6 (4) Evaluate the laws, rules, and policies that impact equine owners and
7 persons engaged in equine activities, including land-use policies,
8 preservation of trails, use of State recreational facilities, and tax credits
9 and make recommendations directed toward making North Carolina
10 more attractive to equine operations and activities.

11 **SECTION 13.14A.(d)** The Agricultural Advancement Consortium may
12 contract with other agencies of State government, any of the constituent institutions of
13 The University of North Carolina, and private consultants as it deems necessary and
14 advisable in its conduct of the assessment and plan development. The Agricultural
15 Advancement Consortium shall complete its work within 12 months of the funds
16 becoming available and shall file a report containing the results of the assessment of the
17 equine industry and its plan for maximizing the economic impact of the equine industry
18 with the Chairs of the Joint Legislative Commission on Governmental Operations and
19 the Chairs of the Senate and House of Representatives Appropriations Committees.
20

21 **OPPORTUNITIES INDUSTRIALIZATION CENTER FUNDS**

22 **SECTION 13.15.(a)** Of the funds appropriated in this act to the Rural
23 Economic Development Center, Inc., the sum of three hundred sixty-one thousand
24 dollars (\$361,000) for the 2007-2008 fiscal year and the sum of three hundred sixty-one
25 thousand dollars (\$361,000) for the 2008-2009 fiscal year shall be equally distributed
26 among the certified Opportunities Industrialization Centers for ongoing job training
27 programs.

28 **SECTION 13.15.(b)** For each of the Opportunities Industrialization Centers
29 receiving funds pursuant to subsection (a) of this section, the Rural Economic
30 Development Center, Inc., shall:

- 31 (1) By January 15, 2008, and more frequently as requested, report to the
32 Joint Legislative Commission on Governmental Operations and the
33 Fiscal Research Division the following information:
34 a. State fiscal year 2006-2007 program activities, objectives, and
35 accomplishments;
36 b. State fiscal year 2006-2007 itemized expenditures and fund
37 sources;
38 c. State fiscal year 2007-2008 planned activities, objectives, and
39 accomplishments, including actual results through December
40 31, 2007; and
41 d. State fiscal year 2007-2008 estimated itemized expenditures
42 and fund sources, including actual expenditures and fund
43 sources through December 31, 2007.
- 44 (2) By January 15, 2009, and more frequently as requested, report to the
45 Joint Legislative Commission on Governmental Operations and the
46 Fiscal Research Division the following information:
47 a. State fiscal year 2007-2008 program activities, objectives, and
48 accomplishments;
49 b. State fiscal year 2007-2008 itemized expenditures and fund
50 sources;

- c. State fiscal year 2008-2009 planned activities, objectives, and accomplishments, including actual results through December 31, 2008; and
- d. State fiscal year 2008-2009 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2008.

(3) Notwithstanding G.S. 143-6.1(d), file annually with the State Auditor a financial statement in the form and on the schedule prescribed by the State Auditor. The financial statements must be audited in accordance with standards prescribed by the State Auditor to assure that State funds are used for the purposes provided by law.

(4) Provide to the Fiscal Research Division a copy of the annual audited financial statement required in subdivision (3) of this subsection within 30 days of issuance of the statement.

SECTION 13.15.(c) No funds appropriated under this act shall be released to an Opportunities Industrialization Center (hereinafter Center) listed in subsection (a) of this section if the Center has any overdue tax debts, as that term is defined in G.S. 105-243.1, at the federal or State level.

E-NC AUTHORITY CONTRACTS/ REPORTING REQUIREMENTS

SECTION 13.16.(a) The e-NC Authority may contract with other State agencies, The University of North Carolina, the North Carolina Community College System, and nonprofit organizations to assist with program development and the evaluation of program activities.

SECTION 13.16.(b) The e-NC Authority shall report to the 2008 General Assembly on the following:

- (1) The activities necessary to be undertaken in distressed urban areas of the State to enhance the capability of citizens and businesses residing in these areas to access high-speed Internet.
- (2) An implementation plan for the training of citizens and businesses in distressed urban areas.
- (3) The technology and digital literacy training necessary to assist citizens and existing businesses to create new technology-based enterprises in these communities and to use the Internet to enhance the productivity of their businesses.

The e-NC Authority shall, by September 30, 2007, and quarterly thereafter, report to the Joint Legislative Commission on Governmental Operations on program development and the evaluation of program activities.

NER BLOCK GRANTS

SECTION 13.18.(a) Appropriations from federal block grant funds are made for fiscal year ending June 30, 2008, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01. State Administration	\$	1,000,000
02. Urgent Needs and Contingency		1,000,000
03. Scattered Site Housing		13,200,000

1	04. Economic Development	7,710,000
2		
3	05. Small Business/Entrepreneurship	1,000,000
4		
5	06. Community Revitalization	13,500,000
6		
7	07. State Technical Assistance	450,000
8		
9	08. Housing Development	2,000,000
10		
11	09. Infrastructure	5,140,000
12		
13	TOTAL COMMUNITY DEVELOPMENT	
14	BLOCK GRANT – 2008 Program Year	\$ 45,000,000

15
16 **SECTION 13.18.(b)** Decreases in Federal Fund Availability. – If federal
17 funds are reduced below the amounts specified above after the effective date of this act,
18 then every program in each of these federal block grants shall be reduced by the same
19 percentage as the reduction in federal funds.

20 **SECTION 13.18.(c)** Increases in Federal Fund Availability for Community
21 Development Block Grant. – Any block grant funds appropriated by the Congress of the
22 United States in addition to the funds specified in this section shall be expended as
23 follows: each program category under the Community Development Block Grant shall
24 be increased by the same percentage as the increase in federal funds.

25 **SECTION 13.18.(d)** Limitations on Community Development Block Grant
26 Funds. – Of the funds appropriated in this section for the Community Development
27 Block Grant, the following shall be allocated in each category for each program year: up
28 to one million dollars (\$1,000,000) may be used for State Administration; not less than
29 one million dollars (\$1,000,000) may be used for Urgent Needs and Contingency; up to
30 thirteen million two hundred thousand dollars (\$13,200,000) may be used for Scattered
31 Site Housing; seven million seven hundred ten thousand dollars (\$7,710,000) may be
32 used for Economic Development; up to one million dollars (\$1,000,000) may be used
33 for Small Business/Entrepreneurship; not less than thirteen million five hundred
34 thousand dollars (\$13,500,000) shall be used for Community Revitalization; up to four
35 hundred fifty thousand dollars (\$450,000) may be used for State Technical Assistance;
36 up to two million dollars (\$2,000,000) may be used for Housing Development; up to
37 five million one hundred forty thousand dollars (\$5,140,000) may be used for
38 Infrastructure. If federal block grant funds are reduced or increased by the Congress of
39 the United States after the effective date of this act, then these reductions or increases
40 shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

41 **SECTION 13.18.(e)** Increase Capacity for Nonprofit Organizations. –
42 Assistance to nonprofit organizations to increase their capacity to carry out
43 CDBG-eligible activities in partnership with units of local government is an eligible
44 activity under any program category in accordance with federal regulations. Capacity
45 building grants may be made from funds available within program categories, program
46 income, or unobligated funds.

47 **SECTION 13.18.(f)** The Department of Commerce will operate a small
48 business/entrepreneurship program in coordination with micro-lending programs and
49 other small business assistance groups in the State. The Department of Commerce shall
50 award up to one million dollars (\$1,000,000) in grants to local governments to provide
51 assistance to low-to-moderate income individuals for small business and

1 entrepreneurship development as a means of achieving economic independence during
2 these times of structural change in North Carolina's economy.

3 **SECTION 13.18.(g)** The Department of Commerce shall consult with the
4 Joint Legislative Commission on Governmental Operations prior to reallocating
5 Community Development Block Grant Funds. Notwithstanding the provisions of this
6 subsection, whenever the Director of the Budget finds that:

7 (1) A reallocation is required because of an emergency that poses an
8 imminent threat to public health or public safety, the Director of the
9 Budget may authorize the reallocation without consulting the
10 Commission. The Department of Commerce shall report to the
11 Commission on the reallocation no later than 30 days after it was
12 authorized and shall identify in the report the emergency, the type of
13 action taken, and how it was related to the emergency.

14 (2) The State will lose federal block grant funds or receive less federal
15 block grant funds in the next fiscal year unless a reallocation is made.
16 The Department of Commerce shall provide a written report to the
17 Commission on the proposed reallocation and shall identify the reason
18 that failure to take action will result in the loss of federal funds. If the
19 Commission does not hear the issue within 30 days of receipt of the
20 report, the Department may take the action without consulting the
21 Commission.
22

23 **PART XIV. JUDICIAL DEPARTMENT**

24 **TRANSFER OF EQUIPMENT AND SUPPLY FUNDS**

25 **SECTION 14.1.** Funds appropriated to the Judicial Department in the
26 2007-2009 biennium for equipment and supplies shall be certified in a reserve account.
27 The Administrative Office of the Courts may transfer these funds to the appropriate
28 programs and between programs as the equipment priorities and supply consumptions
29 occur during the operating year. These funds shall not be expended for any other
30 purpose.
31

32 **GRANT FUNDS**

33 **SECTION 14.2.** Notwithstanding G.S. 143C-6-9, the Judicial Department
34 may use up to the sum of one million five hundred thousand dollars (\$1,500,000) from
35 funds available to the Department to provide the State match needed in order to receive
36 grant funds. Prior to using funds for this purpose, the Department shall report to the
37 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
38 Justice and Public Safety and to the Joint Legislative Commission on Governmental
39 Operations on the grants to be matched using these funds.
40

41 **NORTH CAROLINA STATE BAR FUNDS**

42 **SECTION 14.3.** Of the funds appropriated in the continuation budget as a
43 grant-in-aid to the North Carolina State Bar for the 2007-2009 biennium, the North
44 Carolina State Bar may in its discretion use up to the sum of five hundred one thousand
45 five hundred dollars (\$501,500) for the 2007-2008 fiscal year and up to the sum of five
46 hundred one thousand five hundred dollars (\$501,500) for the 2008-2009 fiscal year to
47 contract with the Center for Death Penalty Litigation to provide training, consultation,
48 brief banking, and other assistance to attorneys representing indigent capital defendants.
49 The Office of Indigent Defense Services shall report by February 1, 2008, to the Chairs
50

1 of the House of Representatives and Senate Appropriations Subcommittees on Justice
2 and Public Safety on the activities funded by the grant-in-aid authorized by this section.

3
4 **OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION**
5 **FUNDS/ESTABLISHMENT OF ADDITIONAL PUBLIC DEFENDER**
6 **OFFICES**

7 **SECTION 14.4.(a)** The Judicial Department, Office of Indigent Defense
8 Services, may use up to the sum of two million one hundred ninety-two thousand three
9 hundred fifty dollars (\$2,192,350) in appropriated funds during the 2007-2008 fiscal
10 year and up to the sum of two million eighty-two thousand five hundred ten dollars
11 (\$2,082,510) in appropriated funds during the 2008-2009 fiscal year for the expansion
12 of existing or new public defender offices currently providing legal services to the
13 indigent population under the oversight of the Office of Indigent Defense Services by
14 creating up to 20 new attorney positions and 10 new support staff positions. These funds
15 may be used for salaries, benefits, equipment, and related expenses. Prior to using funds
16 for this purpose, the Office of Indigent Defense Services shall report to the Chairs of the
17 House of Representatives and the Senate Appropriations Subcommittees on Justice and
18 Public Safety on the proposed expansion.

19 **SECTION 14.4.(b)** Notwithstanding the provisions of G.S. 7A-498.7(a), the
20 Indigent Defense Services Commission may establish additional district public defender
21 offices during the 2007-2009 fiscal biennium. Of the funds appropriated in this act to
22 the Office of Indigent Defense Services, the Office may use up to the sum of one
23 million five hundred seventy thousand fifty-seven dollars (\$1,570,057) during the
24 2008-2009 fiscal year to establish these offices. These funds may be used for recurring
25 and nonrecurring personnel and operating costs in the new offices. No more than the
26 sum of two hundred twenty-five thousand dollars (\$225,000) may be used for positions
27 in the Office of Indigent Defense Services directly related to facilitating the
28 establishment of these offices.

29 The Office of Indigent Defense Services shall report to the Chairs of the
30 Senate and House Appropriations Subcommittees on Justice and Public Safety and to
31 the Fiscal Research Division no later than October 1, 2007, on the location and
32 establishment of the new public defender offices.

33 **SECTION 14.4.(c)** In addition to the new public defender offices
34 established pursuant to subsection (b) of this section, the Office of Indigent Defense
35 Services shall use funds from the Indigent Persons Attorney Fee Fund as follows:

- 36 (1) Up to the sum of one million three hundred thirty-five thousand five
37 hundred forty-three dollars (\$1,335,543) for the 2007-2008 fiscal year
38 and up to the sum of one million two hundred sixty-four thousand six
39 hundred seventy-nine dollars (\$1,264,679) for the 2008-2009 fiscal
40 year to establish Public Defender District 5 as provided for in
41 subsection (d) of this section.
- 42 (2) Up to the sum of seven hundred eighty-eight thousand two hundred
43 sixty-four dollars (\$788,264) for the 2007-2008 fiscal year and up to
44 the sum of seven hundred forty-two thousand four hundred
45 seventy-seven dollars (\$742,477) for the 2008-2009 fiscal year to
46 establish Public Defender District 29B as provided for in subsection
47 (d) of this section.

48 **SECTION 14.4.(d)** G.S. 7A-498.7(a) reads as rewritten:

49 "(a) The following counties of the State are organized into the defender districts
50 listed below, and in each of those defender districts an office of public defender is
51 established:

1		
2	<u>Defender District</u>	<u>Counties</u>
3		
4	1	Camden, Chowan,
5		Currituck, Dare, Gates,
6		Pasquotank, Perquimans
7	3A	Pitt
8	3B	Carteret
9	<u>5</u>	<u>New Hanover</u>
10	10	Wake
11	12	Cumberland
12	14	Durham
13	15B	Orange, Chatham
14	16A	Scotland, Hoke
15	16B	Robeson
16	18	Guilford
17	21	Forsyth
18	26	Mecklenburg
19	27A	Gaston
20	28	Buncombe
21	<u>29B</u>	<u>Henderson, Polk, Transylvania</u>
22		

23 After notice to, and consultation with, the affected district bar, senior resident superior
 24 court judge, and chief district court judge, the Commission on Indigent Defense
 25 Services may recommend to the General Assembly that a district or regional public
 26 defender office be established. A legislative act is required in order to establish a new
 27 office or to abolish an existing office."
 28

29 **OFFICE OF INDIGENT DEFENSE SERVICES REPORT**

30 **SECTION 14.5.** The Office of Indigent Defense Services shall report to the
 31 Chairs of the House of Representatives and Senate Appropriations Committees and the
 32 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
 33 Justice and Public Safety by March 1 of each year on:

- 34 (1) The volume and cost of cases handled in each district by assigned
 35 counsel or public defenders;
- 36 (2) Actions taken by the Office to improve the cost-effectiveness and
 37 quality of indigent defense, including the capital case program;
- 38 (3) Plans for changes in rules, standards, or regulations in the upcoming
 39 year;
- 40 (4) Any recommended changes in law or funding procedures that would
 41 assist the Office in improving the management of funds expended for
 42 indigent defense services, including any recommendations concerning
 43 the feasibility and desirability of establishing regional public defender
 44 offices; and
- 45 (5) The changes in operations implemented in response to the following
 46 findings and recommendations contained in the March 2007 State
 47 Audit Report:
 - 48 a. Attorney fee payment process lacks adequate controls.
 49 Measures should be implemented to ensure that attorneys are
 50 paid the correct amount and to minimize the incidence of
 51 overpayment resulting from accident, fraud, or other cause.

- 1 b. Attorney fee payment process is inefficient and labor-intensive.
2 c. The Office should automate the attorney fee payment process
3 and require attorneys to register for electronic fund transfer.
4

5 **INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS**

6 **SECTION 14.6.** Notwithstanding G.S. 143C-6-9, the Office of Indigent
7 Defense Services may use the sum of up to fifty thousand dollars (\$50,000) from funds
8 available to provide the State matching funds needed to receive grant funds. Prior to
9 using funds for this purpose, the Office shall report to the Chairs of the House of
10 Representatives and Senate Appropriations Subcommittees on Justice and Public Safety
11 and the Joint Legislative Commission on Governmental Operations on the grants to be
12 matched using these funds.
13

14 **REPORT ON BUSINESS COURTS**

15 **SECTION 14.7.** The Administrative Office of the Courts shall report to the
16 Chairs of the House of Representatives and Senate Appropriations Committees and the
17 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
18 Justice and Public Safety by March 1 of each year on the activities of each North
19 Carolina Business Court site, including the number of new, closed, and pending cases;
20 average age of pending cases, and annual expenditures for the prior fiscal year.
21

22 **COLLECTION OF WORTHLESS CHECK FUNDS**

23 **SECTION 14.8.** Notwithstanding the provisions of G.S. 7A-308(c), the
24 Judicial Department may use any balance remaining in the Collection of Worthless
25 Checks Fund on June 30, 2007, for the purchase or repair of office or information
26 technology equipment during the 2007-2008 fiscal year. Prior to using any funds under
27 this section, the Judicial Department shall report to the Joint Legislative Commission on
28 Governmental Operations and the Chairs of the House of Representatives and Senate
29 Appropriations Subcommittees on Justice and Public Safety on the equipment to be
30 purchased or repaired and the reasons for the purchases.
31

32 **DISPUTE RESOLUTION FEES**

33 **SECTION 14.9.** Notwithstanding the provisions of G.S. 143C-1-2(b),
34 certification and renewal fees collected by the Dispute Resolution Commission are
35 non-reverting and are only to be used at the direction of the Commission.
36

37 **REIMBURSEMENT FOR USE OF PERSONAL VEHICLES**

38 **SECTION 14.10.** Notwithstanding the provisions of G.S. 138-6(a)(1), the
39 Judicial Department, during the 2007-2009 fiscal biennium, may elect to establish a
40 per-mile reimbursement rate for transportation by privately owned vehicles at a rate less
41 than the business standard mileage rate set by the Internal Revenue Service.
42

43 **DRUG TREATMENT COURT FUNDS**

44 **SECTION 14.11.** Except as otherwise provided in this act, funds
45 appropriated to the Judicial Department in this act for the Drug Treatment Court
46 program shall be used only to provide treatment and case coordination to offenders
47 sentenced to intermediate punishment and to offenders sentenced to community
48 punishment who are at risk of revocation.
49

50 **DRUG TREATMENT FUNDS NEED NOT BE GRANTED**

1 **SECTION 14.12.** Notwithstanding the provisions of G.S. 7A-794 and
2 G.S. 7A-798, funds appropriated to the Judicial Department for the 2007-2009 fiscal
3 biennium for drug treatment courts need not be granted but may be budgeted to support
4 existing and new drug treatment courts in a manner similar to other specialty courts
5 operating within the Judicial Department.
6

7 **STATE FUNDS NOT TO BE USED FOR TELEPHONE SERVICE**

8 **SECTION 14.16.(a)** G.S. 7A-302 reads as rewritten:

9 "**§ 7A-302. Counties and municipalities responsible for physical facilities.**

10 In each county in which a district court has been established, courtrooms, office
11 space for juvenile court counselors and support staff as assigned by the Department of
12 Juvenile Justice and Delinquency Prevention, and related judicial facilities (including
13 ~~furniture—furniture, properly functioning telephones, and the equipment and~~
14 infrastructure necessary to support those telephones), as defined in this Subchapter,
15 shall be provided by the county, except that courtrooms and related judicial facilities
16 may, with the approval of the Administrative Officer of the Courts, after consultation
17 with county and municipal authorities, be provided by a municipality in the county. To
18 assist a county or municipality in meeting the expense of providing courtrooms and
19 related judicial facilities, a part of the costs of court, known as the "facilities fee,"
20 collected for the State by the clerk of superior court, shall be remitted to the county or
21 municipality providing the facilities."

22 **SECTION 14.16.(b)** This section becomes effective July 1, 2008.
23

24 **OFFICE OF INDIGENT DEFENSE SERVICES/ELECTRONIC FEE** 25 **SUBMISSION**

26 **SECTION 14.17.** The Office of Indigent Defense Services, in consultation
27 with the Administrative Office of the Courts, shall study the potential for a statewide
28 system of electronic fee submission and develop a proposal for statewide
29 implementation of such a system. A report on this proposal shall be included as part of
30 the report required under Section 14.5 of this act.
31

32 **REPORT ON COURT SYSTEM PERFORMANCE MEASURES**

33 **SECTION 14.18.** The Administrative Office of the Courts shall develop and
34 implement a system to measure the impact of the funding provided in this act on the
35 operation of the courts. The system shall include uniform performance measures and
36 standards for caseload management and resource allocation, including funding,
37 personnel, technology, and equipment at district and county levels. The Administrative
38 Office of the Courts shall submit an interim status report on the development and
39 implementation of the performance measurement system to the Joint Legislative
40 Commission on Governmental Operations and the Chairs of the Senate and House
41 Appropriations Committees no later than December 31, 2007, and shall submit a final
42 report no later than May 1, 2008.
43

44 **THE OFFICE OF INDIGENT DEFENSE SERVICES MAY COMPENSATE** 45 **ATTORNEYS FOR CERTAIN FILINGS**

46 **SECTION 14.19.(a)** G.S. 7A-451(b) reads as rewritten:

47 "(b) In each of the actions and proceedings enumerated in subsection (a) of this
48 section, entitlement to the services of counsel begins as soon as feasible after the
49 indigent is taken into custody or service is made upon him of the charge, petition, notice
50 or other initiating process. Entitlement continues through any critical stage of the action
51 or proceeding, including, if applicable:

- 1 (1) An in-custody interrogation;
- 2 (2) A pretrial identification procedure which occurs after formal charges
- 3 have been preferred and at which the presence of the indigent is
- 4 required;
- 5 (3) A hearing for the reduction of bail, or to fix bail if bail has been earlier
- 6 denied;
- 7 (4) A probable cause hearing;
- 8 (5) Trial and sentencing; ~~and~~
- 9 (6) Review of any judgment or decree pursuant to G.S. 7A-27, 7A-30(1),
- 10 7A-30(2), and Subchapter XIV of Chapter 15A of the General
- 11 ~~Statutes. Statutes;~~
- 12 (7) In a capital case in which a defendant is under a sentence of death,
- 13 subject to rules adopted by the Office of Indigent Defense Services,
- 14 review of any judgment or decree rendered on direct appeal by the
- 15 Supreme Court of North Carolina pursuant to the certiorari jurisdiction
- 16 of the United States Supreme Court; and
- 17 (8) In a noncapital case, subject to rules adopted by the Office of Indigent
- 18 Defense Services, review of any judgment or decree rendered on direct
- 19 appeal by a court of the North Carolina Appellate Division pursuant to
- 20 the certiorari jurisdiction of the United States Supreme Court, when
- 21 the judgment or decree:
 - 22 a. Decides an important question of federal law in a way that
 - 23 conflicts with relevant decisions of the United States Supreme
 - 24 Court, a federal Court of Appeals, or the court of last resort of
 - 25 another state;
 - 26 b. Decides an important question of federal law that has not been,
 - 27 but should be, settled by the United States Supreme Court; or
 - 28 c. Decides a question of federal law in the indigent's favor and the
 - 29 judgment or decree is challenged by opposing counsel through
 - 30 an attempt to invoke the certiorari jurisdiction of the United
 - 31 States Supreme Court."

SECTION 14.19.(b) G.S. 7A-498.8(b) reads as rewritten:

"(b) The appellate defender shall perform such duties as may be directed by the Office of Indigent Defense Services, including:

- 35 (1) Representing indigent persons subsequent to conviction in trial courts.
- 36 The Office of Indigent Defense Services may, following consultation
- 37 with the appellate defender and consistent with the resources available
- 38 to the appellate defender to ensure quality criminal defense services by
- 39 the appellate defender's office, assign appeals, or authorize the
- 40 appellate defender to assign appeals, to a local public defender's office
- 41 or to private assigned counsel.
- 42 (2) Maintaining a clearinghouse of materials and a repository of briefs
- 43 prepared by the appellate defender to be made available to private
- 44 counsel representing indigents in criminal cases.
- 45 (3) Providing continuing legal education training to assistant appellate
- 46 defenders and to private counsel representing indigents in criminal
- 47 cases, including capital cases, as resources are available.
- 48 (4) Providing consulting services to attorneys representing defendants in
- 49 capital cases.

- 1 (5) Recruiting qualified members of the private bar who are willing to
 2 provide representation in State and federal death penalty
 3 postconviction proceedings.
 4 (6) In the appellate defender's discretion, serving as counsel of record for
 5 indigent defendants in capital cases in State court.
 6 (6a) In the appellate defender's discretion, serving as counsel of record for
 7 indigent defendants in the United States Supreme Court pursuant to a
 8 petition for writ of certiorari of the decision on direct appeal by a court
 9 of the North Carolina Appellate Division.
 10 (7) Undertaking other direct representation and consultation in capital
 11 cases pending in federal court only to the extent that such work is fully
 12 federally funded."
 13

14 **ALLOW JURORS TO WAIVE PAYMENT OF PER DIEM FEES AND ALLOW**
 15 **THOSE FUNDS TO BE USED TO PROVIDE HUMAN SERVICES WITHIN**
 16 **THAT DISTRICT**

17 **SECTION 14.20.(a)** G.S. 7A-312 reads as rewritten:

18 **"§ 7A-312. Uniform fees for jurors; meals.**

19 (a) A juror in the General Court of Justice including a petit juror, or a coroner's
 20 juror, but excluding a grand juror, shall receive twelve dollars (\$12.00) for the first day
 21 of service and twenty dollars (\$20.00) per day afterwards, except that if any person
 22 serves as a juror for more than five days in any 24-month period, the juror shall receive
 23 forty dollars (\$40.00) per day for each day of service in excess of five days. A grand
 24 juror shall receive twenty dollars (\$20.00) per day. A juror required to remain overnight
 25 at the site of the trial shall be furnished adequate accommodations and subsistence. If
 26 required by the presiding judge to remain in a body during the trial of a case, meals shall
 27 be furnished the jurors during the period of sequestration. Jurors from out of the county
 28 summoned to sit on a special venire shall receive mileage at the same rate as State
 29 employees.

30 (b) Notwithstanding subsection (a) of this section, a juror may waive payment of
 31 the per diem fees provided for in that subsection. A juror waiving the fee may designate
 32 that the fee be used for any of the following services, if such services are provided in the
 33 district: (i) client treatment and service programs associated with a drug treatment or
 34 DWI treatment court program; (ii) courthouse self-help centers; (iii) courthouse child
 35 care centers; (iv) legal aid programs operated by a nonprofit corporation operating
 36 within the district; and (v) the Crime Victims Compensation Fund. If no such services
 37 are provided within the district, then waived fees are transferred to the Crime Victims
 38 Compensation Fund."

39 **SECTION 14.20.(b)** This section becomes effective July 1, 2007, and
 40 applies to jury service that begins on or after that date.
 41

42 **AUTHORIZE A TRAVEL ALLOWANCE FOR APPELLATE JUDGES WHO**
 43 **RESIDE FIFTY MILES OR MORE FROM RALEIGH**

44 **SECTION 14.21.(a)** G.S. 7A-10(b) reads as rewritten:

45 "(b) The Chief Justice and each of the associate justices shall receive the annual
 46 salary provided in the Current Operations Appropriations Act. Each justice is entitled to
 47 reimbursement for travel and subsistence expenses at the rate allowed State employees
 48 generally. generally, except that each justice whose permanent residence is at least 50
 49 miles from the City of Raleigh shall be paid a weekly travel allowance for each week
 50 the justice travels to the City of Raleigh from the justice's home for business of the
 51 court. The allowance shall be calculated for each justice by multiplying the actual

1 round-trip mileage from that justice's home to the City of Raleigh by the rate-per-mile
 2 which is the business standard mileage rate set by the Internal Revenue Service in Rev.
 3 Proc. 93-51, December 27, 1993."

4 **SECTION 14.21.(b)** G.S. 7A-18(a) reads as rewritten:

5 "(a) The Chief Judge and each associate judge of the Court of Appeals shall
 6 receive the annual salary provided in the Current Operations Appropriations Act. Each
 7 judge is entitled to reimbursement for travel and subsistence expenses at the rate
 8 allowed State employees ~~generally~~; generally, except that each judge whose permanent
 9 residence is at least 50 miles from the City of Raleigh shall be paid a weekly travel
 10 allowance for each week the judge travels to the City of Raleigh from the judge's home
 11 for business of the court. The allowance shall be calculated for each judge by
 12 multiplying the actual round-trip mileage from that judge's home to the City of Raleigh
 13 by the rate-per-mile which is the business standard mileage rate set by the Internal
 14 Revenue Service in Rev. Proc. 93-51, December 27, 1993."

15
 16 **APPORTIONING OF COURT SYSTEM PERSONNEL THROUGH A**
 17 **WORKLOAD FORMULA**

18 **SECTION 14.22.(a)** G.S. 7A-60(a1) reads as rewritten:

19 "(a1) The counties of the State are organized into prosecutorial districts, and each
 20 district has the counties and the number of full-time assistant district attorneys as
 21 prescribed in a workload formula set forth and adopted by the Conference of District
 22 Attorneys and recommended to the Administrative Officer of the Courts and minimally
 23 set forth in the following table:

Prosecutorial District	Counties	No. of Full-Time Asst. District Attorneys
1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans	11
2	Beaufort, Hyde, Martin, Tyrrell, Washington	7
3A	Pitt	11
3B	Carteret, Craven, Pamlico	11
4	Duplin, Jones, Onslow, Sampson	16
5	New Hanover, Pender	16
6A	Halifax	5
6B	Bertie, Hertford, Northampton	5
7	Edgecombe, Nash, Wilson	18
8	Greene, Lenoir, Wayne	13
9	Franklin, Granville, Vance, Warren	12
9A	Person, Caswell	5
10	Wake	38
11	Harnett, Johnston, Lee	16
12	Cumberland	21
13	Bladen, Brunswick, Columbus	12
14	Durham	15
15A	Alamance	10
15B	Orange, Chatham	9

1	16A	Scotland, Hoke	6
2	16B	Robeson	13
3	17A	Rockingham	6
4	17B	Stokes, Surry	7
5	18	Guilford	30
6	19A	Cabarrus	8
7	19B	Montgomery, Randolph	8
8	19C	Rowan	7
9	19D	Moore	4
10	20A	Anson, Richmond,	10
11		Stanly	
12	20B	Union	8
13	21	Forsyth	20
14	22	Alexander, Davidson, Davie,	20
15		Iredell	
16	23	Alleghany, Ashe, Wilkes,	7
17		Yadkin	
18	24	Avery, Madison, Mitchell,	6
19		Watauga, Yancey	
20	25	Burke, Caldwell, Catawba	18
21	26	Mecklenburg	49
22	27A	Gaston	14
23	27B	Cleveland,	10
24		Lincoln	
25	28	Buncombe	13
26	29A	McDowell, Rutherford	6
27	29B	Henderson, Polk, Transylvania	7
28	30	Cherokee, Clay, Graham,	11
29		Haywood, Jackson, Macon,	
30		Swain."	

SECTION 14.22.(b) G.S. 7A-102(a) reads as rewritten:

"(a) The numbers and salaries of assistant clerks, deputy clerks, and other employees in the office of each clerk of superior court shall be determined by a workload formula adopted by the Conference of Clerks of Superior Court and recommended to the Administrative Officer of the Courts and after consultation with the clerk concerned. The allocation of deputy and assistant clerks on January 1, 2007, shall not be reduced without prior consent of the clerk concerned. All personnel in the clerk's office are employees of the State. The clerk appoints the assistants, deputies, and other employees in the clerk's office to serve at his or her pleasure. Assistant and deputy clerks shall take the oath of office prescribed for clerks of superior court, conformed to the office of assistant or deputy clerk, as the case may be. Except as provided by subsection (c2) of this section, the job classifications and related salaries of each employee within the office of each superior court clerk shall be subject to the approval of the Administrative Officer of the Courts after consultation with each clerk concerned and shall be subject to the availability of funds appropriated for that purpose by the General Assembly."

SECTION 14.22.(c) G.S. 7A-132 reads as rewritten:

"§ 7A-132. Judges, district attorneys, full-time assistant district attorneys and magistrates for district court districts.

Each district court district shall have one or more judges and one district attorney. Each county within each district shall have at least one magistrate.

1 For each district the General Assembly ~~shall prescribe~~ determines that the numbers
 2 of district judges, and the numbers of full time assistant district attorneys. For each
 3 county within each district the General Assembly shall prescribe a minimum number of
 4 magistrates. judges shall be set by a workload formula adopted by the Board of
 5 Governors of the Association of District Court Judges and recommended to the
 6 Administrative Officer of the Courts. The General Assembly shall prescribe by law the
 7 procedures for the initial election of district court judges established under that
 8 formula."

9 **SECTION 14.22.(d)** G.S. 7A-133(a) reads as rewritten:

10 "(a) Each district court district shall have the minimum numbers of judges as set
 11 forth in the following table:

District	Judges	County
1	5	Camden Chowan Currituck Dare Gates Pasquotank Perquimans
2	4	Martin Beaufort Tyrrell Hyde Washington
3A	5	Pitt
3B	6	Craven Pamlico Carteret
4	8	Sampson Duplin Jones Onslow
5	8	New Hanover Pender
6A	3	Halifax
6B	3	Northampton Bertie Hertford
7	7	Nash Edgecombe Wilson
8	6	Wayne Greene Lenoir
9	4	Granville (part of Vance see subsection (b)) Franklin
9A	2	Person Caswell

1	9B	2	Warren
2			(part of Vance
3			see subsection (b))
4	10	16	Wake
5	11	9	Harnett
6			Johnston
7			Lee
8	12	9	Cumberland
9	13	6	Bladen
10			Brunswick
11			Columbus
12	14	7	Durham
13	15A	4	Alamance
14	15B	5	Orange
15			Chatham
16	16A	3	Scotland
17			Hoke
18	16B	5	Robeson
19	17A	3	Rockingham
20	17B	4	Stokes
21			Surry
22	18	13	Guilford
23	19A	4	Cabarrus
24	19B	7	Montgomery
25			Moore
26			Randolph
27	19C	5	Rowan
28	20A	4	Stanly
29			Anson
30			Richmond
31	20B	1	(part of Union
32			see subsection (b))
33	20C	2	(part of Union
34			see subsection (b))
35	21	9	Forsyth
36	22	9	Alexander
37			Davidson
38			Davie
39			Iredell
40	23	4	Alleghany
41			Ashe
42			Wilkes
43			Yadkin
44	24	4	Avery
45			Madison
46			Mitchell
47			Watauga
48			Yancey
49	25	9	Burke
50			Caldwell
51			Catawba

1	26	18	Mecklenburg
2	27A	7	Gaston
3	27B	5	Cleveland
4			Lincoln
5	28	7	Buncombe
6	29A	3	McDowell
7			Rutherford
8	29B	4	Henderson
9			Polk
10			Transylvania
11	30	6	Cherokee
12			Clay
13			Graham
14			Haywood
15			Jackson
16			Macon
17			Swain."

SECTION 14.22.(e) G.S. 7A-133(c) reads as rewritten:

"(c) Each county shall have the numbers of magistrates determined by a workload formula adopted by the North Carolina Magistrates' Association and recommended to the Administrative Officer of the Courts and additional seats of district court, as set forth in the following table:

	County	Magistrates Min.	Additional Seats of Court
25	Camden	3	
26	Chowan	3	
27	Currituck	4	
28	Dare	6	
29	Gates	2	
30	Pasquotank	5	
31	Perquimans	3	
32	Martin	4	
33	Beaufort	5.05	
34	Tyrrell	3	
35	Hyde	3.5	
36	Washington	4	
37	Pitt	10.5	Farmville
38			Ayden
39			Havelock
40	Craven	10	
41	Pamlico	3	
42	Carteret	9	
43	Sampson	7	
44	Duplin	8	
45	Jones	2	
46	Onslow	11	
47	New Hanover	11	
48	Pender	4.8	
49	Halifax	12	Roanoke
50			Rapids,
51			Scotland Neck

1	Northampton	5.25	
2	Bertie	5	
3	Hertford	6	
4	Nash	9	Rocky Mount
5	Edgecombe	7	Rocky Mount
6	Wilson	7	
7	Wayne	9	Mount Olive
8	Greene	4	
9	Lenoir	7	La Grange
10	Granville	7	
11	Vance	6	
12	Warren	3.5	
13	Franklin	7	
14	Person	4	
15	Caswell	4	
16	Wake	18.5	Apex,
17			Wendell, Fuquay-
18			Varina,
19			Wake Forest
20	Harnett	10	Dunn
21	Johnston	11	Benson,
22			Clayton,
23			Selma
24	Lee	5.5	
25	Cumberland	19	
26	Bladen	5	
27	Brunswick	9	
28	Columbus	9.5	Tabor City
29	Durham	13	
30	Alamance	12	Burlington
31	Orange	9	Chapel Hill
32	Chatham	6	Siler City
33	Scotland	5	
34	Hoke	5	
35	Robeson	15	Fairmont,
36			Maxton,
37			Pembroke,
38			Red Springs,
39			Rowland,
40			St. Pauls
41	Rockingham	9	Reidsville,
42			Eden,
43			Madison
44	Stokes	5	
45	Surry	9	Mt. Airy
46	Guilford	24.4	High Point
47	Cabarrus	9	Kannapolis
48	Montgomery	5	
49	Randolph	10	Liberty
50	Rowan	9	
51	Stanly	6	

1	Union	7	
2	Anson	5	
3	Richmond	6	Hamlet
4	Moore	6.5	Southern
5			Pines
6	Forsyth	15	Kernersville
7	Alexander	4	
8	Davidson	10	Thomasville
9	Davie	4	
10	Iredell	9	Mooresville
11	Alleghany	2	
12	Ashe	4	
13	Wilkes	6	
14	Yadkin	4	
15	Avery	4	
16	Madison	4	
17	Mitchell	4	
18	Watauga	5	
19	Yancey	3	
20	Burke	6.75	
21	Caldwell	7	
22	Catawba	10	Hickory
23	Mecklenburg	26.50	
24	Gaston	17	
25	Cleveland	8	
26	Lincoln	6	
27	Buncombe	15	
28	Henderson	6.5	
29	McDowell	4.5	
30	Polk	4	
31	Rutherford	7	
32	Transylvania	4	
33	Cherokee	4	
34	Clay	2	
35	Graham	2	
36	Haywood	6.75	Canton
37	Jackson	5	
38	Macon	3.5	
39	Swain	3.75"	

SECTION 14.22.(f) G.S. 7B-1200 reads as rewritten:

"§ 7B-1200. Office of Guardian ad Litem Services established.

There is established within the Administrative Office of the Courts an Office of Guardian ad Litem Services to provide services in accordance with G.S. 7B-601 to abused, neglected, or dependent juveniles involved in judicial proceedings and to assure that all participants in these proceedings are adequately trained to carry out their responsibilities. Each local program shall consist of volunteer guardians ad litem, at least one program attorney, ~~a program coordinator who is a paid State employee,~~ program coordinators who are paid State employees in numbers determined by a workload formula adopted by the Administrative Office of the Courts, and any clerical staff as the Administrative Office of the Courts in consultation with the local program

1 deems necessary. The Administrative Office of the Courts shall adopt rules and
2 regulations necessary and appropriate for the administration of the program."

3 4 **EXPAND COURT-FUNDED INTERPRETER AUTHORITY**

5 **SECTION 14.23.** G.S. 7A-314(f) reads as rewritten:

6 "(f) In any case in which the Judicial Department is bearing the costs of
7 representation for a party and that party or a witness for that party does not speak or
8 understand the English language, and the court appoints a foreign language interpreter
9 to assist that party or witness, the reasonable fee for the interpreter's services is payable
10 from funds appropriated to the Administrative Office of the Courts. The court may also
11 appoint an interpreter, payable from funds appropriated to the Administrative Office of
12 the Courts, in cases in which an interpreter is necessary to assist the court in the
13 efficient transaction of business. The appointment and payment shall be made in
14 accordance with G.S. 7A-343(9c)."

15 16 **ADD THREE SPECIAL SUPERIOR COURT JUDGES**

17 **SECTION 14.24.** G.S. 7A-45.1 is amended by adding a new subsection to
18 read:

19 "(a7) Effective January 1, 2008, the Governor may appoint three special superior
20 court judges to serve terms expiring five years from the date that each judge takes
21 office. Successors to the special superior court judges appointed pursuant to this
22 subsection shall be appointed to five-year terms. A special judge takes the same oath of
23 office and is subject to the same requirements and disabilities as are or may be
24 prescribed by law for regular judges of the superior court, save the requirement of
25 residence in a particular district."

26 27 **PART XV. DEPARTMENT OF JUSTICE**

28 29 **STATEWIDE AUTOMATED FINGERPRINT SYSTEM REPLACEMENT** 30 **(SAFIS) REPORTS**

31 **SECTION 15.1.** The Department of Justice shall provide two status reports
32 on the implementation of Phase II of SAFIS to the Chairs of the House of
33 Representatives and Senate Appropriations Subcommittees on Justice and Public Safety
34 and the Joint Legislative Commission on Governmental Operations. The first report
35 shall be provided no later than February 1, 2008, and the second report shall be
36 provided no later than May 1, 2008. Each report shall include all of the following:

- 37 (1) A description of the system.
- 38 (2) A summary of work done with prior year appropriations.
- 39 (3) A list of all sites that are scheduled to receive new equipment.
- 40 (4) A list of sites that have already received new equipment.
- 41 (5) A time line for completion of the project.
- 42 (6) Expenditures for the year to date.

43 44 **PRIVATE PROTECTIVE SERVICES AND ALARM SYSTEMS LICENSING** 45 **BOARDS PAY FOR USE OF STATE FACILITIES AND SERVICES**

46 **SECTION 15.2.** The Private Protective Services and Alarm Systems
47 Licensing Boards shall pay the appropriate State agency for the use of physical facilities
48 and services provided to those Boards by the State.

49 50 **USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE** 51 **LAW ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT**

1 **SECTION 15.3.(a)** Assets transferred to the Departments of Justice,
2 Correction, and Crime Control and Public Safety during the 2007-2009 fiscal biennium
3 pursuant to applicable federal law shall be credited to the budgets of the respective
4 departments and shall result in an increase of law enforcement resources for those
5 departments. The Departments of Justice, Correction, and Crime Control and Public
6 Safety shall report to the Joint Legislative Commission on Governmental Operations
7 upon receipt of the assets and, before using the assets, shall report on the intended use of
8 the assets and the departmental priorities on which the assets may be expended.

9 **SECTION 15.3.(b)** The General Assembly finds that the use of assets
10 transferred pursuant to federal law for new personnel positions, new projects,
11 acquisition of real property, repair of buildings where the repair includes structural
12 change, and construction of or additions to buildings may result in additional expenses
13 for the State in future fiscal periods. Therefore, the Department of Justice, the
14 Department of Correction, and the Department of Crime Control and Public Safety are
15 prohibited from using these assets for such purposes without the prior approval of the
16 General Assembly.

17 **SECTION 15.3.(c)** Nothing in this section prohibits North Carolina law
18 enforcement agencies from receiving funds from the United States Department of
19 Justice, the United States Department of the Treasury, and the United States Department
20 of Health and Human Services.

21 **CERTAIN LITIGATION EXPENSES TO BE PAID BY CLIENTS**

22 **SECTION 15.4.** Client departments, agencies, and boards shall reimburse
23 the Department of Justice for reasonable court fees, attorney travel and subsistence
24 costs, and other costs directly related to litigation in which the Department of Justice is
25 representing the department, agency, or board.
26

27 **REIMBURSEMENT FOR UNC BOARD OF GOVERNORS LEGAL REPRESENTATION**

28 **SECTION 15.5.** The Department of Justice shall be reimbursed by the
29 Board of Governors of The University of North Carolina for two Attorney III positions
30 to provide legal representation to The University of North Carolina System.
31

32 **NC LEGAL EDUCATION ASSISTANCE FOUNDATION REPORT ON FUNDS DISBURSED**

33 **SECTION 15.6.** The North Carolina Legal Education Assistance Foundation
34 shall report by March 1 of each year to the Joint Legislative Commission on
35 Governmental Operations and the Chairs of the House of Representatives and Senate
36 Appropriations Subcommittees on Justice and Public Safety on the expenditure of State
37 funds, the purpose of the expenditures, the number of attorneys receiving funds, the
38 average award amount, the average student loan amount, the number of attorneys on the
39 waiting list, and the average number of years for which attorneys receive loan
40 assistance.
41

42 **HIRING OF SWORN STAFF POSITIONS FOR THE STATE BUREAU OF INVESTIGATION**

43 **SECTION 15.7.** The Department of Justice may hire sworn personnel to fill
44 vacant positions in the State Bureau of Investigation only in the following
45 circumstances: (i) the position's regular responsibilities involve warrant executions,
46 property searches, criminal investigations, or arrest activities that are consistent in
47 frequency with the responsibilities of other sworn agents; (ii) the position is a promotion
48
49
50
51

1 for a sworn agent who was employed at the State Bureau of Investigation prior to July
2 1, 2007; (iii) the position is a forensic drug chemist position which requires "responding
3 to clandestine methamphetamine laboratories" as a primary duty; (iv) the position is a
4 forensic impressions analyst position which requires "responding to clandestine
5 methamphetamine laboratories" as a primary duty; or (v) the position primarily involves
6 supervising sworn personnel.
7

8 ACTIONS TO REDUCE MEDICAID FRAUD

9 SECTION 15.8.(a) G.S. 108A-70.11(5) reads as rewritten:

10 "(5) "Medical Assistance Program" means the Medical Assistance Program
11 established pursuant to G.S. 108A-54 and includes the North Carolina
12 Division of Medical Assistance and or its fiscal agent."

13 SECTION 15.8.(b) G.S. 108A-70.12(a) reads as rewritten:

14 "§ 108A-70.12. Liability for certain acts; damages; effect of repayment.

15 (a) Liability for Certain Acts. – It shall be unlawful for any provider of medical
16 assistance under the Medical Assistance Program to:

- 17 (1) Knowingly present, or cause to be presented to the Medical Assistance
18 Program a false or fraudulent claim for payment or approval; ~~or~~
- 19 (2) Knowingly make, use, or cause to be made or used a false record or
20 statement to get a false or fraudulent claim paid or approved by the
21 Medical Assistance ~~Program~~ Program;
- 22 (3) Conspire to defraud the Medical Assistance Program by getting a false
23 or fraudulent claim allowed or paid; or
- 24 (4) Knowingly make, use, or cause to be made or used, a false record or
25 statement to conceal, avoid, or decrease an obligation to pay or
26 transmit money or property to the Medical Assistance Program.

27 Each claim presented or caused to be presented in violation of this section is a
28 separate violation."

29 SECTION 15.8.(c) G.S. 108A-70.12(b)(1) reads as rewritten:

30 "(b) Damages. –

- 31 (1) Except as provided in subdivision (2) of this subsection, a court shall
32 assess against any provider of medical assistance under the Medical
33 Assistance Program who violates this section a civil penalty of not less
34 than five thousand five hundred dollars ~~(\$5,000)~~ (\$5,500) and not
35 more than ~~ten thousand dollars~~ eleven thousand dollars
36 (\$11,000) plus three times the amount of damages which the ~~Medicaid~~
37 Medical Assistance Program sustained because of the act of the
38 provider.
39

40 "..."

41 SECTION 15.8.(d) Article 2 of Chapter 108A of the General Statutes is
42 amended by adding the following new Part to read:

43 "Part 7A. Civil Action by Private Persons for Provider False Claims.

44 "§ 108A-70.17. Civil action filed by private persons.

45 (a) A person may bring a civil action for a violation of G.S. 108A-70.12 on
46 behalf of the person and the State. The action shall be brought in the name of the State.
47 The action may be dismissed only if the court and the Attorney General have given
48 written consent to the dismissal and their reasons for consenting.

49 (b) A copy of the complaint and written disclosure of substantially all material
50 evidence and information the person possesses shall be served on the State. The
51 complaint shall be filed in camera, shall remain under seal for at least 120 days, and
shall not be served on the defendant until the court so orders. The State may elect to

1 intervene and proceed with the action within 120 days after it receives both the
2 complaint and the material evidence and information.

3 (c) The State may, for good cause shown, move the court for extensions of the
4 time during which the complaint remains under seal. Any of these motions may be
5 supported by affidavits or other submission in camera. The defendant shall not be
6 required to respond to any complaint filed under this section until 21 days after the
7 complaint is unsealed and served upon the defendant.

8 (d) Before the expiration of the 120-day period or any extensions obtained under
9 subsection (c) of this section, the State shall proceed with the action, in which case the
10 action shall be conducted by the State, or notify the court that it declines to take over the
11 action, in which case the person bringing the action shall have the right to prosecute the
12 action.

13 (e) When a person brings an action under this section, no person other than the
14 State may intervene or bring a related action based on the facts underlying the pending
15 action.

16 **"§ 108A-70.17A. Rights of private plaintiff and State.**

17 (a) If the State proceeds with the action, it shall have the primary responsibility
18 for prosecuting the action and shall not be bound by an act of the person bringing the
19 action. The person bringing the action shall have the right to continue as a party to the
20 action, subject to the limitations of this section.

21 (b) The State may dismiss the action notwithstanding the objections of the person
22 initiating the action if the person has been notified by the State of the filing of the
23 motion, and the court has provided the person with an opportunity for a hearing on the
24 motion.

25 (c) The State may settle the action with the defendant notwithstanding the
26 objections of the person initiating the action if the court determines, after a hearing, that
27 the proposed settlement is fair, adequate, and reasonable under all the circumstances.
28 Upon a showing of good cause, such hearing may be held in camera. The State may, for
29 good cause shown, move the court for a partial lifting of the seal to facilitate the
30 investigative process or settlement.

31 (d) Upon a showing by the State that unrestricted participation during the course
32 of the litigation by the person initiating the action would interfere with or unduly delay
33 the State's prosecution of the case, or would be repetitious, irrelevant, or for purposes of
34 harassment, the court may, in its discretion, impose limitations on the person's
35 participation, such as (i) limiting the number of witnesses the person may call; (ii)
36 limiting the length of the testimony of such witnesses; (iii) limiting the person's
37 cross-examination of witnesses; and (iv) otherwise limiting the participation by the
38 person in the litigation.

39 (e) Upon a showing by the defendant that unrestricted participation during the
40 course of the litigation by the person initiating the action would be for purposes of
41 harassment or would cause the defendant undue burden or unnecessary expense, the
42 court may limit the participation by the person in the litigation.

43 (f) If the State elects not to proceed with the action, the person who initiated the
44 action shall have the right to conduct the action. If the State so requests, it shall be
45 served with copies of all pleadings filed in the action and shall be supplied with copies
46 of all deposition transcripts at the State's expense. When a person proceeds with the
47 action, the court, without limiting the status and rights of the person initiating the action,
48 may nevertheless permit the State to intervene at a later date upon a showing of good
49 cause.

50 (g) Whether or not the State proceeds with the action, upon a showing by the
51 State that certain actions of discovery by the person initiating the action would interfere

1 with the State's investigation or prosecution of a criminal or civil matter arising out of
2 the same facts, the court may stay the discovery for a period of not more than 60 days.
3 The showing by the State shall be conducted in camera. The court may extend the
4 60-day period upon a further showing in camera that the State has pursued the criminal
5 or civil investigation or proceedings with reasonable diligence, and any proposed
6 discovery in the civil action will interfere with the ongoing criminal or civil
7 investigation or proceedings.

8 (h) Notwithstanding G.S. 108A-70.17(b), the State may elect to pursue its claim
9 through any alternate remedy available to the State, including any administrative
10 proceeding to determine a civil money penalty. If an alternate remedy is pursued in
11 another proceeding, the person initiating the action shall have the same rights in the
12 alternate proceeding as the person would have had if the action had continued under this
13 section. Any finding of fact or conclusion of law made in the alternate proceeding that
14 has become final shall be conclusive on all parties to an action under this Part. For
15 purposes of this subsection, a finding or conclusion is final if it has been finally
16 determined on appeal to a court of competent jurisdiction of the State, if the time for
17 filing an appeal with respect to the finding or conclusion has expired, or if the finding or
18 conclusions are not subject to judicial review.

19 **"§ 108A-70.17B. Award to qui tam plaintiff.**

20 (a) Except as otherwise provided in this section, if the State proceeds with an
21 action brought by a person under G.S. 108A-70.17, the person shall receive at least
22 fifteen percent (15%) but not more than twenty-five percent (25%) of the proceeds of
23 the action or settlement of the claim, depending upon the extent to which the person
24 substantially contributed to the prosecution of the action. The plaintiff's share in the
25 proceeds of the action or settlement is administrative costs of the action. Where the
26 action is one that the court finds to be based primarily on disclosures of specific
27 information, other than information proved by the person bringing the action, relating to
28 allegations or transaction in a criminal, civil, or administrative hearing, in a legislative,
29 administrative, or State Auditor's report, hearing, audit, or investigation, or from the
30 news media, the court may award such sums as it considers appropriate, but in no case
31 more than ten percent (10%) of the proceeds of the action, taking into account the
32 significance of the information and the role of the person bringing the action in
33 advancing the case to litigation. The person shall also receive an amount for reasonable
34 expenses that the court finds to have been necessarily incurred, plus reasonable
35 attorneys' fees and costs. All such expenses, fees, and costs shall be awarded against the
36 defendant. A share of the proceeds of an action or settlement of the claim shall not be
37 awarded to the person bringing the action in State court under this Part if the person has
38 received or may receive a share of the proceeds or settlement of an action or claim on
39 the same facts brought in federal court.

40 (b) If the State does not proceed with an action, the person bringing the action or
41 settling the claim shall receive an amount that the court decides is reasonable for
42 collecting the civil penalty and damages. The amount shall be not less than twenty-five
43 percent (25%) and not more than thirty percent (30%) of the proceeds of the action or
44 settlement and shall be paid out of the proceeds. The person shall also receive an
45 amount for reasonable expenses that the court finds to have been necessarily incurred,
46 plus reasonable attorneys' fees and costs. All such expenses, fees, and costs shall be
47 awarded against the defendant.

48 (c) Whether or not the State proceeds with the action, if the court finds that the
49 action was brought by a person who planned and initiated the violation of
50 G.S. 108A-70.12 upon which the action was brought, then the court may, to the extent
51 the court considers appropriate, reduce the share of the proceeds of the action that the

1 person would otherwise receive under subsection (a) or (b) of this section, taking into
2 account the role of that person in advancing the case to litigation and any relevant
3 circumstances pertaining to the violation. If the person bringing the action is convicted
4 of criminal conduct arising from the person's role in the violation of G.S. 108A-70.12,
5 that person shall be dismissed from the civil action and shall not receive any share of the
6 proceeds of the action. The dismissal shall not prejudice the right of the State to
7 continue the action.

8 (d) If the State does not proceed with the action and the person bringing the
9 action conducts the action, the court may award to the defendant its reasonable
10 attorneys' fees and expenses if the defendant prevails in the action and if the court finds
11 that the claim of the person bringing the action was clearly frivolous, clearly vexatious,
12 or brought primarily for purposes of harassment.

13 **"§ 108A-70.17C. Certain actions barred.**

14 (a) No court shall have jurisdiction over an action brought under this Part based
15 on information discovered by a present or former employee of the State during the
16 course of the present or former employee's employment unless that employee first, in
17 good faith, exhausted existing internal procedures for reporting and seeking recovery of
18 the falsely claimed sums through official channels, and unless the State failed to act on
19 the information provided within a reasonable period of time.

20 (b) In no event may a person bring an action under this Part that is based upon
21 allegations or transactions that are the subject of a civil suit or an administrative
22 proceeding in which the State is already a party.

23 (c) No court shall have jurisdiction over an action under this Part based upon the
24 public disclosure of allegations or transactions in a criminal, civil, or administrative
25 hearing, in a legislative, administrative, or State Auditor's report, hearing, audit, or
26 investigation, or from the news media, unless the action is brought by the Attorney
27 General, or the person bringing the action is an original source of the information. For
28 purposes of this section, "original source" means an individual who has direct and
29 independent knowledge of the information on which the allegations are based and has
30 voluntarily provided the information to the State before filing an action under this Part
31 that is based on the information.

32 (d) The State is not liable for expenses a person incurs in bringing an action
33 under this Part.

34 (e) G.S. 108A-70.14 and G.S. 108A-70.15 apply to this Part.

35 **"§ 108A-70.17D. Procedure; statute of limitations.**

36 A civil action under this Part may not be brought (i) more than six years after the
37 date on which the violation is committed, or (ii) more than three years after the date
38 when facts material to the right of the action are known or reasonably should have been
39 known by the official of the State charged with responsibility to act in the
40 circumstances, but in that event no more than 10 years after the date on which the
41 violation is committed, whichever occurs last."

42 **SECTION 15.8.(e)** G.S. 108A-70.15 reads as rewritten:

43 **"§ 108A-70.15. Employee remedies.**

44 (a) In the absence of fraud or malice, no person who furnishes information to
45 officials of the State responsible for investigating false claims violations shall be liable
46 for damages in a civil action for any oral or written statement made or any other action
47 that is necessary to supply information required pursuant to this ~~Part~~. Part or Part 7A of
48 this Article.

49 (b) Any employee of a provider who is discharged, demoted, suspended,
50 threatened, harassed, or in any other manner discriminated against in the terms and
51 conditions of employment by the employee's employer because of lawful acts done by

1 the employee on behalf of the employee or others in furtherance of an action under
2 G.S. 408A-70.12, 108A-70.12, or Part 7A of this Article, including investigation for,
3 initiation of, testimony for, or assistance in an action filed or to be filed under
4 G.S. 408A-70.12, 108A-70.12, or Part 7A of this Article, shall be entitled to all relief
5 necessary to make the employee whole. Relief shall include reinstatement with the same
6 seniority status as the employee would have had but for the discrimination, two times
7 the amount of back pay, interest on the back pay, and compensation for any special
8 damages sustained as a result of the discrimination, including litigation costs and
9 reasonable attorneys' fees. An employee may bring an action in the appropriate court for
10 the relief provided in this section."

11 **SECTION 15.8.(f)** Part 6 of Article 2 of Chapter 108A of the General
12 Statutes is amended by adding the following new section to read:

13 **"§ 108A-63.1. Authorized investigative demand procedures.**

14 (a) In any investigation relating to any act or activity involving a violation of
15 G.S. 108A-64, 108A-60, 14-32.1, or 14-32.2, the Attorney General may issue in writing
16 and cause to be served a subpoena:

- 17 (1) Requiring the production of any records, books, papers, documents,
18 electronic media, or other objects or tangible things, which may be
19 relevant to an authorized law enforcement inquiry, that a person or
20 legal entity may possess or have care, custody, or control; or
21 (2) Requiring a custodian of records to give testimony concerning the
22 production and authentication of the records.

23 (b) A subpoena under this section shall describe the objects required to be
24 produced and shall also prescribe a return date within a reasonable period of time within
25 which the objects can be assembled and made available.

26 (c) Witnesses summoned under this section shall be paid the same fees and
27 mileage that are paid witnesses in the courts of the State.

28 (d) A subpoena issued under this section may be served in the manner provided
29 in Rule 45(b) of the Rules of Civil Procedure, G.S. 1A-1, except that subdivision (2) of
30 subsection (b) of Rule 45(b) does not apply to subpoenas issued under this section.

31 (e) In the case of failure by any person without adequate excuse to obey a
32 subpoena served upon the person, the Attorney General may invoke the aide of any
33 court of this State. The court may issue an order requiring the subpoenaed person to
34 appear before the Attorney General to produce records, if so ordered, or to give
35 testimony concerning the production and authentication of the records. Failure to obey
36 the order of the court may be punished by the court as contempt thereof.

37 (f) Notwithstanding any other State law to the contrary, any person, including
38 officers, agents, and employees, receiving a subpoena under this section, who complies
39 in good faith with the subpoena and thus produces the materials sought, shall not be
40 liable in any court of this State to any customer or other person for the production or for
41 nondisclosure of the production to the customer.

42 (g) Health information about an individual that is disclosed under this section
43 may not be used in, or disclosed to any person for use in, any administrative, civil, or
44 criminal action or investigation directed against the individual who is the subject of the
45 information unless the action or investigation arises out of and is directly related to
46 receipt of health care or payment for health care or action involving a fraudulent claim
47 related to health; or if authorized by an appropriate order of a court of competent
48 jurisdiction, granted after application showing good cause therefor.

- 49 (1) In assessing good cause under this subsection, the court shall weigh
50 the public interest and the need for disclosure against the injury to the

1 patient, to the physician-patient relationship, and to the treatment
2 services.

- 3 (2) Upon the granting of an order to disclose, the court, in determining the
4 extent to which any disclosure of all or any part of any record is
5 necessary, shall impose appropriate safeguards against unauthorized
6 disclosure."

7 **SECTION 15.8.(g)** G.S. 108A-63 reads as rewritten:

8 **"§ 108A-63. Medical assistance provider fraud.**

9 (a) It shall be unlawful for any provider of medical assistance under this Part to
10 knowingly and willfully make or cause to be made any false statement or representation
11 of a material fact:

12 (1) In any application for payment under this Part, or for use in
13 determining entitlement to such payment; or

14 (2) With respect to the conditions or operation of a provider or facility in
15 order that such provider or facility may qualify or remain qualified to
16 provide assistance under this Part.

17 (b) It shall be unlawful for any provider of medical assistance to knowingly and
18 willfully conceal or fail to disclose any fact or event affecting:

19 (1) His initial or continued entitlement to payment under this Part; or

20 (2) The amount of payment to which such person is or may be entitled.

21 (c) ~~Any~~ Except as otherwise provided in subsection (e) of this section, any
22 person who violates a provision of this section shall be guilty of a Class I felony.

23 (d) "Provider" shall include any person who provides goods or services under this
24 Part and any other person acting as an employee, representative or agent of such person.

25 (e) It shall be unlawful for any provider of medical assistance under this Part to
26 knowingly and willfully execute, or attempt to execute, a scheme or artifice to:

27 (1) Defraud the Medical Assistance Program; or

28 (2) Obtain, by means of false or fraudulent pretenses, representations or
29 promises, any of the money or property owned by, or under the
30 custody or control of, the Medical Assistance Program,

31 in connection with the delivery of or payment for health care benefits, items, or
32 services. If the value of the health care benefits, items, or services is one hundred
33 thousand dollars (\$100,000) or more, a violation of this subsection is a Class C felony.
34 If the value of the health care benefits, items, or services is less than one hundred
35 thousand dollars (\$100,000), a violation of this subsection is a Class H felony.

36 (f) It shall be unlawful for any person to knowingly and willfully solicit or
37 receive any remuneration (including any kickback, bribe, or rebate) directly or
38 indirectly, overtly or covertly, in cash or in kind:

39 (1) In return for referring an individual to a person for the furnishing or
40 arranging for the furnishing of any item or service for which payment
41 may be made in whole or in part under this Part, or

42 (2) In return for purchasing, leasing, ordering, or arranging for or
43 recommending purchasing, leasing, or ordering any good, facility,
44 service, or item for which payment may be made in whole or in part
45 under this Part.

46 (g) It shall be unlawful for any person to knowingly and willfully offer or pay
47 any remuneration (including any kickback, bribe, or rebate) directly or indirectly,
48 overtly or covertly, in cash or in kind to any person to induce such person:

49 (1) To refer an individual to a person for the furnishing or arranging for
50 the furnishing of any item or service for which payment may be made
51 in whole or in part under this Part, or

1 (2) To purchase, lease, order, or arrange for or recommend purchasing,
2 leasing, or ordering any good, facility, service, or item for which
3 payment may be made in whole or in part under this Part.

4 (h) Subsections (f) and (g) of this section shall not apply to:

5 (1) Contracts between the State and a public or private agency where part
6 of the agency's responsibility is referral of a person to a provider; and

7 (2) Any conduct or activity that does not violate 42 U.S.C. § 1320a-7b(b),
8 and amendments thereto, or is protected by 42 C.F.R. § 1001.952, and
9 amendments thereto."

10 **SECTION 15.8.(h)** This section becomes effective December 1, 2007.

11

12 **PART XVI. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY**

13

14 **ANNUAL EVALUATION OF TARHEEL CHALLENGE PROGRAM**

15 **SECTION 16.1.** The Department of Crime Control and Public Safety shall
16 report to the Chairs of the House of Representatives and Senate Appropriations
17 Committees and the Chairs of the House of Representatives and Senate Appropriations
18 Subcommittees on Justice and Public Safety by March 1 of each year of the biennium
19 on the operations and effectiveness of the National Guard Tarheel Challenge Program.
20 In particular, the Department shall evaluate and report on the Program's effectiveness as
21 an intervention method for preventing juveniles from becoming undisciplined or
22 delinquent and on the Program's role in improving individual skills and employment
23 potential for participants. The report shall also include all of the following:

24 (1) The source of referrals for individuals participating in the Program.

25 (2) The summary of types of actions or offenses committed by the
26 participants of the Program.

27 (3) An analysis outlining the cost of providing services for each
28 participant, including a breakdown of all expenditures related to the
29 administration and operation of the Program and the education and
30 treatment of the Program participants.

31 (4) The number of individuals who successfully complete the Program.

32 (5) The number of participants who commit offenses after completing the
33 Program.

34

35 **NEW ALE NON-SWORN JOB CLASSIFICATION**

36 **SECTION 16.2.(a)** As recommended by the Fiscal Research Division of the
37 General Assembly in the February 2007 Justification Review, the State Personnel
38 Commission shall develop for review a new non-sworn position classification for the
39 Alcohol Law Enforcement Division of the Department of Crime Control and Public
40 Safety that would supplement the agents that are employed by the Division.

41 **SECTION 16.2.(b)** Prior to the action taken pursuant to subsection (a) of
42 this section, the Office of State Personnel shall review all of the following:

43 (1) The Justification Review report.

44 (2) Current position descriptions and job classifications.

45 (3) Tasks currently performed by ALE field agents in order to determine
46 tasks that could be performed by non-sworn or noncertified personnel.

47 (4) Information on other states that use non-sworn staff for inspection,
48 compliance, and education efforts currently performed by North
49 Carolina ALE agents.

50 **SECTION 16.2.(c)** The Office of State Personnel shall report the results of
51 its review in writing to the Joint Legislative Corrections, Crime Control, and Juvenile

1 Justice Oversight Committee and to the State Personnel Commission by February 1,
2 2008. The Office of State Personnel report shall include (i) a detailed description of the
3 new ALE civilian position, including the job classification, a description of all of the
4 duties assigned to the position, and the salary grade for the position, (ii) the estimated
5 number of positions that should be established, and (iii) a time line for further review of
6 the job classification by the State Personnel Commission.

7 8 **ALTERNATIVE FUNDING SOURCE STUDY FOR THE GEOSPATIAL AND** 9 **TECHNOLOGY MANAGEMENT PROGRAM**

10 **SECTION 16.3.** The Department of Crime Control and Public Safety shall
11 study alternative funding sources for the Geospatial and Technology Management
12 Program. By March 1, 2008, the Department shall report the results of this study to the
13 Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee
14 and the Chairs of the House of Representatives and Senate Appropriations
15 Subcommittees on Justice and Public Safety. This report shall include information about
16 possible federal grant sources and receipt-based funding options from federal, State, and
17 local agencies as well as private industry.

18 19 **USE OF GANG PREVENTION FUNDS**

20 **SECTION 16.5.(a)** Of the funds appropriated in this act to the Department
21 of Crime Control and Public Safety, Governor's Crime Commission, the sum of three
22 million dollars (\$3,000,000) for the 2007-2008 fiscal year shall be used to provide
23 grants for street gang violence prevention, intervention, and suppression programs.

24 **SECTION 16.5.(b)** The Governor's Crime Commission shall develop the
25 criteria for eligibility for these funds. The criteria shall include a matching requirement
26 of twenty-five percent (25%), one-half of which may be in in-kind contributions, and
27 presentation of a written plan for the services to be provided by the funds. Funds shall
28 be available to public and private entities or agencies for juvenile or adult programs that
29 meet the criteria established by the Governor's Crime Commission.

30 **SECTION 16.5.(c)** The Governor's Crime Commission shall report to the
31 Chairs of the House of Representatives and Senate Appropriations Committees and the
32 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
33 Justice and Public Safety by April 15, 2008, on this program. The report shall include
34 all of the following:

- 35 (1) The grant award process.
- 36 (2) A description of each grant awarded.
- 37 (3) The performance criteria for evaluating grant programs.
- 38 (4) A list of State grants awarded in the 2007 grant cycle.

39 40 **REPORTS ON THE EXPANSION OF THE ALCOHOL LAW ENFORCEMENT** 41 **DIVISION'S AUTOMATED SYSTEMS**

42 **SECTION 16.6.** The Department of Crime Control and Public Safety shall
43 report to the Chairs of the House of Representatives and Senate Appropriations
44 Subcommittees on Justice and Public Safety and to the Chairs of the Joint Legislative
45 Corrections, Crime Control, and Juvenile Justice Oversight Committee by February 1
46 and May 1, 2008, on the status of the expansion of the Alcohol Law Enforcement
47 Division's automated systems for administrative and field processes. Each report shall
48 include all of the following:

- 49 (1) A description of the Division's automated systems.
- 50 (2) A list of prior and ongoing automation projects.
- 51 (3) A summary of work done with funds received.

- 1 (4) A time line for completion of new and ongoing projects.
- 2 (5) A list of expenditures to date.
- 3 (6) Program performance/efficiencies achieved with expanded
- 4 automation.
- 5

6 **STUDY CONSOLIDATION OF GIS MAPPING PROGRAMS**

7 **SECTION 16.7.(a)** The Office of State Budget and Management shall study
8 the feasibility and desirability of consolidating GIS mapping programs that are currently
9 located in separate State agencies into a single, unified program. Specifically, the study
10 shall do all of the following:

- 11 (1) Identify every State agency that has a GIS mapping program.
- 12 (2) Determine how each agency that has a GIS mapping program uses the
- 13 maps it develops.
- 14 (3) Determine the format in which each State agency that has a GIS
- 15 mapping program stores data and the manner in which that data is
- 16 accessed.
- 17 (4) Determine the feasibility and desirability of consolidating GIS
- 18 mapping programs into a single, unified program.

19 **SECTION 16.7.(b)** The Office of State Budget and Management shall
20 submit a written report of its findings and recommendations to the House of
21 Representatives and Senate Appropriations Committees and to the Joint Legislative
22 Commission on Governmental Operations by March 1, 2008.

23 **STUDY GANG ACTIVITY**

24 **SECTION 16.8.(a)** The Governor's Crime Commission shall study gang
25 activity in North Carolina. In its study, the Governor's Crime Commission shall do all
26 of the following:

- 27 (1) Assess gang activity in communities known to have gangs.
- 28 (2) Consult with the Department of Correction to assess gang activity in
- 29 the State's prisons.
- 30 (3) Consult with the Department of Public Instruction, Department of
- 31 Justice, and the Department of Correction on any gang prevention
- 32 initiatives they have in place or administered in the past.
- 33 (4) Summarize significant gang prevention, intervention, and suppression
- 34 programs that have been administered by local law enforcement, State
- 35 agencies, local governments, and community-based organizations, and
- 36 evaluate those programs for effectiveness.
- 37 (5) Review accepted best practices in gang prevention and evaluate
- 38 whether or not increasing penalties will mitigate gang activity.
- 39 (6) Project the growth of gang activity over the next five years and
- 40 identify the locations where that growth is expected to occur.
- 41 (7) Provide recommendations on ways of using State and local resources
- 42 to improve the effectiveness of future gang prevention initiatives.

43 **SECTION 16.8.(b)** The Governor's Crime Commission shall report on the
44 study's findings and recommendations by March 15, 2008, to the Joint Legislative
45 Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Chairs
46 of the House of Representatives and Senate Appropriations Subcommittees on Justice
47 and Public Safety.

48 **PART XVII. DEPARTMENT OF CORRECTION**

MUTUAL AGREEMENT PAROLE PROGRAM

SECTION 17.1. The Department of Correction and the Post-Release Supervision and Parole Commission shall report by March 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the number of inmates enrolled in the program, the number completing the program and being paroled, and the number who enrolled but were terminated from the program. The information should be based on the previous calendar year.

INMATE ROAD SQUADS AND LITTER CREWS

SECTION 17.2. Of the funds appropriated to the Department of Transportation in this act, the sum of eleven million three hundred thousand dollars (\$11,300,000) per year shall be transferred by the Department to the Department of Correction during the 2007-2008 and 2008-2009 fiscal years for the cost of operating medium custody inmate road squads, as authorized by G.S. 148-26.5, and minimum custody inmate litter crews. This transfer shall be made quarterly in the amount of two million eight hundred twenty-five thousand dollars (\$2,825,000). The Department of Transportation may use funds appropriated in this act to pay an additional amount exceeding the eleven million three hundred thousand dollars (\$11,300,000), but those payments shall be subject to negotiations among the Department of Transportation, the Department of Correction, and the Office of State Budget and Management prior to payment by the Department of Transportation.

The Office of State Budget and Management shall conduct a study, in consultation with the Department of Correction and the Department of Transportation, to determine the actual cost and cost/benefit of operating medium custody road squads and minimum custody litter crews. The Office of State Budget and Management shall report the results of this study to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and to the Joint Legislative Transportation Oversight Committee by March 1, 2008. The study shall include a recommendation on whether or not the amount transferred from the Department of Transportation to the Department of Correction should be increased or decreased.

ALCOHOL AND CHEMICAL DEPENDENCY PROGRAM REPORT

SECTION 17.3.(a) G.S. 143B-262.3 reads as rewritten:

"§ 143B-262.3. Reports to the General Assembly.

(a) The Department of Correction shall report by March 1 of each year to the Chairs of the Senate and House Appropriations Committees and the Chairs of the Senate and House Appropriations Subcommittees in Justice and Public Safety on their efforts to provide effective treatment to offenders with substance abuse problems. The report shall include:

- (1) Details of any new initiatives and expansions or reduction of programs;
- (2) Details on any treatment efforts conducted in conjunction with other departments;
- (3) Utilization of the DART/DWI program, ~~including its aftercare program;~~
- (4) ~~Progress in the development on an offender and inmate tracking and program evaluation system; and~~
- (5) ~~A report on the number of current inmates with substance abuse problems, the numbers currently receiving treatment, and the numbers~~

1 ~~who have completed treatment. As an offender and inmate tracking~~
2 ~~system becomes operational, this report shall also include information~~
3 ~~on the recidivism of inmates who have previously completed substance~~
4 ~~abuse treatment and been released from prison.~~

5 (6) Statistical information on the number of current inmates with
6 substance abuse problems that require treatment, the number of
7 treatment slots, the number who have completed treatment, and a
8 comparison of available treatment slots to actual utilization rates. The
9 report shall include this information for each DOC funded program;
10 and

11 (7) Evaluation of each substance abuse treatment program funded by the
12 Department of Correction. Evaluation measures shall include reduction
13 in alcohol and drug dependency, improvements in disciplinary and
14 infraction rates, recidivism (defined as return-to-prison rates), and
15 other measures of the programs' success.

16 (b) ~~The Department shall also report to the Chairs of the Senate and House of~~
17 ~~Representatives Appropriations Subcommittees on Justice and Public Safety by May 1,~~
18 ~~2004, and by February 1 annually beginning in 2005, on the average caseloads of~~
19 ~~Community Service Work Program coordinators, by district, division, and statewide.~~
20 ~~The report shall also include the money collected, the type and value of the work~~
21 ~~performed, and the number of offenders in the Community Service Work Program, by~~
22 ~~type of referral (i.e. parole, supervised probation, unsupervised probation or community~~
23 ~~punishment, DWI, or any other agency referrals)."~~

24 **SECTION 17.3.(b)** During the 2007-2009 fiscal biennium, the Department
25 of Correction evaluation effort shall focus mainly on evaluation of the long-term
26 residential programs operated by the Department of Correction through private contract
27 and those operated directly by the Department of Correction. The evaluation
28 component of the March 1, 2008, annual report shall be primarily a status report and
29 provide only preliminary information on the evaluation of the residential program. The
30 final evaluation report shall be included in the March 1, 2009, annual report.

31 **INMATE CONSTRUCTION PROGRAM**

32 **SECTION 17.4.** Funding authorized in this act is intended to increase
33 participation in the Inmate Construction Program in order to improve inmate job skills
34 and reduce recidivism. By April 1, 2008, the Department of Correction shall report to
35 the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
36 Committee and the House and Senate Appropriations Subcommittees on Justice and
37 Public Safety on the Inmate Construction Program. The report shall summarize the
38 2007-2008 Inmate Construction Program projects, including a description of each
39 project, the number of inmate workers, and the estimated total cost of the project
40 compared to the cost if the project was conducted without inmate workers. The report
41 shall also estimate the number of inmate workers that will be used in the program
42 during the 2008-2009 fiscal year.

43 **FEDERAL GRANT REPORTING**

44 **SECTION 17.5.** The Department of Correction, the Department of Justice,
45 the Department of Crime Control and Public Safety, the Judicial Department, and the
46 Department of Juvenile Justice and Delinquency Prevention shall report by May 1 of
47 each year to the Joint Legislative Commission on Governmental Operations, the Chairs
48 of the House of Representatives and Senate Appropriations Committees, and the Chairs
49 of the House of Representatives and Senate Appropriations Subcommittees on Justice
50
51

1 and Public Safety on federal grant funds received or preapproved for receipt by those
2 departments. The report shall include information on the amount of grant funds received
3 or preapproved for receipt by each department, the use of the funds, the State match
4 expended to receive the funds, and the period to be covered by each grant. If the
5 department intends to continue the program beyond the end of the grant period, the
6 department shall report on the proposed method for continuing the funding of the
7 program at the end of the grant period. Each department shall also report on any
8 information it may have indicating that the State will be requested to provide future
9 funding for a program presently supported by a local grant.

10
11 **REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY**
12 **MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE**
13 **SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM**

14 **SECTION 17.6.** Notwithstanding G.S. 143C-6-9, the Department of
15 Correction may use funds available to the Department for the 2007-2009 biennium to
16 pay the sum of forty dollars (\$40.00) per day as reimbursement to counties for the cost
17 of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to
18 the State prison system, as provided in G.S. 148-29. The Department shall report
19 quarterly to the Joint Legislative Commission on Governmental Operations, the Joint
20 Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, the
21 Chairs of the House of Representatives and Senate Appropriations Committees, and the
22 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
23 Justice and Public Safety on the expenditure of funds to reimburse counties for
24 prisoners awaiting transfer and on its progress in reducing the jail backlog.

25
26 **USE OF CLOSED PRISON FACILITIES**

27 **SECTION 17.7.** In conjunction with the closing of prison facilities,
28 including small expensive prison units recommended for consolidation by the
29 Government Performance Audit Committee, the Department of Correction shall consult
30 with the county or municipality in which the unit is located, with the elected State and
31 local officials, and with State agencies about the possibility of converting that unit to
32 other use. The Department may also consult with any private for-profit or nonprofit firm
33 about the possibility of converting the unit to other use. In developing a proposal for
34 future use of each unit, the Department shall give priority to converting the unit to other
35 criminal justice use. Consistent with existing law and the future needs of the
36 Department of Correction, the State may provide for the transfer or the lease of any of
37 these units to counties, municipalities, State agencies, or private firms wishing to
38 convert them to other use. The Department of Correction may also consider converting
39 some of the units recommended for closing from one security custody level to another,
40 where that conversion would be cost-effective. A prison unit under lease to a county
41 pursuant to the provisions of this section for use as a jail is exempt for the period of the
42 lease from any of the minimum standards adopted by the Secretary of Health and
43 Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that
44 would subject the unit to greater standards than those required of a unit of the State
45 prison system.

46 Prior to any transfer or lease of these units, the Department of Correction
47 shall report on the terms of the proposed transfer or lease to the Joint Legislative
48 Commission on Governmental Operations and the Joint Legislative Corrections, Crime
49 Control, and Juvenile Justice Oversight Committee. The Department of Correction shall
50 also provide annual summary reports to the Joint Legislative Commission on
51 Governmental Operations and the Joint Legislative Corrections, Crime Control, and

1 Juvenile Justice Oversight Committee on the conversion of these units to other use and
2 on all leases or transfers entered into pursuant to this section.

3 4 **LIMIT USE OF OPERATIONAL FUNDS**

5 **SECTION 17.8.** Funds appropriated in this act to the Department of
6 Correction for operational costs for additional facilities shall be used for personnel and
7 operating expenses set forth in the budget approved by the General Assembly in this act.
8 These funds shall not be expended for any other purpose, except as provided for in this
9 act, and shall not be expended for additional prison personnel positions until the new
10 facilities are within 120 days of projected completion, except that the Department may
11 establish critical positions prior to 120 days of completion representing no more than
12 twenty percent (20%) of the total estimated number of positions.

13 14 **ENERGY COMMITTED TO OFFENDERS/CONTRACT AND REPORT**

15 **SECTION 17.9.** The Department of Correction may continue to contract
16 with Energy Committed To Offenders, Inc., for the purchase of prison beds for
17 minimum security female inmates during the 2007-2009 biennium. Energy Committed
18 To Offenders, Inc., shall report by February 1 of each year to the Joint Legislative
19 Commission on Governmental Operations on the annual cost per inmate and the average
20 daily inmate population compared to bed capacity using the same methodology as that
21 used by the Department of Correction.

22 23 **INMATE MEDICAL COSTS**

24 **SECTION 17.10.** Notwithstanding the provisions of G.S. 143C-6-9, the
25 Department of Correction may use funds available during the 2007-2009 biennium for
26 the inmate medical program if expenditures are projected to exceed the Department's
27 inmate medical continuation budget. The Department shall consult with the Joint
28 Legislative Commission on Governmental Operations prior to exceeding the
29 continuation budget amount.

30 31 **PAROLE ELIGIBILITY REPORT**

32 **SECTION 17.11.(a)** The Post-Release Supervision and Parole Commission
33 shall, with the assistance of the North Carolina Sentencing and Policy Advisory
34 Commission and the Department of Correction, analyze the amount of time each inmate
35 who is eligible for parole on or before July 1, 2008, has served compared to the time
36 served by offenders under Structured Sentencing for comparable crimes. The
37 Commission shall determine if the person has served more time in custody than the
38 person would have served if sentenced to the maximum sentence under the provisions
39 of Article 81B of Chapter 15A of the General Statutes. The "maximum sentence", for
40 the purposes of this section, shall be calculated as set forth in subsection (b) of this
41 section.

42 **SECTION 17.11.(b)** For the purposes of this section, the following rules
43 apply for the calculation of the maximum sentence:

- 44 (1) The offense upon which the person was convicted shall be classified as
45 the same felony class as the offense would have been classified if
46 committed after the effective date of Article 81B of Chapter 15A of
47 the General Statutes.
- 48 (2) The minimum sentence shall be the maximum number of months in
49 the presumptive range of minimum durations in Prior Record Level VI
50 of G.S. 15A-1340.17(c) for the felony class determined under

1 subdivision (1) of this subsection. The maximum sentence shall be
2 calculated using G.S. 15A-1340.17(d), (e), or (e1).

- 3 (3) If a person is serving sentences for two or more offenses that are
4 concurrent in any respect, then the offense with the greater
5 classification shall be used to determine a single maximum sentence
6 for the concurrent offenses. The fact that the person has been
7 convicted of multiple offenses may be considered by the Commission
8 in making its determinations under subsection (a) of this section.

9 **SECTION 17.11.(c)** The Commission shall report to the Joint Legislative
10 Corrections, Crime Control, and Juvenile Justice Oversight Committee and to the
11 Chairs of the House of Representatives and Senate Appropriations Committees, and the
12 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
13 Justice and Public Safety by April 1, 2008. The report shall include the following: the
14 class of the offense for which each parole-eligible inmate was convicted and whether an
15 inmate had multiple criminal convictions. The Commission shall reinstate the parole
16 review process for each offender who has served more time than that person would have
17 under Structured Sentencing as provided by subsections (a) and (b) of this section.

18 The Commission shall also report on the number of parole-eligible inmates
19 reconsidered in compliance with this section and the number who were actually paroled.
20

21 **FEDERAL GRANT MATCHING FUNDS**

22 **SECTION 17.12.** Notwithstanding the provisions of G.S. 143C-6-9, the
23 Department of Correction may use up to the sum of one million two hundred thousand
24 dollars (\$1,200,000) during the 2007-2008 fiscal year from funds available to the
25 Department to provide the State match needed in order to receive federal grant funds.
26 Prior to using funds for this purpose, the Department shall report to the Chairs of the
27 House of Representatives and Senate Appropriations Subcommittees on Justice and
28 Public Safety and the Joint Legislative Commission on Governmental Operations on the
29 grants to be matched using these funds.
30

31 **REPORTS ON NONPROFIT PROGRAMS**

32 **SECTION 17.13.(a)** Funds appropriated in this act to the Department of
33 Correction to support the programs of Harriet's House may be used for program
34 operating costs, the purchase of equipment, and the rental of real property to serve
35 women released from prison with children in their custody. Harriet's House shall report
36 by February 1 of each year to the Joint Legislative Corrections, Crime Control, and
37 Juvenile Justice Oversight Committee and the Chairs of the House of Representatives
38 and Senate Appropriations Subcommittees on Justice and Public Safety on the
39 expenditure of State appropriations and on the effectiveness of the program, including
40 information on the number of clients served, the number of clients who successfully
41 complete the Harriet's House program, and the number of clients who have been
42 rearrested within three years of successfully completing the program. The report shall
43 provide financial and program data for the complete fiscal year prior to the year in
44 which the report is submitted. The financial report shall identify all funding sources and
45 amounts.

46 **SECTION 17.13.(b)** Summit House shall report by February 1 of each year
47 to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
48 Committee and the Chairs of the House of Representatives and Senate Appropriations
49 Subcommittees on Justice and Public Safety on the expenditure of State appropriations
50 and on the effectiveness of the program, including information on the number of clients
51 served, the number of clients who have had their probation revoked, the number of

1 clients who successfully complete the program while housed at Summit House, Inc.,
2 and the number of clients who have been rearrested within three years of successfully
3 completing the program. The report shall provide financial and program data for the
4 complete fiscal year prior to the year in which the report is submitted. The financial
5 report shall identify all funding sources and amounts.

6 **SECTION 17.13.(c)** Women at Risk shall report by February 1 of each year
7 to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
8 Committee and the Chairs of the House of Representatives and Senate Appropriations
9 Subcommittees on Justice and Public Safety on the expenditure of State funds and on
10 the effectiveness of the program, including information on the number of clients served,
11 the number of clients who have had their probation revoked, the number of clients who
12 have successfully completed the program, and the number of clients who have been
13 rearrested within three years of successfully completing the program. The report shall
14 provide financial and program data for the complete fiscal year prior to the year in
15 which the report is submitted. The financial report shall identify all funding sources and
16 amounts.

17 **SECTION 17.13.(d)** Our Children's Place shall report by February 1, 2008,
18 to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
19 Committee and the Chairs of the House of Representatives and Senate Appropriations
20 Subcommittees on Justice and Public Safety on the status of the planning, design, and
21 construction of Our Children's Place, the proposed program components and evaluation
22 measures, and on the projected number of inmates and their children to be served. The
23 report shall also provide financial data, including the expenditure of State funds and all
24 funding sources and amounts.

25 26 **REPORT ON ELECTRONIC MONITORING PROGRAM/USE OF GLOBAL** 27 **POSITIONING SYSTEMS FOR SEX OFFENDERS**

28 **SECTION 17.14.** The Department of Correction shall report by March 1 of
29 each year to the Chairs of the House and Senate Appropriations Committees, the Chairs
30 of the House of Representatives and Senate Appropriations Subcommittees on Justice
31 and Public Safety, and the Joint Legislative Corrections, Crime Control, and Juvenile
32 Justice Oversight Committee on the following:

- 33 (1) The number of sex offenders enrolled on active and passive GPS
34 monitoring.
- 35 (2) The caseloads of probation officers assigned to GPS-monitored sex
36 offenders.
- 37 (3) The number of violations.
- 38 (4) The number of absconders.
- 39 (5) The projected number of offenders to be enrolled by the end of the
40 2007-2008 fiscal year and the end of the 2008-2009 fiscal year.
- 41 (6) The total cost of the program, including a per-offender cost.

42 43 **CRIMINAL JUSTICE PARTNERSHIP**

44 **SECTION 17.15.(a)** Notwithstanding the provisions of G.S. 143B-273.15
45 specifying that grants to participating counties are for the full fiscal year and that
46 unobligated funds are returned to the State-County Criminal Justice Partnership
47 Account at the end of the grant period, the Department of Correction may reallocate
48 unspent or unclaimed funds distributed to counties participating in the State-County
49 Criminal Justice Partnership Program in an effort to maintain the level of services
50 realized in previous fiscal years.

1 **SECTION 17.15.(b)** The Department of Correction may not deny funds to a
2 county to support both a residential program and a day reporting center if the
3 Department of Correction determines that the county has a demonstrated need and a
4 fully developed plan for each type of sanction.

5 **SECTION 17.15.(c)** The Department of Correction shall report by March 1
6 of each year to the Chairs of the House of Representatives and Senate Appropriations
7 Committees, the House of Representatives and Senate Appropriations Subcommittees
8 on Justice and Public Safety, and the Joint Legislative Corrections, Crime Control, and
9 Juvenile Justice Oversight Committee on the status of the State-County Criminal Justice
10 Partnership Program. The report shall include the following information:

- 11 (1) The amount of funds carried over from the prior fiscal year;
- 12 (2) The dollar amount and purpose of grants awarded to counties as
13 discretionary grants for the current fiscal year;
- 14 (3) Any counties the Department anticipates will submit requests for new
15 implementation grants;
- 16 (4) An update on efforts to ensure that all counties make use of the
17 electronic reporting system, including the number of counties
18 submitting offender participation data via the system;
- 19 (5) An analysis of offender participation data received, including data on
20 each program's utilization and capacity;
- 21 (6) An analysis of comparable programs prepared by the Division of
22 Research and Planning, Department of Correction, including a
23 comparison of programs in each program type on selected outcome
24 measures developed by the Division of Community Corrections in
25 consultation with the Fiscal Research Division and the Division of
26 Research and Planning, and a summary of the reports prepared by
27 county Criminal Justice Partnerships Advisory Boards;
- 28 (7) A review of whether each sentenced offender program is meeting
29 established program goals developed by the Division of Community
30 Corrections in consultation with the Division of Research and Planning
31 and the State Criminal Justice Partnership Advisory Board;
- 32 (8) The number of community offenders and intermediate offenders
33 served by each county program;
- 34 (9) The amount of Criminal Justice Partnership funds spent on community
35 offenders and intermediate offenders; and
- 36 (10) A short description of the services and programs provided by each
37 partnership, including who the service providers are and the amount of
38 funds each service provider receives.

39 **SECTION 17.15.(d)** The Research and Planning Division of the Department
40 of Correction shall review national best practice programs for community corrections
41 and recommend whether the types of programs currently being funded should continue
42 to be funded, and whether alternative programs should be funded if a county wants to
43 expand sanction options. The Division shall report on its review by March 1 of each
44 year to the Chairs of the House of Representatives and Senate Appropriations
45 Committees, the House of Representatives and Senate Appropriations Subcommittees
46 on Justice and Public Safety, and the Joint Legislative Corrections, Crime Control, and
47 Juvenile Justice Oversight Committee.

48 **REPORT ON PROBATION AND PAROLE CASELOADS**

49 **SECTION 17.16.(a)** The Department of Correction shall report by March 1
50 of each year to the Chairs of the House of Representatives and Senate Appropriations
51

1 Subcommittees on Justice and Public Safety and the Joint Legislative Corrections,
2 Crime Control, and Juvenile Justice Oversight Committee on caseload averages for
3 probation and parole officers. The report shall include:

- 4 (1) Data on current caseload averages for Probation Parole Officer I,
5 Probation Parole Officer II, and Probation Parole Officer III positions;
- 6 (2) An analysis of the optimal caseloads for these officer classifications;
- 7 (3) An assessment of the role of surveillance officers;
- 8 (4) The number and role of paraprofessionals in supervising low-risk
9 caseloads;
- 10 (5) An update on the Department's implementation of the
11 recommendations contained in the National Institute of Correction
12 study conducted on the Division of Community Corrections in 2004;
- 13 (6) The selection of a risk assessment and the resulting distribution of
14 offenders among risk levels; and
- 15 (7) Any position reallocations in the previous 12 months, and the reasons
16 for and fiscal impact of those reallocations.

17 **SECTION 17.16.(b)** The Department of Correction shall conduct a study of
18 probation/parole officer workload at least biannually. The study shall include analysis of
19 the type of offenders supervised, the distribution of the probation/parole officers' time
20 by type of activity, the caseload carried by the officers, and comparisons to practices in
21 other states. The study shall be used to determine whether the caseload goals established
22 by the Structured Sentencing Act are still appropriate, based on the nature of the
23 offenders supervised and the time required to supervise those offenders.

24 **SECTION 17.16.(c)** The Department of Correction shall report the results of
25 the study and recommendations for any adjustments to caseload goals to the House of
26 Representatives and Senate Appropriations Subcommittees on Justice and Public Safety
27 by January 1, 2009.

28 **COMMUNITY SERVICE WORK PROGRAM**

29 **SECTION 17.17.** The Department of Correction shall report to the Chairs of
30 the House of Representatives and Senate Appropriations Subcommittees on Justice and
31 Public Safety by February 1 of each year on the integration of the Community Service
32 Work Program into the Division of Community Corrections, including the Department's
33 ability to monitor the collection of offender payments from unsupervised offenders
34 sentenced to community service. The Department shall also report to the Chairs of the
35 House of Representatives and Senate Appropriations Subcommittees on Justice and
36 Public Safety by February 1 of each year on the average caseloads of Community
37 Service Work Program coordinators, by district, division, and statewide. The report
38 shall also include the money collected, the type and value of the work performed, and
39 the number of offenders in the Community Service Work Program, by type of referral
40 (i.e. parole, supervised probation, unsupervised probation or community punishment,
41 DWI, or any other agency referrals).

42 **PART XVIII. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY**

43 **PREVENTION**

44 **SUPPORT OUR STUDENTS ADMINISTRATIVE COST LIMITS**

45 **SECTION 18.1.** Of the funds appropriated to the Department of Juvenile
46 Justice and Delinquency Prevention in this act, not more than five hundred thousand
47 dollars (\$500,000) for the 2007-2008 fiscal year and not more than five hundred
48 thousand dollars (\$500,000) for the 2008-2009 fiscal year may be used to administer the
49
50
51

1 Support Our Students (S.O.S.) Program, to provide technical assistance to applicants
2 and to local S.O.S. programs, and to evaluate the local S.O.S. programs. The
3 Department may contract with appropriate public or nonprofit agencies to provide the
4 technical assistance, including training and related services.
5

6 JCPC GRANT REPORTING AND CERTIFICATION

7 **SECTION 18.2.(a)** On or before April 1 each year, the Department of
8 Juvenile Justice and Delinquency Prevention shall submit to the Joint Legislative
9 Commission on Governmental Operations and the Appropriations Committees of the
10 Senate and House of Representatives a list of the recipients of the grants awarded, or
11 preapproved for award, from funds appropriated to the Department for local Juvenile
12 Crime Prevention Council grants. The list shall include for each recipient the amount of
13 the grant awarded, the membership of the local committee or council administering the
14 award funds on the local level, and a short description of the local services, programs, or
15 projects that will receive funds. The list shall also identify any programs that received
16 grant funds at one time but for which funding has been eliminated by the Department of
17 Juvenile Justice and Delinquency Prevention. A written copy of the list and other
18 information regarding the projects shall also be sent to the Fiscal Research Division of
19 the General Assembly.

20 **SECTION 18.2.(b)** Each county in which local programs receive Juvenile
21 Crime Prevention Council grant funds from the Department of Juvenile Justice and
22 Delinquency Prevention shall certify annually through its local council to the
23 Department that funds received are not used to duplicate or supplant other programs
24 within the county.

25 **SECTION 18.2.(c)** G.S. 143B-519 reads as rewritten:
26 "**§ 143B-519. Annual report.**

27 (a) On or before April 1 each year, beginning with the year 2001, the Department
28 shall report to the General Assembly on the effectiveness and cost benefit of every
29 program operated and contracted by the Department and a summary of the local
30 programs that receive State funding. The report shall include the most current
31 institutional populations of juveniles being served by the Department, a comparison of
32 the costs of the services, and a ranking of all programs that provide services to
33 juveniles. The Department shall submit the report to the various State agencies
34 providing services to juveniles.

35 (b) On or before April 1 each year, the Department shall report to the Chairs of
36 the Appropriations Committees of the Senate and House of Representatives, the Chairs
37 of the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
38 Committee, and the Fiscal Research Division on the following:

39 (1) The effectiveness of programs that receive Juvenile Crime Prevention
40 Council grant funds and that serve juveniles who have been
41 adjudicated delinquent or who have been diverted for delinquent
42 offenses. The standards used to evaluate these programs shall include
43 methods for measuring success factors following intervention and shall
44 include those factors that:

- 45 a. Reduce the use of alcohol or controlled substances.
- 46 b. Reduce subsequent complaints.
- 47 c. Reduce violations of terms of community supervision.
- 48 d. Reduce convictions for subsequent offenses.
- 49 e. Fulfill restitution to victims.
- 50 f. Increase parental accountability.

51 (2) The number of diverted and adjudicated juveniles served.

- 1 (3) The specific methods used by the Juvenile Crime Prevention Councils
2 to determine services, programs, and intervention strategies most
3 likely to change behaviors of juvenile offenders.
- 4 (4) The total cost for each funded program, including the cost per juvenile
5 and the essential elements of the program.
- 6 (5) An assessment of the extent to which programs funded by Juvenile
7 Crime Prevention Council grants:
 - 8 a. Are compatible with research that shows prevention and early
9 intervention strategies that are effective with juvenile offenders.
 - 10 b. Are outcome-based in that the grantee describes what outcomes
11 will be achieved or what outcomes have already been achieved.
 - 12 c. Include an evaluation component.
 - 13 d. Have a demonstrable impact on success factors.
 - 14 e. Detect gang participation and divert individuals from gang
15 participation."

16 **SECTION 18.2.(d)** The Department shall withhold the fourth quarter
17 payment for local Juvenile Crime Prevention Council grants pending receipt of the
18 annual effectiveness report required by subsection (c) of this section.
19

20 **REPORTS ON CERTAIN PROGRAMS**

21 **SECTION 18.3.(a)** Project Challenge North Carolina, Inc., shall report to
22 the Department of Juvenile Justice and Delinquency Prevention and the Chairs of the
23 House of Representatives and Senate Appropriations Subcommittees on Justice and
24 Public Safety by April 1 each year on the operation and the effectiveness of its program
25 in providing alternative dispositions and services to juveniles who have been
26 adjudicated delinquent or undisciplined. The report shall include information on:

- 27 (1) The source of referrals for juveniles.
- 28 (2) The types of offenses committed by juveniles participating in the
29 program.
- 30 (3) The amount of time those juveniles spend in the program.
- 31 (4) The number of juveniles who successfully complete the program.
- 32 (5) The number of juveniles who commit additional offenses after
33 completing the program.
- 34 (6) The program's budget and expenditures, including all funding sources.

35 **SECTION 18.3.(b)** The Juvenile Assessment Center shall report to the
36 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
37 Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and
38 Juvenile Justice Oversight Committee on the effectiveness of the Center by April 1 each
39 year. The report shall include information on the number of juveniles served and an
40 evaluation of the effectiveness of juvenile assessment plans and services provided as a
41 result of these plans. In addition, the report shall include information on the Center's
42 budget and expenditures, including all funding sources.
43

44 **ANNUAL EVALUATION OF COMMUNITY PROGRAMS**

45 **SECTION 18.4.** The Department of Juvenile Justice and Delinquency
46 Prevention shall conduct an evaluation of the Eckerd and Camp Woodson wilderness
47 camp programs, the teen court programs, the program that grants funds to the local
48 organizations of the Boys and Girls Clubs established pursuant to Section 21.10 of S.L.
49 1999-237, the Support Our Students Program, the Governor's One-on-One Programs,
50 and multipurpose group homes. The teen court report shall include statistical
51 information on the number of juveniles served, the number and type of offenses

1 considered by teen courts, referral sources for teen courts, and the number of juveniles
2 that become court-involved after participation in teen courts. The report on the Boys
3 and Girls Clubs program shall include information on:

- 4 (1) The expenditure of State appropriations on the program;
- 5 (2) The operations and the effectiveness of the program; and
- 6 (3) The number of juveniles served under the program.

7 In conducting the evaluation of each of these programs, the Department shall
8 consider whether participation in each program results in a reduction of court
9 involvement among juveniles. The Department shall also identify whether the programs
10 are achieving the goals and objectives of the Juvenile Justice Reform Act, S.L.
11 1998-202. The Department shall report the results of the evaluation to the Joint
12 Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, the
13 Chairs of the House of Representatives and Senate Appropriations Committees and the
14 Chairs of the Subcommittees on Justice and Public Safety of the House of
15 Representatives and Senate Appropriations Committees by March 1 of each year.

16 **STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

17 **SECTION 18.5.** Funds appropriated in this act to the Department of Juvenile
18 Justice and Delinquency Prevention for the 2007-2008 fiscal year may be used as
19 matching funds for the Juvenile Accountability Incentive Block Grants. If North
20 Carolina receives Juvenile Accountability Incentive Block Grants, or a notice of funds
21 to be awarded, the Office of State Budget and Management and the Governor's Crime
22 Commission shall consult with the Department of Juvenile Justice and Delinquency
23 Prevention regarding the criteria for awarding federal funds. The Office of State Budget
24 and Management, the Governor's Crime Commission, and the Department of Juvenile
25 Justice and Delinquency Prevention shall report to the Appropriations Committees of
26 the House of Representatives and Senate and the Joint Legislative Commission on
27 Governmental Operations prior to allocation of the federal funds. The report shall
28 identify the amount of funds to be received for the 2007-2008 fiscal year, the amount of
29 funds anticipated for the 2008-2009 fiscal year, and the allocation of funds by program
30 and purpose.

31 **REPORTING ON TREATMENT STAFFING MODEL AT YOUTH 32 DEVELOPMENT CENTERS**

33 **SECTION 18.6.(a)** The Department of Juvenile Justice and Delinquency
34 Prevention shall continue quarterly reporting during the 2007-2008 fiscal year to the
35 Chairs of the House of Representatives and Senate Appropriations Subcommittees on
36 Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and
37 Juvenile Justice Oversight Committee on the implementation of the treatment staffing
38 model at Samarkand and Stonewall Jackson Youth Development Centers, including the
39 latest results of the evaluation of the pilot treatment staffing models at the Centers and
40 the progress in implementing the model at other youth development centers.

41 **SECTION 18.6.(b)** The Department shall implement the staffing treatment
42 model presented to the Joint Legislative Corrections, Crime Control, and Juvenile
43 Justice Oversight Committee as part of the Department's November 14, 2006, report
44 regarding the joint use with the Department of Correction of the Swannanoa Youth
45 Development Center campus.

46 The staffing levels of the new youth development centers shall be capped at
47 66 staff for a 32-bed facility and 198 staff for the 96-bed facility for the 2007-2009
48 fiscal biennium. Staffing ratios shall be no more than 2.1 staff per every juvenile
49 committed at every other existing youth development center.
50
51

1 **SECTION 18.6.(c)** In the April 1, 2008, report, the Department shall include
2 a recommendation on whether the staffing and budget for youth development centers
3 should be modified to reflect the results of the pilot treatment programs.

4 5 **PROGRESS REPORTS ON YOUTH DEVELOPMENT CENTER CAPITAL** 6 **PROJECTS**

7 **SECTION 18.7.** The Department of Juvenile Justice and Delinquency
8 Prevention shall report quarterly during the 2007-2009 fiscal biennium, beginning
9 October 1, 2007, to the Chairs of the House of Representatives and Senate
10 Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative
11 Corrections, Crime Control, and Juvenile Justice Oversight Committee on the
12 Department's progress in the planning, design, and construction of new youth
13 development centers. The report shall include:

- 14 (1) An overall project schedule for each new youth development center
15 showing the original estimated date for construction completion and
16 the original estimated date for occupancy by juvenile offenders,
17 compared to the latest projected dates.
- 18 (2) An explanation of significant delays in the schedule or any potential
19 cost increase.

20 The Office of State Construction and the Capital Improvement Section of the
21 Office of State Budget and Management shall assist the Department of Juvenile Justice
22 and Delinquency Prevention in the preparation of the report required by this section.
23

24 **STUDY OF STATE DETENTION CENTERS**

25 **SECTION 18.8.** The Department of Juvenile Justice and Delinquency
26 Prevention shall study the nine juvenile detention centers that are operated by the State.
27 For each of the facilities, the review shall include:

- 28 (1) Recent admission trends and projections of future population.
- 29 (2) The offense history and assessed needs of the population.
- 30 (3) Whether staffing levels are appropriate for the number and types of
31 offenders housed in the facility.
- 32 (4) Whether the center has adequate housing capacity.
- 33 (5) Determine the repair and renovation needs and estimate the cost of any
34 repairs or renovations.
- 35 (6) The estimated cost to plan, design, and construct new detention
36 centers, if appropriate.
- 37 (7) Information on security and control of the facility, including assaults,
38 escapes, and infractions.

39 The Department shall report its findings to the Joint Legislative Corrections,
40 Crime Control, and Juvenile Justice Oversight Committee and to the Chairs of the
41 House of Representatives and the Senate Appropriations Subcommittees on Justice and
42 Public Safety no later than March 1, 2008.
43

44 **YOUTH DEVELOPMENT CENTER SCHOLARSHIPS**

45 **SECTION 18.9.** Funds appropriated to the North Carolina Community
46 College Foundation during the 2003-2004 fiscal year in S.L. 2003-284 for community
47 college scholarships for students who have completed their commitment to a Youth
48 Development Center and who have obtained a high school diploma or its equivalent are
49 hereby transferred to the Department of Juvenile Justice and Delinquency Prevention.
50 The Department of Juvenile Justice and Delinquency Prevention shall administer the
51 community college scholarship program described in this section.

1
2 **REPORT ON ECKERD FAMILY FOCUS ON REHABILITATIVE**
3 **TREATMENT (EFFORT) PROJECT**

4 **SECTION 18.10.** The Department and Eckerd Family Youth Alternatives,
5 Inc., shall report by April 1, 2008, and quarterly thereafter to the Chairs of the House of
6 Representatives and Senate Appropriations Subcommittees on Justice and Public Safety
7 and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
8 Committee on the progress of the Eckerd Family Focus on Rehabilitative Treatment
9 (EFFORT) project. The report shall include lessons learned from the EFFORT project,
10 staff assignments by shift, and implementation of the therapeutic model.
11

12 **PROGRESS REPORT ON JOINT USE BY THE DEPARTMENT OF**
13 **CORRECTION AND THE DEPARTMENT OF JUVENILE JUSTICE AND**
14 **DELINQUENCY PREVENTION OF THE SWANNANOVA VALLEY YOUTH**
15 **DEVELOPMENT CENTER**

16 **SECTION 18.11.** The Department of Juvenile Justice and Delinquency
17 Prevention and the Department of Correction shall report quarterly during the
18 2007-2009 fiscal biennium, beginning October 1, 2007, to the Chairs of the House of
19 Representatives and Senate Appropriations Subcommittees on Justice and Public Safety
20 and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
21 Committee on the joint use by both departments of the Swannanoa Valley Youth
22 Development Center. The report shall include an explanation of significant delays in
23 converting the Swannanoa Valley Youth Development Center into a facility that
24 functions as an adult female correctional center as well as a youth development center
25 and any cost increase related to that conversion.
26

27 **PART XIX. DEPARTMENT OF ADMINISTRATION**

28
29 **REDESIGNATION OF THE GOVERNOR'S ADVOCACY COUNCIL FOR**
30 **PERSONS WITH DISABILITIES**

31 **SECTION 19.1.(a)** Part 14A of Article 9 of Chapter 143B of the General
32 Statutes is repealed.

33 **SECTION 19.1.(b)** Pursuant to the Developmental Disabilities Assistance
34 and Bill of Rights Act, the Governor shall redesignate the operation and function of the
35 Governor's Advocacy Council for Persons with Disabilities from the Department of
36 Administration to a nongovernmental entity. The Governor shall follow the federal
37 statutory procedure for redesignation found at 45 C.F.R. § 1386.20, with a target
38 transfer date of July 1, 2007.

39 **SECTION 19.1.(c)** G.S. 120-123(3) is repealed.

40 **SECTION 19.1.(d)** G.S. 122A-5.11(a)(5) reads as rewritten:

41 "(a) The Housing Coordination and Policy Council shall consist of 15
42 representatives, as follows:

- 43 ...
44 (5) One member of the ~~Governor's Advocacy Council for Persons with~~
45 ~~Disabilities~~ State protection and advocacy agency designated under the
46 Developmental Disabilities Assistance and Bill of Rights Act 2000,
47 P.L. 106-402, who is familiar with the housing needs of the disabled.
48"

49 **SECTION 19.1.(e)** G.S. 122C-31(b) reads as rewritten:

50 "(b) Upon receipt of notification from a facility in accordance with subsection (a)
51 of this section, the Secretary shall notify the ~~Governor's Advocacy Council for Persons~~

1 ~~With Disabilities~~ State protection and advocacy agency designated under the
2 Developmental Disabilities Assistance and Bill of Rights Act 2000, P.L. 106-402, that a
3 person with a disability has died. The Secretary shall provide the ~~Council~~ agency
4 access to the information about each death reported pursuant to subsection (a) of this
5 section, including information resulting from any investigation of the death by the
6 Department and from reports received from the Chief Medical Examiner pursuant to
7 G.S. 130A-385. The ~~Council~~ agency shall use the information in accordance with its
8 powers and duties under ~~G.S. 143B-403.1~~ and applicable State and federal law and
9 regulations."

10 **SECTION 19.1.(f)** G.S. 122C-31(e) reads as rewritten:

11 "(e) Nothing in this section abrogates State or federal law or requirements
12 pertaining to the confidentiality, privilege, or other prohibition against disclosure of
13 information provided to the Secretary or the ~~Council~~ agency. In carrying out the
14 requirements of this section, the Secretary and the ~~Council~~ agency shall adhere to State
15 and federal requirements of confidentiality, privilege, and other prohibitions against
16 disclosure and release applicable to the information received under this section. A
17 facility or provider that makes available confidential information in accordance with
18 this section and with State and federal law is not liable for the release of the
19 information."

20 **SECTION 19.1.(g)** G.S. 131D-10.6B(b) reads as rewritten:

21 "(b) Upon receipt of notification from a facility in accordance with subsection (a)
22 of this section, the Department shall notify the ~~Governor's Advocacy Council for~~
23 ~~Persons With Disabilities~~ State protection and advocacy agency designated under the
24 Developmental Disabilities Assistance and Bill of Rights Act 2000, P.L. 106-402, that a
25 person with a disability has died. The Department shall provide the ~~Council~~ agency
26 access to the information about each death reported to the ~~Council~~ agency pursuant to
27 subsection (a) of this section, including information resulting from any investigation of
28 the death by the Department, and from reports received from the Chief Medical
29 Examiner pursuant to G.S. 130A-385. The ~~Council~~ agency shall use the information in
30 accordance with its powers and duties under ~~G.S. 143B-403.1~~ and applicable State and
31 federal law and regulations."

32 **SECTION 19.1.(h)** G.S. 131D-10.6B(d) reads as rewritten:

33 "(d) Nothing in this section abrogates State or federal law or requirements
34 pertaining to the confidentiality, privilege, or other prohibition against disclosure of
35 information provided to the Department or the ~~Council~~ agency. In carrying out the
36 requirements of this section, the Department and the ~~Council~~ agency shall adhere to
37 State and federal requirements of confidentiality, privilege, and other prohibitions
38 against disclosure and release applicable to the information received under this section.
39 A facility or provider that makes available confidential information in accordance with
40 this section and with State and federal law is not liable for the release of the
41 information."

42 **SECTION 19.1.(i)** G.S. 131D-34.1(b) reads as rewritten:

43 "(b) Upon receipt of notification from an adult care home in accordance with
44 subsection (a) of this section, the Department of Health and Human Services shall notify
45 the ~~Governor's Advocacy Council for Persons With Disabilities~~ State protection and
46 advocacy agency designated under the Developmental Disabilities Assistance and Bill
47 of Rights Act 2000, P.L. 106-402, that a person with a disability has died. The
48 Department shall provide the ~~Council~~ agency access to the information about each
49 death reported pursuant to subsection (a) of this section, including information resulting
50 from any investigation of the death by the Department and from reports received from
51 the Chief Medical Examiner pursuant to G.S. 130A-385. The ~~Council~~ agency shall use

1 the information in accordance with its powers and duties under ~~G.S. 143B-403.1~~ and
2 applicable State and federal law and regulations."

3 **SECTION 19.1.(j)** G.S. 131D-34.1(d) reads as rewritten:

4 "(d) Nothing in this section abrogates State or federal law or requirements
5 pertaining to the confidentiality, privilege, or other prohibition against disclosure of
6 information provided to the Department or the ~~Council-agency~~. In carrying out the
7 requirements of this section, the Department and the ~~Council-agency~~ shall adhere to
8 State and federal requirements of confidentiality, privilege, and other prohibitions
9 against disclosure and release applicable to the information received under this section.
10 A facility or provider that makes available confidential information in accordance with
11 this section and with State and federal law is not liable for the release of the
12 information."

13 **SECTION 19.1.(k)** Not later than May 1, 2008, the Department of
14 Administration and the Office of State Personnel shall report to the House
15 Appropriations Subcommittee on General Government and the Senate Appropriations
16 Subcommittee on General Government on the placement or compensation of all State
17 employees affected by the redesignation of the Governor's Advocacy Council for
18 Persons with Disabilities.

19 **SECTION 19.1.(l)** This section is effective on the effective date of the
20 redesignation and transfer of the operation and function of the Governor's Advocacy
21 Council for Persons with Disabilities from the Department of Administration to a
22 nongovernmental entity under the Developmental Disabilities Assistance and Bill of
23 Rights Act 2000, P.L. 106-402. Any funds appropriated to the Governor's Advocacy
24 Council for Persons with Disabilities revert to the General Fund on that date.

25 26 **SEXUAL ASSAULT/RAPE CRISIS CENTER FUNDING**

27 **SECTION 19.2.(a)** The Department of Administration, the Council for
28 Women, and the Domestic Violence Commission shall distribute funds to the North
29 Carolina Coalition Against Sexual Assault and to rape crisis centers. To receive funds,
30 rape crisis centers shall meet the following criteria:

- 31 (1) Operate as a private, nonprofit organization or a local unit of
32 government applying for a rape crisis center that has provided basic
33 services, as defined by the Council for Women and the Domestic
34 Violence Commission, for a one-year period before the date of
35 application;
- 36 (2) Have a mission statement that clearly specifies rape crisis services are
37 provided;
- 38 (3) Act in support of victims of rape or sexual assault by providing
39 assistance to ensure victims' interests are represented in law
40 enforcement and legal proceedings and support and referral services
41 are provided in medical and community settings; and
- 42 (4) Provide a 24-hour crisis hotline.

43 **SECTION 19.2.(b)** Grant funds allocated from the General Fund to the
44 Department of Administration, the Council for Women and the Domestic Violence
45 Commission for rape crisis shall be distributed in two equal shares. The North Carolina
46 Coalition Against Sexual Assault and rape crisis centers whose services are confined to
47 rape crisis and sexual assault services shall be allocated the sum of fifty thousand
48 dollars (\$50,000) in each year of the 2007-2009 biennium. Organizations that contain
49 rape crisis services in addition to domestic violence services or other support services
50 shall receive an equal share of remaining funds in each year of the 2007-2009 biennium.
51

1
2 **TRANSFER OF STATE ENERGY OFFICE AND ENERGY GRANT**
3 **PROGRAM**

4 **SECTION 19.3.(a)** The State Energy Office is transferred to the State
5 Construction Office in the Department of Administration, except for the administration
6 of the energy grant program. This transfer shall have all of the elements of a Type I
7 transfer, as defined in G.S. 143A-6. The energy grant program of the State Energy
8 Office is transferred to the Department of Environment and Natural Resources as
9 provided in this section. The Department of Environment and Natural Resources, Office
10 of the Secretary, shall administer the energy grant program and the supporting positions
11 for the grant program. Six positions shall be eliminated as a result of the transfer of the
12 State Energy Office to the State Construction Office and the administration of the
13 energy grant program by the Department of Environment and Natural Resources.

14 **SECTION 19.3.(b)** G.S. 143-58.4(b) reads as rewritten:

15 "(b) Establish Program. – The State ~~Energy–Construction~~ Office of the
16 Department, in cooperation with State departments, institutions, and agencies, shall
17 establish and administer an energy credit banking and selling program to allow State
18 departments, institutions, and agencies to use moneys generated by the sale of EAct
19 credits to purchase alternative fuel, develop alternative fuel refueling infrastructure, and
20 purchase AFVs for use by State departments, institutions, and agencies. Each State
21 department, institution, and agency shall provide the State ~~Energy–Construction~~ Office
22 with all vehicle fleet information necessary to determine the number of EAct credits
23 generated annually by the State. The State ~~Energy–Construction~~ Office may sell credits
24 in any manner that is in accordance with the provisions of the Energy Policy Act."

25 **SECTION 19.3.(c)** G.S. 143-64.11 reads as rewritten:

26 "§ 143-64.11. **Definitions.**

27 For purposes of this Article:

28 ...

29 (2a) "~~Energy Office~~" means the ~~State Energy Office of the Department of~~
30 ~~Administration.~~

31 ...

32 (8a) "State Construction Office" means the State Construction Office of the
33 Department of Administration."

34 **SECTION 19.3.(d)** G.S. 143-64.17F reads as rewritten:

35 "§ 143-64.17F. **State agencies to use contracts when feasible; rules;**
36 **recommendations.**

37 (a) State governmental units shall evaluate the use of guaranteed energy savings
38 contracts in reducing energy costs and may use those contracts when feasible and
39 practical.

40 (b) The Department of Administration, through the State ~~Energy–Construction~~
41 Office, shall adopt rules for: (i) agency evaluation of guaranteed energy savings
42 contracts; (ii) establishing time periods for consideration of guaranteed energy savings
43 contracts by the Office of State Budget and Management, the Office of the State
44 Treasurer, and the Council of State, and (iii) setting measurements and verification
45 criteria, including review, audit, and precertification. Prior to adopting any rules
46 pursuant to this section, the Department shall consult with and obtain approval of those
47 rules from the State Treasurer.

48 (c) The Department of Administration, through the State ~~Energy–Construction~~
49 Office, may provide to the Council of State its recommendations concerning any energy
50 savings contracts being considered."

51 **SECTION 19.3.(e)** G.S. 143-64.17H reads as rewritten:

1 **"§ 143-64.17H. Report on guaranteed energy savings contracts entered into by**
2 **State governmental units.**

3 A State governmental unit that enters into a guaranteed energy savings contract must
4 report the contract and the terms of the contract to the State ~~Energy Construction~~ Office
5 of the Department of Administration within 30 days of the date the contract is entered
6 into. In addition, within 60 days after each annual anniversary date of a guaranteed
7 energy savings contract, the State governmental unit must report the status of the
8 contract to the State ~~Energy Construction~~ Office, including any details required by the
9 State ~~Energy Construction~~ Office. The State ~~Energy Construction~~ Office shall compile
10 the information for each fiscal year and report it to the Joint Legislative Commission on
11 Governmental Operations and to the Local Government Commission annually by
12 December 1. In compiling the information, the State ~~Energy Construction~~ Office shall
13 include information on the energy savings expected to be realized from a contract and
14 shall evaluate whether expected savings have in fact been realized."

15 **SECTION 19.3.(f)** G.S. 113B-6(5) is repealed.

16 **SECTION 19.3.(g)** Part 3 of Article 36 of Chapter 143 of the General
17 Statutes is recodified as Article 29 of Subchapter VII of Chapter 113 and reads as
18 rewritten:

19 **"Subchapter VII. Energy.**

20 **"Part 3. Article 29.**

21 "Energy Improvement Loan Program.

22 **"§ ~~143-345.16, 113-425.~~ Short title.**

23 This ~~Part Article~~ shall be known as the Energy Improvement Loan Program.

24 **"§ ~~143-345.17, 113-426.~~ Legislative findings and purpose.**

25 The General Assembly finds and declares that it is in the best interest of the citizens
26 of North Carolina to promote and encourage energy efficiency within the State in order
27 to conserve energy, promote economic competitiveness, and expand employment in the
28 State.

29 **"§ ~~143-345.18, 113-427.~~ Lead agency; powers and duties.**

30 (a) For the purposes of this ~~Part Article~~, the Department of ~~Administration, State~~
31 ~~Energy Office, Environment and Natural Resources~~ is designated as the lead State
32 agency in matters pertaining to ~~energy efficiency, the Energy Improvement Loan~~
33 ~~Program.~~

34 (b) The Department shall have the following powers and duties with respect to
35 this Part:

36 (1) To provide industrial and commercial concerns doing business in
37 North Carolina, local governmental units, and nonprofit organizations
38 operating in North Carolina with information and assistance in
39 undertaking energy conserving capital improvement projects to
40 enhance efficiency.

41 (2) To ~~establish maintain~~ a revolving ~~fund within~~ fund, located in the
42 Department of ~~Administration~~, for the purpose of providing secured
43 loans in amounts not greater than five hundred thousand dollars
44 (\$500,000) per entity to install energy-efficient capital improvements
45 (i) within businesses or nonprofit organizations located within or
46 translocating to North Carolina, and (ii) within local governmental
47 units. In providing these loans, priority shall be given to entities
48 already located in the State.

49 (2a) To develop and adopt rules to allow State-regulated financial
50 institutions to provide secured loans to corporate entities, nonprofit

1 organizations, and local governmental units in accordance with terms
2 and criteria established by the Department.

- 3 (3) To work with appropriate State and federal agencies to develop and
4 implement rules and regulations to facilitate this program.

5 (c) The annual interest rate charged for the use of the funds from the revolving
6 fund established pursuant to subdivision (b)(2) of this section shall be three percent
7 (3%) per annum, excluding other fees required for loan application review and
8 origination. The term of any loan originated under this section may not be greater than
9 10 years.

10 (c1) Notwithstanding subsection (c) of this section, the Department shall adopt
11 rules to allow loans to be made from the revolving loan fund and by State-regulated
12 financial institutions at interest rates as low as one percent (1%) per annum for certain
13 energy efficient and conservation projects such as recycling and renewable energy to
14 encourage their development and use.

15 (d) In accordance with the terms of the Stripper Well Settlement, administrative
16 expenses for activities under this section shall be limited to five percent (5%) of funds
17 appropriated for this purpose.

18 (e) For purposes of this section:

- 19 (1) "Local governmental unit" means any board or governing body of a
20 political subdivision of the State, including any board of a community
21 college, any school board, or an agency, commission, or authority of a
22 political subdivision of the State.

- 23 (2) "Nonprofit organization" means an organization that is exempt from
24 federal income taxation under section 501(c)(3) of the Internal
25 Revenue Code."

26 **SECTION 19.3.(h)** The Department of Environment and Natural Resources
27 may adopt rules pursuant to G.S. 113-427(b)(3) that are substantively identical to the
28 rules adopted by the Department of Administration, State Energy Office, regarding the
29 Energy Improvement Loan Program.

30 **SECTION 19.3.(i)** Subchapter VII of Chapter 113 of the General Statutes,
31 as enacted in this section, is amended by adding a new Article to read:

32 "Article 30.

33 "Energy Improvement Grants.

34 **"§ 113-430. Awarding grants; Energy Policy Council approval required.**

35 (a) The Department of Environment and Natural Resources shall administer all
36 continuing grants awarded prior to July 1, 2007, by the Department of Administration,
37 State Energy Office, except grants for the State Energy Savings Program, the State
38 Utility Savings Initiative, or grants to update the State Energy Plan and shall administer
39 and shall adopt rules and procedures for awarding future grants for energy conservation,
40 research, or efficiency. Prior to awarding any grant under this Article, the Department of
41 Administration must verify sufficient funds are available. The Energy Policy Council
42 shall approve all grants awarded under this Article and shall direct the Department of
43 Administration to issue funds for the grants.

44 (b) The Department may apply for and accept grants of money from any federal
45 agency or any public or private sources to carry out the purposes of this Article.

46 (c) Existing grant funds and new grant funds shall be administered by the
47 Department, but all funds shall be located in and distributed by the Department of
48 Administration."

49 **SECTION 19.3.(j)** G.S. 113B-11 reads as rewritten:

50 **"§ 113B-11. Powers and authority.**

51 ...

1 (c) The Council shall have authority to ~~apply for and utilize grants,~~
2 ~~contributions~~ contributions and appropriations in order to carry out its duties as defined
3 in Articles 1 and 2 of this Chapter, provided, however, that all such applications and
4 requests are made through and administered by the Department of Administration.

5 ...
6 (e1) The Council shall review applications for grants for energy conservation,
7 research, or efficiency, under Article 30 of Chapter 113 of the General Statutes, and
8 shall approve, approve in part, or disapprove the applications."

9 **SECTION 19.3.(k)** The Department shall develop a Strategic Plan for
10 Energy Grants to set forth the proposed criteria and guidelines to award and administer
11 future grants. The plan shall include the proposed distribution of grant funds for energy
12 purposes, which may include energy efficiency, renewable energy, alternative fuels, and
13 energy conservation. The Department shall submit the plan to the Energy Policy
14 Council and to the Chairs of the House Appropriations Committee and the Chairs of the
15 Senate Appropriations Committee no later than November 1, 2007. After consultation
16 with the House and Senate Appropriation Chairs, the Energy Policy Council shall
17 approve the plan no later than March 1, 2008. The plan shall be approved prior to any
18 new grants being awarded.

19 STATE EMPLOYEE PARKING CHANGES

20 **SECTION 19.4.(a)** Section 4 of S.L. 2006-231 is repealed.

21 **SECTION 19.4.(b)** The Department of Administration shall immediately
22 cease the construction of a new parking facility in the City of Raleigh that had been
23 authorized by Section 4 of S.L. 2006-231.

24 **SECTION 19.4.(c)** The Department of Administration shall no longer
25 provide reserved spaces for State employee parking in the City of Raleigh Downtown
26 Complex except for parking decks located belowground and parking lots with fewer
27 than 30 employee spaces. The Department shall overbook parking decks or parking lots
28 by no more than fifteen percent (15%). State employees who work in the City of
29 Raleigh Downtown Complex shall be given priority over State employees whose offices
30 are located outside of this complex and those who use service vehicles.

31 **SECTION 19.4.(d)** The Department may use funds from parking revenues
32 that are in excess of parking system expense requirements to subsidize up to half the
33 cost of vanpools and shall provide preferred parking to vanpools.

34 **SECTION 19.4.(e)** The Office of State Budget and Management, in
35 consultation with the Department of Administration, shall study the overall plan for
36 State employee parking in the City of Raleigh. As part of the study, the Office of State
37 Budget and Management shall consider the use of alternative transportation to increase
38 car pools, vanpools, use of park and ride lots, and city and county transit options. The
39 Office of State Budget and Management shall report its findings and recommendations
40 to the Senate Appropriations Committee on General Government and the House of
41 Representatives Appropriations Subcommittee on General Government and Information
42 Technology by May 1, 2008.

43 PART XX. OFFICE OF THE STATE CONTROLLER

44 OVERPAYMENTS AUDIT

45 **SECTION 20.1.(a)** During the 2007-2009 biennium, receipts generated by
46 the collection of inadvertent overpayments by State agencies to vendors as a result of
47 pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed
48
49
50

1 refunds, erroneously paid excise taxes, and related errors as required by
2 G.S. 147-86.22(c) are to be deposited in the Special Reserve Account 24172.

3 **SECTION 20.1.(b)** For the 2007-2009 biennium, five hundred thousand
4 dollars (\$500,000) of the funds transferred from the Special Reserve Account 24172
5 shall be used by the Office of the State Controller for data processing, debt collection,
6 or e-commerce costs.

7 **SECTION 20.1.(c)** All funds available in the Special Reserve Account
8 24172 on July 1 of each year of the 2007-2009 biennium are transferred to the General
9 Fund on that date.

10 **SECTION 20.1.(d)** Any unobligated funds in the Special Reserve Account
11 24172 that are realized above the allowance in subsection (b) of this section are subject
12 to appropriation by the General Assembly in the 2008 Regular Session of the 2007
13 General Assembly.

14 **SECTION 20.1.(e)** The State Controller shall report quarterly to the Joint
15 Legislative Commission on Governmental Operations and the Fiscal Research Division
16 on the revenue deposited into the Special Reserve Account 24172 and the disbursement
17 of that revenue.

18 **PART XXI. DEPARTMENT OF CULTURAL RESOURCES**

19 **GRASSROOTS ARTS PROGRAM FUNDING**

20 **SECTION 21.1.(a)** G.S. 143B-122 reads as rewritten:

21 **"§ 143B-122. Distribution of funds.**

22 ~~Funds~~ Of the funds available under the Grassroots Arts Program-Program, twenty
23 percent (20%) of the total shall be distributed among the counties equally, and the
24 remaining eighty percent (80%) shall be distributed among the counties on a per capita
25 basis."

26 **SECTION 21.1.(b)** Any funds distributed by the Department of Cultural
27 Resources under the Grassroots Arts Program for the 2000-2001 through 2006-2007
28 fiscal years are hereby ratified, validated, and confirmed.

29 **PART XXII. OFFICE OF THE GOVERNOR**

30 **HOUSING FINANCE AGENCY SHALL CONTINUE AND EXPAND THE** 31 **NORTH CAROLINA HOME PROTECTION PILOT PROGRAM AND** 32 **LOAN FUND**

33 **SECTION 22.1.(a)** The North Carolina Housing Finance Agency shall
34 continue, develop, implement, and administer a pilot program to assist North Carolina
35 workers who have lost jobs as a result of changing economic conditions in North
36 Carolina when the workers are in need of assistance to avoid losing their homes to
37 foreclosure. The Agency shall do all of the following:

- 38 (1) Develop and administer the North Carolina Home Protection Pilot
39 Program and Loan Fund to ensure that workers in the counties selected
40 for the Pilot have assistance to avoid losing their homes to foreclosure.
41 The Program shall include all counties that had greater than seven
42 percent (7%) average unemployment in the 2004-2005 fiscal year.
 - 43 (2) Make loans secured by liens on residential real property located in
44 North Carolina to property owners who are eligible for those loans.
 - 45 (3) Develop and administer procedures by which property owners at risk
46 of being foreclosed upon may qualify for assistance.
- 47
48
49
50

- 1 (4) Designate, approve, and fund nonprofit counseling agencies in
2 counties participating in the Program to be available to assist the
3 Agency in implementing the provisions of this section, provide
4 services such as direct mortgagee negotiations on behalf of
5 unemployed workers, and process loan applications for the Agency.
6 (5) Develop and fund enhanced methods by which workers may be
7 notified of foreclosure mitigation services, may easily contact local
8 nonprofit counseling agencies, and may apply for loans from the
9 Agency.
10 (6) No later than April 1, 2008, report to the Chairs of the Appropriations
11 Committees of the Senate and the House of Representatives on the
12 effectiveness of the Program in accomplishing its purposes and
13 provide any other information the Agency determines is pertinent or
14 that the General Assembly requests.

15 **SECTION 22.1.(b)** As used in this section, the following definitions apply:

- 16 (1) Agency. – The North Carolina Housing Finance Agency.
17 (2) Counseling agency. – A nonprofit counseling agency located in North
18 Carolina that is approved by the North Carolina Housing Finance
19 Agency.
20 (3) Mortgage. – An obligation evidenced by a security document and
21 secured by a lien upon real property located within North Carolina,
22 including a deed of trust and land sale agreement. Mortgage also
23 means an obligation evidenced by a security lien on real property upon
24 which an owner-occupied mobile home is located.
25 (4) Mortgagee. – The owner of a beneficial interest in a mortgage loan, the
26 servicer for the owner of a beneficial interest in a mortgage loan, or the
27 trustee for a securitized trust that holds title to a beneficial interest in a
28 mortgage loan.

29 **SECTION 22.1.(c)** Notwithstanding Chapters 23, 24, and 45 of the General
30 Statutes or any other provision of law, upon the proper filing of an application for loan
31 assistance by a mortgagor under this section, a mortgagee shall not do the following:

- 32 (1) Accelerate the maturity of any mortgage obligation covered under this
33 section.
34 (2) Commence or continue any legal action, including mortgage
35 foreclosure pursuant to Chapter 45 of the General Statutes, to recover
36 the mortgage obligation.
37 (3) Take possession of any security of the mortgagor for the mortgage
38 obligation.
39 (4) Procure or receive a deed in lieu of foreclosure.
40 (5) Enter judgment by confession pursuant to a note accompanying a
41 mortgage.
42 (6) Proceed to enforce the mortgage obligation pursuant to applicable
43 rules of civil procedure for a period of 120 days following the date of
44 the mortgagor's properly filed application.

45 The provisions of this section shall not apply if the mortgagee receives notice
46 from the Agency that the mortgagor's application has been denied.

47 If a mortgagee acts as proscribed in subdivisions (1) through (6) of this
48 subsection, a mortgagor shall be entitled to injunctive relief without the necessity of
49 providing a bond. This relief shall be in addition to any defenses available under
50 G.S. 45-21.16(d) and any other remedies at law or equity.

1 Upon the Agency's receipt of a properly filed mortgagor's application for loan
2 assistance, the Agency shall mail notice of the application to the mortgagor's mortgagee
3 within five business days of the Agency's receipt of the application. The Agency shall
4 also mail notice of the acceptance or denial of the mortgagor's application to the
5 mortgagee within five days of the Agency's determination. Notice shall be deemed
6 sufficient if sent to the last known address of the mortgagee.

7 **SECTION 22.1.(d)** Rule Making. – Solely with respect to the adoption of
8 procedures for the pilot program by which property owners at risk of being foreclosed
9 upon may qualify for assistance, the Agency is exempt from the requirements of Article
10 2A of Chapter 150B of the General Statutes. Prior to adoption or amendment of
11 procedures, the Agency shall:

- 12 (1) Publish the proposed procedures in the North Carolina Register at least
13 30 days prior to the adoption of the final procedures.
- 14 (2) Accept oral and written comments on the proposed procedures.
- 15 (3) Hold at least one public hearing on the proposed procedures.

16 **SECTION 22.1.(e)** Funds appropriated under this act to the Agency that are
17 unexpended and unencumbered shall not revert but shall remain available to be used for
18 the expansion of the program to additional counties as provided by this section.

19 **SECTION 22.1.(f)** This section applies only to the 2007-2008 fiscal year.
20

21 **PART XXIII. OFFICE OF STATE BUDGET AND MANAGEMENT**

22 **MILITARY MORALE, RECREATION, AND WELFARE FUNDS**

23 **SECTION 23.1.** Funds appropriated in this act to the Office of State Budget
24 and Management to the Reserve for the Military Morale, Recreation, and Welfare Fund
25 and distributed to each military installation on a per capita basis shall be deposited in
26 the Military Morale, Recreation, and Welfare Fund for each installation and used only
27 for community services and other expenditures to improve quality of life programs for
28 military members and their families in North Carolina.
29

30 **LICENSING BOARD REPORTING REQUIREMENT**

31 **SECTION 23.2.** G.S. 93B-2(b) reads as rewritten:

32 "(b) Each occupational licensing board shall file with the Secretary of State, the
33 Attorney General, the Office of State Budget and Management, and the Joint Legislative
34 Administrative Procedure Oversight Committee a financial report that includes the
35 source and amount of all funds credited to the occupational licensing board and the
36 purpose and amount of all funds disbursed by the occupational licensing board during
37 the previous 12-month period."
38

39 **STUDY OF THE WORKERS' COMPENSATION PROGRAM IN STATE** 40 **AGENCIES**

41 **SECTION 23.3.** The Office of State Budget and Management, in
42 consultation with the Office of State Personnel and the Office of State Controller, shall
43 conduct a study of the Workers' Compensation Program in State agencies and
44 institutions to determine if the third-party administration of the program continues to be
45 the most effective mode of administration; to determine if the current method of funding
46 is still the most effective method; to determine whether excess coverage policies are
47 needed; and to identify any other operational inefficiencies in program operations that
48 might exist. The Office of State Budget and Management shall submit a final report
49 outlining the related findings and recommendations for improvements to the Joint
50

1 Legislative Commission on Governmental Operations and the Fiscal Research Division
2 by March 1, 2008.

3
4 **MODIFY STATE FIRE PROTECTION GRANT FUND**

5 **SECTION 23.4.(a)** Effective July 1, 2007, G.S. 58-85A-1(c) reads as
6 rewritten:

7 "(c) It is the intent of the General Assembly to appropriate annually to the State
8 Fire Protection Grant Fund ~~at least three million eighty thousand dollars (\$3,080,000)~~
9 up to four million three hundred thirty thousand dollars (\$4,330,000) from the General
10 Fund, ~~one hundred fifty thousand dollars (\$150,000)~~ one hundred fifty-eight thousand
11 dollars (\$158,000) from the Highway Fund, and ~~nine hundred seventy thousand dollars~~
12 ~~(\$970,000)~~ one million three hundred forty-five thousand dollars (\$1,345,000) from
13 University of North Carolina receipts. Funds received from the General Fund shall be
14 allocated only for providing local fire protection for State-owned property supported by
15 the General Fund; funds received from the Highway Fund shall be allocated only for
16 providing local fire protection for State-owned property supported by the Highway
17 Fund; and funds received from University of North Carolina receipts shall be allocated
18 only for providing local fire protection for State-owned property supported by
19 University of North Carolina receipts."

20 **SECTION 23.4.(b)** Effective July 1, 2008, G.S. 58-85A-1(c), as amended by
21 subsection (a) of this section, reads as rewritten:

22 "(c) It is the intent of the General Assembly to appropriate annually to the State
23 Fire Protection Grant Fund up to ~~four million three hundred thirty thousand dollars~~
24 ~~(\$4,330,000)~~ three million eight hundred eighty thousand dollars (\$3,880,000) from the
25 General Fund, one hundred fifty-eight thousand dollars (\$158,000) from the Highway
26 Fund, and one million three hundred forty-five thousand dollars (\$1,345,000) from
27 University of North Carolina receipts. Funds received from the General Fund shall be
28 allocated only for providing local fire protection for State-owned property supported by
29 the General Fund; funds received from the Highway Fund shall be allocated only for
30 providing local fire protection for State-owned property supported by the Highway
31 Fund; and funds received from University of North Carolina receipts shall be allocated
32 only for providing local fire protection for State-owned property supported by
33 University of North Carolina receipts."

34
35 **PART XXIV. DEPARTMENT OF REVENUE**

36
37 **WHITE GOODS DISPOSAL TAX PROGRAM**

38 **SECTION 24.1.** G.S. 105-187.24 reads as rewritten:

39 **"§ 105-187.24 Use of tax proceeds.**

40 The Secretary shall distribute the taxes collected under this Article, less the
41 Department of Revenue's allowance for administrative expenses, in accordance with this
42 section. The Secretary may retain the Department's cost of collection, not to exceed ~~two~~
43 ~~hundred twenty five thousand dollars (\$225,000)~~ four hundred twenty-five thousand
44 dollars (\$425,000) a year, as reimbursement to the Department.

45 Each quarter, the Secretary shall credit eight percent (8%) of the net tax proceeds to
46 the Solid Waste Management Trust Fund and shall credit twenty percent (20%) of the
47 net tax proceeds to the White Goods Management Account. The Secretary shall
48 distribute the remaining seventy-two percent (72%) of the net tax proceeds among the
49 counties on a per capita basis according to the most recent annual population estimates
50 certified to the Secretary by the State Budget Officer. The Department shall not
51 distribute the tax proceeds to a county when notified not to do so by the Department of

1 Environment and Natural Resources under G.S. 130A-309.87. If a county is not entitled
2 to a distribution, the proceeds allocated for that county will be credited to the White
3 Goods Management Account.

4 A county may use funds distributed to it under this section only as provided in
5 G.S. 130A-309.82. A county that receives funds under this section and that has an
6 interlocal agreement with another unit of local government under which the other unit
7 provides for the disposal of solid waste for the county must transfer the amount received
8 under this section to that other unit. A unit to which funds are transferred is subject to
9 the same restrictions on use of the funds as the county."

10 11 **SCRAP TIRE DISPOSAL TAX PROGRAM**

12 **SECTION 24.2.** G.S. 105-187.19(a) reads as rewritten:

13 "(a) The Secretary shall distribute the taxes collected under this Article, less the
14 allowance to the Department of Revenue for administrative expenses, in accordance
15 with this section. The Secretary may retain the cost of collection by the Department, not
16 to exceed ~~two hundred twenty five thousand dollars (\$225,000)~~ four hundred
17 twenty-five thousand dollars (\$425,000) a year, as reimbursement to the Department."
18

19 **EITC REQUIREMENTS**

20 **SECTION 24.3.(a)** The Department of Revenue shall include language in its
21 printed booklets for the individual income tax return that identifies the availability of
22 the earned income tax credit.

23 **SECTION 24.3.(b)** In order to better ensure taxpayers receive the tax
24 benefits for which they qualify, software companies producing computer programs for
25 tax calculation should design all tax calculation software, other than forms library
26 products, to automatically compute an individual's eligibility for the earned income tax
27 credit when (i) the taxpayer is a North Carolina resident and (ii) the taxpayer is
28 preparing both the federal and North Carolina individual income tax returns with the tax
29 calculation software.

30 **SECTION 24.3.(c)** This section is effective for taxable years beginning on
31 or after January 1, 2007.
32

33 **TRANSFER REVENUE HEARINGS TO OAH**

34 **SECTION 24.4.** The positions of one Assistant Secretary and one associated
35 support position, presently assigned to the Department of Revenue for the purpose of
36 hearing appeals on the cases, are transferred to the Office of Administrative Hearings by
37 a Type II transfer as defined by G.S. 143A-6. The Chief Administrative Law Judge
38 shall be responsible for the hiring of these positions.
39

40 **PART XXV. STATE BOARD OF ELECTIONS**

41 42 **STATE BOARD OF ELECTIONS MOE AND HAVA FUND USE**

43 **SECTION 25.1.(a)** The State Board of Elections shall use funds in the
44 Maintenance of Effort Reserve as follows:

- 45 (1) \$1,440,000 nonrecurring in fiscal year 2007-2008 for ballot printing
46 for the 2008 first primary.
- 47 (2) \$840,000 nonrecurring in fiscal year 2007-2008 for ballot printing for
48 the 2008 second primary if a federal election is on the ballot.
- 49 (3) \$1,260,000 nonrecurring in fiscal year 2008-2009 for ballot printing
50 for the 2008 general election.

- 1 (4) \$1,500,000 nonrecurring in fiscal year 2007-2008 and \$500,000
2 nonrecurring in fiscal year 2008-2009 to rebuild the State Elections
3 Information Management System (SEIMS).
- 4 (5) \$100,000 recurring in fiscal year 2007-2008 for the required training
5 for all county boards of elections staff on voting equipment operating
6 procedures.
- 7 (6) \$427,500 recurring in fiscal year 2007-2008 to centralize ballot coding
8 in North Carolina to provide oversight, ensure accuracy of election
9 preparation, and reduce errors with ballot styles.
- 10 (7) \$150,000 recurring in fiscal year 2007-2008 to hire 20 additional
11 election technicians across the State to deal with technical problems
12 that arise on a 2008 Election Day in which a federal election is on the
13 ballot.

14 **SECTION 25.1.(b)** The State Board of Elections shall use funds in the
15 Election Fund under G.S. 163-82.28 (HAVA funds) as follows:

- 16 (1) \$2,525,000 nonrecurring in fiscal year 2007-2008 and \$2,525,000
17 nonrecurring in fiscal year 2008-2009 for maintenance performed on
18 voting equipment.
- 19 (2) \$750,000 nonrecurring in fiscal year 2007-2008 and \$1,750,000
20 nonrecurring in fiscal year 2008-2009 provided for additional one-stop
21 absentee voting (early voting) sites for the 2008 first primary and
22 general election if a federal election is on the ballot.

23
24 **PART XXVI. DEPARTMENT OF THE STATE TREASURER**

25
26 **FUNDS FOR AUDITING STATE EMPLOYEE SERVICE RECORDS;
27 REPORTING REQUIREMENTS**

28 **SECTION 26.1.(a)** Of the funds appropriated in this act to the Department
29 of State Treasurer, Retirement Systems Division, the sum of one million two hundred
30 thousand dollars (\$1,200,000) for the 2007-2008 fiscal year shall be used to contract for
31 the auditing of State employee service records. The Retirement Systems Division shall
32 submit an interim report on the number of State employee service records verified to the
33 Joint Legislative Commission on Governmental Operations and the Fiscal Research
34 Division no later than April 30, 2008.

35 **SECTION 26.1.(b)** The Department of State Treasurer, Retirement Systems
36 Division, shall report quarterly beginning October 31, 2007, on all contracts by funding
37 sources and on the use of lapsed salary savings to the Joint Legislative Commission on
38 Governmental Operations, the Chairs of the House Appropriations Subcommittee on
39 General Government and Senate Appropriations Subcommittee on General Government
40 and Information Technology and to the Fiscal Research Division.

41
42 **PART XXVII. DEPARTMENT OF TRANSPORTATION**

43
44 **ONE-STOP SHOPS FOR DRIVERS LICENSES AND REGISTRATION
45 PLATES**

46 **SECTION 27.1.** The Department of Transportation, Division of Motor
47 Vehicles, is prohibited from opening drivers license issuance and vehicle registration
48 issuance and renewal One-Stop Shops until the General Assembly has considered and
49 appropriated funds for the purpose of One-Stop Shops.

50 The Department of Transportation shall develop a business plan that
51 thoroughly outlines the operational plans of a combined function center, a detailed

1 budget for each proposed location, and any identified savings gleaned from the
2 combined services. In addition, the Division of Motor Vehicles shall conduct an
3 analysis on the anticipated number of transactions and the impact to independent tag
4 agents in those areas. The report is due to the Joint Legislative Transportation Oversight
5 Committee, the Joint Appropriations Subcommittee for Transportation, and the Fiscal
6 Research Division by March 15, 2008.

7
8 **CASH FLOW HIGHWAY FUNDS AND HIGHWAY TRUST FUND**
9 **APPROPRIATIONS**

10 **SECTION 27.2.(a)** The General Assembly authorizes and certifies
11 anticipated revenues of the Highway Fund as follows:

12	For Fiscal Year 2009-2010	\$1,846.0 million
13	For Fiscal Year 2010-2011	\$1,857.9 million
14	For Fiscal Year 2011-2012	\$1,869.0 million
15	For Fiscal Year 2012-2013	\$1,873.9 million

16 **SECTION 27.2.(b)** The General Assembly authorizes and certifies
17 anticipated revenues of the Highway Trust Fund as follows:

18	For Fiscal Year 2009-2010	\$1,174.4 million
19	For Fiscal Year 2010-2011	\$1,204.9 million
20	For Fiscal Year 2011-2012	\$1,236.4 million
21	For Fiscal Year 2012-2013	\$1,276.1 million

22
23 **FUNDS FOR ECONOMIC DEVELOPMENT, SPOT SAFETY, AND**
24 **TRANSPORTATION IMPROVEMENT PROGRAM PROJECTS**

25 **SECTION 27.3.** Of the funds appropriated by this act to the Department of
26 Transportation in fiscal year 2007-2008, nine million three hundred thirty-eight
27 thousand four hundred four dollars (\$9,338,404) shall be used for economic
28 development transportation projects recommended by the member of the Board of
29 Transportation representing the Division in which the project is to be constructed in
30 consultation with the Division Engineer and approved by the Board of Transportation.
31 These funds, in addition to any remaining funds which were appropriated to the
32 Department pursuant to Section 28.27 of S.L. 2005-276, shall be allocated equally
33 among the 14 Divisions. Funds in each Division not needed for economic development
34 projects shall be used on spot safety needs to enhance safety, reduce congestion,
35 improve traffic flow, reduce accidents, and for system preservation. Funds not identified
36 for economic development and spot safety projects prior to December 31, 2007, shall be
37 used on Transportation Improvement Program projects. The Secretary of Transportation
38 shall not prevent or delay the implementation of any projects approved by the Board of
39 Transportation pursuant to this section.

40
41 **CONSOLIDATION OF RURAL FUNDING PROGRAMS BY THE**
42 **DEPARTMENT OF TRANSPORTATION'S PUBLIC TRANSPORTATION**
43 **DIVISION**

44 **SECTION 27.4.** The Department of Transportation, Public Transportation
45 Division, may consolidate its rural funding programs for vehicles, technology, and
46 facilities into one large capital program. The Division shall have the flexibility to
47 transfer funding from the consolidated capital program to the operating programs, based
48 on the ability to leverage additional federal funds to meet the capital needs of rural
49 transportation systems. The Department shall report on the use of funds and
50 effectiveness of the provisions of this section to the Joint Appropriations Subcommittee
51 on Transportation and the Fiscal Research Division by March 15, 2008.

SMALL CONSTRUCTION AND CONTINGENCY FUNDS

SECTION 27.5. Of the funds appropriated in this act to the Department of Transportation:

- (1) Twenty-one million dollars (\$21,000,000) shall be allocated in each fiscal year for small construction projects recommended by the member of the Board of Transportation representing the Division in which the project is to be constructed in consultation with the Division Engineer and approved by the Board of Transportation. These funds shall be allocated equally in each fiscal year of the biennium among the 14 Highway Divisions for small construction projects.
- (2) Fifteen million dollars (\$15,000,000) in fiscal year 2007-2008 and fifteen million dollars (\$15,000,000) in fiscal year 2008-2009 shall be used statewide for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, and spot safety projects, including pedestrian walkways that enhance highway safety. Projects funded pursuant to this subdivision shall be approved by the Secretary of Transportation.

None of these funds used for rural secondary road construction are subject to the county allocation formulas in G.S. 136-44.5(b) and (c).

These funds are not subject to G.S. 136-44.7.

The Department of Transportation shall report to the members of the General Assembly on projects funded pursuant to this section in each member's district prior to the Board of Transportation's action. The Department shall make a quarterly comprehensive report on the use of these funds to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

FUNDS FOR UNSAFE OR OBSOLETE FIELD FACILITIES

SECTION 27.6. Of the funds appropriated in this act to the Department of Transportation, the Department may use funds not to exceed seventy-five hundredths of one percent (.75%) 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. Prior to expending these funds, the Department shall submit its proposed budget for these expenditures to the Senate Appropriations Subcommittee on Transportation, the House of Representatives Appropriations Subcommittee on Transportation, and the Joint Legislative Transportation Oversight Committee each year.

MODIFY GLOBAL TRANSPARK DEBT

SECTION 27.7. G.S. 147-69.2(b)(11), as amended by Section 7 of S.L. 2005-144, Section 2 of S.L. 2005-201, and Section 28.17 of S.L. 2005-276 reads as rewritten:

"(b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated in subsection (a) of this section in excess of the amount required to meet the current needs and demands on such funds, selecting from among the following:

- ...
- (11) With respect to assets of the Escheat Fund, obligations of the North Carolina Global TransPark Authority authorized by G.S. 63A-4(a)(22), not to exceed twenty-five million dollars (\$25,000,000), that have a final maturity not later than October 1, ~~2007-2009~~. The obligations

1 shall bear interest at the rate set by the State Treasurer. No
2 commitment to purchase obligations may be made pursuant to this
3 subdivision after September 1, 1993, and no obligations may be
4 purchased after September 1, 1994. In the event of a loss to the
5 Escheat Fund by reason of an investment made pursuant to this
6 subdivision, it is the intention of the General Assembly to hold the
7 Escheat Fund harmless from the loss by appropriating to the Escheat
8 Fund funds equivalent to the loss.

9 If any part of the property owned by the North Carolina Global
10 TransPark Authority now or in the future is divested, proceeds of the
11 divestment shall be used to fulfill any unmet obligations on an
12 investment made pursuant to this subdivision.

13 ..."

14
15 **DIVISION OF MOTOR VEHICLES REPORT ON REAL ID ACT**
16 **COMPLIANCE**

17 **SECTION 27.8.** The Department of Transportation shall report on the
18 expenditure plan for the use of the reserved funds appropriated for the Secure ID and
19 Card Production System. The plan shall include the projected costs associated with the
20 federal government's requirements for complying with P.L. 109-13, the REAL ID Act
21 of 2005. The Department shall report to the Joint Legislative Transportation Oversight
22 Committee and the Joint Appropriations Subcommittee for Transportation by May 1,
23 2008.

24
25 **DEPARTMENT OF TRANSPORTATION PRODUCTIVITY PILOT**
26 **PROGRAMS**

27 **SECTION 27.9.(a)** The Department of Transportation may continue the
28 productivity pilot programs in the road oil, bridge inspection and pavement markings
29 units implemented under Section 29.3 of S.L. 2003-284 and Section 28.9 of S.L.
30 2005-276. The Department of Transportation may expend up to one-half of one percent
31 (0.50%) of the budget allocation for these programs for employee incentive payments to
32 maintain the increased efficiency and productivity under these programs.

33 **SECTION 27.9.(b)** The Department of Transportation may establish up to
34 two additional pilot programs to test incentive pay for employees as a means of
35 increasing and maintaining efficiency and productivity.

36 These programs may be selected by the Department of Transportation. Up to
37 one-half of one percent (0.50%) of the budget allocation for these programs may be
38 used to provide employee incentive payments.

39 Incentive payments shall be based on quantifiable measures and production
40 schedules determined prior to the implementation of the pilot programs. Pilot programs
41 implemented under this subsection shall last no more than two years.

42 **SECTION 27.9.(c)** The Department of Transportation shall report to the
43 Joint Legislative Transportation Oversight Committee on the pilot programs developed
44 under this section at least 30 days prior to their implementation.

45
46 **DIVISION OF MOTOR VEHICLES LICENSE PLATE RECALL PROGRAM**

47 **SECTION 27.11.(a)** Of the funds appropriated from the Highway Fund to
48 the Department of Transportation under this act, the Division of Motor Vehicles may
49 expend the sum of one hundred eighty-three thousand one hundred ninety-nine dollars
50 (\$183,199) for fiscal year 2007-2008 and the sum of ninety-nine thousand dollars
51 (\$99,000) for fiscal year 2008-2009 to recall vehicle license plates. The Division shall

1 develop a schedule by which approximately 94,000 of the oldest license plates are
2 recalled annually for the next five years. Each fiscal year after 2008-2009, the General
3 Assembly intends to appropriate from the Highway Fund to the Department of
4 Transportation the sum of ninety-nine thousand dollars (\$99,000) in recurring funds for
5 the Division to implement a continuous license plate recall program.

6 **SECTION 27.11.(b)** The Division shall report to the Joint Appropriations
7 Subcommittee on Transportation and the Fiscal Research Division no later than May 1,
8 2008, on the progress of the vehicle license plate recall schedule and the implementation
9 of the continuous license plate recall program.

10 **BEAVER DAMAGE CONTROL PROGRAM FUNDS**

11 **SECTION 27.13.** Of funds available to the Department of Transportation for
12 maintenance, the sum of three hundred thirty thousand dollars (\$330,000) for the
13 2007-2008 fiscal year and the sum of three hundred thirty thousand dollars (\$330,000)
14 for the 2008-2009 fiscal year shall be used to provide the State share necessary to
15 support the beaver damage control program established in G.S. 113-291.10, provided
16 the sum of at least twenty-five thousand dollars (\$25,000) in federal funds is available
17 each fiscal year of the biennium to provide the federal share.

18 **DEPARTMENT OF TRANSPORTATION PERFORMANCE-BASED 19 CONTRACTS**

20 **SECTION 27.14.** The Department of Transportation may implement up to
21 two performance-based contracts for routine maintenance and operations, exclusive of
22 resurfacing. Selection of firms to perform this work shall be made using a best-value
23 procurement process. Prior to any advertisement for a proposed project, the Department
24 shall report to the Joint Legislative Transportation Oversight Committee on the
25 contractor selection criteria to be used.

26 **ENSURE PROPERTY AND FUNDS GO TO STATE HIGHWAY FUND**

27 **SECTION 27.15.** G.S. 136-16 reads as rewritten:

28 **"§ 136-16. Funds and property converted to State Highway Fund.**

29 Except as otherwise provided, all funds and property collected by the Department of
30 ~~Transportation~~ Transportation, including the proceeds from the sale of real property
31 originally purchased with funds from the State Highway Fund, shall be paid or
32 converted into the State Highway Fund."
33

34 **DIVISION OF MOTOR VEHICLES TO REPORT CLOSINGS OF DRIVERS 35 LICENSE OFFICES**

36 **SECTION 27.16.** The Division of Motor Vehicles shall report the closing of
37 any drivers license office to the Joint Legislative Transportation Oversight Committee
38 at least 60 days before the closure. The report shall contain the location of the office by
39 city and county, the number of customers served in that office in the preceding 12
40 months, the cost of operating the office to be closed, the reasons for the closure, where
41 the customers will be directed for service after the closure, and the Division's intent to
42 provide displaced customers with future service.

43 **PART XXVIII SALARIES AND BENEFITS**

44 **GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES**

45 **SECTION 28.1.(a)** Effective July 1, 2007, G.S. 147-11(a) reads as
46 rewritten:
47

"(a) The salary of the Governor shall be ~~one hundred thirty thousand six hundred twenty nine dollars (\$130,629)~~ one hundred thirty-five thousand eight hundred fifty-four dollars (\$135,854) annually, payable monthly."

SECTION 28.1.(b) Effective July 1, 2007, the annual salaries for the members of the Council of State, payable monthly, for the 2007-2008 and 2008-2009 fiscal years are:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$119,901
Attorney General	119,901
Secretary of State	119,901
State Treasurer	119,901
State Auditor	119,901
Superintendent of Public Instruction	119,901
Agriculture Commissioner	119,901
Insurance Commissioner	119,901
Labor Commissioner	119,901

NONELECTED DEPARTMENT HEAD/SALARY INCREASES

SECTION 28.2. In accordance with G.S. 143B-9, the maximum annual salaries, payable monthly, for the nonelected heads of the principal State departments for the 2007-2008 and 2008-2009 fiscal years are:

<u>Nonelected Department Heads</u>	<u>Annual Salary</u>
Secretary of Administration	\$117,142
Secretary of Correction	117,142
Secretary of Crime Control and Public Safety	117,142
Secretary of Cultural Resources	117,142
Secretary of Commerce	117,142
Secretary of Environment, Health, and Natural Resources	117,142
Secretary of Health and Human Services	117,142
Secretary of Juvenile Justice and Delinquency Prevention	117,142
Secretary of Revenue	117,142
Secretary of Transportation	117,142

CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES

SECTION 28.3. The annual salaries, payable monthly, for the 2007-2008 and 2008-2009 fiscal years for the following executive branch officials are:

<u>Executive Branch Officials</u>	<u>Annual Salary</u>
Chairman, Alcoholic Beverage Control Commission	\$ 106,621
State Controller	149,216
Commissioner of Motor Vehicles	106,621
Commissioner of Banks	119,901
Chairman, Employment Security Commission	133,161
State Personnel Director	117,142
Chairman, Parole Commission	97,358
Members of the Parole Commission	44,942
Chairman, Utilities Commission	133,531
Members of the Utilities Commission	119,901
Executive Director, Agency for Public Telecommunications	89,884

1	Director, Museum of Art	109,252
2	Executive Director, North Carolina Agricultural Finance Authority	103,781
3	State Chief Information Officer	149,126

JUDICIAL BRANCH OFFICIALS/SALARY INCREASES

SECTION 28.4.(a) The annual salaries, payable monthly, for specified judicial branch officials for the 2007-2008 and 2008-2009 fiscal years are:

<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
Chief Justice, Supreme Court	\$ 137,160
Associate Justice, Supreme Court	133,576
Chief Judge, Court of Appeals	130,236
Judge, Court of Appeals	128,011
Judge, Senior Regular Resident Superior Court	124,532
Judge, Superior Court	121,053
Chief Judge, District Court	109,923
Judge, District Court	106,445
District Attorney	116,112
Administrative Officer of the Courts	123,346
Assistant Administrative Officer of the Courts	112,665
Public Defender	116,112

SECTION 28.4.(b) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district do not exceed sixty-nine thousand forty-seven dollars (\$69,047), and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-six thousand eighty-two dollars (\$36,082) effective July 1, 2007.

SECTION 28.4.(c) Effective July 1, 2007, the annual salaries of permanent, full-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by four percent (4.0%).

SECTION 28.4.(d) Effective July 1, 2007, the annual salaries of permanent, part-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by four percent (4.0%).

CLERK OF SUPERIOR COURT/SALARY INCREASES

SECTION 28.5. Effective July 1, 2007, G.S. 7A-101(a) reads as rewritten:

"(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the population of the county as determined in subsection (a1) of this section, according to the following schedule:

Population	Annual Salary
Less than 100,000	\$77,112 <u>\$80,196</u>
100,000 to 149,999	86,532 <u>89,993</u>
150,000 to 249,999	95,954 <u>99,792</u>
250,000 and above	105,378 <u>109,593</u>

~~The salary schedule in this subsection is intended to represent the following approximate percentage of the salary of a chief district court judge:~~

Population	Annual Salary
-----------------------	--------------------------

Less than 100,000	73%
100,000 to 149,999	82%
150,000 to 249,999	91%
250,000 and above	100%

When a county changes from one population group to another, the salary of the clerk shall be changed, on July 1 of the fiscal year for which the change is reported, to the salary appropriate for the new population group, except that the salary of an incumbent clerk shall not be decreased by any change in population group during his continuance in office."

ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES

SECTION 28.6. Effective July 1, 2007, G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$29,925 <u>\$31,122</u>
Maximum	51,251 <u>53,301</u>
Deputy Clerks	Annual Salary
Minimum	\$25,758 <u>\$26,788</u>
Maximum	39,862 <u>41,456.</u> "

MAGISTRATES' SALARY INCREASES

SECTION 28.7.(a) Effective July 1, 2007, G.S. 7A-171.1(a) reads as rewritten:

"(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	\$30,320 <u>\$31,533</u>
Step 1	33,101 <u>34,425</u>
Step 2	36,126 <u>37,571</u>
Step 3	39,429 <u>41,006</u>
Step 4	43,046 <u>44,768</u>
Step 5	47,122 <u>49,007</u>
Step 6	51,692 <u>53,760.</u>

(2) A part-time magistrate is a magistrate who is assigned to work an average of less than 40 hours of work a week during the term, except that no magistrate shall be assigned an average of less than 10 hours of work a week during the term. A part-time magistrate is included, in accordance with G.S. 7A-170, under the provisions of G.S. 135-1(10) and G.S. 135-40.2(a). The Administrative Officer of the Courts designates whether a magistrate is a part-time magistrate. A part-time magistrate shall receive an annual salary based on the following formula: The average number of hours a week that a part-time magistrate is assigned work during the term shall be multiplied by the annual salary payable to a full-time magistrate who has the same number of years of service prior to the beginning of that term as does the part-time magistrate and the product of that multiplication shall be divided by the number 40. The quotient shall be the annual salary payable to that part-time magistrate.

(3) Notwithstanding any other provision of this subsection, a magistrate who is licensed to practice law in North Carolina or any other state shall receive the annual salary provided in the Table in subdivision (1) of this subsection for Step 4."

SECTION 28.7.(b) Effective July 1, 2007, G.S. 7A-171.1(a1)(1) reads as rewritten:

"(a1) Notwithstanding subsection (a) of this section, the following salary provisions apply to individuals who were serving as magistrates on June 30, 1994:

(1) The salaries of magistrates who on June 30, 1994, were paid at a salary level of less than five years of service under the table in effect that date shall be as follows:

Less than 1 year of service	\$24,450	\$25,428
1 or more but less than 3 years of service	25,572	26,595
3 or more but less than 5 years of service	27,831	28,944.

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a)."

GENERAL ASSEMBLY PRINCIPAL CLERKS/SALARY INCREASES

SECTION 28.8. Effective July 1, 2007, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~ninety seven thousand four hundred two dollars (\$97,402)~~ one hundred one thousand two hundred ninety-eight dollars (\$101,298) payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SERGEANT-AT-ARMS AND READING CLERKS/SALARY INCREASES

SECTION 28.9. Effective July 1, 2007, G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~three hundred forty five dollars (\$345.00)~~ three hundred fifty-nine dollars

1 (\$359.00) per week plus subsistence at the same daily rate provided for members of the
2 General Assembly, plus mileage at the rate provided for members of the General
3 Assembly for one round trip only from their homes to Raleigh and return. The
4 sergeants-at-arms shall serve during sessions of the General Assembly and at such time
5 prior to the convening of, and subsequent to adjournment or recess of, sessions as may
6 be authorized by the Legislative Services Commission. The reading clerks shall serve
7 during sessions only."
8

9 **LEGISLATIVE EMPLOYEES/SALARY INCREASES**

10 **SECTION 28.10.** Effective July 1, 2007, the Legislative Services Officer
11 shall increase the salaries of nonelected employees of the General Assembly in effect
12 for fiscal year 2006-2007 by four percent (4.0%). Nothing in this act limits any of the
13 provisions of G.S. 120-32.
14

15 **COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES**

16 **SECTION 28.11.(a)** The Director of the Budget shall transfer from the
17 Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and
18 2008-2009, funds to the North Carolina Community Colleges System Office necessary
19 to provide an annual salary increase of four percent (4.0%) including funds for the
20 employer's retirement and social security contributions, commencing July 1, 2007, for
21 all community college employees supported by State funds.

22 **SECTION 28.11.(b)** The Director of the Budget shall transfer from the
23 Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and
24 2008-2009, funds to the North Carolina Community Colleges System Office necessary
25 to provide an additional annual salary increase of one percent (1.0%) for Community
26 College faculty and professional staff, including funds for the employer's retirement and
27 social security contributions, supported by State funds.
28

29 **UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES**

30 **SECTION 28.12.(a)** Effective July 1, 2007, the Director of the Budget shall
31 transfer to the Board of Governors of The University of North Carolina sufficient funds
32 from the Reserve for Compensation Increases, created in this act for fiscal years
33 2007-2008 and 2008-2009, including funds for the employer's retirement and social
34 security contributions, to provide to employees of The University of North Carolina,
35 other than teachers of the North Carolina School of Science and Mathematics, whose
36 salaries are supported by State funds and who are exempt from the State Personnel Act
37 (EPA) an annual salary increase of five percent (5%) for faculty. The percentage annual
38 salary increase of five percent (5%), authorized by this section shall be made on an
39 aggregated average basis, according to the rules adopted by the Board of Governors of
40 The University of North Carolina and may not be used for any purpose other than for
41 salary increases and necessary employer contributions provided by this section. The
42 Board of Governors may use a portion of the annual salary increase provided by this
43 section to improve competitive national peer rankings for faculty.

44 **SECTION 28.12.(b)** Effective July 1, 2007, the Director of the Budget shall
45 transfer to the Board of Governors of The University of North Carolina sufficient funds
46 from the Reserve for Compensation Increases, created in this act for fiscal years
47 2007-2008 and 2008-2009, including funds for the employer's retirement and social
48 security contributions, to provide to employees of The University of North Carolina,
49 other than teachers of the North Carolina School of Science and Mathematics, whose
50 salaries are supported by State funds and who are exempt from the State Personnel Act
51 (EPA) an annual salary increase of four percent (4.0%) for non-faculty. The percentage

1 annual salary increase of four percent (4.0%) authorized by this section shall be made
2 on an aggregated average basis, according to the rules adopted by the Board of
3 Governors of The University of North Carolina and may not be used for any purpose
4 other than for salary increases and necessary employer contributions provided by this
5 section.

6 **SECTION 28.12.(c)** The Director of the Budget shall transfer to the Board
7 of Governors of The University of North Carolina sufficient funds from the Reserve for
8 Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009,
9 to provide an average annual salary increase of five percent (5%) but at least an annual
10 increase of one thousand two hundred forty dollars (\$1,240), including funds for the
11 employer's retirement and social security contributions, commencing July 1, 2007, for
12 all teaching employees of the North Carolina School of Science and Mathematics,
13 supported by State funds and whose salaries are exempt from the State Personnel Act
14 (EPA). These funds shall be allocated to individuals according to the rules adopted by
15 the Board of Trustees of the North Carolina School of Science and Mathematics and
16 may not be used for any purpose other than for salary increases and necessary employer
17 contributions provided by this section.

18 **STATE AGENCY TEACHERS' COMPENSATION**

19 **SECTION 28.13.** Funds in the Reserve for Compensation Increases shall be
20 used for experience step increases for employees of schools operated by the Department
21 of Health and Human Services, the Department of Correction, or the Department of
22 Juvenile Justice and Delinquency Prevention, who are paid on the Teacher Salary
23 Schedule or the School Based Administrator Salary Schedule.
24

25 **MOST STATE EMPLOYEES/SALARY INCREASES**

26 **SECTION 28.14.(a)** The salaries in effect June 30, 2007, of all permanent
27 full-time State employees whose salaries are set in accordance with the State Personnel
28 Act, and who are paid from the General Fund or the Highway Fund, shall be increased,
29 on or after July 1, 2007, unless otherwise provided by this act, by four percent (4.0%).

30 **SECTION 28.14.(b)** Except as otherwise provided in this act, the fiscal year
31 2007-2008 salaries for permanent full-time State officials and persons in exempt
32 positions that are recommended by the Governor or the Governor and the Advisory
33 Budget Commission and set by the General Assembly shall be increased by four percent
34 (4.0%), commencing July 1, 2007.

35 **SECTION 28.14.(c)** The salaries in effect for fiscal year 2007-2008 for all
36 permanent part-time State employees shall be increased on and after July 1, 2007, by the
37 four percent (4.0%) salary increase provided for permanent full-time employees covered
38 under this part.

39 **SECTION 28.14.(d)** The Director of the Budget may allocate out of special
40 operating funds or from other sources of the employing agency, except tax revenues,
41 sufficient funds to allow a salary increase, on and after July 1, 2007, in accordance with
42 subsection (a), (b), or (c) of this section including funds for the employer's retirement
43 and social security contributions, for the permanent full-time and part-time employees
44 of the agency, provided the employing agency elects to make available the necessary
45 funds.

46 **SECTION 28.14.(e)** Within regular State Budget Act procedures as limited
47 by this act, all State agencies and departments may increase on an equitable basis the
48 rate of pay of temporary and permanent hourly State employees, subject to availability
49 of funds in the particular agency or department, by pro rata amounts of the four percent
50

1 (4.0%) salary increase provided for permanent full-time employees covered by the
2 provisions of subsection (a) of this section, commencing July 1, 2007.

3 4 **ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES**

5 **SECTION 28.15.(a)** Salaries and related benefits for positions that are
6 funded partially from the General Fund or Highway Fund and partially from sources
7 other than the General Fund or Highway Fund shall be increased from the General Fund
8 or Highway Fund appropriation only to the extent of the proportionate part of the
9 salaries paid from the General Fund or Highway Fund.

10 **SECTION 28.15.(b)** The granting of the salary increases under this act does
11 not affect the status of eligibility for salary increments for which employees may be
12 eligible unless otherwise required by this act.

13 **SECTION 28.15.(c)** The salary increases provided in this act are to be
14 effective July 1, 2007, do not apply to persons separated from State service due to
15 resignation, dismissal, reduction in force, death, or retirement, or whose last workday is
16 prior to July 1, 2007.

17 Payroll checks issued to employees after July 1, 2007, which represent
18 payment of services provided prior to July 1, 2007, shall not be eligible for salary
19 increases provided for in this act. This subsection shall apply to all employees, subject
20 to or exempt from the State Personnel Act, paid from State funds, including public
21 schools, community colleges, and The University of North Carolina.

22 **SECTION 28.15.(d)** The Director of the Budget shall transfer from the
23 Reserve for Compensation Increases in this act for fiscal year 2007-2008 all funds
24 necessary for the salary increases provided by this act, including funds for the
25 employer's retirement and social security contributions.

26 **SECTION 28.15.(e)** Nothing in this act authorizes the transfer of funds
27 between the General Fund and the Highway Fund for salary increases.

28 **SECTION 28.15.(f)** Permanent full-time employees who work a nine-, ten-,
29 or eleven-month work year schedule shall receive the four percent (4.0%) annual
30 increase provided by this act.

31 32 **CERTAIN SALARIES SET BY GENERAL ASSEMBLY**

33 **SECTION 28.15A.** G.S. 7A-65(a) reads as rewritten:

34 "(a) The annual salary of:

35 (1) District attorneys shall be ~~the midpoint amount between the salary of a~~
36 ~~senior resident superior court judge and the salary of a chief district~~
37 ~~court judge, as provided by law, as provided in the Current Operations~~
38 Appropriations Act.

39 (2) Full-time assistant district attorneys shall be as provided in the Current
40 Operations Appropriations Act.

41 When traveling on official business, each district attorney and assistant district
42 attorney is entitled to reimbursement for his subsistence and travel expenses to the same
43 extent as State employees generally."

44 45 **TEMPORARY SALES TAX TRANSFER FOR WILDLIFE RESOURCES** 46 **COMMISSION SALARIES**

47 **SECTION 28.15B.** For the 2007-2008 and 2008-2009 fiscal years, the
48 Secretary of Revenue shall transfer at the end of each quarter from the State sales and
49 use tax net collections received by the Department of Revenue under Article 5 of
50 Chapter 105 of the General Statutes to the State Treasurer for the Wildlife Resources

1 Fund to fund the cost of any legislative salary increase for employees of the Wildlife
2 Resources Commission.

3
4 **SALARY ADJUSTMENT FUND**

5 **SECTION 28.18.(a)** Any remaining appropriations in the General Fund
6 Reserve for Compensation Increases authorized for employee salary increases not
7 required for that purpose may be used to supplement the General Fund Salary
8 Adjustment Fund to support salary adjustments for positions supported by the General
9 Fund. Any remaining appropriations in the Highway Fund Reserves and Transfers
10 authorized for employee salary increases not required for that purpose may be used to
11 supplement the Highway Fund Salary Adjustment Fund to support salary adjustments
12 for positions supported by the Highway Fund.

13 **SECTION 28.18.(b)** Funds appropriated or otherwise transferred to the
14 General Fund Salary Adjustment Fund or to the Highway Fund Salary Adjustment Fund
15 by this act or any other provision of law shall be used to fund agency requests for the
16 following purposes:

- 17 (1) Salary range revisions, special minimum rates, grade to band transfers
18 and geographic site differential adjustments to provide competitive
19 salary rates for affected job classifications/groups in response to
20 changes in labor market rates as documented through data collection
21 and analysis according to accepted human resource professional
22 practices and standards.
- 23 (2) Reallocation of positions to higher level job classifications to
24 compensate employees for more difficult duties at competitive salary
25 rates as documented through data collection and analysis according to
26 accepted human resource professional practices and standards.

27 The terms 'salary range revision' and 'reallocation' as used in this section shall conform
28 to the definitions of those terms as previously contained in the State Personnel Manual
29 and adopted by the State Personnel Commission effective immediately prior to
30 November 1, 2005. Funds shall only be used for salary adjustments that are in
31 compliance with State Personnel Commission policies. Funding shall first be provided
32 to the earliest actions approved on or before July 1, 2007, by the State Personnel
33 Commission or the Office of State Personnel and shall not be used for other purposes
34 including, but not limited to, in-range adjustments, career progression adjustments, or
35 other adjustments as these terms may be defined by State personnel policy.

36 **SECTION 28.18.(c)** The Director of the Budget shall consult with the Joint
37 Legislative Commission on Governmental Operations prior to transferring any salary
38 adjustment funds for any State agency.

39 **SECTION 28.18.(d)** The Director of the Budget may:

- 40 (1) Transfer to General Fund budget codes from the General Fund Salary
41 Adjustment Fund amounts required to support salary adjustments
42 authorized by this section with the oldest of the pending adjustments to
43 be funded first.
- 44 (2) Transfer to Highway Fund budget codes from the Highway Fund
45 Salary Adjustment Fund amounts required to support salary
46 adjustments authorized by this section.

47 **SECTION 28.18.(e)** The Judicial Department is eligible for the funding
48 authorized in subsection (a) of this section.

49 **SECTION 28.18.(f)** Employees subject to the State Personnel Act in The
50 University of North Carolina System are eligible for funding authorized in subsection
51 (a) of this section and for the purposes outlined in subsection (b) of this section.

JUDICIAL BRANCH LONGEVITY

SECTION 28.18A.(a) G.S. 7A-10(c) reads as rewritten:

"(c) In lieu of merit and other increment raises paid to regular State employees, the Chief Justice and each of the Associate Justices shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, ~~and nineteen and two-tenths percent (19.2%) after 20 years of service.~~ service, twenty-four percent (24%) after 25 years of service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General Court of Justice or as a member of the Utilities Commission. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 28.18A.(b) G.S. 7A-18(b) reads as rewritten:

"(b) In lieu of merit and other increment raises paid to regular State employees, a judge of the Court of Appeals shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, ~~and nineteen and two-tenths percent (19.2%) after 20 years of service.~~ service, twenty-four percent (24%) after 25 years of service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General Court of Justice or as a member of the Utilities Commission. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 28.18A.(c) G.S. 7A-44(b) reads as rewritten:

"(b) In lieu of merit and other increment raises paid to regular State employees, a judge of the superior court, regular or special, shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, ~~and nineteen and two-tenths percent (19.2%) after 20 years of service.~~ service, twenty-four percent (24%) after 25 years of service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General Court of Justice or as a member of the Utilities Commission or as director or assistant director of the Administrative Office of the Courts. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 28.18A.(d) G.S. 7A-65 reads as rewritten:

"§ 7A-65. Compensation and allowances of district attorneys and assistant district attorneys.

(a) The annual salary of:

- (1) District attorneys shall be the midpoint amount between the salary of a senior resident superior court judge and the salary of a chief district court judge, as provided by law,
- (2) Full-time assistant district attorneys shall be as provided in the Current Operations Appropriations Act.

When traveling on official business, each district attorney and assistant district attorney is entitled to reimbursement for his subsistence and travel expenses to the same extent as State employees generally.

1 (b) Repealed by Session Laws 1985, c. 689, s. 2.

2 (c) In lieu of merit and other increment raises paid to regular State employees, a
3 district attorney shall receive as longevity pay an amount equal to four and eight-tenths
4 percent (4.8%) of the annual salary set forth in the Current Operations Appropriations
5 Act payable monthly after five years of service, and nine and six-tenths percent (9.6%)
6 after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of
7 service, ~~and~~ nineteen and two-tenths percent (19.2%) after 20 years of service, service,
8 twenty-four percent (24%) after 25 years of service, and twenty-eight and eight-tenths
9 percent (28.8%) after 30 years of service. Service shall mean service in the elective
10 position of a district attorney and shall not include service as a deputy or acting district
11 attorney. Service shall also mean service as a justice or judge of the General Court of
12 Justice, clerk of superior court, assistant district attorney, public defender, appellate
13 defender, or assistant public or appellate defender.

14 (d) In lieu of merit and other increment raises paid to regular State employees, an
15 assistant district attorney shall receive as longevity pay an amount equal to four and
16 eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations
17 Appropriations Act payable monthly after five years of service, nine and six-tenths
18 percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after
19 15 years of service, ~~and~~ nineteen and two-tenths percent (19.2%) after 20 years of
20 service, service, twenty-four percent (24%) after 25 years of service, and twenty-eight
21 and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as an
22 assistant district attorney, district attorney, resource prosecutor, public defender,
23 appellate defender, assistant public or appellate defender, justice or judge of the General
24 Court of Justice, or clerk of superior court. For purposes of this subsection, "resource
25 prosecutor" means a former assistant district attorney who has left the employment of
26 the district attorney's office to serve in a specific, time-limited position with the
27 Conference of District Attorneys."

28 **SECTION 28.18A.(e)** G.S. 7A-101(c) reads as rewritten:

29 "(c) In lieu of merit and other increment raises paid to regular State employees, a
30 clerk of superior court shall receive as longevity pay an amount equal to four and
31 eight-tenths percent (4.8%) of the clerk's annual salary payable monthly after five years
32 of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and
33 four-tenths percent (14.4%) after 15 years of service, ~~and~~ nineteen and two-tenths
34 percent (19.2%) after 20 years of service, service, twenty-four percent (24%) after 25
35 years of service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of
36 service. Service shall mean service in the elective position of clerk of superior court, as
37 an assistant clerk of court and as a supervisor of clerks of superior court with the
38 Administrative Office of the Courts and shall not include service as a deputy or acting
39 clerk. Service shall also mean service as a justice, judge, or magistrate of the General
40 Court of Justice or as a district attorney."

41 **SECTION 28.18A.(f)** G.S. 7A-144(b) reads as rewritten:

42 "(b) Notwithstanding merit, longevity and other increment raises paid to regular
43 State employees, a judge of the district court shall receive as longevity pay an annual
44 amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the
45 Current Operations Appropriations Act payable monthly after five years of service, nine
46 and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent
47 (14.4%) after 15 years of service, ~~and~~ nineteen and two-tenths percent (19.2%) after 20
48 years of service, service, twenty-four percent (24%) after 25 years of service, and
49 twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means
50 service as a justice or judge of the General Court of Justice or as a member of the
51 Utilities Commission or as director or assistant director of the Administrative Office of

1 the Courts. Service shall also mean service as a district attorney or as a clerk of superior
 2 court."

3 **SECTION 28.18A.(g)** G.S. 7A-498.7 reads as rewritten:

4 **"§ 7A-498.7. Public Defender Offices.**

5 (a) The following counties of the State are organized into the defender districts
 6 listed below, and in each of those defender districts an office of public defender is
 7 established:

Defender District	Counties
1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans
3A	Pitt
3B	Carteret
10	Wake
12	Cumberland
14	Durham
15B	Orange, Chatham
16A	Scotland, Hoke
16B	Robeson
18	Guilford
21	Forsyth
26	Mecklenburg
27A	Gaston
28	Buncombe

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 28 After notice to, and consultation with, the affected district bar, senior resident superior
 29 court judge, and chief district court judge, the Commission on Indigent Defense
 30 Services may recommend to the General Assembly that a district or regional public
 31 defender office be established. A legislative act is required in order to establish a new
 32 office or to abolish an existing office.

33 (b) For each new term, and to fill any vacancy, public defenders shall be
 34 appointed from a list of not less than two and not more than three names nominated by
 35 written ballot of the attorneys resident in the defender district who are licensed to
 36 practice law in North Carolina. The balloting shall be conducted pursuant to rules
 37 adopted by the Commission on Indigent Defense Services. The appointment shall be
 38 made by the senior resident superior court judge of the superior court district or set of
 39 districts as defined in G.S. 7A-44.1 that includes the county or counties of the defender
 40 district for which the public defender is being appointed.

41 (c) A public defender shall be an attorney licensed to practice law in North
 42 Carolina and shall devote full time to the duties of the office. In lieu of merit and other
 43 increment raises paid to regular State employees, a public defender shall receive as
 44 longevity pay an amount equal to four and eight-tenths percent (4.8%) of the annual
 45 salary set forth in the Current Operations Appropriations Act payable monthly after five
 46 years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen
 47 and four-tenths percent (14.4%) after 15 years of service, ~~and~~ and nineteen and two-tenths
 48 percent (19.2%) after 20 years of service, ~~service, twenty-four percent (24%) after 25~~
 49 years of service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of
 50 service. "Service" means service as a public defender, appellate defender, assistant

1 public or appellate defender, district attorney, assistant district attorney, justice or judge
2 of the General Court of Justice, or clerk of superior court.

3 (d) Subject to standards adopted by the Commission, the day-to-day operation
4 and administration of public defender offices shall be the responsibility of the public
5 defender in charge of the office. The public defender shall keep appropriate records and
6 make periodic reports, as requested, to the Director of the Office of Indigent Defense
7 Services on matters related to the operation of the office.

8 (e) The Office of Indigent Defense Services shall procure office equipment and
9 supplies for the public defender, and provide secretarial and library support from State
10 funds appropriated to the public defender's office for this purpose.

11 (f) Each public defender is entitled to assistant public defenders, investigators,
12 and other staff, full-time or part-time, as may be authorized by the Commission.
13 Assistants, investigators, and other staff are appointed by the public defender and serve
14 at the pleasure of the public defender. Average and minimum compensation of
15 assistants shall be as provided in the biennial Current Operations Appropriations Act.
16 The actual salaries of assistants shall be set by the public defender in charge of the
17 office, subject to approval by the Commission. The Commission shall fix the
18 compensation of investigators. Assistants and investigators shall perform such duties as
19 may be assigned by the public defender.

20 (g) In lieu of merit and other increment raises paid to regular State employees, an
21 assistant public defender shall receive as longevity pay an amount equal to four and
22 eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations
23 Appropriations Act payable monthly after five years of service, nine and six-tenths
24 percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after
25 15 years of service, ~~and~~ and nineteen and two-tenths percent (19.2%) after 20 years of
26 ~~service.~~ service, twenty-four percent (24%) after 25 years of service, and twenty-eight
27 and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a
28 public defender, appellate defender, assistant public or appellate defender, district
29 attorney, assistant district attorney, justice or judge of the General Court of Justice, or
30 clerk of superior court.

31 (h) The term of office of public defender appointed under this section is four
32 years. A public defender or assistant public defender may be suspended or removed
33 from office, and reinstated, for the same causes and under the same procedures as are
34 applicable to removal of a district attorney.

35 (i) A public defender may apply to the Director of the Office of Indigent
36 Defense Services to enter into contracts with local governments for the provision by the
37 State of services of temporary assistant public defenders pursuant to G.S. 153A-212.1 or
38 G.S. 160A-289.1.

39 (j) The Director of the Office of Indigent Defense Services may provide
40 assistance requested pursuant to subsection (i) of this section only upon a showing by
41 the requesting public defender, supported by facts, that the overwhelming public interest
42 warrants the use of additional resources for the speedy disposition of cases involving
43 drug offenses, domestic violence, or other offenses involving a threat to public safety.

44 (k) The terms of any contract entered into with local governments pursuant to
45 subsection (i) of this section shall be fixed by the Director of the Office of Indigent
46 Defense Services in each case. Nothing in this section shall be construed to obligate the
47 General Assembly to make any appropriation to implement the provisions of this
48 section or to obligate the Office of Indigent Defense Services to provide the
49 administrative costs of establishing or maintaining the positions or services provided for
50 under this section. Further, nothing in this section shall be construed to obligate the

1 Office of Indigent Defense Services to maintain positions or services initially provided
2 for under this section."
3

4 **CAREER BANDING/CONTINUATION**

5 **SECTION 28.18B.** Notwithstanding any other provision of law, the State
6 Personnel Commission, the Office of State Personnel, The University of North Carolina
7 as to its employees subject to the State Personnel Act, and State agencies as to their
8 defined critical occupational groups such as nursing, engineering, library, fiscal, and
9 pharmacy positions, and other similar occupational groups, shall begin or continue the
10 development and implementation of career banding, effective July 1, 2007.

11 The Office of State Personnel shall provide quarterly updates on career
12 banding to the Joint Legislative Commission on Governmental Operations.

13 The Office of State Personnel shall consult with the Joint Legislative
14 Commission on Governmental Operations prior to the State Personnel Commission's
15 review and approval of career banding for major occupational groups with significant
16 labor market changes.
17

18 **SALARY-RELATED CONTRIBUTIONS/EMPLOYER**

19 **SECTION 28.19.(a)** Required employer salary-related contributions for
20 employees whose salaries are paid from department, office, institution, or agency
21 receipts shall be paid from the same source as the source of the employees' salary. If an
22 employee's salary is paid in part from the General Fund or Highway Fund and in part
23 from department, office, institution, or agency receipts, required employer salary-related
24 contributions may be paid from the General Fund or Highway Fund only to the extent of
25 the proportionate part paid from the General Fund or Highway Fund in support of the
26 salary of the employee, and the remainder of the employer's requirements shall be paid
27 from the source that supplies the remainder of the employee's salary. The requirements
28 of this section as to source of payment are also applicable to payments on behalf of the
29 employee for hospital-medical benefits, longevity pay, unemployment compensation,
30 accumulated leave, workers' compensation, severance pay, separation allowances, and
31 applicable disability income benefits.

32 Notwithstanding any other provision of law, an employer who hires or has
33 hired a retiree as an employee shall enroll the retiree in the active group and pay the cost
34 for the hospital-medical benefits if that retiree is employed in a position that would
35 require the employer to pay hospital-medical benefits if the individual had not been
36 retired.

37 **SECTION 28.19.(b)** Effective July 1, 2007, the State's employer
38 contribution rates budgeted for retirement and related benefits as percentage of covered
39 salaries for the 2007-2008 fiscal year are: (i) seven and ninety-six hundredths percent
40 (7.96%) – Teachers and State Employees; (ii) twelve and ninety-six hundredths percent
41 (12.96%) – State Law Enforcement Officers; (iii) eleven and sixty-six hundredths
42 percent (11.66%) – University Employees' Optional Retirement System; (iv) eleven and
43 sixty-six hundredths percent (11.66%) – Community College Optional Retirement
44 Program; (v) seventeen and fifty-one hundredths percent (17.51%) – Consolidated
45 Judicial Retirement System; and (vi) four and thirty hundredths percent (4.30%) –
46 Legislative Retirement System. Each of the foregoing contribution rates includes four
47 and thirty hundredths percent (4.30%) for hospital and medical benefits. The rate for
48 Teachers and State Employees, State Law Enforcement Officers, Community College
49 Optional Retirement Program, and for the University Employees' Optional Retirement
50 Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan.
51 The rates for Teachers and State Employees and State Law Enforcement Officers

1 include sixteen-hundredths percent (0.16%) for the Death Benefits Plan. The rate for
2 State Law Enforcement Officers includes five percent (5%) for Supplemental
3 Retirement Income.

4 **SECTION 28.19.(c)** Effective July 1, 2008, the State's employer
5 contribution rates budgeted for retirement and related benefits as percentage of covered
6 salaries for the 2007-2008 fiscal year are: (i) seven and ninety-six hundredths percent
7 (7.96%) – Teachers and State Employees; (ii) twelve and ninety-six hundredths percent
8 (12.96%) – State Law Enforcement Officers; (iii) eleven and sixty-six hundredths
9 percent (11.66%) – University Employees' Optional Retirement System; (iv) eleven and
10 sixty-six hundredths percent (11.66%) – Community College Optional Retirement
11 Program; (v) seventeen and fifty-one hundredths percent (17.51%) – Consolidated
12 Judicial Retirement System; and (vi) four and thirty hundredths percent (4.30%) –
13 Legislative Retirement System. Each of the foregoing contribution rates includes four
14 and thirty hundredths percent (4.30%) for hospital and medical benefits. The rate for
15 Teachers and State Employees, State Law Enforcement Officers, Community College
16 Optional Retirement Program, and for the University Employees' Optional Retirement
17 Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan.
18 The rates for Teachers and State Employees and State Law Enforcement Officers
19 include sixteen-hundredths percent (0.16%) for the Death Benefits Plan. The rate for
20 State Law Enforcement Officers includes five percent (5%) for Supplemental
21 Retirement Income.

22 **SECTION 28.19.(d)** The maximum annual employer contributions, payable
23 monthly, by the State for each covered employee or retiree for the 2007-2008 fiscal year
24 to the Teachers' and State Employees' Comprehensive Major Medical Plan's Indemnity
25 Plan are: (i) Medicare-eligible employees and retirees – three thousand two hundred
26 twenty-six dollars (\$3,226) and (ii) non-Medicare-eligible employees and retirees – four
27 thousand two hundred thirty-eight dollars (\$4,238).

28 **SECTION 28.19.(f)** The maximum annual employer contributions, payable
29 monthly, by the State for each covered employee or retiree for the 2007-2008 fiscal year
30 to the Teachers' and State Employees' Comprehensive Major Medical Plan's Preferred
31 Provider Options Program are: (i) Medicare-eligible employees and retirees – three
32 thousand ninety-one dollars (\$3,091) and (ii) non-Medicare-eligible employees and
33 retirees – four thousand sixty-one dollars (\$4,061).

34 **SECTION 28.19.(g)** The maximum annual employer contributions, payable
35 monthly, by the State for each covered employee or retiree for the 2008-2009 fiscal year
36 to the Teachers' and State Employees' Comprehensive Major Medical Plan's Preferred
37 Provider Options Program are: (i) Medicare-eligible employees and retirees – three
38 thousand one hundred seventy-three dollars (\$3,173) and (ii) non-Medicare-eligible
39 employees and retirees – four thousand one hundred sixty-eight dollars (\$4,168).

40
41 **PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE**
42 **TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE**
43 **JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT**
44 **SYSTEM, AND THE LOCAL GOVERNMENTAL EMPLOYEES'**
45 **RETIREMENT SYSTEM**

46 **SECTION 28.20.(a)** G.S. 135-5 is amended by adding a new subsection to
47 read:

48 "(qqq) From and after July 1, 2007, the retirement allowance to or on account of
49 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased
50 by two percent (2%) of the allowance payable on June 1, 2007, in accordance with
51 G.S. 135-5(o). Furthermore, from and after July 1, 2007, the retirement allowance to or

1 on account of beneficiaries whose retirement commenced after July 1, 2006, but before
2 June 30, 2007, shall be increased by a prorated amount of two percent (2%) of the
3 allowance payable as determined by the Board of Trustees based upon the number of
4 months that a retirement allowance was paid between July 1, 2006, and June 30, 2007."

5 **SECTION 28.20.(b)** G.S. 135-65 is amended by adding a new subsection to
6 read:

7 "(bb) From and after July 1, 2007, the retirement allowance to or on account of
8 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased
9 by two percent (2%) of the allowance payable on June 1, 2007. Furthermore, from and
10 after July 1, 2007, the retirement allowance to or on account of beneficiaries whose
11 retirement commenced after July 1, 2006, but before June 30, 2007, shall be increased
12 by a prorated amount of two percent (2%) of the allowance payable as determined by
13 the Board of Trustees based upon the number of months that a retirement allowance was
14 paid between July 1, 2006, and June 30, 2007."

15 **SECTION 28.20.(c)** G.S. 120-4.22A is amended by adding a new subsection
16 to read:

17 "(v) In accordance with subsection (a) of this section, from and after July 1, 2007,
18 the retirement allowance to or on account of beneficiaries whose retirement commenced
19 on or before January 1, 2007, shall be increased by two percent (2%) of the allowance
20 payable on June 1, 2007. Furthermore, from and after July 1, 2007, the retirement
21 allowance to or on account of beneficiaries whose retirement commenced after January
22 1, 2007, but before June 30, 2007, shall be increased by a prorated amount of two
23 percent (2%) of the allowance payable as determined by the Board of Trustees based
24 upon the number of months that a retirement allowance was paid between January 1,
25 2007, and June 30, 2007."

26 **SECTION 28.20.(d)** G.S. 128-27 is amended by adding a new subsection to
27 read:

28 "(hhh) From and after July 1, 2007, the retirement allowance to or on account of
29 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased
30 by two and two-tenths percent (2.2%) of the allowance payable on June 1, 2007, in
31 accordance with subsection (k) of this section. Furthermore, from and after July 1, 2007,
32 the retirement allowance to or on account of beneficiaries whose retirement commenced
33 after July 1, 2006, but before June 30, 2007, shall be increased by a prorated amount of
34 two and two-tenths percent (2.2%) of the allowance payable as determined by the Board
35 of Trustees based upon the number of months that a retirement allowance was paid
36 between July 1, 2006, and June 30, 2007."

37 38 **INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S** 39 **AND RESCUE SQUAD WORKERS' PENSION FUND**

40 **SECTION 28.21.** G.S. 58-86-55 reads as rewritten:

41 **"§ 58-86-55. Monthly pensions upon retirement.**

42 Any member who has served 20 years as an "eligible fireman" or "eligible rescue
43 squad worker" in the State of North Carolina, as provided in G.S. 58-86-25 and
44 G.S. 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly
45 pension from this fund. The monthly pension shall be in the amount of ~~one hundred~~
46 ~~sixty five dollars (\$165.00)~~ one hundred sixty-seven dollars (\$167.00) per month. Any
47 retired fireman receiving a pension shall, effective ~~July 1, 2006,~~ July 1, 2007, receive a
48 pension of ~~one hundred sixty five dollars (\$165.00)~~ one hundred sixty-seven dollars
49 (\$167.00) per month.

50 Members shall pay ten dollars (\$10.00) per month as required by G.S. 58-86-35 and
51 G.S. 58-86-40 for a period of no longer than 20 years. No "eligible rescue squad

1 member" shall receive a pension prior to July 1, 1983. No member shall be entitled to a
2 pension hereunder until the member's official duties as a fireman or rescue squad
3 worker for which the member is paid compensation shall have been terminated and the
4 member shall have retired as such according to standards or rules fixed by the board of
5 trustees.

6 A member who is totally and permanently disabled while in the discharge of the
7 member's official duties as a result of bodily injuries sustained or as a result of extreme
8 exercise or extreme activity experienced in the course and scope of those official duties
9 and who leaves the fire or rescue squad service because of this disability shall be
10 entitled to be paid from the fund a monthly benefit in an amount of ~~one hundred~~
11 ~~sixty five dollars (\$165.00)~~ one hundred sixty-seven dollars (\$167.00) per month
12 beginning the first month after the member's fifty-fifth birthday. All applications for
13 disability are subject to the approval of the board who may appoint physicians to
14 examine and evaluate the disabled member prior to approval of the application, and
15 annually thereafter. Any disabled member shall not be required to make the monthly
16 payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

17 A member who is totally and permanently disabled for any cause, other than line of
18 duty, who leaves the fire or rescue squad service because of this disability and who has
19 at least 10 years of service with the pension fund, may be permitted to continue making
20 a monthly contribution of ten dollars (\$10.00) to the fund until the member has made
21 contributions for a total of 240 months. The member shall upon attaining the age of 55
22 years be entitled to receive a pension as provided by this section. All applications for
23 disability are subject to the approval of the board who may appoint physicians to
24 examine and evaluate the disabled member prior to approval of the application and
25 annually thereafter.

26 A member who, because his residence is annexed by a city under Part 2 or Part 3 of
27 ~~Article 4~~ Article 4A of Chapter 160A of the General Statutes, or whose department is
28 closed because of an annexation by a city under Part 2 or Part 3 of ~~Article 4~~ Article 4A
29 of Chapter 160A of the General Statutes, or whose volunteer department is taken over
30 by a city or county, and because of such annexation or takeover is unable to perform as
31 a fireman or rescue squad worker of any status, and if the member has at least 10 years
32 of service with the pension fund, may be permitted to continue making a monthly
33 contribution of ten dollars (\$10.00) to the fund until the member has made contributions
34 for a total of 240 months. The member upon attaining the age of 55 years and
35 completion of such contributions shall be entitled to receive a pension as provided by
36 this section. Any application to make monthly contributions under this section shall be
37 subject to a finding of eligibility by the Board of Trustees upon application of the
38 member.

39 The pensions provided shall be in addition to all other pensions or benefits under any
40 other statutes of the State of North Carolina or the United States, notwithstanding any
41 exclusionary provisions of other pensions or retirement systems provided by law."
42

43 **ENHANCE BENEFITS PAYABLE THROUGH THE NATIONAL GUARD** 44 **PENSION FUND**

45 **SECTION 28.21A.** G.S. 127A-40(a) reads as rewritten:

46 "(a) Every member and former member of the North Carolina national guard who
47 meets the requirements hereinafter set forth shall receive, commencing at age 60, a
48 pension of ~~eighty dollars (\$80.00)~~ ninety-five dollars (\$95.00) per month for 20 years'
49 creditable military service with an additional ~~eight dollars (\$8.00)~~ nine dollars fifty
50 cents (\$9.50) per month for each additional year of such service; provided, however,
51 that the total pension shall not exceed ~~one hundred sixty dollars (\$160.00)~~ one hundred

1 ninety dollars (\$190.00) per month. The requirements for such pension are that each
2 member shall:

- 3 (1) Have served and qualified for at least 20 years' creditable military
4 service, including national guard, reserve and active duty, under the
5 same requirement specified for entitlement to retired pay for
6 nonregular service under Chapter 67, Title 10, United States Code.
- 7 (2) Have at least 15 years of the aforementioned service as a member of
8 the North Carolina national guard.
- 9 (3) Have received an honorable discharge from the North Carolina
10 national guard."

11
12 **INCLUDE PUBLIC DEFENDERS AS MEMBERS OF THE CONSOLIDATED**
13 **JUDICIAL RETIREMENT SYSTEM**

14 **SECTION 28.21B.(a)** G.S. 135-50(b) reads as rewritten:

15 "(b) The purpose of this Article is to improve the administration of justice by
16 attracting and retaining the most highly qualified talent available within the State to the
17 positions of justice and judge, district attorney and solicitor, public defender, and clerk
18 of superior court, within the General Court of Justice."

19 **SECTION 28.21B.(b)** G.S. 135-51 reads as rewritten:

20 **"§ 135-51. Scope.**

21 (a) This Article provides consolidated retirement benefits for all justices and
22 judges, district attorneys, and solicitors who are serving on January 1, 1974, and who
23 become such thereafter; and for all clerks of superior court who are so serving on
24 January 1, 1975, and who become such ~~thereafter~~ after that date; and for all public
25 defenders who are serving on July 1, 2007, and who become public defenders after that
26 date.

27 (b) For justices and judges of the appellate and superior court divisions of the
28 General Court of Justice who so served prior to January 1, 1974, the provisions of this
29 Article supplement and, under certain circumstances, replace the provisions of Articles
30 6 and 8, as the case may be, of Chapter 7A of the General Statutes.

31 For district attorneys and judges of the district court of the General Court of Justice
32 who so served prior to January 1, 1974, the provisions of this Article supplement and,
33 under certain circumstances, replace the provisions of Article 1 of this Chapter.

34 For clerks of superior court of the General Court of Justice who so served prior to
35 January 1, 1975, the provisions of this Article supplement and, under certain
36 circumstances, replace the provisions of Article 1 of this Chapter.

37 (c) The retirement benefits of any person who becomes a justice or judge, district
38 attorney, or solicitor on and after January 1, 1974, or clerk of superior court on and after
39 January 1, 1975, or public defender on or after July 1, 2007, shall be determined solely
40 in accordance with the provisions of this Article."

41 **SECTION 28.21B.(c)** G.S. 135-53 reads as rewritten:

42 **"§ 135-53. Definitions.**

43 The following words and phrases as used in this Article, unless a different meaning
44 is plainly required by the context, shall have the following meanings:

- 45 (1) "Accumulated contributions" with respect to any member shall mean
46 the sum of all the amounts deducted from the compensation of the
47 member pursuant to G.S. 135-68 since he last became a member and
48 credited to his account in the annuity savings fund, plus any amount
49 standing to his credit pursuant to G.S. 135-67(c) as a result of a prior
50 period of membership, plus any amounts credited to his account

- 1 pursuant to G.S. 135-28.1(b) or 135-56(b), together with regular
2 interest on all such amounts computed as provided in G.S. 135-7(b).
- 3 (2) "Actuarial equivalent" shall mean a benefit of equal value when
4 computed upon the bases of such mortality tables as shall be adopted
5 by the Board of Trustees, and regular interest.
- 6 (2a) "Average final compensation" shall mean the average annual
7 compensation of a member during the 48 consecutive calendar months
8 of membership service producing the highest such average.
- 9 (3) "Beneficiary" shall mean any person in receipt of a retirement
10 allowance or other benefit as provided in this Article.
- 11 (4) "Board of Trustees" shall mean the Board of Trustees established by
12 G.S. 135-6.
- 13 (4a) "Clerk of superior court" shall mean the clerk of superior court
14 provided for in G.S. 7A-100(a).
- 15 (5) "Compensation" shall mean all salaries and wages derived from public
16 funds which are earned by a member of the Retirement System for his
17 service as a justice or judge, or district attorney, or clerk of superior
18 ~~court~~ court, or public defender.
- 19 (6) "Creditable service" shall mean for any member the total of his prior
20 service plus his membership service.
- 21 (6a) "District attorney" shall mean the district attorney or solicitor provided
22 for in G.S. 7A-60.
- 23 (7) "Filing" when used in reference to an application for retirement shall
24 mean the receipt of an acceptable application on a form provided by
25 the Retirement System.
- 26 (8) "Final compensation" shall mean for any member the annual
27 equivalent of the rate of compensation most recently applicable to him.
- 28 (9) "Judge" shall mean any justice or judge of the General Court of Justice
29 and the administrative officer of the courts.
- 30 (10) "Medical board" shall mean the board of physicians provided for in
31 G.S. 135-6.
- 32 (11) "Member" shall mean any person included in the membership of the
33 Retirement System as provided in this Article.
- 34 (12) "Membership service" shall mean service as a judge, district attorney,
35 ~~or~~ clerk of superior court, or public defender rendered while a
36 member of the Retirement System.
- 37 (13) "Previous system" shall mean, with respect to any member, the
38 retirement benefit provisions of Article 6 and Article 8 of Chapter 7A
39 of the General Statutes, to the extent that such Article or Articles were
40 formerly applicable to the member, and in the case of judges of the
41 district court division, ~~and~~ district attorney, public defender, and clerk
42 of superior court of the General Court of Justice, the Teachers' and
43 State Employees' Retirement System.
- 44 (14) "Prior service" shall mean service rendered by a member, prior to his
45 membership in the Retirement System, for which credit is allowable
46 under G.S. 135-56.
- 47 (14a) "Public defender" means a public defender provided for in
48 G.S. 7A-498.7, the appellate defender provided for in G.S. 7A-498.8,
49 the capital defender, and the juvenile defender.

- 1 (15) "Regular interest" shall mean interest compounded annually at such a
2 rate as shall be determined by the Board of Trustees in accordance
3 with G.S. 135-7(b).
4 (16) "Retirement" shall mean the withdrawal from active service with a
5 retirement allowance granted under the provisions of this Chapter. In
6 order for a member's retirement to become effective in any month, the
7 member must render no service at any time during that month.
8 (17) "Retirement allowance" shall mean the periodic payments to which a
9 beneficiary becomes entitled under the provisions of this Article.
10 (18) "Retirement System" shall mean the "Consolidated Judicial Retirement
11 System" of North Carolina, as established in this Article.
12 (19) "Year" as used in this Article shall mean the regular fiscal year
13 beginning July 1 and ending June 30 in the following calendar year,
14 unless otherwise defined by regulation of the Board of Trustees."

15 **SECTION 28.21B.(d)** G.S. 135-54 reads as rewritten:

16 **"§ 135-54. Name and date of establishment.**

17 A Retirement System is hereby established and placed under the management of the
18 Board of Trustees for the purpose of providing retirement allowances and other benefits
19 under the provisions of this Article for justices and judges, district attorneys, public
20 defenders, and clerks of superior court of the General Court of Justice of North
21 Carolina, and their survivors. The Retirement System so created shall be established as
22 of January 1, 1974.

23 The Retirement System shall have the power and privileges of a corporation and
24 shall be known as the "Consolidated Judicial Retirement System of North Carolina,"
25 and by such name all of its business shall be transacted."

26 **SECTION 28.21B.(e)** G.S. 135-55 reads as rewritten:

27 **"§ 135-55. Membership.**

28 (a) The membership of the Retirement System shall consist of:

- 29 (1) All judges and district attorneys in office on January 1, 1974;
30 (2) All persons who become judges and district attorneys or reenter
31 service as judges and district attorneys after January 1, 1974;
32 (3) All clerks of superior court in office on January 1, 1975; ~~and~~
33 (4) All persons who become clerks of superior court or reenter service as
34 clerks of superior court after January 1, ~~1975;~~ 1975;
35 (5) All public defenders in office on July 1, 2007; and
36 (6) All persons who become public defenders or reenter service as public
37 defenders after July 1, 2007.

38 (b) The membership of any person in the Retirement System shall cease upon:

- 39 (1) The withdrawal of his accumulated contributions after he is no longer
40 a judge, district ~~attorney~~ attorney, public defender, or clerk of superior
41 court, or
42 (2) His retirement under the provisions of the Retirement System, or
43 (3) His death."

44 **SECTION 28.21B.(f)** G.S. 135-58(a4) reads as rewritten:

45 "(a4) Any member who retires under the provisions of G.S. 135-57(a) or
46 G.S. 135-57(c) on or after January 1, 2004, but before July 1, 2007, after the member
47 has either attained the member's 65th birthday or has completed 24 years or more of
48 creditable service, shall receive an annual retirement allowance, payable monthly,
49 which shall commence on the effective date of the member's retirement and shall be
50 continued on the first day of each month thereafter during the member's lifetime, the
51 amount of which shall be computed as the sum of the amounts in subdivisions (1), (2),

1 (3), (4), and (5) of this subsection, provided that in no event shall the annual allowance
2 payable to any member be greater than an amount which, when added to the allowance,
3 if any, to which the member is entitled under the Teachers' and State Employees'
4 Retirement System, the Legislative Retirement System, or the Local Governmental
5 Employees' Retirement System (prior in any case to any reduction for early retirement
6 or for an optional mode of payment), would total three-fourths of the member's final
7 compensation:

- 8 (1) Four and two hundredths percent (4.02%) of the member's final
9 compensation, multiplied by the number of years of creditable service
10 rendered as a justice of the Supreme Court or judge of the Court of
11 Appeals;
- 12 (2) Three and fifty-two hundredths percent (3.52%) of the member's final
13 compensation, multiplied by the number of years of creditable service
14 rendered as a judge of the superior court or as Administrative Officer
15 of the Courts;
- 16 (3) Three and two hundredths percent (3.02%) of the member's final
17 compensation, multiplied by the number of years of creditable service
18 rendered as a judge of the district court, district attorney, or clerk of
19 superior court;
- 20 (4) A service retirement allowance computed in accordance with the
21 service retirement provisions of Article 3 of Chapter 128 of the
22 General Statutes using an average final compensation as defined in
23 G.S. 135-53(2a) and creditable service equal to the number of years of
24 the member's creditable service that was transferred from the Local
25 Governmental Employees' Retirement System to this System as
26 provided in G.S. 135-56; and
- 27 (5) A service retirement allowance computed in accordance with the
28 service retirement provisions of Article 1 of this Chapter of the
29 General Statutes using an average final compensation as defined in
30 G.S. 135-53(2a) and creditable service, including any sick leave
31 standing to the credit of the member, equal to the number of years of
32 the member's creditable service that was transferred from the Teachers'
33 and State Employees' Retirement System or the Legislative Retirement
34 System to this System as provided in G.S. 135-56."

35 **SECTION 28.21B.(g)** G.S. 135-58 is amended by adding a new subsection

36 to read:

37 "(a5) Any member who retires under the provisions of G.S. 135-57(a) or
38 G.S. 135-57(c) on or after July 1, 2007, after the member has either attained the
39 member's 65th birthday or has completed 24 years or more of creditable service, shall
40 receive an annual retirement allowance, payable monthly, which shall commence on the
41 effective date of the member's retirement and shall be continued on the first day of each
42 month thereafter during the member's lifetime, the amount of which shall be computed
43 as the sum of the amounts in subdivisions (1), (2), (3), (4), and (5) of this subsection,
44 provided that in no event shall the annual allowance payable to any member be greater
45 than an amount which, when added to the allowance, if any, to which the member is
46 entitled under the Teachers' and State Employees' Retirement System, the Legislative
47 Retirement System, or the Local Governmental Employees' Retirement System (prior in
48 any case to any reduction for early retirement or for an optional mode of payment),
49 would total three-fourths of the member's final compensation:

- 50 (1) Four and two hundredths percent (4.02%) of the member's final
51 compensation, multiplied by the number of years of creditable service

1 rendered as a justice of the Supreme Court or judge of the Court of
2 Appeals;

3 (2) Three and fifty-two hundredths percent (3.52%) of the member's final
4 compensation, multiplied by the number of years of creditable service
5 rendered as a judge of the superior court or as Administrative Officer
6 of the Courts;

7 (3) Three and two hundredths percent (3.02%) of the member's final
8 compensation, multiplied by the number of years of creditable service
9 rendered as a judge of the district court, district attorney, clerk of
10 superior court, or public defender;

11 (4) A service retirement allowance computed in accordance with the
12 service retirement provisions of Article 3 of Chapter 128 of the
13 General Statutes using an average final compensation as defined in
14 G.S. 135-53(2a) and creditable service equal to the number of years of
15 the member's creditable service that was transferred from the Local
16 Governmental Employees' Retirement System to this System as
17 provided in G.S. 135-56; and

18 (5) A service retirement allowance computed in accordance with the
19 service retirement provisions of Article 1 of this Chapter using an
20 average final compensation as defined in G.S. 135-53(2a) and
21 creditable service, including any sick leave standing to the credit of the
22 member, equal to the number of years of the member's creditable
23 service that was transferred from the Teachers' and State Employees'
24 Retirement System or the Legislative Retirement System to this
25 System as provided in G.S. 135-56."

26 **SECTION 28.21B.(h)** G.S. 135-56 is amended by adding a new subsection
27 to read:

28 "(g) On and after July 1, 2007, the creditable service of a member who was a
29 public defender and a member of the Teachers' and State Employees' Retirement
30 System at the time of transfer of membership from the previous system to this System
31 shall include service as a public defender that was creditable in the previous system
32 immediately prior to July 1, 2007. The accumulated contributions, creditable service,
33 and reserves, if any, of a member as a public defender shall be transferred from the
34 previous system to this System in the same manner as prescribed under G.S. 135-28.1 as
35 it pertained to judges of the district court division of the General Court of Justice."

36
37 **STATE HEALTH PLAN CHANGES EFFECTIVE FOR FISCAL YEAR**
38 **2007-2008**

39 **SECTION 28.22.(a)** The Teachers' and State Employees' Comprehensive
40 Major Medical Plan (Plan) shall provide for an annual open enrollment period in the
41 Indemnity Plan and Optional PPO program for the July 1, 2007, to June 30, 2008, Plan
42 year. Plan member changes to coverage type or selection of benefit coverage under the
43 Indemnity Plan or Optional PPO program during open enrollment shall become
44 effective October 1, 2007. At least 45 days prior to October 1, 2007, the Plan shall
45 provide to all plan members sufficient information on premiums, cost-sharing, and
46 benefits to enable the plan member or other eligible participant to make an enrollment
47 election effective October 1, 2007. As used in this subsection, the term "plan member"
48 includes active employees, retired employees, and other eligible participants with
49 respect to the Indemnity Plan and the optional PPO program.

50 **SECTION 28.22.(b)** G.S. 135-40.1(2) reads as rewritten:

1 "(2) Deductible. – Deductible shall mean an amount of covered expenses
2 during a fiscal year which must be incurred after which benefits
3 (subject to the deductible) becomes payable. The deductible for an
4 employee, retired employee and/or his or her dependents shall be ~~three~~
5 ~~hundred fifty dollars (\$350.00)~~four hundred fifty dollars (\$450.00) for
6 each fiscal year.

7 The deductible applies separately to each covered individual in
8 each fiscal year, subject to an aggregate maximum of ~~one thousand~~
9 ~~fifty dollars (\$1,050)~~one thousand three hundred fifty dollars (\$1,350)
10 per employee and child(ren) or employee and family coverage contract
11 in any fiscal year.

12 If two or more family members are injured in the same accident
13 only one deductible is required for charges related to that accident
14 during the benefit period."

15 **SECTION 28.22.(c)** G.S. 135-40.4 reads as rewritten:

16 "**§ 135-40.4. Benefits in general.**

17 (a) In the event a covered person, as a result of accidental bodily injury, disease
18 or pregnancy, incurs covered expenses, the Plan will pay benefits up to the amounts
19 described in G.S. 135-40.5 through G.S. 135-40.9.

20 The Plan is divided into two parts. The first part includes certain benefits which are
21 not subject to a deductible or coinsurance. The second part is a comprehensive plan and
22 includes those benefits which are subject to both a ~~three hundred fifty dollar (\$350.00)~~
23 ~~four hundred fifty dollar (\$450.00)~~ deductible for each covered individual to an
24 aggregate maximum of ~~one thousand fifty dollars (\$1,050)~~one thousand three hundred
25 fifty dollars (\$1,350) per employee and child(ren) or employee and family coverage
26 contract and coinsurance of 80%/20%. There is a limit on out-of-pocket expenses under
27 the second part.

28 Notwithstanding the provisions of this Article, the Executive Administrator and
29 Board of Trustees of the Teachers' and State Employees' Comprehensive Major Medical
30 Plan may contract with providers of institutional and professional medical care and
31 services to established preferred provider networks. The terms pertaining to
32 reimbursement rates or other terms of consideration of any contract between hospitals,
33 hospital authorities, doctors or other medical providers, an optional program contract
34 authorized under G.S. 135-39.5B(b), or a pharmacy benefit manager and the Plan shall
35 not be a public record under Chapter 132 of the General Statutes for a period of thirty
36 months after the date of the expiration of the contract. Provided, however, nothing in
37 this subsection shall be deemed to prevent or restrict the release of any information
38 made not a public record under this subsection to the State Auditor, the Attorney
39 General, the Director of the State Budget, the Plan's Executive Administrator, and the
40 Committee on Employee Hospital and Medical Benefits solely and exclusively for their
41 use in the furtherance of their duties and responsibilities. The design, adoption, and
42 implementation of the preferred provider contracts and networks are not subject to the
43 requirements of Chapter 143 of the General Statutes, provided that for any hospital
44 preferred provider network all hospitals will have an opportunity to contract with the
45 Plan if they meet the contract requirements. The Executive Administrator and Board of
46 Trustees shall, under the provisions of G.S. 135-39.5(12), pursue such preferred
47 provider contracts on a timely basis and shall make reports as requested to the President
48 of the Senate, the President Pro Tempore of the Senate, the Speaker of the House of
49 Representatives, and the Committee on Employee Hospital and Medical Benefits on its
50 progress in negotiating the preferred provider contracts. The Executive Administrator
51 and Board of Trustees shall implement a refined diagnostic-related grouping or

1 diagnostic-related grouping-based reimbursement system for hospitals as soon as
2 practicable, but no later than January 1, 1995.

3 (b) As used in this section the term "preferred provider contracts or networks"
4 includes, but is not limited to, a refined diagnostic-related grouping or
5 diagnostic-related grouping-based system of reimbursement for hospitals."

6 **SECTION 28.22.(d)** Effective July 1, 2007, G.S. 135-40.5(g) reads as
7 rewritten:

8 "(g) Prescription Drugs. – The Plan's allowable charges for prescription legend
9 drugs to be used outside of a hospital or skilled nursing facility are to be determined by
10 the Plan's Executive Administrator and Board of Trustees. The ~~Plan~~ Plan's indemnity
11 plan will pay allowable charges for each outpatient prescription drug less a copayment
12 to be paid by each covered individual equal to the following amounts: pharmacy
13 charges up to ~~ten dollars (\$10.00)~~ fifteen dollars (\$15.00) for each generic prescription,
14 ~~twenty five dollars (\$25.00)~~ thirty dollars (\$30.00) for each preferred branded
15 prescription, and ~~forty dollars (\$40.00)~~ forty-five dollars (\$45.00) for each preferred
16 branded prescription with a generic equivalent drug, and ~~fifty dollars (\$50.00)~~ fifty-five
17 dollars (\$55.00) for each nonpreferred branded or generic prescription. The Plan's
18 optional PPO program will pay allowable charges for each outpatient prescription drug
19 less a co-payment to be paid by each covered individual equal to the following amounts:
20 pharmacy charges up to ten dollars (\$10.00) for each generic prescription, twenty-five
21 dollars (\$25.00) for each preferred branded prescription, forty dollars (\$40.00) for each
22 preferred branded prescription with a generic equivalent drug, and fifty dollars (\$50.00)
23 for each nonpreferred branded or generic prescription.

24 Allowable charges shall not be greater than a pharmacy's usual and customary
25 charge to the general public for a particular prescription. Prescriptions shall be for no
26 more than a 34-day supply for the purposes of the copayments paid by each covered
27 individual. By accepting the copayments and any remaining allowable charges provided
28 by this subsection, pharmacies shall not balance bill an individual covered by the Plan.
29 A prescription legend drug is defined as an article the label of which, under the Federal
30 Food, Drug, and Cosmetic Act, is required to bear the legend: "Caution: Federal Law
31 Prohibits Dispensing Without Prescription." Such articles may not be sold to or
32 purchased by the public without a prescription order. Benefits are provided for insulin
33 even though a prescription is not required. The Plan may use a pharmacy benefit
34 manager to help manage the Plan's outpatient prescription drug coverage. In managing
35 the Plan's outpatient prescription drug benefits, the Plan and its pharmacy benefit
36 manager shall not provide coverage for erectile dysfunction, growth hormone,
37 antiwrinkle, weight loss, and hair growth drugs unless such coverage is medically
38 necessary to the health of the member. The Plan and its pharmacy benefit manager shall
39 not provide coverage for growth hormone and weight loss drugs and antifungal drugs
40 for the treatment of nail fungus and botulinum toxin without approval in advance by the
41 pharmacy benefit manager. Any formulary used by the Plan's Executive Administrator
42 and pharmacy benefit manager shall be an open formulary. Plan members shall not be
43 assessed more than two thousand five hundred dollars (\$2,500) per person per fiscal
44 year in copayments required by this subsection."

45 **SECTION 28.22.(e)** The first paragraph of G.S. 135-40.6 reads as rewritten:

46 "The benefits provided in this section are subject to a deductible of ~~three hundred~~
47 ~~fifty dollars (\$350.00)~~ four hundred fifty dollars (\$450.00) per covered individual to an
48 aggregate maximum of ~~one thousand fifty dollars (\$1,050)~~ one thousand three hundred
49 fifty dollars (\$1,350) per employee and child(ren) or employee and family coverage
50 contract per fiscal year and are payable on the basis of eighty percent (80%) by the Plan
51 and twenty percent (20%) by the covered individual up to a maximum of two thousand

1 dollars (\$2,000) out-of-pocket per fiscal year. The aggregate maximum out-of-pocket
2 required of individuals covered by this section shall not be more than six thousand
3 dollars (\$6,000) per employee and child(ren) or employee and family coverage contract
4 per fiscal year."

5 **SECTION 28.22.(f)** G.S. 135-40.8(c3) reads as rewritten:

6 "(c3) Notwithstanding any other provision of this Article, the Plan does not pay for
7 the first ~~fifteen dollars (\$15.00)~~ twenty-five dollars (\$25.00) of allowable charges for
8 each home, office, or skilled nursing facility visit under the provisions of
9 G.S. 135-40.6(7)a. and b., G.S. 135-40.6(4), G.S. 135-40.6(8)i., j., k., n., r., and s., and
10 G.S. 135-40.5(e). The co-payment assessed by this subsection shall be assessed only
11 once per person per provider per day and shall not apply to laboratory, pathology, and
12 radiology services, or to charges for injected medications. The exclusion made under
13 this subsection shall not count toward the deductible nor toward the maximum amount
14 of coinsurance out-of-pocket costs."

15 **SECTION 28.22.(g)** G.S. 135-39.5B is amended by adding the following
16 new subsections to read:

17 "**§ 135-39.5B. Optional plans.**

18 ...

19 (c) Chemical dependency and mental health benefits under G.S. 135-40.7B apply
20 to the optional program adopted under subsection (b) of this section.

21 (d) The optional program adopted under subsection (b) of this section shall not
22 limit the number of visits for physical therapy, occupational therapy, and speech
23 therapy."

24 25 **STATE HEALTH PLAN CHANGES EFFECTIVE BEGINNING WITH THE** 26 **2008-2009 FISCAL YEAR**

27 **SECTION 28.22A.(a)** Effective July 1, 2008, G.S. 135-39.5B, 135-40,
28 135-40.4, 135-40.5(g), 135-40.6, 135-40.8, and 135-40.9 are repealed.

29 **SECTION 28.22A.(b)** Effective July 1, 2008, G.S. 135-39(a) and (a1) read
30 as rewritten:

31 "(a) There is hereby established the Board of Trustees of the ~~Teachers' and State~~
32 ~~Employees' Comprehensive Major Medical Plan~~ State Health Plan for Teachers and
33 State Employees.

34 (a1) ~~The Board of Trustees of the Teachers' and State Employees' Comprehensive~~
35 ~~Major Medical Plan~~ State Health Plan for Teachers and State Employees shall consist of
36 nine members."

37 **SECTION 28.22A.(c)** Effective July 1, 2008, G.S. 135-37 reads as
38 rewritten:

39 "**§ 135-37. Confidentiality.**

40 Any information as herein described in this section which is in the possession of the
41 Executive Administrator and the Board of Trustees of the ~~Teachers' and State~~
42 ~~Employees' Comprehensive Major Medical Plan~~ State Health Plan for Teachers and
43 State Employees ("Plan") or its Claims Processor under the ~~Teachers' and State~~
44 ~~Employees' Comprehensive Major Medical Plan~~ Plan or the Predecessor Plan shall be
45 confidential and shall be exempt from the provisions of Chapter 132 of the General
46 Statutes or any other provision requiring information and records held by State agencies
47 to be made public or accessible to the public. This section shall apply to all information
48 concerning individuals, including the fact of coverage or noncoverage, whether or not a
49 claim has been filed, medical information, whether or not a claim has been paid, and
50 any other information or materials concerning a plan participant. Provided, however,
51 such information may be released to the State Auditor, or to the Attorney General, or to

1 the persons designated under G.S. 135-39.3 in furtherance of their statutory duties and
2 responsibilities, or to such persons or organizations as may be designated and approved
3 by the Executive Administrator and Board of Trustees of the ~~Teachers' and State~~
4 ~~Employees' Comprehensive Major Medical Plan, Plan~~ but any information so released
5 shall remain confidential as stated above and any party obtaining such information shall
6 assume the same level of responsibility for maintaining such confidentiality as that of
7 the Executive Administrator and Board of Trustees of the ~~Teachers' and State~~
8 ~~Employees' Comprehensive Major Medical Plan.~~State Health Plan for Teachers and
9 State Employees."

10 **SECTION 28.22A.(d)** Effective July 1, 2008, G.S. 135-39.10 reads as
11 rewritten:

12 **"§ 135-39.10. Meaning of "Executive Administrator and Board of Trustees".**

13 Whenever in this Article the words "Executive Administrator and Board of Trustees"
14 appear, they mean that the Executive Administrator shall have the power, duty, right,
15 responsibility, privilege or other function mentioned, after consulting with the Board of
16 Trustees of the ~~Teachers' and State Employees' Comprehensive Major Medical~~
17 ~~Plan.~~North Carolina State Health Plan for Teachers and State Employees."

18 **SECTION 28.22A.(e)** Effective July 1, 2008, the title of Part 3 of Article 3
19 of Chapter 135 of the General Statutes reads as rewritten:

20 "Part 3. ~~Comprehensive Major Medical Plan.~~ State Health Plan for Teachers and State
21 Employees."

22 **SECTION 28.22A.(f)** Effective July 1, 2008, G.S. 135-40(a) and (a1) read
23 as rewritten:

24 **"§ 135-40. Undertaking.**

25 (a) The State of North Carolina undertakes to make available a ~~Comprehensive~~
26 ~~Major Medical State Health Plan~~ (hereinafter called the "Plan") exclusively for the
27 benefit of its employees, retired employees and certain of their dependents which will
28 pay benefits in accordance with the terms hereof. The Plan shall have all the powers and
29 privileges of a corporation and shall be known as the ~~North Carolina Teachers' and State~~
30 ~~Employees' Comprehensive Major Medical Plan.~~North Carolina State Health Plan for
31 Teachers and State Employees. The Executive Administrator and Board of Trustees
32 shall carry out their duties and responsibilities as fiduciaries for the Plan. The Plan may
33 be a PPO or other type of benefit plan. The Executive Administrator and Board of
34 Trustees may set premium rates for coverage under the Plan on a partially contributory
35 basis, provided that the amounts of State funds contributed for coverage on a partially
36 contributory basis shall not be more than the Plan's total noncontributory premium for
37 Employee Only coverage, with the person selecting the coverage paying the balance of
38 the partially contributory premium not paid by the Plan. The amount of State funds
39 contributed shall not exceed the Plan's cost for Employee Only coverage. Contracts to
40 provide benefits under the Plan are not subject to Article 3 of Chapter 143 of the
41 General Statutes.

42 (a1) The State of North Carolina deems it to be in the public interest for North
43 Carolina firemen, rescue squad workers, and members of the national guard, and certain
44 of their dependents, who are not eligible for any other type of comprehensive group
45 health insurance or other comprehensive group health benefits, and who have been
46 without any form of group health insurance or other comprehensive group health benefit
47 coverage for at least six months, to be given the opportunity to participate in the benefits
48 provided by the ~~North Carolina Teachers' and State Employees' Comprehensive Major~~
49 ~~Medical Plan.~~North Carolina State Health Plan for Teachers and State Employees.
50 Coverage under the Plan shall be voluntary for eligible firemen, rescue squad workers,

1 and members of the national guard who elect participation in the Plan for themselves
2 and their eligible dependents."

3 **SECTION 28.22A.(g)** Effective July 1, 2008, the lead paragraph and
4 subdivisions (8), (13a), and (14) of G.S. 135-40.1 read as rewritten:

5 "**§ 135-40.1. General definitions.**

6 As used in Parts 2 and 3 of this Article, and as applicable under the policies,
7 benefits, and limitations on coverage under the optional program offered pursuant to
8 G.S. 135-40.6A, the following terms have the meaning specified as follows:

9 ...

10 (8) Health Benefits Representative. – The employee designated by the
11 employing unit to administer the ~~Comprehensive Major Medical Plan~~
12 State Health Plan for Teachers and State Employees for the unit and its
13 employees. The HBR is responsible for enrolling new employees,
14 reporting changes, explaining benefits, reconciling group statements
15 and remitting group fees. The State Retirement System is the Health
16 Benefits Representative for retired members.

17 (13a) Plan. – The ~~Teachers' and State Employees' Comprehensive Major~~
18 ~~Medical Plan.~~ State Health Plan for Teachers and State Employees.

19 (14) Predecessor Plan. – The Hospital and Medical Benefits for the
20 Teachers' and State Employees' Retirement System of the State of
21 North ~~Carolina.~~ Carolina, or the North Carolina Teachers' and State
22 Employees Comprehensive Major Medical Plan, as applicable."

23 **SECTION 28.22A.(h)** Effective July 1, 2008, G.S. 135-40.3(d) reads as
24 rewritten:

25 "(d) Types of Coverage Available. – There are three types of coverage which an
26 employee or retiree may elect.

27 (1) Employee Only. – Covers enrolled employees only. Maternity benefits
28 are provided to employee only.

29 (2) Employee and Child(ren). – Covers enrolled employee and all eligible
30 dependent children. Maternity benefits are provided to the employee
31 only.

32 (3) Employee and Family. – Covers employee and spouse, and all eligible
33 dependent children. Maternity benefits are provided to employee or
34 enrolled spouse.

35 (4), (5) Repealed by Session Laws 1985 (Reg. Sess., 1986), c. 1020, s.
36 5(b).

37 (4a) Employee and spouse. – Covers employee and spouse only. Maternity
38 benefits are provided to the employee only."

39 **SECTION 28.22A.(i)** Effective July 1, 2008, G.S. 135-40.5 is amended by
40 adding the following new subsection to read:

41 "(g1) Prescription Drugs. – The Plan will pay allowable charges for each outpatient
42 prescription drug less a co-payment to be paid by each covered individual equal to the
43 following amounts: pharmacy charges up to ten dollars (\$10.00) for each generic
44 prescription, twenty-five dollars (\$25.00) for each preferred branded prescription, forty
45 dollars (\$40.00) for each preferred branded prescription with a generic equivalent drug,
46 and fifty dollars (\$50.00) for each nonpreferred branded or generic prescription.

47 Allowable charges shall not be greater than a pharmacy's usual and customary
48 charge to the general public for a particular prescription. Prescriptions shall be for no
49 more than a 34-day supply for the purposes of the co-payments paid by each covered
50 individual. By accepting the cop-ayments and any remaining allowable charges
51 provided by this subsection, pharmacies shall not balance bill an individual covered by

1 the Plan. A prescription legend drug is defined as an article the label of which, under the
2 Federal Food, Drug, and Cosmetic Act, is required to bear the legend: "Caution: Federal
3 Law Prohibits Dispensing Without Prescription." Such articles may not be sold to or
4 purchased by the public without a prescription order. Benefits are provided for insulin
5 even though a prescription is not required. The Plan may use a pharmacy benefit
6 manager to help manage the Plan's outpatient prescription drug coverage. In managing
7 the Plan's outpatient prescription drug benefits, the Plan and its pharmacy benefit
8 manager shall not provide coverage for erectile dysfunction, growth hormone,
9 antiwrinkle, weight loss, and hair growth drugs unless such coverage is medically
10 necessary to the health of the member. The Plan and its pharmacy benefit manager shall
11 not provide coverage for growth hormone and weight loss drugs and antifungal drugs
12 for the treatment of nail fungus and botulinium toxin without approval in advance by the
13 pharmacy benefit manager. Any formulary used by the Plan's Executive Administrator
14 and pharmacy benefit manager shall be an open formulary. Plan members shall not be
15 assessed more than two thousand five hundred dollars (\$2,500) per person per fiscal
16 year in co-payments required by this subsection."

17 **SECTION 28.22A.(j)** Effective July 1, 2008, the Revisor of Statutes shall
18 delete all statutory references to "Teachers' and State Employees' Comprehensive Major
19 Medical Plan" and substitute therefor "State Health Plan for Teachers and State
20 Employees."

21 **STATE HEALTH PLAN WELLNESS PILOT**

22 **SECTION 28.22B.(a)** The Executive Administrator and Board of Trustees
23 of the Teachers' and State Employees' Comprehensive Major Medical Plan may use
24 funds available in an amount not to exceed two hundred thousand dollars (\$200,000) for
25 the 2007-2008 fiscal year to establish and implement one or more wellness pilot
26 programs for State employees. The purpose of the pilot programs is to reduce health
27 care costs and improve worker productivity through improved health status of the
28 employee. The pilot programs shall be designed to encourage State employee
29 enrollment in a structured fitness program that includes measurable benchmarks. The
30 Executive Administrator shall select one or more pilot sites that represent different
31 geographic regions of the State, taking into consideration sites that have the highest
32 density of State employees.

33 **SECTION 28.22B.(b)** Not later than May 1, 2008, the Executive
34 Administrator of the Teachers' and State Employees' Comprehensive Major Medical
35 Plan shall report to the Committee on Employee Hospital and Medical Benefits on State
36 employee participation levels in the wellness pilot programs and health outcomes
37 resulting from the participation. The Executive Administrator shall also recommend in
38 its report whether the pilot programs should be continued and expanded in other areas of
39 the State in the 2008-2009 fiscal year.

40 **RETIREE HEALTH BENEFIT FUND**

41 **SECTION 28.23.** G.S. 135-7(f) reads as rewritten:

42 "(f) Retiree Health Benefit Fund. – The Retiree Health Benefit Fund is established
43 as a fund in which accumulated contributions from employers and any earnings on those
44 contributions shall be used to provide health benefits to retired and disabled employees
45 and their applicable beneficiaries as provided by this Chapter. The Retiree Health
46 Benefit Fund shall be administered in accordance with the provisions of subsection (a)
47 of this section. Employer contributions to the Fund are irrevocable. The assets of the
48 Fund are dedicated to providing health benefits to retired and disabled employees and
49 their applicable beneficiaries as provided by this Chapter and are not subject to the
50
51

1 claims of creditors of the employers making contributions to the Fund. However, Fund
 2 assets may be used for reasonable expenses to administer the Fund, including costs to
 3 conduct required actuarial valuations of State-supported retired employees' health
 4 benefits under other post-employment benefit accounting standards set forth by the
 5 Governmental Accounting Standards Board of the Financial Accounting Foundation."

6
 7 **PART XXIX. CAPITAL APPROPRIATIONS.**

8
 9 **GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION**

10 **SECTION 29.1.** The appropriations made by the 2007 General Assembly
 11 for capital improvements are for constructing, repairing, or renovating State buildings,
 12 utilities, and other capital facilities, for acquiring sites for them where necessary, and
 13 acquiring buildings and land for State government purposes.

14
 15 **CAPITAL APPROPRIATIONS/GENERAL FUND**

16 **SECTION 29.2.** There is appropriated from the General Fund for the
 17 2007-2008 fiscal year the following amount for capital improvements:

Capital Improvements – General Fund	2007-2008
Department of Administration	
Deerfield Cottage Renovation	\$3,556,000
Department of Crime Control and Public Safety	
Voice Interoperability Plan for Emergency Responders Phase 1	13,250,000
Department of Natural and Environmental Resources	
Water Resources Development Projects	20,000,000
Information Technology Services	
Secondary Data Center Equipment	9,000,000
University of North Carolina System	
Reserve for Fire Suppression in Dormitories Phase 1	9,000,000
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$54,806,000

38
 39 **WATER RESOURCES DEVELOPMENT PROJECT FUNDS**

40 **SECTION 29.3.(a)** The Department of Environment and Natural Resources
 41 shall allocate the funds appropriated in this act for water resources development projects
 42 to the following projects whose costs are as indicated:

Name of Project	2007-2008
(1) Wilmington Harbor Deepening	\$ 4,333,000
(2) Manteo (Shallowbag) Bay	350,000
(3) Wilmington Harbor Maintenance	2,000,000
(4) Bogue Banks Shore Protection Study	125,000
(5) B. Everett Jordan Lake Water Supply Storage	100,000
(6) Princeville Flood Control	98,000

1	(7)	Aquatic Plant Control, Statewide and Lake Gaston	200,000
2	(8)	Belhaven Harbor Feasibility	120,000
3	(9)	John H. Kerr Dam & Reservoir	520,000
4	(10)	Currituck Sound Environmental Restoration Study	350,000
5	(11)	Neuse River Basin Study	554,000
6	(12)	Surf City/North Topsail Beach Study	50,000
7	(13)	West Onslow Beach (Topsail Beach) Study	43,000
8	(14)	Dare County Beaches (Bodie Island)	500,000
9	(15)	North Carolina Beach and Inlet Management Plan	250,000
10	(16)	Dredging Contingency Fund	4,037,000
11	(17)	State – Local Projects	2,400,000
12	(18)	Western N.C. Hurricane Damage Stream Restoration	1,200,000
13	(19)	Planning Assistance to Communities	75,000
14	(20)	Concord Stream Restoration – Cabarrus County	170,000
15	(21)	Southern Shores Canal Dredging Phase 2	800,000
16	(22)	Ararat River Restoration	550,000
17	(23)	Town of Williamston Drainage Improvement	600,000
18	(24)	Little Sugar Creek Stream Restoration Phase 7	575,000
19			
20	TOTALS		\$20,000,000

21
 22 **SECTION 29.3.(b)** Where the actual costs are different from the estimated
 23 costs under subsection (a) of this section, the Department may adjust the allocations
 24 among projects as needed. If any projects funded under subsection (a) of this section are
 25 delayed and the budgeted State funds cannot be used during the 2007-2008 fiscal year,
 26 or if the projects funded under subsection (a) of this section are accomplished at a lower
 27 cost, the Department may use the resulting fund availability to fund any of the
 28 following:

- 29 (1) U.S. Army Corps of Engineers project feasibility studies.
- 30 (2) U.S. Army Corps of Engineers projects whose schedules have
 31 advanced and require State-matching funds in fiscal year 2007-2008.
- 32 (3) State-local water resources development projects.

33 Funds not expended or encumbered for these purposes shall revert to the General Fund
 34 at the end of the 2008-2009 fiscal year.

35 **SECTION 29.3.(c)** The Department shall make semiannual reports on the
 36 use of these funds to the Joint Legislative Commission on Governmental Operations,
 37 the Fiscal Research Division, and the Office of State Budget and Management. Each
 38 report shall include all of the following:

- 39 (1) All projects listed in this section.
- 40 (2) The estimated cost of each project.
- 41 (3) The date that work on each project began or is expected to begin.
- 42 (4) The date that work on each project was completed or is expected to be
 43 completed.
- 44 (5) The actual cost of each project.

45 The semiannual reports shall also show those projects advanced in schedule,
 46 those projects delayed in schedule, and an estimate of the amount of funds expected to
 47 revert to the General Fund.

48
 49 **PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS**

50 **SECTION 29.4.** The appropriations made by the 2007 General Assembly
 51 for capital improvements shall be disbursed for the purposes provided by this act.

1 Expenditure of funds shall not be made by any State department, institution, or agency
2 until an allotment has been approved by the Governor as Director of the Budget. The
3 allotment shall be approved only after full compliance with the State Budget Act,
4 Chapter 143C of the General Statutes. Prior to the award of construction contracts for
5 projects to be financed in whole or in part with self-liquidating appropriations, the
6 Director of the Budget shall approve the elements of the method of financing of those
7 projects including the source of funds, interest rate, and liquidation period. Provided,
8 however, that if the Director of the Budget approves the method of financing a project,
9 the Director shall report that action to the Joint Legislative Commission on
10 Governmental Operations at its next meeting.

11 Where direct capital improvement appropriations include the purpose of
12 furnishing fixed and movable equipment for any project, those funds for equipment
13 shall not be subject to transfer into construction accounts except as authorized by the
14 Director of the Budget. The expenditure of funds for fixed and movable equipment and
15 furnishings shall be reviewed and approved by the Director of the Budget prior to
16 commitment of funds.

17 Capital improvement projects authorized by the 2007 General Assembly shall
18 be completed, including fixed and movable equipment and furnishings, within the limits
19 of the amounts of the direct or self-liquidating appropriations provided, except as
20 otherwise provided in this act. Capital improvement projects authorized by the 2007
21 General Assembly for the design phase only shall be designed within the scope of the
22 project as defined by the approved cost estimate filed with the Director of the Budget,
23 including costs associated with site preparation, demolition, and movable and fixed
24 equipment.

25 26 **REPAIRS AND RENOVATIONS RESERVE ALLOCATION**

27 **SECTION 29.5.(a)** Of the funds in the Reserve for Repairs and Renovations
28 for the 2007-2008 fiscal year, forty-six percent (46%) shall be allocated to the Board of
29 Governors of The University of North Carolina for repairs and renovations pursuant to
30 G.S. 143C-4-3, in accordance with guidelines developed in The University of North
31 Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as
32 approved by the Board of Governors of The University of North Carolina, and fifty-four
33 percent (54%) shall be allocated to the Office of State Budget and Management for
34 repairs and renovations pursuant to G.S. 143C-4-3.

35 Notwithstanding G.S. 143C-4-3, the Board of Governors may allocate funds
36 for the repair and renovation of facilities not supported from the General Fund if the
37 Board determines that sufficient funds are not available from other sources and that
38 conditions warrant General Fund assistance. Any such finding shall be included in the
39 Board's submission to the Joint Legislative Commission on Governmental Operations
40 on the proposed allocation of funds.

41 The Board of Governors and the Office of State Budget and Management
42 shall consult with the Joint Legislative Commission on Governmental Operations prior
43 to the allocation or reallocation of these funds.

44 **SECTION 29.5.(b)** The Office of State Budget and Management and the
45 University of North Carolina General Administration shall jointly study the allocation
46 of funds in the Reserve for Repairs and Renovations set forth in subsection (a) of this
47 section and shall recommend to the General Assembly changes to the current allocation
48 if any are deemed necessary. The study shall include the following:

- 49 (1) A review of the Department of Administration's Facilities Condition
50 and Assessment Program.

1 (2) A review and identification of State-owned buildings supported by the
2 General Fund.

3 (3) A review of the actual expenditures for repairs and renovations from
4 allocated reserve funds.

5 The Office of State Budget and Management and the University of North Carolina
6 General Administration shall submit a joint report to the Senate Appropriations and
7 Base Budget Committee, the House Appropriations Committee, the House
8 Appropriations Subcommittee on Capital, the Senate Finance Subcommittee on Capital
9 and Infrastructure Financing, the Joint Legislative Oversight Committee on Capital
10 Improvements, and the Fiscal Research Division. The report shall include the study
11 findings and recommendations and shall be submitted no later than April 1, 2008.

12 **SECTION 29.5.(c)** Of the funds allocated to the Office of State Budget and
13 Management in subsection (a) of this section, the sum of five hundred thirty-four
14 thousand dollars (\$534,000) shall be allocated to the Department of Juvenile Justice and
15 Delinquency Prevention to renovate two cottages at the Samarkand Youth Development
16 Center to use for the Eckerd Family Focus on Rehabilitative Treatment (EFFORT)
17 project, which would supplement the traditional youth development centers pursuant to
18 G.S. 143C-4-3.

19 20 **PLANT CONSERVATION PROGRAM FUNDS**

21 **SECTION 29.6.** From funds deposited with the State Treasurer in a capital
22 improvement account to the credit of the Department of Agriculture and Consumer
23 Services pursuant to G.S. 146-30, the sum of thirty thousand dollars (\$30,000) for the
24 2007-2008 fiscal year shall be transferred to the Department of Agriculture and
25 Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its
26 plant conservation program under Article 19B of Chapter 106 of the General Statutes
27 for costs incidental to the acquisition of land, such as land appraisals, land surveys, title
28 searches, environmental studies, and for the management of the plant conservation
29 program preserves owned by the Department.

30 31 **EASTERN NORTH CAROLINA AGRICULTURAL CENTER FUNDS**

32 **SECTION 29.8.(a)** Timber sales receipts received for the sale of timber
33 harvested on the property on which the Eastern North Carolina Agricultural Center at
34 Williamston is located shall be transferred from the Department of Agriculture and
35 Consumer Services' timber sales capital improvement account in the Department of
36 Agriculture and Consumer Services as such funds become available and shall be used
37 for the 2007-2008 fiscal year by the Department for capital improvements to the
38 grounds and facilities at the Eastern North Carolina Agricultural Center.

39 **SECTION 29.8.(b)** Funds transferred pursuant to subsection (a) of this
40 section are hereby appropriated.

41 42 **TIME WARNER CABLE LEASE PROCEEDS**

43 **SECTION 29.9.** The sum of two hundred twenty-five thousand dollars
44 (\$225,000) in net proceeds received from Time Warner, Inc., by the Department of
45 Environment and Natural Resources, Division of Forest Resources, for the lease of
46 property located at 2600 Howard Road in Raleigh shall be transferred to the Department
47 for deposit into a capital improvement account. Funds in this account for the 2007-2008
48 fiscal year may be used to construct an equipment storage building and related
49 improvements.

50 51 **TRANSFER OF STATE PROPERTY TO WAYNE COUNTY**

1 **SECTION 29.11.** The State-owned property in Wayne County that is
2 bordered on the north by SR 581, on the west by the DART-Cherry Facility/Programs,
3 on the south by Cherry Hospital Cemetery, and on the west by property owned by APV
4 North America, Inc., is hereby transferred to Wayne County. The transfer under this
5 section shall be evidenced by a deed executed in accordance with G.S. 146-75 and
6 registered in accordance with G.S. 146-77. The deed shall provide that the State retains
7 a possibility of reverter and that, in the event that Wayne County does not substantially
8 commence construction of a community agricultural center on the site within five years
9 of the execution of the deed, the property shall revert to the State.

10 11 **UNC RESERVE FOR FIRE SUPPRESSION**

12 **SECTION 29.12.** Notwithstanding any other provision of law, the funds
13 appropriated in this act to the Board of Governors of The University of North Carolina
14 for the installation of fire sprinklers in University residence halls shall be allocated
15 among the University's constituent institutions by the President of the University of
16 North Carolina, who shall consider the following factors when allocating those funds:

- 17 (1) The current level of housing rents charged to students and how that
18 compares to an institution's public peers and other UNC institutions.
- 19 (2) The level of previous authorizations to constituent institutions for the
20 construction or renovation of residence halls funded from the General
21 Fund, or from bonds or certificates of participation supported by the
22 General Fund, since 1996.
- 23 (3) The financial status of each constituent institution's housing system,
24 including debt capacity, debt coverage ratios, credit rankings, required
25 reserves, the planned use of cash balances for other housing system
26 improvements, and the constituent institution's ability to pay for the
27 installation of fire sprinklers in all residence halls by 2012.
- 28 (4) The total cost of each proposed project, including the cost of installing
29 fire sprinklers and the cost of other construction, such as asbestos
30 removal and additional water supply needs.

31 32 **SPECIAL INDEBTEDNESS PROJECTS**

33 **SECTION 29.13.(a)** In accordance with G.S. 142-83, this subsection
34 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
35 principal amount of thirty-four million dollars (\$34,000,000) to finance the capital
36 facility costs of completing a new educational building at Appalachian State University.
37 The State, with the prior approval of the State Treasurer and the Council of State, as
38 provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or
39 incur special indebtedness in order to provide funds to the State to be used, together
40 with other available funds, to pay the capital facility costs of the project described in
41 this subsection. No more than a maximum aggregate amount of three million dollars
42 (\$3,000,000) of special indebtedness may be issued or incurred under this subsection
43 prior to July 1, 2008.

44 **SECTION 29.13.(b)** In accordance with G.S. 142-83, this subsection
45 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
46 principal amount of eighty-seven million dollars (\$87,000,000) to finance the capital
47 facility costs of completing a building and 10 dental clinics for the School of Dentistry
48 at East Carolina University. The State, with the prior approval of the State Treasurer and
49 the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is
50 authorized to issue or incur special indebtedness in order to provide funds to the State to
51 be used, together with other available funds, to pay the capital facility costs of the

1 project described in this subsection. No more than a maximum aggregate amount of ten
2 million dollars (\$10,000,000) of special indebtedness may be issued or incurred under
3 this subsection prior to July 1, 2008. No more than a maximum aggregate amount of
4 fifty-two million dollars (\$52,000,000) of special indebtedness may be issued or
5 incurred under this subsection prior to July 1, 2009.

6 **SECTION 29.13.(c)** In accordance with G.S. 142-83, this subsection
7 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
8 principal amount of twenty million dollars (\$20,000,000) to finance the capital facility
9 costs of completing a building for the School of Education at Elizabeth City State
10 University. The State, with the prior approval of the State Treasurer and the Council of
11 State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to
12 issue or incur special indebtedness in order to provide funds to the State to be used,
13 together with other available funds, to pay the capital facility costs of the project
14 described in this subsection. No more than a maximum aggregate amount of two million
15 dollars (\$2,000,000) of special indebtedness may be issued or incurred under this
16 subsection prior to July 1, 2008. No more than a maximum aggregate amount of six
17 million dollars (\$6,000,000) of special indebtedness may be issued or incurred under
18 this subsection prior to July 1, 2009.

19 **SECTION 29.13.(d)** In accordance with G.S. 142-83, this subsection
20 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
21 principal amount of twenty-two million five hundred eighty-seven thousand dollars
22 (\$22,587,000) to finance the capital facility costs of completing a new Science and
23 Technology Complex at Fayetteville State University. The State, with the prior approval
24 of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142
25 of the General Statutes, is authorized to issue or incur special indebtedness in order to
26 provide funds to the State to be used, together with other available funds, to pay the
27 capital facility costs of the project described in this subsection. No more than a
28 maximum aggregate amount of five million dollars (\$5,000,000) of special indebtedness
29 may be issued or incurred under this subsection prior to July 1, 2008.

30 **SECTION 29.13.(e)** In accordance with G.S. 142-83, this subsection
31 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
32 principal amount of twenty-five million seven hundred eighty-seven thousand dollars
33 (\$25,787,000) to finance the capital facility costs of completing a general classroom
34 building at North Carolina Agricultural and Technical State University. The State, with
35 the prior approval of the State Treasurer and the Council of State, as provided in Article
36 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special
37 indebtedness in order to provide funds to the State to be used, together with other
38 available funds, to pay the capital facility costs of the project described in this
39 subsection. No more than a maximum aggregate amount of five million dollars
40 (\$5,000,000) of special indebtedness may be issued or incurred under this subsection
41 prior to July 1, 2008.

42 **SECTION 29.13.(f)** In accordance with G.S. 142-83, this subsection
43 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
44 principal amount of twenty-four million dollars (\$24,000,000) to finance the capital
45 facility costs of completing a building for the School of Nursing at North Carolina
46 Central University. The State, with the prior approval of the State Treasurer and the
47 Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is
48 authorized to issue or incur special indebtedness in order to provide funds to the State to
49 be used, together with other available funds, to pay the capital facility costs of the
50 project described in this subsection. No more than a maximum aggregate amount of two
51 million five hundred thousand dollars (\$2,500,000) of special indebtedness may be

1 issued or incurred under this subsection prior to July 1, 2008. No more than a maximum
2 aggregate amount of six million two hundred fifty thousand dollars (\$6,250,000) of
3 special indebtedness may be issued or incurred under this subsection prior to July 1,
4 2009.

5 **SECTION 29.13.(g)** In accordance with G.S. 142-83, this subsection
6 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
7 principal amount of twenty-four million nine hundred twenty thousand dollars
8 (\$24,920,000) to finance the capital facility costs of completing a new library at the
9 North Carolina School of the Arts. The State, with the prior approval of the State
10 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
11 General Statutes, is authorized to issue or incur special indebtedness in order to provide
12 funds to the State to be used, together with other available funds, to pay the capital
13 facility costs of the project described in this subsection. No more than a maximum
14 aggregate amount of one million seven hundred seventy-five thousand six hundred
15 dollars (\$1,775,600) of special indebtedness may be issued or incurred under this
16 subsection prior to July 1, 2008. No more than a maximum aggregate amount of
17 fourteen million three hundred seventy-three thousand six hundred dollars
18 (\$14,373,600) of special indebtedness may be issued or incurred under this subsection
19 prior to July 1, 2009.

20 **SECTION 29.13.(h)** In accordance with G.S. 142-83, this subsection
21 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
22 principal amount of thirty-four million dollars (\$34,000,000) to finance the capital
23 facility costs of completing an addition to Engineering Building III in the School of
24 Engineering at North Carolina State University. The State, with the prior approval of the
25 State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
26 General Statutes, is authorized to issue or incur special indebtedness in order to provide
27 funds to the State to be used, together with other available funds. No more than a
28 maximum aggregate amount of eight million five hundred thousand dollars
29 (\$8,500,000) of special indebtedness may be issued or incurred under this subsection
30 prior to July 1, 2008. No more than a maximum aggregate amount of twenty-five
31 million five hundred thousand dollars (\$25,500,000) of special indebtedness may be
32 issued or incurred under this subsection prior to July 1, 2009.

33 **SECTION 29.13.(i)** In accordance with G.S. 142-83, this subsection
34 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
35 principal amount of one hundred fourteen million dollars (\$114,000,000) to finance the
36 capital facility costs of completing the James B. Hunt Library at North Carolina State
37 University. The State, with the prior approval of the State Treasurer and the Council of
38 State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to
39 issue or incur special indebtedness in order to provide funds to the State to be used,
40 together with other available funds, to pay the capital facility costs of the project
41 described in this subsection. No more than a maximum aggregate amount of two million
42 three hundred twenty-five thousand dollars (\$2,325,000) of special indebtedness may be
43 issued or incurred under this subsection prior to July 1, 2008. No more than a maximum
44 aggregate amount of seven million nine hundred eight thousand three hundred
45 thirty-three dollars (\$7,908,333) of special indebtedness may be issued or incurred
46 under this subsection prior to July 1, 2009. No more than a maximum aggregate amount
47 of sixty-four million dollars (\$64,000,000) of special indebtedness may be issued or
48 incurred under this subsection prior to July 1, 2010.

49 **SECTION 29.13.(j)** In accordance with G.S. 142-83, this subsection
50 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
51 principal amount of eight million six hundred eighty-seven thousand dollars

1 (\$8,687,000) to finance the capital facility costs of renovating Rhoades Hall at the
2 University of North Carolina at Asheville. The State, with the prior approval of the State
3 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
4 General Statutes, is authorized to issue or incur special indebtedness in order to provide
5 funds to the State to be used, together with other available funds, to pay the capital
6 facility costs of the project described in this subsection. No more than a maximum
7 aggregate amount of one million dollars (\$1,000,000) of special indebtedness may be
8 issued or incurred under this subsection prior to July 1, 2008.

9 **SECTION 29.13.(k)** In accordance with G.S. 142-83, this subsection
10 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
11 principal amount of nine million three hundred five thousand dollars (\$9,305,000) to
12 finance the capital facility costs of renovating Carmichael Hall at the University of
13 North Carolina at Asheville. The State, with the prior approval of the State Treasurer
14 and the Council of State, as provided in Article 9 of Chapter 142 of the General
15 Statutes, is authorized to issue or incur special indebtedness in order to provide funds to
16 the State to be used, together with other available funds, to pay the capital facility costs
17 of the project described in this subsection. No more than a maximum aggregate amount
18 of one million dollars (\$1,000,000) of special indebtedness may be issued or incurred
19 under this subsection prior to July 1, 2008.

20 **SECTION 29.13.(l)** In accordance with G.S. 142-83, this subsection
21 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
22 principal amount of one hundred nineteen million six hundred eight thousand two
23 hundred twenty-five dollars (\$119,608,225) to finance the capital facility costs of a
24 Genomics Science Building at the University of North Carolina at Chapel Hill. The
25 State, with the prior approval of the State Treasurer and the Council of State, as
26 provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or
27 incur special indebtedness in order to provide funds to the State to be used, together
28 with other available funds, to pay the capital facility costs of the project described in
29 this subsection. No more than a maximum aggregate amount of twenty-five million two
30 hundred seventy-two thousand two hundred twenty-five dollars (\$25,272,225) of special
31 indebtedness may be issued or incurred under this subsection prior to July 1, 2008.

32 **SECTION 29.13.(m)** In accordance with G.S. 142-83, this subsection
33 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
34 principal amount of ninety-six million dollars (\$96,000,000) to finance the capital
35 facility costs of a building addition to the School of Dentistry at the University of North
36 Carolina at Chapel Hill. The State, with the prior approval of the State Treasurer and the
37 Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is
38 authorized to issue or incur special indebtedness in order to provide funds to the State to
39 be used, together with other available funds, to pay the capital facility costs of the
40 project described in this subsection. No more than a maximum aggregate amount of
41 thirty million dollars (\$30,000,000) of special indebtedness may be issued or incurred
42 under this subsection prior to July 1, 2008. No more than a maximum aggregate amount
43 of eighty-seven million dollars (\$87,000,000) of special indebtedness may be issued or
44 incurred under this subsection prior to July 1, 2009.

45 **SECTION 29.13.(n)** In accordance with G.S. 142-83, this subsection
46 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
47 principal amount of seventy-six million two hundred eighteen thousand dollars
48 (\$76,218,000) to finance the capital facility costs of an Energy Production Infrastructure
49 Center at the University of North Carolina at Charlotte. The State, with the prior
50 approval of the State Treasurer and the Council of State, as provided in Article 9 of
51 Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness

1 in order to provide funds to the State to be used, together with other available funds, to
2 pay the capital facility costs of the project described in this subsection. No more than a
3 maximum aggregate amount of seven million dollars (\$7,000,000) of special
4 indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No
5 more than a maximum aggregate amount of twenty-two million dollars (\$22,000,000) of
6 special indebtedness may be issued or incurred under this subsection prior to July 1,
7 2009. No more than a maximum aggregate amount of fifty-seven million dollars
8 (\$57,000,000) of special indebtedness may be issued or incurred under this subsection
9 prior to July 1, 2010.

10 **SECTION 29.13.(o)** In accordance with G.S. 142-83, this subsection
11 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
12 principal amount of forty-five million one hundred sixty-seven thousand dollars
13 (\$45,167,000) to finance the capital facility costs of completing a new education
14 classroom building at the University of North Carolina at Greensboro. The State, with
15 the prior approval of the State Treasurer and the Council of State, as provided in Article
16 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special
17 indebtedness in order to provide funds to the State to be used, together with other
18 available funds, to pay the capital facility costs of the project described in this
19 subsection. No more than a maximum aggregate amount of six million dollars
20 (\$6,000,000) of special indebtedness may be issued or incurred under this subsection
21 prior to July 1, 2008.

22 **SECTION 29.13.(p)** In accordance with G.S. 142-83, this subsection
23 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
24 principal amount of nineteen million dollars (\$19,000,000) to finance the capital facility
25 costs of completing a Nursing and Allied Health Building at the University of North
26 Carolina at Pembroke. The State, with the prior approval of the State Treasurer and the
27 Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is
28 authorized to issue or incur special indebtedness in order to provide funds to the State to
29 be used, together with other available funds, to pay the capital facility costs of the
30 project described in this subsection. No more than a maximum aggregate amount of five
31 million dollars (\$5,000,000) of special indebtedness may be issued or incurred under
32 this subsection prior to July 1, 2008.

33 **SECTION 29.13.(q)** In accordance with G.S. 142-83, this subsection
34 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
35 principal amount of thirty-four million five hundred twenty-five thousand dollars
36 (\$34,525,000) to finance the capital facility costs of completing a new teaching
37 laboratory at the University of North Carolina at Wilmington. The State, with the prior
38 approval of the State Treasurer and the Council of State, as provided in Article 9 of
39 Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness
40 in order to provide funds to the State to be used, together with other available funds, to
41 pay the capital facility costs of the project described in this subsection. No more than a
42 maximum aggregate amount of two million five hundred thousand dollars (\$2,500,000)
43 of special indebtedness may be issued or incurred under this subsection prior to July 1,
44 2008. No more than a maximum aggregate amount of eight million six hundred
45 thirty-one thousand two hundred fifty dollars (\$8,631,250) of special indebtedness may
46 be issued or incurred under this subsection prior to July 1, 2009.

47 **SECTION 29.13.(r)** In accordance with G.S. 142-83, this subsection
48 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
49 principal amount of eighteen million seven hundred eight thousand dollars
50 (\$18,708,000) to finance the capital facility costs of completing a new student activities
51 center at Winston-Salem State University. The State, with the prior approval of the State

1 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
2 General Statutes, is authorized to issue or incur special indebtedness in order to provide
3 funds to the State to be used, together with other available funds, to pay the capital
4 facility costs of the project described in this subsection. No more than a maximum
5 aggregate amount of two million dollars (\$2,000,000) of special indebtedness may be
6 issued or incurred under this subsection prior to July 1, 2008. No more than a maximum
7 aggregate amount of five million dollars (\$5,000,000) of special indebtedness may be
8 issued or incurred under this subsection prior to July 1, 2009.

9 **SECTION 29.13.(s)** In accordance with G.S. 142-83, this subsection
10 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
11 principal amount of twenty-eight million two hundred twelve thousand dollars
12 (\$28,212,000) to finance the capital facility costs of completing a new science and
13 general classroom building at Winston-Salem State University. The State, with the prior
14 approval of the State Treasurer and the Council of State, as provided in Article 9 of
15 Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness
16 in order to provide funds to the State to be used, together with other available funds, to
17 pay the capital facility costs of the project described in this subsection. No more than a
18 maximum aggregate amount of four million dollars (\$4,000,000) of special
19 indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No
20 more than a maximum aggregate amount of nineteen million dollars (\$19,000,000) of
21 special indebtedness may be issued or incurred under this subsection prior to July 1,
22 2009.

23 **SECTION 29.13.(t)** In accordance with G.S. 142-83, this subsection
24 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
25 principal amount of forty-three million eight hundred five thousand dollars
26 (\$43,805,000) to finance the capital facility costs of completing a new Health and
27 Gerontological Building at Western Carolina University. The State, with the prior
28 approval of the State Treasurer and the Council of State, as provided in Article 9 of
29 Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness
30 in order to provide funds to the State to be used, together with other available funds, to
31 pay the capital facility costs of the project described in this subsection. No more than a
32 maximum aggregate amount of two million two hundred thousand dollars (\$2,200,000)
33 of special indebtedness may be issued or incurred under this subsection prior to July 1,
34 2008. No more than a maximum aggregate amount of twenty-three million two
35 thousand five hundred dollars (\$23,002,500) of special indebtedness may be issued or
36 incurred under this subsection prior to July 1, 2009.

37 **SECTION 29.13.(u)** In accordance with G.S. 142-83, this subsection
38 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
39 principal amount of thirty-four million dollars (\$34,000,000) to finance the capital
40 facility costs of establishing and renovating buildings at State-owned 4-H campuses
41 across the State. The State, with the prior approval of the State Treasurer and the
42 Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is
43 authorized to issue or incur special indebtedness in order to provide funds to the State to
44 be used, together with other available funds, to pay the capital facility costs of the
45 project described in this subsection. No more than a maximum aggregate amount of four
46 million dollars (\$4,000,000) of special indebtedness may be issued or incurred under
47 this subsection prior to July 1, 2008. No more than a maximum aggregate amount of
48 fourteen million dollars (\$14,000,000) of special indebtedness may be issued or
49 incurred under this subsection prior to July 1, 2009. No more than a maximum
50 aggregate amount of twenty-four million dollars (\$24,000,000) of special indebtedness
51 may be issued or incurred under this subsection prior to July 1, 2010.

1 **SECTION 29.13.(v)** In accordance with G.S. 142-83, this subsection
2 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
3 principal amount of thirty-two million five hundred thousand dollars (\$32,500,000) to
4 finance the capital facility costs for completing the Coastal Studies Institute. The State,
5 with the prior approval of the State Treasurer and the Council of State, as provided in
6 Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special
7 indebtedness in order to provide funds to the State to be used, together with other
8 available funds, to pay the capital facility costs of the project described in this
9 subsection. No more than a maximum aggregate amount of eight million dollars
10 (\$8,000,000) of special indebtedness may be issued or incurred under this subsection
11 prior to July 1, 2008.

12 **SECTION 29.13.(w)** In accordance with G.S. 142-83, this subsection
13 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
14 principal amount of fifty-eight million dollars (\$58,000,000) to finance the capital
15 facility costs of completing a Nanoscience Building to be used jointly by the University
16 of North Carolina at Greensboro and North Carolina Agricultural and Technical State
17 University. The State, with the prior approval of the State Treasurer and the Council of
18 State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to
19 issue or incur special indebtedness in order to provide funds to the State to be used,
20 together with other available funds, to pay the capital facility costs of the project
21 described in this subsection. No more than a maximum aggregate amount of ten million
22 dollars (\$10,000,000) of special indebtedness may be issued or incurred under this
23 subsection prior to July 1, 2008. No more than a maximum aggregate amount of thirty-
24 eight million dollars (\$38,000,000) of special indebtedness may be issued or incurred
25 under this subsection prior to July 1, 2009.

26 **SECTION 29.13.(x)** In accordance with G.S. 142-83, this subsection
27 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
28 principal amount of seventeen million five hundred thousand dollars (\$17,500,000) to
29 finance the capital facility costs for infrastructure improvements at the North Carolina
30 School of Science and Mathematics. The State, with the prior approval of the State
31 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
32 General Statutes, is authorized to issue or incur special indebtedness in order to provide
33 funds to the State to be used, together with other available funds, to pay the capital
34 facility costs of the project described in this subsection.

35 **SECTION 29.13.(y)** In accordance with G.S. 142-83, this subsection
36 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
37 principal amount of twenty-five million dollars (\$25,000,000) to acquire land for The
38 University of North Carolina. The State, with the prior approval of the State Treasurer
39 and the Council of State, as provided in Article 9 of Chapter 142 of the General
40 Statutes, is authorized to issue or incur special indebtedness in order to provide funds to
41 the State to be used, together with other available funds, to pay for the acquisition of
42 lands described in this subsection.

43 **SECTION 29.13.(z)** In accordance with G.S. 142-83, this subsection
44 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
45 principal amount of twenty-five million dollars (\$25,000,000) to finance the plans and
46 specifications for capital projects for The University of North Carolina. The State, with
47 the prior approval of the State Treasurer and the Council of State, as provided in Article
48 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special
49 indebtedness in order to provide funds to the State to be used, together with other
50 available funds, to pay the capital facility costs of the project described in this
51 subsection.

1 **SECTION 29.13.(aa)** In accordance with G.S. 142-83, this subsection
2 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
3 principal amount of thirty-nine million seven hundred sixty-three thousand one hundred
4 dollars (\$39,763,100) to finance the capital facility costs of completing a new health
5 care facility to be located at the North Carolina Correctional Institution for Women. The
6 State, with the prior approval of the State Treasurer and the Council of State, as
7 provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or
8 incur special indebtedness in order to provide funds to the State to be used, together
9 with other available funds, to pay the capital facility costs of the project described in
10 this subsection. No more than a maximum aggregate amount of five million dollars
11 (\$5,000,000) of special indebtedness may be issued or incurred under this subsection
12 prior to July 1, 2008. No more than a maximum aggregate amount of thirty-two million
13 dollars (\$32,000,000) of special indebtedness may be issued or incurred under this
14 subsection prior to July 1, 2009.

15 **SECTION 29.13.(bb)** In accordance with G.S. 142-83, this subsection
16 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
17 principal amount of thirteen million one hundred ninety-one thousand three hundred
18 dollars (\$13,191,300) to finance the capital facility costs of a minimum security facility
19 at the Alexander Correctional Institution. The State, with the prior approval of the State
20 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
21 General Statutes, is authorized to issue or incur special indebtedness in order to provide
22 funds to the State to be used, together with other available funds, to pay the capital
23 facility costs of the project described in this subsection. No more than a maximum
24 aggregate amount of three million dollars (\$3,000,000) of special indebtedness may be
25 issued or incurred under this subsection prior to July 1, 2008.

26 **SECTION 29.13.(cc)** In accordance with G.S. 142-83, this subsection
27 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
28 principal amount of nineteen million eight hundred sixteen thousand five hundred
29 dollars (\$19,816,500) to finance the capital facility costs of a medium security facility at
30 the Scotland Correctional Institution. The State, with the prior approval of the State
31 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
32 General Statutes, is authorized to issue or incur special indebtedness in order to provide
33 funds to the State to be used, together with other available funds, to pay the capital
34 facility costs of the project described in this subsection. No more than a maximum
35 aggregate amount of five million dollars (\$5,000,000) of special indebtedness may be
36 issued or incurred under this subsection prior to July 1, 2008.

37 **SECTION 29.13.(dd)** In accordance with G.S. 142-83, this subsection
38 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
39 principal amount of thirteen million one hundred ninety-one thousand three hundred
40 dollars (\$13,191,300) to finance the capital facility costs of a minimum security facility
41 at the Scotland Correctional Institution. The State, with the prior approval of the State
42 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
43 General Statutes, is authorized to issue or incur special indebtedness in order to provide
44 funds to the State to be used, together with other available funds, to pay the capital
45 facility costs of the project described in this subsection. No more than a maximum
46 aggregate amount of three million dollars (\$3,000,000) of special indebtedness may be
47 issued or incurred under this subsection prior to July 1, 2008.

48 **SECTION 29.13.(ee)** In accordance with G.S. 142-83, this subsection
49 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
50 principal amount of nineteen million eight hundred sixteen thousand five hundred
51 dollars (\$19,816,500) to finance the capital facility costs of a medium security facility at

1 the Bertie Correctional Institution. The State, with the prior approval of the State
 2 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
 3 General Statutes, is authorized to issue or incur special indebtedness in order to provide
 4 funds to the State to be used, together with other available funds, to pay the capital
 5 facility costs of the project described in this subsection. No more than a maximum
 6 aggregate amount of five million dollars (\$5,000,000) of special indebtedness may be
 7 issued or incurred under this subsection prior to July 1, 2008.

8 **SECTION 29.13.(ff)** In accordance with G.S. 142-83, this subsection
 9 authorizes the issuance or incurrence of special indebtedness in the maximum aggregate
 10 principal amount of thirty-seven million five hundred thousand dollars (\$37,500,000) to
 11 finance the capital facility costs of completing five new replacement youth development
 12 centers. The State, with the prior approval of the State Treasurer and the Council of
 13 State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to
 14 issue or incur special indebtedness in order to provide funds to the State to be used,
 15 together with other available funds, to pay the capital facility costs of the project
 16 described in this subsection. No more than a maximum aggregate amount of fifteen
 17 million dollars (\$15,000,000) of special indebtedness may be issued or incurred under
 18 this subsection prior to July 1, 2008. No more than a maximum aggregate amount of
 19 thirty million dollars (\$30,000,000) of special indebtedness may be issued or incurred
 20 under this subsection prior to July 1, 2009.

21 **SECTION 29.13.(gg)** It is the intent of the General Assembly to finance the
 22 costs of a voice interoperability plan for emergency responders through the use of
 23 special indebtedness, provided that funds can be identified with which to pay part or all
 24 of the special indebtedness.

25 **SECTION 29.13.(hh)** This section is effective when it becomes law.

26
 27 **PART XXX. FEES**

28
 29 **EROSION AND SEDIMENTATION CONTROL PLAN FEE INCREASE**

30 **SECTION 30.1.(a)** G.S. 113A-54.2(a) reads as rewritten:

31 "(a) ~~The Commission may establish a fee schedule for the review and approval of~~
 32 ~~erosion and sedimentation control plans under this Article. In establishing the fee~~
 33 ~~schedule, the Commission shall consider the administrative and personnel costs incurred~~
 34 ~~by the Department for reviewing the plans and for related compliance activities. An~~
 35 ~~application fee may not exceed fifty dollars (\$50.00) of sixty-five dollars (\$65.00) per~~
 36 ~~acre of disturbed land shown on an erosion and sedimentation control plan or of land~~
 37 ~~actually disturbed during the life of the project.~~ project shall be charged for the review of
 38 an erosion and sedimentation control plan under this Article."

39 **SECTION 30.1.(b)** This section becomes effective July 1, 2007, and applies
 40 to applications submitted on or after that date.

41
 42 **MINING PERMIT APPLICATION FEES**

43 **SECTION 30.2.(a)** G.S. 74-54.1 reads as rewritten:

44 **"§ 74-54.1. Permit fees.**

45 (a) ~~The Commission may establish a~~ The fee schedule for the processing of
 46 permit applications and permit renewals and ~~modifications.~~ modifications is as follows:

	<u>0-25 acres</u>	<u>26+ acres</u>
<u>New Permit Applications</u>	<u>\$3,750.00</u>	<u>\$5,000.00</u>
<u>Permit Modifications</u>	<u>\$750.00</u>	<u>\$1,000.00</u>

<u>Permit Renewals</u>	<u>\$750.00</u>	<u>\$1,000.00</u>
<u>Transfers</u>	<u>\$100.00</u>	<u>\$100.00</u>

The fees may vary on the basis of the acreage, size, and nature of the proposed or permitted operations or modifications. In establishing the fee schedule, the Commission shall consider the administrative and personnel costs incurred by the Department for processing applications for permits and permit renewals and modifications and for related compliance activities and safeguards to prevent unusual fee assessments that would impose a serious economic burden on an individual applicant or a class of applicants.

(b) The total amount of permit fees collected for any fiscal year may not exceed one third of the total personnel and administrative costs incurred by the Department for processing applications for permits and permit renewals and modifications and for related compliance costs in the prior fiscal year. A fee for an application for a new permit may not exceed two thousand five hundred dollars (\$2,500), and a fee for an application to renew or modify a permit may not exceed five hundred dollars (\$500.00). The Mining Account is established as a nonreverting account within the Department. Fees collected under this section shall be credited to the Mining Account and shall be applied to the costs of administering this Article.

(c) The Department shall annually report on or before 1 September to the Environmental Review Commission, the Fiscal Research Division, and the Mining Commission on the cost of implementing this Article. The report shall include the fees established, collected, and disbursed under this section and any other information requested by the General Assembly or the Commission."

SECTION 30.2.(b) This section becomes effective July 1, 2007, and applies to applications submitted on or after that date.

WATER QUALITY PERMIT FEES

SECTION 30.3.(a) G.S. 143-215.3D reads as rewritten:

"§ 143-215.3D. Fee schedule for water quality permits.

- (a) Annual fees for discharge and nondischarge permits under G.S. 143-215.1. –
 - (1) Major Individual NPDES Permits. – The annual fee for an individual permit for a point source discharge of 1,000,000 or more gallons per day, a publicly owned treatment works (POTW) that administers a POTW pretreatment program, as defined in 40 Code of Federal Regulations § 403.3 (1 July 1996 Edition), or an industrial waste treatment works that has a high toxic pollutant potential ~~shall be two thousand eight hundred sixty five dollars (\$2,865).~~ is three thousand four hundred forty dollars (\$3,440).
 - (2) Minor Individual NPDES Permits. – The annual fee for an individual permit for a point source discharge other than a point source discharge to which subdivision (1) of this subsection applies ~~shall be seven hundred fifteen dollars (\$715.00).~~ is eight hundred sixty dollars (\$860.00).
 - (3) Single-Family Residence. – The annual fee for a certificate of coverage under a general permit for a point source discharge or an individual nondischarge permit from a single-family residence ~~shall be fifty dollars (\$50.00).~~ is sixty dollars (\$60.00).
 - (4) Stormwater and Wastewater Discharge General Permits. – The annual fee for a certificate of coverage under a general permit for a point

- 1 source discharge of stormwater or wastewater ~~shall be eighty dollars~~
2 ~~(\$80.00)~~ is one hundred dollars (\$100.00).
- 3 (5) Recycle Systems. – The annual fee for an individual permit for a
4 recycle system nondischarge permit ~~shall be three hundred dollars~~
5 ~~(\$300.00)~~ is three hundred sixty dollars (\$360.00).
- 6 (6) Major Nondischarge Permits. – The annual fee for an individual permit
7 for a nondischarge of 10,000 or more gallons per day or requiring 300
8 or more acres of land ~~shall be one thousand ninety dollars (\$1,090)~~ is
9 one thousand three hundred ten dollars (\$1,310).
- 10 (7) Minor Nondischarge Permits. – The annual fee for an individual
11 permit for a nondischarge of less than 10,000 gallons per day or
12 requiring less than 300 acres of land ~~shall be six hundred seventy five~~
13 ~~dollars (\$675.00)~~ is eight hundred ten dollars (\$810.00).
- 14 (8) Animal Waste Management Systems. – The annual fee for animal
15 waste management systems ~~shall be~~ is as set out in G.S. 143-215.10G.
- 16 (b) Application fee for new discharge and nondischarge permits. – An
17 application for a new permit of the type set out in subsection (a) of this section shall be
18 accompanied by an initial application fee equal to the annual fee for that permit. If a
19 permit is issued, the application fee ~~will~~ shall be applied as the annual fee for the first
20 year that the permit is in effect. If the application is denied, the application fee shall not
21 be refunded.
- 22 (c) Application and annual fees for consent special orders. –
- 23 (1) Major Consent Special Orders. – If the Commission enters into a
24 consent special order, assurance of voluntary compliance, or similar
25 document pursuant to G.S. 143-215.2 for an activity subject to an
26 annual fee under subdivision (1) or (6) of subsection (a) of this section,
27 the initial project fee ~~shall be~~ is four hundred dollars (\$400.00) and the
28 annual fee ~~shall be~~ is five hundred dollars (\$500.00). These fees ~~shall~~
29 ~~be~~ is in addition to the annual fee due under subsection (a) of this
30 section.
- 31 (2) Minor Consent Special Orders. – If the Commission enters into a
32 consent special order, assurance of voluntary compliance, or similar
33 document pursuant to G.S. 143-215.2 for an activity subject to an
34 annual fee under subdivision (2) or (7) of subsection (a) of this section,
35 the initial project fee ~~shall be~~ is four hundred dollars (\$400.00) and the
36 annual fee ~~shall be~~ is two hundred fifty dollars (\$250.00). These fees
37 ~~shall be~~ is in addition to the annual fee due under subsection (a) of this
38 section.
- 39 (d) Fee for major permit modifications. – An application for a major modification
40 of a permit of the type set out in subsection (a) of this section shall be accompanied by
41 an application fee equal to thirty percent (30%) of the annual fee applicable to that
42 permit. A major modification of a permit is any modification that would allow an
43 increase in the volume or pollutant load of the discharge or nondischarge or that would
44 result in a significant relocation of the point of discharge, as determined by the
45 Commission. This fee ~~shall be~~ is in addition to the fees due under subsections (a) and (c)
46 of this section. If the application is denied, the application fee shall not be refunded.
- 47 (e) Other fees under this Article. –
- 48 (1) Sewer System Extension Permits. – The application fee for a permit
49 for the construction of a new sewer system or for the extension of an
50 existing sewer system ~~shall be four hundred dollars (\$400.00)~~ is four
51 hundred eighty dollars (\$480.00).

- 1 (2) State Stormwater Permits. – The application fee for a permit regulating
2 stormwater runoff under G.S. 143-214.7 and G.S. 143-215.1 ~~shall be~~
3 ~~four hundred twenty dollars (\$420.00)~~ is five hundred five dollars
4 (\$505.00).
- 5 (3) Major Water Quality Certifications. – The fee for a water quality
6 certification involving one acre or more of wetland fill or 150 feet or
7 more of stream impact ~~shall be four hundred seventy five dollars~~
8 ~~(\$475.00)~~ is five hundred seventy dollars (\$570.00).
- 9 (4) Minor Water Quality Certifications. – The fee for a water quality
10 certification involving less than one acre of wetland fill or less than
11 150 feet of stream impact ~~shall be two hundred dollars (\$200.00)~~ is
12 two hundred forty dollars (\$240.00).
- 13 (5) Permit for Land Application of Petroleum Contaminated Soils. – The
14 fee for a permit to apply petroleum contaminated soil to land ~~shall be~~
15 ~~four hundred dollars (\$400.00)~~ is four hundred eighty dollars
16 (\$480.00).
- 17 (6) Fee Nonrefundable. – If an application for a permit or a certification
18 described in this subsection is denied, the application or certification
19 fee shall not be refunded.
- 20 (7) Limit Water Quality Certification Fee Required for CAMA Permit. –
21 An applicant for a permit under Article 7 of Chapter 113A of the
22 General Statutes for which a water quality certification is required
23 shall pay a fee established by the Secretary. The Secretary shall not
24 establish a fee that exceeds the greater of the fee for a permit under
25 Article 7 of Chapter 113A of the General Statutes or the fee for a water
26 quality certification under subdivision (3) or (4) of this subsection.
- 27 (f) Local Government Fee Authority Not Impaired. – This section shall not be
28 construed to limit any authority that a unit of local government may have pursuant to
29 any other provision of law to assess or collect a fee for the review of an application for a
30 permit, the review of a mitigation plan, or the inspection of a site or a facility under any
31 local program that is approved by the Commission under this Article."

32 **SECTION 30.3.(b)** G.S. 143-215.10G reads as rewritten:

33 "**§ 143-215.10G. Fees for animal waste management systems.**

34 (a) The Department shall charge an annual permit fee to an animal operation that
35 is subject to a permit under G.S. 143-215.10C for an animal waste management system
36 according to the following schedule:

- 37 (1) For a system with a design capacity of 38,500 or more and less than
38 100,000 pounds steady state live weight, ~~fifty dollars (\$50.00)~~ sixty
39 dollars (\$60.00).
- 40 (2) For a system with a design capacity of 100,000 or more and less than
41 800,000 pounds steady state live weight, ~~one hundred fifty dollars~~
42 ~~(\$150.00)~~ one hundred eighty dollars (\$180.00).
- 43 (3) For a system with a design capacity of 800,000 pounds or more steady
44 state live weight, ~~three hundred dollars (\$300.00)~~ three hundred sixty
45 dollars (\$360.00).

46 (a1) The Department shall charge an annual permit fee to a dry litter poultry
47 facility that is subject to a permit under G.S. 143-215.10C for an animal waste
48 management system according to the following schedule:

- 49 (1) For a system with a permitted capacity of less than 25,000 laying
50 chickens, less than 37,500 nonlaying chickens, or less than 16,500
51 turkeys, ~~fifty dollars (\$50.00)~~ sixty dollars (\$60.00).

- 1 (2) For a system with a permitted capacity of 25,000 or more but less than
 2 200,000 laying chickens, 37,500 or more but less than 290,000
 3 nonlaying chickens, 16,500 or more but less than 133,000 turkeys, ~~one~~
 4 ~~hundred fifty dollars (\$150.00).~~ one hundred eighty dollars (\$180.00).
 5 (3) For a system with a permitted capacity of more than 200,000 laying
 6 chickens, more than 290,000 nonlaying chickens, or more than
 7 133,000 turkeys, ~~three hundred dollars (\$300.00).~~ three hundred sixty
 8 dollars (\$360.00).

9 (b) An application for a new permit under this section shall be accompanied by
 10 an initial application fee equal to the annual fee for that permit. If a permit is issued, the
 11 application fee ~~will~~ shall be applied as the annual fee for the first year that the permit is
 12 in effect. If the application is denied, the application fee shall not be refunded.

13 (c) Fees collected under this section shall be credited to the Water and Air
 14 Quality Account. The Department shall use fees collected pursuant to this section to
 15 cover the costs of administering this Part."

16 **SECTION 30.3.(c)** G.S. 90A-42 reads as rewritten:

17 "**§ 90A-42. Fees.**

18 (a) The Commission, in establishing procedures for implementing the
 19 requirements of this Article, shall impose the following schedule of fees:

- 20 (1) Examination including Certificate, \$85.00;
 21 (2) Temporary Certificate, \$200.00;
 22 (3) Temporary Certification Renewal, \$300.00;
 23 (4) Conditional Certificate, \$75.00;
 24 (5) Repealed by Session Laws 1987, c. 582, s. 3.
 25 (6) Reciprocity Certificate, \$100.00;
 26 (6a) Voluntary Conversion Certificate, \$50.00;
 27 (7) Annual Renewal, ~~\$35.00;~~ \$50.00;
 28 (8) Replacement of Certificate, \$20.00;
 29 (9) Late Payment of Annual Renewal, \$50.00 penalty in addition to all
 30 current and past due annual renewal fees plus one hundred dollars
 31 (\$100.00) penalty per year for each year for which annual renewal fees
 32 were not paid prior to the current year; and
 33 (10) Mailing List Charges – The Commission may provide mailing lists of
 34 certified water pollution control system operators and of water
 35 pollution control system operators to persons who request such lists.
 36 The charge for such lists shall be twenty-five dollars (\$25.00) for each
 37 such list provided.

38 (b) The Water Pollution Control System Account is established as a nonreverting
 39 account within the Department. Fees collected under this section shall be credited to the
 40 Account and applied to the costs of administering this Article."

41 **SECTION 30.3.(d)** This section becomes effective July 1, 2007.

42
 43 **CERTIFICATE OF NEED FEE INCREASES TO MEET STATUTORY**
 44 **OBLIGATIONS**

45 **SECTION 30.4.(a)** G.S. 131E-177(9) reads as rewritten:

- 46 "(9) ~~Establish and collect~~ Collect fees for submitting applications for
 47 certificates of need. ~~The fee schedule established should generate~~
 48 ~~sufficient revenue to offset the entire cost of the certificate of need~~
 49 ~~program. This fee may not exceed seventeen thousand five hundred~~
 50 ~~dollars (\$17,500) and may not be less than two thousand dollars~~

1 (\$2,000). Fees collected under this subdivision shall be credited to the
 2 General Fund as nontax revenue."

3 **SECTION 30.4.(b)** G.S. 131E-182(c) reads as rewritten:

4 "(c) An application fee is imposed on an applicant for a certificate of need. An
 5 applicant must submit the fee with the application. All fees established by the
 6 Department for submitting an application for a certificate of need are due when the
 7 application is submitted. These fees are The fee is not refundable, regardless of whether
 8 a certificate of need is issued. Fees collected under this section shall be credited to the
 9 General Fund as nontax revenue. The application fee is five thousand dollars (\$5,000)
 10 plus an amount equal to three-tenths of one percent (.3%) of the amount of the capital
 11 expenditure proposed in the application that exceeds one million dollars (\$1,000,000).
 12 In no event may the fee exceed fifty thousand dollars (\$50,000)."

13 **SECTION 30.4.(c)** This section becomes effective July 1, 2007, and applies
 14 to applications submitted on or after that date.

15
 16 **HEALTH CARE FACILITY CONSTRUCTION PROJECT FEE INCREASES**
 17 **TO MEET STATUTORY OBLIGATIONS**

18 **SECTION 30.5.(a)** G.S. 131E-267 reads as rewritten:

19 "**§ 131E-267. Fees for departmental review of licensed health care facility or**
 20 **Medical Care Commission bond-financed construction projects.**

21 (a) The Department of Health and Human Services shall charge a fee for the
 22 review of each health care facility construction project to ensure that project plans and
 23 construction are in compliance with State law. The fee shall be charged on a one-time,
 24 per-project basis, as follows, and basis as provided in this section. In no event may a fee
 25 imposed under this section shall not exceed twenty five thousand dollars (\$25,000) two
 26 hundred thousand dollars (\$200,000) for any single project:project. The first seven
 27 hundred twelve thousand six hundred twenty-six dollars (\$712,626) in fees collected
 28 under this section shall remain in the Division of Facility Services. Additional fees
 29 collected shall be credited to the General Fund as nontax revenue and are intended to
 30 offset rather than replace appropriations made for this purpose.

Institutional Project	Project Fee
Hospitals	\$300.00 plus \$0.20/square foot of project space
Nursing Homes	\$250.00 plus \$0.16/square foot of project space
Ambulatory Surgical Facility	\$200.00 plus \$0.16/square foot of project space
Psychiatric Hospital	\$200.00 plus \$0.16/square foot of project space
Adult Care Home	
7 or more beds	\$175.00 plus \$0.10/square foot of project space

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 40 (b) The fee imposed for the review of a hospital construction project varies
 41 depending upon the square footage of the project:

<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
-0-	5,000	\$750.00 plus \$0.25 per square foot
5,000	10,000	\$1,500 plus \$0.40 per square foot
10,000	20,000	\$2,000 plus \$0.50 per square foot
20,000	NA	\$3,000 plus \$0.75 per square foot

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 47 (c) The fee imposed for the review of a nursing home construction project varies
 48 depending upon the square footage of the project:

<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
-0-	2,000	\$250.00 plus \$0.15 per square foot
2,000	NA	\$250.00 plus \$0.16 per square foot

(d) The fee imposed for the review of an ambulatory surgical facility construction project varies depending upon the square footage of the project:

<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
<u>-0-</u>	<u>2,000</u>	<u>\$200.00 plus \$0.15 per square foot</u>
<u>2,000</u>	<u>NA</u>	<u>\$250.00 plus \$0.20 per square foot</u>

(e) The fee imposed for the review of a psychiatric hospital construction project varies depending upon the square footage of the project:

<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
<u>-0-</u>	<u>5,000</u>	<u>\$200.00 plus \$0.16 per square foot</u>
<u>5,000</u>	<u>10,000</u>	<u>\$200.00 plus \$0.25 per square foot</u>
<u>10,000</u>	<u>20,000</u>	<u>\$300.00 plus \$0.45 per square foot</u>
<u>20,000</u>	<u>NA</u>	<u>\$400.00 plus \$0.45 per square foot</u>

(f) The fee imposed for the review of an adult care home construction project varies depending upon the square footage of the project:

<u>Over</u>	<u>Up To</u>	<u>Project Fee</u>
<u>-0-</u>	<u>2,000</u>	<u>\$175.00 plus \$0.10 per square foot</u>
<u>2,000</u>	<u>NA</u>	<u>\$175.00 plus \$0.20 per square foot</u>

(g) The fee imposed for the review of the following residential construction projects is:

<u>Residential Project</u>	<u>Project Fee</u>
Family Care Homes	\$175.00 <u>\$200.00</u> flat fee
ICF/MR Group Homes	\$275.00 <u>\$300.00</u> flat fee
Group Homes: 1-3 beds	\$100.00 flat fee
Group Homes: 4-6 beds	\$175.00 <u>\$200.00</u> flat fee
Group Homes: 7-9 beds	\$225.00 <u>\$250.00</u> flat fee
Other residential:	
More than 9 beds	\$225.00 plus \$0.075/square foot of project space.
<u>More than 9 beds</u>	<u>\$250.00 plus \$0.75 per square foot of project space."</u>

SECTION 30.5.(b) This section becomes effective July 1, 2007, and applies to applications for review submitted on or after that date.

CHANGE CORPORATE ANNUAL REPORT FEES

SECTION 30.6.(a) G.S. 55-1-22(a) reads as rewritten:

"(a) The Secretary of State shall collect the following fees when the documents described in this subsection are delivered to the Secretary for filing:

Document	Fee
(1) Articles of incorporation	\$125.00
(2) Application for reserved name	30.00
(3) Notice of transfer of reserved name	10.00
(4) Application for registered name	10.00
(5) Application for renewal of registered name	10.00
(6) Corporation's statement of change of registered agent or registered office or both	5.00
(7) Agent's statement of change of registered office for each affected corporation	5.00
(8) Agent's statement of resignation	No fee
(9) Designation of registered agent or registered office or both	5.00
(10) Amendment of articles of incorporation	50.00
(11) Restated articles of incorporation with amendment of articles	10.00
(12) Articles of merger or share exchange	50.00

1	(12a)	Articles of conversion (other than articles of conversion included as	
2		part of another document)	50.00
3	(13)	Articles of dissolution	30.00
4	(14)	Articles of revocation of dissolution	10.00
5	(15)	Certificate of administrative dissolution	No fee
6	(16)	Application for reinstatement following administrative dissolution	100.00
7	(17)	Certificate of reinstatement	No fee
8	(18)	Certificate of judicial dissolution	No fee
9	(19)	Application for certificate of authority	250.00
10	(20)	Application for amended certificate of authority	75.00
11	(21)	Application for certificate of withdrawal	25.00
12	(22)	Certificate of revocation of authority to transact business	No fee
13	(23)	Annual report (paper)	20.00 25.00
14	(23a)	Annual report (electronic)	18.00
15	(24)	Articles of correction	10.00
16	(25)	Application for certificate of existence or authorization (paper)	15.00
17	(25a)	Application for certificate of existence or authorization (electronic)	10.00
18	(26)	Any other document required or permitted to be filed by this Chapter	10.00
19	(27)	Repealed by Session Laws 2001-358, s. 6(b), effective January 1, 2002."	

SECTION 30.6.(b) G.S. 105-122.1 reads as rewritten:

"§ 105-122.1. Credit for additional annual report fees paid by limited liability companies subject to franchise tax.

A limited liability company subject to tax under this Article is allowed a credit against the tax imposed by this Article equal to the difference between the annual report fee for corporations under ~~G.S. 55-1-22~~ G.S. 55-1-22(a)(23) and the annual report fee for limited liability companies under G.S. 57C-1-22(a). The credit allowed by this section may not exceed the amount of tax imposed by this Article for the taxable year reduced by the sum of all credits allowed, except payments of tax made by or on behalf of the taxpayer."

SECTION 30.6.(c) Subsection (a) of this section becomes effective July 1, 2007, and applies to annual reports filed on or after that date. Subsection (b) of this section is effective for taxable years beginning on or after January 1, 2007. The remainder of this section is effective when it becomes law.

INCREASE PRIMARY FOREST PRODUCTS ASSESSMENT RATES

SECTION 30.7.(a) G.S. 113A-194(b) reads as rewritten:

"(b) The assessment levied on primary forest products shall be at the following rates:

- (1) ~~Fifty cents (50¢)~~ One dollar (\$1.00) per thousand board feet for softwood sawtimber, veneer logs and bolts, and all other softwood products normally measured in board feet;
- (2) ~~Forty cents (40¢)~~ Eighty cents (80¢) per thousand board feet for hardwood and bald cypress sawtimber, veneer, and all other hardwood and bald cypress products normally measured in board feet;
- (3) ~~Twenty cents (20¢)~~ Forty cents (40¢) per cord for softwood pulpwood and other softwood products normally measured in cords;
- (4) ~~Twelve cents (12¢)~~ Twenty-four cents (24¢) per cord for hardwood pulpwood and other hardwood and bald cypress products normally measured in cords;
- (5) All material harvested within North Carolina for shipment outside the State for primary processing will be assessed at a percentage of the

1 invoice value. This percentage will be established to yield rates equal
2 to those if the material were processed within the State."

3 **SECTION 30.7.(b)** This section becomes effective July 1, 2007, and applies
4 to assessments made on or after that date.

5
6 **INCREASE COURT FEES AND AMEND THE ACCESS TO CIVIL JUSTICE**
7 **ACT**

8 **SECTION 30.8.(a)** G.S. 7A-304(a) reads as rewritten:

9 "(a) In every criminal case in the superior or district court, wherein the defendant
10 is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed
11 against the prosecuting witness, the following costs shall be assessed and collected,
12 except that when the judgment imposes an active prison sentence, costs shall be
13 assessed and collected only when the judgment specifically so provides, and that no
14 costs may be assessed when a case is dismissed.

- 15 (1) For each arrest or personal service of criminal process, including
16 citations and subpoenas, the sum of five dollars (\$5.00), to be remitted
17 to the county wherein the arrest was made or process was served,
18 except that in those cases in which the arrest was made or process
19 served by a law-enforcement officer employed by a municipality, the
20 fee shall be paid to the municipality employing the officer.
- 21 (2) For the use of the courtroom and related judicial facilities, the sum of
22 twelve dollars (\$12.00) in the district court, including cases before a
23 magistrate, and the sum of thirty dollars (\$30.00) in superior court, to
24 be remitted to the county in which the judgment is rendered. In all
25 cases where the judgment is rendered in facilities provided by a
26 municipality, the facilities fee shall be paid to the municipality. Funds
27 derived from the facilities fees shall be used exclusively by the county
28 or municipality for providing, maintaining, and constructing adequate
29 courtroom and related judicial facilities, including: adequate space and
30 furniture for judges, district attorneys, public defenders and other
31 personnel of the Office of Indigent Defense Services, magistrates,
32 juries, and other court related personnel; office space, furniture and
33 vaults for the clerk; jail and juvenile detention facilities; free parking
34 for jurors; and a law library (including books) if one has heretofore
35 been established or if the governing body hereafter decides to establish
36 one. In the event the funds derived from the facilities fees exceed what
37 is needed for these purposes, the county or municipality may, with the
38 approval of the Administrative Officer of the Courts as to the amount,
39 use any or all of the excess to retire outstanding indebtedness incurred
40 in the construction of the facilities, or to reimburse the county or
41 municipality for funds expended in constructing or renovating the
42 facilities (without incurring any indebtedness) within a period of two
43 years before or after the date a district court is established in such
44 county, or to supplement the operations of the General Court of Justice
45 in the county.
- 46 (3) For the retirement and insurance benefits of both State and local
47 government law-enforcement officers, the sum of six dollars and
48 twenty-five cents (\$6.25), to be remitted to the State Treasurer. Fifty
49 cents (50¢) of this sum shall be administered as is provided in Article
50 12C of Chapter 143 of the General Statutes. Five dollars and
51 seventy-five cents (\$5.75) of this sum shall be administered as is

1 provided in Article 12E of Chapter 143 of the General Statutes, with
2 one dollar and twenty-five cents (\$1.25) being administered in
3 accordance with the provisions of G.S. 143-166.50(e).

4 (3a) For the supplemental pension benefits of sheriffs, the sum of one
5 dollar twenty-five cents (\$1.25) to be remitted to the Department of
6 Justice and administered under the provisions of Article 12G of
7 Chapter 143 of the General Statutes.

8 (4) For support of the General Court of Justice, the sum of ~~eighty-five~~
9 ~~dollars and fifty cents (\$85.50)~~ ninety-five dollars and fifty cents
10 (\$95.50) in the district court, including cases before a magistrate, and
11 the sum of ~~ninety-two dollars and fifty cents (\$92.50)~~ one hundred two
12 dollars and fifty cents (\$102.50) in the superior court, to be remitted to
13 the State Treasurer. For a person convicted of a felony in superior
14 court who has made a first appearance in district court, both the district
15 court and superior court fees shall be assessed. The State Treasurer
16 shall remit the sum of ~~one dollar and five cents (\$1.05)~~ two dollars and
17 five cents (\$2.05) of each fee collected under this subdivision to the
18 North Carolina State Bar for the provision of services described in
19 G.S. 7A-474.4, and ninety-five cents (\$.95) of each fee collected under
20 this subdivision to the North Carolina State Bar for the provision of
21 services described in G.S. 7A-474.19.

22 (5) For using pretrial release services, the district or superior court judge
23 shall, upon conviction, impose a fee of fifteen dollars (\$15.00) to be
24 remitted to the county providing the pretrial release services. This cost
25 shall be assessed and collected only if the defendant had been accepted
26 and released to the supervision of the agency providing the pretrial
27 release services.

28 (6) For support of the General Court of Justice, ~~for the issuance by the~~
29 ~~clerk of a report to the Division of Motor Vehicles pursuant to~~
30 ~~G.S. 20-24.2, the sum of fifty dollars (\$50.00), to be remitted to the~~
31 ~~State Treasurer. one hundred dollars (\$100.00) is payable by a~~
32 ~~defendant who fails to do one or more of the following:~~

33 a. Fails to appear to answer the charge as scheduled, unless within
34 20 days after the scheduled appearance, the person either
35 appears in court to answer the charge or disposes of the charge
36 pursuant to G.S. 7A-146.

37 b. Fails to pay a fine, penalty, or costs within 20 days of the date
38 specified in the court's judgment.

39 Upon a showing to the court that the defendant failed to appear
40 because of an error or omission of a judicial official, a prosecutor, or a
41 law-enforcement officer, the court shall waive this fee. This fee shall
42 be remitted to the State Treasurer.

43 (7) For the services of the State Bureau of Investigation laboratory
44 facilities, the district or superior court judge shall, upon conviction,
45 order payment of the sum of three hundred dollars (\$300.00) to be
46 remitted to the Department of Justice for support of the State Bureau
47 of Investigation. This cost shall be assessed only in cases in which, as
48 part of the investigation leading to the defendant's conviction, the
49 laboratories have performed DNA analysis of the crime, tests of bodily
50 fluids of the defendant for the presence of alcohol or controlled
51 substances, or analysis of any controlled substance possessed by the

1 defendant or the defendant's agent. The court may waive or reduce the
2 amount of the payment required by this subdivision upon a finding of
3 just cause to grant such a waiver or reduction.

- 4 (8) For the services of any crime laboratory facility operated by a local
5 government or group of local governments, the district or superior
6 court judge shall, upon conviction, order payment of the sum of three
7 hundred dollars (\$300.00) to be remitted to the general fund of the
8 local governmental unit that operates the laboratory to be used for law
9 enforcement purposes. The cost shall be assessed only in cases in
10 which, as part of the investigation leading to the defendant's
11 conviction, the laboratory has performed DNA analysis of the crime,
12 test of bodily fluids of the defendant for the presence of alcohol or
13 controlled substances, or analysis of any controlled substance
14 possessed by the defendant or the defendant's agent. The costs shall be
15 assessed only if the court finds that the work performed at the local
16 government's laboratory is the equivalent of the same kind of work
17 performed by the State Bureau of Investigation under subdivision (7)
18 of this subsection. The court may waive or reduce the amount of the
19 payment required by this subdivision upon a finding of just cause to
20 grant such a waiver or reduction.

- 21 (9) For support of the General Court of Justice, for the issuance by the
22 clerk of a report to the Division of Motor Vehicles of any conviction of
23 a person for a violation under Chapter 20 of the General Statutes while
24 operating a vehicle for which a commercial drivers license is required,
25 the sum of one hundred dollars (\$100.00), to be remitted to the State
26 Treasurer."

27 **SECTION 30.8.(b)** G.S. 7A-305(a) reads as rewritten:

28 "(a) In every civil action in the superior or district court, except for actions
29 brought under Chapter 50B of the General Statutes, the following costs shall be
30 assessed:

- 31 (1) For the use of the courtroom and related judicial facilities, the sum of
32 twelve dollars (\$12.00) in cases heard before a magistrate, and the sum
33 of sixteen dollars (\$16.00) in district and superior court, to be remitted
34 to the county in which the judgment is rendered, except that in all
35 cases in which the judgment is rendered in facilities provided by a
36 municipality, the facilities fee shall be paid to the municipality. Funds
37 derived from the facilities fees shall be used in the same manner, for
38 the same purposes, and subject to the same restrictions, as facilities
39 fees assessed in criminal actions.
- 40 (2) For support of the General Court of Justice, the sum of ~~seventy-nine~~
41 ~~dollars (\$79.00)~~ ninety-three dollars (\$93.00) in the superior court,
42 except that if a case is assigned to a special superior court judge as a
43 complex business case under G.S. 7A-45.3, an additional two hundred
44 dollars (\$200.00) shall be paid upon its assignment, and the sum of
45 ~~sixty-four dollars (\$64.00)~~ seventy-three dollars (\$73.00) in the district
46 court except that if the case is assigned to a magistrate the sum shall be
47 ~~fifty-three dollars (\$53.00)~~ sixty-three dollars (\$63.00). Sums
48 collected under this subdivision shall be remitted to the State
49 Treasurer. The State Treasurer shall remit the sum of ~~one dollar and~~
50 ~~five cents (\$1.05)~~ two dollars and five cents (\$2.05) of each fee
51 collected under this subdivision to the North Carolina State Bar for the

1 provision of services described in G.S. 7A-474.4, and ninety-five cents
2 (\$.95) of each fee collected under this subdivision to the North
3 Carolina State Bar for the provision of services described in
4 G.S. 7A-474.19."

5 **SECTION 30.8.(c)** G.S. 7A-306(a) reads as rewritten:

6 "(a) In every special proceeding in the superior court, the following costs shall be
7 assessed:

- 8 (1) For the use of the courtroom and related judicial facilities, the sum of
9 ten dollars (\$10.00) to be remitted to the county. Funds derived from
10 the facilities fees shall be used in the same manner, for the same
11 purposes, and subject to the same restrictions, as facilities fees
12 assessed in criminal actions.
- 13 (2) For support of the General Court of Justice the sum of forty dollars
14 (\$40.00). In addition, in proceedings involving land, except boundary
15 disputes, if the fair market value of the land involved is over one
16 hundred dollars (\$100.00), there shall be an additional sum of thirty
17 cents (30¢) per one hundred dollars (\$100.00) of value, or major
18 fraction thereof, not to exceed a maximum additional sum of two
19 hundred dollars (\$200.00). Fair market value is determined by the sale
20 price if there is a sale, the appraiser's valuation if there is no sale, or
21 the appraised value from the property tax records if there is neither a
22 sale nor an appraiser's valuation. Sums collected under this subdivision
23 shall be remitted to the State Treasurer. The State Treasurer shall remit
24 the sum of ~~one dollar and five cents (\$1.05)~~ two dollars and five cents
25 (\$2.05) of each forty-dollar (\$40.00) General Court of Justice fee
26 collected under this subdivision to the North Carolina State Bar for the
27 provision of services described in G.S. 7A-474.4."

28 **SECTION 30.8.(d)** G.S. 7A-307(a) reads as rewritten:

29 "(a) In the administration of the estates of decedents, minors, incompetents, of
30 missing persons, and of trusts under wills and under powers of attorney, in trust
31 proceedings under G.S. 36A-23.1, and in collections of personal property by affidavit,
32 the following costs shall be assessed:

- 33 (1) For the use of the courtroom and related judicial facilities, the sum of
34 ten dollars (\$10.00), to be remitted to the county. Funds derived from
35 the facilities fees shall be used in the same manner, for the same
36 purposes, and subject to the same restrictions, as facilities fees
37 assessed in criminal actions.
- 38 (2) For support of the General Court of Justice, the sum of ~~forty dollars~~
39 ~~(\$40.00)~~, fifty dollars (\$50.00), plus an additional forty cents (40¢) per
40 one hundred dollars (\$100.00), or major fraction thereof, of the gross
41 estate, not to exceed six thousand dollars (\$6,000). Gross estate shall
42 include the fair market value of all personalty when received, and all
43 proceeds from the sale of realty coming into the hands of the fiduciary,
44 but shall not include the value of realty. In collections of personal
45 property by affidavit, the fee based on the gross estate shall be
46 computed from the information in the final affidavit of collection made
47 pursuant to G.S. 28A-25-3 and shall be paid when that affidavit is
48 filed. In all other cases, this fee shall be computed from the
49 information reported in the inventory and shall be paid when the
50 inventory is filed with the clerk. If additional gross estate, including
51 income, comes into the hands of the fiduciary after the filing of the

inventory, the fee for such additional value shall be assessed and paid upon the filing of any account or report disclosing such additional value. For each filing the minimum fee shall be fifteen dollars (\$15.00). Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of ~~one dollar and five cents (\$1.05)~~ two dollars and five cents (\$2.05) of each ~~forty dollar (\$40.00)~~ fifty-dollar (\$50.00) General Court of Justice fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4.

(2a) Notwithstanding subdivision (2) of this subsection, the fee of forty cents (40¢) per one hundred dollars (\$100.00), or major fraction, of the gross estate, not to exceed six thousand dollars (\$6,000), shall not be assessed on personalty received by a trust under a will when the estate of the decedent was administered under Chapters 28 or 28A of the General Statutes. Instead, a fee of twenty dollars (\$20.00) shall be assessed on the filing of each annual and final account.

(2b) Notwithstanding subdivisions (1) and (2) of this subsection, no costs shall be assessed when the estate is administered or settled pursuant to G.S. 28A-25-6.

(2c) Notwithstanding subdivision (2) of this subsection, the fee of forty cents (40¢) per one hundred dollars (\$100.00), or major fraction, of the gross estate shall not be assessed on the gross estate of a trust that is the subject of a proceeding under G.S. 36A-23.1 if there is no requirement in the trust that accountings be filed with the clerk.

(3) For probate of a will without qualification of a personal representative, the clerk shall assess a facilities fee as provided in subdivision (1) of this subsection and shall assess for support of the General Court of Justice, the sum of twenty dollars (\$20.00)."

SECTION 30.8.(e) G.S. 7A-308(a)(1) reads as rewritten:

"(a) The following miscellaneous fees and commissions shall be collected by the clerk of superior court and remitted to the State for the support of the General Court of Justice:

- (1) Foreclosure under power of sale in deed of trust or mortgage ~~\$60.00~~\$75.00
If the property is sold under the power of sale, an additional amount will be charged, determined by the following formula: forty-five cents (.45) per one hundred dollars (\$100.00), or major fraction thereof, of the final sale price. If the amount determined by the formula is less than ten dollars (\$10.00), a minimum ten dollar (\$10.00) fee will be collected. If the amount determined by the formula is more than ~~three hundred dollars (\$300.00)~~, five hundred dollars (\$500.00), a maximum ~~three hundred dollar (\$300.00)~~ five hundred-dollar (\$500.00) fee will be collected."

SECTION 30.8.(f) G.S. 7A-308(a)(17) reads as rewritten:

"(a) The following miscellaneous fees and commissions shall be collected by the clerk of superior court and remitted to the State for the support of the General Court of Justice:

- ...
(17) Criminal record search except if search is requested by an agency of the State or any of its political subdivisions or by an agency of the United States or by a petitioner in a proceeding under Article 2 of General Statutes Chapter 20 ~~10.00~~15.00"

SECTION 30.8.(g) G.S. 7A-474.1 reads as rewritten:

1 **"§ 7A-474.1. Legislative findings and purpose.**

2 The General Assembly of North Carolina declares it to be its purpose to provide
3 access to legal representation for indigent persons in certain kinds of civil matters. The
4 General Assembly finds that such representation can best be provided in an efficient,
5 effective, and economic manner through ~~five geographically based field~~ the established
6 legal services programs in this State."

7 **SECTION 30.8.(h)** G.S. 7A-474.2(4) reads as rewritten:

8 **"§ 7A-474.2. Definitions.**

9 The following definitions shall apply throughout this Article, unless the context
10 otherwise requires:

11 ...
12 (4) "~~Geographically based field~~ "Established legal services programs"
13 means the following not-for-profit corporations using State funds to
14 serve the counties listed: Legal Services of the Southern Piedmont,
15 serving Cabarrus, Gaston, Mecklenburg, Stanly, and Union Counties;
16 Legal Aid Society of Northwest North Carolina, serving Davie,
17 Forsyth, Iredell, Stokes, Surry, and Yadkin Counties; ~~North Central~~
18 ~~Legal Assistance Program, serving Durham, Franklin, Granville,~~
19 ~~Person, Vance, and Warren Counties;~~ Pisgah Legal Services, serving
20 Buncombe, Henderson, Madison, Polk, Rutherford, and Transylvania
21 Counties; and Legal Services Aid of North Carolina, serving ~~83~~
22 counties in North Carolina; a statewide program; or any successor
23 entity or entities of the named organizations, or, should any of the
24 named organizations dissolve, the entity or entities providing
25 substantially the same services in substantially the same service area."

26 **SECTION 30.8.(i)** G.S. 7A-474.4 reads as rewritten:

27 **"§ 7A-474.4. Funds.**

28 Funds to provide representation pursuant to this Article shall be provided to the
29 North Carolina State Bar for provision of direct services by and support of the
30 ~~geographically based field~~ established legal services programs. The North Carolina
31 State Bar shall allocate these funds directly to each of the ~~five geographically based~~
32 ~~field~~ established legal services programs based upon the eligible client population in
33 each ~~area program, area,~~ with Pisgah Legal Services receiving the allocation for
34 Buncombe, Henderson, Madison, Polk, Rutherford, and Transylvania ~~Counties, based~~
35 ~~upon the eligible client population in each area program. Counties; Legal Aid Society of~~
36 Northwest North Carolina receiving half of the allocation for Davie, Forsyth, Iredell,
37 Stokes, Surry, and Yadkin Counties; and Legal Services of Southern Piedmont
38 receiving half of the allocation for Cabarras, Gaston, Mecklenburg, Stanly, and Union
39 Counties. The North Carolina State Bar shall not use any of these funds for its
40 administrative costs."

41 **SECTION 30.8.(j)** G.S. 7A-474.5 reads as rewritten:

42 **"§ 7A-474.5. Records and reports.**

43 The ~~geographically based field~~ established legal services programs shall keep
44 appropriate records and make periodic reports, as requested, to the North Carolina State
45 Bar."

46 **SECTION 30.8.(k)** G.S. 84-4.1(7) reads as rewritten:

47 **"§ 84-4.1. Limited practice of out-of-state attorneys.**

48 Any attorney domiciled in another state, and regularly admitted to practice in the
49 courts of record of and in good standing in that state, having been retained as attorney
50 for a party to any civil or criminal legal proceeding pending in the General Court of
51 Justice of North Carolina, the North Carolina Utilities Commission, the North Carolina

1 Industrial Commission, the Office of Administrative Hearings of North Carolina, or any
2 administrative agency, may, on motion, be admitted to practice in that forum for the
3 sole purpose of appearing for a client in the proceeding. The motion required under this
4 section shall be signed by the attorney and shall contain or be accompanied by:

- 5 ...
6 (7) A fee in the amount of ~~one hundred twenty five dollars (\$125.00)~~, two
7 hundred twenty-five dollars (\$225.00), of which ~~one hundred dollars~~
8 ~~(\$100.00)~~ two hundred dollars (\$200.00) shall be remitted to the State
9 Treasurer for support of the General Court of Justice and twenty-five
10 dollars (\$25.00) shall be transmitted to the North Carolina State Bar to
11 regulate the practice of out-of-state attorneys as provided in this
12 section.

13 Compliance with the foregoing requirements does not deprive the court of the
14 discretionary power to allow or reject the application."

15 **SECTION 30.8.(1)** Subsection (a) of this section becomes effective July 1,
16 2007, and applies to all costs assessed or collected on or after that date, except that in
17 misdemeanor or infraction cases disposed of on or after that date by written appearance,
18 waiver of trial or hearing, and plea of guilt or admission of responsibility pursuant to
19 G.S. 7A-180(4) or G.S. 7A-273(2), in which the citation or other criminal process was
20 issued before that date, the cost shall be the lesser of those specified in G.S. 7A-304(a),
21 as amended by subsection (a) of this section, or those specified in the notice portion of
22 the defendant's or respondent's copy of the citation or other criminal process, if any
23 costs are specified in that notice. Subsections (b), (c), (d), (e), (f), and (k) of this section
24 become effective July 1, 2007, and apply to all costs assessed or collected on or after
25 that date. The remainder of this section becomes effective July 1, 2007.

26 **COLLECTION OF OUTSTANDING FINES AND FEES BY THE COURTS**

27 **SECTION 30.9.(a)** G.S. 7A-321 reads as rewritten:

28 "**§ 7A-321. Collection of offender fines and fees assessed by the court.**

29 (a) The Judicial Department may, in lieu of payment by cash or check, accept
30 payment by credit card, charge card, or debit card for the fines, fees, and costs owed to
31 the courts by offenders.

32 (b) In attempting to collect the fines, fees, and costs owed by offenders not
33 sentenced to supervised probation, the Department may:

34 (1) Assess a collection assistance fee if an amount due remains unpaid for
35 30 days after the time period allotted by the court. The amount of the
36 collection assistance fee shall not exceed the average cost of collecting
37 the debt or twenty percent (20%) of the amount past due, whichever is
38 less.

39 (2) Enter into contracts with a collection agency or agencies to collect
40 unpaid fines, fees, and costs owed by offenders not sentenced to
41 supervised probation.

42 (3) Intercept tax refund checks under Chapter 105A of the General
43 Statutes, the Setoff Debt Collection Act."

44 **SECTION 30.9.(b)** This section becomes effective July 1, 2007, and applies
45 to cases adjudicated on or after that date.

46 **INCREASE AND CLARIFY CERTAIN COURT COSTS**

47 **SECTION 30.10.(a)** G.S. 7A-305(a1) is amended by adding a new
48 subsection to read:
49
50

"(a1) Costs apply to any and all additional and subsequent actions filed by amendment to the original action brought under Chapter 50B of the General Statutes, unless such additional and subsequent amendment to the action is also brought under Chapter 50B of the General Statutes."

SECTION 30.10.(b) G.S. 7A-307(a)(2a) reads as rewritten:

"(a) In the administration of the estates of decedents, minors, incompetents, of missing persons, and of trusts under wills and under powers of attorney, in trust proceedings under G.S. 36A-23.1, and in collections of personal property by affidavit, the following costs shall be assessed:

...
(2a) Notwithstanding subdivision (2) of this subsection, the fee of forty cents (40¢) per one hundred dollars (\$100.00), or major fraction, of the gross estate, not to exceed six thousand dollars (\$6,000), shall not be assessed on personalty received by a trust under a will when the estate of the decedent was administered under Chapters 28 or 28A of the General Statutes. Instead, a fee of twenty dollars (\$20.00) shall be assessed on the filing of each annual and final account. However, the fee shall be assessed on newly contributed or acquired assets, all interest or other income that accrues or is earned on or with respect to any existing or newly contributed or acquired assets, and realized gains on the sale of any and all trust assets. Newly contributed or acquired assets do not include assets acquired by the sale, transfer, exchange, or otherwise of the amount of trust property on which fees were previously assessed.

...."
SECTION 30.10.(c) G.S. 7A-308(a)(12) reads as rewritten:

"(a) The following miscellaneous fees and commissions shall be collected by the clerk of superior court and remitted to the State for the support of the General Court of Justice:

- ...
- (12) Preparation of copies
 - first page (of each document copied)..... 2.00
 - each additional page or fraction thereof..... .25

...."
SECTION 30.10.(d) G.S. 7A-317 reads as rewritten:

"§ 7A-317. Counties and municipalities not required to advance certain fees.

Counties and municipalities are not required to advance ~~costs for the facilities fee, the General Court of Justice fee, the miscellaneous fees enumerated in G.S. 7A-308, or the civil process fees enumerated in G.S. 7A-311.~~

SECTION 30.10.(e) G.S. 20-16.5(j) reads as rewritten:

"(j) Costs. – Unless the magistrate or judge orders the revocation rescinded, a person whose license is revoked under this section must pay a fee of ~~fifty dollars (\$50.00)~~ one hundred dollars (\$100.00) as costs for the action before the person's license may be returned under subsection ~~(h)~~. (h) of this section. ~~The costs collected under this section shall be credited to the General Fund.~~ Fifty percent (50%) of the costs collected shall be remitted to the General Fund and be used to fund a statewide chemical alcohol testing program administered by the Injury Control Section of the Department of Health and Human Services. The remaining fifty percent (50%) shall be remitted to the county for the sole purpose of reimbursing the county for jail expenses incurred due to enforcement of the impaired driving laws."

SECTION 30.10.(f) G.S. 130A-106(b) is repealed.

1 **SECTION 30.10.(g)** G.S. 130A-107(d) is repealed.

2 **SECTION 30.10.(h)** Subsection (d) of this act becomes effective July 1,
3 2008. The remainder of this act becomes effective July 1, 2007, and applies to all costs
4 assessed or collected on or after that date.

5
6 **PART XXXI. TAX LAW CHANGES**

7
8 **SET INSURANCE REGULATORY FEE**

9 **SECTION 31.12.(a)** The percentage rate to be used in calculating the
10 insurance regulatory charge under G.S. 58-6-25 is five and one-half percent (5.5%) for
11 the 2007 calendar year.

12 **SECTION 31.12.(b)** This section is effective when it becomes law.

13
14 **SET REGULATORY FEE FOR UTILITIES COMMISSION**

15 **SECTION 31.13.(a)** The percentage rate to be used in calculating the public
16 utility regulatory fee under G.S. 62-302(b)(2) is twelve one-hundredths of one percent
17 (0.12%) for each public utility's North Carolina jurisdictional revenues earned during
18 each quarter that begins on or after July 1, 2007.

19 **SECTION 31.13.(b)** The electric membership corporation regulatory fee
20 imposed under G.S. 62-302(b1) for the 2007-2008 fiscal year is two hundred thousand
21 dollars (\$200,000).

22 **SECTION 31.13.(c)** This section becomes effective July 1, 2007.

23
24 **PART XXXII. MISCELLANEOUS PROVISIONS**

25
26 **STATE BUDGET ACT APPLIES**

27 **SECTION 32.1.** The provisions of the State Budget Act, Chapter 143C of
28 the General Statutes, are reenacted and shall remain in full force and effect and are
29 incorporated in this act by reference.

30
31 **COMMITTEE REPORT**

32 **SECTION 32.2.(a)** The Senate Appropriations/Base Budget Committee
33 Report on the Continuation, Expansion and Capital Budgets House Bill 1473
34 Committee Substitute, which was distributed in the Senate and House of
35 Representatives and used to explain this act, shall indicate action by the General
36 Assembly on this act and shall therefore be used to construe this act, as provided in the
37 State Budget Act, Chapter 143C of the General Statutes, or the Executive Budget Act,
38 Chapter 143 of the General Statutes, as appropriate, and for these purposes shall be
39 considered a part of this act and as such shall be printed as a part of the Session Laws.

40 **SECTION 32.2.(b)** The budget enacted by the General Assembly for the
41 maintenance of the various departments, institutions, and other spending agencies of the
42 State for the 2007-2009 fiscal biennium is a line-item budget, in accordance with the
43 Budget Code Structure and the State Accounting System Uniform Chart of Accounts set
44 out in the Administrative Policies and Procedures Manual of the Office of the State
45 Controller. This budget includes the appropriations made from all sources, including
46 the General Fund, Highway Fund, special funds, cash balances, federal receipts, and
47 departmental receipts.

48 The Director of the Budget submitted the itemized budget requests to the
49 General Assembly in February 2007, in the documents "The North Carolina State
50 Budget Summary of Recommendations 2007-2009" and "The North Carolina State
51 Budget 2007-2009 Recommended Operating Budget with Results-Based Information"

1 volumes one through six. The beginning appropriation for the 2007-2008 fiscal year and
2 the 2008-2009 fiscal year for the various departments, institutions, and other spending
3 agencies of the State is referenced in Tables 3 and 4 of the Summary of
4 Recommendations document as the recommended continuation budget.

5 **SECTION 32.2.(c)** The budget enacted by the General Assembly shall also
6 be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and
7 other appropriate legislation.

8 In the event that there is a conflict between the line-item budget certified by
9 the Director of the Budget and the budget enacted by the General Assembly, the budget
10 enacted by the General Assembly shall prevail.

11
12 **MOST TEXT APPLIES ONLY TO THE 2007-2009 FISCAL BIENNIUM**

13 **SECTION 32.3.** Except for statutory changes or other provisions that clearly
14 indicate an intention to have effects beyond the 2007-2009 fiscal biennium, the textual
15 provisions of this act apply only to funds appropriated for, and activities occurring
16 during, the 2007-2009 fiscal biennium.

17
18 **EFFECT OF HEADINGS**

19 **SECTION 32.4.** The headings to the parts and sections of this act are a
20 convenience to the reader and are for reference only. The headings do not expand,
21 limit, or define the text of this act, except for effective dates referring to a part.

22
23 **SEVERABILITY CLAUSE**

24 **SECTION 32.5.** If any section or provision of this act is declared
25 unconstitutional or invalid by the courts, it does not affect the validity of this act as a
26 whole or any part other than the part so declared to be unconstitutional or invalid.

27
28 **EFFECTIVE DATE**

29 **SECTION 32.6.** Except as otherwise provided, this act becomes effective
30 July 1, 2007.